

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aaa to Iowa Finance Authority's proposed \$60 million Single Family Mortgage Bonds, 2025 Series A (Non-AMT) (Social Bonds) and \$54 million Single Family Mortgage Bonds, 2025 Series B (Taxable) (Mortgage-Backed Securities Program)(together, 2025 Bonds). We have also maintained outstanding Aaa ratings in the Single Family Mortgage Bond program (1991 Resolution). The outlook is stable.**

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17 Jan 2025

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#### RATINGS RATIONALE

The Aaa rating reflects 1991 Resolution's strong financial performance, evidenced by the 2024 PADR (program asset-to-debt ratio) of 1.11x (1.08x on the risk-adjusted basis) and a 15% margin. The rating also reflects the high-quality collateral comprised of GNMA, Fannie Mae and Freddie Mac Mortgage-Backed Securities (MBS).

#### RATING OUTLOOK

The stable outlook is based on the continuing strong financial performance of the 1991 Resolution, which will continue.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Substantial erosion in 1991 Resolution's financial performance including the risk-adjusted PADR dropping below 1.0x and margin consistently below 5%, coupled with variable rate debt surpassing 25% of outstanding debt

- Significant deterioration in MBS credit quality as a result of multi-notch downgrades of the US Government rating, coinciding with projected cashflow shortfalls within the

next 5 years

## LEGAL SECURITY

The bonds will be issued under the 1991 Resolution and will be equally and ratably secured with other series of bonds previously issued under the 1991 Resolution. The bonds are secured by the pledged MBS and certain other moneys, assets and revenues pledged, and further secured by the general obligation of the Iowa Finance Authority (Aa2; outlook stable) payable from available moneys, assets or revenues of the Authority.

## USE OF PROCEEDS

Proceeds of the 2025 Bonds will be used to (1) finance mortgages under the FirstHome program and the Homes for Iowans program through the purchase of Mortgage-Backed Securities (MBS) and (2) finance down payment assistance loans and grants. FirstHome program provides affordable housing for low and moderate income first-time homebuyers throughout the state of Iowa. The Homes for Iowans program is open to non-first-time homebuyers with higher income and purchase price limits than those of the FirstHome program.

## PROFILE

The 1991 Resolution was adopted in July 1991. Bond proceeds in this program are used to purchase MBS with underlying mortgages made to finance affordable housing to low-and-moderate income persons in the State of Iowa. All the bonds under the resolution are secured equally by all mortgage loans. As of January 1, 2025, there were approximately \$1.7 billion of bonds were outstanding under the 1991 Resolution.

## METHODOLOGY

The principal methodology used in these ratings was US Housing Finance Agency Single-Family Housing published in October 2024 and available at <https://ratings.moodys.com/rmc-documents/430701>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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