

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

Status: Submitted

Last Updated: 08/26/2019 07:20 AM

## Technical Review Coversheet

Applicant: Hope Enterprise Corporation (S354A190004)

Reader #1: \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of project design and significance</b>		
1. Quality Project Design	35	31
<b>Quality of Project Services</b>		
1. Project Services	15	14
<b>Capacity</b>		
1. Capacity	35	33
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	14
<b>Sub Total</b>	100	92
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority 1</b>		
1. CPP1	5	4
<b>Competitive Preference Priority 2</b>		
1. CPP2	5	5
<b>Competitive Preference Priority 3</b>		
1. CPP3	5	5
<b>Sub Total</b>	15	14
<b>Total</b>	115	106

# Technical Review Form

Panel #1 - FY19 Credit Enhancement Panel 1 - 1: 84.354A

Reader #1: \*\*\*\*\*

Applicant: Hope Enterprise Corporation (S354A190004)

## Questions

### Selection Criteria - Quality of project design and significance

#### 1. 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; 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:

- (1) In the current interest rate environment, HOPE anticipates rates on the loans to be between 6 and 7% versus nontraditional subordinate lenders priced at 12%. They offer a variety of finance options and with this award they will provide credit enhancements to bridge the valuation gap to ensure that subordinate financing is not necessary or is not cost prohibitive for these charter schools.
- (2) The applicant's project, goals, objectives, and timeline are described in detail. The project will increase access and affordability of facilities financing to high performing charter schools that serve low-income communities in the Deep South as detailed in their Logic Model. To assure progress in achieving goals they will document progress toward their goals utilizing their Commercial Loan Tracking System inputting data on enrollment and performance from charter schools, LEAs, and state education agencies (SEAS). (page e26-e27)
- (3) The applicant has an existing track record of financing community facilities and nonprofits since 1995. The lending goals for this project are comparable to past request and support the growing number of schools in their region. (page e33) Given this information, the project implementation plan and activities will achieve measurable results. The goal is to provide credit enhancement for eight schools in five years.

(4)The applicant has developed creative financing models that are being replicated. They anticipate leverage on the credit enhancement transactions of approximately 24:1. (page e31)

(5)The applicant will use the credit enhancements on a range of loan products to address specific charter school facility financing needs that include supporting leasehold improvements, providing subordinate debt that helps address appraisal gaps and providing senior debt.

(6)The applicant anticipates providing rates on loans between 6-7% versus 12% from other lenders which decreases funds available for staffing curriculum and educational experiences. Increase current LTV of 75 to 80% from traditional lenders to a ratio greater than 1:1.

(7) HOPE is requesting [REDACTED] from the Credit Enhancement program to strengthen and expand charter schools sectors in Alabama, Arkansas, Louisiana, Mississippi, Tennessee and Tennessee. Although the states have strong charter laws, they lack equitable access to capital funding and financing for charter school facilities.

(8) The documentation in the application including financial projections confirms that the project costs are reasonable in relation to the objectives, design and potential significance of the project. Hope has a successful track record and intends to work close with charter school associations in the targeted regions. They will continue to call up on the expertise of charter school authorizers and Public Impact, a national education policy and management consulting firm to help assess prospective charter school borrowers. (page e34)

**Weaknesses:**

Pipeline is referenced but not included in the application. This along with the types of expected financing needs per facility would be helpful in clarifying a request of this size. This should be included to properly assess what schools are in the targeted areas.

No discussion of state laws as it pertains to strong charter schools. This was a general statement in the document without further information as to how this was determined.

**Reader's Score: 31**

**Selection Criteria - Quality of Project Services**

**1. In determining the quality of the 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:**

- (1) HOPE was awarded Credit enhancement funds through the 2015 and 2017 cycles. They continue to engage stakeholders and perform research in determining the target areas for this project as presented under the competitive

preference priority.

