Executive Summary

The Center for Community Self-Help requests a $9 million Credit Enhancement for Charter School Facilities (CECSG) grant, which it will leverage at 5:1, to provide at least $45 million in financing at subsidized rates through an estimated 20 loans over a ten-year period. We will focus on charter schools with the very highest needs, with 100% of loans reaching schools that lease their space or that need loan amounts that approach or exceed the value of their collateral. Self-Help has, over its more than two decades of lending to charter schools, sought to serve start-up and early-stage independent schools viewed by most lenders as too risky. These schools typically have little or no operating history, no support from an established CMO network, and insufficient, or even no, collateral to offer a lender. With the requested grant, we intend not only to continue our efforts to meet the needs of those schools, but to focus exclusively on them. Our experience and the feedback we have received from the charter school field, described in detail in Section B2, struck a resounding chord with us and tells us that this higher-risk financing is essential for early-stage schools in low-income communities, where low real estate values often depress the value of collateral.

Self-Help has an exceptionally strong record as a three-time CECSG grantee, deploying more than 100 loans totaling $328 million in loans over a 15-year period, more than tripling our performance goals. Fully 95% of our lending in the program has reached schools that serve low-income students and communities, and 87% reached areas in high need of quality educational choices, as defined below under Competitive Priorities. In all, our financing within the program has helped schools create or maintain more than 44,000 student spaces.

A new grant award will reinforce our ability to reach quality charter schools in the highest-need communities, particularly those that other lenders fail to serve. Self-Help will set the following goals and benchmarks for its 2018 CECSG grant:

- Deploy $45 million in financing through 20 loans, helping to create or maintain an estimated 7,000 student spaces.
- Deploy 100% of financing to schools that lease their space or that need loan amounts that approach or exceed the value of their collateral—i.e. having 90%+ loan-to-value (LTV) ratios.
- Originate 100% of our loans to startups or schools in their first three years of operation, supporting important early-stage innovators that are often considered too risky by other lenders.
- Provide substantial interest rate reduction with the grant, delivering an estimated interest cost savings of $7.5 million to our borrower schools over the terms of their loans. In addition, provide an estimated $760,000 savings in loan fees, when compared with those typically charged by other lenders in the field.
- Deploy at least 95% of our loans to schools in low-income communities or that serve predominantly low-income children.
- Deploy at least 90% of our loans to schools located in districts in high need of quality educational choices, with standards detailed below.
- Originate at least 5 loans in rural areas, an extremely underserved market.
- In line with the performance goals of our previous CECSG grants, deliver at least 2,000 hours of technical assistance annually to charter schools and the field at large.

We will be building on a nearly 40-year track record of creating wealth and opportunity for low-wealth families and communities. Self-Help is a Community Development Financial Institution (CDFI) that has, since 1980, worked on a national scale to provide $7.9 billion in financing to more than 148,000 families, businesses, and organizations. We draw on the financial strength of three CDFI lending affiliates: Self-Help Ventures Fund (SHVF) is a nonprofit loan fund that can leverage tax credits and capital from large financial institutions; Self-Help Credit Union, chartered in North Carolina, and Self-Help Federal Credit Union, which works on a national scale, draw on a combined deposit base of more than 147,000 credit union members. Our centralized charter school lending team deploys funds from each of these affiliates, drawing on a diversified and sustainable capital resource. Credit enhancement funding from the CECSG program ensures that we can reach schools that lack the financial resources and collateral required by conventional lenders. A new CECSG award will support these schools in creating space for thousands of students in dire need of quality educational choices.

Competitive Priorities: Targeting High-Need Communities

Self-Help is deeply committed to the central purpose of the CECSG program, serving communities that face both economic and educational distress. We will meet the Competitive Priorities in the following ways:

- **At least 90% of loans will reach districts in high need of quality educational choices** (as defined in E1 and E2 below)
- **At least 95% of loans will reach low-income communities or schools with majority low-income students** (as defined in E3 below)

Fully 100% of Self-Help's past lending in the CECSG program has met at least one of the standards above and 84% met both standards. The "Targeting Effectiveness" table in the appendix outlines how each past borrower met these criteria.

E1 and E2: Targeting Communities with high needs for educational choice

Self-Help will target **at least 90%** of its loans to districts with high educational needs, defined as meeting either criteria E1 or E2 below:

- E1. Districts where more than 20% of conventional schools are underperforming, based on the standards in this NOFA and in their particular state, including:

(a) In need of improvement, corrective action, or restructuring; or

(b) Designation as priority or focus schools; or

(c) In need of comprehensive or targeted support and improvement;

- E2. Districts where fewer than 60% of students are proficient in reading or math assessments, which is our metric for targeting "geographic areas in which a large proportion of students perform below proficient on State academic assessments."

We have a strong record of serving high-need communities that meet these criteria, and we will stretch even further to target areas with the greatest educational needs. To date, more than 87% of Self-Help's CECSG program borrowers have been in these high-need districts-- 42% were in districts where more than 20% of schools are categorized as Improvement, Focus, or Priority, and 75% were in districts where fewer than 60% of students are proficient on math or reading assessments.

E3. Targeting Low-Income Communities, meeting the Competitive Priority to "*target services to communities with large proportions of students from low-income families*":

- **At least 95% of financing will reach communities and schools with a high proportion of students from low-income families**, defined as:

(a) Schools with 50% or more of students meeting eligibility for free or reduced-price lunch; or,

(b) Schools located in a New Markets Tax Credit (NMTC) program eligible census tract. These neighborhoods have median incomes of no more than 80% of the area median, or they have a poverty rate of at least 20%.

We have a proven ability to meet these benchmarks, with 95% of our past borrower schools meeting at least one of these economic criteria**.** To date, 77% of our borrower schools had more than 50% of their students receiving free or reduced lunch, and 86% were located in NMTC-eligible census tracts. The small number of borrower schools outside of these standards nonetheless have a strong commitment to serving disadvantaged students and diverse student bodies.

Data-Driven Targeting to Reach the Highest Need Communities: Self-Help will target its financing to the communities in the table below, as well as others that meet Competitive Priority targeting. Of these current target districts, 93% have a majority of children eligible for free and reduced lunch, indicating the high level of poverty in both urban and rural school districts in our target states. Similarly, 93% of these districts have low student proficiency, with less than 60% of students scoring proficient in reading or math assessments. Alarmingly, in 79% of these districts less than half of students are at a proficient level, with some falling below 20% proficiency.

Self-Help has an exceptional track record and commitment to delivering a high volume of lending in alignment with these Competitive Priorities, reaching students and communities with the greatest needs. A new CECSG award will allow us to deploy the leasehold and high-LTV lending needed by many quality charter schools in low-income communities, especially in the early stages of their development.

Targeted Districts (2016-2017, unless otherwise indicated as the most recently available)

State	Number of Schools	Enrollment	Free & Reduced Lunch	Focus and Priority Schools	Reading Proficiency (2016-17)	Math Proficiency (2016-17)
California						
Alum Rock Union Elem SD	29	11,624	88%	N/A	37%	28%
Los Angeles Unified SD	1,107	633,621	82%	N/A	39%	28%
Colorado						
Adams-Arapahoe	62	41,797	66%	23%	22%	15%
Denver County 1	203	91,132	68%	22%	36%	29%
Florida			**(2015-16)**			
Alachua County	63	29,475	50%	14%	55%	55%
Miami-Dade County	491	357,249	75%	13%	55%	53%
Georgia						
Atlanta Public Schools	89	51,927	77%	24%	32%	27%
Louisiana				**(2014-15)**		
East Baton Rouge	84	40,949	87%	25%	63%	56%
Mississippi						
Jackson Public Schools	25	26,948	Not Available	32%	18%	12%
New Jersey						
Atlantic City Schools	11	7,000	92%	36%	28%	23%
Bridgeton Public Schools	9	6,192	86%	44%	18%	13%
New Mexico						
Gallup-McKinley County Public Schools	36	11,597	100%	30%	16%	25%
Gadsden ISD	23	13,441	100%	0%	42%	41%
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State	Number of Schools	Enrollment	Free & Reduced Lunch	Focus and Priority Schools	Reading Proficiency (2016-17)	Math Proficiency (2016-17)
New York						
Buffalo Public Schools	67	31,398	79%		18%	17%
NYC District 5; Harlem	33	10,730	82%		24%	17%
NYC District 16; Brooklyn	30	6,196	83%		25%	20%
North Carolina						
Halifax County	10	2,873	100%	60%	35%	34%
Northampton County	7	1,905	64%	29%	31%	27%
Vance County	17	6,363	63%	12%	45%	45%
Ohio						
Cleveland Municipal	101	38,098	100%	60%	36%	38%
Rhode Island						
Cumberland	9	4,568	23%	0%	48%	44%
Woonsocket	12	5,863	73%	0%	20%	14%
South Carolina						
Berkeley County Schools	40	33,287	57.2%	N/A	19%	18%
Charleston School District	81	48,147	53.3%	N/A	21%	20%
Tennessee				**(2014-15)**	**(2014-15)**	**(2014-15)**
Davidson County Schools	163	85,123	54%	15%	40%	47%
Shelby County Schools	206	112,077	59%	27%	34%	42%
Texas						
Beeville ISD	6	3,373	76%	17%	56%	56%
Fort Worth ISD	137	86,869	76%	27%	62%	65%
Lubbock ISD	56	28,755	65%	25%	67%	69%

F. Invitational Priority

Projects proposing the development of one or more partnerships that will enable the applicant to leverage newly created or previously untapped sources of capital or other assistance, which may include non-Federal programs, in financing charter school facilities.

