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Report Card:

U.S. Housing Finance Agency Financial Ratios And Ratings Improve During A Weak Recovery

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Report Card:

U.S. Housing Finance Agency Financial Ratios And Ratings Improve During A Weak Recovery

Amid the recovery in the housing market, financial ratios for U.S. housing finance agencies (HFAs) improved across the board in fiscal 2012 for the second straight year. Despite the lingering effects of the economic and housing market downturn, HFA ratings are now higher than they were before the economic and financial crisis. Conservative management, traditional loan products and debt structures, and mortgages with federal guarantees have all contributed to the improvement in credit quality.

With that performance, the number of HFAs with issuer credit ratings (ICRs) of at least 'AA-' rose to 21, the highest ever. The August 2013 upgrade of the Illinois Housing Development Authority, to 'AA-' from 'A+', brought 87.5% of the 24 HFA ICRs we rate to the 'AA' category or higher. This is a significant increase from the 18 HFAs (75%) that we rated at least 'AA-' in fiscal 2008, just following the start of the Great Recession in late 2007.

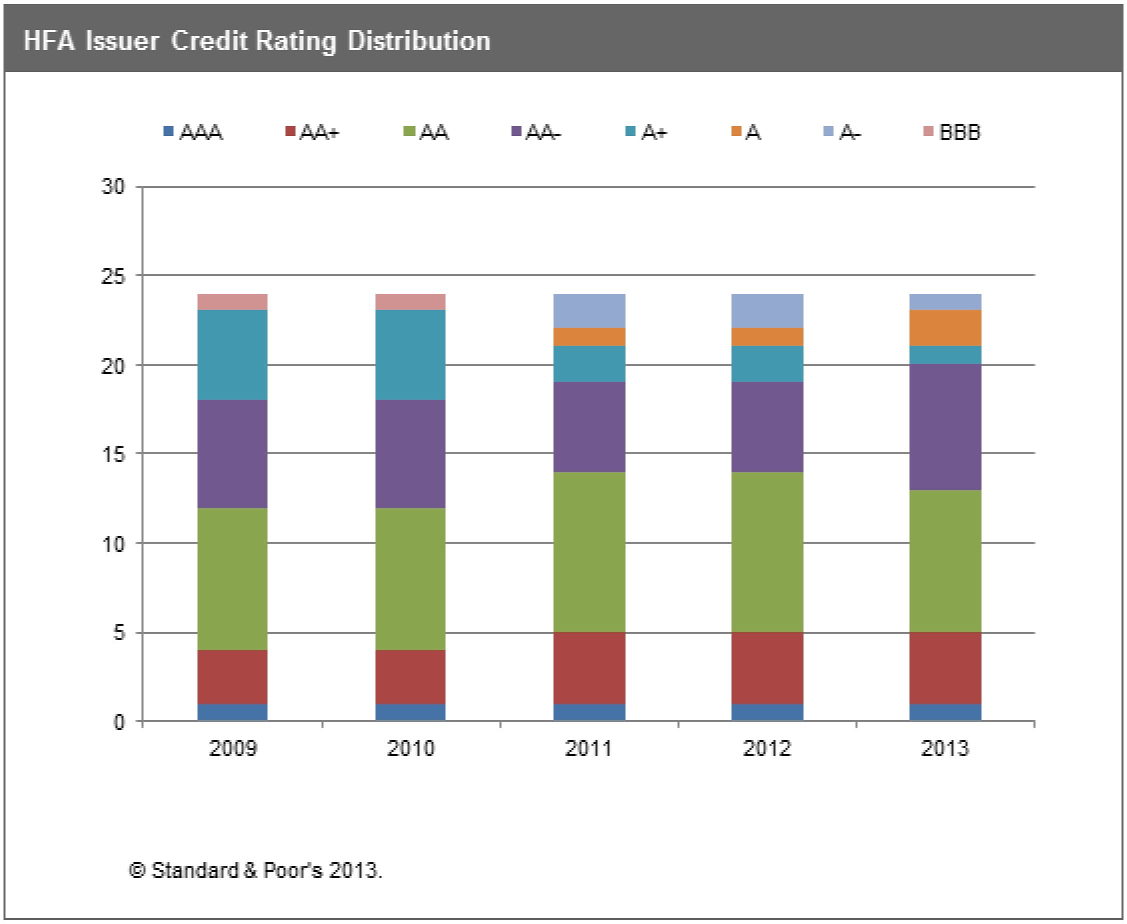
Overview

- U.S. HFAs as a whole have some of their strongest financial ratios and ratings ever.
- Of the 24 HFAs we rate, 21 now have ratings of 'AA-' or higher.
- Conservative management with traditional loan products and debt structures allowed for credit improvement, even during the Great Recession.
- We expect ratings and ratios will hold steady in the next couple of years.

