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## **Introduction to a Conduit Bond.**

**The municipal bond market began as a general obligation market similar to the Treasury market. Since then, the market has grown to include revenue bonds backed by specific municipal revenue sources and private activity bonds (PAB) designed to finance private projects that benefit the public.**

Conduit bonds are a type of PAB designed to capture the tax benefits of municipal bonds to advance private projects.

In this article, we will take a closer look at conduit bonds, implications for investors, and tips to keep in mind when considering them for your portfolio.

### **What Are Conduit Bonds?**

Conduit bonds are municipal securities designed to raise capital for revenue-generating projects that benefit the public. For example, a for-profit real estate development firm may issue conduit bonds to finance the construction of student housing or low-income housing projects. The issuer collects the tax or revenue used to secure the bonds and distributes it to the bondholders, but the conduit borrower is ultimately responsible for the debt obligations.

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