

RatingsDirect®

Summary:

Texas Department of Housing & Community Affairs; Multifamily Multiple MBS; Single Family Multiple MBS

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Summary:

Texas Department of Housing & Community Affairs; Multifamily Multiple MBS; Single Family Multiple MBS

Credit Profile		
US\$150.0 mil residential mtg rev bnds (non-amt) ser 2024C due 07/01/2054		
Long Term Rating	AA+/Stable	New
US\$100.0 mil residential mtg rev bnds ser 2024D due 01/01/2054		
Long Term Rating	AA+/Stable	New
Texas Department of Housing & Community Affairs residential mtg rev bnds		
Long Term Rating	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to Texas Department of Housing & Community Affairs' (TDHCA) roughly \$150 million series 2024C and roughly \$100 million series 2024D residential-mortgage revenue bonds (RMRBs).
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on TDHCA's parity debt under the RMRB indenture.
- The outlook is stable.

Security

Bonds issued within the RMRB indenture are limited obligations of TDHCA, payable solely from revenue, assets, and money pledged under the master indenture on a parity basis with all class 1 obligations outstanding under the master indenture.

Pledged assets include revenue; mortgages; mortgage loans; investment securities; money held in the funds, excluding the rebate fund; and other property held under the trust estate. The trust estate currently includes, among other things, mortgage certificates purchased with prior bond proceeds, guaranteed by Ginnie Mae or Fannie Mae.

According to preliminary transaction documents, TDHCA will use series 2024 bond proceeds to purchase mortgage-backed securities (MBS), fund loans for downpayment and closing-cost assistance, and pay lender compensation related to mortgage loans. Ginnie Mae will guarantee MBS as to timely principal-and-interest payments.

The bonds will bear interest at a fixed rate, payable semiannually on Jan. 1 and July 1, starting July 1, 2025. Bonds are subject to special and optional redemptions, as described in transaction documents.

Credit overview

The rating reflects our view of the program's:

- Legal framework that links duties of key transaction parties with the program's proper execution, in alignment with our criteria, coupled with no bankruptcy or other identified legal risks;
- Program management and operational-risk assessment, which we consider neutral;
- Overcollateralization and cash flow capable of withstanding our projected-loss assumptions based on the asset pool's credit quality in all provided cash-flow stress scenarios, with a minimum stressed projected asset-to-liability parity ratio of 102.19%, when including subordinate-lien loans;
- Sufficient liquidity to cover short-term disruptions in asset cash flows; and
- Market position characteristics in-line with the national housing market.

Our analysis of the program's legal framework, program management and operational risk, credit quality, and cash flow results in an 'aa+' anchor. We have reviewed program cash flows and determined that overcollateralization, measured by the minimum asset-to-liability parity ratio, is sufficient to cover losses up to the 'aa+' anchor level. Cash-flow stress scenarios received reflected stressed reinvestment and stressed interest-rate assumptions that cap the anchor at 'aa+'.

Table 2 shows a summary of the loan portfolio and the assumptions used in our credit-quality analysis. Table 3 shows a summary of the program's overcollateralization.

Our holistic analysis, after applicable modifiers and caps, results in no effect on the anchor, resulting in a standalone-credit-profile rating of 'aa+' and final program rating of 'AA+'.

Environmental, social, and governance

In our opinion, the program exhibits social-capital opportunities due to its purpose of investing in affordable housing for the state's low-to-moderate-income residents. We think factors such as income, unemployment, and housing supply could greatly affect program demand, which we consider in our market-position assessment; however, our assessment is neutral since state metrics in these areas are stronger than the national average and population growth remains strong. We view environmental and governance factors as neutral in our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' opinion of the underlying MBS assets' credit quality, supported by Ginnie Mae and Fannie Mae, and S&P Global Ratings' program-management and operational-risk assessments. In addition, we expect our market-position-modifier assessment will likely remain neutral.

Downside scenario

We could lower the rating or revise the outlook to negative if our program-management and operational-risk assessments were to change due to negative assessments or if the underlying assets' credit quality were to deteriorate.

Upside scenario

Alternatively, with all other program rating factors remaining the same or improving, we could raise the rating or revise the outlook to positive if consolidated cash flows were to reflect stressed reinvestment rates in-line with the 'AAA' rating requirement while TDHCA meets overcollateralization thresholds and requirements to be rated above the

sovereign.

