

News Release



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THDA Strength Warrants Ratings Upgrade

NASHVILLE, May 18, 2009 – Tennessee Housing Development Agency is going against the trend. In the midst of general economic difficulties, the ratings agencies have upgraded THDA’s status in the municipal bond market.

“The upgrade is a testament to sound management and Board direction,” said Executive Director Ted R. Fellman. “THDA has been remarkably successful in serving our customers and implementing our programs by following conservative financial guidelines. It’s a compliment to have this be noticed in such a public way. The key benefit, of course, is a more affordable mortgage interest rate for our first-time homebuyers.”

The ratings upgrade affects not only the recent bond sale, Issue 2009-1, but all the bond issues under THDA’s 1985 General Resolution. The rating from Standard & Poor’s and Moody’s credit ratings agencies raised the long-term credit ratings on the 1985 General Resolution to AA+ and Aa1, respectively. Additionally, both ratings agencies assigned a “Stable” outlook. A stable outlook designation means the credit rating is not likely to change.

“An upgrade from both Moody’s and Standard and Poor’s is an impressive achievement for THDA in today’s economic and housing environment,” said Michael Baumrin of RBC Capital Markets, the lead underwriter for Issue 2009-1. “Retail investors responded positively to this affirmation of THDA’s quality management and financial strength and rewarded the Agency with strong support in purchasing their issue.”

THDA sells tax-exempt mortgage revenue bonds to provide affordable mortgage capital for first-time homebuyers. Income and acquisition limits apply. THDA has made over 100,800 mortgages through its network of local lenders.

The strong portfolio most recently allowed THDA to offer a 0% deferred second mortgage to help buyers to use the \$8,000 federal homebuyer tax credit at the closing table for downpayment and closing costs, making a home purchase affordable now. If the homeowner uses the tax credit before June, 2010, to pay the second mortgage, there are no interest costs. THDA also has invested generously to establish a Housing Trust Fund with its earnings, state allocations, private investment and local match from the grantees, making the first grants in 2007.

THDA is a political subdivision of the State of Tennessee. THDA is the state's housing finance agency, responsible for selling tax exempt mortgage revenue bonds to offer affordable mortgage funds to homebuyers of low and moderate incomes through local lenders, and to administer various housing programs targeted to very low-, low- and moderate-income households.

THDA was established in 1973, making its first mortgage in 1974. It has provided affordable fixed rate mortgages to over 100,800 households without using state tax dollars. THDA issues between \$250 and \$300 million in mortgage revenue bonds annually for its first-time homebuyer program.

In the year 2006, THDA created the Tennessee Housing Trust Fund using state, THDA and locally-generated match to support programs for the very-low income, elderly and special needs populations.

More information about THDA is available on-line at www.thda.org.