CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY (CEFA)
POOLED BOND FINANCING PROGRAM

THE OPPORTUNITY: REDUCE OVERALL COST OF ISSUANCE THROUGH POOLED BONDS

CEFA offers a pooled bond financing program to minimize costs of issuance and simplify the bond issuance process for borrowers. By pooling the needs of multiple borrowers into a single financing, a pooled financing can lower the overall cost of issuance for each borrower and potentially lower the cost of borrowing for each borrower. Generally, pooled financing bonds are issued to reduce issuance costs and lower interest rates to the conduit borrowers. In exchange, borrowers of pooled bond proceeds give up some autonomy and timing flexibility.

In a pooled financing, CEFA issues bonds and subsequently loans the proceeds to multiple borrowers. This program could be used for tax-exempt or taxable financings and is ideal for smaller or less frequent borrowers and those looking for the ease of a "one-stop" program.

IRS code defines the term "pooled financing bond" as any bond issued as part of an issue more than $5,000,000 of the proceeds of which are reasonably expected (at the time of the issuance of the bonds) to be used (or are intentionally used) directly or indirectly to make or finance loans to two or more ultimate borrowers. To avoid the most restrictive tax requirements, bonds would be issued only once the pool of borrowers and their financing needs have been specifically identified.

WHO CAN BORROW

In order to meet the requirements for the CEFA Pooled Bond Financing Program, a borrower must meet the following eligibility criteria:

- ☐ Be regionally accredited by the Western Association of Schools and Colleges;
- ☐ Be a private, non-profit, post-secondary degree granting educational institution located in California or that has educational facilities in California;
- ☐ Offer a broad curriculum in secular subjects;
- ☐ Have been operating for a minimum of three years and provide three years of audited financial statements; and
- ☐ Have revenue sufficient to cover debt service on the proposed financing.

WHAT CAN BE FINANCED

New construction or renovation projects, land acquisition for future projects, acquisition of facilities, purchase of equipment, refinancing of outstanding debt used for such purposes, working capital for start-up facilities, funding of debt service reserves, costs of bond issuance, etc.

AMOUNT AND TERM OF FINANCING

No upper limit on the amount of financing. Terms of up to 40 years, subject to the useful life of what is being financed.

FINANCING FEES

CEFA will charge an initial fee, starting at 0.15% of the par amount of the bond issuance, and falling to 0.05% on amounts above $10 million (capped at $75,000). Annual fee of 0.015% of the outstanding amount (annual maximum of $12,000 in total). Other financing costs include legal, financial advisor, and trustee fees. Examples of the fees for the first year of a bond issuance with a par amount of $100 million are below. Over time, the annual fee would decrease because CEFA assesses it based on the outstanding bond amount, not the original par amount.

Applicant Type	Issuance Amount	CEFA Initial Fee	CEFA Annual Fee
Private, Non-profit Higher Education Facility	$100 million	$75,000	$12,000

APPLICATION

Simple loan application.