

April 10, 2009

Summary:

Iowa Finance Authority; Single Family Multiple MBS

Primary Credit Analyst:

Carolina Patino, Chicago (1) 312-233-7001; carolina_patino@standardandpoors.com

Secondary Credit Analyst:

Lawrence Witte, San Francisco (1) 415-371-5037; larry_witte@standardandpoors.com

Table Of Contents

Rationale

Outlook

Liquidity Facility

Related Research

Summary:

Iowa Finance Authority; Single Family Multiple MBS

Credit Profile		
Iowa Fin Auth Single Family Mortgage Bonds (Mtg-Bckd Secs Prog) ser 2007 N		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Upgraded
Iowa Fin Auth Single Family Mortgage Bonds (Mtg-Bckd Secs Prog) 2007 ser M (Taxable)		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Upgraded
Iowa Fin Auth Single Family Mortgage Bonds (Mtg-Bckd Secs Prog) 2007 Series G (Taxable)		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Upgraded
Iowa Fin Auth Single Family Mortgage (Mtg-Bckd Secs Prog) 2007 Series G (Taxable)		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on Iowa Finance Authority's (IFA) single-family mortgage bonds 2007 series G, M, and N to 'AAA/A-1+' from 'AAA/A-1' following the substitution of four separate standby purchase agreements (SBPAs) provided by the Federal Home Loan Bank of Des Moines (AAA/A-1+) for an existing SBPA from Dexia Credit Local (A/Stable/A-1). Additionally, Standard & Poor's affirmed its 'AAA' long-term ratings on the authority's single-family mortgage bonds.

The 'AAA' rating on the single-family mortgage bonds reflects the following strengths:

- The extremely high quality of assets supporting the bonds, which consist primarily of Ginnie Mae and Fannie Mae MBS, and reserves;
- Investment agreements with providers whose ratings are mostly commensurate with the rating on the bonds;
- Extremely strong management by the authority; and
- Adequate cash flow projections.

The single-family resolution is supported by Ginnie Mae and Fannie Mae mortgage-backed securities (MBS). Bond proceeds will be used to make funds available to finance the purchase of Ginnie Mae and Fannie Mae mortgage-backed MBS backed by pools of mortgage loans. The mortgage loans will be made to qualifying borrowers throughout Iowa.

Standard & Poor's analyzed various cash flow stress scenarios prepared by CSG Advisors and believes that the cash flow projections indicate sufficient financial strength at the 'AAA' level. Consolidated cash flows under the single family program start with an asset-to-liability ratio of 105.05%, equal to almost \$53 million in excess assets. Consolidated cash flows reflect a June 30, 2008, basis and reflect issuance under the Mortgage-Backed Securities resolution. Cash flows also include the single-family endowment, which encompass approximately \$57.5 million of the modeled portfolio. Investments in this endowment consist of mortgage-backed securities and other investments, which are of extremely high quality.

Cash flow projections indicate the capacity of pledged collateral to pay full and timely debt service plus fees in the near term. Due to the modeling of assumptions relating to IFA's use of variable-rate debt and counterparty credit obligations, cash flows rely on proceeds from the endowment fund during the stressful prepayment speed of 25% at the high interest rate scenario. In other faster prepayment scenarios, cash flows do not rely on proceeds from the endowment fund to meet debt service requirements. Should pledged revenues under the resolution become insufficient to cover debt service and fees at any point during the life of the bonds and should proceeds under the single-family endowment fund be insufficient to cover such shortfalls, IFA has indicated that it will access other potential funding sources available to it and utilize other tools to manage the ongoing position of the resolution. Standard & Poor's will monitor the resolution's exposure to ongoing credit risk and market risk to determine its ongoing credit quality.

As of Dec. 31, 2008, approximately 33% of outstanding single family long-term bonds are variable rate, all of which have been swapped to a synthetic fixed rate by IFA. Swap counterparties under the program include Goldman Sachs Capital Markets L.P. and UBS. The variable-rate bonds' short-term components of the ratings reflect SPBAs provided by the Federal Home Loan Bank of Des Moines, Wells Fargo Bank N.A., and State Street Bank and Trust Co.

Outlook

The stable outlook reflects Standard & Poor's view that the credit quality of the assets pledged to bondholders and the evaluation of the cash flow projections is extremely strong and sufficient to support the "AAA" rating level at this time. As a result of variable-rate debt use and the weakening of the credit condition of counterparties, Standard & Poor's believes that cash flow projections are subjected to greater stress levels than ever before under this resolution. Should the authority not take actions to mitigate the impact, the bond rating could come under negative pressure. If, however, the authority continues to take near-term actions that serve to strengthen cash flow projections, the outlook would remain stable.

