



Fitch Affirms Illinois Housing Development Authority's GO Rating at 'AA-'; Outlook Stable

Fitch Ratings-New York-10 July 2019: Fitch Ratings has affirmed the Illinois Housing Development Authority's (IHDA) general obligation (GO) rating at 'AA-'.

The Rating Outlook is Stable.

SECURITY

IHDA's GO debt pledge is backed by a full faith and credit pledge of its administrative fund.

KEY RATING DRIVERS

STRONG FINANCIAL PROFILE: In recent fiscal years (FYs) IHDA has continued to report operating profits and lower its debt-to-equity position. The authority's net asset position improved by 5% in FY 2018 while profitability ratios remained stable from FY 2017 to FY 2018.

DECLINING GO EXPOSURE: As of June 30, 2018, IHDA's overall GO exposure declined approximately 17% from the prior fiscal year, primarily as a result of a decrease in the amount of debt outstanding under the Housing Bond program. The largest whole loan single family and multifamily bond programs, including the Housing Bond program, maintain sufficient levels of overcollateralization to support the programs without the use of general funds. The non-bond financed portion of the risk exposure remained relatively steady, declining only 3% from FY 2017 to FY 2018.

SOUND INVESTMENTS: Management maintains conservative investment strategies as evidenced by IHDA's high credit quality investments and sufficient reserve levels.

STRONG PROGRAMMATIC OVERSIGHT: Management has a successful history of administering both single family and multifamily programs.

RATING SENSITIVITIES

FINANCIAL PERFORMANCE AND GO EXPOSURE: The continuation of strong financial performance and further declines to the non-bond financed GO exposure would be viewed as a credit positive. Should financial performance weaken and/or GO exposure significantly increase, there could be negative pressure on IHDA's GO rating.

UNANTICIPATED PROGRAM LOSSES: Although unlikely given current overcollateralization levels, Fitch would view higher than anticipated program losses and deterioration of excess assets as credit negative.

CREDIT PROFILE

The rating represents an overall analysis of the authority's ability to meet its GO obligations. The affirmation primarily reflects IHDA's strong financial profile, declining overall GO exposure, and sufficient reserve levels.

IHDA's leverage position has continued to improve, despite recent increases in the total debt outstanding. As of FY 2018, IHDA had an adjusted debt-to-equity ratio of 1.6x, a decline from 2.5x in FY 2014. IHDA's total debt outstanding has slowly

increased over the past two fiscal years but has been outpaced by the growth in net assets, resulting in improvements to the debt-to-equity ratio. Management has maintained a low exposure to variable-rate debt obligations, with approximately 12% of debt outstanding in the variable-rate mode as of FY 2018.

IHDA had a \$708 million net asset position as of FY 2018, an increase of \$36.2 million, or 5.4%, from the prior fiscal year. This is less than the \$53 million increase in FY 2017. IHDA's general (administrative) fund capital base increased to \$276 million (\$230 million unrestricted) in FY 2018 from \$249 million in the prior FY.

IHDA demonstrated stable profitability ratios from FY 2017 to FY 2018. Net interest spread remained steady at 62% in FY 2018 from 63% in FY 2017. Net operating revenues as a percentage of total revenues were slightly down to 42% in FY 2018 from 46% in FY 2017, though significantly higher than 18% in FY 2014.

GO credit concerns stem from IHDA's non-bond financed risk exposure, including loans financed under the FHA Risk-Sharing Program and the authority's Mortgage Participation Certificate Program. The non-bond financed risk exposure declined slightly in FY 2018 from FY 2017. IHDA's financial position and programmatic oversight have continued to mitigate the GO exposure risk.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 28 May 2019)

U.S. State Housing Finance Agencies: General Obligation Rating Criteria (pub. 05 Feb 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

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