

# **Bond Case Briefs**

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## **Senate Introduces Bank-Qualified Loan Legislation.**

Last week, a group of Senate lawmakers introduced legislation ([S 3257](#)) that would permanently raise the issuer limit on bank-qualified bonds from \$10 million to \$30 million. The legislation, which breathes new life into the effort to restore the annual issuer limit to \$30 million, is the culmination of work by GFOA's Federal Liaison Center with the offices of Senator Cardin (D-MD) and Senator Menendez (D-NJ).

This legislation is identical to the legislation introduced in the House late last year ([HR 2229](#)), which is a significant step in the right direction—it not only sends a message to both the House and Senate about the importance of raising the bank-qualified loan limit, but it also sets the agenda for what may prove to be an exciting 115th Congress beginning in January 2017.

The Federal Liaison Center encourages GFOA members to reach out to your senators and encourage co-sponsorship on this important legislation. Our [Bank-Qualified Loan Resource Center](#) provides sample letters and other helpful information about the legislation and the history of bank-qualified bonds.

Bank-qualified bonds were created in 1986 to give smaller issuers more cost-effective access to credit by allowing them to bypass the traditional underwriting system and sell their tax-exempt bonds directly to local banks. In addition to the higher costs of issuance in the normal underwriting process, many small issuers have a difficult time selling their bonds because investors may not be familiar with their jurisdictions. Many small issuers have therefore been forced to pay higher interest rates on their bond issuances.

Recognizing the utility of bank-qualified bonds to overcome these cost barriers, Congress temporarily expanded their use by raising the issuer limit to \$30 million annually in 2009, and as a result, the market for bank-qualified bonds increased to approximately \$32 billion that year. However, despite the effectiveness of bank-qualified bonds and bipartisan support on Capitol Hill, Congress did not extend these provisions beyond their December 31, 2010, sunset date, and on January 1, 2011, the annual issuer limit for bank-qualified bonds reverted to \$10 million.

GFOA

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