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The Detroit Bondholders Did Not Get ‘Stiffed.’

The settlement votes affirm that the bondholders in the Detroit case felt fairly treated.

In “Fixing Puerto Rico’s Debt Mess” (Jan. 6), Prof. David Skeel discusses the Detroit bankruptcy case. He states, “Holders of the city’s general-obligation bonds, which had the same priority as pensions, got stiffed, receiving roughly 41% of what they were owed. Pensioners got at least 60%.”

This is wrong. The bondholders in the Detroit case did not get “stiffed.” Prof. Skeel omits the fact that a much larger class of bondholders, the unlimited tax general-obligation bonds (UTGO) bondholders, received 74%.

Prof. Skeel also ignores that the recoveries in the Detroit case for the bondholder classes and the pensioner classes were the outcome of intense, monthslong negotiations in which all parties were well-represented by expert professionals. As a result of these successful negotiations, the UTGO class voted to accept the plan by 97% and the limited tax general obligation class (the class that did receive 41%) voted to accept the plan by 83%.

These votes affirm that the bondholders in the Detroit case felt fairly treated. After their settlements, they supported Detroit’s plan of adjustment. They did not get “stiffed.”

Detroit’s insolvency required its creditors to accept the shared sacrifice that was necessary for the city to revitalize its services and its economy, and to pay its creditors what it could. Thankfully, after negotiations, its creditors did so. As a result, Detroit is now on the road to a proud and secure future.

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