

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

Status: Submitted

Last Updated: 09/03/2021 07:47 AM

Technical Review Coversheet

Applicant: Enterprise Community Loan Fund, Inc. (S354A210004)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Quality of Project Design	35	31
Quality of Project Services		
1. Project Services	15	12
Capacity		
1. Capacity	35	31
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	88
Total	100	88

Technical Review Form

Panel #1 - FY21 Credit Enhancement - 1: 84.354A

Reader #1: *****

Applicant: Enterprise Community Loan Fund, Inc. (S354A210004)

Questions

Selection Criteria - Quality of Project Design and Significance

1. In determining the quality of project design and significance, the Secretary considers—

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

Strengths:

1. The applicant's use of the CE would allow it to offer hard to access products (unsecured pre-development loans, and under-secured leasehold improvement loans, as well as mini-permanent/bridge loans) with flexible terms and affordable rates targeting early-stage schools with the aim of helping them to meet their facility needs in the short run as they build a stronger credit profile and become better positioned to obtain favorable long-term financing. (p. e14-e17).
2. The applicant's goals and objectives effectively capture the financial and demographic aims of the proposed program (p. e18 -e20).
3. The applicant's implementation plan is based on the applicant's network and local presence, its collaborations with a number of key partners (p. e20 -e22), and its substantial experience with credit enhancements and in leveraging capital (p. e23 -e 24) and seems achievable.
4. The applicant has research and documentation capacity that it aims to use to share outcomes and best practices from their experience and plans to increase its engagement with trade groups of charter lenders to facilitate that result (p. e25). Both steps should allow lessons that might be learned from the proposed program to be replicated.
5. The applicant's criteria for selecting schools for assistance and for determining the type and amount of support to be offered are strong in terms of assessing the real estate development aspects and the key risks that the charters face as borrowers (p. e39 - e40).
6. The applicant expects the requested [REDACTED] CE award would allow them to leverage total capital of [REDACTED] over five years. That includes [REDACTED] in their own lending and would produce a leverage ratio of 11.7 to 1 (p. e28).
7. The applicant indicates that their past lending to charter schools has all been to states that fall in the top half of the NAPCS ratings and that they will continue to focus on states with strong charter school laws.
8. The applicant's request and projected costs are reasonable and by forgoing the permitted administrative fee of [REDACTED] the applicant will have more CE capital to work with.

Weaknesses:

1. Though the applicant expects to provide below market rates, the focus of their approach is on providing access to products and terms that would otherwise be unavailable. As a result, the pricing is relatively costly because most of the borrowers would ordinarily not have access to capital or only be able to access very costly capital.
2. Though the applicant defines their products in terms of the special needs of early-stage schools (those with less than three years operating history,) they only commit to having 33% of the schools they serve in that category (p. e19).
3. The applicant's objectives do not include any objectives related to the educational performance of borrowers (p. e18 -e20).
4. The applicant's focus on racial equity and aim of especially supporting charters led by people of color is an important goal, however they indicate that they would like to make having leadership of color an eligibility requirement rather than a priority (p. e26). It is not clear how the implementation of the requirement would work, since as an eligibility requirement the definition of leadership of color (which is not provided) becomes pivotal (is it ED, management team, staff, board, all four, some mix), and changeable (a charter led by people of color at the point of underwriting might have different leadership two years later).
5. The applicant's selection criteria include but do not emphasize criteria aimed at assessing the quality of the school's educational performance as they seem focused on performance as a screen for risk rather than as a key element that they seek in all supported schools.

Reader's Score: 31

Selection Criteria - Quality of Project Services**1. In determining the quality of the project services, the Secretary considers—**

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

Strengths:

1. The applicant's products are designed to address significant challenges that charters face in facility development, and it provides technical assistance services to help schools deal with the real estate development challenges involved in charter facility development (p. e29 – e30).
2. The applicant's approach and services are based on its own experience, feedback from charter schools, and two national charter school intermediary organizations with which the applicant partners (p. e31).
3. The applicant will not charge for its technical assistance nor will it charge an indirect fee on award funds. It also indicates that it will charge lower loan fees on the CE supported loans than is customary and that it will have lower interest rates than are otherwise available in the market (p. e32).
4. The applicant has substantial experience in making successful community development investments as well as some experience as a charter school facility lender. Its program intends to focus on schools with demonstrated high need and it is confident that its approach to selection and support will allow the charters to succeed as borrowers (p. e32 – e33). The applicant's loan performance is also strong, with an overall historic loss rate of only 1.06% and no losses to date on its charter school loans (p. e41).

