

# Research



# SIFMA™

Securities Industry and  
Financial Markets Association

## Municipal Bond Credit Report

The *Municipal Bond Credit Report* synthesizes, analyzes and presents aggregate credit information and trends in the municipal bond market. The report includes municipal bond rating information from the three major rating agencies – Moody's Investor Services, Standard and Poor's and Fitch Ratings.

December 2008

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### Market Summary

The U.S. financial markets continued to struggle in the fourth quarter with a slowing economy, nearly frozen credit markets and declining home prices. Investors continued favoring Treasuries, which negatively impacted the municipal bond market. The yield ratio of AAA-rated 10-year municipals to that of comparable ten year Treasury securities reached a high of 196 percent on December 18, and ended the fourth quarter of 2008 at 174 percent. The ratio fell to 94 percent early in 2008 compared to 85 percent, the pre-crisis average range in 2007. AAA-rated municipal bond yields ended 4Q'08 at 3.91 percent, down from 4.16 percent at the end of September and 3.74 percent at year-end 2007.

Long-term municipal bond issuance in the fourth quarter fell 22.0 percent compared to the previous third quarter and 33.2 percent compared to fourth quarter 2007.<sup>1</sup> Rating downgrades of monoline bond insurers were a further negative factor, with Berkshire Hathaway the only remaining AAA-rated insurer at year-end.

The SIFMA Municipal Swap Index yield declined to 0.90 percent at end-December compared to the high of 7.96 percent on September 24, and a current 52 week average of 1.95 percent.

Long-term municipal issuance was \$70.0 billion in the fourth quarter of 2008, down from \$89.8 billion issued in the third quarter and \$104.8 billion issued in the same year-earlier period. For full-year 2008, long-term issuance totaled \$391.2 billion, below the \$429.3 billion issued in 2007, but slightly above the \$386.5 billion recorded in 2006.

Issuers decreased the use of bond insurance and other forms of credit enhancement in 2008. Only 18.5 percent of all new issues carried bond insurance in 2008, compared to 46.7 percent and 55.6 percent in 2007 and 2006, respectively. Letters of credit from domestic banks, however, increased over the previous year, from 4.2 percent to 13.6 percent. Issuance of variable rate demand obligations accounted for 29.7 percent of total municipal issuance in 2008, up from 11.5 percent in 2007, while fixed-rate issuance declined from 74.5 percent to 67.5 percent. Unenhanced new issues on a dollar volume basis rated Aaa by Moody's Investors Services declined to 14.0 percent from 20.3 percent in 2007, and those rated AAA by Standard & Poor's went from 24.3 percent to 21.6 percent.

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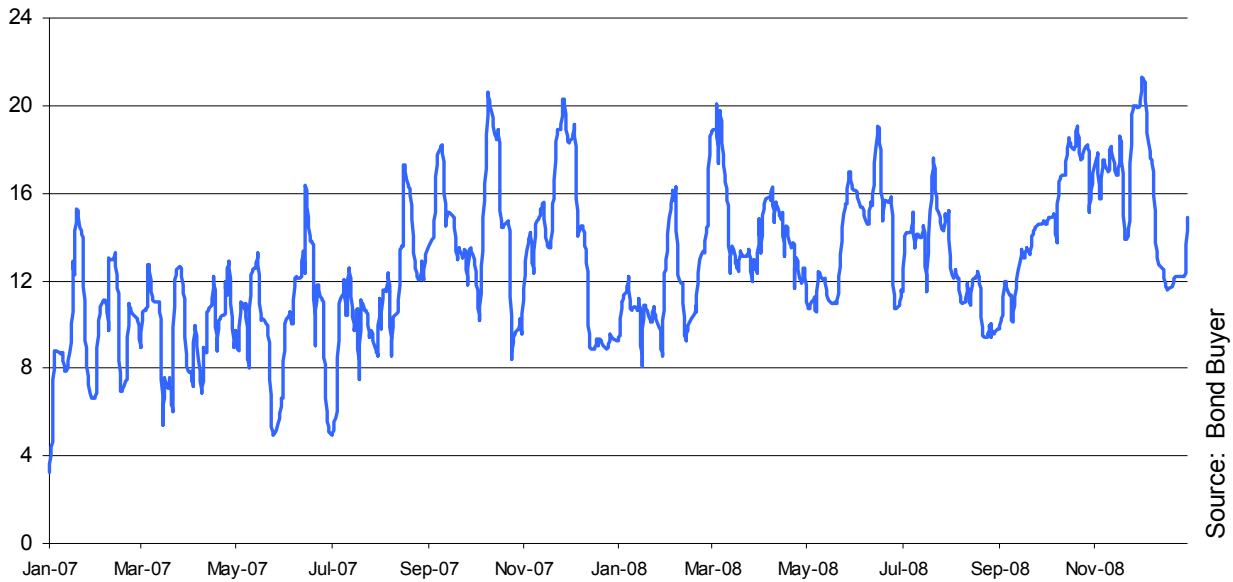
<sup>1</sup> All issuance data in the market summary was provided by Thomson Reuters.

