Informed investors do their homework before buying a municipal bond by researching the bond’s risks and characteristics and evaluating the financial health of the state or local government issuing the bond. Yet once the bond is in their portfolio, investors may overlook the importance of regularly monitoring the health of the bond and its issuer.

Municipal bonds, like other types of long-term investments, carry ongoing risks that may be affected by:

- Changes in a bond issuer’s financial condition;
- Changes in an issuer’s credit rating;
- Infrequency of trading, which may make it challenging to determine the current market value; or
- Movement of interest rates that may change the value of the bonds.
Investors should periodically review and evaluate information available about both a municipal bond and its issuer. In addition to consulting a financial professional, the MSRB’s [Electronic Municipal Market Access (EMMA®) website](https://www.msrb.org) provides free public access to official statements, continuing disclosure documents, as well as trade data that can support regular review and monitoring of municipal bonds and issuers.

The EMMA website offers investors a platform to:
1) **assess** an issuer's financial condition; 2) **monitor** municipal bond secondary market trading; and 3) **stay informed** in the event of an issuer’s fiscal distress. This document intends to help investors ensure they are considering available information on EMMA such as the official statement, credit ratings and continuing disclosures when assessing an issuer’s financial health. It may also serve as a starting point for actively using EMMA to monitor trade prices of specific municipal bonds and be a resource for bondholders encountering an issuer in fiscal distress.

### ASSESS AN ISSUER’S FINANCIAL CONDITION

**Revisit the Official Statement**

When first purchasing a municipal bond, particularly a newly issued bond, the official statement is an important reference document. Within the official statement, the bond issuer typically provides information about its financial condition and risk factors, as well as a description of the terms and features of the municipal bonds.

An issuer’s financial condition and the terms of the bonds can change over time. Thus, the information in the official statement is valid only during the period of the initial offering of the bonds. When purchasing a bond, review the official statement in conjunction with current credit ratings and more recent disclosure filings to accurately assess the issuer’s current financial health.

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**Learn More about Official Statements**

Watch the MSRB’s educational video series on “Diving into the Documents” for more on:

- What is an official statement?
- What's inside an official statement?
- Accessing official statements on EMMA

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**About the MSRB**

The MSRB protects investors, state and local governments and other municipal entities, and the public interest by promoting a fair and efficient municipal securities market. The MSRB fulfills this mission by regulating the municipal securities firms, banks and municipal advisors that engage in municipal securities and advisory activities. To further protect market participants, the MSRB provides market transparency through its Electronic Municipal Market Access (EMMA®) website, the official repository for information on all municipal bonds. The MSRB also serves as an objective resource on the municipal market, conducts extensive education and outreach to market stakeholders, and provides market leadership on key issues. The MSRB is a self-regulatory organization governed by a 21-member board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is overseen by the Securities and Exchange Commission and Congress.
What information about the terms of the bonds in the official statement should I consider?

Information in the official statement to review includes:

- The interest rate or, if the interest rate is variable, how the interest rate is determined;
- The timing and manner of payments of interest and principal of the bonds;
- Whether any bond insurance, letter of credit or other guarantees of repayment have been provided;
- A description of basic legal documents such as an authorizing resolution, indenture and trust agreement;
- A description of outstanding debt, the authority to incur debt, limitations on debt and the future debt burden; and
- Legal matters such as pending proceedings that may affect the securities offered, legal opinions and tax considerations.

Where can I find information about the other debt obligations of a bond issuer?

The official statement also describes an issuer’s outstanding debt obligations and any anticipated future debt of the issuer. Note the priority of payment for all outstanding debt to understand whether other obligations of the issuer will require payment ahead of payment to a bondholder in the event the issuer cannot meet all of its obligations.

How do I determine the source of repayment for my municipal securities?

Review the official statement for information on the source of repayment to assist in evaluating the funds dedicated to repaying bondholders.