HFAs still find themselves in less-than-optimal circumstances, however, including a low-interest-rate environment that impedes loan origination and suppresses returns. Yet in 2012, just three HFAs reported losses, down from five in 2011 and seven in 2010. Most HFAs appear to have overcome the lingering effects of the financial crisis -- higher unemployment and loan delinquency -- even though the responses -– the Federal Reserve's MBS purchases and low federal funds rate -- to those problems have kept interest rates near historical lows for many years. The resultant low investment and loan returns are keeping some HFAs from earning higher returns, but the average HFA 2012 return on assets (ROA) was the highest since 2007. Moreover, equity as a percent of assets continued its climb to a record high, and loan delinquencies declined, bringing nonperforming assets (NPAs) to 3.87% of loans, a five-year low.

Looking ahead, we expect most HFA ICRs will remain at or above the 'AA' category, but not all ICRs will move in a positive direction. The environment for HFAs has changed dramatically in recent years: Historically low mortgage rates have reduced the advantages of municipal housing bonds, and the housing market, as measured by home prices, is still below its 2006 peak. Many HFAs will not be able to finance the number of loans they used to, and some will endure the legacy of interest rate swaps that they can't terminate without incurring significant fees. Many HFAs have adapted to this reality with new business plans and even more conservative approaches. Such practices may result in lower originations even if more favorable conditions emerge.

Chart 1



Upgrades Are Surpassing Downgrades In 2013

Recent HFA rating activity has trended positive, with two upgrades and one downgrade so far this year. This marks a reversal from 2012, the only year ever in which downgrades have outnumbered upgrades. In addition to the Illinois housing upgrade, Standard & Poor's raised its ICR on the District of Columbia Housing Finance Agency to 'A' from 'A-' in June 2013. The only downgrade in 2013 was the Pennsylvania Housing Finance Agency, which fell to 'AA-' from 'AA'. Since 2008, Standard & Poor's has raised HFA ICRs 11 times and has downgraded five. The period beginning in 2009 has been particularly active for HFA rating actions, which have averaged three rating changes per year, compared with 2008 when Standard & Poor's changed no ratings. From 1997 to 2008, we changed a total of 12 ratings, all upgrades. This averages out to a little more than one rating change per year, compared with more than two per year since 2009.

HFAs With Lower Risk Profiles Bolstered Credit Quality

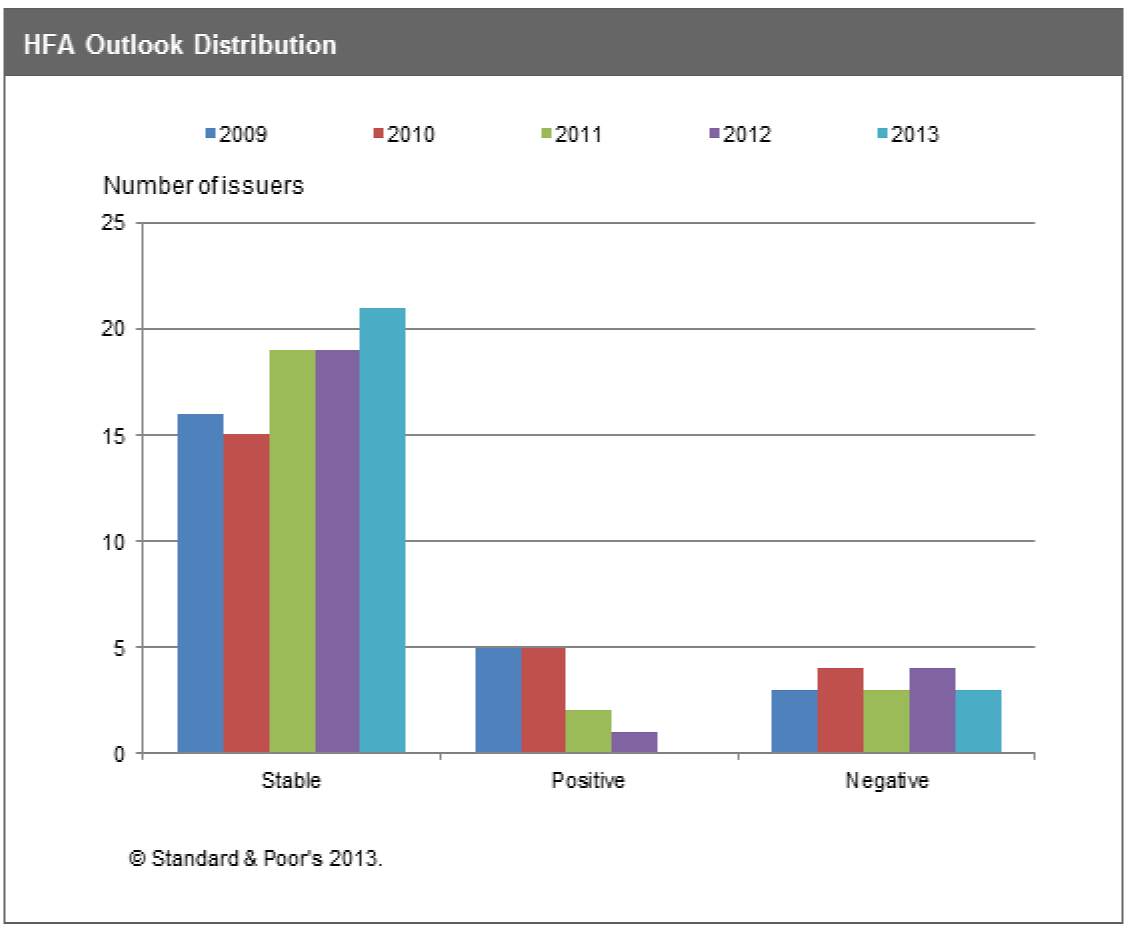
Issuers with simpler asset and debt structures have led the positive rating trend. The District of Columbia Housing

