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Purdue University Muni Deal Threatens Over 20% Loss for Holders.

- **School plans to refinance Build America Bonds close to par**
- **Controversy over BAB refinancings swirls in muni bond market**

Fans of the Purdue University Boilermakers are reveling in victory after the top-ranked college basketball team trounced Grambling State and Utah State in the NCAA's March Madness Tournament over the weekend.

It's a different story in the debt market, where investors in the college's bonds are poised to take a loss as Purdue prepares to exercise an obscure provision to call back securities before they are due.

The university — equipped with a $2.7 billion endowment and a AAA credit rating — is replacing Build America Bonds it sold more than a decade ago with lower yielding tax-exempt debt as part of a $72 million bond sale this week. Purdue is looking to buy back those bonds at close to par, or 100 cents on the dollar. But the debt has recently traded above that level.

Continue reading.

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