

**U.S. Department of Education - EDCAPS
G5-Technical Review Form (New)**

Status: Submitted

Last Updated: 07/03/2017 12:22 PM

Technical Review

Applicant: Center for Community Self-Help (U354A170011)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	32
Quality of Project Services		
1. Project Services	15	15
Capacity		
1. Capacity	35	33
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	94
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	15
Sub Total	15	15
Total	115	109

Technical Review Form

Panel #1 - CSP Credit Enhancement - 1: 84.354A

Reader #1: *****

Applicant: Center for Community Self-Help (U354A170011)

Questions

Selection Criteria - Quality of Project Design and Significance

- 1. Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers-**
 - 1. The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;**
 - 2. The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**
 - 3. The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;**
 - 4. The extent to which the project is likely to produce results that are replicable;**
 - 5. The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**
 - 6. The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;**
 - 7. The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 4303(g)(2) of the ESEA, as amended by the ESSA; and**
 - 8. The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.**

Strengths:

The applicant is requesting \$8MM of CEP funds to make \$200MM in financing at subsidized rates and 25:1 leverage ratio through an estimated 80 loans over a ten-year period. This involves leveraging only \$100K of CEP funds per school into an average of \$2.5MM in financing (pg e16).

The applicant expects to provide minimally a 0.40% lower interest rate on all CEP-eligible loans. For those qualifying for financing from the applicant's credit unions (approximately 70% of its CEP loans), the rate will drop by a full 1%. Schools eligible for NMTC will receive an additional 1.5% rate reduction.). The applicant charges an origination fee 0.01% below market on facility loans, and 0.50% below market on construction loans (pg e24). The applicant also provides in-kind services to help schools avoid an average of \$20,000 in closing costs (pg e23). As a subset of its overall CEP program, the applicant will set up a special High Impact Low Assets (HILA) loan pool of \$30MM in total lending to help early-stage schools with leased space with LTVs in the 80-100% range (pg e25). The applicant offers other flexibility, including extending interest-only periods and low debt-service coverage ratios to help schools with limited resources and to offer amortization periods of 25 vs 15 years, which lowers the average loan payment by 20%, the equivalent of a 3 percent interest rate reduction (pg e26).

The applicant provides specifics to address the four grant objectives of its plan on a 10-year timeline that involves deploying \$20MM in raised capital to an estimated 8 schools each year and 2,000 hours of technical assistance. Its program offerings are 95% in accordance with competitive preference priority with special commitments to rural (10 loans) and start ups (20 loans) within the target at-risk population (pgs e28-32).

The applicant's commitment to replicability is in bringing at least five new lenders into the charter financing arena and developing three new technical assistance tools on top of seven it has already published and shared with the community, and make at least five conference presentations per year (pgs e22, e34, appendix).

The applicant uses a range of selection criteria – service to low-income communities in need of education choices, academic quality, strong board and staff leadership, financially stable (adequate revenues to meet debt and operational obligations), adequate facilities to provide sufficient collateral, a teaching staff reflecting the diversity of the student body, (pgs e35-36).

The applicant has a documented track record with two past CEP awards that has leveraged \$10.2MM to provide more than \$300MM through 99 loans to 64 schools over a 14-year period (pg e59).

The applicant is targeting 12 states with strong charter laws (pg e37, chart) based on ESSA criteria as extrapolated from a Univ of Arkansas study. Only two states have equitable financing (TN and TX) and ten meet at least three of the remaining four criteria – alternative authorizer, facilities support, targeted support for at-risk students, best practice authorizing. The applicant also include an overlay on a US map of its historical lending to charter schools in 15 states and DC (pg e29).

The applicant is not requesting to use federal funds to cover administrative or program costs. Its scenario assumes a 4% aggregate loss rate on the \$200 million in loans, which could deplete the \$8MM CEP fund by as much as \$2.9MM over the initial 10-year period. To date, charter school charge offs by the applicant total less than 0.2% (pg e452).

Weaknesses:

The applicant did not explain how it uses its proposed criteria for selecting charter schools for assistance and especially how it weights qualitative criteria (e.g., teacher racial diversity) versus the more traditional quantitative criteria (e.g., financial stability) (pg e35-36).

The applicant offers no details about its five conference presentations (e.g., topics, audiences, historical approach) as a replication strategy (pg e34).

The applicant did not explain its highly leveraged forecasts (pg e59).

