Research Update:

Texas Department of Housing & Community Affairs 2026A Residential Mortgage Revenue Bonds Rated 'AA+'; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AA+' rating to Texas Department of Housing and Community Affairs (TDHCA)'s $250 million series 2026A residential mortgage revenue bonds (RMRBs).
- We also affirmed our 'AA+' rating on TDHCA's parity debt under the RMRB indenture.
- The outlook is stable.

Rationale

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 parity 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 mortgage certificates purchased with prior bond proceeds, guaranteed by Ginnie Mae or Fannie Mae.

According to preliminary transaction documents, TDHCA will use bond proceeds to purchase mortgage-backed securities (MBS), fund loans for down payment and closing cost assistance, pay lender compensation related to mortgage loans, and repay Federal Home Loan Bank of Dallas advances to provide funds for the purchase of MBS and down-payment assistance loans. Ginnie Mae will guarantee the MBS as to timely principal and interest payments.

The bonds will bear interest payable semiannually on Jan. 1 and July 1, starting July 1, 2026. Bonds are subject to special, optional, and mandatory sinking fund redemptions, as described in transaction documents.

Credit highlights

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 legal risks identified;
- 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 101.8%;
- Sufficient liquidity to cover short-term disruptions in asset cash flows; and
- Market position characteristics in line with the national housing market.

For more information see our full analysis, April 11, 2025.

Environmental, social, and governance

We analyzed the program's environmental, social, and governance (ESG) factors relative to the legal framework, program management and operational risk, asset pool's credit quality, cash flow analysis, liquidity, and market position. In our opinion, the program exhibits social opportunities related to social capital based on the mission to improve housing affordability for low- and moderate-income households. We view environmental and governance factors for the program as neutral in our credit analysis.

Outlook

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

Downside scenario

We could lower the rating or revise the outlook to negative if our assessment of program management and operational risk changes due to negative assessments, or if the credit quality of the underlying assets deteriorates.

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 reflect stressed reinvestment rates in line with the 'AAA' rating requirement while TDHCA meets overcollateralization thresholds and requirements to be rated above the sovereign.

MRB program rating summary

Legal framework	No Cap
Program management and operational risk	No Cap
Factors constraining the anchor	0

MRB program rating summary

Cash flow analysis	
Overcollateralization	GE/GSE Rating (aa+)
Stressed cash flows	aa+
Hedging risk	N/A
HFA general obligation pledge	N/A
Anchor	
Anchor	aa+
Modifiers and holistic analysis	
Liquidity reserves	No Modifier
Market position	No Modifier
Holistic analysis	No Modifier
Stand-alone credit profile	
SACP	aa+
Other applicable criteria	No Cap
Final	
Final rating	AA+

N/A--Not applicable. GE -- Governmental entity. GSE -- Government-sponsored enterprise.

Program summary and assumptions

	April 30, 2025
Program assets (% of balance)	
Single-family whole loans	0
Single-family MBS	100
Single-family subordinate loans	0
Multifamily whole loans	0
Multifamily MBS or federally enhanced pass-through	0
Other assets	0
Debt & derivative summary (% of balance)	
Fixed-rate debt (% of balance)	100.0
Hedged variable-rate debt (% of balance)	0
Unhedged variable-rate debt (% of balance)	0.0
Total variable-rate debt (% of balance)	0
Single-family program assumptions	
No. of loans in portfolio*	7428.0
Total loan balance ($000s)*	1538647.0
Loans 30-year fixed (% of balance)	100.0
Loans with balloons or negative amortization (% of balance)	0.0
Loans - other terms (% of balance)	0.0
Weighted average FICO score	678
Weighted average mortgage rate (%)	5.6

Program summary and assumptions

	April 30, 2025
Weighted average LTV (%)*	
Loan seasoning	
< 5 years (% of balance)	92.9
5-10 years (% of balance)	7.1
10+ years (% of balance)	0.0
Property type	
Single-family residences (% of balance)	100.0
2-4 family residences (% of balance)	0.0
Condo or cooperative apartment (owner-occupied) (% of balance)	0.0
Other property type (% of balance)	0.0
Delinquency status	
30-59 days (% of balance)	0.0
60-89 days (% of balance)	0.0
90-119 days (% of balance)	0.0
120+ days or in foreclosure (% of balance)	0.0
Insurance/guarantees	
Ginnie Mae (% of balance)*	99.7
Fannie Mae (% of balance)*	0.3
Freddie Mac (% of balance)*	0.0
PMI (% of balance)*	
FHA (% of balance)*	
VA (% of balance)*	
USDA/RD (% of balance)*	
Uninsured (% of balance)*	
Liquidation timeline adjustment (months)*	
Pool level foreclosure frequency adjustment*	

FICO--Fair Isaac Co. LTV--Loan-to-value. PMI--Private mortgage insurance. FHA--Federal Housing Administration. VA--Veterans Administration. USDA/RD--U.S. Department of Agriculture/Rural Development. N/A--Not applicable.

Overcollateralization

	Series 2026A
Opening asset/liability parity (%)	102.9
Minimum asset/liability parity (%)	101.8
Total projected credit loss (%)*	0.0
Loss/liabilities (%)	0.0
Net asset/liability parity, after losses (%)	101.8

*At the highest rating level at which the MRB program's available overcollateralization is sufficient to cover.

Ratings List	
New Issue Ratings	
US$250.0 mil residential mtg rev bnds (Non-amt) ser 2026A due 01/01/2057	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Housing	
Texas Department of Housing & Community Affairs Single Family Mortgage Rev Bnd Indenture	AA+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.