

Research Update:

Maine Municipal Bond Bank Series 2026A Bonds Assigned 'AA+' Rating

April 7, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [Maine Municipal Bond Bank's](#) \$37.435 million series 2026A bonds.
- At the same time, we affirmed our 'AA+' rating on the bank's general resolution bonds outstanding.
- The outlook is stable.

Rationale

Security

The bank will use the 2026A bond proceeds to make loans to 19 governmental units. Securing the bonds are the bank's full faith general obligation pledge, municipal bonds purchased from governmental units borrowing funds from the bank, municipal bond payments made under the bank's 1973 general resolution, and various funds and accounts established under the resolution. Municipal bonds are purchased from governmental units with the proceeds of the bank's bonds.

Credit highlights

The bank's program benefits from a state aid intercept mechanism and a moral obligation of the state to replenish the debt service reserve (DSR) to the required level if it ever falls below this point. In addition, the program has a supplemental reserve fund and a special discretionary reserve fund that can be used to pay debt service. The bond bank is experiencing interest from both previous and new borrowers due to increasing project costs and the pool's favorable cost of borrowing. We understand the bank plans to continue to issue debt biannually, and we do not expect material changes to program leverage.

The 'AA+' rating reflects our assessment of the following characteristics:

- A very strong enterprise risk profile, providing public and essential governmental functions to the State of Maine, created under state statute; the program has explicit statutory support

Primary Contact

Lily Salcedo
Richmond
609-426-7446
lily.salcedo
@spglobal.com

Secondary Contact

Autumn R Mascio
New York
+ 1 (212) 438 2821
autumn.mascio
@spglobal.com

from only the state government to support debt service if needed, and was also established by statute;

- Robust overcollateralization, in the form of three reserve funds, that is capable of withstanding S&P Global Ratings loss coverage scenario, based on the credit quality of the asset pool and consolidated cash flows, run at the 'AAA' category loss stress;
- Extremely strong operating performance that has not experienced a defaulted or delinquent loan in program history; and
- Strong-to-adequate financial policies and practices.

Outlook

The stable outlook reflects our expectation that management will adhere to its current policies and practices, and the bank will sustain extremely strong operating performance and continue to make loans to a diverse base of borrowers throughout Maine. As additional bonds are issued, we also expect the bank will preserve its historical practice of increasing the bond-funded DSR fund balance and maintain at least some other equity positions in its other nonbond-funded reserve funds consistent with the program's permitted investment securities.

Downside scenario

Within the two-year outlook horizon, we could lower the rating or revise the outlook to negative if pledged reserve funds and other reserve balances fall or do not continue to increase in proportion to the overall loan portfolio. Because the pledged DSR is eventually liquidated to make bond payments, the amount of other liquidity and available reserves is a key credit factor supporting the rating. In addition, we could lower the rating or revise the outlook to negative if the program experiences loan delinquencies or defaults, although we understand that in practice a majority of the loans have a state aid intercept feature to help minimize actual losses.

Upside scenario

We do not consider an upgrade likely, at least within the two-year outlook horizon. However, if the level of overcollateralization were to significantly improve over the long term, we could consider a positive rating action.

Credit Opinion

Enterprise risk profile: very strong

We view the program's enterprise risk profile as very strong, due to a combination of the low industry risk profile for municipal pools and the program's very strong market position. Maine Municipal Bond Bank was established in 1973 as outlined in Title 30-A, Chapter 225 of Maine Revised Statutes. Explicit statutory language exists for state support of debt service, if needed, through both a state aid intercept mechanism and a moral obligation of the state to replenish the DSR to the required level if it ever falls below this point. The state is also empowered to take control of the finances of any borrower that defaults on a municipal bond payment to the bank. All funds remain in the bank and are not transferred to other agencies or departments. The bond bank plays an important role in providing cost-effective financing for local governments, and we believe challenges to program demand are unlikely.

Financial risk profile: extremely strong

We assess the program's loss coverage score as extremely strong, based on our view of overcollateralization achieved from the multiple reserve funds in relation to required debt service payments and the diverse borrower composition. The program's level of overcollateralization reflects the ability of the cash flows to withstand our 'AAA' credit loss coverage. The program also covers our 'AAA' rated largest obligor loss coverage.