(2)The applicant developed their strategy alongside a number of stakeholders in local charter school sectors. This included interviews with charter schools, CMOs that manage more than 125 schools across their target market, charter school associations, authorizers, local land regional banks, and funders in the states they serve. Letter of supports reiterating the need for the program are included in the application. (page e220-e225)

(3) The applicant works with each charter school structuring individualized technical assistance including; real estate project development, financing, and organizational operations. This includes connecting schools with resources provided by charter school associations in their state and national education consulting firms such as Public Impact, EdTec, 4th Sector Solutions, and the Ten Square Group. (page e39)

(4) The applicant works closely with partners to identify high impact schools serving high-need students and families. They have set a goal that 75% of students benefiting from the school lending portfolio to be FRPL eligible and the majority of charter schools financed be in areas with poor education options. (page e40) The Charter School Facilities fund will charge 1% credit enhancement fee to all projects and earn a small portion of the CDE fees on NMTC projects it guarantees, totaling .5% of the NMTC transaction. Additionally, the model projects allowance for losses of 1% of the balance of its net outstanding loans and guarantees.

#### **Weaknesses:**

No philanthropic partnerships included in the application design. Recommend that they align themselves with foundations with similar interest. Foundations partner with local and national organizations to support qualified school operator affiliates. This includes startup support, earlier stage support, and other programs. Given their size this would be beneficial.

A review of the exhibits which included letters of support attached to the application, no authorizers were included in the design of the project as indicated in the application. (page e38)

**Reader's Score: 14**

#### **Selection Criteria - Capacity**

- 1. 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:**

(1) The applicant began various types of financing since 1994 however in 2013 they performed an analysis of the need for charter school financings. In 2015 they received their first award for credit enhancing loans to charter schools and in 2017 their second award. Using these awards they have provided [REDACTED] in credit enhancement for 16 schools to directly support \$ [REDACTED] lending leveraging a total of [REDACTED] in financing for charter schools. (page e43)

(2) The applicant contracts with an accounting firm that specializes in internal and external audits of CDFIs. This firm audits them quarterly reviewing operations, portfolios, and systems to ensure compliance and risk management practices are being followed. (page e50) Audited financials provided highlighted an area of concern as it pertains to a loan receivable from Quitment Investment Fund for [REDACTED]

The applicant continues to have their operations subsidized by outside philanthropic support. This includes grants from The Ford Foundation, W.K. Kellogg Foundation, Mary Reynolds Babcock Foundation, Wells Fargo Foundation, and Goldman Sachs.

(3) HOPE does not have a credit rating but has the highest “Exemplary” rating from NeighborWorks America, a national network of community development organizations. They mitigate risk in portfolio with comprehensive policies and procedures that include sector-specific application, credit analysis checklist, and monitoring tools. (page 46)

(4) In 2013 HOPE completed an analysis of the need for charter school financing. They collaborate with partners to enhance internal expertise. (page e43)

(5) The application included a copy of the Code of Business Conduct and Ethics Policy and Loan Policy both require disclosure and documentations of interests and detailed information for violations. Employees sign the documents upon the date of hire and annually. The Board also signs the Conflict of Interest Statement and both policies and practices ensure fairness in decision making, lending, and other pertinent areas of business. (page e49)

(8) The applicant is comprised of a CDFI with \$ [REDACTED] in assets and total net assets of \$ [REDACTED] and a low-income designated credit union with [REDACTED] in [REDACTED]. Their rigorous policies and procedures have led to strong financial performance and stability. They support their operations with a combination of interest earning from its loan and investment portfolios, fees from consulting activities and financial transactions, and grants from private foundations and government agencies. (page e44) They will finance 5 schools from their pipeline over the next two years utilizing [REDACTED] leveraging \$ [REDACTED]

**Weaknesses:**

Foundations partners with local and national organizations to support qualified school operator affiliates. This includes startup support, earlier stage support, and other programs. Given their size the philanthropic would be beneficial.

The applicant should hire personnel with more depth in education. The applicant collaborates with external partners to enhance their education knowledge. Given the size of their organization and this additional request they should consider hiring someone with this expertise internally.

Reader's Score: 33

### Selection Criteria - Quality of Project Personnel

#### 1. 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:

(1) HOPE's leadership team has a combined 107 years of experience organizational chart shows that activity is integrated. (page e430)

(2) HOPE's Commercial Lending team will support the execution of this project through loan underwriting, closing, servicing, and monitoring. Business Analysts conduct monthly reviews of loan production and overall portfolio quality with reports given to senior management quarterly. Finally, the Charter School Facilities Fund is audited annually.

#### Weaknesses:

The activities appear to be integrated with other portfolio activity with no clear distinction of duties for staff assigned to the grant project. This represents number of different departments that are instrumental to their success leading their rapid growth as a family of development organizations with 224 employees in 31 locations.

