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U.S. Cities Look to Shed Ratings While Taking On More Debt.

One-fourth of municipal borrowing is given a single grade, leaving smaller investors with less information.

U.S. cities and counties are using fewer ratings to assess the risks of the bonds they sell, providing investors with just one opinion on an increasing amount of new debt.

Roughly 25% of the dollar value of all municipal debt issued this year carried a single grade from one of the major ratings firms, according to Municipal Market Analytics data as of Oct. 3. If that percentage holds through the end of the year, it would be the highest since the research firm began tracking the data in 2006. For the riskiest debt, the single-grade ratio by dollar volume was 37%.

Municipal officials and advisers said fewer ratings help cities trim expenses and save time when they borrow money for everything from school construction to sewer repairs. Bond issuers typically pay rating firms to issue a report. But some analysts said opting for one grade from a single firm puts smaller investors at a disadvantage as less information circulates through the $3.8 trillion municipal market.

Continue reading.

The Wall Street Journal

By Gunjan Banerji and Heather Gillers

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