Self-Help works persistently to partner with new organizations and leverage untapped sources of capital. As one example, we are committed to bring at least five new mission-focused lenders into the charter financing arena within the next five years, as a performance goal on our most recent CECSG grant. Our Self-Help Community Development Banking Seminars, which we launched in December 2013, are an important channel for outreach to new partners. We have hosted an average of 25 participants per seminar, representing a wide range of community-based lenders and other nonprofit colleagues. Our charter school lending program is a featured part of the training.

We have also developed seven technical assistance tools, included in the appendix, that help both schools and lenders understand the complexity of charter school lending and facility development. Under the terms of our 2017 CECSG grant, we are committed to developing at least three additional TA tools within the next five years that will help those new to the field. In addition, Self-Help is working with Discriminology, a social justice research organization that is new to the charter finance field, and a coalition of seven other CDFIs to develop a replicable racial equity matrix to assess how well a school's policies meet the needs of low-income students and students of color. We have also developed the SPOON (Student Power Over Our Nutrition) program to help charter school borrowers get their students involved in creating a healthier cafeteria menu while school staff receive technical assistance in sourcing food locally. Both of these initiatives are bringing new expertise into the charter school finance field in order to provide higher quality assistance to borrower schools.

We seek to leverage our lending experience to help expand the overall scope of capital resources far beyond what we could do on our own. In the past two years, we have significantly increased our collaboration with other mission-oriented lenders, to amplify each organization's reach and impact. We currently have a growing working relationship with CECSG grantee Hope Federal Credit Union, of Jackson, MS, as they have sought to develop a high-impact charter school lending portfolio in the Southeast. We have partnered with Hope on a loan to a school in Tennessee, and are working on new collaborations going forward. Self-Help is committed to building similar partnerships that can leverage new capital sources for charter schools across the country.

A. Quality of Project Design and Significance

A1. Provide financing to charter schools at better rates and terms than otherwise available:

Even while serving borrowers with very high needs and low assets, Self-Help will continue to offer lower fees, lower rates, and better terms for these charter schools than they would receive through conventional financing. This supports long-term financial sustainability for schools in low-wealth communities that typically have few resources and tight operating margins. CECSG will enable Self-Help to focus on promising early-stage schools that have few viable financing options, while enabling an estimated $7.5 million in interest savings and $760,000 in total loan fee savings, as detailed below. Combined, the interest and fee savings for our borrower schools under this grant will total more than $8 million, reaching schools that may not have been able to obtain reasonable financing from any other source.

The CECSG grant allows Self-Help to offer loans with very high loan-to-value (LTV) ratios. (*LTV = loan amount divided by the value of the collateral, which is typically the building we are financing.*) We will use the requested grant to deliver $45 million in financing solely to schools that lease their facilities or that need financing that exceeds 90% LTV (*i.e.- the loan amount will approach or exceed the value of their building*). This highly targeted lending will help early-stage schools that rent their facilities, and schools in low-income neighborhoods with deflated real estate values. Our program will provide:

<u>A1(i). Lower Fees at Closing</u>:

(1) Self-Help is unique among lenders in using experienced in-house legal counsel for drafting and negotiating transaction documents at no charge to the borrower, absorbing these costs ourselves. This helps charter schools avoid the tens of thousands of dollars in hourly attorney fees that lenders typically pass along. We also do not require outside accounting or investment banking services. We estimate that this saves schools at least $10,000 per $1 million borrowed. For charter schools that would have received New Markets Tax Credit (NMTC) or bond financing from other sources, the savings are even greater. We

help these borrowers avoid outside consultant costs that can range from $30,000 up to $250,000 per transaction. We conservatively estimate that the projected 20 borrowers we plan to reach will avoid an average of $20,000 each, for a total of $400,000 in legal fee savings.

(2) With the requested grant, we will be able to charge all of these schools a below-market origination fee of 0.9% despite their relatively high risk and low collateral. For schools that own their real estate our origination fee will continue to fall below the 1% market level, saving these schools at least $35,000 over the life of the program.

For schools with only short-term leased facilities (and thus effectively infinite LTV), we have in the past prudently charged a 2.5% origination fee that takes into account the small loan size, short term, limited interest earned and very high degree of technical assistance. We believe that fee level was at a market rate, although there are few comparables, since few lenders make such loans at all.

With the backing of this grant, we will be able to charge these leasehold borrowers the same 0.9% below-market that we do with all of our CECSG-backed loans, saving borrowers 1.6% at origination. We estimate this will save these leased-facility schools at least $165,000 over the life of the program. Thus, a CECSG grant would facilitate total origination fee reductions that should save our borrower schools about $200,000.

(3) We provide very experienced in-house construction loan administration, and charge a flat fee based upon 0.50% of anticipated actual hard costs of construction, rather than the industry standard 1%. Assuming that approximately 75% of the loan uses are for construction costs, these lower fees will save our borrowers an estimated $160,000. In addition, our oversight, advice and value engineering often save our borrowers considerably more in construction costs than we charge in fees. Self-Help is both a lender and a facility developer, and our staff (each of whom has construction industry experience) has worked on over $300 million in charter school construction projects.

Fee Savings Summary:

Type of Fee	Expected Fees	"Market" Fees*	Estimated Savings resulting from Grant (10-year total, 20 loans)
Origination Fees for leasehold Loans	0.9%	2.5%	$165,000
Origination Fees for 90%+ LTV Loans	0.9%	1.0%	$35,000
Legal Fees			$400,000
Construction Admin Fees	0.5%	1%	$160,000
Total Fee Savings			$760,000

*"Market" in quotes since likely not available in any market, especially leasehold loans.

<u>A1(ii). Lower Interest Rates</u>**:** With a 2018 CECSG award, will focus its lending entirely on leasehold and high LTV loans while offering dramatically lower interest rates than we believe they could obtain from other lenders, if they could obtain loans at all. We estimate that the total interest rate savings to our borrower schools will be $7.5 million over 10 years.

We project that our interest rate, based on rates as of May 1, 2018, will average about 6.7%. Our estimate of market rates for comparison purposes is derived from Self-Help Ventures Fund's long-established rates that would apply without the benefit of credit enhancement: 8.3% for early-stage schools with over 90% LTV, and 12.5% for schools that lease their facilities and thus have no collateral at all (many of which would not be able to find financing in the broader market).

Interest Rate Savings Summary:

Type of Loan	Expected Rate*	"Market" Rates**	Est. Interest Savings (20 loans)
Leasehold loans	6.7%	12.5%	$1,800,000
90%+ LTV	6.7%	8.3%	$5,700,000
Total over 10 years			$7,500,000

* The rate is based on the current "3-year swap rate," as published daily on the Bloomberg page USD SWAP SEMI 30/360 3 YR screen, plus 3.75% and will change as swap rates change.

**"Market" in quotes since likely not available in any market, especially leasehold loans.

These savings assume that we make $35 million of high-LTV loans over the grant period and $10 million of leasehold loans. The high-LTV loans would result in annual interest cost savings to our borrowers of about $570,000 per year, and the leasehold loans would produce annual interest cost savings of about $600,000 per year. Assuming average loan terms of 10 years for the high-LTV loans and 3 years for the leasehold loans, the total interest rate savings for the portfolio of schools would be about $7.5 million.

<u>A1(iii). More Flexible Underwriting and Terms</u>**:** The requested CECSG grant will have the greatest impact on underwriting by allowing us to offer excellent rates and terms to borrowers that have weak collateral or no collateral at all. Other examples of our flexibility include consideration of loans with extended interest-only periods and low debt-service coverage ratios, common needs for schools with limited resources. We will also take on borrowers that have had inconsistent financial performance, due to the tight economics of new schools operating in low-income communities. In addition, we consider projects that have encountered major problems such as a troubled construction process, change in management or in turn-arounds. For example, we were able to offer great flexibility in making a $2.8 million loan to a school in San Antonio that had halted construction of its new building after disputes with contractors. Our

construction team stepped in to help resolve the disputes, get the job running again, and close a successful loan to a high-mission school.

Self-Help can also offer letters of credit to guarantee leases or strengthen the schools' ability to receive other financing. As one example, we issued a $400,000 letter of credit for a startup school in Atlanta when its landlord required security for its leased facility.

A1(iv). Longer Amortization Period**:** The credit enhancement grant allows Self-Help to offer amortization periods of up to 25 years for a school that owns its facility or operates under a long-term lease. This has a dramatic effect on the monthly debt service cost to a borrower -- in most cases a greater reduction than an incremental lowering of the interest rate. For example, increasing a 15-year amortization to 25 years lowers the average loan payment by 20% (roughly the equivalent of reducing an 8% interest rate to 5%).