Weaknesses:

1. The applicant does not provide much information about the TA that it provides. Those services are focused on real estate development issues and seem not to extend to the educational and organizational development challenges that charters schools, especially early-stage and smaller schools that the are key targets for the proposed program, face.
2. The applicant's consultations on program design seems to have been heavily driven by the partner organizations rather than directly by charter schools or chartering agencies (p. e31 – e32).
3. Though the applicant has a substantial record of successful community development lending its experience with charter facilities lending is much more modest, 15 loans totaling [REDACTED] over a decade (p. e21). As a result, there is some uncertainty about how successful they would be in selecting charter schools that will succeed both as borrowers and as educational institutions.

Reader's Score: 12

Selection Criteria - Capacity

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

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among factors (1)-(5), (7), and (8)

Strengths:

1. The applicant has substantial experience in community development lending and in offering the kinds of products and flexibility that it proposes to support with the requested CE award. It has a decade of experience in lending to charter facilities and many of its senior staff have longer records of involvement with charter school lending.
2. The applicant is strong and stable financially, as reflected in audits and its ratings from Standard & Poor's and AERIS. Its AERIS rating indicates that it has "very strong financial strength, performance and risk management practices (p. e36).
3. The applicant's systems for financial management, underwriting, risk management and servicing, and portfolio monitoring seem strong, and the strong S&P and AERIS rating provides external confirmation of that (p. e36).

4. The applicant has ten years of experience in lending to charter schools and a number of senior staff have additional charter school lending experience to produce effective underwriting of charter school borrowers.
5. The applicant has a comprehensive conflicts of interest policy that applies to officers, directors, and employees, and that should allow them to identify potential conflicts and prevent them from becoming actual conflicts.

Weaknesses:

1. The applicant's experience with community development lending is vast, but their experience with charter school facilities is comprised of only 15 loans worth [REDACTED] over a decade.
2. The applicant brings a some of charter school experience, through its own lending, and through the previous experience of its lending staff, but they do not have much broader educational experience.

Reader's Score: 31

Selection Criteria - Quality of Project Personnel

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

- (1) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**
- (2) The staffing plan for the grant project.**

Strengths:

1. The applicant's staff and board are highly qualified and experienced based on their role in building the applicant's significant track record in community development lending and by their training and professional experience.
2. The staffing plan for the project seems sound as it is grounded in the applicant's experience as a charter facility lender and as a community development lender

Weaknesses:

1. The applicant's staff and board are highly qualified to provide effective underwriting of charter schools as borrowers, but it is not entirely clear whether they have the experience and focus on the educational issues to effectively assess the educational potential of borrowers.

Reader's Score: 14

Status: Submitted
Last Updated: 09/03/2021 07:47 AM

Status: Submitted

Last Updated: 09/01/2021 02:18 AM

Technical Review Coversheet

Applicant: Enterprise Community Loan Fund, Inc. (S354A210004)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Quality of Project Design	35	29
Quality of Project Services		
1. Project Services	15	13
Capacity		
1. Capacity	35	32
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	88
Total	100	88

Technical Review Form

Panel #1 - FY21 Credit Enhancement - 1: 84.354A

Reader #2: *****

Applicant: Enterprise Community Loan Fund, Inc. (S354A210004)

Questions

Selection Criteria - Quality of Project Design and Significance

1. In determining the quality of project design and significance, the Secretary considers—

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

Strengths:

