

## **RATING ACTION COMMENTARY**

# **Fitch Downgrades Muni Ratings Tied to U.S. Sovereign Ratings to 'AA+'; Outlook Stable**

Thu 03 Aug, 2023 - 4:33 PM ET

Fitch Ratings - San Francisco - 03 Aug 2023: Following Fitch Ratings' downgrade of the United States of America's Foreign and Local Currency Issuer Default Ratings to 'AA+'/'F1+'/'Outlook Stable from 'AAA'/'F1+'/'Rating Watch Negative, Fitch downgrades to 'AA+' from 'AAA' the ratings of certain categories of debt that are directly tied to the creditworthiness of the United States or its related entities.

Categories of debt whose ratings are affected include:

--Pre-refunded bonds whose repayments are wholly dependent on 'AA+'-rated United States government and agency obligations held in escrow;

--Municipal housing bonds that are primarily secured by mortgage-backed securities issued by Ginnie Mae, Fannie Mae and/or Freddie Mac;

--Obligations that are supported by credit enhancement issued by financial institutions directly linked to the United States, such as Fannie Mae or Freddie Mac.

## **KEY RATING DRIVERS**

The pre-refunded bonds and municipal housing bonds ratings addressed in this rating action commentary are dependent ratings, being the subject of pre-existing rating dependencies. A list of the pre-refunded bonds and municipal housing bonds rating actions can be seen via the "[View Additional Rating Details](#)" link below.

that action are detailed here: <https://www.fitchratings.com/research/sovereigns/fitch-downgrades-united-states-long-term-ratings-to-aa-from-aaa-outlook-stable-01-08-2023>.

The specific pre-existing rating dependency relationship for a given pre-refunded and municipal housing bond rating can be seen by viewing the rating action commentary published at the time the rating dependency was established.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--A positive rating action on the U.S., taking into account the specifics of the existing rating dependencies.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A negative rating action on the U.S., taking into account the specifics of the existing rating dependencies.

## **BEST/WORST CASE RATING SCENARIO**

Relevant best and worst case scenarios are included in the rating action commentary for the U.S. action.

For more information on Fitch's U.S. sovereign rating actions, please see 'Fitch Downgrades the United States' Long-Term Ratings to 'AA+' from 'AAA'; Outlook Stable' at <https://www.fitchratings.com/research/sovereigns/fitch-downgrades-united-states-long-term-ratings-to-aa-from-aaa-outlook-stable-01-08-2023> (dated Aug. 1, 2023), 'Fitch Downgrades Fannie Mae and Freddie Mac to 'AA+' Following Sovereign Action; Outlook Stable' (dated Aug. 2, 2023) 'Fitch Places Fannie Mae and Freddie Mac Ratings on Rating Watch Negative' (dated May 25, 2023) at <https://www.fitchratings.com/research/non-bank-financial-institutions/fitch-downgrades-fannie-mae-freddie-mac-to-aa-following-sovereign-action-outlook-stable-02-08-2023>

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## **APPLICABLE CRITERIA**

[U.S. Public Finance Prerefunded Bonds Rating Criteria - Effective from December 2020 to October 2024 \(pub. 14 Dec 2020\) \(including rating assumption sensitivity\)](#)

[U.S. Housing Finance Agency Loan Program Rating Criteria – Effective from May 23, 2022](#)

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