



## **Fitch Rates Illinois Housing Development Authority's \$17.6MM 2013 C HRBs 'AAA'; Outlook Negative** [Ratings](#) [Endorsement Policy](#)

07 Oct 2013 12:42 PM (EDT)

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Fitch Ratings-New York-07 October 2013: Fitch Ratings has assigned an 'AAA' rating the following Illinois Housing Development Authority (IHDA) housing revenue bonds:

--\$17.6 million IHDA housing revenue bonds, series 2013 C.

The Rating Outlook for the bonds is Negative.

### SECURITY

The bonds are limited obligations of the issuer secured by the revenues and assets pledged under the master indenture that primarily consist of Ginnie Mae (GNMA) and Fannie Mae (FNMA) mortgage backed securities (MBS) and also include excess revenues that accumulate in a reserve fund. The bonds are not cross-collateralized, and therefore, each series has its own corresponding pool of MBS loans as security.

### KEY RATING DRIVERS

**GNMA/FNMA GUARANTEE:** The 'AAA' rating reflects the guarantee of full and timely payments of principal and interest on the MBS regardless of actual performance of the underlying loans.

**PASS-THROUGH STRUCTURE:** The bonds are set up in a pass-through structure, whereby scheduled principal payments, principal repayments, and interest payments on the MBS are directly passed through to the bondholders on a monthly basis.

**RESERVE FUND ACCUMULATION:** The rating reflects the availability of residual funds that accumulate in a reserve fund throughout the term of the bonds to satisfy all prepayment stress scenarios.

### RATING SENSITIVITIES

**U.S. SOVEREIGN LINK:** As the ratings of FNMA/GNMA are currently linked to the U.S. sovereign rating, any rating action on the U.S. sovereign rating will directly affect the rating on the bonds.

**FNMA DELINKED:** Should Fitch's view of the strength of government support for FNMA be reduced or downgraded, the rating of FNMA may be delinked from the U.S. sovereign rating and may result in negative pressure on the bonds.

**BANKRUPTCY REMOTE:** Fitch considers IHDA to be bankruptcy remote based on its public purposes, predominantly limited recourse debt and its inability under current law to commence a voluntary proceeding under Chapter 9 without legislative or executive action. A change in this status could lead to a change to the rating and constrain it to that of the authority's general obligation debt.

### CREDIT PROFILE

The \$17.6 million of 2013 series C bonds are expected to be sold the week of Oct. 7, 2013. The bonds proceeds will be used to purchase existing MBS, totaling the aggregate outstanding bond amount. The 2013 C bonds' MBS portfolio has approximately 40% GNMA MBS and approximately 60% FNMA MBS. Throughout the term of the bonds, remaining MBS amounts will remain greater than or equal to bonds outstanding as all prepayments are directly passed through to bondholders on a monthly basis.

As part of its analysis, Fitch reviews the cash flows to ensure the MBS payments to be passed through directly to the bondholders are sufficient to make timely debt service payments. The cash flows, which were run at various prepayments speeds, factor in all fees and expenses to be incurred under the indenture, and address the risk of higher coupon MBS prepaying at a faster rate than lower coupon MBS. Under all prepayment speed scenarios, the cash flows demonstrate that the assets in the indenture are sufficient to make debt service payments throughout the term of the bonds. In the high prepayment stress scenarios, the cash flows demonstrate dependency on residual funds from excess revenues that accumulate in a reserve. The indenture specifies that residual funds must remain in the indenture in an amount sufficient to satisfy all fees.

Fitch reviews the legal documents to ensure that, on a monthly basis, bond debt service payments are not scheduled earlier than the latest distribution date for the MBS securing the bonds. In this case, the latest distribution date is the 25th day of the month (or, if not a business day, the next following business day) and debt service payments are on the first calendar day of the month. Fitch also verifies in the indenture that principal and interest payments on the bonds are made prior to payment of trustee, issuer, or other fees. The trust indenture is closed and does not allow for any additional bonds to be issued.

