

Public Finance Ratings



Research:

T.H.F.C. (Funding) No. 1's Senior Secured Bond Assigned 'AA-' Preliminary Rating

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LONDON (Standard & Poor's) Dec. 8, 2004--Standard & Poor's Ratings Services said today it assigned its preliminary 'AA-' senior secured debt rating to the expected £66.3 million bonds due 2037, to be issued by the U.K.-based special-purpose vehicle T.H.F.C. (Funding No. 1) PLC. The proceeds of the bonds will be onlent to other borrowers.

The preliminary rating is contingent on the receipt of final legal and contractual documentation.

The bonds are secured on loans to The Housing Finance Corporation Ltd. (THFC; A+/Stable/A-1). The loans are ranked pari passu with all other secured lenders to THFC, and are secured on the assets of THFC (principally the loans THFC has with housing associations, which are secured on the housing association properties).

"The level of asset overcollateralization is good, reflecting THFC's prudent lending policy of lending at a minimum asset coverage ratio of 1.5x," said Standard & Poor's credit analyst Robert Robinson.

Furthermore, T.H.F.C. (Funding No. 1) benefits from a 24-month-interest-payment dedicated liquidity facility provided by ABN AMRO Bank N.V. (AA-/Stable/A-1+). The facility will be available in the event of housing association borrower default, or a THFC default, or both. The availability of the facility distinguishes T.H.F.C. (Funding No.1) Ltd. from other secured creditors of THFC, and allows the bonds to be rated one notch above the THFC rating.

The rating on the bonds, however, is directly linked to the issuer credit rating on THFC and also to the rating on the liquidity facility provider, ABN AMRO Bank. A change in the rating on THFC, or a change in the short-term rating on the liquidity facility provider, may result in a change in the rating on the bonds.

"The ratings on THFC reflect its prudent lending policy, the robust level of asset overcollateralization, and THFC specialization in lending to the housing association sector in the U.K.--housing associations are typically strong credit counterparties," added Mr. Robinson.

THFC is, however, confined to lending solely to a single sector and is thinly capitalized relative to banking organizations. THFC also has a small staff number that increases its vulnerability to staff turnover.

Ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: London Ratings Desk (44) 20-7176-7400; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5916; or Moscow (7) 095-783-4017. Members of the media may also contact the European Press Office via e-mail on: media_europe@standardandpoors.com.

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