

# **Bond Case Briefs**

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## **Michigan Finance Authority: Fitch New Issue Report**

**Key Rating Drivers Sound Financial Structure:** Fitch's cash flow modelling demonstrates that program resources are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle, as produced using Fitch's Portfolio Stress Model (PSM), without causing an interruption in bond payments. **Ample Loss Protection:** Bondholders are protected from losses by overcollateralization, as surplus loan repayments alone provide minimum annual debt service coverage (DSC) of 1.4x. In addition, all bonds are supported, on either a senior or subordinate basis, by about \$87.4 million in dedicated reserves. **Highly Rated Borrower Pool:** Approximately 99% of program borrowers have investment-grade ratings. Most obligations are secured by borrowers' general obligation and/or utility revenue pledges. **Above-Average Pool Diversity:** The obligor portfolio has favorable pool diversity, with the top-10 borrowers accounting for approximately 48% of the obligor pool. This is better than Fitch's 'AAA' median of 57% in 2022. **Single-obligor concentration is about 15%, which is on par with Fitch's equivalent median.** **Effective Program Management:** The pool has never experienced a default or delinquency by a pledged obligor in its history, indicating the strength of the program management.

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