

Portfolio Stress Model (PSM)

Model Summary Document (MSD)

1. Model Purpose and Description

The Portfolio Stress Model (PSM) utilizes empirical default data of corporate issuers to measure the weighted-average default probability of the portfolio. This numeric value (the weighted-average default rate [WADR]) is then scaled upward using Gaussian copula approximation formula to create cumulative default stresses by rating category. The Gaussian formula and its parameters are calibrated following methods used in Fitch's corporate CDO criteria. Once the default stresses (the liability rating stress hurdles) are determined, these numbers are compared to the program's actual default tolerance, or break-even default rate, as produced by Fitch's Cash Flow Model. The model also produces a weighted average recovery rate, which is an input into the Cash Flow Model.

2. Model Assumptions

The assumptions in the model are described in Fitch's criteria

- State Revolving Fund and Municipal Finance Pool Program Rating Criteria

3. Model Inputs

Primary inputs include obligor names, ratings, principal, and maturity dates.

4. Model Development Data

Not applicable to this rating model as it does not directly use historical data for its development and calibration, and it only uses issuer specific data and other related data as described in the relevant criteria and/or RAC.

5. Model Limitations

The model is primarily intended to analyse state revolving fund (SRF) and municipal finance pool (MFP) programs within the scope of Fitch's "State Revolving Fund and Municipal Finance Pool Program Rating Criteria", but may be used as a secondary model in other sectors.

6. Material Changes

The current model version is 1.11.x. Any future material changes will be disclosed in this section.

Contact Information

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