



WM FINANCIAL STRATEGIES

Independent Financial Advisor

**Bank Loans & Private Placements - New
Financial and Legal Challenges**

May 2019

Key Terms Defined

- Public offering - the selling of securities to a wide range of investors which includes institutions and individuals.
- Private placement – the sale of securities by an issuer directly to a bank or a limited number of accredited investors.
- Bank loans - a bank enters into a loan agreement or other type of financing agreement with the issuer.

Bank Loan – Benefits (prior to 2018)

- Easy Access to Capital
- No Rating
- Fewer Parties = Lower Fees
- Shorter Call Dates
- No Continuing Disclosure

Bank Loans – Drawbacks

- Often Higher Rates
- Shorter maturity date
- Unfavorable Covenants
- Negative Impact on Rating
- Lack of Fiduciary Responsibility

Bank Loans – Higher Rates

5 Year Average Rate Comparison in CA

Year	Private Placements	Public Offerings
2012	3.50%	2.52%
2013	3.26%	2.97%
2014	3.76%	2.85%
2015	3.48%	3.09%
2016	3.36%	2.74%

Bank Loans – Shorter Maturities

Generally: 10 Years or Shorter

Bank Loans – Drawbacks – Unfavorable Covenants

- Unreasonable Events of Defaults
(e.g. rating change)
- Adverse Changes in Financial Condition
(Highly Subjective)
- Changes in Tax Rates = Changes in Loan
Rate
 - Rate Resets

Bank Loans – Drawbacks – Rating Downgrade

- Increase in outstanding debt
- Default remedies - redemption
- Balloon structures with refinancing risk

Tax Reform & Municipal Bonds

Bloomberg

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Markets

Biggest U.S. Banks Slash Muni-Bond Holdings After Tax Cut

By [Michelle Kaske](#)

August 27, 2018, 9:30 AM CDT *Updated on August 27, 2018, 10:54 AM CDT*

Tax Reform & Bank Loans

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Wt rev

Why muni issuers are eschewing bank loans

By
Kyle Glazier

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May 21 2018, 2:22pm EDT

Bank Loans – Impact of Tax Reform

Much Higher Interest Rates!

Bank Loan – Benefits (Post 2017 Tax Reform)

- Favorable for very small financings
 - Callable at any time
 - May still be competitive

Bank Loans vs Public Sale

Engage a Municipal Advisor

- Determine the best method of sale
- Obtain competitive proposals
 - Best method of sale
 - Best firm to select
- Negotiate the Best Terms

Bank Loans – Further Drawback

New Disclosure Rules

Further Information

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