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Ratings

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Summary:

Century Housing Corp., California; General Obligation

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Credit Profile		
US$150.0 mil century sustainable impact nts ser 2023		
Long Term Rating	AA/Stable	New

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Century Housing Corp.'s (Century), Calif.'s $150 million sustainable impact notes.
- The outlook is stable.

Security

Century's general obligation secures the sustainability impact notes. We view the general obligation at the same level as Century's issuer credit rating (ICR), given that repayment benefits from revenue that we consider central to Century's purpose and covenants, which, in our view, support creditor security at the senior debt level.

Credit overview

The ICR and long-term rating reflect our view of Century's:

- Extremely strong capital adequacy ratios that have sustained five-year levels higher than those of all other rated community development financial institutions (CDFIs), and availability of capital to absorb loan losses and withstand economic volatility;
- Very high profitability, as is evident in very strong average return on assets, and an average net interest margin ratio stronger than that of rated peers;
- Very strong asset quality, with five-year average nonperforming assets at 2.08% of total loans and real estate owned, which is lower than the median; and
- Strong liquidity, with a total investments to assets ratio that is higher than that of peers, although lower-than-average holdings of short-term investments somewhat offset this.

For more information on Century's ICR, see our report published on June 16, 2023 on RatingsDirect.

Environmental, social, and governance

In our opinion, Century's programs exhibit social capital opportunities, reflecting its mission to finance the creation and preservation of affordable housing throughout the state. We believe the need for affordable housing within Century's footprint, especially in California, will continue fueling demand for its programs, and this factors into our capital adequacy analysis.

We view environmental risk for Century's portfolio as somewhat elevated given geographic concentration in the state of California and exposure to wildfire and seismic risk, but the shorter-term nature of the majority of Century's loans and its strong underwriting and insurance requirements partly mitigate this risk. Social and governance risks have neutral implications in our credit analysis, in our view.

Outlook

The stable outlook reflects our view of Century's continued very strong operating performance, equity base, and overall management. We believe that at the 'AA' rating, Century has ample equity to cover projected loan losses and liquidity to cover near-term needs. Furthermore, we believe that Century's experienced management team has demonstrated the effectiveness of its strategy to meet its mission while increasing capital and profitability and mitigating loan losses.

Downside scenario

Although we are unlikely to do so during the outlook period given that Century's capital adequacy is well above the rating median, we could lower the ratings should Century's capital adequacy significantly decrease as a result of increased debt, riskier underwriting, or declining loan performance. A significant decline in revenue that negatively affects net income could also lead us to lower the ratings.

Upside scenario

All else equal, if Century's asset quality and liquidity ratios improve compared with those of peers, while the loan portfolio shifts to loans that we view as less risky (e.g., long-term and permanent loans), resulting in lower assumed loan losses, we could take positive rating action.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022