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S&P: U.S. Public Finance Ratings Start 2015 With Another Positive Quarter Despite Puerto Rico Actions.

For the 10th quarter in a row, U.S. public finance (USPF) ratings achieved more upgrades than downgrades in the first quarter of 2015. It was also the fifth consecutive quarter in which upgrades outpaced downgrades among both nonhousing and housing ratings. However, the upgrade to downgrade ratios were lower in the first quarter of 2015 than in the previous quarter for USPF as a whole and for nonhousing bonds but were higher for housing issues. Better finances among issuers was the leading cause of the improvement in all nonhousing categories in the first quarter of 2015, spurring 139 upgrades. For the housing sector, the main contributor to the housing rating actions was an upgrade to the New Jersey Housing and Mortgage Finance Agency multifamily bond program, which lifted 19 separate ratings.

On a year-over-year basis, rating activity declined significantly, to 389 nonhousing rating changes from the first quarter of 2014, when 829 nonhousing ratings changed. The review of thousands of local government ratings in the first three quarters of 2014 inflated the number of rating actions in that time period. Combined, those quarters totaled 1,997 upgrades and 761 downgrades, a pace we don't expect to continue in 2015. Excluding local government and state ratings, USPF rating activity increased from the first quarter of 2014, but only by 29 rating actions, including housing.

Overview

- Upgrades again outpaced downgrades in USPF, but there were fewer rating actions due to a decline in the number of rating reviews under new criteria.
- Stronger finances contributed to more positive rating actions than did any other factor in all sectors.
- Rating actions related to Puerto Rico contributed to most of the multiple-notch downgrades in USPF and affected ratings in three sectors.
- Implementation of revised criteria increased health care rating activity, a trend that we expect should continue through the end of 2015.
- The only USPF default in the quarter was of a housing issue although upgrades outnumbered downgrades for the sector.

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