A2 and A3: The following Project Description addresses two scoring criteria:

- **A2. Goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program; and**
- **A3. The project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;**

Meeting the CECSG Program Performance Measures and Targets: Self-Help will deliver strong results as defined by the Program Performance Measures in the application instructions.

"(1) The amount of funding grantees leverage for charter schools to acquire, construct, and renovate school facilities"**:** Self-Help will deliver $45 million to charter schools over ten years, leveraging the requested $9 million grant at 5:1. With this grant, Self-Help is not expecting the very high leveraging ratios we have pledged and exceeded with our earlier CECSG grants. Rather, based on the feedback we have received from schools and support organizations about the areas of greatest needs, we are aiming to deploy even higher-risk loans, where the collateral value is near or less than the loan amount, or in leasehold loans that have little to no collateral. With a greater risk of loss (due to less collateral to recover in case of default), these loans will require more credit enhancement per dollar lent. In addition, we will be serving many small and early-stage schools that will typically need smaller loan amounts. As such, we are aiming for a unique positive impact that will not necessarily result in the high-dollar lending totals that we have achieved with our previous CECSG grants.

"(2) The number of charter schools served**":** Self-Help commits to originate at least 20 loans with the grant funds over ten years. This ambitious goal entails reaching the hardest-to-serve schools while also providing intensive technical assistance and meeting high-mission targeting requirements. The benchmark is nonetheless achievable given our track record of delivering 38 loans through 15 years that were either leasehold or 100%+ LTV.

Self-Help's Project-Specific Performance Measures and Targets. Self-Help's lending will be highly targeted to support the CECSG's program purpose, enhanced with technical assistance to aid individual schools and the field at large. The four Objectives below flow from the four Outcomes in the logic model we've included in the appendix.

Objective #1: Helping charter schools provide quality school choice in low-income communities, meeting the needs of diverse populations, as supported by the following Project Targets:

- Deploy at least 20 loans and $45 million in total financing within ten years. Self-Help will deploy significant capital while reaching early-stage, high-need schools that are typically under-served, or not even served at all, by other lenders.

- <u>At least 95% of financing will reach communities and schools with a high proportion of students from low-income families</u>, as defined above under Competitive Priorities. The student bodies of these schools will be 50% or more low-income, and/or the school will be located in a census tract that is New Markets Tax Credit program eligible.
- <u>At least 90% of financing will reach charter schools located in districts in high need of quality educational choices</u> as defined above under Competitive Priorities. These include districts where 20% or more of schools are severely under-performing, and/or areas where less than 60% of students are proficient on annual assessments.
- <u>100% of financing will be in leasehold loans or financing of 90% LTV or greater</u>. Low real estate values in economically distressed neighborhoods create a persistent challenge for schools and lenders, with the capital needs of schools often far exceeding the appraised value of the buildings and land that serve as collateral. CECSG funds are essential to filling that gap and supporting schools in the neighborhoods where low-income students live. Startup schools that are leasing their facilities have the two-fold challenge of no operating record and little-to-no collateral.
- <u>At least 5 loans will reach rural areas</u>, defined as locations outside of Metropolitan Statistical Areas and/or places with populations under 50,000. Our rural lending has included early-stage loans in eastern North Carolina to [redacted] Both have gone on to become the highest performing Title 1 Schools in North Carolina, and to expand their predominantly low-income and minority enrollments with additional rounds of Self-Help financing.

Beyond meeting these project targets, we will continue to:

- Reach out specifically to schools led by people of color, with both lending and technical assistance, continuing our work with key partners such as National Coalition on School Diversity, the National

Association for the Advancement of Colored People (NAACP) and the National Association for Latino Community Asset Builders, among many others.

- Develop a racial equity tool for assessing the effectiveness of schools in serving students of color, looking at accessibility issues in a variety of ways, e.g. educational outcomes, transportation systems, school nutrition systems, discipline systems, community involvement, etc. We will share the tool with the charter field at large, encouraging both schools and lenders to include racial equity concerns in their operations and decision making.
- Build support for authorization processes and regulations that prioritize schools with strong academic potential, especially in low-income communities, and work with partners to support charter school policies and funding models that make transportation and free/reduced price lunches available for disadvantaged students. We promoted weighted lotteries for schools like [redacted] that are seeking to diversify by giving low-income students a greater chance of admittance, and we will continue to seek similar opportunities.
- Explore our role as facility developer for charter schools in low-income communities. We aim to create a sustainable and replicable business model for our charter school real estate development, drawing on our deep experience as a developer. Our team has acted as developer on two major renovations for charter schools that serve low-income Durham neighborhoods, and we plan to expand on this initiative and share our model with other mission-oriented developers.

Objective #2: Helping a full spectrum of charter schools to grow and thrive, including small early-stage innovators and expanding networks that replicate best practices. Fully 77% of our CECSG-financed borrowers have been community-based schools outside of charter networks, and 35% have been schools led by people of color. The requested CECSG grant will help us better reach these schools, which often have less startup capital, lower operating funding and less collateral. Our Project Targets include:

- 100% targeting to schools that are startups or in their first three years of operation, using flexible underwriting and loan terms to meet the needs of early-stage schools, along with a willingness to lend to solid schools that have weak or no collateral.
- Per the requirements of our 2017 CECSG grant, providing at least 2,000 hours of pro bono technical assistance annually to charter schools and the field at large. We routinely provide extensive technical assistance to prospective borrowers, and even to schools that seek capital from other sources. We also participate in conferences and trainings to reach authorizers, state associations, and new charter school leaders. We offer a broad range of assistance, including avoidance of predatory developers and lenders, tools for budgeting, models for financial analysis of projects, and tips on red flags in the development process.

To support these Project Targets, we will work to serve a full spectrum of schools by:

- Providing financing ranging from $20,000 up to $20 million, meeting the capital needs of a broad variety of schools at all stages of maturity. Our capacity to serve such a range of schools is unusual in the field and has allowed us to make very small loans to promising early-stage innovators that later developed into successful networks.
- Increasing emphasis on leasehold improvement loans that are frequently needed by newer schools, with the backstop of the requested CECSG grant enabling us to take the much-greater risk of this highly demanded financing.
- Partnering with other CDFIs and lenders when a large school's capital needs exceed their lending limits, leveraging our financial capacity to strengthen the field as a whole. In one recent example, our loan to a school in rural [redacted], brought together three lenders as well as the USDA.

Objective #3: Helping charter schools around the nation have greater access to adequate and varied sources of capital, as supported by the following Project Targets. Self-Help will:

- Raise at least $45 million in capital to leverage the CECSG grant and deliver facility financing to schools, including expanded investments from foundations and corporations, additional New Markets Tax Credits allocations, and our growing pool of credit union deposits. By using credit union deposits that we directly control rather than relying completely on large financial institutions, we can serve charter schools with a sustainable source of funding and low transaction fees.

Projected 10-Year Timeline

For each year of the program period: $4.5 million in capital raised and deployed to an estimated 2-3 schools; 2,000 hours of technical assistance provided per requirements of our 2017 grant;

Cumulative project targets by year three: $13.5 million in total lending to 6 early-stage schools; 2 rural schools reached;

Cumulative project targets by year five: $22.5 million in total lending to 10 early-stage schools; 3 rural schools reached;

Cumulative project targets by year seven: $31.5 million in total lending to 14 early-stage schools; 4 rural schools reached.

All final project targets above achieved by end of year 10: $45 million in total lending to 20 schools, 100% targeting to early stage schools, serving at least 5 rural schools, and creating or maintaining 7,000 student spaces.

Partnerships That Strengthen Our Program: Extensive outreach and cooperation with partners is hard-wired into our work at Self-Help and is crucial to the success of our charter school lending. Steve Saltzman leads Self-Help's Charter Lending Team and is actively engaged with charter schools and charter support organizations throughout the country. He served on the Walton Family Foundation grant review committees in Atlanta and read charter school applications for Atlanta Public Schools. Loan officer Brittany Bennett serves on the board of directors of Village of Wisdom, an educational equity organization, and is one of the members of the racial equity collaborative we have formed with CDFI peers. Loan officer Julia Malinowski is part of the Teach for America (TFA) alumni networks for Arkansas, New York, Washington state and eastern North Carolina. Julia is also a part of Leadership for Education Equity (LEE) and Educators for Excellence (E4E).

Self-Help is a founding member of The Charter School Lenders Coalition (CSLC), a trade group addressing financing industry needs and challenges, and an affiliate member of the National Association of Charter School Authorizers. In addition, in March 2018 Self-Help convened a group of eight of the nation's largest CDFIs to take part in a CDFI Racial Equity Coalition, which has now hired three minority-led nonprofits that specialize in educational equity to review how CDFIs could ensure equitable student access across economic and racial lines.

