



Financing Options for Rural Water Systems

Arkansas Basin Roundtable
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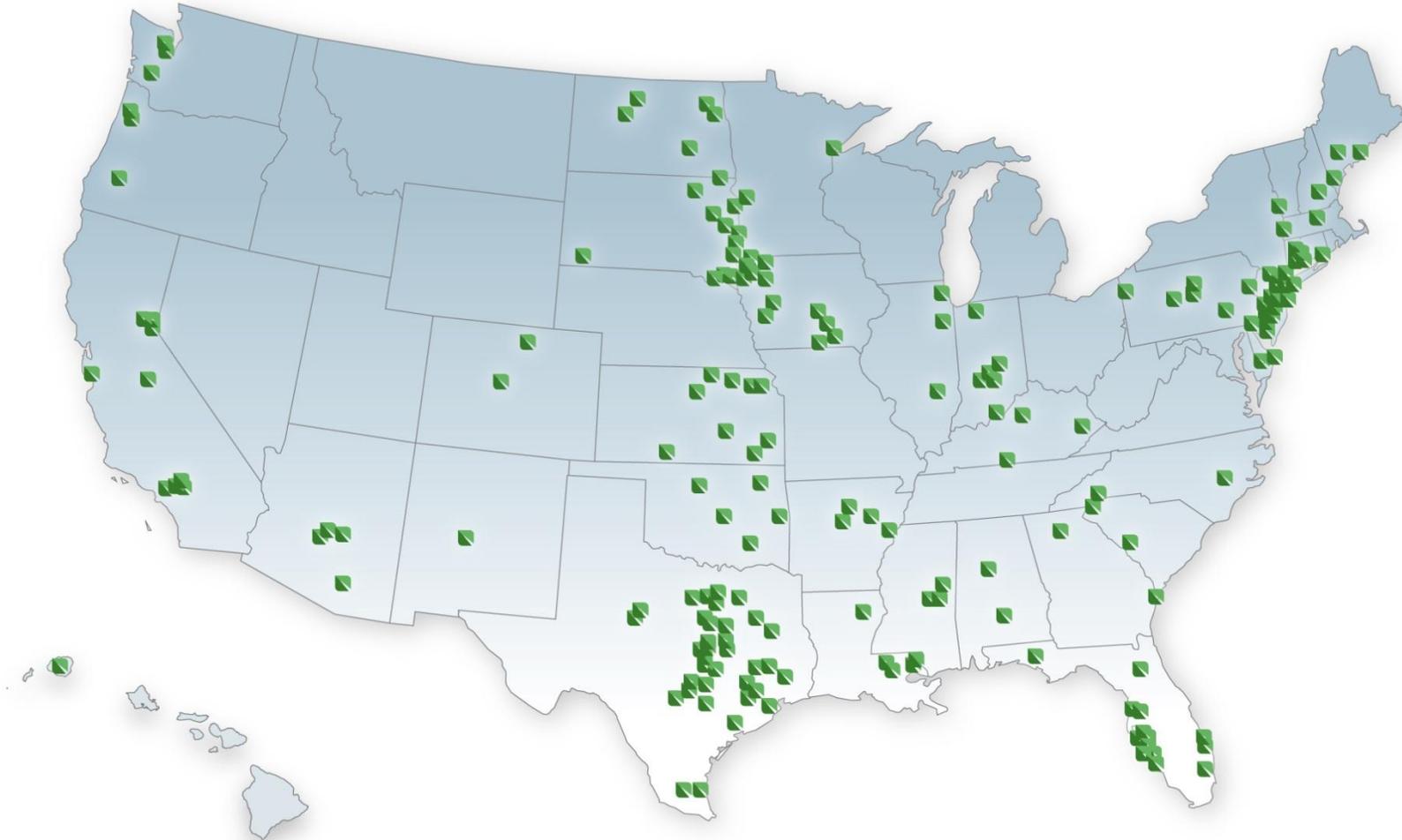


CoBank at a Glance



- A broad-based cooperative financial services organization serving vital industries across rural America:
 - Agribusiness
 - Communications
 - Energy
 - Water
 - Community Facilities
- Ranked by Global Finance magazine as one of the 50 most creditworthy banks in the world; one of only three 'safest banks' in the United States
- \$126 billion in assets at December 31, 2016; 'AA-' rated by both S&P and Fitch
- Cooperatively owned by approximately 2,400 customers
- Headquartered outside Denver, CO; regional offices and banking centers throughout the country
- Approximately 920 employees nationwide
- Member of the Farm Credit System, a Government Sponsored Enterprise with approximately \$320 billion in assets at December 31, 2016

