Research Update:

District of Columbia Housing Finance Agency 'AA+' Multifamily Housing Pass-Through Revenue Program Bond Rating Affirmed

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Overview

- S&P Global Ratings affirmed its 'AA+' rating on **District of Columbia Housing Finance Agency**'s (DCHFA) Federal Housing Administration (FHA)-insured series 2014A multifamily housing pass-through revenue program bonds.
- The outlook is stable.

Rationale

Security

The series 2014A bonds are a special obligations of DCHFA, payable solely from the revenue, assets, and money pledged under the series resolution.

The loans are insured by the FHA under its risk-share program, where the U.S. Department of Housing and Urban Development pays 100% of the amount needed to retire bonds issued in connection with a default risk-share loan at the time of the initial claim. Any loss at the time of final clam on a defaulted multifamily project is risk-shared between FHA at 90% and DCHFA at 10%.

Credit highlights

DCHFA has paid down three of the seven loans in this program over the last 18 months, which has resulted in material but corresponding decreases in the program's asset and liabilities balances. More specifically, asset balances have decreased to approximately $5.5 million in May 2026 from approximately $22 million in September 2024, and bond balances have decreased to $4.6 million from $21 million during the same time period. Due to the changes in the assets and liabilities composition, the opening asset-to-liability (A/L) ratio has increased to 120.8% from 105.2%, and as a result, the program's projected A/L ratio after losses has increased to above the 'aaa' level of overcollateralization at 108.7%. However, this increase does not change our view of the program holistically. We believe the marginal increase in overcollateralization levels does not provide enough cushion at the 'aaa' ratings level to absorb the potential added volatilities of an increasing smaller program. Our view of the program's fundamental structure remains unchanged.

The remaining four loans have a weighted average maturity of 16 years, with nearest the maturity in November 2027 with an outstanding balance of $100,000. The largest loan remaining in the portfolio has a current balance of $2.7 million and will mature in May 2045. The bonds will mature in June 2045, and we expect the program will have sufficient asset coverage until final maturity.

In addition, the rating reflects our view of the program's:

- Legal framework that links duties of key transaction parties with the proper execution of the program in alignment with our criteria, and legal risk we consider sufficiently mitigated;
- Program management and operational risk assessment, which we consider neutral overall;
- Overcollateralization and cash flow capable of withstanding S&P Global Ratings-calculated loss assumptions, based on the asset pool's credit quality, in all provided cash flow stress scenarios, with a minimum projected A/L parity ratio after losses of 108.7%;
- Sufficient liquidity to cover short-term disruptions in asset cash flows due to the transaction's pass-through structure and a debt service reserve fund funded at half maximum annual debt service (MADS); and
- Market position characteristics in line with the national housing market.

Our analysis of the program's legal framework, program management and operational risk, credit quality, and cash flow results in an anchor of 'aaa'. We have reviewed program cash flows and have determined that overcollateralization, as measured by the minimum A/L parity ratio, is sufficient to cover losses up to the 'AAA' level. Cash flow data provided to us reflect the application of 'AAA' category stressed reinvestment rate assumptions that do not cap the anchor below 'aaa'.

The rating also reflects the application of our holistic modifier of one notch down due to potential volatility given the small loan pool size of four loans; the unlikeliness of new loans being added to the portfolio, limiting diversification in the future; and our view of the program's fundamental structure, which is unlikely to change.

Environmental, social, and governance

In our opinion, the program exhibits opportunities related to social capital due to the program's purpose of investing in affordable housing for the district's low- to moderate-income residents through the development and preservation of rental housing, which aims to address socioeconomic inequities affecting demographic and income trends considered in our market position assessment. We view environmental and governance factors for the program as neutral in our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' opinion of the underlying mortgage loans' credit quality with the entire loan portfolio benefitting from FHA risk-share agreements and pass-through structure and our assessment of program management and operational risk. In addition, we expect A/L net parity after losses will be maintained at current levels unless material prepayments occur.

