

Research Update:

# District Of Columbia Housing Finance Agency Series 2026, 2026A Single-Family Mortgage Revenue Bonds Rated 'AA+'

June 4, 2026

## Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the **District of Columbia Housing Finance Agency** (DCHFA)'s series 2026 single-family mortgage revenue bonds (SFMRB) resolution and to DCHFA's \$16.665 million series 2026A (non-AMT) single-family mortgage revenue bonds.
- At the same time, we assigned our 'AA+/A-1' dual rating to DCHFA's \$8.335 million series 2026B (non-AMT) (variable-rate) bonds.
- The outlook, where applicable, is stable.

## Rationale

### Security

Bonds issued within the 2026 SFMRB resolution are special obligations of DCHFA, payable solely from the revenues, assets, and money pledged under the proposed master indenture, including mortgage-backed securities (MBS) guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae.

The long-term component of the ratings reflects DCHFA's credit characteristics as outlined below. The short-term component of the dual rating reflects the liquidity facility in the form of a standby bond purchase agreement (SBPA) provided by TD. Bank N.A., effective July 1, 2026.

The SBPA will cover principal and 187 days' interest at a maximum 12% annual rate for the purchase price of bonds that are not successfully remarketed. The SBPA provides coverage for the bonds during the daily and weekly rate mode (covered mode), and is due to expire on July 1, 2031, unless extended, replaced, or terminated beforehand.

The SBPA covers the bonds in the daily and weekly rate mode. The SBPA providers' obligations to purchase tendered bonds will automatically terminate should certain events of default set forth in the SBPA occur; these events (which we have deemed consistent with our published criteria) include a lowering of the rating on the bonds or DCHFA's parity debt below 'BBB-'.

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The bonds are subject to optional or special redemption as well as mandatory sinking fund redemption, as described in the offering documents.

## **Credit highlights**

The DCHFA was established in 1979 to stimulate and expand homeownership and rental housing opportunities for low-and moderate-income families in the District of Columbia. The agency primarily issues taxable and tax-exempt mortgage revenue bonds to lower the financing costs for single-family homebuyers and multifamily developers acquiring, constructing, and rehabilitating rental housing in the District of Columbia. The establishment of this 2026 single-family mortgage revenue bond program is intended to replace DCHFA's 1988 single family program that matured in June 2026.

The long-term ratings and long-term component of the dual ratings reflect our view of the program's:

- Legal framework that links duties of key transaction parties with proper execution of the program in alignment with our criteria, and legal risks that we believe are sufficiently mitigated;
- Program management and operational risk assessment, which we consider to be neutral;
- Overcollateralization and cash flows capable of withstanding S&P Global Ratings-calculated loss assumptions, based on the credit quality of the asset pool, in all provided cash-flow stress scenarios, with a minimum projected asset-to-liability (A/L) parity of 209.9%;
- Liquid reserves that are sufficient to cover short-term disruptions in asset cash flows; 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 'aa+'. We have reviewed program cash flows, including stress scenarios, and have determined that overcollateralization, as measured by the minimum A/L parity ratio, is sufficient to cover 'aaa' losses. However, the cash flow stress scenarios received reflected stressed reinvestment and stressed interest-rate assumptions that cap the anchor at 'aa+'.

In our view, the resolution's exposure to hedging risk is immaterial at this time, with hedged variable-rate debt less than 2x net assets after losses; as such, we do not further constrain the program's anchor based our hedging risk assessment.

## **Environmental, social, and governance**

In our opinion, the program exhibits opportunities related to social capital based on its purpose to create, preserve, and finance affordable housing for the state's low- to moderate-income residents. We believe factors such as income, unemployment, and housing supply could affect program demand, and consider this in our market position assessment, but our assessment is neutral. We view environmental and governance factors for the program as neutral in our credit analysis.

Our short-term component of the dual rating is linked to the SBPA provider. Environmental, social, and governance (ESG) factors that affect the rating on this entity could affect the rating on these securities. Our assessment of the creditworthiness of the SBPA provider incorporates any material ESG credit factors regardless of any self-designation, such as green or social, the issuer might apply. In our view, exposure to ESG factors in these transactions is limited to the factors related to the SPBA provider.

## Outlook

The stable outlook reflects our view of the program's ample cushion under its asset-to-liabilities (A/L) parity ratio, with prudent program management. In addition, while the current issuance and the underlying assets are expected to be all backed by MBS, we believe if the issuer chooses to include whole loans in future issuances, it will be done methodically, without materially affecting the credit quality of the asset portfolio.

### Downside scenario

Although we view this as unlikely in the outlook period, we could lower the rating or revise the outlook to negative if our assessment of program management and operational risk changes due to negative assessments, if the credit quality of the underlying assets decreases, or if the A/L parity decreases significantly to below the 'aa+' level.

