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## Fitch Announces Recalibration of U.S. Municipal Bond Ratings

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Fitch Ratings-New York-25 March 2010: Fitch Ratings is proceeding with the recalibration of certain of its U.S. Public Finance credit ratings.

Fitch initially announced the initiative in July 2008, but suspended it in October of that year in the midst of the financial crisis. This recalibration will affect ratings in the following municipal bond sectors:

- State and local governments;
- Tax supported;
- Water/sewer;
- Public power distribution-only; and
- Public higher education.

Other U.S. public finance sectors will not be affected.

Fitch will adjust upward by two notches state and local general obligation (GO) ratings and those dependent upon them (e.g. lease revenue bonds) if the GO rating is currently 'A' to 'BBB-'. Fitch will adjust upward by one notch state and local GO and dependent ratings where the GO rating is currently 'A+' or higher.

Fitch will adjust upward water/sewer and public power distribution-only credits in the same manner as GO ratings.

Fitch will adjust special tax backed bonds currently rated from 'AA+' to 'BBB-' upward by one notch.

Fitch will adjust public higher education ratings upward one notch where the rating is currently 'AA-' to 'BBB-'. No adjustment will be made on public higher education ratings of 'AA' and higher.

Ratings in the affected sectors that are currently below investment grade will be considered for recalibration on a case-by-case basis.

Recalibrations for states, as well as District of Columbia, New York City, and Commonwealth of Puerto Rico will be implemented on April 5, 2010. Fitch will revise the remaining tax-supported ratings along with water/sewer, public power distribution-only, and public higher education ratings April 30, 2010.

The recalibration of certain public finance ratings should not be interpreted as an improvement in the credit quality of those securities. Rather, they are adjustments to denote a comparable level of credit risk as ratings in other sectors. To be sure, as noted in Fitch's new report, public finance issuers continue to face a range of significant economic, fiscal, and credit challenges.

Fitch will continue to monitor all of its public finance ratings and make changes to its ratings as our forward-looking views of credit risk evolve. Additional information is available in Fitch's new report, 'Recalibration of U.S. Public Finance Ratings', which is available at 'fitchratings.com' under the following headers:

Sectors >> Public Finance >> U.S. Public Finance >> Research

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Additional information is available at 'www.fitchratings.com'.

### Related Research: Recalibration of U.S. Public Finance Ratings

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