

## Banking and Tax-exempt Bonds: Bond Bandwagon

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Are you ready to jump on the tax-exempt bond bandwagon? Over the last eight years, the landscape of tax-exempt bond financing has changed and more and more bonds are being sold directly to banks across the nation.

Do you have customers or potential customers that are: hospitals, health centers, visiting nurses associations, nursing homes, assisted living facilities, continuing care retirement communities, child care organizations, colleges, universities, private independent schools, museums, theaters, zoos, adult day care facilities, boys & girls clubs, community action agencies, and social service agencies?

### Are you ready to jump on the tax-exempt bond bandwagon?

If so, you may be able to offer them a competitive financing option through the purchase of tax-exempt bonds. In Connecticut, the ***State of Connecticut Health and Educational Facilities Authority (“CHEFA”)*** lends to the types of organizations listed above through the proceeds of the bonds issued under their authority. Other state agencies and towns across Connecticut can also issue bonds for various projects and various borrowers.

The bank, as purchaser of the bonds, is able to set what the requirements will be for the collateral and covenants in the transaction, and will be responsible for conducting all of the due diligence.

Under the Securities Act of 1933, in order for a bank to purchase the bonds directly, it must be considered either an “accredited investor” under Regulation D or a “qualified institutional buyer” under Rule 144A. The definitions of “accredited investor” and “qualified institutional buyer” contain many different types of entities, but do include any national bank, or banking institution organized under the laws of any state, territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the banking commission in the state or territory in which it is organized. The bank must own and invest at least \$100 million in securities of unaffiliated issuers and has an audited net worth of at least \$25 million.

If your bank meets these qualifications to purchase bonds, you may want to make that leap onto the bond bandwagon.

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