### Upside scenario

We could raise the rating or revise the outlook to positive if both the credit quality and cash flow analysis meet our stress scenarios for ratings above the sovereign, and if our view of the creditworthiness of the program and underlying assets improves based on updated delinquency information.

## Credit Opinion

## Legal Framework Analysis

We have analyzed the program's legal framework, which links the duties of the key transaction parties with the proper execution of the program, in alignment with our criteria, and legal risks that we believe are sufficiently mitigated. Although there are no cross-default provisions among general obligation bonds of the agency, there is an event of default if it files a petition seeking a composition of indebtedness under federal bankruptcy laws. We believe the risk of voluntary bankruptcy is remote given the strength of the agency issuer credit rating and the alignment of the program, as well as debt outside the program, with DCHFA's overall mission.

## 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, asset and liability management, liquidity risk management, and counterparty risk management. In our view, DCHFA has an active role in the general oversight of the 2026 resolution 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 believe the agency's program strategy and governance is a neutral credit factor in our analysis. The authority's management team has sector experience and has demonstrated proactive leadership through initiatives to pursue alternative financing structures for single-family transactions and developing plans to address employee turnover, which has historically been an issue at the agency.

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 and Community Development. We believe 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 single-family borrowers and lenders and posts its eligibility requirements for programs and underwriting guidelines on its website. The agency's origination and servicing standards set guidelines for loan origination, underwriting and compliance, closing and delivery, and servicing and ongoing monitoring. Lakeview Loan Servicing serves as the master servicer. Origination standards are in line with those of its peers, with no evidence of financing riskier loan products or targeting riskier borrowers.

### **A/L management**

We do not view any program A/L management attributes as negative. The A/L parity is currently high at above 200%, but we expect the parity to decline with future issuances.. There is no significant mismatch in asset and liability maturities, and no interest rate risk beyond what is captured in resolution cash flows.

### **Liquidity risk management**

DCHFA maintains a relatively conservative investment profile, which is sufficient to support liquidity needs. Generally, due to the low-risk nature of MBS loans originated from bond proceeds--guarantees or insurance from government entities or government-sponsored entities--supplemental resolutions do not require specific and separate debt service reserve funds, but we do not view this as a credit weakness for these assets.

Currently, no reserves are required, as in the near term the agency only contemplates originating loans securitized into MBS. Despite contingent liquidity risk in the form of potential collateral posting for derivative agreements, we consider these risks unlikely to pressure the program's or the agency's liquidity given the magnitude of DCHFA's net assets compared with the potential collateral posting.

### **Counterparty risk management**

DCHFA's swap policy sets the guidelines for the agency's use and management of all swaps, including the selection criteria of swap counterparties. The CFO and vice president of treasury are designated swap administrators and are required to report to the board annually on the effectiveness of its proposed swap policy.

The 2026 SFMRB resolution will include approximately 33% variable debt at the inaugural issuance. and we expect the variable-rate debt will be managed around this range for the program. The authority is expected to hedge all of the proposed variable-debt for this transaction, and its current hedge counterparty for series B will be JP Morgan. DCHA intends to diversify its counterparties and manage single exposure to below 30% in the long run.

## **Credit Quality Of The Asset Pool**

The 2026 SFMRB resolution will be backed by single-family MBS at this inaugural issuance, and we expect it would be a predominately MBS-backed program. However, the indenture does allow for the possibility of future whole loan issuances by the agency, which we will evaluate and assess with each subsequent issuance. A summary of the loan portfolio and the assumptions used in our credit quality analysis are shown below.

## Cash Flow Analysis

We have reviewed program cash flows, including stress scenarios, and determined that overcollateralization, as measured by the minimum A/L parity ratio, is sufficient to cover credit losses and cash flow stress scenarios up to an anchor of 'aa+'. A summary of our cash flow analysis 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 results in an anchor of 'aa+'.

The indenture does not establish a debt service reserve fund; however, because we consider liquidity risk mitigated for MBS, we have not applied a negative modifier, based on our assessment of available liquid reserves to cover debt service through short-term cash flow disruptions.

Further, we have applied no modifier based on the program's market position.

Applying our holistic analysis, after applicable modifiers and caps, results in no impact on the anchor, resulting in a stand-alone credit profile of 'aa+'.

## Other Applicable Criteria And Final Rating

No other applicable criteria were used to derive the final program rating of 'AA+'.