Reader's Score: 32

Selection Criteria - Quality of Project Services

1. Quality of project services. In determining the quality of project services, the Secretary considers-

- 1. The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- 2. The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- 3. The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and**
- 4. The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

Strengths:

The applicant makes the case it is situated to meet the needs of schools of a wide variety of sizes and at differing points in their development, including schools that need high loan-to-value loans, support for leasing by start-ups, and high capacity networks that need large scale financing. The applicant recognizes that needs go beyond financing and is devoting 2,000 hours to providing lending and real estate technical assistance as well as broader advice on governance, student diversity and financial stewardship (pg e36, e39).

Applicant notes that its proposal was shaped by interviews and focus groups with charter movement leaders and related experts. Innovative offerings, such as HILA, grew out of these discussions. The applicant also embraced suggestions to address schools that are early stage and operating independently outside of a network, which is 78% of the applicant's current portfolio (pg e41-42).

The applicant demonstrates support from a variety of charter schools and support organizations (attached 26 letters of support). It maintains a Charter School Loan Fund Advisory Committee that meets quarterly around outreach, products, assessment and technical assistance (pg e33).

The applicant offers a range of technical assistance, including seven tools it developed (plus 3 more contemplated) and low-cost construction management support. The applicant also offers lower fees at closing, lower interest rates, more flexible terms and longer amortization periods (pg e40).

The applicant utilizes multiple measures for assessing academic quality to ensure it is focused on assisting charter schools with a likelihood of success, such as student performance results as compared to the surrounding district and analyses of enrollment demographics, teacher quality, attendance and retention (pg e35).

Weaknesses:

n/a

Reader's Score: 15

Selection Criteria - Capacity

- 1. Capacity. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers:**
 - 1. The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**
 - 2. The applicant's financial stability;**
 - 3. The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
 - 4. The applicant's expertise in education to evaluate the likelihood of success of a charter school;**
 - 5. The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;**
 - 6. If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;**
 - 7. For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and**
 - 8. For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

Strengths:

The applicant, founded in 1980, has provided \$7.5B in financing, including \$327MM in charter school loans that created 49,000 student spaces. This includes \$240MM under NMTC. The applicant was also awarded in 2016 a \$100MM CDFI bond. Furthermore, its performance under prior CEP grants, as summarized above, exceeded projections (pgs e44-45, e59).

The applicant is financially stable with a strong balance sheet and clean audits. Its net worth is \$600MM, has enjoyed positive net income all years, except 2010 and has a current combined capital ratio of 31% (well above the customary 8% and its 15% benchmark). It has experienced only three defaults across the 99 charter school loans under CEP. In 2016, 6.6% of charter school loans are on a watch list. (pgs e45-48).

The applicant conducts site visits to the schools and partners with Public Impact to assess borrowers on multiple academic measures (pgs e57-58).

The financial risk management and portfolio monitoring is thorough and the applicant has sound Conflict of Interest and ethics provisions (pgs e48-56).

The applicant provides thorough documentation by transaction and reports to have exceeded its goals under the two prior CEP funds by \$168MM for a 26:1 leverage ratio (pgs e411-24).

Weaknesses:

The applicant does not explain how it would carry out the process for guaranteeing leases as part of the activities it proposes to undertake (pg e35-36).

The applicant provided the commercial loan policy for the ventures fund, but not a policy related to charter school loans, which would typically have different loan approval characteristics, such as collateral adequacy and LTVs (pg e439).

Reader's Score: 33

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel. In determining the quality of project personnel, the Secretary considers--

1. The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and

2. The staffing plan for the grant project.

Strengths:

The applicant is still supported by its founding CEO; its charter school loan fund director joined in 2006. There are 15 staff significantly involved in charter school lending. The key staff identified demonstrate the requisite expertise in lending, underwriting, and real estate financing, including charters schools (pgs e60-62, e69-76 + resumes).

Weaknesses:

The staffing plan lacks clarity around some reporting relationships in terms of which teams of loan officers, technical assistance providers, and construction management report to whom (pgs e69-76).

Reader's Score: 14

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

1. In accordance with 34 CFR 75.105(b)(2)(ii), this priority is from 34 CFR 225.12. For FY 2017 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

1. The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB).
2. The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and
3. The extent to which the applicant would target services to communities with large proportions of students from low-income families.

Note: With regard to paragraph (1), consistent with the transition authority in section 4(b) of the ESSA, through the 2017-2018 school year, the Department will allow applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility.

