The Housing Finance Corp. Ltd.

September 30, 2026

This report does not constitute a rating action.

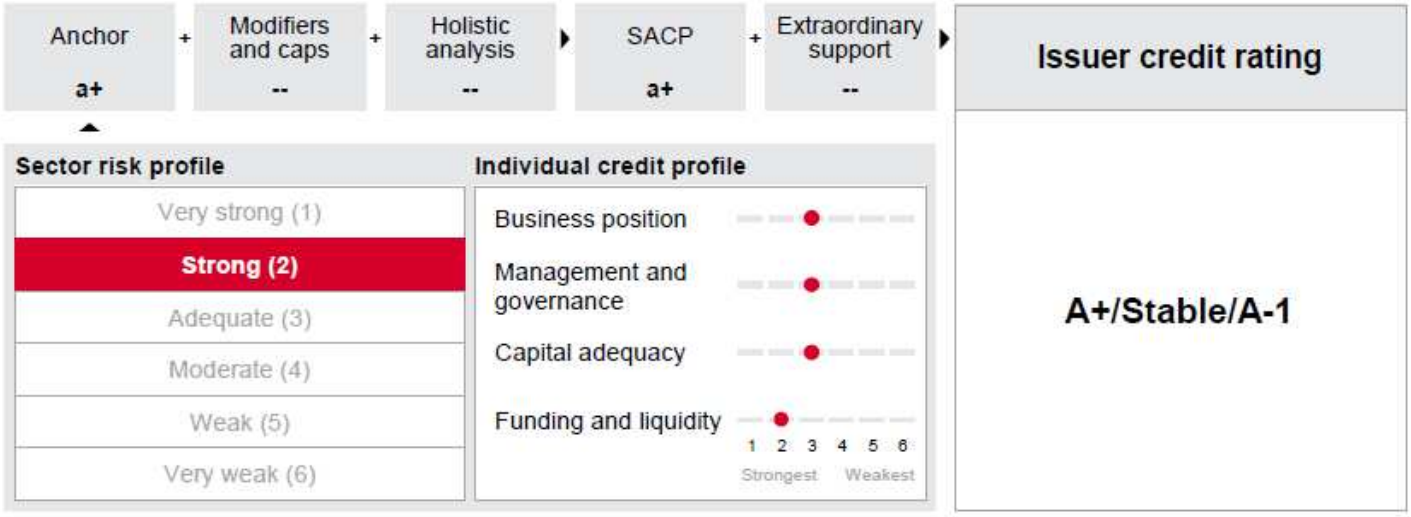
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Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Strong sector risk profile with over a third of its loan book guaranteed by the U.K. government (unsolicited; AA/Stable/A-1+).	Persistently elevated interest rates and competition from other market participants could limit business growth.
Robust business growth over the last year, comparing favorably to local peers.	Modest financial recovery of the U.K. social housing sector could weaken credit quality.
Conservative match-funding policies support strong liquidity ratios even under severe liquidity stress scenarios.	

We expect that The Housing Finance Corp. Ltd. (THFC) will continue to withstand the U.K.'s elevated interest rate environment and grow its business, but at a more modest pace. We also expect the quality of THFC's lending portfolio to remain solid because we forecast that the financial recovery of the U.K. social housing sector will carry on, though at a tempered rate.

The management's conservative policies and strong board oversight prevent the group from adopting an aggressive risk appetite. This will contribute to the company maintaining a strong liquidity position.

Outlook

The stable outlook indicates that THFC's position as a leading U.K. social housing pass-through vehicle (which operates under a match-funding principle) and its low-risk operating environment will offset the pressure coming from the strong competition from banks, as well as own-name placements by the social housing providers and limited growth in THFC's balance sheet in recent years.

Downside scenario

We could lower the rating if THFC's risk-management policies became less prudent and if the company's relevance diminished, reflected for example by a substantial decrease in THFC's loan portfolio. We could also lower our rating if credit quality in the U.K. social housing sector deteriorated significantly.

