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Fitch Ratings Updates Public Sector, Revenue-Supported Entities Rating Criteria; Adds CDFI Guidance

Fitch Ratings-New York-27 April 2023: Fitch Ratings has updated the Public Sector, Revenue-Supported Entities Rating Criteria report (the Revenue Master Criteria).

Principal among the updates is the inclusion of a new appendix providing additional clarity, transparency and guidance for assessing U.S. Community Development Financial Institutions (CDFIs) within the methodological framework of the Revenue Master Criteria. Specifically, the appendix introduces and/or expands on the following aspects of Fitch's approach to assigning ratings to CDFIs:

- The key rating drivers; revenue defensibility, operating risk, and financial profile;
- Individual assessments for evaluating each key rating driver;
- A more detailed rating positioning table that aligns financial profile with business risk;
- Detailed key metrics and ratios for determining assessments and ratings.

CDFIs that fall within the scope of the Revenue Master Criteria are typically organizations classified as tax-exempt by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code (e.g., not-for-profit CDFI loan funds) but which are not covered by sector-specific criteria.

The remaining updates to the criteria are mostly clarifying and editorial in nature. None of the revisions, including the new CDFI appendix, will have an impact on existing ratings.

The updated criteria report replaces the criteria report of the same name dated Feb. 23, 2021 and is available at www.fitchratings.com. The previous version of the criteria has been retired.

Contacts:

Dennis Pidherny
Managing Director
Fitch Ratings, Inc.
+1-212-908-0738
300 West 57th Street
New York, NY 10019

Karen Fitzgerald
Senior Director
+1-415-796-9959

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