## Outlook

In December 2008, the Fiscal Survey of the States, released jointly by the National Governors Association and the National Association for State Budget Officers, reported that 22 states had to reduce their budgets so far in fiscal 2009 up from 13 states in fiscal 2008, but still well below the levels seen in 2002 and 2003 when 37 states made budget reductions. With a weakening economy and declining home prices most states expect state fiscal conditions to continue to deteriorate in fiscal 2009.

## Bond Buyer 30-day Visible Supply\*

Amounts in \$ Billions



Source: Bond Buyer

\*As of December 31, 2008

## Long-Term Municipal State Issuance by Type

As of December 31, 2008

Amounts in \$ Millions

State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue
Alabama	2,256.9	479.1	1,777.8	Kentucky	4,110.9	211.7	3,899.2	Ohio	11,688.7	1,823.7	9,865.0
Alaska	810.7	375.1	435.6	Louisiana	4,788.1	688.9	4,099.2	Oklahoma	2,608.3	768.9	1,839.4
Arizona	9,604.6	1,479.9	8,124.7	Maine	1,277.6	269.9	1,007.7	Oregon	3,930.6	857.5	3,073.1
Arkansas	1,144.0	466.0	678.0	Maryland	6,725.5	1,936.6	4,788.9	Pennsylvania	15,693.1	5,410.4	10,282.7
California	52,863.6	15,338.8	37,524.8	Massachusetts	14,319.0	3,889.2	10,429.8	Puerto Rico	9,464.9	2,937.9	6,527.0
Colorado	7,918.9	1,090.6	6,828.3	Michigan	9,212.1	2,910.4	6,301.7	Rhode Island	1,299.1	236.3	1,062.8
Connecticut	7,225.6	4,516.1	2,709.5	Minnesota	6,819.2	3,031.7	3,787.5	South Carolina	3,962.2	476.6	3,485.6
D. of Columbia	2,728.9	1,048.3	1,680.6	Mississippi	1,805.2	618.1	1,187.1	South Dakota	852.8	94.3	758.5
Delaware	846.3	301.6	544.7	Missouri	4,875.5	846.2	4,029.3	Tennessee	5,816.3	1,905.7	3,910.6
Florida	18,379.2	1,449.0	16,930.2	Montana	254.3	144.5	109.8	Texas	41,631.0	18,325.6	23,305.4
Georgia	8,608.5	1,939.1	6,669.4	Nebraska	2,340.3	603.0	1,737.3	Utah	3,275.9	665.8	2,610.1
Guam	7.5	-	7.5	Nevada	4,093.2	2,159.6	1,933.6	Vermont	927.4	50.0	877.4
Hawaii	1,017.4	746.3	271.1	New Hampshire	977.4	436.5	540.9	Virginia	7,479.5	2,012.8	5,466.7
Idaho	1,099.1	261.4	837.7	New Jersey	11,739.4	2,630.0	9,109.4	Virgin Islands	7.7	-	7.7
Illinois	15,968.5	4,755.1	11,213.4	New Mexico	3,194.6	526.9	2,667.7	Washington	8,745.1	3,703.3	5,041.8
Indiana	6,248.0	675.8	5,572.2	New York	40,051.3	10,543.1	29,508.2	West Virginia	1,314.8	18.8	1,296.0
Iowa	2,328.4	936.9	1,391.5	North Carolina	7,544.8	1,119.1	6,425.7	Wisconsin	5,985.4	3,113.3	2,872.1
Kansas	2,156.1	1,138.9	1,017.2	North Dakota	525.9	130.5	395.4	Wyoming	660.8	8.2	652.6

