STANDARD & POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:

Hawaii Housing Finance & Development Corporation; Single Family Multiple MBS

Primary Credit Analyst:
Jose M Cruz, San Francisco (1) 415-371-5053; jose_m_cruz@standardandpoors.com

Secondary Contact:
Lawrence R Witte, San Francisco (1) 415-371-5037; larry_witte@standardandpoors.com

Table Of Contents

Summary:

Hawaii Housing Finance & Development Corporation; Single Family Multiple MBS

Credit Profile		
US$27.0 mil sin fam mtg purch rev bnds ser A		
Long Term Rating	AA+/Negative	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Hawaii Housing Finance and Development Corporation's (HHFDC) series 2013A single-family mortgage purchase revenue bonds. At the same time, Standard & Poor's affirmed its 'AA+' rating on the corporation's single-family mortgage purchase revenue parity bond program. The outlook on all ratings is negative.

The ratings reflect our opinion of:

- The strong credit quality of the collateral backing the bonds,
- Extremely strong asset-to-liability parity in the consolidated cash flows,
- Investments that are commensurate with the rating on the bonds,
- The sufficiency of revenues to pay debt service and fees when due, and
- The sovereign rating on the U.S. (AA+/Negative).

Should the U. S. be upgraded to 'AAA' and the bond program meet all criteria commensurate with a 'AAA' rating, the rating on the bonds will be upgraded.

Bond proceeds will be used to refund HHFDC's series 1998A, 1998B, 1998C, 2000A, 2000B, 2002A, and 2002B bonds, and transfer the underlying Fannie Mae mortgage-backed securities within the refunded bonds to the series 2013A bonds. In addition, the transaction is structured with monthly interest payment dates, and separate interest and principal accounts will be created, at closing, within the debt service fund to provide debt service payments on the bonds.

Consolidated cash flow runs assuming various origination and prepayment scenarios demonstrate that assets and revenues are sufficient to pay full and timely debt service plus fees.

The indenture currently utilizes guaranteed investment contracts (GICs) provided by Societe Generale, Trinity Plus Funding Co., and WestLB AG. The investment of these funds represents less than 30% of total assets under the indenture. Furthermore, the refunding of the series 1998A, 1998B, 1998C, 2000A, 2000B, 2002A, and 2002B bonds will reduce the amount of funds held in GICs with Societe Generale, mitigating the risk we believe is entailed by the presence of an investment agreement with Societe Generale.

Outlook

The negative outlook on this issue is the same as of the outlook on Fannie Mae, which reflects the negative outlook on the U.S. sovereign rating. We could lower the rating on this issue if we were to lower the rating on Fannie Mae due to us lowering the U.S. sovereign, or if, in our view, government support for Fannie Mae begins to wane. Fannie Mae's link to the government is the main rating factor. We do not envision any change to the support for Fannie Mae guarantees. As we receive new information about government-sponsored entity reform that could affect our view of the government-related entity support for guarantees, we may change the rating.

We continually monitor Fannie Mae's credit quality to determine the amount of embedded loss that we believe the company still has in its mortgage portfolio and investment securities portfolio, since the company's business model is not that of a going concern. When it becomes clearer to us how the company will position itself as it emerges from conservatorship -- whether as a viable entity or if placed into receivership -- we will assign a counterparty credit rating.

Related Criteria And Research

- USPF Criteria: Single-Family Whole Loan Programs, June 14, 2007
- USPF Criteria: Single-Family Mortgage-Backed Securities Programs, June 13, 2007

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.