Finance Agency holds mortgage-backed securities (MBS) with government-sponsored entity or U.S. guarantees on 99% of its loans. The result is a portfolio with no NPAs. Less than 10% of Illinois Housing Development Authority's debt is variable rate, and its profitability and equity ratios are higher than those for 'AA-' rated HFAs. These strengths offset the authority's relatively high NPA ratio, which has averaged 5.75% over the past five years (compared with the HFA average of 3.73% during that time). The Pennsylvania Housing Finance Agency has significant variable-rate debt and whole loans without the full guarantees found in MBS programs. These two factors do not directly lead to negative rating actions, but in this case they contributed to low profitability, as well as to equity and asset quality ratios that were not commensurate with 'AA' rated HFAs.

The Number Of Rating Actions May Decline

While rating activity has been strong and generally positive the past five years, three HFAs currently have negative outlooks and none has a positive outlook, both of which are lower numbers than we have recently seen. The small number of outlooks that are not stable suggests that rating actions will decline, but HFA ratios have been improving over time, leading to upgrades.

Chart 2



Financial Ratios Are Stronger

All of the four primary ratios -- average ROA, the percentage of loans delinquent 60 days or more or in foreclosure, equity to assets, and liquidity -- have improved during the past several years. This trend continued in 2012, with only liquidity showing a slight deterioration, which is not necessarily a bad scenario for some HFAs.

Equity has reached new heights

HFA equity has surpassed nominal benchmarks the past two years. In 2011, equity as a percent of assets reached 18.28%, and in 2012 it rose faster, to 20.42%. The rate of change was 11.8% from 2011 to 2012, compared with 8.2% from 2010 to 2011. Before 2011, the highest equity-to-asset ratio was 17.36%, in 2009, and after surpassing 17% for the first time in 2005, the ratio didn't breach 18% until 2011. HFAs owe much of the increase to their larger equity positions and smaller balance sheets. They have smaller balance sheets because they have fewer assets and liabilities. Their assets are mostly loans or MBS. In addition, the rise in profitability is yielding more equity.

Profitability has returned

During the past two years HFAs have used different techniques to improve profitability. Most commonly, they've sold MBS at a premium instead of financing their loans through bond transactions. Recent increases in interest rates have made the MBS sale structure less economical, but higher rates could lead to more bond transactions that generate revenue. HFA ROA improved in 2012, zooming to 0.82% from 0.44%. The main contributor to the improvement was Arkansas Development Finance Authority, which recorded a 4.81% ROA because of grant income. Even without Arkansas, HFA ROA increased to 0.62% in 2012, which is the best mark since 2008.

Asset quality has improved

The decline in NPAs has also provided a credit quality boost. In 2012, the percentage of loans delinquent 60 days or more or in foreclosure fell to 3.73%, the lowest since 2008. In 2010, the rate was 4.14%, which was the year with the highest average. HFA have always kept NPAs well within a range we consider safe. Asset performance has never been a major issue for HFAs in general even when loan quality deteriorated for many.

Liquidity is stable

The dollar amount of loans as a percentage of assets (the liquidity ratio) increased slightly, to 71.28% in 2012, similar to 70.86% in 2011. This ratio of loans to assets has been near 70% since 2010 and represents an improvement from 76.27% in 2009. Unlike for other public finance issuers, strong liquidity is not necessarily considered a strength for HFAs; other ratios are more important because more liquidity translates to fewer loans, which is counter to the mission of HFAs and reduces net income.

Future Trends

We believe that HFAs will grow and become more profitable over the next few years, especially with a more conducive interest rate environment, with rates closer to historic averages. Somewhat higher rates, in the range of 5.5% for a 30-year fixed rate mortgage, would provide a more competitive position for HFA loans and would slow prepayments of loans they've already made. Higher net income could bolster equity, but larger balance sheets would reduce the ratio of equity to assets. If equity ratios are more stable than they were during the rapid rise of the past few years, ratings could also remain relatively unchanged. With a typical ICR of 'AA', HFAs should remain a strong provider of affordable housing.