G.O. Issuance 112,102.9

Revenue Issuance 279,107.2

Total LT Issuance 391,210.1

Source: Thomson Reuters

The "Outstanding, Ratings and Insured Volume by State" table is not available in this report, but will be included in future publications.

## Long-Term Municipal Issuance

### Regional Issuance by Moody's Long-Term Rating

As of December 31, 2008

Amounts in \$ Millions

#### General Obligation

	Far West	Midwest	Northeast	Southeast	Southwest
<b>Aaa</b>	4,209.2	7,057.9	12,194.1	5,186.5	11,044.6
<b>Aa</b>	12,705.3	6,523.8	17,258.1	4,464.1	7,340.9
<b>A</b>	5,632.1	1,517.7	602.7	425.2	912.9
<b>Baa</b>	3.2	34.4	2,668.8	4.2	51.0
<b>Below Baa</b>	0.0	125.2	231.4	0.0	7.4
<b>Total Rated</b>	22,549.8	15,259.0	32,955.1	10,080.0	19,356.8
<b>Not Rated</b>	1,044.8	3,661.8	1,250.8	839.0	5,105.8
<b>Totals</b>	<b>23,594.6</b>	<b>18,920.8</b>	<b>34,205.9</b>	<b>10,918.9</b>	<b>24,462.6</b>
<b>% of Total LT Volume</b>	<b>21.0%</b>	<b>16.9%</b>	<b>30.5%</b>	<b>9.7%</b>	<b>21.8%</b>

#### Revenue

	Far West	Midwest	Northeast	Southeast	Southwest
<b>Aaa</b>	19,339.6	17,480.1	22,828.8	19,944.7	15,078.3
<b>Aa</b>	17,293.7	16,789.4	23,498.4	17,385.8	11,240.0
<b>A</b>	3,744.0	4,283.0	12,471.6	7,659.0	10,533.8
<b>Baa</b>	458.0	527.0	3,008.8	1,271.1	472.0
<b>Below Baa</b>	84.2	228.7	716.9	191.1	17.7
<b>Total Rated</b>	40,919.5	39,308.2	62,524.5	46,451.7	37,341.8
<b>Not Rated</b>	8,960.7	8,615.7	16,545.2	8,695.8	9,729.0
<b>Totals</b>	<b>49,880.2</b>	<b>47,923.9</b>	<b>79,069.7</b>	<b>55,147.5</b>	<b>47,070.8</b>
<b>% of Total LT Volume</b>	<b>17.9%</b>	<b>17.2%</b>	<b>28.3%</b>	<b>19.8%</b>	<b>16.9%</b>

Source: Thomson Reuters

## Long-Term Unenhanced Municipal Issuance

### Regional Issuance by Moody's Long-Term Rating

As of December 31, 2008

Amounts in \$ Millions

#### General Obligation - Unenhanced

	Far West	Midwest	Northeast	Southeast	Southwest
<b>Aaa</b>	154.9	1,036.9	4,351.6	2,855.5	7,347.2
<b>Aa</b>	12,223.7	5,927.7	14,178.6	4,037.2	7,121.2
<b>A</b>	5,443.9	816.2	483.0	410.2	858.0
<b>Baa</b>	3.2	34.4	2,100.9	4.2	48.2
<b>Below Baa</b>	994.7	29.9	0.0	0.0	0.0
<b>Total Rated</b>	18,820.4	7,845.1	21,114.1	7,307.1	15,374.6
<b>Not Rated</b>	994.7	3,443.0	1,030.9	653.7	4,186.3
<b>Totals</b>	<b>19,815.1</b>	<b>11,288.1</b>	<b>22,145.0</b>	<b>7,960.8</b>	<b>19,560.9</b>
<b>% of Total LT Volume</b>	<b>24.5%</b>	<b>14.0%</b>	<b>27.4%</b>	<b>9.9%</b>	<b>24.2%</b>