A4. Likelihood of producing results that will be documented, replicable, and helpful to others. Self-Help will continue its work to create a replicable, successful model. To track and document results, Self-Help draws on more than three decades of data collection and reporting experience, including 15 years of reporting in the CECSG program, providing dozens of data points for each loan. We report a full spectrum of demographic and impact data to more than 40 private and public funding sources (e.g., the CDFI Fund, HUD, USDA, and the SBA). We use a custom-designed SQL Unified Database to aggregate current and historic loan and impact data from our various lending and core processor systems. AERIS, a rating agency for CDFIs, scores us at the top of their ratings on all criteria, including impact and policy: four stars for impact, a plus for policy work and AAA for financial performance. Investors across the country rely on AERIS to help them make and monitor mission investments in community-based intermediaries. We achieve these ratings through an emphasis on sharing our lessons, data-driven programming and relentless focus on serving low-income communities.

We will maintain our efforts to share the replicable aspects of our program with at least five conference presentations per year, development of new tools/models for the financing field and technical assistance to lenders who are new to charter school finance. In addition, as outlined above, Self-Help is working with a coalition of seven other CDFIs to develop a replicable racial equity tool for schools and school lenders to assess how responsive a school's policies are to disadvantaged students.

A5. Appropriate Criteria used to select charter schools for assistance: The strict targeting outlined above and Self-Help's seasoned underwriting process ensure that our financing reaches quality schools in areas that are most in need of improved educational choices, with the following key factors:

1) Does the school serve a low-income population or community? As outlined in the targeting criteria, Self-Help will use the NMTC program's standard for low-income communities (median income of the census tract must not exceed 80% of the area median income, or poverty rate in the census must be greater than 20%). In addition, Self-Help's ability to use its own capital allows us to serve schools not in NMTC-eligible census tracts but that nonetheless serve low-income students.

2) Does the school serve a community that is particularly in need of educational choices? As outlined in *Section A2(i)* above, a school meets this criterion if it is in a district where at least 20% of schools are needing improvement by specific federal standards, or where fewer than 60% of students perform proficiently on state academic assessments. Additionally, schools led by people of color, and that target special needs children and English language learners are considered to fulfill our mission.

3) Is the school of sufficient academic quality? Self-Help expects its borrower schools to meet or exceed the academic results of the surrounding public school district. We engage the expert consulting firm

Public Impact to provide in-depth academic assessments, now used by both CDFI and conventional lenders, that includes demographic characteristics, student performance, quality teachers, attendance, and retention, and suggests areas for improvement.

4) Does the school have quality staff and board leadership, including governance and financial management? Our staff performs a detailed analysis of the school's leadership and board of directors, typically attending board meetings before making loans. Recognizing that schools in disadvantaged communities face great challenges, we often provide TA to the leadership around facility development and financial matters.

5) Is the school financially stable and receiving adequate revenue to meet its debt and operational obligations? This factor is key to determining the amount and type of financing offered and makes us particularly eager to receive the requested grant, in order to serve early stage and more limited income schools that present greater financial risks. We do not insist on a perfect financial record or a prosperous income stream, recognizing the substantial challenges faced by schools in low-income communities.

6) Is the school facility adequate to meet the school's needs? Self-Help recognizes its responsibility to ensure that the project is realistic and will meet its needs. With the requested grant we will be able to focus on schools whose facilities do not meet conventional collateral requirements, a frequent challenge in low-income communities.

7) Is the school located in a state with strong charter laws that encourage the establishment, growth, and replication of high-quality schools? As detailed below in Section A7, Self-Help will use its national scale to target states with strong charter school laws, without excluding other high-need states.

8) Does the school work to provide educational equity across race and class lines? Building on our long-standing commitment to racial equity, Self-Help is convening a Racial Equity Coalition of peer CDFIs and thought leaders to:

- Develop a common definition of educational equity in the context of race and class, particularly as it relates to charter schools;
- Study and commonly agree upon which policies and practices are best shown to promote equity;
- Create a standard, industry-wide tool to help CDFI lenders encourage equitable school practices;
- Systematize the way lenders estimate the social impact of the schools we finance;
- Develop a digital interface so that these commonly held notions can be visualized and monitored more easily;

A6. Grant funds maximized by leveraging public and private sector funding and increasing the number and variety of charter schools assisted.

Increasing the Number and Variety of Schools Assisted: Complementing the socio-economic targeting outlined above, Self-Help will reach out to schools that face particular difficulties in accessing capital, including early-stage schools, schools that lease their facilities and schools with the greatest collateral challenges. Rather than lending only to established networks, we will continue to work very hard to support small independent schools with strong leadership and solid academic programs.

Leveraging Financial Capital: Self-Help is confident that we can meet the goal of providing $45 million in loan capital. As fully outlined below in Section C, we currently have more than adequate liquidity on hand, and can readily raise additional capital if needed, having raised over $600 million in private sector capital over the past 10 years. We are able to lend using credit union deposits, a wide range of program related investments (PRIs) and the New Markets Tax Credit program, which has funded more than $200 million of our charter school lending. Past and current Self-Help investors Bank of America, JP Morgan Chase, and SunTrust have all issued letters of support for this proposal (attached).

A7. Schools targeted in States with strong charter laws: Our fifteen target states have charter laws that meet a majority of the criteria stated in ESSA. In the University of Arkansas's definitive study, only three states received an A or B on the A through F scale; two of those three (Tennessee and Texas) are among Self-Help's target states. A key criterion – equitable financing – is one on which very few states can answer "yes." On the remaining four criteria, all 15 of our states meet at least three of the four.

(Table on following page)

	ESSA Criteria for Strong Charter Laws				
State	**(A) Alternate Authorizer**	**(B) Equitable Financing**	**(C) Facilities Support**	**(E) At-Risk Students**	**(F) Best Practice Authorizing**
California	Yes	No	Yes	Yes	No
Colorado	Yes	No	Yes	Yes	Yes
Florida	Yes	No	Yes	Yes	No
Georgia	Yes	No	Yes	No	Yes
Louisiana	Yes	No	Yes	Yes	Yes
Mississippi	Yes	No	Yes	Yes	Yes
North Carolina	Yes	No	Yes	Yes	No
Ohio	Yes	No	Yes	Yes	Yes
Rhode Island	Yes	No	Yes	Yes	No
South Carolina	Yes	No	Yes	No	Yes
Tennessee	Yes	Yes	Yes	Yes	Yes
Texas	Yes	Yes	Yes	Yes	Yes
New Mexico	Yes	Yes	Yes	Yes	Yes
New York	Yes	No	Yes	Yes	Yes
New Jersey	Yes	No	No	Yes	Yes

A8. Results expected are in reasonable relation to amount requested and project costs are reasonable in relation to objectives, design and significance: By using the proposed $9 million grant to provide $45 million in financing over ten years, the program will be strictly targeted to schools that face the greatest challenges in accessing financing, including those in neighborhoods with depressed collateral values and those that lease their facilities. Given the extreme challenges of reaching these schools, the goal of deploying $4.5 million per year is ambitious, with most borrowers likely requiring very high levels of technical assistance and specialized underwriting. Self-Help will use 2.5% of the grant funds for indirect costs, committing the remainder to credit enhancing loans, while covering all direct personnel and operating costs from our own funds.

A9. Supported by Strong Theory

Self-Help's charter school financing program is based on more than just lending. Our approach – summarized in the logic model in the appendix – is inspired and informed by nearly four decades of community-based economic development and over 20 years of charter school lending. The project plan described above in A2 is based on the four desired Outcomes in our logic model. To summarize, we work to: 1) help charter schools provide quality school choice in diverse low-income communities; 2) help a full spectrum of charter schools to grow and thrive; 3) help schools access adequate and varied sources of capital; and 4) help schools become financially stable and better able to navigate facility challenges.

Our model's Inputs include large-scale capital, decades of experience in community development finance, partnerships, and a deep commitment to civil rights and community economic development. Our Activities are driven by our broader vision and desired Outcomes. Financing is central; specifically financing designed to meet the needs of schools serving high-need students. That means offering a range of loan sizes, from those as small as $20,000 for early-stage innovators to packages as large as $20 million for expanding networks. It means focusing our efforts on schools in low-wealth communities that lack the collateral to support traditional loans. And it means offering lower rates and fees, generating savings that schools with tight budgets can invest in great teaching and student experiences. We provide expansive technical assistance, recognizing that educational innovators are rarely experts in finance and real estate development. Since charter schools live in a complex ecosystem that includes charter support organizations, authorizers, funders, and other lenders, we provide technical assistance to this broader set of partners who can make or break schools' success. The model's Outputs have been detailed throughout this proposal—20 loans totaling $45 million, highly targeted to low-income communities in need of quality educational choice, with specific benchmarks for reaching rural and early stage schools. These tangible results are all aimed at working towards the logic model's four major Outcomes, to benefit low-income students on a national scale.

B. Quality of Services

B1. Services provided reflect needs of charter schools to be served.

a) Variety of Financing Tools: Self-Help works to meet the needs of schools of a wide variety of sizes and at quite differing points in their development. Our borrower schools typically lack significant grant or foundation funding, relying instead on government-issued, per-pupil funding allocations that give them little financial cushion. In fact, 77% of our borrowers were independent schools outside of charter management organizations (CMOs) at the time of our first loan to them. With thin margins for debt service and limited operating records, early-stage independent schools need the depth of underwriting and assistance that Self-Help provides. The requested grant will specifically benefit schools that need high loan-to-value loans, due to facilities like aging school buildings or modular classrooms that offer subpar collateral values. Many early-stage schools with limited start-up capital also turn to inexpensive leased facilities that need extensive upfitting to meet their needs for classroom space.