Table 1

HFA Issuer Review

Issuer	Issuer credit rating*	Analyst	Comments
Alaska Housing Finance Corp. (AHFC)	AA+/Stable	Aulii Limtiaco	AHFC reported a net loss of $38.1 million as of June 30, 2012, its largest loss since 1989 and its sixth straight decline in net operating income. However, AHFC still has an equity to asset ratio of 33%, second-highest among rated HFAs. Of AHFC's debt, $920 million (38.9%) is in a variable rate mode, 89% of which is hedged with 11 swap agreements. AHFC's very strong unrestricted equity and liquidity ratios demonstrate its ability to withstand the risks of its mortgage loan portfolio, in our view. After adjusting for potential losses, the corporation's unrestricted equity as a percentage of debt of 33.9% far exceeds our threshold of 4.0%, and its liquid assets are currently 29.9%, also well in excess of 2.0% of mortgage loans outstanding.
Arkansas Development Finance Authority (ADFA)	AA/Stable	Stephanie Morgan	In fiscal 2012, ADFA's equity rose to 34.13% of total assets, with a fund balance of $257 million, an increase of 17% over fiscal 2011. The authority's net income for fiscal 2012 increased to $68 million compared with $13 million in fiscal 2011. The increase in the net income was primarily due to the decline in expenses relating to the termination of two federal programs. Despite the decline in both revenues and expenses, net income grew significantly. As a result, ADFA's profitability, as measured by ROA, rose to 4.81% from 1.44% in 2011. Leverage ratios surpass those of 'AA' rated HFAs. Considering ADFA's low-risk profile, profitability ratios are strong when compared with other 'AA' rated HFAs.
California Housing Finance Agency (CalHFA)	A-/Negative	Aulii Limtiaco	For the fiscal year ended June 30, 2012, CalHFA reported a net operating loss of $105 million, an improvement from fiscal years 2011 and 2010. ROA stood at negative 1.15% in fiscal 2012. As of fiscal 2012, the five-year averages of CalHFA's ROA ratios were well below those of all other rated HFAs. The agency's fund balance declined by 8% to $1.3 billion in 2012 from $1.41 billion in 2011. Despite this, CalHFA's equity-to-assets ratio improved in 2012, to 15.59% from 14.20% in 2011.
Colorado Housing and Finance Authority (CHFA)	A/Stable	Lawrence Witte	CHFA's equity-to-assets increased to a record high of 9.45% in the fiscal year ended Dec. 31, 2012, bringing the five-year average to 7.8%, which remains below that of all rating categories. A significant gain on sale of an asset plus a change that permits a more accurate treatment of interest rate swaps boosted CHFA's equity and return on assets (ROA). Net income of a record $38 million resulted in ROA of 1.21% in 2012, the agency's first positive ROA since 2008. CHFA has a similarly low ratio for ROA (five-year average of 0.22%). Loans that were delinquent or in foreclosure represented 5.73% of CHFA loans in December 2012, the best measure since 2006. In fiscal 2012, 87% of CHFA's debt was variable rate, but when excluding bonds without tender options that figure drops to 77%.
District of Columbia Housing Finance Agency (DCHFA)	A/Stable	Stephanie Morgan	DCHFA has one of the smallest loan portfolios of all the state HFAs and has a high-quality, low-risk asset base. Its loan portfolio is composed of mortgage loans and MBS, either insured by government and private mortgage insurance providers or backed by Ginnie Mae, Fannie Mae, or Freddie Mac MBS. As of Sept. 30, 2012, DCHFA's asset based totaled $1.08 billion following a marginal decrease from the preceding year. The agency's revenues totaled $67 million in fiscal 2012, up 2.30% from the preceding year. Net income rose to $8.9 million in fiscal 2012 from $3 million in fiscal 2011. This subsequently increased DCHFA's profitability (in terms of ROA) to 0.82% in 2012 from 0.26% in 2011. The agency's net interest margin (NIM) also continues to improve, increasing to 0.97% in fiscal 2012 from 0.52% in fiscal 2011.