Research Credit Ratings

Generally, a municipal bond credit rating is the evaluation or assessment that a rating agency such as Fitch Ratings, Kroll Bond Rating Agency, Moody’s Investors Service, Inc. and Standard & Poor’s assigns to a bond to indicate its opinion regarding the probability of timely repayment of principal and interest by the issuer and the likelihood of default. In some cases, the rating takes into consideration the potential loss to investors in the event of default.

What do credit ratings tell me about an issuer’s financial condition?

Credit ratings are one indicator of the credit quality of an issuer. Bonds with below investment-grade credit ratings signal a higher risk of an issuer being unable to make timely repayment of principal and interest. Refer to the specific rating definitions provided by each rating agency for a more complete understanding of the meanings of credit ratings assigned by the rating agencies. Be aware that rating agencies may assign different meanings to similar terms.1

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1 EMMA also displays additional information provided by Fitch Ratings, Kroll Bond Rating Agency, Moody’s Investors Service and Standard and Poor’s, including forward-looking statements concerning the likelihood that a rating may change. The amount of information available and displayed for each security varies and it is important to note that not all municipal securities are rated by each rating agency. A lack of a rating from any of these rating agencies for a particular municipal security does not necessarily indicate that the security is considered “unrated” since the issuer may have chosen not to seek a rating from a particular rating agency or it may be rated by another rating agency that does not make its ratings available on EMMA. Absences of any particular rating does not necessarily indicate that the security is any less or more creditworthy than other municipal securities.
How do I know if a credit rating has changed?
Credit ratings can change at any time; therefore, do not assume that the credit rating of a bond when it was first issued remains unchanged. Also, do not assume that because there has not been a rating change for a municipal bond that the credit quality is unchanged. To receive email alerts on rating changes by setting up a MyEMMA profile.

What if my municipal bond is not rated?
Not all municipal securities are rated. Refer to the issuers official statement and continuing disclosure documents related to the unrated securities in order to make an assessment of the credit quality of the bond.

Where can I find credit ratings for my municipal bonds?
The MSRB’s EMMA website provides access to current credit ratings for all individual municipal bonds with an assigned rating. Current credit rating information provided by Fitch Ratings, Kroll Bond Rating Agency, Moody’s Investors Service, Inc. and Standard & Poor’s for municipal bonds is displayed on EMMA under the ratings tab of a particular security. Credit ratings on EMMA are displayed along with the trading and disclosure information for each municipal bond, and are also integrated into EMMA’s Advanced Search function and Price Discovery Tool.

What happens to my bonds when the credit quality of the issuer deteriorates?
If the credit quality of the issuer’s bonds deteriorates, this may result in a downgrade of the rating of the bonds by one or more rating agencies. If so, then the price of the bonds may decline.

Find Issuer Disclosures by State
An interactive map on EMMA enables investors to find state, city, county and other municipal securities issuers in a particular state. Select an issuer’s homepage to view consolidated information about that issuer’s municipal securities, including trading activity, disclosures and additional contact information. Read more about EMMA issuer homepages.

Review Continuing Disclosures
Continuing disclosures consist of important information provided by an issuer about its financial condition or the occurrence of events that arise after the initial issuance of the bonds. The regulatory framework for disseminating continuing disclosure is established by Securities and Exchange Commission (SEC) Rule 15c2-12, which requires dealers, when underwriting certain types of municipal securities, to ensure that the state or local government issuing the bonds enters into an agreement to provide certain information on an ongoing basis to the MSRB’s EMMA website.

How do I find an issuer’s continuing disclosures?
Issuers and certain other obligated persons are required to submit continuing disclosure information to the EMMA website. Continuing disclosure information, if available, about an issuer can be found using the “Browse Issuers” function on EMMA. Use the map-based search to find the issuer’s unique homepage, then click on the Financial Disclosures and Event-Based Disclosures to view all disclosure filings of that issuer.

How often is new financial information about issuers available?
At least annually, issuers provide audited financial statements or other financial information to investors and the public on EMMA in accordance with continuing disclosure agreements. These documents contain important updates to information previously disclosed in the official statement.
Do issuers provide additional information beyond what is required by law or contract?