- 1) The applicant intends to provide charter schools with affordable capital with more flexible loan terms, lower interest rates and reduced loan fees that will allow more dollars to go towards educating students. This entails increasing access to capital through three innovative products: unsecured predevelopment loans, mini-permanent bridge loans, and leasehold improvement loans. (pages e14-17) The application details below-market interest rates of between [REDACTED] and [REDACTED] on average, based on rates as of July 2021 and terms from 1 to 25 years based on financing types. This structure will allow schools to take advantage of opportunistic financing.
- 2) The applicant's project goals, objectives, and timeline are clearly specified, measurable, and detailed. They project the deployment of the [REDACTED] award and [REDACTED] in financing for the proposed loan products to 18 schools over the next five years as shown in their Financial Model. (pages e19-20) For an example, 50% of financed schools will be led by school leaders of color and 33% will be early-stage with three or fewer years of operating history.
- 3) The applicant's project implementation plan and activities include leveraging existing lending infrastructure and relationships to effectively execute measurable objectives. The application details their track record from four Capital Magnet Fund grant awards, which differ from the credit enhancement program, however the information demonstrates a track record of effectively leveraging over the last five years. (page e24)
- 4) The application details a robust research division that generates resources that are broadly employed across the community development field for best practices, indicating that the model is replicable. They have created the OPPORTUNITY360 framework, which includes outcome data collection and analysis framework aligning with industry standards like the United Nations' Sustainable Development Goals and the Global Impact Investing Network's IRIS+ impact measures. The outcome measurement efforts are led by Enterprise's Knowledge, Impact and Strategy (KIS) team. The team helps identify opportunities using the same approach used in affordable housing through its Equitable Path Forward initiative which they believe is replicable in the charter school sector. (pages e24-25) These existing resources and strategy demonstrate the ability to produce results that are replicable.
- 5) The application details eligibility requirements for identifying schools that would benefit from the loan products.

These eligibility requirements include a commitment to engage schools led by leaders of color and early-stage schools. The applicant outlines the underwriting standards that will be used to determine eligibility criteria and racial criteria in selecting charter schools for assistance and determine the amount of assistance to be given. (page e25) The information details the effectiveness of selecting charter schools for assistance and determining the type and amount of service.

6) The application details three measures of leverage of private and public sector funding that include: direct leverage, direct project level leverage, and recycled leverage along with the capital raising abilities that would enable them to structure the three loan products detailed in the application. (page e27) For example, over the 15-year project period, the [REDACTED] award would leverage [REDACTED] in financing, a leverage of 8:4:1 on behalf of 33 school projects with total development costs of [REDACTED] and a leverage ratio of 25:7:1. (pages e27-28)

7) The applicant will be considering the strength of a state's charter laws prior to financing a project. Their standard underwriting practices include using rankings and assessments from independent, nationally recognized charter school stakeholders such as those provided by the National Alliance for Public Charter Schools (NAPCS). (page e28) The racial equity lens detailed will be used to assess whether schools are representative of their students and communities. The strategy demonstrates the effectiveness of their eligibility criteria and racial equity criteria to select charter schools for assistance and determine the type and amount of assistance to be given.

8) The applicant's goal is to provide loan products tailored to the needs of charter schools that are perceived as underserved and as risky. The applicant's targeted borrowers include early-stage schools and schools led by leaders of color. The requested grant amount of [REDACTED] will allow them to originate [REDACTED] in financing, leveraging [REDACTED] in total development costs for 18 schools and an estimated 7,100 students. (page e29) This demonstrates the strategy pertaining to the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.

Weaknesses:

- 1) The applicant notes that they anticipate financing charter schools in states with strong charter laws based on their historic experience. This strategy indicates that the award may not be fully committed to charter schools in states with strong charter laws and that potentially eligible charter schools would be overlooked .
- 2) The applicant has limited experience lending to charter schools and historic leveraging examples pertaining to affordable housing development and public capital in low-income communities.
- 8) The application mentions a regular pipeline of opportunities from their partnerships; however, documentation detailing perspective schools and financings are not included in the application.

Reader's Score: 29

Selection Criteria - Quality of Project Services

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

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

Strengths:

- 1) The applicant collected feedback from school leaders and charter school stakeholders and identified access to unsecured predevelopment, under-secured leasehold improvement, and higher LTV mini-permanent/bridge financing as the main needs of the target schools who are underserved by capital providers. (page e30) The target market schools are specifically early-stage schools and schools operated by leaders of color. This demonstrates the effectiveness of the applicant to identify needs of the targeted charter school market.
- 2) The applicant's project was developed on feedback from charter schools and agencies as shown in the letters of support. (page e451-462) For an example, Building Excellence Schools (BES) identified predevelopment expenses and leasehold improvements as the most needed for the launching of new schools. The National Charter Collaborative's platform highlights and reform inequities that exist in charter school funding. (page e23) These examples demonstrate the engagement of charter schools in the design of the project.
- 3) The applicant has experience working with nonprofits navigating the development process and accessing complex public and private financial resources. They will provide localized training and technical assistance to school leaders at no cost to schools. (page e30) The applicant has a Senior Loan Officer who was instrumental in creating and implementing the first national Technical Assistance Project for Charter School Facilities. (page e47)
- 4) The applicant's programmatic focus was developed through outreach to charter schools and charter school stakeholders. They combine a long history of successful underwriting of community development investments and underwriting charter schools by hiring essential staff additions as well as a robust marketing staff within the local markets and community. This demonstrates their ability to focus on assisting charter schools with a likelihood of success.