Table 1

HFA Issuer Review (cont.)			
Illinois Housing Development Authority (IHDA)	AA-/Stable	Moraa Andima	IHDA continues to exhibit equity levels we consider strong and measures of leverage compared with equally rated HFAs. The authority's total equity to total assets stood at 20% in fiscal 2012, up from roughly 19% in fiscal 2011, which we consider strong. The authority's five-year averages in equity ratios slightly outperformed some higher-rated peers at the 'AA-' level. Net operating income remained positive in fiscal 2012 although it decreased by 31% to $10.5 million from roughly $15.2 million in fiscal 2011. Overall, we believe IHDA's excess capital cushions have enabled the authority to preserve its overall financial strength in spite of reduced bond issuance and loan originations since the financial market crisis began in 2008.
Iowa Finance Authority (IFA)	AA/Stable	Kib Park	IFA's assets declined $341 million to $1.065 billion in fiscal 2012 from $1.406 billion in fiscal 2011. Around 61% of the authority's asset portfolio consists of 'AA+' rated MBS. IFA's equity grew for the fifth consecutive year; IFA's equity as a percentage of assets grew to 17.34%. IFA's profitability (ROA) increased sharply, to 1.86in 2012 and 3.21% in 2011 from 0.51% in 2010. NIM also improved to 1.39% in 2012 from 0.78% in 2011. Approximately 40% of IFA's single-family debt is issued at variable rates, and the debt is partially hedged through interest rate swaps and caps.
Kentucky Housing Corp. (KHC)	AA-/Negative	Kib Park	As of June 30, 2012, KHC's asset base stood at $2.3 billion, representing a decrease of 7.4% from a year earlier. KHC's mortgages are of high credit quality with minimal risk because most loans are either fully insured or guaranteed by government insurers or securitized by Fannie Mae. KHC's profitability remains low. In 2012, its ROA improved to 0.41% from 0% in 2011. KHC's equity position fell by approximately 5.9% to $258 million from $274 million in 2011. KHC's 10.90% equity-to-assets ratio (five-year average) is among the lowest of all HFAs rated 'AA-' by Standard & Poor'. Fifteen percent of KHC's debt is variable rate, and 71% of the variable-rate debt is hedged through interest rate swaps.
Massachusetts Housing Finance Agency (MassHousing)	A+/Stable	Karen Fitzgerald	MassHousing has a strong asset base, including single-family mortgages, multifamily mortgages, and investments. The agency has also had stable equity levels and solid financial performance during the past several years. In 2012, the equity-to-asset ratio stood at 17.93% up from 16.95% in 2011. In addition, MassHousing has remained profitable with stable ROA ratio over the last three years, standing at 0.66% in 2012. Its variable-rate debt exposure is manageable, in our view, and has been reduced significantly during the past several years, and the stability of its single-family and multifamily loan portfolios is reflected in its stable NPAs over the past several years.
Michigan State Housing Development Authority (MSHDA)	AA/Stable	Karen Fitzgerald	As of 2011, MSHDA's loan portfolio declined for the third straight year, falling to $2.3 billion from $2.5 billion in 2009. The moderate-to-high risk profile of the authority's sizable multifamily loan portfolio, primarily consisting of unsubsidized and construction-oriented loans, partly offsets MSHDA's credit strengths. In 2012, MSHDA had a 23.2% equity-to-asset ratio after rising for the second year in a row. The equity-to-asset ratio increased as a result of a shrinking balance sheet and a tripling of income from other than loans or investments. The HFA's ROA was 0.78%, the highest since 2008 and roughly four times as high as in every year from 2009 to 2011.
Minnesota Housing Finance Agency (MHFA)	AA+/Stable	Moraa Andima	MHFA broke a string of three years of operating losses with a strong 2012, in which the HFA posted net income of $65 million. The HFA has among the lowest ratios for 'AA+' rated HFAs, but the agency's financials are stronger than the 'AA-' average. Equity as a percent of assets is strong, at 25.85% in 2012, but this is the lowest ratio for the four HFAs at this rating. ROA is lowest among 'AA+' HFAs during the past five years, at 0.35%, but was highest in 2012 at 1.99%. NPAs as a percentage of loans and real estate owned has exceeded 6% during the past five years, compared with about 3% for 'AA+' HFAs. Still, MHDA's performance surpasses that of 'AA-' HFAs, with the exception of NPAs.
Missouri Housing Development Commission (MHDC)	AA+/Stable	Moraa Andima	As of June 30, 2012, MHDC's loan portfolio totaled $1.45 billion, an 11% decline from the previous year). The commission's net income increased to $13.8 million in 2012. As a result, MHDC's profitability, as measured by ROA, increased to 0.66% in 2012 from 0.26% in 2011, while its NIM remained constant at 1.02%. MHDC has a low risk profile, attributable to the high level of credit enhancement provided by Ginnie Mae and Fannie Mae MBS as well as Federal Housing Administration insurance.