### MRB Program Rating Summary--District of Columbia Housing Finance Agency, D.C. general indenture

|                                         |                     |
|-----------------------------------------|---------------------|
| <b>Legal framework</b>                  | No cap              |
| Program management and operational risk | No cap              |
| <b>Factors constraining the anchor</b>  |                     |
| <b>Cash flow analysis</b>               |                     |
| Overcollateralization                   | GE/GSE rating (aa+) |
| Stressed cash flows                     | aa+                 |
| Hedging risk                            | No cap              |
| HFA general obligation pledge           | N/A                 |
| <b>Anchor</b>                           |                     |
| Anchor                                  | aa+                 |
| <b>Modifiers and holistic analysis</b>  |                     |
| Liquidity reserves                      | No modifier         |
| Market position                         | No modifier         |
| Holistic analysis                       | No modifier         |

**MRB Program Rating Summary--District of Columbia Housing Finance Agency, D.C.  
general indenture****Stand-alone credit profile**

|                           |        |
|---------------------------|--------|
| SACP                      | aa+    |
| Other applicable criteria | No cap |
| <b>Final</b>              |        |
| Final rating              | AA+    |

N/A--Not applicable. GE -- Governmental entity. GSE -- Government-sponsored enterprise.

**Program Summary & Assumptions--District of Columbia Housing Finance Agency,  
D.C. general indenture****June 30, 2026**

|                                                                |       |
|----------------------------------------------------------------|-------|
| <b>Program assets (% of balance)</b>                           |       |
| Single-family whole loans                                      | --    |
| Single-family MBS                                              | 100   |
| Single-family subordinate loans                                | --    |
| Multifamily whole loans                                        | --    |
| Multifamily MBS or federally enhanced pass-through             | --    |
| Other assets                                                   | --    |
| <b>Debt &amp; derivative summary % of balance)</b>             |       |
| Fixed-rate debt (% of balance)                                 | 66.66 |
| Hedged variable-rate debt (% of balance)                       | 33.34 |
| Unhedged variable-rate debt (% of balance)                     | --    |
| Total variable-rate debt (% of balance)                        | 33.34 |
| <b>Single-family program assumptions</b>                       |       |
| No. of loans in portfolio                                      | 73    |
| Total loan balance (\$000s)                                    | 4,901 |
| Loans 30-year fixed (% of balance)                             | 100   |
| Loans with balloons or negative amortization (% of balance)    | --    |
| Loans - other terms (% of balance)                             | --    |
| <b>Loan seasoning</b>                                          |       |
| < 5 years (% of balance)                                       | --    |
| 5-10 years (% of balance)                                      | --    |
| 10+ years (% of balance)                                       | 100   |
| <b>Property type</b>                                           |       |
| Single-family residences (% of balance)                        | 100   |
| 2-4 family residences (% of balance)                           | --    |
| Condo or cooperative apartment (owner-occupied) (% of balance) | --    |
| Other property type (% of balance)                             | --    |
| <b>Insurance/guarantees</b>                                    |       |
| Ginnie Mae (% of balance)                                      | 24.7  |
| Fannie Mae (% of balance)                                      | 26.0  |
| Freddie Mac (% of balance)                                     | 49.3  |

**Program Summary & Assumptions--District of Columbia Housing Finance Agency,  
D.C. general indenture**

| June 30, 2026            |    |
|--------------------------|----|
| PMI (% of balance)       | -- |
| FHA (% of balance)       | -- |
| VA (% of balance)        | -- |
| USDA/RD (% of balance)   | -- |
| Uninsured (% of balance) | -- |

FICO--Fair Isaac Co. LTV--Loan-to-value. PMI--Private mortgage insurance. FHA--Federal Housing Administration.  
VA--Veterans Administration. USDA/RD--U.S. Department of Agriculture/Rural Development. N/A--Not applicable.

**Overcollateralization**

| June 30, 2026                                |       |
|----------------------------------------------|-------|
| Opening asset/liability parity (%)           | 215.2 |
| Minimum asset/liability parity (%)           | 209.9 |
| Total projected credit loss (%)*             | 0.0   |
| Loss/liabilities (%)                         | 0.0   |
| Net asset/liability parity, after losses (%) | 209.9 |

\*At the highest rating level at which the MRB program's available overcollateralization is sufficient to cover.

**Ratings List****New Issue Ratings**

US\$16,665,000 District of Columbia Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 2026A (Non-AMT), dated: Date of Delivery, due: December 1, 2056

|                  |            |
|------------------|------------|
| Long Term Rating | AA+/Stable |
|------------------|------------|

US\$8,335,000 District of Columbia Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 2026B (Non-AMT) (Variable Rate), dated: Date of Delivery, due: December 1, 2050

|                  |                |
|------------------|----------------|
| Long Term Rating | AA+/A-1/Stable |
|------------------|----------------|

**New Rating****Housing**

|                                                        |            |
|--------------------------------------------------------|------------|
| District of Columbia Hsg Fin Agy, DC General Indenture | 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.

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