

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

Status: Submitted

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

Technical Review

Applicant: Hope Enterprise Corporation (U354A170006)

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	11
Capacity		
1. Capacity	35	31
Quality of Project Personnel		
1. Project Personnel	15	13
Sub Total	100	87
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	13
Sub Total	15	13
Total	115	100

Technical Review Form

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

Reader #1: *****

Applicant: Hope Enterprise Corporation (U354A170006)

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 to support \$13.75MM in loans to 21 charter schools in 5 years while leveraging total financing of \$88MM, an 8:1 ratio with a projected loss rate of less than 2%. (pg 2, 6-12).

The applicant describes its financial products and includes examples involving leasehold improvement loans, real estate loans, and loans funding leverage debt for NMTC (pg 7, 10, 11, 13).

The applicant's seven grant objectives are measurable and the timeline is specific and scaled across the five-year horizon. This also extends to helping coordinating data and minimize data collection burdens associated with the financial transactions. The applicant's plan for technical assistance is detailed and individualized to each charter school. (pg 6-8, 14-15, 23).

The applicant's commitment to replicability includes working with several funders that have expressed interest in structuring localized credit enhancement funds (pg 19).

The applicant documents a robust application and selection process, including analyzing enrollment data, past academic performance, the governance model, management experience, staff retention, financial stability, and viability of the facility plan (pgs 22, Attachment 6).

The applicant includes a comparative summary of the charter laws in the five states being served, including references to

a non-LEA for authorizing or on appeal (pg 5).

Total administrative costs are set reasonably at \$20K for each of years 1 & 2 only (budget).

Weaknesses:

The applicant did not provide a justification for the amortization terms, dollar levels and other terms specified in its financial products or provide evidence to support its projected 300 basis points interest rate reduction. The examples based on previously funded schools did not include enough detail to demonstrate that these favorable of terms have been achievable in the past (pg 10-11, 17-18).

The applicant reports an inability to date to extend credit enhancement beyond a 1:1 ratio of cash collateral on non-NMTC components of its program (pg 17).

The applicant did not address the criteria under ESSA amendments in discussing the strength of the charter laws in the five target states (pg 5).

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 understands and supports the needs of charter schools in terms of its product offerings and technical assistance that address the needs of charter schools for filling appraisal and equity gaps, providing more flexible terms and leveraging tax credits (pg 8-21).

The applicant demonstrates support from a variety of charter school leaders and associations as well as commitment letters from three lenders (pg 20, Attachment 8)

The applicant uses multiple measures of charter school quality for borrower schools and also uses the Public Impact firm to complete an academic appraisal to ensure it is focused on assisting charter schools with a likelihood of success (pg 22-23).

Weaknesses:

The applicant engaged the charter school community in the original design of the facilities program and honed its strategies based on actual experience; however, the applicant did not provide details of how the original input was used or how it was superseded by experience (pg 19-20).

Though referenced, the applicant did not include support letters from authorizers (pg 20, Attachment 8).

The goal to deliver a total of 250 hours of technical assistance seems low (50 hours per year across five states), especially given that support through the loan application phase is regarded as a component of the assistance (pg 8, 21).

Reader's Score: 11

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 1994, has provided \$2.89MM in credit enhancement thus far under its 2015 grant to directly support \$6MM in lending, leveraging a total of \$38.6 MM in financing (pg 25).

The applicant appears to be financially stable; its community development fund has net assets of \$80.5MM and it has received five NMTC allocations (pg 26-27).

The applicant engages Public Impact, which has the requisite charter school expertise to evaluate the likelihood of success by analyzing the borrower school's governance, management, financials, and academic track record.

The financial risk management, loan servicing and monitoring procedures are thorough. Its analysts consider the facility plan, financial performance, projections, potential exposure and related factors. The applicant has proper conflict of interest and ethics policies, requiring disclosure of any financial interests and recusal from voting on impacted transactions (pg 28-32, Attachment).

