

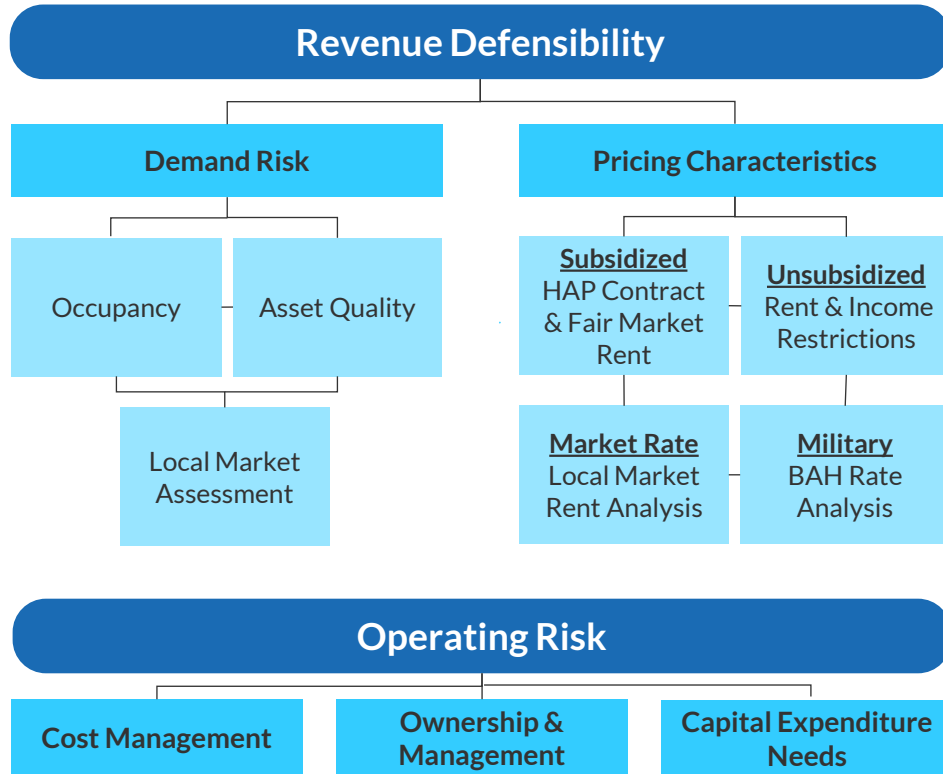
Exposure Draft: Affordable Housing Project Rating Criteria

Fitch's Unique Analytical Approach to Rating
Affordable Housing Transactions

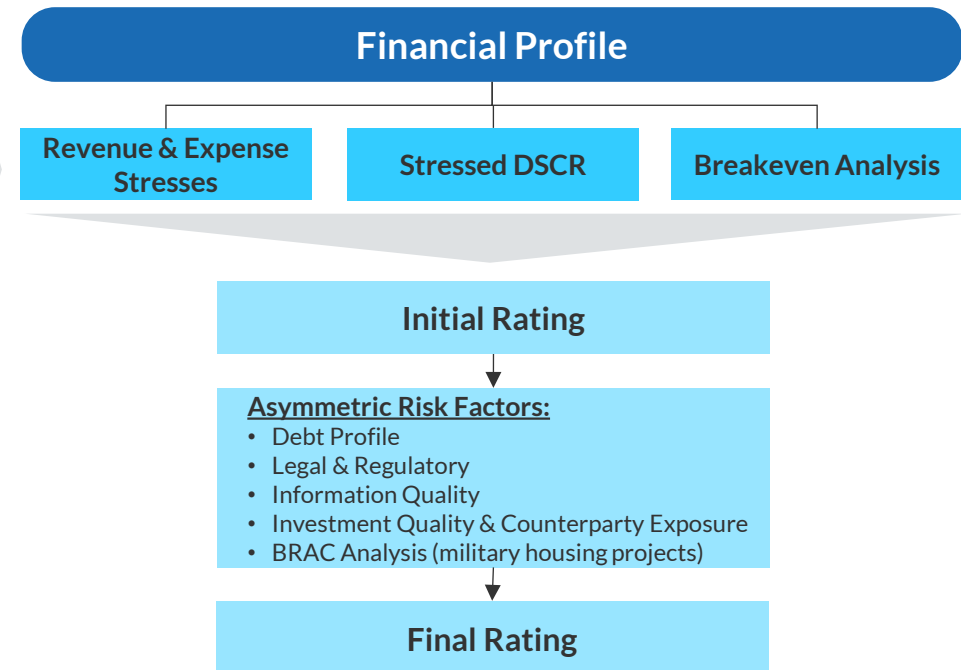
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November 4, 2025

Key Rating Drivers (KRDs)



Source: Fitch Ratings



Why is Fitch Proposing Changes?

- Fitch is committed to enhancing analytical rigor, transparency & market relevance in affordable housing sector
- Goals of proposed revisions include:
 - ✓ Broaden criteria scope in response to recent trends & market developments
 - ✓ Consolidate criteria for like sectors with same KRDs & risk assumptions
 - ✓ Expand & add new guidance to enhance clarity & transparency
 - ✓ Promote analytical consistency & comparability by adopting existing frameworks for analysis of common risks across sectors
 - ✓ Provide greater granularity & transparency by introducing descriptions of non-investment-grade attributes



Overview of Key Changes

- Consolidate existing Affordable Housing & Military Housing criteria into one criteria report covering affordable, mixed-income, military, workforce, senior, student & other affordable housing
- Expand scope to include additional property segments (e.g. mixed-income housing, federally enhanced multifamily mortgage loans)
- Allow broader types of collateral (e.g. guarantees, residual cash flows, discrete income streams, etc.)
- Enhance guidance for cross-sector risks (e.g. refinance risks)
- Consolidate KRD tables for AHPs & MHPs with 'aa' through 'b' guidance across housing types



Expanded Scope & Collateral

- Adds mixed-income housing & federally enhanced mortgage loans, alongside multifamily, student, workforce, senior & military housing under one unified criteria report
- Mixed-income properties (i.e. majority of rent/income-restricted units with remaining units @ market rents) to be assessed using blended DSCR hurdle rates benchmarked to affordable & market-rate segments
- Broadens acceptable collateral beyond real estate & mortgages to include discrete revenue streams (e.g. fees), residual cash flows, pass-through payments, small pools (up to 30 assets), etc.
- Analysis of additional property/collateral types using existing Fitch methodologies & benchmarks



Analytical Enhancements

- Strengthen refinance risk analysis via Project Life Coverage Ratio (PLCR), comparing NPV of cash flows over project life to debt outstanding @ refinancing
- Incorporate stressed future cost of funds (interest rate curve shifts by 200–400 bp, depending on refinance date)
- Expand cross-references to other Fitch criteria (e.g., CMBS, Project Finance, Structured Finance, Corporate Hybrids)
- Explicit blended DSCR hurdle rate guidance for mixed-income projects



Implementation, Impact & Timeline

- No rating changes anticipated
- Comment period closes Nov. 21, 2025; send feedback to criteria.feedback@fitchratings.com
- Final criteria expected by Dec. 2025
- Fitch to publish responses unless marked confidential
- Existing criteria to be applied during exposure draft period
- New criteria to replace existing Affordable Housing Criteria & Military Housing Criteria



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