After school year 2017-2018, the Department will require an applicant that receives points under this priority and receives a grant under this competition to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

The applicant makes a commitment to deploy 90-95% of loans to charter schools that fit one or more of the NCLB/ESSA-related criteria (pgs e17-18). To date, more than 86% of schools it has historically served were in such eligible communities (pg e19).

The applicant includes detailed targeting that identifies qualifying districts in 12 states related to low-income, focus and priority schools and proficiency rates (pgs e21, e126).

Weaknesses:

n/a

Reader's Score: 15

Status: Submitted

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Technical Review

Applicant: Center for Community Self-Help (U354A170011)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	32
Quality of Project Services		
1. Project Services	15	14
Capacity		
1. Capacity	35	32
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	92
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	15
Sub Total	15	15
Total	115	107

Technical Review Form

Panel #1 - CSP Credit Enhancement - 1: 84.354A

Reader #2: *****

Applicant: Center for Community Self-Help (U354A170011)

Questions

Selection Criteria - Quality of Project Design and Significance

- 1. Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers-**
 - 1. The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;**
 - 2. The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**
 - 3. The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;**
 - 4. The extent to which the project is likely to produce results that are replicable;**
 - 5. The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**
 - 6. The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;**
 - 7. The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 4303(g)(2) of the ESEA, as amended by the ESSA; and**
 - 8. The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.**

Strengths:

Applicant provided an Executive Summary that was a useful introduction for the project.

The goals, objectives, and time are clearly specified, measurable, and in line with the purpose of the USDOE Charter Enhancement Program. (See pages e28-30.)

Applicant notes (page e11) for developing partnerships, especially in their key target service areas of Atlanta and Memphis. They also plan to set up a Loan Fund Advisory Committee comprised of charter school officials from the region.

As detailed extensively in the Competitive Preference Priority section, Self-Help will use appropriate criteria for selecting the charter schools to receive assistance.

The plan to earmark some funding for rural schools (page e17) was creative and very much on point for the proposal. Often, the assumption is that charter schools are essentially for students in inner cities.

Instead of noting general plans to deliver technical assistance to borrowers, applicant stated their intention to deliver 2000 hours of assistance (page e17.)

Applicant detailed plans to offer lower origination and closing fees (page e23.)

Applicant provided a detailed plan to offer interest rates at an average of 1.10% lower across their portfolio (page e25.)

In order to make their results replicable on a larger scale, applicant notes plans (page e31) to provide training to five new charter school lenders and to develop "new replicable tools to assess how well schools are serving children of color." (page e49.)

Applicant noted (page e37) their plans to operate in states with strong charter laws. The table included by applicant was very helpful because it helped clarify a definition of a "strong" state charter law.

The grant amount is reasonable, as detailed on page e11. Also, applicant specifically notes they will not charge any project costs to the grant. This is very reasonable.

Weaknesses:

Applicant implied (page e59) that current grant funds more leveraged than anticipated. This could have been more carefully explained.

Applicant could have indicated in the Executive Summary where they operate in the US. They did include a table of targeted districts (page e21.) However, this still does not indicate for the reviewer the locations of their charter school loan portfolio.

It appears that applicant will take USDOE funds to offer credit support enhancements on loans largely made by their own credit union affiliates. There is very little explanation of how additional outside third parties will be engaged in the lending program.

The projected 25:1 leverage (page e27) seems ambitious and was not really explained other than saying it was less leverage than with the previous USDOE grant.

The statement (page e30) that 78% of their loans are to non-network charter schools could be construed as a positive in that applicant works extensively with these independent charter schools. However, they did not address the issue of potential additional risk associated with loans to these single school operations.

Reader's Score: 32

Selection Criteria - Quality of Project Services

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- 1. The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- 2. The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- 3. The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and**
- 4. The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

Strengths:

The Center for Community Self-Help has provided some baseline information (pages e40-41) about their use of surveys of charter schools and the use of focus groups to support lending plans for their new USDOE application. Applicant interviewed seven charter school leaders and hosted two focus groups that included philanthropic grant providers to charter schools, real estate developers for charter schools, etc. The quantity and quality of these focus group meetings was good.

The plan to target rural schools and schools headed by leaders of color were identified as important concerns during meetings and focus groups (page e42.)

As detailed on page e43, all operating and technical expenses will be cover by Self-Help with no use of grant funds.

Weaknesses:

While applicant did note that 95% of their loans are to schools in low-income areas (page e43), there was no discussion of whether loans would be made to charter schools with a "likelihood of success."

