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Municipal Bonds for Private Projects Labeled as Green Stand Out as Risky.

- **Green bonds made up 45% of industrial development defaults**
- **The designation may signify 'some kind of credit infirmity'**

Municipal bond investors seeking higher returns from social or environmental do-good projects should be very wary.

That's according to Municipal Market Analytics. Industrial development bonds, which are sold by local and state governments to finance private projects like energy and recycling plants, carry more risk than other types of muni bonds. Moreover, those labeled green accounted for 45% of first-time payment defaults by IDB borrowers since 2021, a MMA analysis said.

"For investors, the implications are clear: spend more time underwriting and surveilling the credit profile of green-labeled IDBs," Matt Fabian and Lisa Washburn, analysts at MMA, wrote in a report. "Projects selling themselves as green may have been stretching to attract investors, potentially signifying some kind of credit infirmity or other liquidity/structural challenges."

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By Lauren Coleman-Lochner

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