

Rating Action: Moody's assigns (P)Aa1 rating to proposed CRRH West Africa Impact Affordable Housing Trust 2022 Notes; outlook stable

23 Jun 2022

London, June 23, 2022 -- Moody's Investors Service (Moody's) has today assigned a provisional (P)Aa1 rating to the proposed [€205 million] senior secured guaranteed Notes due [2039] (the Notes) to be issued by CRRH West Africa Impact Affordable Housing Trust 2022 (the Issuer) and guaranteed by the U.S. International Development Finance Corporation, an agency of the United States Government (United States of America, Government of, Aaa stable). The outlook is stable.

The proceeds of the issuance of the Notes will be used by the Issuer to advance a loan (the CRRH Loan) to La Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH-UEMOA, Ba2 negative) pursuant to a loan agreement (the CRRH Loan Agreement) to enable CRRH-UEMOA to provide secured credit facilities to its member banks to permit them to finance newly originated or refinanced single family asset backed mortgage loans on residential properties located in the West African Economic and Monetary Union. In addition, the proceeds of the CRRH Loan will be used to fund certain reserves and transaction fees and expenses in relation to the Notes.

The Issuer is a special purpose, Delaware statutory trust. The Notes covenants restrict the Issuer's business solely to (i) issuing the Notes and funding the CRRH Loan; (ii) entering into and performing its obligations under the Transaction Documents; or (iii) that which is necessary and appropriate to accomplish the foregoing.

RATINGS RATIONALE

The (P)Aa1 rating is based solely upon the credit strengths of the unconditional, irrevocable guaranty (the DFC Guaranty) provided by U.S. International Development Finance Corporation (DFC), an agency of the Government of the United States, and which benefits from its full faith and credit.

The credit strengths of the DFC Guaranty include, amongst others: (1) payment under the DFC Guaranty is triggered by a payment request from the Indenture Trustee, and the administrative process set out in the Notes and DFC Guaranty documentation is designed to ensure the Noteholders receive timely payment under the DFC Guaranty in accordance with the scheduled payment dates under the Notes; (2) DFC's obligations under the Guaranty continue irrespective of the validity or enforceability of the Issuer's obligation to pay principal and interest; (3) the Noteholders and Indenture Trustee do not need to take any action to enforce the Issuer's obligations; (4) DFC explicitly waives the following defenses, among others: (i) any defense based on the failure of the Issuer to pay under the Indenture, or CRRH-UEMOA to pay under the Loan Agreement, or any failure by the Issuer or CRRH-UEMOA to observe or perform any covenant; (ii) any defense based on failure of the Indenture Trustee to proceed against the Issuer before making a demand under the Guaranty; (iii) the defense of waiver or estoppel; (iv) any defense that may arise by reason of incapacity or lack of authority; (v) any defense based upon an election of remedies by the Indenture Trustee that impairs the subrogation rights of DFC; and (vi) any duty on the part of the Indenture Trustee to disclose to DFC any facts it may know about the Issuer or CRRH-UEMOA; and (5) the obligations of DFC shall not be affected by any waiver or amendment of any covenants, terms or agreements of the Issuer or CRRH-UEMOA set forth in the CRRH Loan Agreement or the Indenture.

The rating also reflects the following credit challenges:

(1) The Notes will be euro (EUR) denominated and claims under the DFC Guaranty will be payable in EUR, but the maximum principal amount payable under the DFC Guaranty is capped at \$356 million US dollars (USD). Since the Notes are EUR denominated and the cap applicable to principal payments under the DFC Guaranty is expressed in USD, exposure to EUR appreciating against the USD is introduced; however, the cap does not apply to payments of interest and any make-whole premium which DFC elects to pay upon an acceleration. This risk is mitigated by the difference between the principal amount of the current Notes USD-equivalent (around \$216 million) and the \$356 million guaranty cap, a buffer of approximately \$140 million. This provides sizeable room for appreciation of the EUR in Moody's view. As the Issuer repays scheduled principal on the Notes, the DFC Guaranty cap is reduced by the USD-equivalent amount on the date of payment; and (2) the

terms of the Guaranty permit DFC to avoid payment in the event of fraud or misrepresentation by the Notes Indenture Trustee or the Noteholders, albeit Moody's considers this a remote risk.

Payment under the DFC Guaranty is triggered by a payment request from the Indenture Trustee, delivered not later than 6 business days before the relevant Payment Date under the Notes Indenture. The terms of the Indenture set out the requirements for the Indenture Trustee to make a payment request to DFC in time for funds to be available on the Notes scheduled payment date. DFC has the right to (i) accelerate the Notes in full (and instruct the Issuer to accelerate the CRRH Loan) and pay out the accelerated amount (plus make-whole premium) or (ii) continue to pay, in each scheduled payment date of the Notes, the amounts then due and payable (without regard to the acceleration of the Loan). DFC has 5 business days to pay following receipt of a payment request.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

Moody's does not currently consider there is scope for an upgrade.

Moody's could downgrade the rating on the Notes if: 1) a material appreciation of the EUR against the USD results in heightened risk that the USD denominated guaranty cap would not cover 100% of the principal amount of the EUR denominated Notes, 2) the United States government bond rating were downgraded; or 3) in Moody's view, there is a material, detrimental change in the standing of DFC as a U.S. government agency, or to the full faith and credit of the United States which has been pledged to secure the full payment by DFC of its obligations under the guaranty.

The principal methodology used in this rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017 and available at <https://ratings.moodys.com/api/rmc-documents/75699>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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analysis can be found at https://ratings.moody's.com/documents/PBC_1288235.

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