Weaknesses:

The applicant has not fully used its existing CEP funds awarded in 2015, reports supporting 2 schools in FY2016 and acknowledges its history of performance is relatively short (pg 13, 25, APR).

While the applicant does not have a credit rating for its fund, it did not disclose ratings for its underlying credit union (pg 27).

The applicant did not explain the decreasing unrestricted net assets from \$83 MM in 2013 to \$58MM in 2016 (Financial Statements).

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:

The organization chart and personnel descriptions demonstrate that daily implementation of the project is being led by the Community and Economic Development (CED) team, which works alongside the Commercial Lending team. An on the ground relationship is furthered by a total workforce of 189 staff in 30 locations. The project director has served the applicant for eight years and has 16 years of related community and economic development experience (pg 34-40, Attachment 4).

Weaknesses:

The applicant does not maintain project staff directly involved in K-12 education (pg 34-40, Attachment 4).

Reader's Score: 13

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**

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 specific commitments to serve the financing needs of charter schools in communities of greatest need that fit one or more of the NCLB-related criteria. To date under the prior grant, 87% of schools were in such eligible communities (pg 2-7, 22).

The applicant provide detailed breakdowns about the qualifying districts in the five states it services (pg 3-4).

Weaknesses:

The applicant's descriptions of geographic target areas were all large urban areas and did not provide similar details about smaller cities or rural areas (pg 3-4, 7).

The applicant's commitments are reported inconsistently; one section pledges 85% (pg 7) whereas another pledges only that the majority (pg 22) of charter schools it finances will be located in areas with poor education options.

Reader's Score: 13

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Technical Review

Applicant: Hope Enterprise Corporation (U354A170006)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	30
Quality of Project Services		
1. Project Services	15	12
Capacity		
1. Capacity	35	30
Quality of Project Personnel		
1. Project Personnel	15	13
Sub Total	100	85
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	14
Sub Total	15	14
Total	115	99

Technical Review Form

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

Reader #2: *****

Applicant: Hope Enterprise Corporation (U354A170006)

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 project design was presented in a very organized and methodical fashion that was easy for the reviewer to follow.

Applicant's criteria to be used for selecting charter schools was very appropriate and well-documented. (See pages 2-5.)

Applicant provided a detailed table (pages 14-15) with a timeline of the project that was important because it noted the steps to set up the infrastructure for the loan program, a marketing and outreach outline, the specific lending activities to be generated, the technical assistance activities, and monitoring/evaluation.

Hope notes (page 7) that the \$8mm award from USDOE will provide credit enhancement to 21 schools and leverage \$60mm in private financing. .

Hope's particular expertise with the NMTC program (pages 13, 19) could be shared and replicated on a national basis. This is an important aspect of charter school financing and one that not all charter school lenders may be familiar with.

Applicant did provide some data (page 7) on how their participation in the USDOE credit enhancement could lead to lower rates.

Hope indicated (page 15) that they will provide numerous letters of support including the state associations of charter schools in: Arkansas, Alabama, Louisiana, Mississippi, and Tennessee.

Weaknesses:

Applicant notes (page 7) that participating charters in credit enhancements provided by Hope will realize average rate savings of 300 basis points (3%.) However, Hope did not provide sufficient evidence to support this claim such as a detailed examination of their current loan portfolio vs. prevailing rates for real estate market loans.

Hope did not adequately explain why lenders currently require 100% cash collateral to back up Hope's credit enhancement. (page 13.) Attributing this solely to Hope's lack of a track record in charter school financing was not a complete or candid answer.

There was no explanation why Hope plans (page 6.) to utilize only \$6.5 million of the proposed \$8 million award after three years.

While applicant provided information (page 7) about how their proposed activities would leverage private or public sector funding, they did not provide evidence of specific examples to indicate that their proposed activities would increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program.

Hope did not indicate 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 ESEA as amended by the ESSA.

Reader's Score: 30

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:

Hope has provided a number of letters of support (page 15), including letters from the state associations for charter schools in Alabama, Arkansas, Louisiana, Mississippi, and Tennessee.