Reader's Score: 14

### Priority Questions

#### Competitive Preference Priority - Competitive Preference Priority 1

1. For FY 2019 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 comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);

**Strengths:**

Priority 1: All five states in HOPE's Charter School Facilities Fund's target area received No Child Left behind waivers from ED and adopted their own state accountability models. In these models Alabama designated 76 schools as failing; Arkansas identified 289 schools (28%) as a D or F; Louisiana gave 340 schools (25%) accountability grade of D or F; Mississippi gave 274 schools (31%) an accountability grade of D or F, and Tennessee identified 82 schools on their Priority list (bottom 5% in all performance). (page e20)These schools meeting this priority requirement are located in the primary cities where they will target their Charter Schools Facilities Fund.

**Weaknesses:**

There is no language to specifically note that the applicant will target services to geographic areas in which a large proportion or number of public schools have been identified for comprehensive support and improvement or targeted support and improvement under the ESEA

**Reader's Score:** 4

**Competitive Preference Priority - Competitive Preference Priority 2**

1. For FY 2019 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--

- (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 (up to 5 points); and

**Strengths:**

Priority 2: The states targeted for the Charter Schools Facility Fund fall in the bottom quintile of state ranking on educations. On the 2017 National Assessment of Education Reading Program the performance for states targeted for this program (AL, AR, LA, MS, TN) is dire. These are areas with the lowest academic achievement rates in the nation.

**Weaknesses:**

No weakness noted.

**Reader's Score:** 5

**Competitive Preference Priority - Competitive Preference Priority 3**

1. For FY 2019 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--**

**(3) The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).**

**Strengths:**

Priority 3: Between 2013-2017, 11% of the US Population families with incomes below the federal poverty level. The targeted states for this program have children living with families who have incomes below the federal poverty level of 20% One in four children in the Deep South is suffering the developmental consequences of poverty. (page e22) The applicant will target services to communities falling within this competitive preference priority so that these schools have a chance to succeed and generate high quality outcomes.

**Weaknesses:**

No weakness noted.

**Reader's Score: 5**

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**Status:** Submitted  
**Last Updated:** 08/26/2019 07:20 AM

Status: Submitted

Last Updated: 08/26/2019 10:43 AM

## Technical Review Coversheet

Applicant: Hope Enterprise Corporation (S354A190004)

Reader #2: \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of project design and significance</b>		
1. Quality Project Design	35	34
<b>Quality of Project Services</b>		
1. Project Services	15	13
<b>Capacity</b>		
1. Capacity	35	35
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	15
<b>Sub Total</b>	100	97
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority 1</b>		
1. CPP1	5	4
<b>Competitive Preference Priority 2</b>		
1. CPP2	5	4
<b>Competitive Preference Priority 3</b>		
1. CPP3	5	5
<b>Sub Total</b>	15	13
<b>Total</b>	115	110

# Technical Review Form

Panel #1 - FY19 Credit Enhancement Panel 1 - 1: 84.354A

Reader #2: \*\*\*\*\*

Applicant: Hope Enterprise Corporation (S354A190004)

## Questions

### Selection Criteria - Quality of project design and significance

#### 1. 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; 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's use of the CE would provide significant benefits to assisted schools in the form of lower interest rates, higher LTV and increased product flexibility (e25).
- The applicant provides project goals, objectives and timelines that reflect its plans and priorities and are measurable and consistent with the applicant's track record, and likely to be achieved and would further the purposes of the program.
- The applicant's approach is grounded in a strong lending operation, effective collaboration, and commitment to the schools and communities being served and seems like it could be replicated by other organization with the right combination of assets.
- The criteria that the applicant describes for selecting charter schools for assistance and determining the type and amount of assistance to be provided reflect the applicant's lending experience, and its knowledge of the charters and the communities that the charter schools serve.
- The applicant plans to achieve significant leverage and increase the number and variety of charter schools and that is consistent with their track record. They have used \$ [REDACTED] in credit enhancements and leveraged \$ [REDACTED] in financing and their current pipeline would utilize [REDACTED] in credit enhancement and leverage \$ [REDACTED] in financing (e24).
- Three of the states that the applicant plans to concentrate on have strong charter school laws based on NAPCS rankings (Alabama, Louisiana, and Tennessee - e24) and all five present good opportunities because they do have no or

limited caps on charters, 4 of the 5 allow high degrees of charter autonomy, and 4 of the 5 have relatively inequitable access to capital. All five states have significant needs in terms of Priorities 1 and 2 and 3.