After the 2026A issuance, the pool will have approximately \$1.15 billion of loan principal repayments from a diverse pool of 263 unique borrowers, with approximately \$1.17 billion of bonds outstanding. Most of the borrowers consist of municipalities and school districts. A large portion of the bank's loan portfolio consists of school projects eligible for debt service subsidies under Maine's school construction program. Maine provides an annual subsidy, subject to annual state appropriation, for debt service costs for eligible projects; these subsidies are paid directly to the bank's trustee on behalf of the local unit. The subsidy typically ranges from 79%-100%, with an average subsidy of 96%. After the 2026A bonds close, the top 10 borrowers will total less than 50% of the portfolio, with the City of Sanford remaining the largest borrower (11.26% of the loan portfolio outstanding).

Overcollateralization available to cure loan defaults comes from the pledged supplemental reserve fund within the general resolution and an unpledged discretionary reserve that we view as available. Pursuant to the first supplemental reserve fund to the general resolution, money held in the fund must be used to bring it to the required amount before the bank requests a state appropriation for the same purpose. We understand that management would also use any money in the discretionary reserve before liquidating funds in the DSR, but there is no legal requirement to do so, as those funds are not pledged under the resolution.

Recently, the bank pledged to Maine Connectivity Authority approximately \$7.5 million in the form of a standby letter of credit (LOC) for the authority to participate in a federal grant program. The LOC will amortize as the funds are disbursed (fully amortized in approximately three years) and can only be drawn on if the authority cannot make payments. We have incorporated this pledge into our cash flow analysis.

Management states that annual debt service coverage from pledged loan repayments, interest earnings on investments, and planned annual maturities of reserve fund investments is about 1x in each year, with any surplus revenues then able to accumulate over time and available to cure defaults if needed. The bond-funded DSR must be drawn down over time to make debt service payments and is not projected to increase from nonbond-funded sources due to the lack of significant equity support from multiple levels of government, as some other pool programs receive. The current DSR valuation of \$163.45 million (at cost) is substantial, with 100% of the reserve funded with bond proceeds. The reserve is composed of various U.S. government obligations, cash, and guaranteed bank investment contracts.

We considered the state aid intercept provision and moral obligation of the state to replenish the bank's DSR in our analysis. We allowed for a higher recovery of defaulted revenues at 95% due to the presence of a moral obligation to replenish the DSR to the required level.

We view the financial policies and practices as ranging from strong to adequate. This assessment is based on the following factors:

- Each new transaction is reviewed by program staff, and there is a thorough application process for all loan applicants.

Maine Municipal Bond Bank Series 2026A Bonds Assigned 'AA+' Rating

- Staff collects audit information annually and focuses on both payment monitoring and credit monitoring.
- New loan payments are made 30 days before debt service, but older loans have payments due five days beforehand. Currently, 81% of loans are required to make payments 30 days before the debt service payment date, including all newly originated loans.
- Management is in constant communication with borrowers and typically knows loan demand six months to one year in advance of each bond sale.
- Investment guidelines are defined in the resolution and are structured to mature when the related bond payment is due.

Credit Snapshot

- Program description: The bond bank, established in 1973 by state statute, provides loans to a variety of governmental units in Maine. It is authorized to issue bonds to make loans to counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations in the state.
- Flow of funds: Loan revenues and other funds from the bank are held in the reserve fund (solely to the payment of the interest on and principal of the bonds as they become due and payable and for the retirement of bonds all series for the resolution are paid in parity). Money cannot be withdrawn if it reduces the amount in the reserve fund to an amount less than the required DSR, except for payment of interest then due and payable on bonds and the principal of bonds then maturing and payable and for the retirement of bonds in accordance with the terms of any contract between the bank and its bondholders and for which payments from other money or reserve funds of the bank are not then available.
- Summary statistics: With the 2026A bond issuance, total principal loan revenue pledged to the resolution will be approximately \$1.15 billion. The borrower portfolio consists of 263 separate entities of which the largest is the City of Sanford, with \$129.6 million outstanding, constituting 11.26% of all loans outstanding. The top 10 obligors hold 47.47% of all loans outstanding; no other borrower represents more than 10% of principal outstanding).

Ratings List

New Issue Ratings

US\$37,435,000 Maine Municipal Bond Bank, Maine, State Revolving Pool, dated: Date of Delivery, due: November 1, 2056

Long Term Rating AA+/Stable

Ratings Affirmed

Municipal Pool

Maine Mun Bnd Bank, ME State Revolving Fund General Resolution AA+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Maine Municipal Bond Bank Series 2026A Bonds Assigned 'AA+' Rating

Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.