Upside scenario

We could raise the rating if THFC significantly strengthened its market position while maintaining strong risk-management standards and asset quality.

Rationale

Our ratings on THFC reflect its strong asset quality, which stems from the U.K. government's guarantee of a large share of its loan book and the robust regulatory framework under which U.K. social housing associations operate. The company's conservative management practices and strong liquidity position also support the rating.

We expect THFC's lending to continue growing as the group actively adapts its product offering to market demand. While the persistently high-interest rate environment has reduced demand for long-term borrowing, THFC has £1 billion in signed instalment fee facilities, which strengthens its business prospects. In addition, we believe a partnership with the National Wealth Fund would bring additional lending to the group.

The ratings on THFC and on The Housing Finance Holding Corporation Ltd. also reflect our view of their core status within the THFC group. Their purpose and objectives are aligned to the group's business strategy and support the group's purpose of providing funding to housing associations in the U.K.

The 'AA' issue rating on debt issued by the group's subsidiary, Affordable Housing Finance PLC, continues to reflect the exclusive guarantee by the U.K. government, which we consider as timely, unconditional, and irrevocable.

Sector Risk Profile: Exposure To U.K. Social Housing Providers And Direct Guarantees From The U.K. Government

Our assessment of THFC's strong sector risk profile largely reflects the regulatory framework under which housing associations in the U.K. operate. The U.K. government guaranteeing more than a third of its loan book further supports the company's sector risk profile.

THFC lends exclusively to housing associations in the U.K., which in our view have a low industry risk given the predictability and countercyclicality of its revenue base. In our analysis we also consider the regulatory framework under which registered providers of social housing operate.

The unguaranteed part of the loan book is comprised primarily of England-based providers (45% of the total loan book), with some lending to Wales-based providers (7%) and less than 5% to providers in Scotland and Northern Ireland combined. For this share of the loan book, the starting point for our assessment is our view of industry risk, which in our opinion is low for all U.K.-based social housing sectors. We negatively adjust the sector risk profile component for English social housing providers to reflect country-specific adverse considerations, which we capture in our regulatory framework assessment (see "Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K." April 17, 2025, on RatingsDirect). We think the regulatory frameworks under which social housing providers in the devolved regions operate are stronger, and the risk exposure to them is well captured within the sector's low industry risk.

Lending of £3.2 billion provided via the Affordable Housing Finance vehicle, which benefits from the guarantee of the U.K. government, represented 38% of the total loan book as of June 2026. Because the guarantee complies with the conditions described under our guarantee criteria for credit risk substitution, we assess that this part of the loan book carries a very low sector risk profile.

Individual Credit Profile: Proactive Management Practices To Respond To Sector Demand Would Sustain Growth Prospects

We expect THFC's market position to remain adequate with the group's lending representing around 7% of the total debt stock in the sector and with around 140 borrowers. While demand for long-term borrowing in the sector remains subdued, THFC managed to expand its loan book to £8.4 billion as of 30 June 2026. During fiscal year ended March 31, 2026, the group provided £438 million in new lending, which we estimate represented about 6 % of the sector's total borrowing.

THFC's management has proactively responded to market demand and sector needs by adapting its product offering. It has introduced signed but not priced lending named "instalment fee facilities". Under these, THFC can quickly tap markets when conditions are favorable or when the client requires funding. These facilities, along with the introduction of shorter maturity on its lending offering, have contributed to the group's loan expansion. As of June 2026, the group had £1 billion in signed instalment fee facilities, which supports our view of better business prospects than its local peers. We do not disregard that competition in the market will remain high. However, we believe that a partnership with the National Wealth Fund would contribute to its loan expansion, and that there could be other collaboration opportunities in the market.

