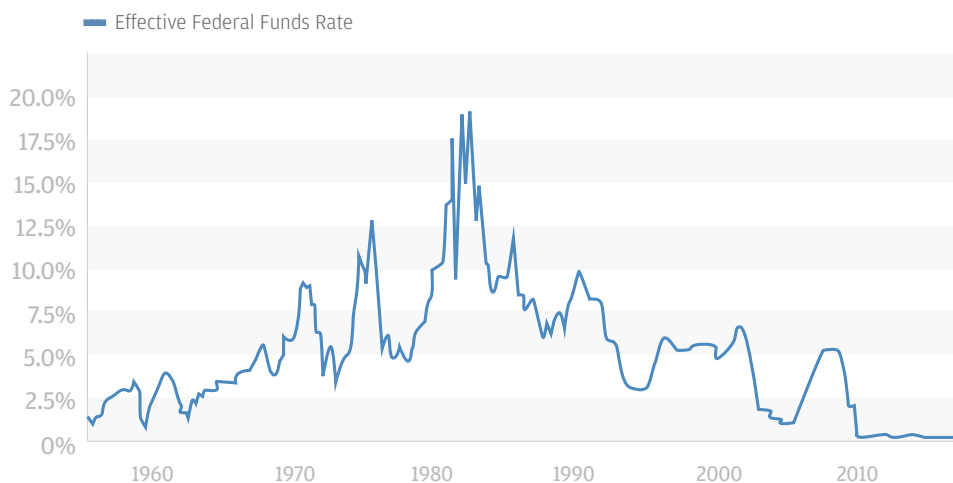


## How Higher Education Is Managing Facilities Investment in the Current Rate Environment

The current rate environment has created refunding opportunities and has been a great way for institutions to support significant capital projects at historically low rates.

### Interest Rates Are Historically Low

After widespread anticipation of steadily rising rates in early 2016, the Federal Reserve is likely to maintain a cautious and incremental approach to raising rates in the face of lackluster GDP growth, weak inflationary pressure and mixed labor data in recent months.

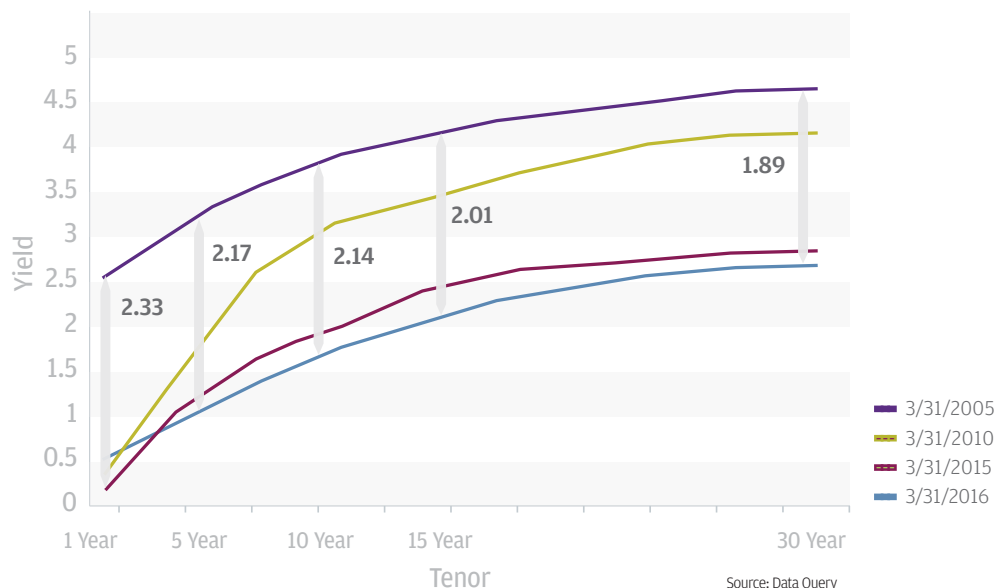


Source: Board of Governors of the Federal Reserve System (US), research.stlouisfed.org

### What This Means for Borrowing

While AAA Municipal Market Data (MMD) yields remain near historic lows, the flattening yield curve has created new borrowing opportunities.

THOMSON REUTERS MUNICIPAL MARKET DATA (MMD) AAA CURVE TRENDS



Source: Data Query

As a result, many higher education institutions have found delayed draw funding products attractive, as they allow institutions to fix an interest rate during the construction draw period, as well as lock in savings on any debt refunding.

Higher education institutions have also financed projects utilizing alternative modes of financing in addition to the public market.

## Alternative Modes of Financing

### Direct Purchase Bonds

**What It Is:** An alternative to variable rate demand bonds, supported by a direct pay letter of credit (DPLOC) or standby bond purchase agreement (SBPA).

