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Iowa Finance Authority: Fitch New Issue Report

Key Rating Drivers Sound Financial Structure: Fitch's cash flow modeling demonstrates that the resources of Iowa Finance Authority's (IFA, or the authority) combined CWSRF and DWSRF programs (together, the program) are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle, as produced using Fitch's Portfolio Stress Model (PSM). Surplus annual loan repayments and pledged reserves primarily provide this loss protection. Above-Average Pool Diversity: Fitch views the program's pool diversity as above-average, driven by the large number of borrowers (more than 750 obligors). The top 10 borrowers represent a low 36% of the pool total and the largest single borrower represents a moderate 14% of the pool. Largely Unrated Portfolio: Overall, IFA's pool quality is below average in comparison to similar programs Fitch rates, as more than three-quarters of the loan portfolio does not carry a public rating. To mitigate this risk, Fitch's PSM conservatively assumes unrated borrowers to be of sub-investmen--grade quality (BB). Effective Program Management: IFA and the Iowa Department of Natural Resources (DNR) jointly manage the program following underwriting and loan monitoring procedures set forth by the MTA. The program has not experienced a default of any pledged borrower to date.

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