FitchRatings

NON-RATING ACTION COMMENTARY

Fitch Renames USPF Tax-Exempt Housing Group as Community Development & Social Lending

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Fitch Ratings-New York/Chicago-22 April 2021: Fitch Ratings is pleased to announce their U.S. Public Finance Tax-Exempt Housing Group is now renamed the Community Development & Social Lending Group to reflect the broader scope of the credits covered by the group. Since Mikiyon Alexander came on board to lead Fitch's housing team in 2017, we have seen rapid evolution of the sector, and our criteria has evolved with it. While State and Local Housing Finance Agencies continue to issue tax-exempt bonds for both single-family lending and for the development of multifamily affordable housing, we recognize the industry is also issuing more taxable, social impact, and sustainability bonds to foster social mission lending.

Fitch is committed to ensuring that our rating opinions and applicable criteria accurately reflect the true nature of the credit risks associated with the Community Development & Social Lending industry. Our criteria enable us to rate Community Development entities such as affordable housing, student housing, military housing, public housing authorities, capital fund financings and community impact credits. We also have criteria to rate Social Lending organizations such as Housing Finance Agencies, Housing Finance Loan Programs and Community Development Financial Institutions.

"Tax-Exempt bonds will continue to make up a fair amount of debt offerings in the sector however, we have seen an uptick in taxable sustainability and social impact bonds in the last 14 months. It's important to be at the forefront of the industry's evolution and be properly poised to provide timely, reliable credit opinions and research," said Mikiyon Alexander, Senior Director and Sector Lead for Community Development & Social Lending.

From June 2020 to March 2021 about $27 billion of debt offerings for affordable housing were made, of which roughly $7.5 billion were either taxable, sustainability or social impact bonds. As of Q1 2021 roughly $6.8 billion of debt offerings were made, of which $875 million were sustainability or social impact bonds while $827 million were taxable.

Community Development Financial Institutions (CDFIs) are here to stay and are becoming more common in the market place. CDFIs began to obtain ratings in 2015. Since 2017, CDFIs have sought further diversification of sources through rated debt offerings in the capital markets. By Q2 2020, CDFIs accessed the market with rated offerings totalling $1.05 billion, including bond offerings and note offerings. In June 2020, Fitch rated its first CDFI, Century Housing Corporation, 'AA'/Stable, along with their subsequent series 2020 $100 million taxable sustainability bond issuance which was the first municipal financing of its kind for a CDFI. The transaction won the Sustainability Bond of the Year by Environmental Finance. Fitch also rated the institution's $50 million sustainable impact notes.

Community Development & Social Lending is a continually evolving industry that responds to the social needs throughout the U.S., Fitch understands the importance of keeping abreast of trends in community investing, social lending organizations and associated debt offerings. The Community Development & Social Lending group provides forward-looking ratings and also provides Environmental, Social and Governance (ESG) relevance scores for all of our rated credits, including social impact bonds and community investment financings.

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