

## IFAQs (INFREQUENTLY ASKED QUESTIONS)

BY TOM JOHNSEN, PRINCIPAL

This is part of a continuing series of articles meant to explain public finance terms, references or jargon.

### **Q: *What is LIBOR?***

**A:** LIBOR is an acronym for the London Interbank Offered Rate. It is the interest rate that banks borrow funds from other banks in the London wholesale money market. LIBOR is calculated and published daily. It is an average of inter-bank deposit rates offered by designated banks for a variety of maturities and even different currencies. The purpose of LIBOR is to act as the benchmark for bank rates worldwide and to bring rate uniformity to diverse market instruments.

### **Q: *What is happening with CFD issuance?***

**A:** In the first half of 2009 CFD issuance has essentially stopped. Only 5 CFD issues have closed this year to date. Several issues are expected in the next 90 to 120 days but it is possible that as few as 12 to 20 CFDs could enter the bond market this year. In years 2004-2006 over 150 CFD issues closed each year with about 130 closing in 2007 and about 35 in 2008. Of course, decreased housing demand and housing depreciation are among the reasons for decreased CFD bond sales, but complexities particular to specific transactions are also slowing issuance. ♦

*\* The information in this newsletter is intended to be general in nature. The facts and circumstances of each agency are different. Seek specific advice before implementing any recommendation. For reprint permission contact Tom Johnsen at (949) 660-7311.*