While using the requested grant solely for the most challenging loans, Self-Help will use its previous CECSG grant funding predominantly to reach larger schools and networks that are seeking to expand and replicate. With a combination of NMTC financing, investments from major banks, foundations and corporations, and our broad base of credit union depositors, we will remain a long-term financial resource for the charter finance field. With an ability to lend up to $20 million per loan, we can take on major school projects that exceed the capacity of most lenders. Furthermore, Self-Help has the capacity to support seasoned schools by refinancing loans with approaching maturity dates and balloon payments, allowing them to continue financially stable operations. Given our financial capacity, Self-Help is well positioned to provide schools with long term, affordable loans that can address their facility financing needs for years to come.

b) Training and Technical Assistance: Self-Help complements our financing with more than 2,000 hours per year of technical assistance, which we view as an essential component of serving our target market, especially the market for this grant request. Through our experience of lending to charter schools, we have intimate knowledge of budgeting, financial projections, and charter school regulations. We have dedicated construction managers on our staff who have worked with dozens of schools on the myriad details of purchasing, building, expanding, and leasing a facility. We frequently alert schools to trouble spots in the process and introduce them to the types of financing available, often putting them in contact with alternate sources of credit, including local banks, that might better serve their needs. The appendix includes seven tools and models that we share with the field, and we will develop three more models/tools in the next five years. All technical assistance expenses will be covered by Self-Help.

We also reach beyond lending and real estate technical assistance to offer broader advice on governance, student diversity, and financial stewardship. For example, in 2013 we advised a North Carolina charter school [redacted] on the process for setting up a weighted lottery giving preference to low-income applicants, the first of its kind in the state and consistent with US Dept. of Education guidance on weighted lotteries.

B2. Charter schools and agencies involved in planning and show support: Self-Help regularly seeks input from the charter school field and works to incorporate their ideas and concerns into our lending operations. In 2017, Self-Help interviewed seven charter movement leaders and then hosted two focus groups with nine participants and in 2018 we conducted a survey that included responses from six charter school leaders.

Leaders repeatedly expressed a concern that single-site charter schools are "being pushed out to the edge" of the capital market because the vast majority of lenders now work only with large networks. Fully 77% of our borrowers are independent non-network schools, and we were encouraged to keep them as a priority. Authorizers and charter organizations also highlighted the need for experienced national lenders such as Self-Help to educate local lenders.

Participants repeatedly emphasized the need for startup and early-stage financing, driving our decision to focus 100% of lending under the requested 2018 grant to these schools. Participants also acknowledged the increasing difference in some areas between project cost and appraised value, highlighting the need for high-LTV lending we will deliver with the requested grant. When we asked focus groups if they would rather that we further reduce our interest rates or increase our collateral risk, increased collateral risk was preferred, especially by school leaders. Respondents also emphasized the lack of lenders in rural areas and emphasized the need for collateral gap coverage since rural appraisals are so often so significantly below the project cost. Focus group participants agreed that we should refrain from financing high-priced "turnkey" for-profit real estate developers that present schools with above-market buyout options coupled with escalating rents. We were also encouraged to continue our guidance to schools on the true cost of their facility decisions.

We also discussed the value of targeting schools led by people of color. One of the interviewees (Deb McGriff of New Schools Ventures Fund), shared that Teach for America alumni of color who are starting schools don't have the same experience and clout as their white peers. We were encouraged to look at number of teachers of color and assess school policies and practices with a social equity lens. These ideas support our plan to add a racial equity assessment component to our pre-loan academic appraisals and our post-loan portfolio reviews.

In addition to providing feedback on our services and products, charter school leaders, current borrowers, school organizations and lending partners continue to show exceptionally strong support for Self-Help and our CECSG lending. Self-Help has received 13 letters of support, including seven from charter schools, two from charter support organizations, and four from banks and CDFIs. The Appendix contains the full list and the letters. In addition, five elected officials have committed to send letters directly to the Department.

B3. Use of cost effective strategies, including reasonableness of fees and lending terms: As detailed in *Section A1* above, Self-Help will provide affordable, flexible and low-cost financing to charter schools, and will continue to assist schools in developing the lowest cost strategies available for facilities financing, with 100% targeting to projects with weak collateral. The strategies detailed in Section A1 can be briefly summarized as: (i) lower fees at closing; (ii) lower interest rates; (iii) more flexible loan terms; (iv) longer amortization periods; and (v) enhanced technical assistance. Additionally, our construction management support allows school leaders to stay focused on the classroom and often results in significant borrower savings through reduced construction costs, far exceeding the below-market fees we charge for that assistance.

B4. Services that assist quality schools with the greatest needs: As outlined throughout this proposal, Self-Help is committed to meeting a set of concrete metrics:

1) Financing that is targeted to quality schools in disadvantaged communities, with at least 95% of our financing reaching schools in low-income areas and/or schools in districts with a significant need for quality school choice. With underwriting that accommodates the financial and facilities challenges of schools with limited funding, Self-Help is well positioned to serve borrowers with the greatest needs, and 100% of our past CECSG borrowers have met the strict targeting criteria of this proposal.

2) Financing that is targeted 100% for leasehold improvements and schools with weak collateral, and 100% for start-up/early stage schools, reaching markets served by few CDFI or conventional lenders. This is particularly important for schools in communities that suffer from chronic economic distress. Schools that reach low-income students must locate in neighborhoods with low real estate values. They often must lease facilities and make hard-to-finance leasehold improvements. The CECSG grant is critical to our ability to make these challenging loans with the greatest benefit to disadvantaged students.

3) Extensive and comprehensive free technical assistance to schools, as detailed throughout, including guidance on fiscal management and board governance that complements our advice on real estate development and financing. We will offer at least 2,000 hours of TA annually through one-on-one exchanges, structured group trainings and conference presentations.

C. Applicant's Business and Organizational Capacity

C1. Amount and Quality of Experience

Founded in 1980, Self-Help is one of the nation's oldest and largest community development financial institutions. In its 38-year existence, Self-Help has provided $7.9 billion in financing to more than 148,000 small businesses, nonprofits, and homeowners nationwide. Our focus has always been on creating wealth and opportunity for those left out of the economic mainstream, and more than 78% of our overall lending has reached low-income borrowers and communities. Self-Help's economic impact has been substantial, having helped our borrowers create or maintain 45,000 jobs, including 4,100 jobs in the charter school sector.

In the 22 years since our home state of North Carolina passed charter school legislation, Self-Help has become a national leader in lending to the sector, providing more than $354 million in loans that have helped our borrowers create or maintain more than 51,000 student spaces. Our charter school lending is particularly focused on reaching disadvantaged students, with 95% of financing reaching schools that serve predominantly low-income students and/or communities. Through diligent underwriting, we have experienced only three defaults in the course of making 148 charter school loans, 104 of which were in the CECSG program. Our all-time charter school loan charge-offs total is less than 0.2% of our total charter school financing dollar volume. As such, Self-Help's track record shows that responsible lending and technical assistance lead to successful and financially stable borrowers, even in communities with very limited financial resources.

Our work in the charter school sector is driven by a commitment to reach beyond economic impact to support *overall* community wellbeing. As one of the earliest lenders to develop a targeted childcare lending program when most questioned the viability of a 'babysitting business,' we have financed 506 loans to borrowers who provide over 25,000 spaces, predominantly for children in low-wealth communities. We have made 168 loans totaling more than $41 million to healthcare providers and financed 24 supportive housing projects that address mental illness, developmental disabilities, addiction, and homelessness. We recently launched a financing initiative to provide loans for assistive technology for people with disabilities, with guidance and dedicated funding from the US Department of Health and Human Services – a program that for many years before was at the US Department of Education. With more than $250 million in sustainability-related lending, we have supported borrowers who confront problems such as pollution, landfill expansion, and lack of access to fresh foods that disproportionately impact low-wealth communities. Self-Help will continue to expand the breadth of its impact, with the CECSG program playing an important role.

C2 Applicant's Financial Stability

Few community financial institutions have the financial strength and stability of Self-Help. We have remained strong and have grown through three recessions, staying true to the mission of connecting low-wealth families and communities to economic opportunity. We have deliberately built a strong net worth to give us capacity to take risks, undertake innovations, and respond to the changing financial needs of our target borrowers. At the end of 2017, Self-Help's total assets (combining all affiliates) were $2.52 billion, with net worth of $655 million. This size and financial strength has permitted Self-Help to increase its impact significantly. In 2017, for example, we provided $465 million in home, consumer, and commercial financing benefiting more than 14,000 individuals, families, businesses, and non-profits.