Reader's Score: 14

Selection Criteria - Capacity

- 1. Capacity. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers:**
 - 1. The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**
 - 2. The applicant's financial stability;**
 - 3. The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
 - 4. The applicant's expertise in education to evaluate the likelihood of success of a charter school;**
 - 5. The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;**
 - 6. If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;**
 - 7. For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and**
 - 8. For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

Strengths:

Applicant's ability to lend up to \$20 million per project (page e40) attests to their strong capacity.

Self-Help has been in business for 37 years. (See page e43.) That attests to their successful experience and capacity to undertake a new funding program via the US Dept. of Education.

Applicant noted (page e44) that they have sustained only three defaults out of 143 charter school loans, 99 of which were in the CECSG program. This is impressive. Therefore, the loan loss reserve appears adequate.

To compensate for higher LTV ratios in many loans, applicant regularly takes a blanket lien on accounts and equipment (page e50.)

None of the applicant's current charter loan portfolio is in default (page e52.)

The net worth of \$600 MM is also very impressive (page e45.)

Applicant has a deep and broad financial structure anchored by their two credit unions with some \$577 MM in deposits (page e46.)

In the Appendix, applicant provided detailed information on their multiple tools and procedures for assessing charter school loans (page e51.)

Conflict of interest policies were addressed (page e58) and further explained in the Appendix.

Weaknesses:

Self-Help has a large portfolio of charter school loans and guarantees throughout the US. They have also opened (2008) a second credit union in order to generate more deposits for more lending in the Midwest, outside their traditional markets in North Carolina and the South. However, lending and management is centralized in the Carolinas. There is a concern as to whether they can adequately manage an increasingly far-flung portfolio to be generated via the requested new funding from USDOE.

The CEO of Self-Help must personally approve all loans over \$1mm. (page e60.) This is a major responsibility for one individual and raises a concern about risk management.

The listed "expertise in education" experience (p. e58) of several loan officers was minimal, primarily short teaching stints in AmeriCorps, etc.

There was no specific information in the Appendix (see page e195) regarding the rating and stability of the two credit unions.

Reader's Score: 32

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel. In determining the quality of project personnel, the Secretary considers--

1. The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and

2. The staffing plan for the grant project.

Strengths:

The CEO, Martin Eakes, has been with the Center for Community Self-Help for 37 years (page e60.) He was also directly involved in the creation of the North Carolina charter school law. He is clearly qualified to lead the organization.

A strong and comprehensive staff plan was included in the Appendix.

Weaknesses:

While Mr. Eakes, is quite experienced (page e60) there was no discussion of any succession plan. Presumably Mr. Eakes is now in his mid 60s. He has a high degree of personal control over lending and management decisions for this major financial institution with retail, small business, and charter school customers as well as 140,000+ depositors.

There was no discussion in the narrative about the staffing challenges that might occur if and when applicant expands lending and guarantee activity by taking on another major US Dept. of Education grant.

Reader's Score: 14

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

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This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

1. The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB).
2. The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and
3. The extent to which the applicant would target services to communities with large proportions of students from low-income families.

Note: With regard to paragraph (1), consistent with the transition authority in section 4(b) of the ESSA, through the 2017-2018 school year, the Department will allow applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility.

After school year 2017-2018, the Department will require an applicant that receives points under this priority and receives a grant under this competition to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

The Center for Community Self-Help ("Self-Help) indicated (p. e18) that they would target loan services to: charter schools in need of improvement as identified by NCLB; charter schools in which a large percentage of students are below proficient in state assessments; and charter schools in communities with large proportions of students from low-income families. Therefore, applicant has satisfied the three requirements for the Competitive Preference Priority

Weaknesses:

There are no weaknesses noted.

Reader's Score: 15

Status: Submitted

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Status: Submitted

Last Updated: 07/06/2017 09:23 AM

Technical Review

Applicant: Center for Community Self-Help (U354A170011)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	33
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1. Project Services	15	14
Capacity		
1. Capacity	35	31
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	92
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	15
Sub Total	15	15
Total	115	107

Technical Review Form

Panel #1 - CSP Credit Enhancement - 1: 84.354A

Reader #3: *****

Applicant: Center for Community Self-Help (U354A170011)

Questions

Selection Criteria - Quality of Project Design and Significance

- 1. Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers-**
 - 1. The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;**
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 - 3. The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;**
 - 4. The extent to which the project is likely to produce results that are replicable;**
 - 5. The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**
 - 6. The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;**
 - 7. The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 4303(g)(2) of the ESEA, as amended by the ESSA; and**
 - 8. The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.**

Strengths:

The applicant will provide better terms and rates compared to the market, including a reduction on some of the fees and costs associated with lending and construction. It plans to service projects with low debt-service coverage ratios, projects with higher loan to value ratios, projects that need longer amortization periods, and projects that need longer periods of zero-only interest rates. It will undertake some troubled projects (construction and turnaround issues), and projects with inconsistent financial performance (pages e24-e26).

