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Tax-Exempt Market Bulletin

by Government Capital Corporation

your 501(c)(3) conduit financing partner

Lessons From An Ever-Changing Market

As we reflect back on 2025, we are reminded how swiftly market conditions can change in an economic environment defined by uncertainty. Although interest rate volatility moderated late in the fourth quarter, the year ultimately rewarded preparedness over attempts at predicting the market's next move. For nonprofit issuers, the year reaffirmed the value of proactive debt planning in a rapidly evolving interest rate landscape.

Market Recap – Q4 2025

Government Shutdown Clouds Economic Outlook - The record-long federal government shutdown from October through mid-November disrupted markets at a crucial juncture. Delays in key economic data reduced transparency and made it more difficult for market participants to evaluate real-time conditions. The result was a more cautious lending environment, as investors and 501(c)(3) organizations alike awaited further clarity on both overall economic conditions as well as the possible future direction of interest rates.

Federal Reserve Cuts Rates and Hits Brakes - Subsequently, in December the Federal Open Market Committee lowered interest rates by 25 basis points for a third consecutive meeting, extending their gradual easing cycle. While the interest rate reduction itself was widely expected, the decision was accompanied and tempered by a more conservative outlook. Policymakers openly acknowledged uncertainty around inflation, employment trends, and economic momentum. Markets interpreted the move as a signal that future rate adjustments will be more data-driven, and that a pause in interest rate cuts is increasingly likely.

Volatility Eased, Uncertainty Persisted - Debt markets appeared to be much calmer by year-end. However, unresolved questions about future monetary policy, inconsistent economic data, and fiscal disruptions have all contributed to ongoing uncertainty. In this environment, preparedness and flexibility are essential in preserving long-term financial stability.

What This Means for Tax-Exempt Issuers

Debt Structure Matters More Than Timing - The past year repeatedly reinforced a familiar lesson: issuers who prioritize sound structure are rewarded as compared to those who merely attempt to time the market. Issuers that emphasized prudent debt sizing, manageable payment schedules, and flexible terms were far better equipped to weather the uncertainty and volatility we witnessed in 2025. Financings structured with resilience in mind helped safeguard nonprofit organizations even amid a rapidly changing interest rate environment.

Keep Flexibility in Mind - In a market defined by uncertainty, flexibility is no longer a luxury but a necessity. Incorporating shorter call provisions, optional prepayment features, and customized debt service schedules provides issuers the ability to respond as conditions change. Embedding flexible terms in your financing from the outset preserves your freedom to refinance, restructure, or reduce debt as the opportunity presents itself, rather than being locked into rigid terms.

Article by Jared Noblitt, Senior Placement Agent

GOVERNMENT CAPITAL CORPORATION

Recent Fundings

Trinity Christian Academy (Willow Park, TX) partnered with Government Capital to refinance and consolidate multiple taxable loans originally issued for the construction of a new school building and sports complex. The tax-exempt refunding resulted in a lowered interest rate, saving the school over $3 million in interest costs.

Brazos Christian School (Bryan, TX) partnered with Government Capital to refinance a taxable loan initially issued for the construction of a new fine arts building, sports complex, and campus expansion project. The school's utilization of the tax-exempt conduit financing method significantly reduced borrowing costs, resulting in interest cost savings of over $2 million.