#### Revenue - Unenhanced

	Far West	Midwest	Northeast	Southeast	Southwest
<b>Aaa</b>	1,102.3	1,363.9	5,141.1	3,545.7	2,845.2
<b>Aa</b>	9,816.8	11,907.3	14,553.3	8,917.9	8,224.2
<b>A</b>	3,396.0	2,624.1	10,302.7	6,223.2	7,246.6
<b>Baa</b>	458.0	527.0	2,070.9	1,007.1	472.0
<b>Below Baa</b>	83.3	57.7	510.3	191.0	0.0
<b>Total Rated</b>	14,856.4	16,480.0	32,578.3	19,884.9	18,788.0
<b>Not Rated</b>	3,996.3	4,201.5	10,620.0	4,177.9	5,995.5
<b>Totals</b>	<b>18,852.7</b>	<b>20,681.5</b>	<b>43,198.3</b>	<b>24,062.8</b>	<b>24,783.5</b>
<b>% of Total LT Volume</b>	<b>14.3%</b>	<b>15.7%</b>	<b>32.8%</b>	<b>18.3%</b>	<b>18.8%</b>

Source: Thomson Reuters

**Long-Term Municipal Issuance - General Obligation**

**General Use of Proceeds  
By Moody's Rating Category**

As of December 31, 2008  
Amounts in \$ Millions

Sector	Aaa Rating	Number of Issues	Aa Rating	Number of Issues	A Rating	Number of Issues	Baa Rating	Number of Issues	Below Baa Rating	Number of Issues	Unknown Rating	Number of Issues	Total Amount	Number of Issues
Education	23,703.7	1,008	10,454.8	380	2,021.1	155	30.2	11	0.0	0	4,574.5	1,003	40,784.3	2,557
General Purpose	14,935.1	629	29,200.1	551	7,215.1	214	2,981.6	25	199.8	2	41.9	750	54,573.6	2,171
Utilities	1,101.2	133	1,995.4	76	108.8	29	26.8	9	0.0	0	1,581.5	239	4,813.7	486
Public Facilities	428.5	50	726.2	43	36.3	13	6.9	2	0.0	0	309.0	94	1,506.9	202
Transportation	682.4	33	3,101.1	48	76.4	20	1.7	3	0.0	0	2.8	77	3,864.4	181
Housing	147.3	5	279.4	12	1.0	1	0.0	0	0.0	0	211.6	9	639.3	27
Other	1,091.3	52	3,973.2	30	745.6	27	4.9	3	0.0	0	105.7	90	5,920.7	202
<b>Totals</b>	<b>42,089.5</b>	<b>1,910</b>	<b>49,730.2</b>	<b>1,140</b>	<b>10,204.3</b>	<b>459</b>	<b>3,052.1</b>	<b>53</b>	<b>199.8</b>	<b>2</b>	<b>6,827.0</b>	<b>2,262</b>	<b>112,102.9</b>	<b>5,826</b>
% of Total LT G.O.	37.5%	32.8%	44.4%	19.6%	9.1%	7.9%	2.7%	0.9%	0.2%	0.0%	6.1%	38.8%	100.0%	100.0%

Source: Thomson Reuters

**Long-Term Municipal Issuance - Revenue**

**General Use of Proceeds  
By Moody's Rating Category**

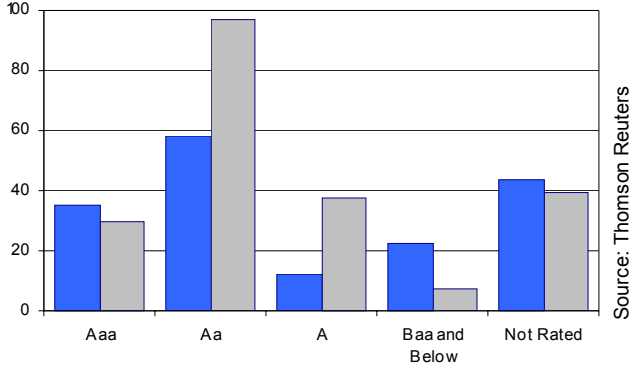
As of December 31, 2008  
Amounts in \$ Millions