Table 1

HFA Issuer Review (cont.)			
Nebraska Investment Finance Authority (NIFA)	AA/Stable	Adam Cray	NIFA's asset composition reflects a low risk tolerance and strong performance. About two-thirds of NIFA's assets are single family MBS with full guarantees from government-sponsored entities or the U.S. government. Just about one-tenth of the HFA's assets are multifamily loans, resulting in a NPA ratio of 0.05% in 2012. The very low level of NPAs eliminate the need to reserve against any potential loan losses. The five-year average for ROA is 0.94%, surpassing all 'AA' category averages. The authority's five year average for equity to assets is 17.2%, near the 19% average for 'AA' rated HFAs. Approximately 40% of NIFA's debt was variable rate, almost all of which has been swapped to a synthetic fixed rate.
Nevada Housing Division (NHD)	AA/Stable	Adam Cray	NHD has a low risk profile and improving profitability and equity ratios. The division's five-year average ROA is 0.44%, within the range of 'AA' category HFAs, and the equity to assets ratio is nearly 17% over five years, just shy of the 19% average for 'AA' rated HFAs. About three-fourths of NHD's debt is for multifamily properties, and all of these obligations are fixed rate or have credit enhancement from 'AA+' eligible government-sponsored entities or highly rated letter of credit providers. All of the division's single-family debt is fixed rate, and only 0.11% of all debt is a general obligation of NHD. Just 0.63% of NHD's loans are delinquent 60 days or more or are in foreclosure despite the high level of foreclosures in Nevada. The strong loan performance is due to the securitization of loans in U.S.-backed MBS.
New Jersey Housing and Mortgage Finance Agency (NJHMFA)	AA/Stable	Karen Fitzgerald	In 2012, the agency reported its first operating profit since 2008, and the five-year average of its equity-to-asset ratio still remains above the average for 'AA' rated HFAs. Nonetheless, the HFA has much higher NPA ratios than any other rated HFA. New Jersey's ratio of loans that were at least 60 days or more delinquent rose to 15% in 2012, its highest level in at least 13 years; it averaged 13.5% from fiscal 2008 through 2012, compared with 3.7% for all rated HFAs. Still, New Jersey's average equity ratio from 2008 through 2012 was 22.4%, compared with 18.8% for HFAs with 'AA' issuer credit ratings. Approximately 35% of New Jersey's debt is variable rate.
New Mexico Mortgage Finance Authority (New Mexico MFA)	AA-/Stable	Raymond Kim	We believe NMMFA's loan portfolio has high credit quality, with 84% of its mortgages receiving credit enhancement from Ginnie Mae, Fannie Mae, or Freddie Mac mortgage-backed securities (MBS). For fiscal 2012, NMMFA's net income rose to $9.749 million, reflecting a 190.32% increase from fiscal 2011. This is attributable to declining interest expenses. As a result, NMMFA's profitability, measured by ROAs, increased to 0.70% in 2012 from 0.22% in 2011. Although the five-year averages for NMMFA's profitability and leverage ratios are slightly below those of other 'AA-' rated HFAs, we view the limited risk profile of the authority's existing asset base as a significant mitigating factor.
New York City Housing Development Corp. (NYCHDC)	AA/Stable	Mikiyon Alexander	NYCHDC's asset base increased to $12.2 billion as of Oct. 31, 2012, $3.5 billion higher than the next largest rated HFA. Debt is categorized into conduit program debt and debt of the multifamily resolution. All conduit bond issues are credit enhanced by investment-grade providers. NYCHDC had no general obligation debt. NYCHDC's profitability, as measured by ROA, declined to 1.1% in fiscal 2012 from 1.25% in fiscal 2011, and the five year average of 0.81% is just about at the 0.83% 'AA' average. NCYHDC has no NPAs. Although the five-year average of NYCHDC's equity-to-asset ratio of 11.79% is lower than the 18.55% average for its 'AA' rated peers, we believe its equity base is adequate to support its low-risk profile.
Pennsylvania Housing Finance Agency (PHFA)	AA-/Stable	Stephanie Morgan	PHFA's asset base stood at $5.39 billion, down 7.87% from the previous fiscal year. PHFA's total revenue fell to $272 million in fiscal 2012, down 3.24% from fiscal 2011. This is mainly due to lower investment and interest income from loans. As a result, net income decreased to $29.5 million in fiscal 2012 from $42 million in fiscal 2011. ROA declined to 0.52% in 2012 from 0.71% in 2011 while the agency's NIM improved slightly, to 0.73% in 2012 from 0.72% in 2011. The agency's equity as a percentage of total assets and total equity plus reserves increased to 13.74% and 20.77%, respectively, in fiscal 2012 from 12.62% and 19.32%, respectively, in fiscal 2011. NPAs rose to $200 million in 2012 from $144 million in 2011. As a result, the NPA-to-loan ratio increased to 4.49% in fiscal 2012 from 3.03% in fiscal 2011. Of the total debt ($4.1 billion), approximately $1.4 billion (33%) is in variable-rate bonds, down from 35% in fiscal 2011.

