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Fitch Ratings 2022 Outlook: Community Development and Social Lending

Fitch Ratings views the community development and social lending sector (formerly tax-exempt housing) to be stable with a neutral outlook for 2022. After a globally challenging year in 2020, it was expected that the sector was well positioned financially entering 2021, as the coronavirus pandemic and its impact to many borrowers and renters presented unforeseen circumstances that were deemed to be evolving. State housing finance agencies (HFAs), socially driven lending institutions and developers are expected to continue to successfully navigate an environment of rising barriers for affordable single-family and multifamily housing. In 2021, the sector saw an increase in issuance in lending for affordable housing, from \$19 billion in 2020 to \$24 billion as of October 2021. This trend is expected to continue in 2022. This increase is significant, as these entities are operating in a single-family lending environment whereby low interest rates are offset by the overvaluation of single-family dwellings and rising rental rates that are outpacing U.S. wage growth. HFAs continued to be well poised to respond to liquidity needs that the challenging environment may present, with their balance sheets and loan programs continuing to increase in overall equity.

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Wed 08 Dec, 2021

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