PR/Award # S354A210007

Abstract Narrative

Name: BlueHub Loan Fund (BHLF)

Contact Information: Contact

Project title: Expanding Educational Opportunities Project

BHLF, a nonprofit community development financial institution (CDFI) that has been providing flexible lending terms and products to support low-income communities for 37 years, respectfully requests a credit enhancement award.

Meeting the Purpose of the Program: BHLF will use an Award to provide innovative loan products aligned with the financing needs of charter schools at various stages of operation, with a particular focus on meeting the needs of start-up and early-stage schools and schools in financially underserved markets and in low-income, low-performing districts. BHLF will provide predevelopment, acquisition, construction and leasehold improvement loans with terms and rates that could not be offered without an Award. We will make loans that other lenders typically find too risky to support; subordinate debt and loans to start-up schools will be primary offerings.

Goals: BHLF’s goals for an Award are to: 1) expand the supply of flexible, low-cost capital for charter school facilities, especially in underserved markets, 2) increase the number and variety of charter schools, particularly by financing facilities for start-up and early-stage schools, 3) offer favorable terms, rates and fees that align specifically with charter schools’ needs and cashflow, 4) model and promote replicable, cost-effective financing strategies and provide schools with technical assistance, and 5) finance facilities for schools in communities where high percentages of students are low-income and perform below proficient on state assessments.

Outcomes: BHLF will use an Award to deliver to support charter school facilities projects, including in flexible, cost-effective lending from BHLF and from outside sources. We will leverage ED’s investment by a factor of 15:1. BHLF’s 21 Award will support at least 27 charter schools, at least 9 will be start-ups and another 9 will be early-stage. This financing will reach underserved markets throughout BHLF’s national lending footprint and particularly the underserved markets in the South and Gulf States. At least 20% of the Award and of BHLF facilities financing will be in AL, LA, SC, and TX. At least 3/4ths of schools served will be in districts where over 75% of students are low-income and over 50% of low-income students performs below proficiency on state assessments. BHLF will provide over 50 operators with technical assistance, conduct an evaluation of ED-supported facilities lending products, and present lessons learned at least 5 convenings.

Contributions: With the proposed loan products, BHLF is replicating and expanding financing strategies we developed through 2 prior ED Awards. We anticipate successful deployment and continued low loan loss (0% to date) and thus to demonstrate that strategies ED supports with credit enhancement are viable investments that increase the number and variety of charter schools. This effort will showcase the creditworthiness of the charter school market as well as the value of flexible underwriting that looks beyond collateral values and charter renewal cycles. As such it will encourage broadscale replication of innovative financing strategies.