**What to Consider:** Basel III requires providers of unfunded facilities (such as DPLOCs and SBPAs) to hold additional high-quality liquid assets sufficient to meet a sharp draw on unfunded commitments.

#### Benefits:

- Ability to obtain a longer interest rate period for a direct purchase bond, as compared to the tenor for a DPLOC or SBPA
- Allow borrowers to lock in refunding cost savings
- For construction projects, the ability to utilize a delayed draw structure can provide interest expense savings during the construction phase

### Public-Private Partnerships (P3s)

**What It Is:** A partnership between a public agency (federal, state or local) and one or more private entities to deliver a service for public use.

**What to Consider:** P3s are gaining traction in higher education as a solution to facilities construction and/or operation as a way to monetize revenue streams and fund core objectives.

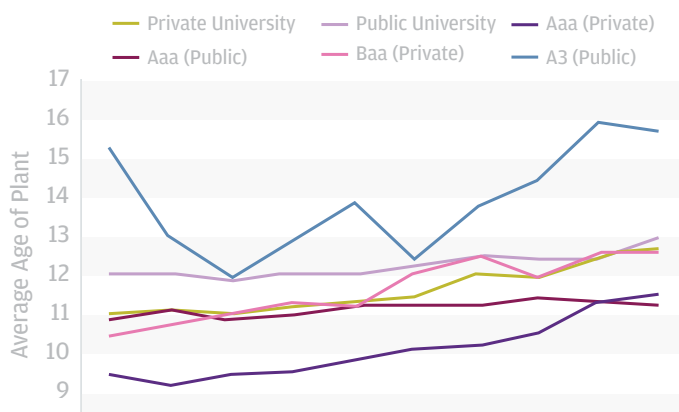
**Benefits:** P3s can be beneficial to higher education institutions, as they may allow them to transfer the construction and operating risk of projects to the private party. These projects can include:

- Student housing
- Dining facilities
- Classroom buildings
- Parking
- Energy

## Utilizing Financing to Invest in Your Campus

Higher-rated colleges and universities—both public and private—have a lower average age of plant (depreciation expenses) resulting from easy access to capital via public and private debt markets, significant capital campaigns and substantial expendable resources. This also helps make your institution more attractive to new applicants—students overwhelmingly report a higher quality of life at colleges that spend more on student services and auxiliary enterprises.

### AGE OF PLANT TRENDS



Source: Moody's Median Reports (Public: 2009, 2014; Private: 2010, 2011, 2014)

## Engaging Your Donor Base

The top **100** national universities as ranked by U.S. News & World Report have raised or are in the process of raising funds in excess of **\$155 billion** since 2006.

- **74** organizations conducted capital campaigns with goals exceeding \$500 million
- More than **90%** of these capital campaigns had a facilities component

### What Your Organization Should Know

1. The recent rate environment has created refunding opportunities and the ability to finance capital projects at historically low rates.
2. Banks and other parties continue to develop alternative financing solutions that may provide additional flexibility or savings.
3. Higher education institutions have conducted record-setting capital campaigns to fund strategic priorities, including capital projects and endowment growth.

Find out how we can help higher education institutions like yours take advantage of the low interest rate environment to fund new projects or facilities at [jpmorgan.com/cb/higher-education](http://jpmorgan.com/cb/higher-education)

© 2016 JPMorgan Chase & Co. All rights reserved. Chase, J.P. Morgan and JPMorgan Chase are marketing names for certain businesses of JPMorgan Chase & Co. and its subsidiaries worldwide (collectively, "JPMC") and if and as used herein may include as applicable employees or officers of any or all of such entities irrespective of the marketing name used. Products and services may be provided by commercial bank affiliates, securities affiliates or other JPMC affiliates or entities. In particular, securities brokerage services other than those which can be provided by commercial bank affiliates under applicable law will be provided by registered broker/dealer affiliates such as J.P. Morgan Securities LLC.

This information is not intended as nor shall it be deemed to constitute advice or a recommendation regarding the issuance of municipal securities or the use of any municipal financial products. JPMC is not providing any such advice or acting as an agent, fiduciary or advisor, including, without limitation, as a Municipal Advisor under Section 15B of the Securities and Exchange Act of 1934, as amended.

J.P. Morgan Institutional Investments Inc. or by such other affiliates as may be appropriate to provide such services under applicable law. Such securities are not deposits or other obligations of any such commercial bank, are not guaranteed by any such commercial bank and are not insured by the Federal Deposit Insurance Corporation. Eligibility for particular products and services is subject to satisfaction of applicable legal, tax, risk, credit and other due diligence and additional terms and conditions. 213804