They also provided a letter of support from Capital One Finance indicating a commitment to provide up to \$20 million for charter school facilities supported by Hope's credit enhancements. (See Appendix, page 63.)

Hope stated (page 19) that they conducted extensive interviews with charter schools, CMOs that manage charter schools, and "charter school associations" in the target market to develop their USDOE proposal.

Hope outlined (pages 20-21) a very complete list of technical services to be provided to charters including: preparing budgets, making financial projections, basics of real estate development financing, and charter school management.

The planned use of the Public Impact consulting firm in North Carolina to participate in the vetting process of potential

applicants (page 22) is a very positive step.

Weaknesses:

Hope did not discuss the participation of any state chartering agencies in the design of their grant proposal. (See page 19.)

Hope previously noted in their proposal that they only have one year of experience financing charter schools. (See page 13.)

Reader's Score: 12

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:

Hope has provided funding for small businesses in their service area since 1994. (See page 24.)

Hope notes (page 24) that they have received five NMTC awards, which were used to raise \$75mm in private equity and debt.

Applicant provided (page 28) a risk management plan including comprehensive policies and procedures, an experienced staff, in-depth due diligence programs, and very active portfolio monitoring.

Applicant provided details (page 31) about a formal conflict of interest policy in their Code of Business Conduct and Ethics Policy.

Hope's extensive on-the-ground presence in Mid South communities is a definite plus and suggests that Hope knows their lending market well. (See page 33.)

Weaknesses:

Applicant notes (page 13) that they have one year of experience providing credit enhancements on loans for charter schools facilities. This very limited "track record" calls into question their level of expertise to fully develop and manage a USDOC credit enhancement grant.

Hope also notes (page 13) that lenders are currently requiring 100% cash collateral to back up Hope's credit enhancements. This was not adequately explained and raises the question of whether or not Hope would be able to effectively deploy these credit enhancement funds. .

Hope did not adequately why they have committed just \$2.89 million from their original USDOE award of \$6.75mm in 2015. (See page 25.)

Applicant notes (page 25) a substantial increase in past-due loans arising from a single loan. This raises concern about their underwriting standards.

Applicant states (page 27) that they do not have a credit rating. However, they did not discuss whether there are any available credit ratings for the Hope Credit Union.

Notwithstanding applicant's "boots on the ground" in many MidSouth communities (page 33), they did not discuss whether Hope has any particular expertise in public education.

Reader's Score: 30

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, Bill Bynum, oversees Hope's management, capitalization, and strategic plan. He has spent 30 years in community development and twenty years at Hope. The COO, Alan Branson, has oversight for Hope's mortgage, commercial and retail lines. He has been with Hope since 1994. Both are experienced in commercial lending and are a strong management team. (See page 35.)

Hope also provided a detailed staffing plan. (See pages 34-39.)

Weaknesses:

There was no discussion (pages 34-39) as to whether any member of the Hope senior management team or commercial lending team has any direct experience in public school/charter school education.

Similarly, there was no discussion regarding the engagement of any outside consultants or subcontractors (pages 34-39) with charter school development and lending experience.

Reader's Score: 13

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:

Hope Enterprise Corp. ("Hope") provided especially complete data to explain how they would classify schools with the "greatest need" for funding. This was consistent with the Competitive Preference Priority (CPP) guidelines.

Instead of simply using a general percentage target of low-income or low-assessment score students, Hope provided detailed information for each of their five target states. (pages 2-5.) Then, Hope further broke down the data to analyze the largest cities in each of the five states. That was very complete and effective.

Applicant's use of tables in the CPP section of the narrative was very good.

Weaknesses:

There was an inconsistency re the percentage of distressed schools to be financed: 85% (page 7) vs. a majority (51%+) of schools. (See page 22.)

Hope did not specifically mention ESSA in their section on the Competitive Preference Priority. (See page 2.)

