

Announcement: MOODY'S PLACES Aaa RATINGS OF 177 U.S. PUBLIC FINANCE ISSUERS ON REVIEW FOR POSSIBLE DOWNGRADE DUE TO REVIEW OF U.S. GOVERNMENT'S Aaa RATING

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162 LOCAL GOVERNMENTS, 14 HOUSING FINANCE PROGRAMS, AND ONE UNIVERSITY WITH COMBINED \$69 BILLION OF DEBT AFFECTED

New York, July 28, 2011 -- Moody's Investors Service has placed under review for possible downgrade the Aaa ratings of 177 public finance credits, affecting a combined \$69 billion of outstanding debt. The credits include 162 local governments in 31 states, 14 housing finance programs and one university. A complete list of affected securities and additional analysis is available at www.moody's.com/USRatingActions.

These actions relate to Moody's July 13 decision to place the Aaa government bond rating of the United States under review for downgrade, and reflect the rating agency's assessment that some Aaa public finance ratings would likely be indirectly affected by potential credit deterioration of the sovereign.

In the event the U.S. government's Aaa rating is downgraded, Moody's will determine the outcome of each review by evaluating the strength of the sovereign linkages to each affected credit, including direct and indirect reliance on federal spending, sensitivity to deteriorating macroeconomic conditions and vulnerability to disruptions in the financial markets. Moody's will also consider positive credit attributes of each issuer such as financial position, operating flexibility and management responsiveness.

In a previous action on July 19, Moody's placed the ratings of five Aaa U.S. state governments under review for possible downgrade, affecting approximately \$24 billion of general obligation and related debt. Those states are Maryland, New Mexico, South Carolina and Tennessee and the Commonwealth of Virginia.

Some 400 other Aaa-rated public finance credits have not been placed on review for possible downgrade. At this time, Moody's considers their ratings to be resilient to a one-notch downgrade of the U.S. government's bond rating. Should the sovereign rating be downgraded by more than one notch, Moody's would likely assess whether these remaining Aaa ratings should also be placed on review for downgrade.

LOCAL GOVERNMENTS

The review for possible downgrade affects 162 Aaa-rated local governments and \$63 billion of debt. Factors weighing on specific credits include high federal employment and exposure to capital markets disruptions.

The 162 local governments include 66 cities, 53 counties, 29 school districts and 14 special tax districts. The local governments are located in 31 states, with the heaviest concentrations in Virginia (15 credits) and Massachusetts (14 credits).

"The ratings of these local governments, particularly those with a high economic dependence on federal activity, would be vulnerable to a downgrade of the U.S. government" said Moody's Senior Vice President Matt Jones, a team leader covering local government ratings. In addition to the risk of federal job reductions, Moody's review following a U.S. government downgrade would focus on a local government's reliance on capital markets, its dependence on federal revenues, its sensitivity to macroeconomic cycles, and its available financial resources to offset these risks.

HOUSING FINANCE PROGRAMS

Today's action affects 14 Aaa-rated housing finance programs and \$4.3 billion of debt. Factors weighing on specific credits include high levels of government mortgage insurance, and high delinquency and foreclosure rates.

The programs are:

- The Colorado Housing and Finance Authority's Single Family Mortgage Bonds and the Single Family Program Bonds, 2009 Class I;
- Idaho Housing and Finance Association's Single Family Mortgage Senior Bonds, Series 1996B, Series 1996C, Series 1998D, Series 1999F, Series 1999-I*, Series 2000A, Series 2000C, and Series 2000D;
- Kentucky Housing Corporation's Housing Revenue Bonds; and
- Utah Housing Corporation's Single Family Mortgage Senior Bonds, Series 1998G, Series 2000A and NIBP.

"These 14 state HFA programs have above-average exposure to sovereign risk factors, including high levels of loans more than 90 days delinquent or in foreclosure, or high levels of government mortgage insurance breakdown relative to their program asset to debt ratio (PADR)," said Moody's Senior Vice President Florence Zeman, team leader of the housing rating team. Following a U.S. government downgrade, Moody's would conduct a stress test of each program in light of potentially higher loan losses, reduced liquidity and the diminished credit quality of government mortgage insurance.

* Idaho Housing and Finance Association's Series 1999-I is already on review for possible downgrade due to potential loan losses arising from delinquencies and foreclosures and the resulting decline in PADR. Moody's will now also consider the program's exposure to the U.S. government.

HIGHER EDUCATION AND NOT-FOR-PROFITS

The University of Washington (UW), with \$1.3 billion of debt affected, is the only Aaa-rated university that Moody's placed on review for possible downgrade. This action primarily reflects UW's unusually large share of revenues derived from federal research grants and Medicare and

Medicaid reimbursements.

"Our review in the event of a U.S. government downgrade would focus on UW's ability to maintain balance sheet reserves and operating cash flow while reducing expenses or increasing revenues in response to potentially significant federal funding cuts," said John Nelson, Managing Director for healthcare, higher education and not-for-profits.

Additionally, Moody's placed the Aaa rating of the Smithsonian Institution (\$108 million debt affected) on review for possible downgrade on July 13 due to its high dependence on federal operating appropriations. The linkage of the Smithsonian rating to the sovereign U.S. rating, however, has been changed from direct to indirect, which means it will not automatically change if the U.S. government's rating changes.

Moody's outlined its approach to determining each sector's exposure to sovereign risk was outlined in a July 13 special comment, "Implications of a U.S. Rating Action for Aaa-rated Municipal Credits."

For a complete list of affected securities and additional analysis, please visit www.moody's.com/USRatingActions.

REGULATORY DISCLOSURES

Please see the rating methodologies tab on the Credit Policy page on moody's.com for the relevant methodology for each action.

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