Weaknesses:

- 1) The applicant stresses the importance of employing the use of a racial equity lens. There is potential conflict in overlooking schools that are not operated by leaders of color if one qualifies and is of need.

Reader's Score: 13

Selection Criteria - Capacity

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

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of

factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among factors (1)-(5), (7), and (8)

Strengths:

- 1) The Enterprise Community Loan Fund has extensive experience with federal and private credit enhancement programs. The applicant originated their first charter school loan in 2005 and has originated [REDACTED] financing for charter schools. To date, their financings have created 19,000 seats in high-quality charter schools. (pages e34-36)
- 2) The applicant received an A+ issuer credit rating from Standard & Poor's Global Ratings in 2020 and maintains a 4-Star Impact Management Rating and AA+ Financial Strength Performance Rating from Aeris. These are strong indicators that the applicant has strong financial strength, performance, and risk management practices. (page e36)
- 3) The applicant's loan underwriting, portfolio monitoring, and financial management policies and procedures are documented in their Lending and Standards Guidelines (LS&Gs). (pages e319-322) The board appointed Loan Committee meets at least monthly, conducting proactive loan-portfolio management with comprehensive underwriting guidelines; conservative reserve requirements help to sustain stronger loan performance and less repayment risk. (page e38) Additionally, the applicant's two origination platforms, Salesforce and Precision LM, are used for managing financial accounting, loan servicing, and loan origination. (pages e43-44)
- 4) The applicant has experienced staff in underwriting with internal policies requiring the collection of due diligence information pertaining to schools' finances, academic performance, organizational and board structure, and authorizing charter during the original assessment. Through an award and alignment with their Equitable Path Forward initiative, they will be employing a racial equity lens as another factor of access. (pages e44-45) Additionally, the staff leverages existing contacts and relationships in 12 local markets, ensuring a comprehensive view of a school. (pages e44-46)
- 5) The applicant requires trustees, directors, officers, and employees to adhere to their Business Ethics and Fraud Policy and avoid conflicts of interest that could influence an employee's judgement in handling business. (pages e176-180) Employees are expected to avoid conflicts of interest or the appearance that could conceivably influence an employee's judgment in handling business.

Weaknesses:

- 4) Although the staff has experience in underwriting, no one has direct experience in education. The applicant would benefit having personnel with this background as part of their research and expansion.

Reader's Score: 32

Selection Criteria - Quality of Project Personnel

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

- (1) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**
- (2) The staffing plan for the grant project.**

Strengths:

- 1) The project director joined the organization in February 2020 and has extensive experience in capital finance, community development, and consulting with charter schools. Other project team members have relevant training and experience needed to manage the project.
- 2) The applicant has a staff of 40 and anticipates that the expanded activity will be absorbed within the existing capacity with no need to hire staff.

Weaknesses:

- 1) None of the project personnel have experience in education, which would be beneficial to the overall strategy by providing additional insight. Key personnel and staff have depth of experience in underwriting and financing.

Reader's Score: 14

Status: Submitted

Last Updated: 09/01/2021 02:18 AM

Status: Submitted

Last Updated: 08/31/2021 06:36 PM

Technical Review Coversheet

Applicant: Enterprise Community Loan Fund, Inc. (S354A210004)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Quality of Project Design	35	29
Quality of Project Services		
1. Project Services	15	11
Capacity		
1. Capacity	35	31
Quality of Project Personnel		
1. Project Personnel	15	13
	Sub Total	84
	Total	84

Technical Review Form

Panel #1 - FY21 Credit Enhancement - 1: 84.354A

Reader #3: *****

Applicant: Enterprise Community Loan Fund, Inc. (S354A210004)

Questions

Selection Criteria - Quality of Project Design and Significance

1. In determining the quality of project design and significance, the Secretary considers—

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

Strengths:

1. The nature of this program is to fund early and new-start charter schools in need of pre-development funding as well as leasehold improvement loans. These types of loans are not typically available in the commercial market because of their inherent risk and lack of collateral, making this program attractive to the type of charter schools chosen for the program. Without this type of program, new and early-stage charter schools have little chance of finding appropriate facilities. (Pgs. e14-e18)

