# MOODY'S
## INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

November 28, 2011

Mr. Darren Ueki
Finance Manager
Hawaii Housing Finance and Development Corporation
677 Queen Street, Suite 300
Honolulu, Hawaii 96813

Dear Mr. Ueki:

We wish to inform you that Moody's Rating Committee has assigned a rating of **Aaa** to the Hawaii Housing Finance and Development Corporation's Single Family Mortgage Purchase Revenue Bonds, 2011 Series A, 2011 Series B, and 2009 Series A-1. Moody's has also affirmed the Aaa rating on the parity bonds outstanding under the Single Family Mortgage Purchase Revenue Bonds indenture. The outlook on the rating is negative.

In assigning our ratings, we relied on documents provided to us. In order to maintain our ratings, we must be provided with a complete set of executed documents as soon as possible and will require current financial and portfolio information on an ongoing basis

If you have any questions regarding the rating or the information required to maintain the rating, please do not hesitate to contact me at 212-553-4104.

Sincerely,

William N. Fitzpatrick, Jr.

Moody's
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# New Issue: Moody's Assigns a Aaa Rating to Hawaii Housing Finance and Development Corporation's Single Family Mortgage Purchase Revenue Bonds 2009 Series A-1, 2011 Series A and 2011 Series B; Outlook is Negative

**Global Credit Research - 18 Nov 2011**

HAWAII HCDC - SINGLE FAMILY MORTGAGE PURCHASE REVENUE BONDS
State Housing Finance Agencies
HI

**Moody's Rating**

| ISSUE | | RATING |
|---|---|---|
| Single Family Mortgage Purchase Revenue Bonds, 2011 Series A (Refunding Market Bonds) (Non - AMT) | | Aaa |
| **Sale Amount** | $7,005,000 | |
| **Expected Sale Date** | 11/21/11 | |
| **Rating Description** | Mortgage: Single-Family: Whole Loans | |
| Single Family Mortgage Purchase Revenue Bonds, 2011 Series B (New Money Market Bonds) (Non-AMT) | | Aaa |
| **Sale Amount** | $12,995,000 | |
| **Expected Sale Date** | 11/21/11 | |
| **Rating Description** | Housing Other | |
| 2009 Series A- 1 (Program Bonds) (Non - AMT) | | Aaa |
| **Sale Amount** | $30,000,000 | |
| **Expected Sale Date** | 11/21/11 | |
| **Rating Description** | Housing Other | |

**Moody's Outlook** NEG

**Opinion**

NEW YORK, November 18, 2011 --

Moody's Investors Service has assigned a rating of Aaa to Hawaii Housing Finance and Development Corporation's Single Family Mortgage Purchase Revenue Bonds 2009 Series A-1, 2011 Series A and 2011 Series B (the 2009 Bonds), with a combined par amount of $50,000,000. We have also affirmed the rating on all of the parity bonds issued under the Single Family Mortgage Purchase Revenue Bond Trust Indenture ($83,195,000 outstanding).

The outlook for the ratings is negative based on the outlook for the rating of the US government.

RATINGS RATIONALE

The rating is based on the high level of security provided by the asset to debt ratio of the Indenture, Indenture assets consisting primarily of mortgage-backed securities (MBSs) issued by Ginnie Mae and Fannie Mae, and conservative investments.

STRENGTHS

Strong financial performance of the Indenture, with PADR of 1.154 (as of the 6/30/10 audit) and profitability of 8.78%

Pledged assets consist primarily of MBS, minimizing risk of losses due to mortgage loan delinquencies or foreclosures

Debt consists of long-term fixed-rate bonds

CHALLENGES

Withdrawals of funds from the Indenture, including at the request of other parts of State government, could erode program strength over time, although none are currently contemplated

Significant deterioration of investment counterparty ratings could have a negative impact

Detailed Credit Discussion

PROGRAM SUMMARY: In Moody's opinion, the high quality of the assets pledged under the Indenture provides a very high level of security for bond repayment. The Corporation's Single Family Mortgage Purchase Program is financed under a parity indenture that was created in 1980. The Corporation has applied bond proceeds primarily to finance single family mortgage loans to promote housing affordable to low and moderate income persons and families in Hawaii. The Corporation's current practice is to securitize mortgage loans financed under the program into MBSs issued by Ginnie Mae or Fannie Mae, thereby insulating the bond program from the risks of mortgage delinquency or default. As of 6/30/11, 96.6% of the mortgage assets consist of MBSs. Other assets include reserve funds conservatively invested in GSE securities and investment contracts with highly rated providers.