- The requested grant amount and project costs seem reasonable in relation to the number of schools to be assisted, the applicant's plan and their previous track record.

**Weaknesses:**

- The applicant has a reasonable approach to assessing the likelihood of success of potential charter schools, but its underwriting process is based on its commercial underwriting and is primarily focused on the financial features of the borrower and transaction, though they do employ an outside firm with education expertise to help them assess the educational position and outlook of potential borrowers.

**Reader's Score: 34**

**Selection Criteria - Quality of Project Services**

**1. In determining the quality of the 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 provides effective support in obtaining financing for charter school's facility needs and takes a capacity building approach to its work with charters that aims not just to lend to them, but to make the process one that helps to build the knowledge, skills and financial strength of the borrowers.
- The applicant demonstrates significant support from charter school for their approach and describes a process for the development of their facility program that engaged charter schools, authorizers and other stakeholders.
- The applicant plans to charge a 1% credit enhancement fee and that seems reasonable and responsive to the schools' needs in that it should lead to lower interest costs, higher LTV and increased flexibility in the structure of the financing.
- The applicant aims to serve schools with a high likelihood of success and significant need and their community focus, outreach efforts and underwriting process seems suited to that purpose.

**Weaknesses:**

- The applicant's assistance is narrowly focused on financing charter facilities and not on the range of other issues that school encounter in seeking a facility. It plans to provide only limited assistance in other facility development areas (like site selection, design, etc.) and referral to other resources for organizational and educational issues.

Reader's Score: 13

### Selection Criteria - Capacity

1. 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 and its staff and board have extensive experience from existing programs in carrying out the type of activities described in the proposal both with respect to financing charter facilities and other types of community and economic development financing.
- The applicant is financially stable with a very strong net asset ratio (81% of assets are net assets) and describes sound risk management techniques for underwriting projects and managing its portfolio and finances.
- The applicant has a good level of expertise in education by virtue of its charter school lending experience and the backgrounds of some of its staff, and also engages consultants and partners with deeper educational expertise.
- The applicant has policies to prevent conflicts of interest that include a code of business conduct and provisions in their loan policies that focus on disclosure and documentation and that apply to all staff and board members.
- The applicant has performed satisfactorily with previous CE awards.

#### Weaknesses:

No weaknesses noted.

Reader's Score: 35

### Selection Criteria - Quality of Project Personnel

**1. 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:**

- By virtue of their management of existing charter school financing and other community economic development activities and their prior professional experience and training the applicant's staff are well qualified and experienced both in facility development lending and other types of financing and the staffing plan for the project seems sound.

**Weaknesses:**

No weaknesses noted.

**Reader's Score: 15**

**Priority Questions**

**Competitive Preference Priority - Competitive Preference Priority 1**

- 1. For FY 2019 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 comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);**

**Strengths:**

- The applicant plans to give preference to projects that meet the priority standards.
- The region that the applicant serves and the particular cities on which its use of the CE would focus significantly meet priorities 1, 2 and 3.

**Weaknesses:**

- The applicant plans to give preference to projects that meet the priority standards.
- The region that the applicant serves and the particular cities on which its use of the CE would focus significantly meet priority 1

**Reader's Score: 4**

## Competitive Preference Priority - Competitive Preference Priority 2

1. For FY 2019 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--

(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 (up to 5 points); and

### Strengths:

- The applicant plans to give preference to projects that meet the priority standards.
- The region that the applicant serves and the particular cities on which its use of the CE would focus significantly meet priority 2.

### Weaknesses:

- Though it is clear that most of the charter schools in the cities that the applicant is targeting will meet at least one of priorities 1 and 2, the applicant does not make a specific commitment so it is uncertain how many of the schools that they would assist would address Priority 2.

Reader's Score: 4

## Competitive Preference Priority - Competitive Preference Priority 3

1. For FY 2019 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--

(3) The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).

