

### **Low Interest Rates Increase Refinancing Opportunities**

Refinancing is a hot topic with lenders these days. The availability of money to lend has resulted in interest rates, as well as other terms and conditions, being very favorable for borrowers. So it is no surprise that CFC is increasingly being approached by parishes and schools wishing to refinance their debt to take advantage of this opportunity.

There are several things to consider when evaluating your refinancing options. Is the new rate low enough to offset the costs associated with refinancing? Oftentimes these costs cause borrowers to stay with their existing lender, but renegotiate the terms, rather than move to a new lender.

Another consideration is whether there are any limitations on your ability to refinance your existing debt. Some parishes in the Archdiocese have considered refinancing their debt only to discover that their existing loan has substantial prepayment penalties that make any refinancing uneconomical. In these cases, even at a much lower interest rate, the penalties would cost you more than the savings! There may also be timing restrictions that could limit when you can get your transaction done.

CFC can help you evaluate the economics of a proposed refinancing. In some cases, our analysis may confirm the benefits of a refinancing and can help quantify the lower interest payments and/or restructured payments. In other cases, that analysis may show parishes that a refinancing will not translate into real savings.

CFC has provided help in several other ways for parishes seeking to refinance. We provided cash collateral to enable St. Thomas Becket in Eagan to refinance all of its outstanding debt with their bank. CFC provided a direct loan to St. Peter in Mendota so they could refinance their portion of an obligation to pay for school debt and still be able to proceed with a separate bank financing to construct a new church. CFC also provided direct loans to St. Stephen in Anoka and St. Paul in Ham Lake at a rate of 6.00% to enable them to refinance their outstanding loans for savings.

Remember, like any other financings, a refinancing requires a proxy from the Archdiocese. The Office of Administration and Finance considers the status of any outstanding payments to the Archdiocese (such as assessments, AMBP, general insurance and/or pension payments) before a proxy will be issued. Plan ahead and let us help you so that you can take advantage of any refinancing opportunities that await you!