# Bond Case Briefs

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## Covid-19 Related Municipal Defaults Begin.

The COVID-19 pandemic has come to the municipal bond market. So far, 5 issuers of $407 million in bonds have used it as an excuse for not making their scheduled interest and principal payments and 2 have even used it to request additional draw-downs of reserve funds. The magnitude of the problem, however, will likely be much, much bigger. We note there are some 236 issuers of $23.89 billion who have been failing to make their scheduled monthly payments and relying on the bond reserve accounts to make up any shortfall. How many of them will now see a plausible excuse to cutoff fund remittances altogether? Hospitals and retirement facilities will likely stop payments unless they can qualify for federal loans and aid. In fact, would it surprise anyone to see a wave of lawsuits by relatives of those who died from the virus. And what about those private purpose issues which had to shut down or are dependent on sales or other tax revenues and now need cash to start back up. They are vulnerable because the bonds often represent the only capital invested in the project. We may see bond issuers going back to the current large bondholders and asking for loans of a secondary issue.

In the case of nursing and retirement homes, knowing the story and characters behind numerous deals, not collapsing would be the surprise. As some are fond of thinking, “A crisis is a terrible thing to waste.” We will keep track of those using the pandemic as an excuse for their failure and let you know who is blowing smoke. We expect that numerous projects and issues will fail, but mainly because for many, failure has been in the cards for years. Stay up-to-date with our newsletter, the *Forbes/Lehmann Distressed Municipal Debt Report* at distresseddebtsecurities.com.

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