Sector	Aaa Rating	Number of Issues	Aa Rating	Number of Issues	A Rating	Number of Issues	Baa Rating	Number of Issues	Below Baa Rating	Number of Issues	Unknown Rating	Number of Issues	Total Amount	Number of Issues
Education	24,610.2	321	12,279.5	318	5,127.4	100	518.0	12	71.4	1	8,159.0	404	50,765.5	1,156
General Purpose	5,290.3	133	7,219.9	112	3,875.1	61	1,530.8	9	188.3	2	7,611.0	452	25,715.4	769
Utilities	25,632.4	319	20,979.3	171	12,551.0	109	3,250.7	33	8.3	1	1,792.3	385	64,214.0	1,018
Public Facilities	3,617.0	55	1,534.0	24	1,077.5	16	1.3	1	-	-	321.7	23	6,551.5	119
Transportation	18,826.4	121	18,796.4	89	11,444.0	39	58.2	3	-	-	248.5	50	49,373.5	302
Housing	4,948.2	131	7,073.0	166	204.2	9	38.2	1	-	-	4,940.9	221	17,204.5	528
Other	22,731.8	297	22,247.5	242	10,687.2	98	1,050.2	20	510.3	2	8,055.8	435	65,282.8	1,094
<b>Totals</b>	<b>105,656.3</b>	<b>1,377</b>	<b>90,129.6</b>	<b>1,122</b>	<b>44,966.4</b>	<b>432</b>	<b>6,447.4</b>	<b>79</b>	<b>778.3</b>	<b>6</b>	<b>31,129.2</b>	<b>1,970</b>	<b>279,107.2</b>	<b>4,986</b>
% of Total LT Rev.	37.9%	27.6%	32.3%	22.5%	16.1%	8.7%	2.3%	1.6%	0.3%	0.1%	11.2%	39.5%	100.0%	100.0%

Source: Thomson Reuters

**Long-Term Unenhanced Issuance  
As Rated by Moody's**

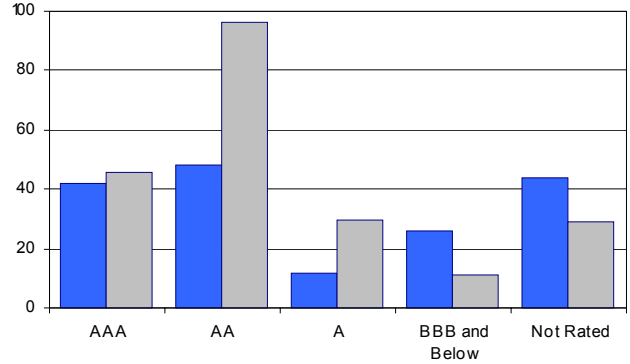
Amounts in \$ Billions



Source: Thomson Reuters

**Long-Term Unenhanced Issuance  
As Rated by Standard & Poor's**

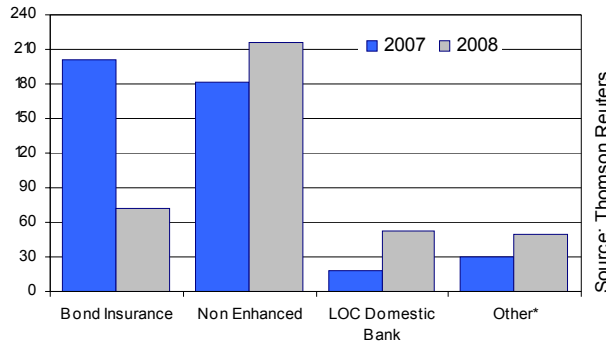
Amounts in \$ Billions



Source: Thomson Reuters

**Long-Term Municipal Issuance by Enhancement Type**

Amounts in \$ Billions



Source: Thomson Reuters

Total Issued with Credit Enhancement (2007) \$248.2 B; (2008) \$175.3 B

Total Long-Term Issuance: (2007) \$429.3 B; (2008) \$391.2 B

\*Includes Stand by Purchase Agreement, Mortgage-backed, LOC Foreign Bank, Investment Agreement and Guaranteed