Reader's Score: 14

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Status: Submitted

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Technical Review

Applicant: Hope Enterprise Corporation (U354A170006)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	31
Quality of Project Services		
1. Project Services	15	13
Capacity		
1. Capacity	35	30
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	88
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	13
Sub Total	15	13
Total	115	101

Technical Review Form

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

Reader #3: *****

Applicant: Hope Enterprise Corporation (U354A170006)

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 terms were identified for the three loan products: a leasehold improvement loan with a 5-year term and 10-year amortization (page 17); a loan to schools that owned their own facilities for \$750,000 with a 10-year term and a 20-year amortization period; and, a NMTC loan with a minimum of a 7 year term.

The applicant provided a list of seven objectives, most of which are clear and measurable: serve communities with greatest need; provide enhancements to support \$13.75MM in loans to 21 charter schools in 5 years; provide affordable financing and technical assistance to a range of charter schools; leverage \$60MM; maintain a leverage ratio of 8:1; maintain a credit enhancement loss rate of less than 2%; and add 1,000 seats (pages 6-8).

The plans and activities are very likely to achieve measurable objectives to further the program. Although a few objectives did not have measurable metrics, the overall activities would produce measurable outcomes (such as the number of schools served).

It is very possible localized credit enhancement could be replicated for the program (page 19).

The applicant discussed generally good terms and rates (page 10), but did not make a case for better terms and rates as compared to the market.

Some of the activities in the timeline have been completed and wait for the grant award and agreement execution (page 14): the accounting system, marketing materials, fund application, and lending policies and procedures have been

completed (page 15).

The number of schools to be served has been established (21 over 5 years).

The applicant identified the types of loans it would make: five leasehold loans averaging \$250,000; 14 mortgage loans to charter schools that own facilities averaging \$750,000; and two financing deals using New Markets Tax Credits averaging \$12MM (page 17).

Each state has charter school legislation: Alabama in 2015; Arkansas in 1995; Louisiana in 1995; Mississippi in 2010; and Tennessee in 2002 (page 5).

Weaknesses:

While the applicant identified some of the terms, amortization periods, and dollar amounts for its three loan products, it did not explain why it selected these terms (pages 17 and 18).

The applicant provided three examples of projects, one for each loan product, but did not take the opportunity to explain how the terms and rates were better than the market (pages 10, 11, and 13).

A few objectives were not clear: facilitate innovative financing and promote reliability; and provide technical assistance (page 8).

The applicant did not explain or define the average enhancement of 56%; how it could attain interest savings of 4%; and how it could provide a higher loan-to-value ratio (pages 6-8).

Only one item had a defined timeline: provide enhancement to support \$13.75MM in loans to 21 charter schools in 5 years (page 7).

The applicant presented a recent transaction on page 10. It should have compared the terms of the project with enhancement, and the terms the project would have had without enhancement rates.

The applicant discussed a school that acquired and planned to build a new facility. It should have discussed the terms of the deal to demonstrate how credit enhancement provided better terms and rates (page 11).

Although HOPE provided information about the type and amount of financial assistance it would make, it did not explain how it came up with the figures associated with determining the number of schools to be served or the average amount of assistance for each loan (pages 16 and 17).

The applicant did not discuss project cost reasonableness relative to the grant fund request and the project's objectives, design, and significance of the project (pages 1-19).

Reader's Score: 31

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 needs identified in the Competitive Preference Priority section included: serve communities with the greatest needs (FRL statistics and economically distressed communities – page 7); and provide financing and TA to schools (4 new, 6 single, and 5 rural).

Letters of support from charter schools, lending institutions, and charter school organizations (page 51-65) demonstrate support for the project.

The applicant provides technical assistance to charter schools for real estate development and financing (page 21). It utilizes outside partners to provide technical assistance for charter school management and operations.

The applicant set goals that 75% of students will be FRL eligible, and the majority of charter schools financed will be located in areas with poor education options (page e22). The applicant uses Public Impact, a national consultancy, to assess the academic quality of the applicants (page 22) to gauge the likelihood of success.