2. A major goal of receiving this Credit Enhancement Grant is supported by specific objectives defining the details of the program and the steps needed to implement the loan products. Specifically, the objectives include a definition of a community or need that will be targeted by the applicant and include the specific percentage of funds to be allocated to each type of charter school serviced. A timeline is provided indicating the number/type of loans that will be made during the first five years of the grant project that aligns with the purpose/goals of the grant program. (Pgs. e18-e20)

3. The applicant describes several partnerships that are already in place with other entities that support or provide services to charter schools. Among these partnerships are charter school associations, organizations devoted to developing great charter school leaders able to bring a new charter school to fruition, and other financial institutions that will assist in the project as needed. These partnerships will benefit the grant program in meeting the objectives outlined in the narrative. (Pgs. e22-e23)

4. The applicant has created a framework – Opportunity 360 – that will monitor the success of the loan programs offered through a data collection process. This information will be analyzed and shared throughout the industry as an example of success with these loans that are typically unstable. (Pgs. e24-e25)

5. Selection criteria for charter schools represent a wide variety of thoughtful characteristics to be considered for inclusion

in this project, including board and staff experience, community support for the new charter school, and parent engagement. These criteria will provide the lending team a good representation of charter schools that can be sustained and will be successful. The program design presented in the narrative demonstrates that a variety of charter schools will be included in this project, specifically new and early-start charters schools attempting to find suitable facilities for their growing student population. Because of the nature of these schools, including lack of academic and financial history, affordable financing is not readily available. This causes these schools to struggle finding facilities. (Pgs. e27-e28)

7. States with strong charter laws as determined by the rankings from the National Alliance for Public Charter Schools, have historically been funded by the applicant, with all states that have received funding within the top 50th percentile of these rankings. Within this new grant program, it is expected that charter schools will come from the states with high rankings. However, charter schools will not be excluded if they are located in a state with weaker charter laws, making this program more accessible to many types of schools. (Pgs. e27-e28)

8. The requested grant amount is reasonable considering the breadth of the objectives as outlined in the narrative, specifically as related to new and early-stage charter schools and charters operated by people of color. Additionally, this program has the capability, once success is realized, to change the landscape for financing charter school facilities through the dissemination of results. (Pgs. e29-e30)

Weaknesses:

3. The implementation plan is loosely described. There is little information regarding how charter schools are identified for inclusion in the program and the overall tasks that will be completed within the given timeframe to support the goals and objectives identified in the narrative. 1) how schools will be identified for inclusion in the program prior to underwriting and 2) overall tasks that will be completed within the given time frames to support the goals and objectives identified in the narrative.

4. While the applicant is confident in their ability to replicate this project, much more specificity surrounding details that will be shared, and entities that will receive this information should have been provided. (Pg. e25)

6. There is little information provided as to private sector funding that will be leveraged within this grant project.

7. The narrative specifies only one set of rankings when considering the strength of the state's charter laws. Other organization ratings could be reviewed with the possibility of additional states being included in the program based on a different set of rating criteria.

Reader's Score: 29

Selection Criteria - Quality of Project Services

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

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

Strengths:

1. Financial services that will be provided through this grant program will provide new and early-stage charter schools a chance to receive a loan that will be fiscally responsible for their given situation, allowing them to have sufficient funding available for operations and academics. The applicant has created a program that identifies aspects of management and community support that can lead to a successful new charter school, creating more seats for students. (Pg. e30)
2. Letters of support are provided from charter schools, charter school support agencies and two national entities that provide support to charter schools. These letters speak to the successful experiences the applicant has in funding charter facilities as well as the ability of the applicant to obtain the goals as outlined in the application, specifically, securing loan products for underserved populations, including those at schools operated by people of color. (Pgs. e32 and e450-e462)
3. Technical assistance will be provided to charter schools at no cost. The applicant has local offices in the targeted markets that afford charter schools seeking assistance an actual representative that understands their community and the specific needs of the charter school. Fees and lending terms are tailored to meet the needs of growing charter schools in that interest rates are lower than with conventional means and loan terms are very flexible so as not to burden a new charter school with a large amount of debt. (Pg. e32)
4. This grant program will definitely target charter schools with the greatest amount of need by lending to new and early-stage charters as well as charter schools that have leaders of color. Through established underwriting guidelines and individuals located in specific geographic areas targeted by this program, there is a high probability that charter schools that are likely to be successful will be identified. (Pgs. e32-e34)

