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Arkansas Development Finance Authority: Fitch New Issue Report

Portfolio Credit Risk: The program exhibits higher concentration than similar 'AAA' pools rated by Fitch, and overall credit quality is about average. The pool consists of a relatively few 73 obligors, which contributes to high single- and top 10-obligor concentration. Implied pool quality, measured by the aggregate rating and loan term and as measured in Fitch's Portfolio Stress Model, is 'BBB'. Obligor security is solid with over 95% of the pool backed by water and/or sewer revenue pledges and the remaining 4% secured by sales or special tax revenues. Financial Structure: The program's cash flows are very favorable, as minimum annual debt service coverage is about 3.4x. As a result, Fitch's cash flow modeling demonstrates that program resources are sufficient to withstand hypothetical pool defaults in excess of Fitch's 'AAA' liability rating stress hurdle without causing an interruption in bond payments. Program Management: The Arkansas Natural Resources Commission, which manages the program, maintains sound underwriting and loan monitoring procedures. To date, the pledged portfolio has not experienced a permanent loan default.

ACCESS REPORT

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