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Congress Reclassifies U.S. Muni Bonds, Likely to Lower Borrowing Costs.

NEW YORK (Reuters) – The U.S. House of Representatives on Tuesday passed legislation that reclassifies investment-grade municipal bonds as high-quality liquid assets, a long-awaited move that public officials say will help lower financing costs on infrastructure projects nationwide.

The measure was included in bipartisan legislation, which already passed the Senate in March, that would ease bank rules introduced in the wake of the 2007-09 financial crisis.

The bill also raises the threshold at which banks are subject to stricter oversight and eases trading, lending and capital rules for smaller banks.

Cities and states sell muni bonds to finance construction of bridges, roads, schools and an array of other projects.

If the bonds are designated as so-called HQLA assets, banks can hold them as part of their liquidity requirements, therefore making the bonds more attractive overall and supporting the muni market.

“Lawmakers have taken concrete action to lower borrowing costs and better position states to invest in infrastructure projects at the state and local level,” said Beth Pearce, Vermont state treasurer and president of the National Association of State Treasurers in a statement after Tuesday’s vote in the House.

The bill now goes to President Donald Trump, who is expected to sign the legislation as part his campaign promise to try to spur more economic growth by cutting regulation.

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