Serving Water Systems Across the Country



Executive Summary



- CoBank is a cooperative financial institution, which means we are owned by our borrowers; similar to a credit union
- CoBank offers a full range of options, from lines of credit and interim/construction loans to fixed rate long term loans
- CoBank Lines of credit do not create a cost unless you use them; can be used as an emergency reserve fund or to fund soft costs for projects (regardless of the long term lender that's chosen)
- Term loans can have fixed rates for up to 30 years. Draw periods are designed to match the time it takes the project to be completed
- USDA interim program provides a low cost and simple way to fund the construction of your USDA project

Line of Credit Overview



➤ Line of Credit

- Acts as reserve in case of emergencies
- No cost unless it is used
 - No unused fees or interest expense unless used

➤ Benefits

- Quick access to funds; wires go out same day (if request is received before 3PM Central)
- Great for covering soft costs associated with new projects
- Funds borrowed on a line of credit can be rolled into a term loan at a later date
- Interest only until it is either rolled into a term loan or paid back in full

Line of Credit Structure



➤ Line of Credit

- Variable interest rate of Libor (London Interbank Offering Rate) + 2%
 - Currently 3.24%
- Unsecured (no real estate collateral)
- Annual Renewal
 - Decide whether to keep it or let it expire annually
- No Origination Fees
 - Only cost is an attorney's opinion on ability to borrow

➤ Timing to Close Line of Credit:

- Turnaround time expected to be 4-6 weeks from application
- Can be sooner if a rush is needed

Term Loan Overview



➤ Term Loan

- Draw period tied to how long construction takes
- Designed to fund a specific project or combination of projects
- Principal repayment starts once construction is complete and can be up to 30 years
- No unused fees or interest expense unless used

➤ Benefits

- Interest only while project is in construction
- Repayment can be structured to match the life of the asset
- The shorter the repayment the lower the interest rate
- The interest rate can be fixed for the life of the loan; after construction is complete
 - During construction the rate is variable at 1 month Libor + 2% (currently 3.24% roughly); the rate resets weekly
- No formal engineering report or environmental report is required; just a brief overview of the projects being financed

Term Loan Structure



➤ Term Loan

- Variable interest rate of Libor (London Interbank Offering Rate) + 2% during construction
 - Currently 3.24%
- Fixed rate* post construction for up to 30 years
 - 30 year rate (as of today) – 5.15%
 - 20 year rate (as of today) - 4.81%
- Secured by Real Estate
- Upfront Costs
 - ½% upfront fee to cover cost of document creation and underwriting
 - Cost of attorney's opinion on ability to borrow

➤ Timing to Close :

- Turnaround time expected to be 4-6 weeks from application
- Can be sooner if a rush is needed

* Interest rates are as of 9/26/17 and change daily. Interest rates are not fixed until loan is closed and construction is complete

USDA Interim Loan Overview



➤ Interim Loan

- Term of loan can be up to three years
- Designed for projects that have met USDA's Letter of Conditions
- Underwriting is based on USDA's review and approval of the utility's project

➤ Benefits

- Interest only while project is in construction
- Interest can be rolled into the USDA loan if USDA approves

USDA Interim Loan Structure



➤ Interim Loan

- Variable interest rate:
 - Poverty Rate - Libor (London Interbank Offering Rate) + 1.90% (Currently 3.14%)
 - Intermediate Rate - Libor (London Interbank Offering Rate) + 2.25% (Currently 3.49%)
 - Market Rate - Libor (London Interbank Offering Rate) + 2.50% (Currently 3.74%)
- Unsecured
- Upfront Costs
 - \$2,500 upfront fee to cover cost of document creation and underwriting
 - Cost of attorney's opinion on ability to borrow

➤ Timing to Close :

- Turnaround time expected to be 4-6 weeks from application
- Can be sooner if a rush is needed

* Interest rates are as of 9/26/17 and change daily. Interest rates are not fixed until loan is closed and construction is complete

USDA Interim - Bridge Loans



- USDA Interim – Bridge Loans are designed to provide funding to help a utility finish meeting USDA’s letter of conditions
- Term is for one year and the loan is interim only
- Bridge Loan amount is capped at 20% of the Direct Loan amount obligated by USDA
- To qualify for a Bridge Loan the utility must also use CoBank as their Interim Loan provider
- Interest rate is the same as the Interim Loan interest rate
- Interest on the Bridge Loan is paid by the utility

Contact Information



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Thank You!