

Research Update:

Hawaii Housing Finance & Development Corp. Series 2025A Single-Family Mortgage Purchase Revenue Bonds Rated 'AA+'

October 3, 2025

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [Hawaii Housing Finance and Development Corp.](#)'s (HHFDC, or the corporation) 2025 series A (non-AMT) single-family mortgage purchase revenue bonds (SFMPRBs) with an expected par amount of \$30 million.
- At the same time, we affirmed our 'AA+' long-term rating on the corporation's debt outstanding under the SFMPRB resolution.
- The outlooks are stable.

Rationale

Security

The bonds are special, limited obligations of HHFDC, payable solely from, and secured by, assets held in trust under the general resolution, including a pledge of mortgage-backed securities (MBS). The MBS are guaranteed as to timely payment of principal and interest by the Federal National Mortgage Assn. (Fannie Mae) and the Government National Mortgage Assn. (Ginnie Mae), and are backed by pools of mortgage loans that are either insured by the Federal Housing Administration (FHA) or private mortgage insurance or guaranteed by the Department of Veterans Affairs (VA) or the U.S. Department of Agriculture Rural Development (RD).

According to preliminary transaction documents, HHFDC will use series 2025A bond proceeds to purchase MBS, issued by, or on behalf of, Ginnie Mae; Fannie Mae; and Freddie Mac, each backed by a mortgage-loan pool originated by participating lending institutions to eligible borrowers. Officials also intend to use bond proceeds to fund downpayment-assistance second-mortgage loans to help finance the purchase of single-family residences for low- and moderate-income households.

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Credit highlights

The rating reflects our view of the program's:

- Legal framework that links duties of key transaction parties with proper execution of the program, with legal provisions that are aligned with our criteria, and legal risks that we believe are sufficiently mitigated;
- Program management and operational risk assessment, which we consider constrained by program strategy and governance, capping the rating at 'aa+', (for more information, [see our analysis](#), published Feb. 18, 2025;
- Overcollateralization and cash flows capable of withstanding S&P Global Ratings-projected loss assumptions, based on the credit quality of the asset pool, with a minimum projected asset-to-liability (A/L) parity after losses of 218.6%; and
- Sufficient liquidity to cover short-term disruptions in asset cash flows as well as a guarantee of timely payment of principal and interest by Fannie Mae and Ginnie Mae.

Our analysis of the program's legal framework, program management and operational risk, credit quality, and cash flow results in anchors of 'aa+'. We have reviewed program cash flows and have determined that overcollateralization, as measured by the minimum A/L parity ratio, is sufficient to cover losses up to the 'aa+'. Cash flows reflected our reinvestment rate assumptions of five basis points, resulting in a constraint on the rating in the 'aa' category in conjunction with our stressed reinvestment rate criteria. See the tables below for a summary of the loan portfolio and the assumptions used in our credit quality analysis, our loss projections, and the program's overcollateralization.

Environmental, social, and governance

In our opinion, the program exhibits opportunities related to social capital, given its purpose to fund affordable mortgages for first-time homebuyers. We view environmental factors as a moderately negative consideration in our credit rating analysis, given the state's exposure to acute and chronic physical climate risks that could lead to economic pressure such as mortgage delinquencies, but the Fannie Mae and Ginnie Mae guarantees on the MBS fully mitigate these risks. We consider governance factors for the program neutral in our credit analysis.

Outlook

The stable outlook reflects our view of the credit quality of the underlying MBS pass-through certificates--supported by Fannie Mae, Ginnie Mae, and Freddie Mac--and our assessment of the program's management and operational risk. In addition, we expect our market position modifier assessment will remain neutral.

Downside scenario

We would consider a negative rating action if our assessment of program management and operational risks changed due to additional negative assessments or if we took a negative rating action on Ginnie Mae; Fannie Mae; and Freddie Mac, which guarantee payment on underlying program MBS loans.

Upside scenario

Alternately, we could raise the rating or revise the outlook to positive if consolidated cash flows reflect stressed reinvestment rates in line with the 'AAA' rating requirement while meeting overcollateralization thresholds and requirements at the 'aaa' rating level, including all other requirements rated above the sovereign, coupled with our assessment of program management and operational risk improving to neutral.

Hawaii Housing Finance & Development Corp.--MRB program rating summary

Legal framework	No cap
Program management and operational risk	aa+
Factors constraining the anchor	Program strategy and governance
Cash flow analysis	
Overcollateralization	GE/GSE Rating
Stressed cash flows	aa+
Hedging risk	N/A
HFA general obligation pledge	N/A
Anchor	
Anchor	aa+
Modifiers and holistic analysis	
Liquidity reserves	No modifier
Market position	No modifier
Holistic analysis	No modifier
Stand-alone credit profile	
SACP	aa+
Other applicable criteria	
Final	
Final rating	AA+

N/A--Not applicable.

Hawaii Housing Finance & Development Corp.--program summary and assumptions

	June 30, 2025	Dec. 31, 2024
Program assets (% of balance)		
Single-family MBS	100	100
Debt and derivative summary % of balance)		
Fixed-rate debt (% of balance)	100	100
Single-family program assumptions		
No. of loans in portfolio	144	160.00
Total loan balance (\$000s)	16,742	15,032
Weighted average mortgage rate (%)	3.82	4
Loan seasoning		
10+ years (% of balance)	100	100

Hawaii Housing Finance & Development Corp.--program summary and assumptions

	June 30, 2025	Dec. 31, 2024
Property type		
Insurance/guarantees		
Ginnie Mae (% of balance)	2.54	2*
Fannie Mae (% of balance)	97.46	98*
Freddie Mac (% of balance)	--	--

*As of June 30, 2024. N/A--Not applicable.

Hawaii Housing Finance & Development Corp.--overcollateralization

	June 30, 2025	Dec. 31, 2024
HHFDC SFMPRB		
Opening asset/liability parity (%)	218.6	1,379.8
Minimum asset/liability parity (%)	218.6	1,379.8
Total projected credit loss (%)*	0.0	0.0
Loss/liabilities (%)	0.0	0.0
Net asset/liability parity, after losses (%)	218.6	1,379.8

*At the highest rating level at which the MRB program's available overcollateralization is sufficient to cover.

Ratings List**New Issue Ratings**

US\$30.0 mil sin fam mtg purch rev bnds ser 2025A due 07/01/2056

Long Term Rating AA+/Stable

Ratings Affirmed**Housing**

Hawaii Hsg Comnty Dev Corp, HI Single Family Multi-Agency MBS Hula Mae Indenture AA+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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