### Strengths:

- The applicant indicates it will address Priority 3 by ensuring that at least 75% of the students assisted by the requested CE would be eligible for free or reduced lunches, and that at least 85% of the schools will be in economically distressed areas (e25).
- The applicant indicates that in the past at least 85% of the students in schools that it has assisted were eligible for free or reduced lunches.

**Weaknesses:**

No weaknesses noted.

**Reader's Score:** 5

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**Status:** Submitted

**Last Updated:** 08/26/2019 10:43 AM



Status: Submitted

Last Updated: 08/23/2019 04:45 PM

## Technical Review Coversheet

Applicant: Hope Enterprise Corporation (S354A190004)

Reader #3: \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of project design and significance</b>		
1. Quality Project Design	35	32
<b>Quality of Project Services</b>		
1. Project Services	15	14
<b>Capacity</b>		
1. Capacity	35	33
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	14
<b>Sub Total</b>	100	93
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority 1</b>		
1. CPP1	5	3
<b>Competitive Preference Priority 2</b>		
1. CPP2	5	3
<b>Competitive Preference Priority 3</b>		
1. CPP3	5	5
<b>Sub Total</b>	15	11
<b>Total</b>	115	104

# Technical Review Form

Panel #1 - FY19 Credit Enhancement Panel 1 - 1: 84.354A

Reader #3: \*\*\*\*\*

Applicant: Hope Enterprise Corporation (S354A190004)

## Questions

### Selection Criteria - Quality of project design and significance

#### 1. 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; 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 proposes to use the Credit Enhancement program to generate an average of 300 basis point savings, which directly addresses how the grant proposal will provide financing to charter schools at better rates than they would otherwise receive.

The applicant outlines clear, specific goals and objectives that are appropriate and measurable. They are appropriate because the goals and objectives map back the intended outcomes of the Credit Enhancement program, specifically to improve rates and terms for charter school borrowers, as well as to help manage against risk, specifically by codifying an intended loss rate no greater than 2% (see page e26).

The implementation plan and timeline included in the proposal is delineated clearly and thoughtfully. Various deliverables are broken down by type of activity (infrastructure, marketing and outreach, lending, technical assistance, and monitoring & evaluation). It is clear from the implementation plan how many schools the applicant intends to support in each year of the project.

The applicant has cultivated partnerships (and provides ample evidence) with charter school associations, as well as other CDFIs, charter school authorizers, and Public Impact to achieve its objectives.

The applicant provides its credit application starting age e247 to substantiate that it is using appropriate criteria for selecting charter schools for assistance and determining the type and amount of assistance.

The applicant is proposing to serve charter schools in 5 states, three of which are ranked in the top 11 out of 50 by NAPCS.

The applicant has requested a modest grant amount of [REDACTED] ion over 5 years. The amount of the request and the project costs are reasonable because of the intended leverage ratio of 8:1.

**Weaknesses:**

The applicant proposes its use of the Credit Enhancement program will allow for higher loan-to-value capacity, but it does not articulate relative to what or substantiate, like in the case of interest expense savings, the level or magnitude of the gain for borrowers.

The applicant does not identify what elements of its proposed use of the Credit Enhancement are in fact replicable. The applicant cites broad buy-in and support as evidence for success replicability, which speaks to why other lenders would want to try to replicate the program, but not necessarily why they would be successful at replicating. Moreover, because of the applicant's limited time credit enhancing loans and the fact that lenders are still requiring a 1:1 enhancement, it's difficult to see the proposal as one with replicable success yet.

**Reader's Score: 32**

**Selection Criteria - Quality of Project Services**

**1. In determining the quality of the 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 references on page e38 that it has used interviews with CMOs and charter schools, in excess of 125, to design its services to charter schools and hone its facility financing strategy.

The applicant provided examples of technical assistance being provided to existing partners like Gestalt Community Schools, on page e40, to drive the use of cost-effective strategies for increasing access to financing. The specific service of helping schools like Gestalt to value-engineer their projects and facility goals is one of the most critical areas of support for charter schools because it guides them through strategies directly to lower costs and secure the best financing.

Starting on page e41, the applicant outlines a thorough vetting process for prospective charter school borrowers and active monitoring after the fact, to ensure a high likelihood of success, as well as steps the applicant takes to alleviate

burden on charter schools. The process described highlights multiple criteria used, as well as external partnerships like with Public Impact, to conduct academic appraisals and potential for academic success. The risk rating and underwriting outlined in the credit analysis procedures starting page e269 gives an in-depth look of how the applicant evaluates schools for likelihood of financial success and greatest need for assistance.