Weaknesses:

The applicant does not explain how it determined the needs it identified (the needs listed in the “strength section above.”)

Although the applicant provided letters demonstrating support for the project, the letters did not explain if or how supporters were involved in the design of the project, nor did the applicant state that any of the organizations were involved in the design of this project (pages 19-20).

The applicant did not explain how it pays for technical assistance (page 21).

It is not clear from the information in the Cash Flow Pro Forma (page 66), the notes to the Financial Projects (page 71), or the narrative (page 18) how the fees charged (1% credit enhancement fee, 0.5% from NMTC transactions) or philanthropic funds will be used to pay for costs. The applicant should match the sources and uses so cost effectiveness can be determined or explain it.

Reader's Score: 13

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 discusses its background including program experience with the New Markets Tax Credit Program (Treasury), the Community Development Block Grant Program (HUD), the SBA's Community Advantage Program, and the USDA's Community Facilities Program. From these federal grant programs, it leveraged \$125MM in private equity and debt (page 24).

The applicant has experience enhancing credit to charter schools from a 2015 Credit Enhancement Program (page 25).

In the 2013-2014 Consolidated Financial Position (page 79), the 2014-2015 Consolidated Financial Position (page 118), and the 2015-2016 Consolidated Financial Position (page 159), the auditor states the financial statements represent fairly the financial position of HOPE Enterprise Corporation in accordance with accounting principles generally accepted in the U.S.

Unrestricted net assets in 2013 were \$83MM (page 80); unrestricted net assets in 2014 were \$82MM (page 80); unrestricted net assets in 2015 were \$73MM (page 119); and unrestricted net assets in 2016 were \$58MM (page 160).

HOPE has 23 years of experience making loans to organizations (page 25). Up until 2016, the applicant experienced a Past Due rate of 3%, except in 2016 when it experienced a Past Due rate of 21%. Charge-offs fluctuated between 3.29% and -0.09% over the past five years (page 25).

The applicant provided its Code of Business Conduct and Ethics Policy (page 447) and a Conflicts of Interest Statement (page 454) which all employees and board members are required to sign.

The applicant did not directly address its 2015 grant in this section. According to the CECSF Annual Performance Report (page 41), the applicant served 2 schools in one year with \$6.75MM in credit enhancement.

Weaknesses:

The applicant only recently started enhancing credit for charter schools (page 25), and has not completed the full grant cycle of the Credit Enhancement program.

The applicant did not discuss guaranteeing leases (page 24).

The applicant does not have staff with direct experience in education to evaluate the likelihood of success of a charter school.

The applicant did not explain its decreasing unrestricted net assets during 2013 through 2016 from \$83MM to \$58MM.

Although HOPE explained the high Past Due amounts in 2016, the figure is very high and causes questions about underwriting and management (page 25).

Reader's Score: 30

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 org chart displayed (page 460) and the narrative (page 34) explained that community and economic development would take the lead of the day-to-day management of the program. After a lender is identified, the Commercial Lending team would perform underwriting, closing, servicing, and loan monitoring responsibilities. The other departments and leads were identified for the remaining functions of administering the program for each school.

Weaknesses:

No staff was directly identified with charter school or education experience (pages 34-39), and the applicant did not discuss how this important function for schools would be addressed.

The applicant should have explained if other staff would be working on the day-to-day functions besides the heads of departments, and how much time the heads would be committing to the project if they were the only staff members working on the project. Resumes of every employee are not required, but a description of the number and function of subordinate staff would complete the picture (pages 34-39).

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

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:

Each of the major cities in the five identified states has a large proportion of schools identified for improvement (page 3).

Each of the major cities in the five identified states perform below the national achievement rates, being in the lowest quintile (pages 3 and 4).

Each of the major cities in the five identified states had a high proportion of students that receive FRL (page 4).

Weaknesses:

Although the applicant provided information about each competitive priority, it selected large cities, and should have provided information about the rural areas of the states.

It is not clear if ESSA was distinguished from ESEA.

Reader's Score: 13

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