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Bloomberg: Moody's Seeks Comments on Approach to Rating Rental-Home Bonds.

Moody's Investors Service is asking for comments on a proposed methodology for rating bonds backed by U.S. rental homes, after assigning top grades to a portion of the market's first deal last year.

The document released today reflects Moody's plan to create a formal outline of its approach to rating the debt, which it has previously explained in reports and statements, Thomas Lemmon, a spokesman, said by telephone. When ranking a type of securities before creating an official methodology, the firm offers more information on its views as it rates individual deals, he said.

For the initial securities, the New York-based company's assessment of the transaction's "ultimate ability to repay investors was based on the liquidation value of the homes under a heavily stressed scenario," Moody's said today in an e-mailed statement.

Competitor Standard & Poor's said Feb. 27 that rental-home securities haven't met the criteria for its top AAA rankings, following a similar statement by Fitch Ratings in November. Moody's, Kroll Bond Rating Agency and Morningstar Inc. assigned top grades to 58 percent of the bonds in the \$479.1 million offering in November by Blackstone Group LP's Invitation Homes, the only of its type so far.

Moody's said today in its request for comment that when grading such deals it plans to focus "on two sources of cash flows that are available to repay the loan: the rental income that the underlying properties will generate, and the proceeds from the sale of the underlying properties."

Its analysis of the income and legal issues is derived from its process for ranking commercial-mortgage bonds, while its approach for residential securities informs how it assesses property valuations, Moody's said.

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