Table 1

HFA Issuer Review (cont.)			
Rhode Island Housing and Mortgage Finance Corp. (RIHMFC)	AA-/Stable	Raymond Kim	RIHMFC's profitability and financial performance declined in 2012. Net income fell to $1.09 million from $2.35 million. Although RIHMFC's five-year (fiscal 2008-2012) average ROA ratios are below those of its 'AA-' rated peers, its equity-to-asset ratio was 12.63%, slightly higher than the average of its 'AA-' rated peers. The corporation reported a decline in its NPAs, to $81.3 million in 2012 from $86.73 million in 2011 NPAs as a percent of loans declined to 5.98% in 2012 from 6.14% in 2011.
Utah Housing Corp. (UHC)	AA-/Negative	Lawrence Witte	UHC experienced a slight loss of $590,000 in 2012, reversing a slight gain in 2011. The corporation's five-year ROA of 0.07% exceeds only the 'A-' category. Despite slightly negative returns, UHC's equity as a percentage of assets increased to 14.69% in 2012 from 11.03% in 2011. The improvement resulted from an accounting change that excludes conduit debt and associated assets and returns. By reducing its balance sheet in the financial statement, equity grows as a percent of assets, but NPAs as a percent of assets also grow. Loans 60 days or more delinquent as a percentage of all loans increased to 6.07% in 2012 from 5.27% in 2011. Forty-two percent of UHC's debt is variable rate, a decline from 62% in 2008, and all of this debt is hedged through interest rate swaps.
Virginia Housing Development Authority (VHDA)	AA+/Stable	Moraa Andima	With $8.77 billion in total assets as of June 30, 2012, VHDA has one of the strongest asset bases of all housing finance agencies (HFAs) with ICRs from Standard & Poor's. Nearly 90% of its asset base consists of single-family and multifamily mortgage loans, with the balance in high-quality investments. As of June 30, 2012, VHDA's net income stood at $78 million, following a slight decrease of 7.96% over fiscal 2011. As a result of the decrease in net income, the authority's profitability, as measured by ROA, decreased slightly in 2012, but the NIM actually increased. As of June 30, 2012, the authority's ROA was 0.85% compared to 0.88% in 2011 while its NIM was 2.23%, up from 1.98% in 2011. VHDA demonstrated strong financial performance in terms of five-year averages (2008-2012) of its profitability ratios, which are higher than those of its 'AA+' rated HFA peers. At the end of fiscal 2012, VHDA's strong equity base stood at $2.39 billion, showing a slight increase over the previous year. VHDA's large equity balance provides it with a financial foundation that few HFAs can rival. Its equity base has continually strengthened over the years; its equity-to-total assets ratio has increased to 27.30% in 2012 from 24.02% in 2011.
West Virginia Housing Development Fund (WVHDF)	AAA/Stable	Kib Park	The fund has extremely high credit quality and a low-risk asset base because of its loans' high insurance coverage, low loan-to-value ratios, and extremely high reserve levels. Although WVHDF's asset base of $1.08 billion is one of the smallest of the HFAs, its equity-to-asset ratio of 39.26% is highest of all rated HFAs. ROA and NIM increased to 1.20% and 2.20%, respectively, in fiscal 2012, from 0.93% and 1.99%, respectively, in fiscal 2011. Delinquencies in excess of two months, including foreclosures for the fund, were 4.17% as of Sept. 30, 2012, up slightly from 3.91% on Sept. 30, 2011.
Wisconsin Housing and Economic Development Authority (WHEDA)	AA-/Stable	Moraa Andima	WHEDA's asset base, which reached an all-time high of $4 billion in 2008, declined 24% over the next four years to $3.1 billion in 2012. The decline is primarily due to a drop in the authority's loan portfolio to $1.9 billion from $3.0 billion in fiscal 2008. WHEDA's ROA declined to 0.51% in 2012 from 0.60% in 2011, and its NIM improved to 1.22% in 2012 from 1.11% in 2011. Its equity position remains strong, with the equity-to-asset ratio of 17.6% in 2012 comparable to 17.44% in 2011.
Wyoming Community Development Authority (WCDA)	AA/Stable	Aulii Limtiaco	WCDA has a moderate risk asset base. WCDA's asset base declined by 2.4%, to $1.54 billion in fiscal 2012 from $1.57 billion in fiscal 2011, mainly due to declines in mortgage loans receivable. In fiscal 2012, WCDA's net income improved by 56%. As a result, the authority's profitability as measured by ROA improved to 1.65% from 1.27% in 2011, and its NIM rose to 1.39% in 2012 from 1.12% in 2011. NPAs stood at 5.9% of loans as of June 30, 2012, down from 6.71% the prior year. WCDA's five-year average NPA ratio for 2008 through 2012 was 4.03%.

*Ratings are as of Sept. 30, 2013. HFA--Housing finance agency. MBS--Mortgage-backed securities. NIM--Net interest margin. NPA--Nonperforming assets. ROA--Return on assets.

Table 2

Recent Rating Activity

HFA	Rating to	Rating from	Date	Comment
Illinois Housing Development Authority	AA-	A+	Aug. 18, 2013	The 'AA-' ICR for IHDA reflects strong leverage ratios, compared with equally rated peers, aimproved net operating income and net interest margins in 2012, and year-over-year improvement in asset quality as indicated by nonperforming assets trending downward.
Pennsylvania Housing Finance Agency (PHFA)	AA-	AA	Aug. 13, 2013	The lowering of PHFA's ICR is based on profitability and leverage ratios below that of 'AA' rated HFAs and an increase in foreclosures and delinquency in PHFA's loan portfolio.
District of Columbia Housing Finance Agency	A	A-	June 21, 2013	The upgrade to DCHFA's ICR reflects the high quality and very low risk profile of the HFA's asset base, strong financial performance, and minimal general obligation debt exposure.
Nebraska Investment Finance Authority (NIFA)	AA	AA-	May 9, 2012	The 'AA' ICR for NIFA reflects a high-quality and low-risk asset base, strong financial performance, relatively stable financial performance, and growing equity.
Kentucky Housing Corp.	AA-	AA	March 30, 2012	The downgrade of the Kentucky Housing Corp. ICR reflects consistently declining profitability ratios; a negative trend in KHC's equity position, which is now more in line with 'AA-' rated HFAs; increased delinquency and foreclosure in the single family portfolio; and an economic base that has weakened due to job losses brought on by the downturn.

