FitchRatings

Fitch Rates Indiana Housing & Community Development Auth Single Family Mtg Rev Bonds 2017C 'AAA'

Fitch Ratings-New York-01 December 2017: Fitch Ratings has assigned a 'AAA' rating to the following Indiana Housing and Community Development Authority (the authority) single family mortgage revenue bonds: $14.3 million 2017 series C-1, $19.9 million 2017 series C-2, $20.7 million 2017 series C-3 and $105 million 2017 series C-4.

The Rating Outlook is Stable.

SECURITY

The bonds are special obligations of the authority secured solely by the revenues and assets pledged under the amended and restated master indenture that primarily consist of mortgage backed securities (MBS) guaranteed by the Government National Mortgage Association (GNMA or Ginnie Mae), mortgage pass-through certificates guaranteed by the Federal National Mortgage Association (FNMA or Fannie Mae) and MBS guaranteed by the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) and cash reserves.

KEY RATING DRIVERS

ASSET QUALITY: The loan portfolio consists of MBS guaranteed by Ginnie Mae and Freddie Mac and the Fannie Mae mortgage pass through certificates (hereinafter MBS). Ginnie Mae, Freddie Mac and Fannie Mae guarantee the full and timely payment of principal and interest on the respective MBS regardless of actual performance of the underlying loans.

ASSET-PARITY RATIO: The program's asset-parity ratio was 176.1% as of Oct. 1, 2017.

PROGRAM OVERSIGHT: Indenture allows surplus funds in excess of 103% to be withdrawn from the indenture. However, the history of the authority and its single family mortgage program strongly suggests that management is unlikely to withdraw substantial amounts from the indenture's surplus funds.

RATING SENSITIVITIES

U.S. SOVEREIGN LINK: As government sponsored entities (GSEs), the ratings of Fannie Mae, Ginnie Mae and Freddie Mac are currently linked to the U.S. sovereign rating, and any rating action on the U.S. Sovereign rating may directly impact the rating on the bonds.

CHANGE IN FNMA OR FHLMC LINKAGE: Should Fitch's view of the U.S. government's direct level of financial support for Fannie Mae or Freddie Mac change, the rating of the two GSEs may be delinked from the U.S. sovereign rating and may result in negative pressure on the bonds.

MAINTENANCE OF SUFFICIENT LIQUID RESOURCES: The authority's ability to fund the mandatory redemption triggered by a failed remarketing of its variable rate bonds is dependent on the availability of a sufficient cash and liquid investment pool.

BANKRUPTCY REMOTE: Fitch considers the authority 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 approval. A change in this status could lead to a rating change and limit the rating on the single family program to that of the authority's general obligation debt.

CREDIT PROFILE

The authority was established in 1978 as a public body and corporate of the State of Indiana. It is empowered to purchase loans from lenders to provide permanent financing for the rehabilitation, acquisition or construction of single-family residential housing made to persons of low and moderate income.

The 2017 series C bonds are being issued on parity with approximately $200 million in outstanding bonds under the master trust indenture as of Oct. 1, 2017. The indenture's assets are of sound quality as MBS payments are guaranteed by the GSE and do not rely on the performance of the underlying mortgages. Mortgages permitted to be placed into MBS must be fully documented and follow strict underwriting requirements to qualify. All loans packaged into the MBS are for first time homebuyers in the state.

The 2010 series 08A-2 bonds, 2017 series B-3 bonds and 2017 series C-3 and C-4 are the only variable rate bonds in the 1980 indenture. The supplemental indentures for the respective series of bonds provide for the optional tender of the bonds. Optional tenders are paid from remarketing proceeds and if the remarketing is unsuccessful the tender is canceled and the interest rate on the bonds is increased to the step up rate. If the bonds cannot be remarketed for a three-year period, the bonds will be subject to mandatory redemption and paid with funds available under the indenture. There is no third party liquidity support for the variable rate bonds.