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**Sent:** Thursday, July 9, 2020 1:57 PM  
**To:** Schell, Mark <[mschell@dconc.gov](mailto:mschell@dconc.gov)>; Len Needham <[needham@email.unc.edu](mailto:needham@email.unc.edu)>  
**Cc:** Len Needham <[needham@email.unc.edu](mailto:needham@email.unc.edu)>  
**Subject:** RE: Bahama Station 1

Marshal Schell:

Thank you for pursuing this issue with the County Manager. When the County designates the loan tax-exempt (aka "Bank Qualified") they exercise their authority under the tax code which allows the named bank to offer a lower rate because they are not required to pay income tax on the interest earned when the borrower (your department) makes payments. It is not necessary when you borrow directly from the USDA or another government agency, but private banks will always seek this approval which ultimately benefits the borrower via a lower rate. The thought process is that loans to fire departments, rescue squads, police departments, local municipalities, etc. provide a service to the public and lowering the interest expense reduces the cost of operations.

The direct answer to your question below is "yes" it is necessary to satisfy the IRS requirements. The tax exempt status is not necessary to demonstrate that your department provides services to Durham County (although if you were not providing service to the County they might not agree to the tax exempt designation).

I have attached a copy of the designation that was awarded to the lender who financed your other station as a reference document you may wish to share with the County Manager (please see page 4 letter c).

I hope this explanation is satisfactory and I welcome the chance to offer further assistance.

We do not require the designation to lend to your department, but the rate will be higher without the tax-exemption.

Thank you for your business and consideration.

Keith

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