Some issuers choose to provide additional information to bondholders, potential investors and other market participants through EMMA. This information may be useful in assessing current holdings of municipal securities or in making investment decisions regarding potential transactions in municipal securities. These disclosures are found alongside required financial and event-based disclosures on EMMA.

How do I find out if the issuer of my bonds is not current on its continuing disclosures?

EMMA’s “Advanced Search” feature can be used to search for issuers’ continuing disclosure filings. It could be a red flag if the issuer is not current on its continuing disclosure filings. Pay particular attention to whether an issuer’s audited financials are up-to-date. Out-of-date or missing financials on EMMA may be an indication that disclosures have not been filed on EMMA as required and market stakeholders may not have access to information about events that could affect outstanding bonds.

Can an investor trade municipal securities when an issuer’s continuing disclosures are out-of-date?

Investors can trade municipal securities even when the issuer’s continuing disclosures are out of date; however, the pricing of the bond could be affected. Dealers cannot sell municipal securities to an investor, or purchase municipal bonds from an investor, without disclosing to the investor, at or prior to the time of trade, all material information known about the transaction and material information about the bonds that is reasonably accessible to the market as required under MSRB rules. In the event continuing disclosures are out of date, consult your financial professional for additional information.

**MONITOR SECONDARY MARKET TRADING**

**View Real-Time Trade Prices for Your Bond**

EMMA provides real-time trade prices for nearly every municipal security bought and sold. EMMA can be used to find out the price at which a bond is trading.

**View Trade Data on EMMA**

EMMA provides real-time access to trade prices, yields and other information for the approximately 39,000 daily trades in municipal securities. Read more about trade data available on EMMA.

What can trade data on EMMA tell me about my municipal bonds?

EMMA trade price data can show where bonds have traded over a period of time and help compare purchases or sales to other trades in the market. Trade data can also show an investor any trends in pricing that have occurred.

How do I find trade data for my bonds on EMMA?

Use EMMA’s Quick Search bar to find the Security Details page for a specific municipal security. There you can see trading activity for that security on interactive graphs of trade prices and yields. Zoom in on the graph to view more details about each trade, or click the Trade Activity tab to view daily summaries or trade details.

How can I compare prices on my bonds to comparable bonds?

Find and compare trade prices and yield for bonds with similar characteristics using EMMA’s Price Discovery Tool. For any security on EMMA, the Price Discovery Tool quickly finds others that share its key characteristics and presents a side-by-side or graphical comparison of their prices and yield.
The Importance of Monitoring Municipal Bonds

STAY INFORMED IN THE EVENT OF AN ISSUER’S FISCAL DISTRESS

What happens if an issuer cannot fulfill its repayment obligations?

If an issuer can no longer fulfill its debt service obligations, it is deemed to have defaulted. If the issuer defaults, investors should review the bond/trust indenture, which is summarized in the bond official statement and available on the EMMA website. The bond/trust indenture is a contract among a trustee (usually a bank), investors and the issuer. This contract establishes, among other factors, the security, bondholder rights and remedies in case of a default.

When might an issuer’s other financial obligations take priority over debt service in the case of default?

In the event an issuer cannot fulfill its debt service obligations, the bond/trust indenture, which describes the security provided to investors, may include certain procedural steps or a specific pledge of certain funds or taxing powers. The nature of the security, in the event of a default, varies among the states, depending on a number of factors, including whether: (i) state law creates an effective statutory lien on certain funds or taxes; (ii) a security agreement properly creates and perfects a security interest under state law; (iii) a separate imposition of millage solely for debt service would be recognized and enforced under state law; (iv) there was a statutory or other security interest created and perfected; and (v) there is an effective property interest conveyed in the security which would be recognized in a Chapter 9 bankruptcy proceeding. A summary of these provisions is typically included within an official statement.

What should I do if an issuer defaults on its bond debt service payments?

In these circumstances, investors should contact their financial professional and the bond trustee of their municipal bond for additional information. Investors should also continue to review continuing disclosures posted on EMMA, particularly event disclosures that may pertain to the issuer’s plans for repayment of bondholders and other creditors.

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