FNMA's rating and Rating Outlook are currently linked to the U.S. Sovereign rating, which reflects the U.S. government's direct financial support of FNMA. Fitch's view is this support was strengthened by the most recent U.S. Treasury's Senior Preferred Stock Purchase Agreement. However, should Fitch's view of this strength of support be reduced or downgraded, the rating of FNMA could be delinked from the U.S. sovereign which may negatively affect the FNMA rating.

Fitch assigns a rating based on preliminary cash flow assumptions. Once the bonds have priced, Fitch will verify that the final versions of the transaction documents and cash flow projections do not materially differ from the draft documents.

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Applicable Criteria and Related Research:

--'Revenue-Supported Rating Criteria' (June 3, 2013);

--'Fitch Affirms Fannie Mae and Freddie Mac at 'AAA'; Outlook Negative' (Nov. 28, 2012).

**Applicable Criteria and Related Research:**

[Revenue-Supported Rating Criteria](#)

**Additional Disclosure**

[Solicitation Status](#)

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## **Fitch Rates Illinois Housing Development Authority's \$100MM 2013 A & B HRBs 'AAA'; Outlook Negative**

Ratings Endorsement Policy

05 Mar 2013 2:28 PM (EST)

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Fitch Ratings-New York-05 March 2013: Fitch Ratings has assigned an 'AAA' rating the following Illinois Housing Development Authority (IHDA) housing revenue bonds:

- \$65 million IHDA housing revenue bonds, series 2013 A;
- \$35 million IHDA federally taxable housing revenue bonds, series 2013 B.

The Rating Outlook for the bonds is Negative.

### SECURITY

The bonds are limited obligations of the issuer secured by the revenues and assets pledged under the master indenture which primarily consist of Ginnie Mae (GNMA) and Fannie Mae (FNMA) mortgage backed securities (MBS). The bonds are not cross-collateralized, and therefore, each series has their own corresponding pool of MBS loans as security, however all residual funds remain in the indenture to provide overcollateralization for both series bonds.

### KEY RATING DRIVERS

**GNMA/FNMA GUARANTEE:** The 'AAA' rating reflects the guarantee of full and timely payments of principal and interest on the MBS regardless of actual performance of the loans.

**PASS-THROUGH STRUCTURE:** The bonds are set up in a pass-through structure, whereby payments of principal and interest on the MBS are directly passed through to the bondholders on a monthly basis.

### RATING SENSITIVITIES

**U.S. SOVEREIGN LINK:** As the ratings of FNMA/GNMA are currently linked to the U.S. sovereign rating, any rating action on the U.S. sovereign rating will directly impact the rating on the bonds.

**FNMA DELINKED:** Should Fitch's view of the strength of government support as being reduced, the rating of FNMA may be delinked from the U.S. sovereign rating and downgraded.

### CREDIT PROFILE

The \$100 million of 2013 A/B bonds are expected to be sold the week of March 4, 2013. The bonds proceeds will be used to purchase existing MBS, totaling the aggregate outstanding bond amount. The 2013 A bonds' MBS portfolio has a 20% cap on FNMA MBS, while the 2013 B bonds have a 15% cap on FNMA MBS. Throughout the term of the bonds, remaining MBS amounts will equal bonds outstanding as all prepayments are directly passed through to bondholders on a monthly basis.

As part of its analysis, Fitch reviews the cash flows to ensure the timing of MBS payments to be passed through directly to the bondholders are sufficient to make debt service payments. The cash flows, which were run at various prepayment speeds, factor in all fees and expenses to be incurred under the indenture. Under all prepayment speed scenarios, the cash flows demonstrate that the assets in the indenture are sufficient to make debt service payments throughout the term of the bonds.

Fitch reviews the legal documents to ensure that instructions are provided to the trustee to notify the lender if an MBS payment is missed. The Indenture states the trustee must notify GNMA/FNMA no later than one business day after a payment is missed. Additionally, the Indenture is closed and does not allow for any additional bonds to be issued.