The Corporation issued the 2009 Series A Bonds in December 2009 (the most recent previous issue under the Indenture) in the amount of $100,000,000, the proceeds of which were held "in escrow" as permitted under the NIBP program. The current transaction includes the 2009 Series A-1 Bonds in the amount of $30,000,000, which constitutes a release of a portion of the 2009 Series A Bonds from escrow as permitted under the federal NIBP program. The transaction also includes the 20011 Series A Bonds ($7,005,000 principal amount), the proceeds of which will be used for an economic refunding of bonds previously issued under the Indenture, and the 2011 Series B Bonds ($12,995,000), which will be used (in combination with the 2009A proceeds) in part to provide funds for purchase of additional program loans to be converted to MBS.

VARIABLE RATE DEBT AND INTEREST RATE HEDGES: None

FINANCIAL PERFORMANCE: The very strong financial position of this established and seasoned indenture provides further protection to bondholders. Based on the 6/30/10 audited financial statements, the Program's asset to debt ratio (PADR) after Moody's adjustments was 1.154. (If the NIBP escrow incorporated in the 2009 Series A Bonds were excluded from both assets and liabilities, the PADR would increase to 1.217). Profitability (net revenues as a percentage of gross revenues) was 8.78%.

The Indenture requires that the Debt Service Reserve be maintained at a level at least equal to 10% of outstanding bonds, contributing to high level of overcollateralization particularly for a program in which mortgage loans are converted to MBS.

Moody's understands that the Corporation has in the past withdrawn funds from the Indenture in order to provide funds for other purposes as directed by other branches of State government; however no such withdrawals occurred over the past two fiscal year and none are contemplated, and withdrawals are subject to completion of cash flow projections.

Program fund investments include guaranteed investment contracts, with a concentration of as to Societe Generale (Aa3, P1, negative outlook). Downgrade of the ratings of Societe Generale or other investment providers could impact credit quality including if the ratings fall below Moody's parameters.

CASH FLOWS: Moody's has reviewed cash flow projections demonstrating the ability of the Indenture to generate sufficient funds to make debt service payments at each future payment date, under a variety of mortgage prepayment scenarios, as well as a scenario in which no originations of new MBSs are accomplished and bond proceeds are used for bond redemption at a future date. The cash flows were run using Moody's stress reinvestment assumptions to show the ability of the program to perform even under today's extremely low interest rate environment.

LEGAL STRUCTURE: In Moody's opinion, the Indenture provides a sound legal structure for repayment of the Bonds. The Bonds are special Pledged revenues are deposited in the Revenue Fund held by the Trustee and used first to pay bond debt service. Excess revenues may be released to the Corporation, free of the lien of the indenture, only as provided in a Cash Flow Certificate. Program funds may be invested only in permitted investments.

Outlook

The outlook on the rating is stable due to the strength of the program's fundamental credit characteristics.

What Could Make the Rating Go Up

NA

What Could Make the Rating Go Down

Downgrade of the US

Material downgrade of investment providers

Significant deterioration of indenture financial performance, including reductions in asset to debt ratios, erosion of profitability or weakened cash flows

The principal methodology used in this rating was Strength in Structure: Moody's Approach to Rating Single-Family Housing Bonds Secured by Mortgage-Backed Securities published in May 1999. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

The Global Scale Credit Ratings on this press release that are issued by one of Moody's affiliates outside the EU are considered EU Qualified by Extension and therefore available for regulatory use in the EU. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Information sources used to prepare the rating are the following: parties involved in the ratings, public information, confidential and proprietary Moody's Investors Service information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

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Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moodys.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

**Analysts**

William Fitzpatrick
Lead Analyst
Public Finance Group
Moody's Investors Service

Florence Zeman
Additional Contact
Public Finance Group
Moody's Investors Service

**Contacts**

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

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