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Understanding General Obligation Municipal Bonds.

Summary

- Municipal bonds are sold by local and state governments to help fund public projects or municipal government operations, like building new schools or repairing city sewer systems.
- A common mistake some municipal bond investors make is assuming that any general obligation bond issued by a state or local government is backed by the same pledge.
- With high-profile cases like Detroit's bankruptcy and Puerto Rico's effective bankruptcy in 2017, it may seem like GOs frequently default – but that's not the case.

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