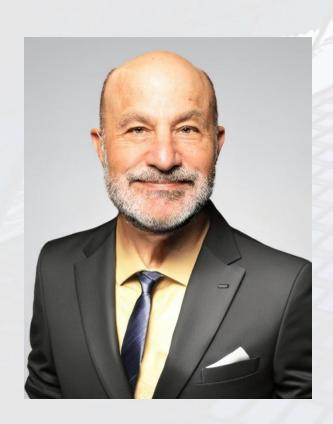
# 2024 FGFOA School of Governmental Finance

Considerations for Choosing a Bank Loan Versus a Negotiated Underwriting

October 22, 2024

#### **SPEAKERS**



Mr. Miller extensive experience in municipal finance transactions of all types, including taxable bonds, bond issues for not-for-profit organizations (particularly educated institutions), mini bonds, community redevelopment financing, special taxing districts, single- and multifamily housing revenue bonds and lease financing.

Skip Miller
Greenspoon Marder LLP
Partner



Mr. Eaddy brings over 40 years of taxexempt and taxable municipal finance experience in law, investment banking, and credit analysis. His Estrada Hinojosa Florida issuer-clients include the Village of Wellington and Northern Palm County Improvement District, in addition to the City of New York, Metropolitan Washington Airports Authority, District of Columbia, and City of Baltimore, to name a few.

Steve Eaddy
Estrada Hinojosa
Senior Managing Director

#### Term

Bank Loan	Underwriting	Underwriting
\$ 30 million (private placement)	\$ 30 million (negotiated bond issue)	\$ 30 million (negotiated bond issue)
Up to 20 years	Up to 30 years	Up to 30 years
15 years	15 years	30 years

#### Interest Rate Mode

Bank Loan	Underwriting
Fixed, variable or swapped	Fixed
Fixed	Fixed

### Compare Interest Rates

Bank Loan (15 years)	Underwriting (15 years)	Underwriting (30 years)
True Interest Cost: 4.300%	True Interest Cost: 3.434%	True Interest Cost: 4.109%
All in TIC: 4.339%	All in TIC: 3.506%	All in TIC: 4.151%
Average Annual DS: \$2,290,710	Average Annual DS: \$2,641,287	Average Annual DS: \$1,771,182

## Upfront Costs – Compare

Bank Loan	Underwriting
Issuer Counsel	Issuer Counsel
Bond Counsel	\$62,500 (with expenses)
Financial Advisor \$45,000	Disclosure Counsel \$45,000
Lender's Counsel \$25,000	Financial Advisor \$62,500 (with expenses)
Bank Counsel \$10,000	Underwriter's "Spread"
	Underwriter's Counsel \$15,000
	Paying Agent / Registrars \$1,550
	Dissemination Agent \$2,500 (DAC)
	Rating Agency Fees \$27,500 (Fitch) \$27,500 (Moody's) Total: \$55,000

## Ongoing Costs - Obligations

Bank Loan	Underwriting
None	Continuing Disclosure

#### Covenants

	Bank Loan	Underwriting
Gross up if Bonds become taxable	Yes	No
Acceleration in event of default	Negotiable	Negotiable
Optional Redemption	Yes, typically for a premium  Option A: full or partial prepayment with 30 days written notice would warrant a Yield Maintenance Fee. Yield Maintenance Fee = [amount being prepaid x (stated interest rate – current cost of funds) x Days in the remaining term/360 days] + any accrued interest due "remaining term"  Option B: No prepayment penalty would add 13 basis points to the quoted proposed loan rate.	Yes, after a 5-10 years no call period
Amending documents	Requires Consent of Lenders typically not difficult	Requires consent of a specified percentage of bondholders; costly and time-consuming.
Issuance of additional parity debt	Ok, with coverage test	Or with coverage test
Default rate if late payment or other default	Yes  Default: Default rate of interest shall be six (6) percentage points in excess of the Prime Rate as quoted in the Wall Street Journal. Prime shall have a floor of 3%.	No

#### Time Considerations

Bank Loan	Underwriting
Approximately 60 days	Between 60-90 days dependent on due diligence requirements and marketing of bonds

## Impact on Issuer's Resources

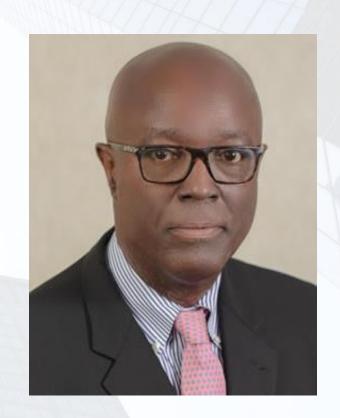
Bank Loan	Underwriting
Typically, information requested by lender is readily available	Information needed is dictated by disclosure requirements



## Thank You!



Skip Miller
Greenspoon Marder LLP
Partner
Skip.Miller@gmlaw.com



Steve Eaddy
Estrada Hinojosa
Senior Managing Director
seaddy@ehmuni.com