## **A Description of Terminology in the Municipal Bond Credit Report**<sup>2 3</sup>

**Long-Term Municipal Issue:** municipal securities with a maturity of 13 months or longer at the time the municipal security is issued<sup>4</sup>. Unless otherwise noted, the issuance volume is stated in millions of dollars.

**General Obligation or (G.O.) Bonds:** bonds issued by state or local units of government. The bonds are secured by the full faith, credit and taxing power of the municipal bond issuer. Such bonds constitute debts by the issuer and often require approval by election prior to issuance. In the event of default, the bondholders of G.O. bonds have the right to compel a tax levy or legislative appropriation to cover debt service.

**Revenue Bonds:** payable from a specific source of revenue and to which the full faith and credit of an issuer and its taxing power are not pledged. Revenue bonds are payable from identified sources of revenue and do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service. Pledged revenues may be derived from sources such as the operation of the financed project, grants or a dedicated specialized tax. Generally, no voter approval is required prior to issuance of such obligations.

**Ratings:** are evaluations of the credit quality of bonds and other debt financial instruments made by rating agencies. Ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. Ratings are typically assigned upon initial bond issuance. Ratings are periodically reviewed and may be amended to reflect changes in the issue or issuer's credit position. The ratings may be affected by the credit worthiness of the issuer itself or from a credit enhancement feature of the security such as guarantor, letter of credit provider, and bond insurer. Some rating agencies provide both long-term and short-term ratings on variable rate demand obligations. The ratings described herein are "long-term" ratings – that is, ratings applied to municipal bond issues with original maturity of 13 months or longer.

**State Rating:** indicates the G.O. credit rating a rating agency may apply to a state. The rating on a specific municipal bond issue or issuer located with the state may differ from the state rating.

**Rating Agency:** is a company that provides ratings that indicate the relative credit quality or liquidity characteristics of municipal securities as well as other debt securities. Moody's Investors Service ("Moody's") and Standard and Poor's are the largest agencies in terms of municipal securities rated, followed by Fitch Ratings.

### **Moody's Ratings**<sup>5</sup>

Moody's describes its municipal credit ratings as "opinions of the investment quality of issuers and issues in the U.S. municipal and tax-exempt markets. These ratings incorporate a rating agency's assessment of the probability of default and loss severity of issuers and issues."

Moody's ratings are based upon the analysis of four primary factors relating to municipal finance: economy, debt, finances and administrative/management strategies. The rating classifications are defined as:

**Aaa:** the strongest creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

**Aa:** very strong creditworthiness relative to other U.S. municipal or tax-exempt issues.

**A:** above-average creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

**Baa:** average creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

**Ba:** below-average creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

**B:** weak creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

**Caa:** very weak creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

**Ca:** extremely weak credit worthiness relative to other U.S. municipal or tax-exempt issues of issuers.

**C:** issuers or issues demonstrate the weakest credit worthiness relative to other U.S. municipal or tax-exempt issues of issuers.<sup>6</sup>

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<sup>2</sup> The order of presentation is based on when the term first appears in the tables and graphs starting on page 2 of *The Municipal Bond Credit Report*.

<sup>3</sup> Unless otherwise specified, the definitions are based on the definitions in the Municipal Securities Rulemaking Board *Glossary of Municipal Securities Terms* (2004).

<sup>4</sup> Authors' own definition.

<sup>5</sup> Moodys.com, "Ratings Definitions."

<sup>6</sup> The lowest rating is a "D" at both Moody's and Standard and Poor's.

### **Standard and Poor's Ratings**<sup>7</sup>

Standard and Poor's describes a municipal issue credit rating as "a current opinion of the credit worthiness with respect to a specific financial obligation(s) or a specific program. It takes into consideration the credit worthiness of credit enhancement on the obligation."

