MOODY'S INVESTORS SERVICE

New Issue: Moody's assigns Aaa rating to the Iowa Finance Authority Single Family Mortgage Revenue Bonds 2013 Series 1 (Tax-exempt) and 2012 Series 1 (Taxable) (Mortgage-Backed Securities Program)

Global Credit Research - 28 Nov 2012

Outlook is Negative; Approximately $182 million in debt affected

IOWA FINANCE AUTHORITY
State Housing Finance Agencies
IA

Moody's Rating

ISSUE		RATING
Single Family Mortgage Revenue Bonds, 2012 Series 1 (Taxable) (MBS - Pass-Through Program)		Aaa
Sale Amount	$18,800,000	
Expected Sale Date	12/03/12	
Rating Description	Mortgage: Single-Family: GNMA/FNMA/FHLMC	
Single Family Mortgage Revenue Bonds, 2013 Series 1 (Non-AMT) (MBS - Pass-Through Program)		Aaa
Sale Amount	$25,000,000	
Expected Sale Date	12/03/12	
Rating Description	Mortgage: Single-Family: GNMA/FNMA/FHLMC	

Moody's Outlook NEG

Opinion

NEW YORK, November 28, 2012 --Moody's Investors Service has assigned Aaa rating to the Iowa Finance Authority ("IFA") Single Family Mortgage Revenue Bonds, 2013 Series 1 (tax-exempt) and 2012 Series 1 (taxable). In addition, we are affirming the Aaa ratings to all outstanding bonds of the Mortgage Revenue Bond Resolution. The outlook on the ratings is negative.

The 2013 Series 1 and 2012 Series 1 Bonds are issued under the Single Family Mortgage Revenue Bonds Resolution (the "Resolution") adopted November 20, 2009 in connection with the New Issue Bond Program (NIBP), established jointly by Fannie Mae and Freddie Mac (the GSEs), the Federal Housing Finance Agency and the US Treasury.

RATINGS RATIONALE

The Aaa rating on the Bonds reflects the high quality collateral comprised of GNMA and Fannie Mae Mortgage-Backed Securities (MBS), as well as the programs 1.015x program asset-to-debt ratio (as of 9/30/2012). Bond proceeds are used to purchase MBS which represents pools of loans originated under the bond program. The MBS are guaranteed as to full and timely payment of principal and interest by Ginnie Mae or Fannie Mae regardless of the performance of the underlying pool of mortgage loans.

USE OF PROCEEDS: The 2013 Series 1 tax-exempt bond proceeds are expected to be used to finance MBS backed by pools of qualifying mortgages made to finance the purchase of single family residences in the State of Iowa (MBS). The 2012 Series 1 taxable bonds proceeds are being issued to refund approximately $18,420,000 of the Authority's Single Family Mortgage Revenue Bonds, 2009 Series 2 (Mortgage Backed Securities Program).

LEGAL SECURITY: The Bonds will be limited obligations of IFA payable solely from available moneys, assets or revenues of the Authority pledged under the Resolution which will consist primarily of bond proceeds, program obligations (primarily MBS), investment obligations and revenues.

INTEREST RATE DERIVATIVES: Not permitted under NIBP

STRENGTHS

-Loan portfolio is comprised of MBS. The MBS guarantor, GNMA and Fannie Mae, guarantees full and timely payment of principal and interest regardless of performance of the underlying mortgages

-Cash flow projections demonstrate sufficient revenues to meet debt service requirements and maintain over-collateralization for the program under all stress scenarios

CHALLENGES

-Ability to continue originating mortgages in the uncertain market as well as to generate investment returns in the ultra low interest rate environment

LOAN PORTFOLIO CHARACTERISTICS: Bond proceeds are used to finance mortgages which are then converted to MBS. As of 9/30/2012, the loan portfolio consisted of 86.2% GNMA and 13.8% Fannie Mae MBS. MBS provides the highest quality collateral for the Bonds since they are guaranteed as to the full and timely payments of principal and interest by GNMA and Fannie Mae, regardless of the performance of the underlying mortgage loans. As a result, Moody's believes the IFA's SFMRB loan portfolio will be protected from cash flow disruptions and significant losses associating with loan defaults.

CASH FLOW PROJECTIONS: FULL AND TIMELY PAYMENT DEMONSTRATED UNDER ALL STRESS SCENARIOS

Moody's has reviewed both series stand-alone and consolidated cash flow projections for the program. The projections incorporate stress tests for various prepayment speeds and origination scenarios. Preliminary cash flow projections show that there are ample funds to meet all debt service obligations under all stress scenarios, including no prepayment, rapid prepayment, PAC bond and non-origination runs when the aforementioned contributed funds relating to the negative arbitrage for the current bond issue are incorporated.

OUTLOOK

The negative outlook reflects the current rating outlook on the US government.

What could change the rating - UP

-None

What could change the rating - DOWN

-Erosion of program asset-to-parity ratio

-Downgrade of US government rating

KEY INDICATORS OF THE PROGRAM (as of September 30, 2012 unless otherwise noted):

Program Asset to Debt Ratio: 1.015x

Bonds Outstanding: $182,760,000

MBS Outstanding: $180,910,774

Portfolio Composition: 86.2% GNMA and 13.8% Fannie Mae MBS

Type of Obligation: Revenue and limited obligation of IFA

Cash Flow Structure: Open loop

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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 October 1998. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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