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U.S. State Credit Enhancement Programs (How Fitch Approaches State Enhancement for Local Debt)

Thirty-six different credit enhancement (CE) programs in 25 states are rated by Fitch Ratings, including 19 intercept programs, six moral obligation programs, four GO guaranty programs, five direct pay commitment programs and one permanent fund. Although most of these programs support K–12 school districts, a few benefit higher education institutions and other local governments. With the exception of permanent funds, the rating for an enhancement program is linked to a state's credit quality and rated under Fitch's "U.S. Public Finance State Governments and Territories Rating Criteria". The first step to determining the value of a state CE program is evaluating whether or not debt service would be paid on time and in full if a borrower misses a payment. An expectation for timely payment of debt service is critical. If the state CE program criteria can be applied, the credit quality of the program replaces the underlying credit quality of the borrower.

ACCESS REPORT

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