The rating and Rating Outlook of FNMA is currently linked to the U.S. sovereign rating, which reflects the U.S. government's direct financial support of FNMA. Fitch's view is this support was strengthened by the most recent U.S. Treasury's Senior Preferred Stock Purchase Agreement. However should Fitch's view of this strength of support be reduced, the rating of FNMA could be delinked from the U.S. sovereign and downgraded.

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Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

--'Revenue-Supported Rating Criteria' June 12, 2012;  
--'Fitch Affirms Fannie Mae and Freddie Mac at 'AAA'; Outlook Negative' (Nov 28, 2012).

**Applicable Criteria and Related Research**

Revenue-Supported Rating Criteria

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**Fitch Rates Illinois Housing Development Authority's \$40MM 2012A HRBs 'AAA';  
Outlook Negative** Ratings Endorsement Policy  
05 Nov 2012 1:13 PM (EST)

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Fitch Ratings-New York-05 November 2012: Fitch Ratings has assigned an 'AAA' rating to the \$40 million Illinois Housing Development Authority's (IHDA) housing revenue bonds (mortgage-backed securities) series 2012A. The series 2012A bonds consist of the following:

--\$40,000,000 series 2012A taxable housing revenue bonds.

The bonds have a Negative Outlook based on the current Rating Outlook for the U.S. full faith and credit rating.

#### SECURITY

The bonds are secured by Ginnie Mae (GNMA) and Fannie Mae (FNMA) guaranteed mortgage-backed securities (MBS) pledged under the indenture. The aggregate MBS assigned to the trust indenture allow the assets to equal the bond balance.

#### KEY RATING DRIVERS

GNMA/FNMA Guarantee: The 'AAA' rating on the bonds is based on the guarantee of full and timely payment of principal and interest on the MBS that passes through to bondholders. That guarantee is backed by the rating of the U.S. full faith and credit (currently rated 'AAA', Negative Outlook) and the total MBS certificates will pay principal and interest regardless of the performance of the mortgage loans that are pooled into the MBS.

Structure: The rating also reflects the pass through structure of the MBS as payments of principal and interest are directly passed through to the bondholders each month as the GNMA and FNMA securities are paid.

#### WHAT COULD TRIGGER A RATING ACTION

The rating on the bonds is based on the rating of the MBS which are backed by the U.S. Government's full faith and credit rating and the rating of Fannie Mae. Any future rating action on the U.S. Government or on Fannie Mae's rating could affect the rating on these bonds as well.

#### CREDIT PROFILE

The \$40,000,000 of bonds are expected to be sold the week of Oct. 29, 2012. The aggregate MBS pledged to the indenture will equal the principal amount of the bonds. As mortgage prepayments are also passed through directly to the bondholders, principal and interest payments may vary from month to month. However, aggregate MBS assets in the indenture will continue to be equal to the bond amount over the life of the bonds.

Fitch rates the structure by reviewing the timing of both the MBS payments to be passed through directly to the bondholders and bond principal and interest payments. At issuance, the bond funds will be used to purchase MBS securities which are packaged from IHDA mortgage programs. The cash flow review included zero, 100% and 500% prepayment speed stresses. All three cash flow stress scenarios included fees and expenses equal to the difference of the GNMA/FNMA rate and the bonds rate paid out each month. Under all the scenarios, the cash flows demonstrate that the assets in the indenture will always be sufficient to service the debt payments.

As part of the legal structure analysis, Fitch reviews the indenture to insure that instructions are provided to the trustee to notify the lender if an MBS payment is missed. Additionally, Fitch reviews the master servicer to determine if it is an approved issuer of GNMA/FNMA MBS. Also part of the legal structure review is that the trust indenture is closed, meaning

that the trust is limited to the MBS pledged and that fees and expenses are paid out each month so that there are no residual funds in the trust. No additional bonds can be issued under the indenture.

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Applicable Criteria and Related Research:

--'Revenue-Supported Rating Criteria' June 12, 2012;  
--'U S Municipal Structured Finance Rating Criteria', Feb. 28, 2012.

**Applicable Criteria and Related Research:**

Revenue-Supported Rating Criteria  
U.S. Municipal Structured Finance Criteria

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