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Fitch Ratings Updates State Revolving Fund and Muni Finance Pool Program Criteria.

Fitch Ratings-Austin-03 March 2021: Fitch Ratings has published an [update](#) to its “State Revolving Fund and Municipal Finance Pool Program Criteria.” This report replaces the previous report of the same title published on Sept. 18, 2019.

The fundamentals of these criteria remain unchanged. However, with this release, Fitch has updated its Portfolio Stress Model (PSM). The latest version follows the same logic and underlying benchmarking assumptions as the previous, but the multiple-based approach used to create the prior PSM’s liability rating stress hurdles using the pool’s weighted-average default rate has been replaced with a Gaussian copula approximation function. Fitch believes the updated PSM is a more robust model overall and should more closely match the framework laid out in the “CLOs and Corporate CDOs Rating Criteria,” thus providing even greater consistency in approaches given the similarities of the two sectors.

As a result of the PSM update, programs with less than 30 obligors may demonstrate somewhat higher stress hurdles than what were previously produced. Further, programs with higher weighted-average maturities may demonstrate lower stress hurdles. On average, Fitch is expecting less than a +/-4% net change in stress hurdles.

Additionally, these criteria now allow for the assignment of credit scores in lieu of credit opinions for USPF utility sector obligors.

No ratings changes are expected as a result of these updates.

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