The objectives and goals are clear and measurable. The applicant plans to leverage \$8M to \$200M (a 25:1 leverage ratio) to make 80 loans in 10 years. It will provide 2,000 hours of cost-free technical assistance annually. It will serve early-stage innovators, rural, and schools in high-impact areas (pages e27-e32).

The timeline is very clear and matches the clearly-established, measurable goals, objectives, and actions stated in the narrative (page e32).

Applicant committed to develop at least three new tools or models for the charter school financing field (page e34).

The applicant poses good questions for identifying the criteria for selecting charter schools to assist: low-income community; educational needs; academic and leadership abilities; financial stability; sufficient collateral; location in strong charter school state; and racial diversity (pages e35-e36).

The applicant has experience raising over \$600M in private sector capital over the past 10 years. Letters of support from

previous and interested investors are part of the application (page e36).

In connection with increasing the variety of charter schools, the applicant intends to reach out to early-stage schools, schools that lease facilities, and schools with the greatest collateral challenge (page e36).

The applicant provided a list of the twelve states in which it operates in a University of Arkansas study of ESSA Criteria for Strong Charter School Laws. Two of the twelve met all criteria of the study (alternate authorizer, equitable financing, facilities support, at-risk students, and best practice authorizing). For the remaining ten, about half met three of the criteria with the other half meeting four of the criteria (page e37).

The \$8M request will result in \$200M in financing. The applicant does not intend to charge any project costs other than loan losses to the grant. Relative to the CECSF amount requested, this is reasonable (page e38 and e186).

Weaknesses:

It would have been helpful if the applicant had explained in more detail at least one of the models it intends to develop for lenders and other end-users (page e34).

The applicant does not explain how it determines the type and amount of assistance it will provide (pages e35-e36).

The applicant provided general information from one study to consider schools in strong charter law states (page e37). It could have provided additional information about the study it presented, along with other sources to bolster the identification of the states with strong charter school laws.

Reader's Score: 33

Selection Criteria - Quality of Project Services

1. Quality of project services. In determining the quality of project services, the Secretary considers-

- 1. The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- 2. The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- 3. The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and**
- 4. The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

Strengths:

The applicant identified leased facilities and schools requiring significant work calling for higher loan-to-value ratios as the top two needs. It has experience and provides products and services for both (e40).

To help with the design of the application, the applicant interviewed seven charter movement leaders and hosted two focus groups for input. Participants included charter schools, charter support organizations, lenders, philanthropic organizations, and developers (page e41). The participants identified other needs such as: rural schools; the need for gap financing; the need to refinance projects as existing loans and leases expired; and to be aware of high-priced projects that had escalating rents. In connection with social equity, participants asked the applicant to consider the number of teachers of color and the outcome/output for more inclusion (page e42).

Support was demonstrated by 26 letters of support from charter schools, charter support organizations, lenders, and elected officials (page e42).

The applicant identified schools to assist with a multitude of needs (low income communities, educational priorities, leasehold facilities, and early-stage schools—page e43).

Weaknesses:

The applicant did not explain how the products and services to be provided would focus on the schools with a likelihood of success (page e43).

Reader's Score: 14

Selection Criteria - Capacity

- 1. Capacity. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers:**
 - 1. The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**
 - 2. The applicant's financial stability;**
 - 3. The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
 - 4. The applicant's expertise in education to evaluate the likelihood of success of a charter school;**
 - 5. The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;**
 - 6. If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;**
 - 7. For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and**
 - 8. For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

Strengths:

Self-Help generally explained its history for providing \$327M in loans to the charter school segment with an extremely low default rate.

Only Self-Help Ventures' credit reporting was provided (page e196). It has the highest rating for impact performance, and second highest rating for financial strength out of 14 (by AERIS a CDFI evaluator).

The applicant provided combined financial statements for 2012/2013, 2013/2014, and 2014/2015. There were no audit findings in unqualified reports using current and appropriate accounting standards pages e243, e292, and e334). Charter school loans were the applicant's largest lending segment in 2013 and 2014 (pages e214 and e263), dropping to the second after commercial loans in 2015 (page e310). The net assets increased over this period of time from \$407M (page e284) to \$453M (page e326).

