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College Bond-Sale Spree Draws in University of Michigan.

- **School sells some $1 billion of debt for projects, refinancing**
- **Despite uncertainty, colleges are seizing on low rates**

The University of Michigan is the latest elite school to join the higher-education bond selling spree.

The university sold nearly $1 billion of bonds, $850 million of which was taxable, to pay for construction projects and refinance debt, according to preliminary pricing wires viewed by Bloomberg. The taxable securities were priced at yields from 1% to 2.56%, or 57 basis points to 102 basis points over Treasuries, depending on the maturity.

Colleges have issued nearly $23 billion of debt this year, seizing on the decline in interest rates that's come since markets stabilized over the past two months. That's about seven times more than was sold during the same period a year earlier, according to data compiled by Bloomberg.

The borrowing comes amid uncertainty about what universities are facing in the fall after having to close campuses early this year due to the coronavirus. While that's raising the financial risks for some colleges, the most elite universities are being less affected, given their large endowments or ability to draw far more applicants than they can accept.

The University of Michigan plans to make a decision on its fall return date this month.

"It's pretty attractive borrowing costs for these universities to come in, issue taxable munis, lock in the debt and have full control over the use of proceeds," said Gabriel Diederich, a portfolio manager with Wells Fargo Asset Management. "These flagship universities that have name recognition. Sometimes the pencils are already sharpened for the deal."

Yields for top-rated 10 year municipal bonds have fallen to about 0.8%, down from as much as 2.87% in March at the height of the market volatility kicked off by the pandemic.

The University of Michigan, which has an AAA credit rating, is borrowing to finance the construction of an impatient care facility, a parking facility and a transportation maintenance facility, along with expanding its engineering lab, reducing emissions at a power plant and refunding some existing debt, according to documents released ahead of the sale.

"The interest is broad-based and comes from many places including insurance companies, banks, pensions and foreign buyers," Diederich said before the pricing. "It's definitely name brand."

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