

Public Finance Automated Scoring Tool (PFAST)

An automated municipal credit scoring and data solution



S&P Global

Market Intelligence

The Case for a Single Solution to Public Finance (PF) Credit Risk

At S&P Global Market Intelligence, we understand that assessing credit risk for PF entities can be complex due to the segmented nature of the business. Within PF there are diverse segments e.g. Not-for-Profit Higher Education and sub-segments e.g. Private Colleges/Universities, each requires a different set of risk factors, benchmarks and weights.

Our robust capabilities provide in-depth insights into the credit quality of debt securities issued by state and local governments, government-owned facilities, utilities, public authorities, and agencies.

The PFAST Scorecard synthesizes multiple statistically validated probability of default (PD) and loss-given default (LGD) Scorecard methodologies, quantitative and qualitative segment-specific risk factors and market benchmarks into a single, robust internal ratings framework, helping you identify and manage PF credit risk.

The PFAST Scorecard provides a powerful capability to consistently measure credit risks across all the different public finance segments including:

PFAST Scorecard Business Applications

PFAST provides a granular, transparent and consistent framework for the measurement and assessment of credit risk. It facilitates multiple business applications, including:

- Loan origination
- Investment opportunities
- Portfolio analysis
- Customer finance
- Insurance
- Bond pricing

For institutions that rely on their internal rating systems, the Scorecard outcomes can be used to derive an internal rating by mapping the PD and LGD outputs to your internal rating scales. The Scorecard can also aide with searches for high credit quality investment opportunities and help to identify distressed credits. Proactively manage your municipal portfolio with our batch scoring and scenario analysis tools. For bond pricing, factor in the credit quality of your public finance exposures through our predetermined MuniScores. MuniScores are quantitatively derived scores generated leveraging key financial and economic risk factors.



PFAST Scorecard Analytical Framework

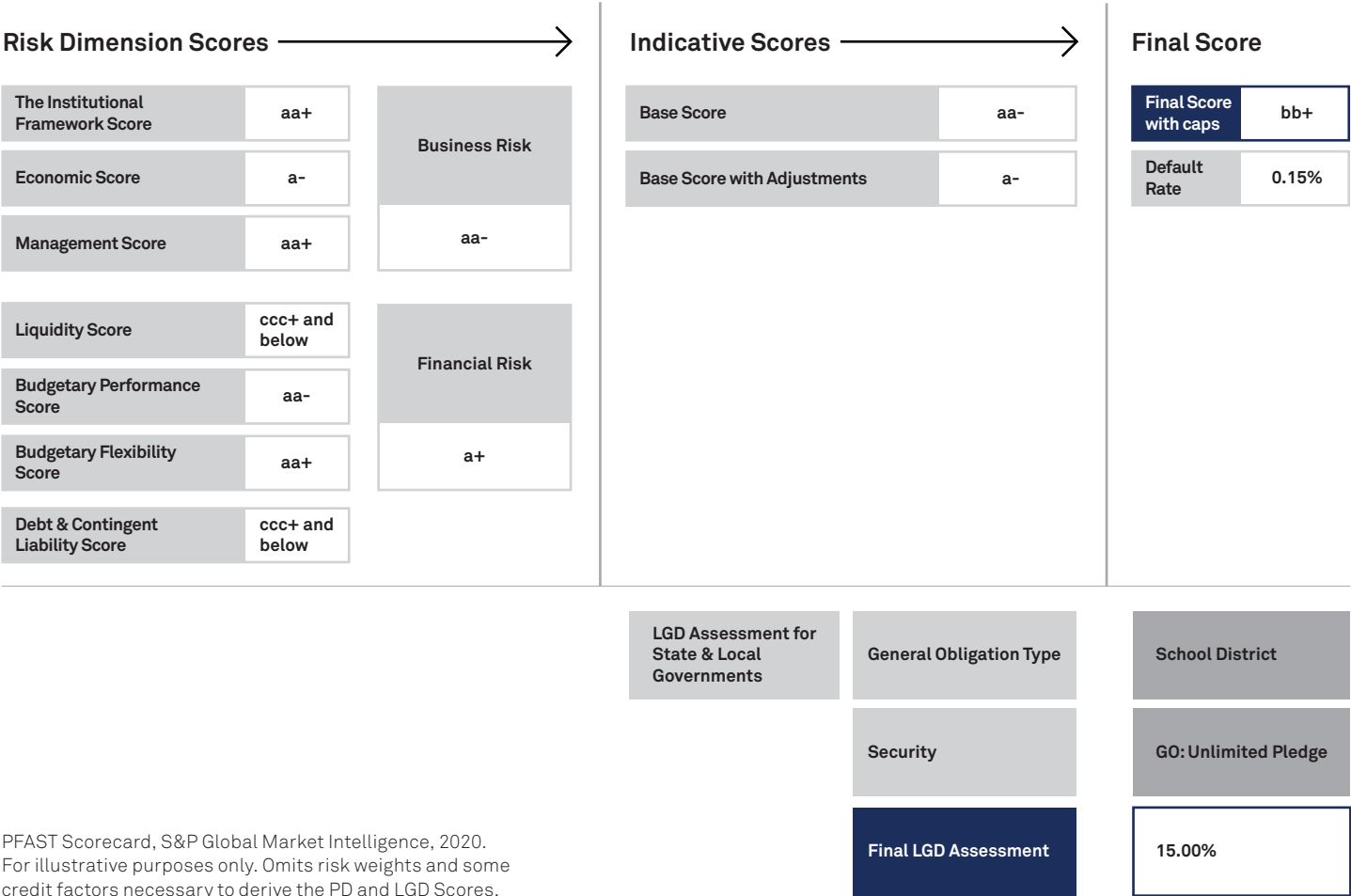
The PFAST Scorecard leverages the analytical process of S&P Global Ratings Public Finance ratings criteria to determine an overall PF risk score, which is mapped to historical default and recovery data dating back to 1986.

