

Poor's rating categories to be comparable to those of Moody's. Thus, Aaa is thought to be equivalent to AAA, Baa equivalent to BBB. Both Standard & Poor's and Moody's publish weekly booklets with data pertaining to municipal bonds. Unlike Moody's, Standard & Poor's does not publish a comprehensive annual volume of data, but does frequently issue publications of summarized financial data and ratings. Today Standard & Poor's rates in excess of 7,000 issues.

Dun & Bradstreet, Inc., does not rate municipal bonds per se. For many years, however, they have issued a series of credit surveys of the major issuers of tax secured bonds. In addition, the post-World War II growth of revenue-secured public bonds has been extensively analyzed by Dun & Bradstreet. In 1965, current information was available for more than 225 issues. Both tax and revenue-secured bonds are labeled either "above average," "favorable," "fair," "poor," etc., according to principal factors. For tax secured bonds these factors include economic or social characteristics, administration, debt obligations, and current operations. Revenue-secured bonds are examined according to the nature of the enterprise, sources of supply, debt obligations, debt structure, bond security, provisions, debt service coverage, debt history, rate structure, and policy operating trends, financial conditions, economic factors, and management. Numerical or alphabetical ratings are not given. It is Dun & Bradstreet's policy only to provide fullest information possible, and allow the investor to draw his own conclusions concerning an issue's overall quality.

Fitch Investor Service issues municipal bond ratings on a specific request basis.

Other agencies exist throughout the United States which either rate municipal bonds or provide detailed information on municipal credits, but each confines its activities within prescribed geographic areas. Among these agencies are the North Carolina Municipal Advisory Service, the Texas Municipal Advisory Council, and the Oklahoma Municipal Advisory Council.

2. EFFECT OF BOND RATINGS

(A) ON INVESTORS

Ratings are usually given to large, widely known issues of municipal bonds prior to public sale by the issuer or underwriter. So attuned are investors to ratings, that almost automatically the rating will determine within rather broad limits, the interest rate the issuer must pay on its bonds. (For simplicity, all rated bonds are assigned to very few categories. As a result, there can be wide differences in yields available even within each category.) It is hardly necessary to note that the underwriter must keep this in mind. Many investors are bound by procedures and regulations which narrowly describe the breadth of investments possible. As the underwriter is aware of these requirements he can attempt to calculate his market for a particular issue. When a bond is not rated it becomes the task of the underwriter to evaluate the credit and convince his market that the bond is, in fact, comparable to one which has received a particular rating.

It is, of course, highly unlikely that all parties concerned with a bond will agree with the verdict of a rating agency. Issuers are often of the opinion that a rating is too low and interest costs unjustifiably