



RATING ACTION COMMENTARY

Fitch Rates Massachusetts Clean Water Trust's SRF Bonds 'AAA'; Outlook Stable

Wed 07 Jan, 2026 - 3:55 PM ET

Fitch Ratings - New York - 07 Jan 2026: Fitch Ratings has assigned a 'AAA' rating to the following bonds issued by the Massachusetts Clean Water Trust (MCWT) under its Master Trust Agreement (MTA):

--Approximately \$705.595 million state revolving fund (SRF) bonds, series 27 (Green Bonds).

In addition, Fitch has affirmed the 'AAA' rating on the following obligations (pre-refunding):

--Approximately \$2.071 billion in outstanding parity MTA bonds;

--Approximately \$252.1 million in outstanding prior pool-program bonds.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡	PRIOR ⚡
Massachusetts Clean Water Trust (MA) [State Revolving Fund]		

Massachusetts Clean Water Trust (MA) /Revolving Fund Revenues/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
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[VIEW ADDITIONAL RATING DETAILS](#)

The 'AAA' rating reflects the ability of the combined Massachusetts Clean Water Trust (MCWT) programs' (together, the program) financial structures to absorb hypothetical pool defaults more than Fitch's 'AAA' liability rating stress hurdle without causing an interruption in bond payments. Aggregate pool credit risk is measured using Fitch's Portfolio Stress Model (PSM), and the strength of the program's financial structure is measured using Fitch's Cash Flow Model.

SECURITY

Bonds are secured by pledged loan repayments, the commonwealth contract assistance payments, rights and interest of the master trust agreement (MTA), and certain other pledged funds, including the equity fund.

KEY RATING DRIVERS

Portfolio Credit Risk

The pool is large with nearly 250 obligors; the top 10 obligors account for about 43% of the total loan portfolio. The Massachusetts Water Resources Authority (MWRA) is the largest obligor and represents 16% of the total pool. MWRA is rated 'AA+'/'AA' (senior/subordinate) by Fitch; its payments to the MCWT constitute a subordinate obligation. The remaining top 10 obligors range from just under 2% to about 6.5% of the total pool.

Obligor security is solid, with 73% of the pool backed by general obligation pledges and about 27% backed by water and/or sewer revenue pledges. The program's underlying obligor credit quality is very strong with over 98% of obligors exhibiting investment-grade credit characteristics. These pool characteristics translate to implied pool credit quality of a very high 'AA-'.

Financial Structure

Fitch's cash flow modeling demonstrates that program resources are sufficient to withstand hypothetical pool defaults more than Fitch's 'AAA' liability rating stress hurdle, as derived using the PSM, without causing an interruption in bond payments. Projected Fitch-calculated minimum annual debt service coverage (DSC) is about 1.3x. Assuming defaults beginning Feb. 1, 2026 and excluding the program's equity fund, cash flow modelling demonstrates that the program can continue to pay bond debt service even with a default rate of 80.7%, providing a net cushion of 68.4%.

The 80.7% default tolerance includes the scheduled release of about \$46.2 million of debt service reserve funds (DSRF), related interest earnings, and about \$430.8 million in contract assistance program (CAP) payments through the life of the bonds. The DSRF are available on a subordinated basis to all program bonds. CAP payments are a contractual obligation of the Commonwealth of Massachusetts. Equity funds are also pledged to the bonds. Assuming about \$110 million from the equity fund the default tolerance rate rises to 100% in each of the four-year periods. In either case, as the default tolerance is more than the 'AAA' stress hurdle, this implies a passing result under Fitch criteria.

Program Management

MCWT manages one of the largest SRF programs in the nation. The Massachusetts Department of Environmental Protection (Mass DEP) determines the eligibility of projects for funding, reviews each financing application and oversees regulatory compliance. To date, there have been no pledged loan defaults in MCWT's pool programs.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- Inability to pass Fitch's 'AAA' liability rating stress hurdle due to significant deterioration in aggregate borrower credit quality, material increases in pool concentration and/or significant increases in program leverage.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- The ratings are at the highest level on Fitch's scale and cannot be upgraded.

PROFILE

The MCWT is governed by a three-member board of trustees, consisting of the state treasurer (who also serves as the chair), the secretary of the Executive Office for

Administration and Finance and the commissioner of the Mass DEP. The bylaws of the MCWT establish officer positions, including the executive director, who serves as the chief executive officer of the MCWT and the chair of the executive committee.

The MCWT, in collaboration with the Mass DEP, helps communities build or replace water quality infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities. It accomplishes these objectives by providing low-interest loans and grants to cities, towns, and water utilities primarily through its SRF programs.

In addition to the 2014 MTA, MCWT administers the clean water and drinking water SRF programs under its 1993 program resolution, which includes the prior pool program. The prior pool program is closed for new-money issuances. The MCWT has also issued single obligor bonds, none of which remain outstanding. The MTA program pledges amounts available in the equity fund to all bondholders on a parity basis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

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APPLICABLE CRITERIA

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 10 Jan 2025\) \(including rating assumption sensitivity\)](#)

[State Revolving Fund and Municipal Finance Pool Program Rating Criteria \(pub. 25 Feb 2025\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Stress Model, v1.11.2 ([1](#))

State Revolving Fund Cash Flow Model, v1.19.0 (1)

ADDITIONAL DISCLOSURES

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Massachusetts Clean Water Trust (MA)

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