

Rural America Bond Program

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Two Nexsen Pruet attorneys came up with an idea in 2005.

It is a rare and wonderful thing for attorneys to be able to shepherd a project from idea to completion.

Often, attorneys are brought in to “paper the deal” or “negotiate the specifics” at the closing of a transaction, and are able to bring their creativity and forward-thinking outlook to bear on a limited part of a client’s business.

So in 2005, it was with some measure of excitement Nexsen Pruet’s agricultural lending team attorneys Pat Brown and David Gossett sat down to discuss a request from AgFirst Farm Credit Bank. The Farm Credit Administration had asked AgFirst and other Farm Credit System institutions to consider ways they might use their investment authority (rather than their lending authority) to bring needed financing to small towns in rural America.

Brown and Gossett developed a bond program to allow the Farm Credit Associations to purchase bonds. AgFirst was receptive to exploring such a pilot program, and wanted to hear more about how they could buy bonds to build schools, hospitals, dental offices, assisted living facilities and other facilities for rural towns. They drafted a request for approval for the Farm Credit Bank of Texas and for AgFirst to offer a pilot bond program that would become the Rural America Bond program. The request outlined the documentation that would be needed and the specific uses for the financings. After several rounds of negotiation on program specifics, the FCA approved the Rural America Bonds Pilot Program.

While putting the Rural America Bond program together, the attorneys approached the USDA to see if they would allow their guarantees to be issued for the bonds, which would significantly lower the costs of the bonds. The USDA has specific initiatives to assist rural America and found that this program was in alignment with their goals, and approved the use of USDA guarantees in order to provide long-term financings at below-market interest rates.

The Program provides the opportunity for Farm Credit institutions to invest in the growth of non-urban communities by financing needed important projects, such as health care facilities, police and fire stations, and schools, as well as projects supporting agriculture and agribusiness. These projects are typically unsuitable for financing through traditional loans. Rural America Bonds are now also used for alternative energy financing, including cellulosic ethanol facilities, solar, and wind farms.

The Program has received some media attention. In March of 2012, South Carolina Business magazine examined how the bond program supports the South Carolina economy in an article entitled "Farm Credit System Provides Vital Support for Agribusiness." Additionally, the Spring 2008 edition of Carolina Farm Credit's Leader magazine featured an article about the program entitled "Rural America Bond Program Saves 75 jobs in North Carolina."

Reflecting on the program, Brown notes "I'd like to see it grow. I've seen the Rural America Bond Program used for small hospitals, assisted living facilities, charter schools in rural areas, and alternative energy projects. It's been used by different investment banking firms to finance projects throughout the United States, impacting countless people in rural communities." And being involved in it from start to finish? "Satisfying. Very satisfying."