Raising Capital to Expand Our Impact: Self-Help has more than three decades of experience in raising capital from a broad variety of private and public institutions. With a multi-affiliate structure that includes a nonprofit loan fund and two community development credit unions, we draw strength by attracting a diverse set of small and large capital investors that can support our charter school lending. In the past three years alone, Self-Help's combined affiliates have raised more than $39 million in grants and $307 million in debt and equity. These funds come from an increasingly diverse set of investors that include banks, insurance companies, non-profits, businesses, mutual funds, foundations, government agencies, government-sponsored enterprises, pension funds, universities and religious organizations. Self-Help Ventures Fund, our non-profit CDFI, has been able to diversify its capital sources and negotiate better terms with its investors because of its financial strength ($472 million net worth) and size ($1.67 billion assets under management), resulting in better terms to our borrowers. Debt and equity sources include commercial banks (Bank of America, PNC, JP Morgan Chase, SunTrust), wholesale financial institutions (Federal Home Loan Bank of Atlanta, Vizo Financial Corporate Credit Union), investment banks (Goldman Sachs, Cantor Fitzgerald, Morgan Stanley), and universities (Duke and University of North Carolina). SHVF has also received $410 million in New Markets Tax Credit (NMTC) allocations since 2004, resulting in more than $200 million in NTMC financing to charter schools. Additionally, in 2016 SHVF was awarded a $100 million CDFI Bond – a source a low-cost, long-term debt that has the potential to benefit our charter school lending. We are exploring how to use CECSG with the Bond program, which at present has some regulatory barriers around combining it with other federal guarantees.

In addition to the success in attracting a diverse base of debt and equity in SHVF, Self-Help's two CDFI credit unions have access to an enormously deep source of debt: federally insured deposits from a combined 147,000 member base. We draw on deposits from consumers that use the credit unions' loan and basic banking services, and from impact investors that invest their funds to support our mission. As of the end of 2017 Self-Help Credit Union, chartered in 1984, has $752 million in deposits. Self-Help Federal Credit Union, chartered in 2008 to support our nascent work in other states, has grown at an historic pace to reach $827 million in deposits.

Between our current liquidity, grants, commercial sources of debt and equity, and our expanding deposit base, Self-Help clearly has the capacity to provide the $45 million in loan capital required for this proposal. In addition, Self-Help's financial condition insures that it has the staying power to remain a financial resource for charter schools for decades to come.

Strong Balance Sheet: Self-Help's net worth and loan loss reserves are the basis for our financial stability. With $655 million in combined net worth across our affiliates, Self-Help has one of the strongest balance sheets of any CDFI. Our goal is to maintain a combined capital ratio (net worth divided by total assets) of not less than 15% - more conservative than the customary 8% ratio for conventional banks and credit unions. Today this ratio is an even more conservative 26%, making us exceptionally well-positioned to take the measured risks required in charter school lending. Our net worth has enabled us to weather the financial and foreclosure crisis, undertake innovative new programs and to leverage additional liquidity when needed.

Self-Help monitors its loan loss reserves carefully to insure Self-Help's stability. We carry an Allowance for Loan Loss to cover the potential losses in the loans held on our balance sheet, and the Liability for Contingent Losses covers potential losses for off-balance sheet loans we guarantee. These two reserves meet the loan loss requirements established by Generally Accepted Accounting Principles. In addition, Self-Help holds more than $30 million in cash loan loss reserves, similar to the charter school enhancement grant but for other sectors and markets (child care, energy-efficiency, and healthy foods financing), giving us even greater protection against loan losses. These factors, plus a track record of consistent earnings, make us a reliable long-term financial resource for low-income communities.

Consistent Earnings: Self-Help has had very stable net income over its three-decade history. It has had only one year in which it did not have positive net income, and that was in 2010 during the depths of the financial crisis. Despite this one off-year, Self-Help's net worth actually increased during the four years of the Great Recession, from $324 million to $409 million at the end of 2012. Self-Help's net income allows us to avoid dependence on grants and contributions for basic operations. Rather, we use grants to support new programs, major expansions and lending that involves higher risks. We cover the vast majority of operating costs with earned income. For example, Self-Help's 'sustainability ratio" (earned revenue divided by operating costs) has been 1.03, 1.10 and 1.13 for each of the last three years.

C3. Applicant's ability to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management.

Underwriting Standards for Participants: Self-Help uses flexible but prudent standards that have contributed to our program's success and sustainability. In our 15 years of CECSG charter school lending, we have only experienced three defaults among the 104 loans originated, and the net $187,459 in CECSG funds we have drawn upon represents less than 0.2% of our total loan production in the program.

Our underwriting standards have evolved over 30-plus years of commercial lending, with current standards detailed in the Commercial Loan and Investment Policy included in the Appendix. Underwriting is performed by a credit committee which includes the organization's most senior credit officers, senior real estate and construction experts and charter school specialists. Loan officers who are trained specifically for lending to charter schools are involved throughout the entire closing process and work closely with senior underwriters to make sure the borrower is creditworthy and the loan is structured appropriately.

To be eligible for the credit enhancement, schools must: (1) demonstrate ability to repay the loan; (2) serve students in locations of need for quality education choices; (3) meet the federal definition of a charter school; and (4) show promise of offering a high-quality education. In addition, for loans to qualify for backing by the requested grant they will need to either be for leasehold improvements or have LTV ratios of 90% or greater. (Other charter school loans will be backed by earlier CECSG grants, if eligible). Beyond those basic threshold requirements, Self-Help focuses on the following underwriting factors to determine creditworthiness:

(i) School Leadership and Governance: Self-Help assesses a school's capacity in leadership, financial management, personnel management, and education expertise, through site visits, interviews, references and assessment of track record when available.

(ii) Educational Quality and Social Impact: We use the specific criteria outlined in *Section A2* above as an objective tool to ensure social impact targeting. Our approach in assessing educational quality, in collaboration with our skilled partner Public Impact, gives us confidence that borrowers are having positive impacts in disadvantaged communities. And, we are developing new replicable tools to assess how well schools are serving children of color.

(iii) Financial Viability: Significant analysis is dedicated to determining the ability of a school's operating cash flow to cover debt payments, with input from school staff, outside advisors (accountants, auditors) and in some cases authorizers. Self-Help compares an applicant's current and projected operating statements to those of other comparable schools using an in-house database of charter school financial information. While we prefer to see debt coverage ratios above 1.20, we frequently make loans to

schools with thinner margins that demonstrate an ability to grow. Creative partnerships with other operating entities and development of grant resources can bolster a school financially and demonstrate its strong organizational capacity.

(iv) Collateral: While for most loans we prefer loan-to-values (LTV) at or below 70% for special-use buildings like schools, few of our charter school loans have met that criterion, and all loans that will be backed by the requested grant will have loan-to-value ratios based on real estate of over 90%. CECSG grant support will be crucial to our ability to fill this critical underserved market in the charter financing landscape.

(v) Statutory, Regulatory, and Political Climate: Self-Help always assesses the influence of state law and regulatory environment on the operation of a school. We also seek to understand the political dynamics at the local and state levels, as they can significantly influence a school's ability to attract students and obtain charter renewal.

(vi) Competitive Analysis: Charter schools often compete for enrollment with other schools. We analyze the Title I environment and how the surrounding schools perform on state academic assessments, in addition to student and parent demand for school spaces.

(vii) Credit Enhancements: Self-Help considers the use of partial and full corporate guarantees, loss reserve arrangements, operating reserves, and supplemental collateral to support an application that does not meet credit standards. Nevertheless, these tools alone are often not enough, making the CECSG program vital to those schools with the greatest financial challenges.

(viii) Project Development Capacity: Our staff expertise in construction allows us to both assess this phase and provide needed technical assistance. Construction-related risk is deceptively complex, and we have learned through experience how important it is to be attentive to this potential pitfall. Our program is enhanced by the availability of three staff construction experts, all of whom have experience in charter

school construction loan administration and project assistance, as well as a loan underwriter who is a civil engineer with a construction management concentration.

Self-Help has a track record and reputation for providing loans to charter schools that other lenders perceive as too risky. The specific terms and conditions of a loan are carefully crafted both to meet borrower needs and to minimize risk. While the bond market and mainstream commercial lenders often view a short operating history, limited financial resources, and small loan size (some sources have minimums as high as $3 million) as impediments to lending, Self-Help is willing to analyze the total picture and thus make capital available to newer and smaller charter schools.

Portfolio Monitoring: Self-Help devotes a significant amount of creative energy and technical assistance to working on problem loans to help schools get back on track and avoid foreclosure. As our charter school lending has achieved a critical mass, we have created specialized portfolio management tools and procedures to assess risks of individual charter loans and at the portfolio level. The Appendix includes multiple tools for assessing charter school loans, which we have shared broadly with the field. We have also developed, with the educational consulting firm Public Impact, an annual academic performance rating that compares the performance of Self-Help's charter school borrowers across the states and districts where these schools are located.

Seven years ago, Self-Help created a dedicated Commercial Lending Asset Quality team which has a full-time Director of Commercial Loan Risk Management with thirteen years of experience in monitoring our charter school loans and a full-time Portfolio Risk Analyst with four years of experience focused on charter school loans. The Director and the Analyst review the financial and academic performance of the school on a regular basis, organize routine site visits and make sure there are no compliance or enrollment concerns. Our goal is to come to the aid of schools that might be struggling, either by making short-term working capital loans (from Self-Help's non-credit enhanced funds), attending monthly board meetings for sustained periods, recommending operational changes, and/or even taking over the completion of construction projects. In a situation of default, we view it as our duty to intervene to protect not only our interests, but also the interests of a school's students, families, and communities. Our loan servicing and collection staff members are experienced in working with borrowers to correct payment problems and, in the worst-case scenario, to maximize loan recovery. Only when all other options are exhausted will Self-Help begin foreclosure proceedings.

