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Fitch: U.S. State Housing Finance Agencies To Hold Firm Against Recessionary Tide

Fitch Ratings-San Francisco/New York/Chicago-24 October 2022: State housing finance agencies (HFAs) throughout the country will head into a likely broader recession in 2023 on firm fiscal footing, according to Fitch Ratings in its peer review for the sector.

HFA equity growth is still strong, though it leveled off in the last year. Aggregated equity rose 6% in fiscal 2021 and is up 31% since fiscal 2017. Driving the consistent rate of growth has been a favorable operating environment driven by strategic investment and prudent management to offset low interest rates and higher delinquencies. With Fitch economists calling for a broader recession in early-2023, this judicious approach will serve the sector well according to Karen Fitzgerald, Senior Director and Fitch's Sector Head for Community Development & Social Lending.

"That housing finance agencies were able to maintain modest profitability and stable equity despite the pandemic hangover, rising mortgage rates and elevated home prices speaks to the strength of the sector," said Fitzgerald. "While challenges in responding to growing affordable housing needs lie ahead, HFAs remain well positioned to respond while maintaining solid financial profiles."

Though it rose slightly over the last year, leverage remains stable as the median adjusted DTE ratio was 2.6x in fiscal 2021. This is below the five-year average median of 2.9x, and now solidifies a trend where the ratio is equal to or below the median DTE ratio experienced for the last five fiscals.

Fitch's 'State Housing Finance Agencies Peer Review' is available at 'www.fitchratings.com'.

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