



## **Rating Action: Moody's Ratings affirms Alabama HFA's Aa2 Issuer Rating; outlook stable**

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10 Jun 2025

NOTE: On June 23, 2025, the press release was corrected as follows: The first sentence of the methodology paragraph was changed to "The principal methodology used in this rating was US Housing Finance Agency Issuer Ratings published in April 2024 and available at <https://ratings.moody.com/rmc-documents/418243>." Revised release follows.

New York, June 10, 2025 -- Moody's Ratings (Moody's) has affirmed the Aa2 rating on the Alabama Housing Finance Authority's (AHFA or Authority) Issuer Rating. No debt outstanding is affected. The outlook is stable.

### **RATINGS RATIONALE**

Alabama Housing Finance Authority will continue to maintain a very strong balance sheet and excellent operating performance. As of FY2024 (9/30/2024), AHFA's risk adjusted net asset ratio (PADR) was 3.04x or with an adjusted combined fund balance of \$453 million or 219% of bonds outstanding. AHFA's loan portfolio, which is composed of 100% mortgage-backed securities (MBS) collateral, provides strong security for the bonds. AHFA's balance sheet primarily consists of MBS assets which are pledged to its Single Family bond programs. Despite an increase in leverage due to the re-launch of the Single Family Mortgage Revenue Bond Program (Aa1/Stable) in FY2024, AHFA's loan portfolio quality remains robust. Furthermore, the vigilant supervision from a capable and proactive management team will ensure consistent operating results on both the Agency and program levels.

### **RATING OUTLOOK**

The stable outlook on AHFA's issuer rating reflects that the Authority will maintain strong operating results, despite continued leveraging, characterized by a strong five-year average margin of 12% and ample balance sheet resources (five-year average combined fund balance of 448% of outstanding bonds).

### **FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING**

- Continued growth of AHFA's financial strength (five-year average net revenues as a % of total revenues exceeding 15%) combined with a significant reduction in liquidity risk from MBS master servicing business

### **FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING**

- A shift in management approach, resulting in significant deterioration of AHFA's risk profile and financial matrix
- A substantial increase in liquidity risk due to MBS master servicing business

### **PROFILE**

Founded in 1980, AHFA provides homeownership and rental opportunities for low and moderate income Alabamians. Created in 1980, AHFA's principal activity is purchasing residential mortgage loans and issuing bonds and other obligations. As of 9/30/2024, AHFA had \$207 million of bonds and notes outstanding. AHFA's general obligation pledge represents its full faith and credit, reinforced by all unrestricted revenues and assets on its balance sheet. AHFA has no taxing power.

### **METHODOLOGY**

The principal methodology used in this rating was US Housing Finance Agency Issuer Ratings published in April 2024 and available at <https://ratings.moodys.com/rmc-documents/418243>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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