Long-term issue credit ratings are based on:

- Likelihood of payment—capacity and willingness to meet the financial commitment in accordance with the terms of the obligation;
- Nature of and provisions of the obligation; and
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA: extremely strong capacity to meet its financial commitments – the highest rating category.

AA: very strong capacity to meet financial commitments.

A: strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the higher rated categories.

BBB: adequate capacity to meet its financial commitments though adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet financial commitments.

Rating "BB", "B", "CCC", and "CC" are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest.

BB: less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet its financial commitments.

B: an obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the capacity or willingness to meet financial obligations.

CCC: currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet financial commitments.

CC: highly vulnerable and is dependent upon favorable business, financial and economic conditions.

### **Fitch Ratings**

Fitch Ratings provide an opinion on the ability of an entity or a securities issue to meet financial commitments such as interest, preferred dividends, or repayment of principal, on a timely basis.

Credit ratings are used by investors as indications of the likelihood of repayment in accordance with the terms on which they invested. Thus, the use of credit ratings defines their function: "investment grade" ratings (long-term 'AAA' - 'BBB' categories) indicate a relatively low probability of default, while those in the "speculative" or "non-investment grade" categories (international long-term 'BB' - 'D') may signal a higher probability of default or that a default has already occurred. Entities or issues carrying the same rating are of similar but not necessarily identical credit quality since the rating categories do not fully reflect small differences in the degrees of credit risk.

The ratings are based on information obtained directly from issuers, other obligors, underwriters, their experts, and other sources Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of such information. Ratings may be changed or withdrawn as a result of changes in, or the unavailability of, information or for any other reasons.

Credit ratings do not directly address any risk other than credit risk. In particular, these ratings do not deal with the risk of loss due to changes in interest rates and other market considerations.

Note: "Not rated" refers to municipal bonds that were not rated by one of the major rating agencies listed above.

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<sup>7</sup> Standardandpoors.com "Long-Term Issue Credit Ratings," May 17, 2002.

**General Use of Proceeds:** Refers to the type of project the proceeds or funds received from bond issuance are used. In the Municipal Bond Credit Report, the use of proceed classifications are general government use, education, water, sewer and gas, health care and a miscellaneous category, “other.”<sup>8</sup>

**Geographic Regions**<sup>9</sup>

The following states comprise the regions in this report

*Far West:* Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Wyoming

*Midwest:* Iowa, Illinois, Indiana, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, South Dakota, and Wisconsin

*Northeast:* Connecticut, District of Columbia, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont

*Southeast:* Virginia, Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, West Virginia

*Southwest:* New Mexico, Texas, Utah, Arkansas, Arizona, Colorado, Kansas, Oklahoma

**Municipal G.O. to Treasury Ratio:** is a common measure of credit risk of municipal bonds relative to risk-free securities, Treasuries. It is a measure comparable to the “spread to Treasury” measure in the taxable markets. Note that the municipal yield is typically less than 100% of the Treasury yield due to the tax-free nature of municipal securities.

**Credit Enhancement:** is the use of the credit of an entity other than the issuer to provide additional security in a bond. The term is usually used in the context of bond insurance, bank letters of credit state school guarantees and credit programs of federal and state governments and federal agencies but also may apply more broadly to the use of any form of guaranty secondary source of payment or similar additional credit-improving instruments.

**Bond Insurance:** is a guaranty by a bond insurer of the payment of principal and interest on municipal bonds as they become due should the issuer fail to make required payments. Bond insurance typically is acquired in conjunction with a new issue of municipal securities, although insurance also is available for outstanding bonds traded in the secondary market.

**Letter of Credit:** a commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment. In municipal financings, bank letters of credit are sometimes used as additional sources of security with the bank issuing the letter of credit committing to in the event the issuer is unable to do so.

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<sup>8</sup> Authors' own definition.

<sup>9</sup> The geographic region definitions are taken from the definitions provided by Thomson Financial SDC database (the source of the data for the geographic region section of the report) which in turn sources the *Bond Buyer* newspaper.