Table 1

Texas Department Of Housing & Community Affairs--mortgage revenue bonds program rating summary	
Legal framework	No cap
Program management and operational risk	No cap
Cash-flow analysis	
Overcollateralization	Government-sponsored enterprise rating (aa+)
Stressed cash flows	aa+
Hedging risk	N/A
Housing finance agency general obligation pledge	N/A
Anchor	
Anchor	aa+
Modifiers and holistic analysis	
Liquidity reserves	N/A
Market position	N/A
Holistic analysis	N/A
Standalone credit profile	
Standalone credit profile	aa+
Other applicable criteria	
Final	
Final rating	AA+
N/A--Not applicable.	

Table 2

Texas Department Of Housing & Community Affairs--program summary and assumptions			
	Jan. 1, 2024	July 1, 2023	Jan. 1, 2023
Program assets (% of balance)			
Single-family mortgage-backed securities	100.0	100.0	100.0
Debt and derivative summary (% of balance)			
Fixed-rate debt	100.0	100.0	100.0
Single-family program assumptions			
No. of loans in portfolio	5,262	4,249	3,278
Total loan balance (\$000s)	1,040,747.7	801,123.0	588,237.2
Insurance/guarantees			
Ginnie Mae (% of balance)	99.6	99.4	99.2
Fannie Mae (% of balance)	0.4	0.6	0.8

Table 3

Texas Department Of Housing & Community Affairs--overcollateralization			
	Jan. 1, 2024	July 1, 2023	Jan. 1, 2023
Opening asset/liability parity ratio (%)	102.9	108.2	106.9
Minimum asset/liability parity ratio (%)	102.2	103.2	102.5
Total projected credit loss (%)*	N/A	N/A	N/A
Loss/liabilities (%)	N/A	N/A	N/A
Net asset/liability parity ratio, after losses (%)	102.2	103.2	102.5

*The highest eligible rating level for the program. N/A--Not applicable.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of May 22, 2024)		
Texas Department of Housing & Community Affairs residential mtg rev bnds		
Long Term Rating	AA+/Stable	Affirmed
Texas Department of Housing & Community Affairs residential mtg rev bnds ser 2023B due 01/01/2054		
Long Term Rating	AA+/Stable	Affirmed
Texas Department of Housing & Community Affairs residential mtg rev bnds ser 2023C due 07/01/2053		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds ser 2021A due 01/01/2052		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds ser 2021B due 07/01/2042		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds (non-amt) ser 2023A due 07/01/2053		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs residential mtg rev bnds (Non-AMT) (Social Bonds) ser 2022B due 07/01/2034		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs resid mtg rev bnds ser 1998A dtd 11/01/1998 due 01/01 & 07/01/2003-2010 07/01/2002 2018 2029 2030 & 01/01/2030 2031		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs resid mtg rev bnds ser 2001AB&C dtd 10/01/2001 due 01/01/2003-2012 2033 & 07/01/2015-2016 2022 2033		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs resid mtg rev rfdg bnds ser 2003A dtd 07/01/2003 due 07/01/2013		
Long Term Rating	AA+/Stable	Affirmed

Ratings Detail (As Of May 22, 2024) (cont.)

Texas Dept of Hsg & Comnty Affairs single fam bnds ser 2009A dtd 08/18/2009 due 01/01/2012-2019 2039 07/01/2011-2019 2024 2029 2034 2039

Long Term Rating AA+/Stable Affirmed

Texas Dept of Hsg & Comnty Affairs single fam bnds ser 2009C-3 due 07/01/2041

Long Term Rating AA+/Stable Affirmed

Texas Dept of Hsg & Comnty Affairs single fam mtg rev bnds ser 2020A due 09/01/2050

Long Term Rating AA+/Stable Affirmed

Texas Dept of Hsg & Comnty Affairs single fam mtg rev rfdg bnds

Long Term Rating AA+/Stable Affirmed

Texas Dept of Hsg & Comnty Affairs single fam mtg rev rfdg bnds ser 2020B due 09/01/2050

Long Term Rating AA+/Stable Affirmed

Texas Dept of Hsg & Comnty Affairs Texas Dept of Hsg & Comnty Affairs resid mtg rev bnds ser 88A

Long Term Rating AA+/Stable Affirmed

Texas Dept of Hsg & Comnty Affairs SFMULTMBS

Long Term Rating AA+/Stable Affirmed

Texas Dept of Hsg & Comnty Affairs (Resid Mtg Rev Bnd Trust Indenture)

Long Term Rating AA+/Stable Affirmed

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