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S&P Proposed Methodology For Rating U.S. Public Finance Rental Housing Bonds.

CENTENNIAL (S&P Global Ratings) Nov. 4, 2019–S&P Global Ratings is requesting comments on its proposed update to its methodology for rating rental housing bonds in the U.S. (see "Methodology For Rating U.S. Public Finance Rental Housing Bonds").

This proposed methodology, if adopted, would apply to ratings on bonds backed by rental income from residential properties that serve a public purpose. In particular, the proposed methodology would apply to bonds backed by revenues from:

- Affordable multifamily housing (including mobile home parks);
- Age-restricted independent or assisted-living rental housing;
- Privatized military housing;
- Privatized student housing affiliated with a university, college, or community college; and
- Pools of loans secured by affordable multifamily housing.

The primary purpose of the proposed methodology update is to recalibrate our rating analysis, following observed volatility and sharp deterioration in creditworthiness within subsectors of the issues in scope.

S&P Global Ratings is seeking responses to the following questions, in addition to any other general comments on the proposed criteria:

- What is your view of the overall structure of the proposed methodology and clarity of its scope (type of entities rated with the proposed methodology)?
- In your opinion, does the proposed methodology contain any significant redundancies or omissions?
- Are our proposed criteria principles and adjustments comprehensive and clearly defined?
- Do you believe that the proposed methodology appropriately captures credit risks and do you agree with the manner in which we propose to assess these risks (selection of key factors, their weighting, associated ratios and measures to assess these risks, associated caps)? If not, what alternative(s) would you propose?
- Do you agree with our proposal to focus on borrower default risk rather than property liquidation value, and therefore to use DSC as the key quantitative metric of our coverage and liquidity reserves analysis rather than loan-to-value?
- Do you agree with our proposal to apply a negative adjustment to the rating for transactions with multiple tranches of varied seniority that include a "springing-lien" provision, which results in a pro rata distribution of recovery proceeds following a default of the most senior tranche (see Table 1, and the proposed guidance document in Appendix B)?
- Are there any other views regarding this methodology proposal that you would like to bring to our attention?

We encourage interested market participants to submit their written comments on the proposed

criteria by Dec. 18, 2019, to http://www.standardandpoors.com/en_US/web/guest/ratings/rfc where participants must choose from the list of available Requests for Comment links to launch the upload process (you may need to log in or register first). We will review and take such comments into consideration before publishing our definitive criteria once the comment period is over. S&P Global Ratings, in concurrence with regulatory standards, will receive and post comments made during the comment period to www.standardandpoors.com/en_US/web/guest/ratings/ratings-criteria/-/articles/criteria/requests-for-comment/filter/all#rfc.

Comments may also be sent to CriteriaComments@spglobal.com should participants encounter technical difficulties. All comments must be published but those providing comments may choose to have their remarks published anonymously or they may identify themselves. Generally, we publish comments in their entirety, except when the full text, in our view, would be unsuitable for reasons of tone or substance.

This report does not constitute a rating action.

The report is available to subscribers of RatingsDirect at www.capitaliq.com. If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to research_request@spglobal.com. Ratings information can also be found on S&P Global Ratings' public website by using the Ratings search box located in the left column at www.standardandpoors.com. Members of the media may request a copy of this report by contacting the media representative provided.

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