Downside scenario

We could lower the rating if our program management assessment and DCHFA's operational risk change due to negative attributes, overcollateralization were to decrease materially to levels inconsistent with current rating, or if our assessment of its program management were to weaken.

Upside scenario

We could raise the rating if overcollateralization were to meet our stress scenarios and requirements for ratings above the sovereign, which includes significant A/L parity after losses above the 'aaa' level of overcollateralization, and become comparable with those of higher-rated peers.

Credit Opinion

Legal Framework Analysis

We have analyzed the program's legal framework, which links the duties of the key transaction parties with the program's proper execution, in alignment with our criteria, and legal risks we consider sufficiently mitigated.

Program Management And Operational Risk

Our program management and operational risk analysis considers five factors, which we assess as neutral or negative:

- Program strategy and governance,
- Loan origination and monitoring,
- A/L management,
- Liquidity risk management, and
- Counterparty risk management.

In our view, DCHFA has an active role in the general oversight of the 2014A bonds program, as well as in the ongoing management of these risks. Our assessment of DCHFA's program management and operational risk is neutral, resulting in no cap on the anchor.

Program strategy and governance

We consider DCHFA's program strategy and governance a neutral credit factor in our analysis. DCHFA's management team has sector experience and has demonstrated proactive leadership through initiatives to pursue alternative financing structures for single-family transactions, coupled with developing plans to address employee turnover.

DCHFA also partners with the district government for multifamily transactions and the administration of the home purchase assistance program for the district's Department of Housing & Community Development. We think DCHFA has sufficient planning, internal controls, and a history of setting and achieving operational goals.

Loan origination and monitoring

We assess loan origination and monitoring as neutral in our analysis. DCHFA is transparent about its expectations from its multifamily borrowers, and it posts eligibility and requirements for programs and underwriting guidelines on its website. Origination standards are in line with its peers with no evidence of financing riskier loan products or targeting riskier borrowers.

A/L management

We view A/L management as neutral under the 2014A program. The program is currently inactive with an A/L parity ratio at 108.7%. The series 2014A bonds are monthly interest and principal pass-throughs. Current average loan maturity is 16 years with the series 2014A bonds scheduled to mature on June 15, 2045. The largest loan in the portfolio will mature in May 2045 with a current balance of $2.7 million.

Liquidity risk management

We view liquidity risk as neutral. The series 2014A bonds benefit from a dedicated reserve fund with at $900,000 balance as of Feb. 28, 2026. The entire loan portfolio benefits from FHA risk-share agreements; therefore, the risk of nonpayment from the loans does not raise additional liquidity risk to the resolution.

Counterparty risk management

We view counterparty risk management as neutral. There is no counterparty exposure present in the 2014A bond program.

Credit Quality Of The Asset Pool

The 2014A bond program is primarily backed by multifamily whole loans with the entire loan portfolio benefitting from FHA risk-share agreements. A summary of the loan portfolio and assumptions used in our credit quality analysis and our projected loss assumptions for the program's assets are shown below.

Cash Flow Analysis

We view the transaction's creditworthiness as nondependent on cash flows due to its timing mechanics and the pass-through structure of loan and bond payments.

Overcollateralization is $900,000, as measured by the A/L parity ratio of 108.7%. The program is sufficient to cover credit losses, up to an anchor of 'aaa'. In addition, our hedging risk analysis is not applicable because there are no variable-rate bonds or hedges in the indenture. A summary of the program's overcollateralization is shown below.

Anchor, Modifiers, And Holistic Analysis

Our analysis of the program's legal framework, program management and operational risk, credit quality, and cash flows result in an anchor of 'aaa'.

We have applied no modifier based on our assessment of the availability of liquid reserves to cover debt service through short-term disruptions in cash flows. The debt service reserve fund requirement is half of MADS. Actual reserves, as of Feb. 28, 2026, were $900,000.

