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S&P: Diving Into Pooled Structures In U.S. Public Finance And Structured Finance

Key Takeaways

- Municipal pools and affordable multifamily housing loan securitizations in U.S. public finance have similar attributes to some structured finance transactions, such as triple net lease securitizations and commercial mortgage-backed securitizations.
- Key differences in our rating criteria for the pools include structural mechanics, credit enhancement profile, and legal framework nuances.
- While not common, some structured finance transactions can include tenants that are usually classified as public finance, such as municipalities, charter schools, and community development financial institutions (CDFIs).
- We can use criteria from one or various sectors to most accurately assess a pool's strengths, weaknesses, and risks when determining which criteria and sector guidelines to apply to new credit ratings.

S&P Global Ratings occasionally receives questions from the market regarding how we determine the sector and criteria used to rate pooled transactions, especially when shifting market conditions prompt creative and evolving pool compositions. Some of these evolutions include structured transactions with municipal tenants such as municipalities, municipal buildings, charter schools, 501(c)3 small businesses, and community development financial institutions (CDFIs). Such combinations can cause confusion regarding whether the pool should be rated under our U.S. public finance or structured criteria.

For this article, we examine four pool types that commonly result in cross-sector confusion: municipal pools and affordable multifamily housing securities in U.S. public finance and commercial mortgage-backed securitizations (CMBS) and triple-net lease (NNN) securitizations in structured finance.

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