Table 3

HFA Comparisons By Rating Category

		AAA	AA+	AA	AA-	A+	A	A-	Total (All rated state HFAs)
Total assets ($ bil.)		1.23	5.06	3.26	2.44	4.02	3.87	11.20	3.75
Profitability ratios (%)									
Return on assets	Five year average (2008-2012)	1.29	0.48	0.83	0.32	0.61	0.15	(1.09)	0.51
	2012	1.20	0.65	1.46	0.37	0.66	1.21	(1.15)	0.82
	2011	0.93	0.19	0.87	0.33	0.68	(0.25)	(1.11)	0.44
	2010	1.34	0.25	0.55	0.21	0.51	(0.21)	(1.89)	0.30
	2009	1.45	0.46	0.51	0.17	0.47	(0.10)	(1.45)	0.31
	2008	1.54	0.87	0.73	0.54	0.75	0.12	0.13	0.66
Return on assets before loan loss provision and extraordinary item	Five year average (2008-2012)	1.30	0.70	1.17	0.42	0.74	0.41	(0.53)	0.72
	2012	1.26	0.92	1.77	0.54	0.68	0.74	0.01	1.05
	2011	0.95	0.37	1.58	0.40	0.66	0.00	(0.54)	0.76
	2010	1.32	0.50	0.85	0.29	0.57	0.91	(1.39)	0.53
	2009	1.46	0.71	0.74	0.25	0.54	0.31	(0.93)	0.49
	2008	1.53	1.01	0.94	0.58	1.26	0.07	0.22	0.79
Net interest margin	Five year average (2008-2012)	2.18	1.54	1.09	0.79	1.50	0.46	1.12	1.09
	2012	2.20	1.46	1.16	0.74	1.21	0.42	1.49	1.11
	2011	1.99	1.43	1.00	0.76	1.34	0.57	1.25	1.03
	2010	2.14	1.34	0.96	0.68	1.27	0.78	1.07	0.98
	2009	2.25	1.57	1.06	0.68	1.49	0.38	0.83	1.02

Table 3

HFA Comparisons By Rating Category (cont.)									
	2008	2.33	1.89	1.27	1.09	2.18	0.15	0.97	1.29
Asset quality (%)									
NPAs/total loans and real estate owned	Five year average (2008-2012)	3.22	3.23	3.50	4.01	2.47	7.03	7.68	3.73
	2012	3.32	3.64	3.37	4.61	2.36	5.73	7.77	3.87
	2011	3.05	3.36	3.78	4.51	2.46	6.88	8.46	4.00
	2010	3.43	3.75	3.70	4.46	2.66	7.87	9.53	4.14
	2009	3.50	3.46	3.55	4.09	2.57	8.33	9.13	3.93
	2008	2.82	1.92	3.12	2.38	2.31	6.32	3.50	2.68
Loan loss reserves/total loans	5 year average (2008-2012)	7.07	2.27	2.90	1.33	5.54	0.70	1.82	2.36
	2012	11.91	2.62	4.16	1.56	5.12	0.94	3.66	3.18
	2011	8.17	2.44	3.70	1.30	5.32	0.76	1.49	2.67
	2010	5.69	2.35	2.40	1.33	5.62	0.74	1.64	2.15
	2009	4.94	2.09	2.13	1.28	5.67	0.70	1.35	1.96
	2008	4.65	1.85	2.12	1.19	5.97	0.37	0.96	1.86
Loan loss reserves/NPAs	Five year average (2008-2012)	218.13	5,066.13	616.27	44.91	224.67	10.19	24.41	1082.77
	2012	355.64	7,214.67	227.31	42.36	216.81	16.36	46.27	1,317.03
	2011	265.25	9,427.11	174.87	37.36	215.97	10.95	17.12	1,661.60
	2010	164.69	2,986.61	2,538.49	44.56	211.01	9.42	16.75	1,373.68
	2009	140.61	1,825.49	58.88	45.56	220.84	8.29	14.64	353.21
	2008	164.48	3,876.78	81.81	54.55	258.70	5.92	27.29	708.33
Leverage (%)									
Total equity/total assets	Five year average (2008-2012)	33.73	26.53	18.55	13.22	16.48	7.80	14.51	17.87
	2012	39.26	29.21	22.39	14.78	17.93	9.45	15.59	20.42
	2011	34.54	26.51	19.21	13.52	16.95	7.76	14.20	18.28
	2010	32.43	25.17	17.17	12.55	16.01	7.88	13.22	16.89
	2009	32.25	26.22	17.56	12.88	16.00	7.01	16.19	17.36
	2008	30.18	25.56	16.48	12.36	15.53	6.90	13.34	16.39
Total equity and reserves/total loans	Five year average (2008-2012)	50.77	39.98	28.29	20.18	30.15	11.45	22.83	27.30
	2012	63.64	45.22	34.22	23.68	32.36	15.70	27.54	32.10
	2011	54.90	41.42	30.61	20.82	30.94	11.96	23.81	28.84
	2010	49.48	39.17	26.87	19.52	30.26	11.81	22.36	26.51
	2009	44.59	37.93	25.04	18.77	28.25	8.71	22.28	24.97
	2008	41.22	36.14	24.76	18.07	28.93	9.07	18.16	24.08
Liquidity (%)									
Total loans/total assets	Five year average (2008-2012)	77.55	71.89	72.95	72.76	67.08	72.85	69.52	72.54
	2012	75.89	70.31	73.04	70.53	65.82	64.04	65.28	71.28
	2011	73.90	69.38	70.57	72.84	66.14	69.23	63.61	70.86
	2010	74.06	69.58	70.04	71.31	64.96	71.20	63.81	70.07

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Table 3

HFA Comparisons By Rating Category (cont.)									
	2009	81.36	74.60	77.21	74.76	70.84	80.43	77.36	76.27
	2008	82.54	75.59	73.86	74.38	67.64	79.35	77.56	74.20

Table 4

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