**Weaknesses:**

There is no formal evidence of chartering agencies being involved in the design of, or demonstrating support for, the project was provided, vis-à-vis a letter of support from one of the authorizers in any of the five states they offer services.

**Reader's Score: 14**

**Selection Criteria - Capacity**

- 1. 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 possesses a highly experienced team both in financing, education, and portfolio management, as evidenced by the leadership resumes and biographies. The type of experience of the staff matches and complements the work to be done under the project and demonstrates core competencies that will make the applicant successful.

The applicant demonstrates a high degree of organizational financial stability, despite a large charge-off transaction occurring in 2018 which didn't otherwise significantly change the organization's financial position; the applicant currently contracts with an audit firm to conduct quarterly audits on its various systems, which appears to be a more frequent review than other lenders. The applicant provided a positive rating with NeighborWorks USA.

The applicant provided an extensive set of risk management policies and procedures specifically for its Charter School

Facilities Fund. Specifically, the risk rating model evaluates each loan along 27 different criteria across 5 risk categories.

The applicant provided a copy of its conflict of interest policies, which includes clear mechanisms for both identifying as well as preventing conflicts of interest.

The applicant has participated in two prior funding rounds with one Credit Enhancement grant fully deployed and the second Credit Enhancement grant committed already and to be fully deployed by 2023. On pages e227 to e235, the applicant reported out on prior credit enhancements, noting no delinquencies or losses related to the Credit Enhancement grant.

**Weaknesses:**

While contextualized with the specific lending circumstances, there was a large charge-off transaction occurring in 2018, which despite the extensive set of risk management policies and procedures, does create uncertainty, albeit limited, around the applicant's ability to protect against unwarranted risk.

**Reader's Score: 33**

**Selection Criteria - Quality of Project Personnel**

**1. 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 provides professional biographical and resume evidence of strong, qualified, experienced organizational leadership, as well as throughout the project and commercial lending teams. The staff described have direct experience and expertise in credit enhancement and underwriting that can be leveraged specifically for the proposed project. The staff involved have been involved in other federal programs including New Market Tax Credits.

Applicant provided an organizational chart outlining involvement of various departments in financing activities in general.

**Weaknesses:**

Staffing plan is not directly addressed for the project, but it can be inferred that the project will be served by the staff described on pages e52 through e56.

**Reader's Score: 14**

**Priority Questions**

**Competitive Preference Priority - Competitive Preference Priority 1**

- 1. For FY 2019 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 comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);**

**Strengths:**

The applicant is able to articulate how its geographic areas of focus compare to where a large or significant amount of public schools have been identified for improvement, corrective action, or restructuring. The applicant demonstrates it is knowledgeable about ESEA and ESSA designations and state accountability models, which is a strength because it indicates that the applicant has an awareness on how various geographic areas compare along this criterion.

**Weaknesses:**

While the applicant is knowledgeable, the applicant doesn't substantiate what that target of services will translate into in terms of % of portfolio along this criterion.

**Reader's Score: 3**

**Competitive Preference Priority - Competitive Preference Priority 2**

**1. For FY 2019 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--**

**(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 (up to 5 points); and**

**Strengths:**

The applicant demonstrates that it is extremely knowledgeable about the levels of academic proficiency in key geographies where it targets its Charter school Facilities Fund by offering up academic assessment data for each major market it is lending in. Because these are different systems from state to state, which are hardly the easiest to navigate, the applicant demonstrates that minimally they know how different geographic areas compare along this criterion. This is a precursor to any sort of attempt to target services to a specific area.

**Weaknesses:**

While the applicant is knowledgeable about state assessment data, it doesn't establish how it will target or to what extent it will target services to communities where a large proportion of students perform below proficient on State academic assessments. It does not offer up any sort of measurable goal or objective to quantify the priority of this target.

Reader's Score: 3

**Competitive Preference Priority - Competitive Preference Priority 3**

1. For FY 2019 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--

- (3) The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).

**Strengths:**

The applicant articulated clearly two measurable targets on page e25, specifically that 75% of students in schools financed will qualify for FRPL, and 85% of schools financed will be located in an economically distressed area.

**Weaknesses:**

None

Reader's Score: 5

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