MOODY'S
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Rating Update: Moody's upgrades DCHFA's issuer rating to A2; outlook stable

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DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
Other Housing
DC

Opinion

NEW YORK, January 31, 2014 --Moody's Investors Service has upgraded the issuer rating of the District of Columbia Housing Finance Agency (DCHFA) to A2 from A3. This action concludes the review which began on September 25, 2013. The rating outlook is stable.

SUMMARY RATING RATIONALE

The upgrade to A2 reflects the Agency's solid financial performance, strong portfolio performance, and low risk profile.

STRENGTHS

- Strong asset-to-debt ratio of 1.163x as of 9/30/13

- Solid combined fund balance of $130 million as of 9/30/13 (15.60% of bonds outstanding net of Moody's adjustments)

- Low risk profile model for multi-family portfolio that generates substantial revenues for the Agency

CHALLENGES

- Potential instability in management as a result of recent unexpected changes in management

SOLID FINANCIAL POSITION

The Agency's financial position is solid and is consistent with HFAs rated in the A2 category. As of 9/30/13 the Agency's asset-to-debt ratio was strong at 1.16x with a combined fund balance of $130 million which is equal to 15.6% of bonds outstanding.

The Agency's net combined fund balance as of 9/30/2013 was $117 million or 13.96%, which is net of certain capital charges that pertain to risk factors which may arise from multifamily loans insured under the Federal Housing Administration (FHA) Risk Share program. These capital charges were $14 million for FY2013. The Agency's net combined fund balance has averaged 14% of bonds outstanding over the past 5 years.

The Agency's general fund balance has grown over the last several year and as of 9/30/2013 was 7.1% of bonds outstanding. Profitability for the Agency was 5.5% for the same period.

LOAN PORTFOLIO CHARACTERISTICS

The Agency, which administers both multifamily and single family bond programs, benefits from a portfolio that has a low risk profile. As of 9/30/2013, the multifamily programs was 93.3% of bonds outstanding and the single family programs was 6.9% of bonds outstanding.

The Agency's multifamily bonds consist of the Multifamily New Issue Bond program and the Multifamily (Conduit Bond) Program and, as of 9/30/3013, totaled $782.207 million in bonds outstanding. All loans issued under both programs were issued as stand-alone financings with no risk to the Agency with the exception of loans (currently 18) that are serviced by the DCHFA and insured under the FHA Risk Share program. The risk of any potential loss for these FHA Risk Share insured loans is shared between DCHFA (10%) and FHA (90%).

The single family bonds consists of the 1988 Collateralized Single Family Revenue Bond program, the 1996 Single

Family Mortgage Revenue Bond Program and the Single Family New Issue Bond Program (NIBP) and, as of 9/30/2013, totaled $58.6 million. These programs which are all guaranteed by mortgage backed securities (MBS). With the exception of the Single Family NIBP, the Agency has not issued new single family bonds since 2007.

Since May 2013, the Agency participates the "To Be Announced" (TBA) turnkey program and have securitized and traded roughly $10 million into MBS' to date.

MANAGEMENT CHANGES/RECENT DEVELOPMENTS

On November 22, 2013, the Agency announced that Maria K. Day-Marshall has assumed the role of Interim Executive Director until a permanent replacementd could be hired. Ms. Marshall has been with the Agency since 2009 and is also the Agency's General Counsel.

OUTLOOK

The outlooks on the rating is stable based on the Agency's solid financials.

WHAT COULD MAKE THE RATING GO UP

Significant growth of financial resources as reflected by higher net assets and stronger profitability.

WHAT COULD MAKE THE RATING GO DOWN

Deterioration of DCHFA's financial position.

The assumption of additional risk could have an adverse effect on the rating.

RATING METHODOLOGY

The principal methodology used in this rating was Moody's Methodology for Assigning Issuer Ratings to Housing Finance Agencies published in May 2001. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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