Portfolio Quality: Self-Help's overall commercial loan portfolio performs exceptionally well. At the end of 2017, our overall commercial loan portfolio 60-day plus delinquency stood at 0.27%. Although we mainly serve borrowers who are unable to obtain credit from conventional sources, our delinquency ratios have been low in the past few years due to our workout and loan restructuring activities. In addition, due to our underwriting standards and the technical assistance we provide, actual losses are always very low. In 2017, recoveries actually exceeded charge-offs, leading to a -0.01% loss rate on our commercial lending. Our charter school portfolio generally performs better than our overall portfolio and in 2017 this was also true with no delinquency and no charge-offs. Our watch list is a collection of delinquent loans and loans that we believe have a good chance of experiencing operational problems. These borrowers receive extra attention and assistance, consistent with our strong, mission-driven commitment to help them overcome difficulties and get back on track. At the end of 2017, only 2.97% of our total commercial portfolio and 0.33% of our charter school loans were on our watch list. These loans, with time and technical assistance, generally cure and pay off in full, which explains our low loan loss ratio. Our portfolio quality has improved over the past few years despite the slow economic recovery, and Self-Help's Commercial Lending Asset Quality team monitors the commercial portfolio on a daily basis, maintaining regular contact with our borrowers and calling upon our charter lending specialists if needed.

In the long run, some degree of delinquency and default is likely in the process of lending to schools that have limited financial resources and serve high-need students, but Self-Help's record has been very solid and prudent. We have drawn on CECSG funds for less than 0.2% of our total charter school loan pool. Self-Help has suffered only three charter school loan losses and has drawn on CSCEG for only two of these loans. These defaults illustrate that charter lending does involve real risks.

We experienced our first loss in 2010, on a loan made with a partner CECSG grantee, IFF, for a Chicago school that closed due to both financial and academic performance problems. This resulted in our first draw against our CECSG funds: $345,577. Fortunately, another charter school leased the building under a lease-to-own agreement, and IFF purchased our ownership interest in the building in 2014. We recovered $248,568 and replenished our CECSG grant account by that amount for a net loss of $97,009.

In 2014, a small urban North Carolina startup leasehold school borrower surrendered its state charter due to weak management, financial condition and academic results. Self-Help had made a leasehold improvement loan to the school in 2013 to help with renovation needed for the school to open its doors. We worked with the school leaders and modified the loan to reduce payments twice, but the school nonetheless closed during its first year of operation. We drew $90,450 from the CECSG account to cover the loss.

In 2013, a rural North Carolina school borrower relinquished its charter rather than face closure by the NC State Board of Education, due to poor academic and financial performance. Self-Help had great faith in the founding board and in its leader when we made a start-up facility loan in 2004. However, the founding leader became ill and passed in the first year of the school's operations, and the school struggled without his guidance. Self-Help worked tirelessly to provide flexibility and financial and governance technical assistance, but in the end we were unable to save the school, and we completed foreclosure in 2014. Due to a USDA guarantee on the loan and our patience in holding the building until finding a suitable buyer, we were able to avoid drawing on any CSCEG funds to cover losses.

These experiences illustrate the risks of working with early-stage and independent schools. In some cases, early-stage borrowers such as [redacted] have replicated and become national success stories. However, it is not always possible to foresee the difficulties a school will face, despite close scrutiny in the underwriting process. The lessons learned from these challenges include: (a) school leadership and their boards can have conflicting plans and priorities, especially when there is change in this leadership; (b) academic achievement above that of weak surrounding schools is insufficient if achievement still lags behind state standards, and (c) sometimes our best efforts are simply not enough to predict future school performance or save struggling schools, creating a long-term need for credit enhancement.

In addition to meeting with a school's leaders, Self-Help now attends a board meeting or meets with board members before originating a loan, to better understand leadership capacity and oversight. Our academic assessment now compares a potential charter school borrower's academic performance with that of nearby schools, the local school district, and the state. We continue as always with our in-depth overall scrutiny of applicants, leading to successful loans in the vast majority of cases.

Our 2017 year-end loan performance figures are shown in the following table:

Self-Help Commercial Loan Delinquency:12-31-17	***Charter Schools***	***All Commercial Loans***
% outstanding balance 60+ days past due	0.00%	0.27%
% of outstanding balance on watch list	0.33%	2.97%
Loan losses (dollars lost divided by outstanding balance in a given year)	0.00%	-0.01%

Financial Management/Risk Mitigation at the Institutional Level: Self-Help is an experienced and capable financial manager. We have endured several recessions and the most severe economic storm seen since the Great Depression, staying stable and active throughout, and actually gaining in financial strength. We have developed a strong culture of fiscal control and risk management that carefully balances risk with our mission to provide capital for deserving community projects. We have internal systems of checks and balances to ensure that no funds are misused either accidentally or intentionally. Self-Help's financial condition is routinely assessed by external parties. Our two credit unions are consistently examined for their financial health by state and federal regulators. If they were in any way distressed, the regulators would make that information public and limit our activities. Because our credit unions are overseen by federal and state regulators, we have adopted the same disciplined financial management procedures required of a regulated institution for all of our entities. Our nonprofit Self-Help Ventures Fund is reviewed by AERIS (an independent ratings agency for CDFIs) annually and has a financial strength rating of AAA (in the top 13% of rated CDFIs) and four stars plus (the most one can achieve) for our impact and policy work. A summary sheet of our AERIS rating is included in the Appendix. In addition, Self-Help's lenders, which include commercial banks, investment banks, insurance companies and other financial institutions, set specific covenants and undertake annual reviews of Self-Help's financial condition.

Our credit union risk management controls are reviewed externally at least once a year by state and federal examiners. In addition, all Self-Help entities are audited annually (including the requisite A-133 compliance evaluations) by Dixon Hughes Goodman, LLP, a large public accounting firm specializing in financial institutions.

Self-Help employs a series of policies and procedures that address credit risk, asset-liability risk, liquidity risk, operations risk and security risk. These policies and procedures are reviewed and updated by management and Boards of Directors regularly and assessed by auditors and credit union examiners at least annually. They have been refined over three decades of community lending and tailored specifically to our sectoral specialties (such as charter schools). Finally, internal compliance with these policies is reviewed by Self-Help's internal auditor on a regular basis.

We have sufficient separation of duties to ensure that transactions are performed by one set of employees and reviewed by different employees to insure compliance with policies. Credit risk is addressed by underwriting, loan monitoring and collections policies and procedures, and carried out by our

Commercial Lending and Commercial Lending Asset Quality teams. Our robust asset-liability risk management system, which analyzes liquidity and interest rate risks on a monthly basis, runs several stress tests to determine the possible impact of different types of interest rate and other shocks. These analyses give us immediate information to help us plan for and minimize the impact of future liquidity and interest rate deviations, and controls for interest rate risk.

Self-Help's financial management group controls the flow of cash in and out of Self-Help from operations, lending, funding, and deposit fluctuations. Self-Help manages and estimates liquidity on a daily basis to ensure that current and projected cash will meet our operating expenses, loan demand, and expected repayments to lenders. Cash required for operating expenses is paid for from income earned from loans and investments, thus a high priority is placed on deploying as many assets as feasible in community development loans to maximize earned income. For this reason Self-Help is not dependent on grants to fund its operations, allowing Self-Help to grow without needing outside funding. Self-Help's assets that are not deployed in loans are managed under its Board-approved Investment Policy (included in the Appendix). Self-Help uses a very conservative investment policy that limits its investments to short-term money market and treasury instruments. We also operate under a liquidity policy (also Board-approved) that establishes minimum cash holdings and total liquidity requirements.

For short-term cash needs, Self-Help may borrow on our various lines of credit. Currently, Self-Help has lines of credit and security repurchase agreements ("repos") with Vizo Financial Corporate Credit Union, Federal Home Loan Bank of Atlanta, Cantor Fitzgerald and J.P. Morgan Chase. The Vizo Financial Corporate Credit Union credit line is $25 million, and is undrawn. Our immediate available borrowing capacity with Federal Home Loan Bank and repo providers is $380 million. Self-Help has the funding needed to make loans because of our ability to raise capital grants, borrow substantial funds from major commercial and capital markets, and attract federally-insured deposits from individuals and organizations across the country.

Operating risks, including human and internal systems errors, and fraud are managed by a system of internal checks on major transactions. We regularly review operations reports to identify areas of weakness and spot irregularities. Lastly, security risk has become a greater focus as more and more of our activity takes place electronically. As a federally regulated institution, Self-Help is required to have comprehensive and detailed security practices to protect the confidentiality of our depositors' and borrowers' information and prevent the authorized access use of that information.