We expect operating expenses to remain elevated compared to previous years because the company continues to invest in its growth. This almost halved THFC's operating profit to £4.2 million in fiscal 2026 when compared to fiscal 2024. However, its annual fee income alone was sufficient to cover total costs, and its operating surplus supported reserve accumulation, which as of March 2026 totaled £69.3 million.

We consider THFC's strategic goals to be consistent with its market position, operational capabilities, and the funding needs of U.K. housing associations. While looking for an innovative product offering to cater to market demand, the group maintains a conservative approach and has robust financial policies. In our view, the group has adequate expertise and experience in operating its major business lines.

Furthermore, THFC benefits from a solid governance framework. Unlike other U.K.-based public-sector funding agencies, the group has board nominees from the regulator of the English social housing sector and from the National Housing Federation, the English housing sector's trade body. THFC's credit and risk team closely monitors the performance of its borrowers by reviewing their reports and business plans. It also oversees the borrower watchlist and has its own grading system. The team scrutinizes all loan proposals and provides a credit opinion.

Our assessment of THFC's capital adequacy reflects its business model as a pass-through vehicle. This business model limits interest rate, currency, and funding risks because lending is broadly at the same interest rates and on the same repayment schedule as the funds that it borrows from.

We assess THFC's funding and liquidity position as strong, supported by its robust capacity to cover its liabilities, even under severe liquidity stress scenarios. Its one-year liquidity ratio as of the end of March 2026 was very robust at 1.6x. This reflects the group's ample cushion to cover its liabilities under a severe liquidity stress scenario without accessing capital markets.

The group follows a strict match-funding approach to minimize asset-liability risk. It does not have currency risk either; its funding and lending are both denominated in pound sterling. For most loans, THFC receives payments from the borrowers up to a month before payments to investors are due, providing a timely buffer to identify any issues early. Furthermore, we understand that many of THFC's borrowers have placed a liquidity reserve worth 12 months of their coupon payments with a trustee, which THFC can access in case of any missed coupon payment. This is an additional risk mitigant in the short term to a failure of a specific borrower.

Selected Indicators

The Housing Finance Corp. Ltd. -- Selected Indicators					
	--Fiscal year ended March 31--				
(Mil. £)	2026	2025	2024	2023	2022
Business position					
Total adjusted assets	8,468	8,137	8,147	8,360	8,549
Customer loans (gross)	8,317	7,989	7,952	8,130	8,221
Growth in loans (%)	4.11	0.47	(2.19)	(1.11)	4.40
Net interest revenues	278	271	281	282	268
Noninterest expenses	11.9	10.1	7.2	6.5	6.0
Capital and risk position					
Total liabilities	8,400	8,072	8,085	8,303	8,497
Total adjusted capital	68	66	63	57	52
Assets/capital	124	123	129	147	163
Funding and liquidity		-	-	-	-
Liquidity ratio with loan disbursement (1 year)	1.6	1.5	4.0	1.4	2.9
Liquidity ratio without loan disbursement (1 year)	1.6	1.5	4.0	1.4	2.9
Funding ratio (1 year)	1.7	1.7	4.3	1.5	3.3

Rating Component Scores

The Housing Finance Corp. Ltd. -- Rating Component Scores	
Sector risk profile	Strong
Business position	3
Management and governance	3
Capital adequacy	3
Funding and liquidity	2
Anchor	a+
Modifiers and caps	--
Holistic analysis	--
SACP	a+
Extraordinary support	--
Issuer credit rating	A+

SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Governments | International Public Finance: Methodology For Rating Non-U.S. Public-Sector Funding Agencies , July 26, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- General Criteria: Group Rating Methodology , July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Related Research

- The Housing Finance Corp. Ltd., Sept. 25, 2025

Ratings Detail (as of September 25, 2026)*

The Housing Finance Holding Corporation Ltd.	
Issuer Credit Rating	A+/Stable/A-1

Ratings Detail (as of September 25, 2026)*

Issuer Credit Ratings History	
03-Jul-2026	A+/Stable/A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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