The applicant provided the Ventures Fund Business Loan Policy which listed the steps to be taken when a loan is delinquent (page e444), repayment plans, charge-offs, monitoring, and reporting.

The applicant has full-time staff (page e51) to work on portfolio monitoring which includes reviewing academic

performance.

The applicant uses a consultant, Public Impact, to perform academic assessments on borrowers. Public Assessment and the applicant created an assessment tool by charter schools (page e57).

The applicant provides its Conflict of Interest Policy (page e190) which includes definitions and clear examples of different types of conflicts of interest involving employees/board members, family, and community participation. Perceived and potential conflicts of interest are defined as well.

Reported in 2016, the 2003 grant combined with the 2006 grant (totaling \$10.2M), exceeded combined \$102M goal by \$168M (page e412), creating 25,000 student spaces; done through 99 loans to 64 schools (page e59).

Weaknesses:

The applicant did not clearly distinguish between enhancing credit on debt beyond the facilitation of loans (page e44).

Although the applicant discusses the Self-Help Credit Union and the Self-Help Federal Credit Union, no information was provided about performance or stability. These are two of the three organizations Self-Help uses to finance projects (page e195). The Ventures Fund is included in the financial statements.

The applicant discusses its current (2016) net worth and other financial items on page e45, and on page e197 it states the 2016 unaudited financials are presented; however they are not.

The applicant provided its Self-Help Credit Union Investment Policy (page e425), which laid out the policies for the credit union's investments. It is not clear from the narrative on page e48 how this attachment relates to the project.

The applicant provided its Ventures Fund Commercial Loan and Investment Policy (page e439). The document presented the general concepts associated with investments, but charter schools were not mentioned. If charter school loans are included in commercial loans, that should be distinguished. The applicant has an opportunity to develop a replicable best practice for protecting against unwarranted risk when lending to charter schools.

While the applicant discusses three staff members with experience teaching and tutoring a few years, it does not maintain staff well-versed in education or experience evaluating the success of a charter school (page e58).

Reader's Score: 31

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel. In determining the quality of project personnel, the Secretary considers--

1. The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and

2. The staffing plan for the grant project.

Strengths:

Many staff members have been with Self-Help for a number of years, having worked on lending to charter schools. Staff demonstrates solid qualifications for each of the areas required to initiate and manage loans to charter schools and to provide additional services as needed (pages e69 and e77-e119).

The project is well-staffed from Self-Help, Self-Help Credit Union, Self-Help Ventures Fund, and Public Impact with experience including: lending (underwriting, closing, and servicing), financial management, impact measurement, raising

capital, technical assistance for a variety of topics, construction management, and legal matters (pages e69 and e77-e119).

Weaknesses:

Although Self-Help has well experienced staff to administer the program, with 700 employees (page e70) and three financing organizations (Self-Help Credit Union, Self-Help Federal Credit Union, and the Ventures Fund), the applicant did not explain how the participating organizations and employees will communicate.

Reader's Score: 14

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

1. In accordance with 34 CFR 75.105(b)(2)(ii), this priority is from 34 CFR 225.12. For FY 2017 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

1. The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB).
2. The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and
3. The extent to which the applicant would target services to communities with large proportions of students from low-income families.

Note: With regard to paragraph (1), consistent with the transition authority in section 4(b) of the ESSA, through the 2017-2018 school year, the Department will allow applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility.

After school year 2017-2018, the Department will require an applicant that receives points under this priority and receives a grant under this competition to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

The applicant will target 90% of its loans to districts with high education needs, defined as meeting either: districts where more than 20% of conventional schools are underperforming, or districts where fewer than 60% of students are proficient in reading or math assessment (page e18).

The applicant will target 95% of financing to communities and schools with a high proportion of students from low-income families defined as 50% of students receiving free or reduced lunch and the number of borrower schools located in NMTC-eligible census tracts.

The applicant provided a table (page e21) with a list of schools to which it will target activities. These schools include higher rates of free/reduced lunches, schools in a moderate range of being focus/priority schools, and schools with low

proficiency scores.

Weaknesses:

While applicant sets 90% as its target to serve schools identified for improvement or end-users who perform below proficiency state levels, it does not distinguish how much of both categories will be served or if the two groups overlap (page e18). While schools could be in both groups—those identified for improvement/corrective action/restructuring and schools with end-users who perform below proficiency, each should have specific targets.

The applicant should have provided the parameters of NMTC-located census tracts (page e19.)

Reader's Score: 15

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