C4. Applicant's expertise in education to evaluate the likelihood of success: Self-Help will continue to use its combination of structured loan officer review and external review by the leading educational consulting firm Public Impact to assess borrowers. Of note from a replication perspective, Self-Help's pioneering work with Public Impact to develop this assessment tool is now being used by other charter lenders, both CDFI and conventional lenders. Public Impact enhances our review with a detailed appraisal that assesses demographic characteristics, research-based instruction, student performance results, high-quality teachers, attendance, and retention, and provides areas in need of further assessment or technical assistance. We are developing, in conjunction with other CDFIs and educational equity experts, a racial equity assessment tool to enable us to understand and support schools' success in educating children of color. We will design a framework to assess commitment to and progress toward racial equity and access on the part of loan applicants and active borrowers.

Lending staff collect quantitative and qualitative information through site visits to the school and interviews with school leadership and other relevant third parties (i.e. authorizers, resource centers, etc.). Steve Saltzman's more than 16 years of experience evaluating for-profit and nonprofit businesses, including charter schools, gives him unique skill that he applies when assessing charter school proposals. Steve has his Master's Degree in African-American history, taught the subject at the University of Virginia, and has a deep appreciation of the impact of structural racism on the academic results of children of color.

Three of our loan officers who make charter school loans -- Brittany Bennett, Sheila Wheeler and Julia Malinowski -- have teaching experience. Brittany completed a year of service with the AmeriCorps-affiliated national nonprofit, City Year, in Columbia, SC. With City Year, Brittany served as a full-time tutor and mentor, offering pull-out tutoring and classroom support for middle school students who were off-track at an under-resourced, predominately low-income African-American Title I school. Brittany also currently serves on Village of Wisdom's board of directors, which is an educational equity organization and one of the members of the racial equity collaborative. Sheila served as a HEART tutor for five years in Charlotte, NC, working one-on-one with two 2nd graders at a Title I district elementary school. Julia is a former Teach for America (TFA) corps member who worked as a 5th grade special education teacher in the New York City Public School District for two years. After her time in New York, she provided technical assistance to the public school districts in Phillips County, Arkansas, helping schools apply for federal grant programs and building more collaborative relationships between schools, law enforcement, and the business community. She is part of the TFA alumni networks for Arkansas, New York, Washington state and eastern North Carolina and is also involved with Leadership for Education Equity (LEE) and Educators for Excellence (E4E). In addition, our newly hired Special Projects Manager, Cameron Eagles, is a licensed NC teacher and former Teach for America Corps member who recently taught high school mathematics in rural Oxford, NC for three years. After teaching, Cameron obtained his MA in Economics from Duke where much of his research was focused on educational inequality and the development of school policies that help to reduce it.

C5. Adequate standards of conduct to prevent conflict of interest: (*Conflict of Interest Policies are in the appendix as "Standards of Conduct"*) Self-Help's Conflict of Interest Policy establishes very conservative rules governing lending, accounting, and account servicing, with disciplinary actions that include termination. Managers and board members are excluded from receiving Self-Help loans, and we cannot provide preferential loan terms for organizations where a Self-Help board member or staff person serves on the board. Staff and board members are prohibited from participating in credit decisions that might benefit their individual interests or the interests of an organization where they serve on the board of directors. Policies regarding government funds are particularly stringent:

> *"Government Funds: Funds received by Self-Help from governmental units should be subject to a higher standard that avoids even the appearance of a Conflict of Interest. Hence, it is the policy of Self-Help to make no loan to a Staff Member or Family Member of a Staff Member if public funds are needed to make or guarantee the loan. If Self-Help makes a loan using public funds to a person who was not a Director or Staff Member at the time the loan was made, but who subsequently becomes a Director or Staff Member, such loan, if possible, shall be reclassified to a different funding or guarantee source, and another new or existing loan shall be substituted in its place for the loan funded with public funds…."*

C6. and C7. are not applicable to this proposal.

C8. For previous grantees, performance in implementing these grants

Self-Help's performance in the CECSG program has far exceeded goals and expectations. We have leveraged $10.2 million in grant funds to provide more than $328 million in financing through 104 loans to 65 schools, more than tripling the performance goals for our first two awards. For our 2003 grant, we met the $80 million lending goal in 2010, three years ahead of schedule, and have now lent $272 million backed by the grant. For our 2006 grant, we met the initial $10 million deployment goal on schedule in 2011 and have now lent more than $27 million.

In late 2017 we were awarded another $8 million CECSG award and have already originated $27.8 million in loans that will be backed by the grant, exceeding our $20 million Program Year One goal, six months ahead of schedule (the Program Year ends 9/30/18). This clearly demonstrates that we have capacity to meet or exceed the additional $4.5 million annual lending goal we are setting in this proposal. Our 2017 award has an aggressive $200 million 10-year lending commitment, with financing likely to trend towards larger loans and more established schools. The requested 2018 award will enhance our ability to serve small and early stage schools with little to no collateral, complemented by our ability to make larger loans using previous grant funding.

D. Quality of Project Personnel

D1. Qualifications of personnel, including relevant training and experience (Summary)

Much more fully detailed Staffing Plan is in the Appendix, including complete charter lending team. Self-Help employs more than 700 staff, fifteen of whom are involved significantly in charter school lending, as well as many more who are involved to a lesser degree in activities such as loan closing, loan servicing, financial management, impact measurement and raising loan capital. One of our great organizational strengths is the depth and breadth of talent of our entire staff, and our continued ability to recruit and retain highly qualified personnel. Key staff members include:

Chief Executive Officer: Martin Eakes is one of the founders of Self-Help and has served as the Chief Executive Officer of Self-Help and its affiliates for 37 years. Martin provides strategic direction for all of Self-Help's programs, including charter school lending, and must approve all loans over $1 million. He was also instrumental in the creation of North Carolina's charter school law and in the subsequent founding of Maureen Joy Charter School, a high-performing charter school in Durham, and is keenly aware of the challenges of starting an independent charter school without philanthropic, federal or state start-up grant funds. He brings an unparalleled understanding of the power of community development finance to expand opportunity for people traditionally underserved by the financial mainstream. Under his leadership, Self-Help has grown from an idea to an organization with more than $2 billion in assets. He has received numerous awards for his work at Self-Help, including a MacArthur Foundation "Genius" Award in 1996, the Humanitarian of the Year award from the North Carolina Chapter of the National Association for the Advancement of Colored People (NAACP) in 2010, and was one of only 12 Ford Foundation Visionaries named worldwide in 2011, and, last year received the Leadership Conference on Civil and Human Rights' 37th Annual Hubert H. Humphrey Civil and Human Rights Award.

Director of Charter School Lending: Steve Saltzman, who joined Self Help in 2006, is responsible for design of our charter program, outreach and technical assistance to charter schools and also plays a leading role in the origination of transactions. Steve led the creation of SPOON, Student Power Over Our Nutrition, which empowers students to get healthy, cultural appropriate food. The program has been implemented with multiple charter school borrowers and was adopted last year by the traditional public school system in Durham, NC. He led a presentation at last fall's Opportunity Finance Network conference of lenders on our nascent work developing a tool for assessing educational equity in schools. He has extensive experience in the capital markets, having spent ten years raising venture capital and managing technology companies before coming to Self-Help. He also spent five years teaching Civil Rights and Labor History at the University of Virginia and worked as a reporter for a daily newspaper in the Mississippi Delta covering African-American politics and rural poverty. Steve earned his undergraduate degree from Duke University and a Master's of Arts from the University of Virginia.

Commercial Lending Team Leader: Brian Schneiderman came to Self-Help in 2004 to manage our largest and most challenging commercial loan transactions and became Commercial Lending Team Leader in 2010. Since joining Self-Help, he has provided overall operational management for hundreds of millions in major real estate financing, including charter schools, and also serves as a lead underwriter and strategist.

Project Consultant: Bryan Hassel, Ph.D., Co-Director of Public Impact, continues to provide depth and expertise for Self-Help's academic appraisals. He consults nationally on charter schools and the reform of existing public schools. In the charter school arena, he is a recognized expert on state policies, accountability oversight systems, and facilities financing. He has also served as a consultant to leading efforts to create high-quality charter school systems, including the charter school office of the mayor of Indianapolis and Rhode Island's creation of a network of mayor-led charter schools.

Boards of Directors: Self-Help is composed of four primary entities: the Center for Community Self-Help (the applicant and Self-Help's parent organization), Self-Help Credit Union, Self-Help Federal Credit Union, and Self-Help Ventures Fund (a nonprofit loan fund). Each entity has its own board of directors. All four organizations share the same chief executive officer, Martin Eakes. Members include financial institution leaders, executive directors of nonprofit organizations that serve low-wealth communities, real estate professionals, and academic experts on poverty and community development. The boards of directors review and approve lending policies and our largest loans. The boards meet quarterly, review financial statements, approve new program developments, and monitor and evaluate budgets and program accomplishments. Loan decisions except the largest are delegated to credit committees, which are made up of key management staff. The Center's board list and biographies are in the appendix.

D2. Staffing Plan: Please refer to the Appendix for a summary of individual backgrounds for the entire project team, along with résumés of key staff.