Furthermore, we have applied no modifier based on the program's market position for factors not already considered in determining the anchor.

Applying our holistic analysis due to potential volatility and concentration risk, given the small loan pool size of four loans and our view of the program's fundamental structure, results in a one-notch lowering from the anchor, resulting in a stand-alone credit profile of 'aa+'.

Other Applicable Criteria And Final Rating

We used no other applicable criteria to derive the final program rating of 'AA+'.

District of Columbia Housing Finance Agency--mortgage revenue bonds program rating summary

Legal framework	No cap
Program management and operational risk	No cap
Factors constraining the anchor	
Cash flow analysis	
Overcollateralization	aaa
Stressed cash flows	N/A
Hedging risk	N/A
Housing finance agency general obligation pledge	N/A
Anchor	
Anchor	aaa
Modifiers and holistic analysis	
Liquidity reserves	No modifier
Market position	No modifier
Holistic analysis	Worsen by 1
Stand-alone credit profile	
Stand-alone credit profile	aa+
Other applicable criteria	No cap
Final	
Final rating	AA+

N/A--Not applicable.

District of Columbia Housing Finance Agency--program summary and assumptions

	11-Jun-26
Program assets (% of balance)	
Single-family whole loans	--
Single-family mortgage-backed securities	--
Single-family subordinate loans	--
Multifamily whole loans (%)	100
Multifamily mortgage-backed securities or federally enhanced pass-through	--
Other assets	--
Debt and derivative summary (% of balance)	
Fixed-rate debt (%)	100

District of Columbia Housing Finance Agency--program summary and assumptions

	11-Jun-26
Hedged variable-rate debt	--
Unhedged variable-rate debt	--
Total variable-rate debt	--
Multifamily program assumptions	
No. of loans in portfolio	4
Total loan balance ($000s)	4617
Weighted average debt service coverage (x)	1.5
Weighted-average occupancy rate (%)	--
Loan portfolio characteristics	
Lower-than-typical risk (%)	32.1
Typical risk (%)	--
Higher-than-typical risk (%)	67.9

District of Columbia Housing Finance Agency--loss projection: multifamily whole loans

Rating level	Base credit loss (%)	Base credit loss multiplier	Concentration multiplier	1 - Recovery rate (%)	Credit loss (%)
AAA	10	1.275	6.3298	0.2	12.1
AA+	8.5	1.275	6.3298	-	-
AA	7.5	1.275	6.3298	-	-
AA-	6	1.275	6.3298	-	-
A+	5	1.275	6.3298	-	-
A	4.25	1.275	6.3298	-	-
A-	3.75	1.275	6.3298	-	-
BBB+	3	1.275	6.3298	-	-
BBB	2.5	1.275	6.3298	-	-
BBB-	2	1.275	6.3298	-	-
BB+	1.5	1.275	6.3298	-	-
BB	1.25	1.275	6.3298	-	-
BB-	1.1	1.275	6.3298	-	-
B+	0.9	1.275	6.3298	-	-
B	0.75	1.275	6.3298	-	-
B-	0.6	1.09	5.55	--	--

District of Columbia Housing Finance Agency--overcollateralization

	28-Feb-26
Opening asset/liability parity (%)	120.9
Minimum asset/liability parity (%)	120.9
Total projected credit loss (%)*	12.1
Loss/liabilities (%)	12.2
Net asset/liability parity, after losses (%)	108.7

District of Columbia Housing Finance Agency--overcollateralization

	28-Feb-26

*The highest rating level at which the mortgage revenue bond program's available overcollateralization is sufficient to cover.

Ratings List	
Ratings Affirmed	
Housing	
District of Columbia Hsg Fin Agy DC Multifamily Insured Section 542(c) 1st LIEN FHA-Ins MF Hsg pass-through rev rfdg bnds 2014A	AA+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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 https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.