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Research Update:

National Housing Finance and Investment Corp. Assigned 'AAA/A-1+' Ratings With Stable Outlook

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Research Update:

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Overview

- Australian government entity National Housing Finance and Investment Corp.'s (NHFIC) obligations are guaranteed by the Commonwealth of Australia under an Act of Parliament.
- Based on the guarantee and operating arrangements, we consider the credit quality of NHFIC to be equivalent to that of the Commonwealth.
- We are assigning our 'AAA' long-term and 'A-1+' short-term issuer credit ratings to NHFIC. We are also assigning a 'AAA' long-term rating to the proposed senior unsecured notes to be issued under NHFIC's debt issuance program.
- The stable outlook reflects that on the Commonwealth.

Rating Action

On Feb. 11, 2019, S&P Global Ratings assigned its 'AAA' long-term and 'A-1+' short-term issuer credit ratings to Australian government entity National Housing Finance and Investment Corp. (NHFIC). The rating outlook is stable.

At the same time, we assigned our 'AAA' long-term rating to the proposed senior unsecured notes to be issued under NHFIC's debt issuance program.

Rationale

We equalize our ratings on NHFIC with those on the Commonwealth of Australia (unsolicited ratings AAA/Stable/A-1+). This incorporates our assessment of the legislative guarantee by the Commonwealth of Australia of NHFIC's obligations as they fall due. We note that NHFIC's debt issuance program has defined grace periods of a 30-day due date on interest payments and 15 days on principal payments.

NHFIC was established via the National Housing Finance and Investment Corp. Act 2018 that was passed by the Australian parliament on June 28, 2018. NHFIC has two main objectives:

- As an Affordable Housing Bond Aggregator, it will provide cheaper and longer-term financing to registered community housing providers.
- As a National Housing Finance Infrastructure Facility financier, it will provide loans, investments, and grants for enabling infrastructure, such as transport, telecommunications, electricity, sewerage, and water, to

support new housing.

We expect that government support, if needed, will be made available within the above time frames, because:

- Under the NHFIC Act, the Australian government explicitly guarantees the due payment of money that is, or may at any time become, payable by NHFIC to any entity other than the government;
- We believe that a parliamentary vote is not required for timely payment under the guarantee, if needed; and
- We believe that the governance and reporting framework would ensure that the government would receive timely information on any potential impediments in NHFIC's ability to meet its debt obligations in a timely manner.

Outlook

We expect our ratings on NHFIC to remain equalized with those on the Commonwealth of Australia, reflecting the legislative guarantee of NHFIC's obligations. The stable outlook reflects that on the Commonwealth of Australia.

Downside scenario

We would expect to lower our ratings on NHFIC if we lowered our sovereign credit rating on Australia. We would also lower the ratings if we considered that there was a weakening in the guarantee from the Commonwealth of Australia, or in the framework for timely payment under the guarantee, if needed.

Related Criteria

- Criteria - Governments - Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Financial Institutions - General: Nonbank Financial Institutions Rating Methodology, Dec. 9, 2014
- Criteria - Financial Institutions - General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies, Dec. 9, 2014
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

New Rating; CreditWatch/Outlook Action

National Housing Finance and Investment Corp.

Issuer Credit Rating	AAA/Stable/A-1+
Senior unsecured	AAA

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