

Bond Case Briefs

Municipal Finance Law Since 1971

Richard Ravitch Under Fire For Signing On To Help Puerto Rico.

Richard Ravitch — the go-to guy for cash-strapped municipalities — is taking some heat for volunteering to help Puerto Rico recover from its debt crisis.

Ravitch, who helped save New York in the 1970s and more recently Detroit from total financial ruin, is advising the troubled Caribbean island on a pro-bono basis. In December, he told a Senate committee that the teetering US territory should get congressional authority to declare bankruptcy.

Puerto Rico doesn't have the money to repay its \$72 billion of debt. And unlike a US city, it can't seek relief by filing for Chapter 9 bankruptcy protection without congressional approval.

Ravitch, a former lieutenant governor of New York, sits on the board of Build America Mutual (BAM), one of only three firms that insure municipal bonds — and the only one without exposure to Puerto Rico.

The largest muni bond issuer, Assured Guaranty, is suggesting Ravitch is biased and bent on helping BAM.

"Given his background and years of experience, and his position on the board of directors at BAM, it would be surprising if he were unaware that BAM would likely benefit competitively if Puerto Rico's position on bankruptcy prevailed," an Assured Guaranty spokesman said.

Ravitch told The Post, "I don't believe Build America will benefit" from a Puerto Rico bankruptcy. He said the island's governor has asked for his opinion, and he has given free advice.

BTIG analyst Mark Palmer said Puerto Rico's bankruptcy could benefit BAM because it would make municipal bond issuance much more profitable.

"Municipalities [if their credit ratings fell] would buy more insurance to lower their borrowing costs," he said.

The New York Post

By Josh Kosman

February 5, 2016