

Bond Case Briefs

Municipal Finance Law Since 1971

Fitch Rtgs 2023 Outlook: Govt Support & Strong Financials to Insulate CDSL from Looming Recession

Fitch Ratings-New York/Chicago/San Francisco-14 December 2022: Fitch Ratings views the outlook for the Community Development and Social Lending (CDSL) sector as neutral for 2023. The CDSL sector faces numerous headwinds heading into 2023. The decline in home prices thus far has not been enough to offset rising mortgage rates, exacerbating the already acute housing affordability crisis. Homeowners and renters are contending with the looming threat of job losses as the risk of recession escalates, further contributing to housing insecurity. Persistent shortages of affordable housing and ever-increasing community development needs continue to present challenges. At the same time, falling home prices and rising unemployment could potentially lead to higher delinquency and default rates.

“Although the CDSL sector is facing strong headwinds, demand for the essential services provided by CDSL issuers will inevitably rise, given the worsening macroeconomic environment that is forecast for 2023,” says Karen Fitzgerald, Fitch Senior Director and Sector Head. “In our view, CDSL issuers are well positioned to respond due to their solid financial profiles and the strong federal government support from which they typically benefit.”

While the sector’s ratings are largely unchanged, there were a number of favourable Rating Outlook revisions during 2022. The rating actions taken by CDSL in 2022 included two upgrades, two downgrades, and 26 favourable Outlook revisions (from either Negative to Stable or from Stable to Positive). Many of the Outlook revisions to Stable from Negative were driven by the direct linkage between certain housing finance agencies (HFAs) and the U.S. Issuer Default Rating, the Outlook of which Fitch revised to Stable from Negative in July.

Contacts:

Karen Fitzgerald
Senior Director
+1-415-796-9959
Fitch Ratings, Inc.
One Post Street, Suite 900
San Francisco, CA 94104

Kasia Reed
Director
+1-646-582-4864
Fitch Ratings, Inc.
300 W 57th Street
New York, NY 10019

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com