The PFAST Scorecard framework is established upon the broad risk factors that can affect the likelihood of default and recovery of a PF entity, including the following:

- Institutional Framework
- Economy
- Liquidity
- Budgetary Performance and Flexibility
- Debt & Contingent Liabilities

The LGD is estimated within the same framework, relying upon the security characteristics.

Sample PFAST Credit Assessment Scorecard Output



PFAST Scorecard, S&P Global Market Intelligence, 2020.
For illustrative purposes only. Omits risk weights and some credit factors necessary to derive the PD and LGD Scores.

PFAST Scorecard Product Features and Benefits Summary

Features

- Automated quantitatively derived MuniScores for all U.S. cities, counties, school districts and states
- The scope of application includes Cities, Counties, School Districts, States, Water and Sewer Utilities, Healthcare, Higher Education and Transportation
- Training and ongoing support from the analytical team
- Rigorous, tested and documented approach supported by scoring criteria, user and technical documentation
- A large and continually growing database of municipal entities financials and economic data for the major PF segments

Benefits

- Productivity gains with automated data collection and credit scoring
- Single-source solution that allows you to score more than 90% of the U.S. municipal market*
- PFAST client training workshops and easy to use Scorecard User Guides to help with a successful implementation
- PFAST enhances consistency and transparency of internal rating systems in an easy to understand approach
- Ability to tap into a detailed source of PF credit risk data and generate automated scores in key segments

*Data as of August 2020.

About S&P Global Market Intelligence

At S&P Global Market Intelligence, we understand the importance of accurate, deep and insightful information. We integrate financial and industry data, research and news into tools that help track performance, generate alpha, identify investment ideas, perform valuations and assess credit risk. Investment professionals, government agencies, corporations and universities around the world use this essential intelligence to make business and financial decisions with conviction.

S&P Global Market Intelligence is a division of S&P Global (NYSE: SPGI), the world's foremost provider of credit ratings, benchmarks and analytics in the global capital and commodity markets, offering ESG solutions, deep data and insights on critical business factors. S&P Global has been providing essential intelligence that unlocks opportunity, fosters growth and accelerates progress for more than 160 years. For more information, visit www.spglobal.com/marketintelligence.

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