

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings assigns a long-term rating on the following Maryland Community Development Administration (MCDA) housing revenue bonds:

--\$15.7 million MCDA housing revenue bonds, 2013 series F, 'AA+'.

Additionally, Fitch affirms approximately \$196.8 million of Maryland CDA housing revenue bonds at 'AA+' (see full list below) out of the approximate \$356.9 million (at June 30, 2013) of total parity debt outstanding under the Nov. 1, 1996 general bond resolution. The difference between the outstanding bond amount and the total debt outstanding under the resolution is from debt obligations that Fitch was not asked to rate.

The Rating Outlook for the bonds is Stable.

SECURITY

The trust indenture pledges all the mortgages in the loan portfolio consisting of multifamily, single family and group homes as well as the funds pledged under the legal provisions of the resolution.

KEY RATING DRIVERS

PORTFOLIO FEDERALLY INSURED: As of June 30, 2013, approximately 97% of the multi-family portfolio is partially or fully insured by the federally-backed entities: Ginnie Mae, Fannie Mae, Freddie Mac, and FHA risk-share.

SUFFICIENT OVER-COLLATERALIZATION: On a cash flow basis, the assets under the resolution show a minimum asset parity ratio of 110% although Maryland CDA has the right to withdraw excess assets. However, by practice, Maryland CDA continues to leave

sufficient over-collateralization in the indenture.

CAPABLE MANAGEMENT OVERSIGHT: Maryland CDA has demonstrated strong programmatic oversight capabilities and has had a long successful history of administering multifamily programs.

INDENTURE CONSIDERATIONS: The rating is constrained due to the fact that issuer has the ability to withdraw excess assets and to include various types of loans other than first lien mortgages.

RATING SENSITIVITY

REMOVAL OF ASSETS: Credit risks to the housing revenue bond portfolio are somewhat remote given its federally insured portfolio and strong over-collateralization. This over-collateralization mitigates risks from its loan portfolio. However, removal of assets may present negative rating pressure.

CREDIT PROFILE

The 2013 series F bonds are the 46th series of bonds to be sold under a general bond resolution adopted on Nov. 1, 1996 and are on parity with all bonds issued previously under the indenture. The \$15.7 million 2013 series F bonds will be used to finance, in part, the developments known as Essex House and North Street with credit enhancement under the FHA risk-share program providing a 75/25 split on the risk of the projects.

The portfolio mainly consists of 54 multifamily residential developments which, as of June 30, 2013, had an aggregate outstanding mortgage balance of \$348.5 million. Additionally, the portfolio consists of single-family residences and group homes which account for \$8.4 million in loans. As of June 30, 2013, 97% of the portfolio was insured by a governmental entity such as: Ginnie Mae (78%), Fannie Mae (3%), Freddie Mac (1%), and FHA risk-share (15%). Going forward, management expects all new projects will incorporate a 75/25 split under the FHA risk-share program. All of these governmental

entities are backed by the U.S. Government which is currently rated 'AAA' with a Negative Outlook by Fitch. In addition, the Maryland Housing Fund (MHF) insures 1.6% of the loan portfolio while 0.4% remains uninsured. In addition to the 1.6% covered by MHF, the MHF is backing the risk share amount that is not covered by HUD totaling approximately \$31 million.

More than 36% of the multifamily units in the portfolio receive rental assistance payments under Section 8 of the U.S. Housing Act of 1937 or interest-rate subsidies under Section 236 of the National Housing Act. The remaining 64% of the units do not receive rental or interest-rate subsidies.

Credit concerns are related to the bond resolution allowing various types of loans including uninsured and second lien mortgages. These concerns are mitigated by the current loan portfolio being 97% insured by a government entity, management demonstrating strong programmatic oversight, and the consistent strong performance of the portfolio.

Additionally, Fitch affirms the following ratings:

--MCDA housing revenue bonds, 2004 series B, C, & D at 'AA+';--MCDA housing revenue bonds, 2005 series A, B, & C at 'AA+';--MCDA housing revenue bonds, 2006 series A, B, C, & D at 'AA+';--MCDA housing revenue bonds, 2007 series A, B, & C at 'AA+';--MCDA housing revenue bonds, 2008 series A, B, C, & D at 'AA+';--MCDA housing revenue bonds, 2009 series A at 'AA+';--MCDA housing revenue bonds, 2012 series A, B, & D at 'AA+';--MCDA housing revenue bonds, 2013 series A, B, C, D and E at 'AA+'.

Additional information is available at www.fitchratings.com.

Applicable Criteria and Related Research:

--'Rating Criteria for Pooled Multifamily Housing Bonds', (Dec. 20,

2012);--'Revenue-Supported Rating Criteria', (June 03, 2013).

Applicable Criteria and Related Research: Rating Criteria for Pooled Multifamily Housing Bonds http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=695369
Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=709499

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