Weaknesses:

2. The applicant is heavily relying on two specific agencies for input on the project design. While these two agencies have a national presence, it would have been beneficial to secure a good amount of feedback from specific charter schools and charter school support organizations in order to receive well-rounded advice and information to develop this program. The narrative does indicate that charter schools will be involved in the project design, but there is no evidence in the application of this involvement. (Pgs. e31-e32)
3. While the narrative mentions that technical assistance will be provided, there is little specificity surrounding what this looks like and how it will benefit charter schools. This information would be beneficial to charters as they move forward in the process. (Pg. e31)

Reader's Score: 11

Selection Criteria - Capacity

1. **In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers—**
 - (1) **The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**
 - (2) **The applicant's financial stability;**
 - (3) **The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
 - (4) **The applicant's expertise in education to evaluate the likelihood of success of a charter school;**
 - (5) **The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;**
 - (6) **If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium**

member), partner, or other grant project participant to the implementation and success of the grant project;
(7) For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and
(8) For previous grantees under the charter school facilities programs, their performance in implementing these grants.

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among factors (1)-(5), (7), and (8)

Strengths:

Strengths:

1. The overall experience of this applicant dates back to 1982. It is currently one of the largest agencies of its type in the country, focused on making communities stronger by utilizing credit enhancement tools as well as New Market Tax Credits in 12 specific markets throughout the country. These financing options and the need for good educational choices in the targeted communities brought the agency into the charter financing world in 2005. To date, 15 transactions have been completed, resulting in [REDACTED] for charter schools. (Pgs. e34-e36)
2. The applicant has an A+ credit rating from S&P as well as a 4-star rating from Aeris. Net assets total [REDACTED] and have lending capital of [REDACTED] from 63 discrete investors. Currently, the applicant has 18 months of operating cash on hand as well as revolving credit of [REDACTED] at their disposal. Each of these aspects speak to the financial stability of the applicant. (Pg. e36-e38)
3. Policies and procedures are presented in the Lending Standards and Guidelines document. These are well-defined and will ensure all underwriting, financial management, and portfolio monitoring is sufficient and handled properly. These documents are approved by the Board of Directors and amended as needed. Included in the narrative is a list of documents that are collected during the underwriting of charter schools. This is an extensive list and includes information on financial, operational, and academic areas of the charter school. (Pe38--e44)d
4. Individuals with extensive experience financing charter schools and developing protocols for such financing are part of the project team and will ensure proper processes are followed in order that the applicant can continue to approve loans to charter schools that are stable and will not result in a default. (Pg. e44-e47)
5. A conflict of interest procedure is included in the Business Ethics and Fraud Policy. The policy provides all employees with the definition of COI and the steps that should be followed if a conflict or a perceived conflict arises. The policy is strong and will keep the employees focused on the business at hand. (Pg. e47 and e176-e178)

Weaknesses:

3. While the list of underwriting documents required of charter schools is extensive, most of these relate to charter schools with several years of working history. A discussion of what would be expected of new and early-stage charter schools would have made these criteria stronger. (Pg. e39)
4. It is unclear how a charter school will be evaluated as to the likeliness of success. Much more specificity surrounding this process is needed. Additionally, there is very little educational expertise on this team to judge whether or not a charter will be successful. (Pg. E45)

Reader's Score: 31

Selection Criteria - Quality of Project Personnel

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

- (1) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**
- (2) The staffing plan for the grant project.**

Strengths:

1. Members of the project team have significant experiences that cover the broad range of activities needed to develop the credit enhancement products that will be provided within this grant project. Specifically, the qualifications/experiences of the project director are broad, but they are also focused on specific aspects of the project; these include director for three previous CE programs, consulting with entities regarding charter school finance, and disseminating information about charter school financing through broad channels relative to charter school finance. (Pgs. e48-e52)
2. The staffing plan is appropriate for the project that is presented and includes 40 individuals devoted to the project as well as many individuals working in the 12 local markets that will be serviced by this grant project. (Pgs. e48-e52)

Weaknesses:

1. There is a significant lack of educational experience within the members of the grant team to assist with the evaluation of the academic and management portions of the charter school.

Reader's Score: 13

Status: Submitted

Last Updated: 08/31/2021 06:36 PM