Liquidity Facility

The four substituted SBPAs from the Federal Home Loan Bank of Des Moines will become effective on April 9, 2009, and are scheduled to expire on April 9, 2016, unless terminated earlier pursuant to their terms. Each SBPA will separately provide coverage for one of the 2007 series C, G, M, and N and will cover all principal and 35 days of interest at the maximum rate of 18% in the event of a failed remarketing for the respective series. Interest will be paid on the first business day of each month, commencing on May 1, 2009.

Should the Federal Home Loan Bank of Des Moines purchase the bonds, such that they become bank bonds, the bonds will bear interest at the base rate (equal to three month LIBOR plus 1.5%), plus 0%-1% depending on how long the bank owns the bonds. Interest will be paid on the bank bonds on the first business day of each calendar month, provided that a term-out period is not reached. If the bank owns the bonds beyond 60 days, the principal repayment schedule becomes a five-year term out for such bonds with the principal repaid equally over 10 equal semiannual installments.

The bonds may bear interest in the daily, weekly, monthly, semiannual, fixed, auction, or index-rate modes, but the bonds will be remarketed in the weekly mode. Each of the four SBPAs provides coverage for its respective 2007

series C, G, M, and N while the bonds are in the daily or weekly rate modes. Upon the full conversion of the bonds in any of these series to a rate mode other than the daily or weekly rate modes, there will be a mandatory tender on the effective date of conversion and the SBPA providing coverage for that particular series will terminate.

Bondholders may tender their bonds for purchase upon providing the appropriate notice while the bonds are in the daily or weekly rate mode. The bonds are further subject to mandatory tender due to the occurrence of various events, including expiration, or substitution of the liquidity facility and due to certain events of default under the SBPA, which lead to a timed termination event. The SBPA provider's obligation to purchase unremarketed bonds shall be terminated without notice to bondholders upon the occurrence of various events in the SBPA that lead to automatic termination, which include, but are not limited to, the obligor's rating dropping below 'BBB-'. However, the tender rights of the bondholders will not be extinguished upon the termination of the SBPA provider's obligation to purchase unremarketed bonds, at which time the obligor will become responsible for providing the payment of the purchase price of unremarketed tendered bonds. The bonds are subject to optional redemptions as outlined in the bond documents.

Related Research

USPF Criteria: "Single-Family Mortgage-Backed Securities Programs," June 13, 2007

USPF Criteria: "Standby Bond Purchase Agreement Automatic Termination Events," April 11, 2008

USPF Criteria: "Assumptions: Update to Cash Flow Analysis for Public Finance Housing Bonds," March 3, 2009

"S&P Cuts Minimum Reinvestment Rates For U.S. Structured And Muni Housing Bonds," Oct. 31, 2008

USPF Criteria: "Bank Liquidity Facilities," June 22, 2007

Ratings Detail (As Of April 10, 2009)		
Iowa Fin Auth sin fam mtg bnds (Amt-var rate) ser 2008F		
Long Term Rating	AAA/A-1+/Stable	Affirmed
Iowa Fin Auth sin fam mtg var rate bnds (Mtg-Bckd Secs Prog) ser 2003F dtd 06/25/2003 due 01/01/2033		
Long Term Rating	AAA/A-1+/Stable	Affirmed
Iowa Fin Auth sin fam mtg (Mtg Bckd sec prog)		
Long Term Rating	AAA/Stable	Affirmed
Iowa Fin Auth var rate sin fam mtg bnds various ser (State Street SBPA)		
Long Term Rating	AAA/A-1+/Stable	Affirmed
Iowa Fin Auth var rate sin fam mtg rev bnds (Mtg Backed Sec Prog) ser I dtd 10/30/2002 due 07/01/2032		
Long Term Rating	AAA/A-1+/Stable	Affirmed
Iowa Fin Auth Single fam Mort bnds (Amt-Variable Rate) ser 2008G		
Long Term Rating	AAA/A-1+/Stable	Affirmed
Iowa Fin Auth Single fam Mort bnds (Non-Amt) ser 2008 D&E		
Long Term Rating	AAA/Stable	Affirmed
Iowa Fin Auth Single Family Mortgage Bonds (Mtg-Bckd Secs Prog) ser 2007 K&L		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of April 10, 2009) (cont.)		
Iowa Fin Auth Single Family Mortgage Bonds (Mtg-Bckd Secs Prog) ser 2008B		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
Iowa Fin Auth Single Family Mortgage Bonds (Mtg-Bckd Secs Prog) ser 2008C		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
Iowa Fin Auth Single Fam Mtg Bnds (Mtg-Bckd Secs Prog) ser 2006F		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

Copyright © 2009, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.