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Ambac, FGIC Covering Puerto Rico Bond Payments After Default.

Insurance companies that guarantee a Puerto Rico agency's bonds are covering some payments that the island's government defaulted on this month.

Ambac Financial Group Inc. paid \$10.3 million in interest that was due Monday on Puerto Rico Infrastructure Financing Authority debt, Abbe Goldstein, a spokeswoman for the bond insurer, said in an e-mail Tuesday.

Financial Guaranty Insurance Co. will pay 22 percent of \$6.4 million in interest it insures, Edward Turi, a spokesman for FGIC, said in a phone call Tuesday. Standard & Poor's cut Prifa, as the authority is known, to D because of the payment default.

Governor Alejandro Garcia Padilla last week said Prifa would default on \$35.9 million of interest. The governor last month ordered that Prifa's rum-tax revenue be redirected to help cover its general-obligation debt, which the commonwealth's constitution says must be repaid before other obligations. The change allowed Puerto Rico to avoid defaulting on its direct debt and potentially setting off lawsuits for repayment as those securities have the strongest legal protections.

First Default

Ambac Financial insures \$1.07 billion of Prifa principal and interest payments through 2044 in the event of a default, as of Sept. 30, according to the company's website. That includes \$52 million of debt service in 2016. FGIC insures repayment of \$768.8 million of Prifa's principal and interest through 2045, as of Sept. 30, according to its website. It insures \$10.6 million of debt service in 2016, according to Turi.

U.S. Bancorp, Prifa's bond trustee, hasn't received sufficient funds from the agency to repay debt service due Jan. 4, according to a filing posted Tuesday on the Municipal Securities Rulemaking Board's website, known as EMMA. The trustee held a "small residual amount from prior debt service payments, which it has allocated pro rata across all the bonds entitled to payment of interest," according to the filing.

This is the second Puerto Rico agency to default, after the Public Finance Corp. in August began missing monthly debt-service payments because lawmakers failed to allocate the funds. The PFC also missed a Jan. 1 payment.

In a Dec. 29 letter to the governor and his administration, the bond insurers said the commonwealth should return the rum-tax revenue to Prifa and end the clawback. The insurers calculate as much as \$94 million was redirected before Dec. 1. That's when Garcia Padilla signed an executive order to begin the clawback.

The Highways and Transportation Authority and the Convention Center District Authority said last month that they would use reserve cash to repay investors after Puerto Rico redirected their

revenue, according to EMMA filings.

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by Michelle Kaske

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