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Iowa Finance Authority Mortgage Bond Ratings Raised To 'AAA', 'AAA/A-1+'

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CHICAGO (Standard & Poor's) Feb. 12, 2016--Standard & Poor's Ratings Services raised its 'AA+' and 'AA+/A-1+' ratings to 'AAA' and 'AAA/A-1+', respectively, on the Iowa Finance Authority's (IFA) single-family mortgage revenue bonds. At the same time, we assigned our 'AAA' long-term rating to the IFA's series 2016A and C single-family mortgage revenue bonds. The outlook is stable.

Finally, Standard & Poor's assigned its 'AAA/A-1+' rating to the authority's series 2016B single-family mortgage revenue bonds. The 'AAA' long-term component of the rating on the 2016B bonds is based on the long-term rating on the bond indenture. The 'A-1+' short-term component of the rating on the 2016B bonds reflects an enhancement in the form of a standby-bond purchase agreement (SBPA) from Federal Home Loan Bank of Des Moines (A-1+) and our opinion of the likelihood that bondholders will receive interest and principal payments when due if they exercise their put (or tender) option.

"The 'AAA' rating reflects our view of the very strong credit quality of the single-family mortgage collateral," said Standard & Poor's credit analyst Teresa Galicia. Other factors include:

Consolidated cash flows run at various prepayment speeds, demonstrating sufficient loss coverage, in our view, for a 'AAA' rating;

Sufficient cash flow strength to absorb additional losses, due to an 85% credit applied to government insurance and guarantees caused by the lowering of the sovereign rating on the U.S. to 'AA+' on Aug. 5, 2011;

The equal and ratable pledge of all bonds under the resolution; and
Investment agreements with providers whose ratings are commensurate with the rating on the bonds;

These strengths are slightly offset by the presence of high variable-rate debt exposure. The percentage of variable-rate to fixed-rate debt creates some contingent liquidity risk. The authority's strong asset-to-liability parity and the plan to reduce the ratio of variable- to fixed-rate debt while ensuring appropriate hedges are in place can mitigate such risk, in our opinion.

"The stable outlook reflects the combination of overcollateralization and projected loan losses supports stresses commensurate with a 'AAA' rating, in accordance with our criteria," added Ms. Galicia. The bonds issued pursuant to the resolution benefit from, in our view, a solidly performing and low-risk loan portfolio, sufficient reserves, high-quality investments, and a trend of increasing asset-to-liability parity. Although unlikely, significant deterioration of the asset-to-liability ratio and a higher number of delinquencies are potential negative credit factors.

RELATED CRITERIA AND RESEARCH

Related Criteria

General Criteria: [Global Investment Criteria For Temporary Investments In Transaction Accounts](#), May 31, 2012

USPF Criteria: [Single-Family Whole Loan Programs](#), June 14, 2007

. Criteria: [Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds](#), Dec. 7, 2014

USPF Criteria: [Assumptions: Update to Cash Flow Analysis for Public Finance Housing Bonds](#), March 3, 2009

Structured Finance Criteria: [U.S. Interest Rate Assumptions Revised For May 2012 And Thereafter](#), April 30, 2012

Criteria: [U.S. Government Support In Structured Finance And Public Finance Ratings](#), Sept. 19, 2011

USPF Criteria: [Bank Liquidity Facilities](#), June 22, 2007

USPF Criteria: [Standby Bond Purchase Agreement Automatic Termination Events](#), April 11, 2008

Structured Finance Criteria: [Counterparty Risk Framework Methodology And Assumptions](#), June 25, 2013

USPF Criteria: [Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations](#), Nov. 29, 2011

Criteria: [Methodology For Revisions To Standard & Poor's Stressed Reinvestment Rate Assumptions For Fixed-Rate U.S. Debt Obligations](#), May 20, 2013

Structured Finance Criteria: [Global Derivative Agreement Criteria](#), June 24, 2013

Criteria: [Use of CreditWatch And Outlooks](#), Sept. 14, 2009

[Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance](#), Sept. 19, 2014

[Global Framework For Assessing Operational Risk In Structured Finance Transactions](#), Oct. 9, 2014

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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