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Fitch Rtgs 2024 Outlook: Strong Credit Profiles Support US CDSL Sector Despite Expected Slowdown

Fitch Ratings-Chicago/San Francisco/New York-13 December 2023: While the U.S. economy has remarkably averted recession thus far, the U.S. Community Development & Social Lending (CDSL) sector is not out of the woods just yet. Although Fitch is no longer forecasting a recession in 2024, the U.S. economy is expected to slow sharply as higher interest rates and a slowdown in bank credit weigh on consumer spending and private investment. However, Fitch believes that CDSL issuers are well-positioned to face these headwinds.

“Issuers in the CDSL sector have repeatedly demonstrated their resilience and adaptability during turbulent economic times,” says Karen Fitzgerald, Fitch Senior Director and Sector Head. “Given their strong financial profiles, conservative risk management practices, effective oversight, and successful track records, we expect CDSL issuers to remain steadfast as they face ongoing uncertainty and the continuing challenges of housing unaffordability and limited market access in 2024.”

Fitch made 19 downgrades and one upgrade to the sector’s ratings in 2023. Sixteen of the 19 downgrades were driven by direct linkages of U.S. housing finance agency (HFA) loan programs to the U.S. sovereign rating, which Fitch downgraded on Aug. 1. These 16 credits are primarily secured by mortgage-backed securities (MBS) issued by Ginnie Mae, Fannie Mae and/or Freddie Mac.

Contacts:

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

Kasia Reed
Director
+1-646-582-4864
kasia.reed@fitchratings.com

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

Additional information is available on www.fitchratings.com