

**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: Hope Enterprise Corporation (S354A210008)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Quality of Project Design	35	33
Quality of Project Services		
1. Project Services	15	13
Capacity		
1. Capacity	35	31
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	92
Total	100	92

Technical Review Form

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

Reader #1: *****

Applicant: Hope Enterprise Corporation (S354A210008)

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 charters in its five-state region affordable rates, flexible terms, subordinate financing, and guarantees that can help schools overcome a range of obstacles (particularly LTV and borrower equity requirements and lender reluctance to finance leasehold improvements) that make it hard for them to secure the facilities that they need to offer educational opportunity to disadvantaged students and communities. (p. e18 – e23).
2. The applicant's goals and objectives are clear and measurable and appropriate to the aims of the program (p. e27 – e29).
3. The applicant's implementation plan seems sound and achievable. Its strengths include being based on the continuation of the charter facilities lending program that the applicant has operated for six years with the help of earlier CE awards. The applicant will draw on partnerships with charter school associations in each of the targeted states, and use a national consulting firm to complement the applicant's credit and real estate focused analysis with an expert assessment of the educational performance and outlook of potential borrowers (p. e29 – e33).
4. The applicant makes a credible case that its charter school funding work can lead to other regional lenders to making investments in charter schools and in the disadvantaged communities that the charters target (p. e34).
5. The applicant's criteria for selecting schools for assistance and for determining the type and amount of support to be offered seems sound, is based on experience, and includes careful assessments of the real estate and credit position of the charter as well as an expert consultant's review of the potential borrower's academic approach, past performance, and outlook (p. e39 – e40).
6. The applicant expects the requested [REDACTED] CE award would allow them to leverage total capital of [REDACTED] over five years and that would produce a leverage ratio of 8 to 1 (p. e27).
7. The applicant indicates that all five of the states that are their service area and that they are targeting with the proposed CE program have strong charter laws but lack equitable access to capital based on a variety of measures,

including NAPCS rankings and measures of growth, autonomy, and access to capital (p. e24 -e25). They also make a broader case about the need for the educational opportunity that charters bring given the region's poverty and relatively low academic achievement produced by existing school systems (p. e15 – e17).

8. The applicant's request and projected costs are reasonable, consistent with how they have used previous CE awards, and in line with the objectives and potential significance of the award for the schools and communities that would be assisted by the proposed program (p e32).

Weaknesses:

1. The applicant's interest rates are not particularly low (average 5.7%, p. e20).
2. The projected leverage rate is solid but appears to be below the 10+ to 1 rate that they have achieved on previous awards considered together (p. e18).
3. The applicant makes a case that each of the five states have some of the features of strong charter laws, but the application presents only one ranking of charter law strength from NAPCS and two of the states (AR and TN) rank fairly poorly at 31st and 25th respectively (p. e24).

Reader's Score: 33

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. The applicant provides technical assistance services to help schools deal with the real estate development and financing challenges involved in charter facility development and referral to other resources when borrowers need help with organizational and educational development (p. e36).
2. The applicant's approach and services are based on its own experience, the regular feedback, and interactions it has with charters and other stakeholders, and the extensive research that it did with charter schools, authorizing entities, and others when it first decided to focus on the charter school market (p. e35 – e36).
3. The applicant's technical assistance appropriately focuses mainly on project development and financing issues that are central challenges for the schools that it assists and it does not charge for its technical assistance. Its fees appear to be reasonable; and its interest rates are lower than other rates available in the market (p. e20).
4. The applicant has substantial experience in making community development investments. As a charter school facility lender, its charter lending has particularly focused on early-stage schools (66% of past activity) and single site schools (48% of past activity) (p. e19), and 75 percent of the more than 10,000 students served by its charter borrowers have been eligible for Free and Reduced Price Lunch (p. e25). The applicant has not experienced any losses to date on its charter school lending (p. e24). The requested award would be used to continue its existing program that has been focused on borrowers and communities with great demonstrated need and that has also produced strong loan performance.

Weaknesses:

1. The applicant provides only a very general description of the TA that it provides (p. e35 -e36).
2. There is no evidence in the narrative or support letters of recent input or support from chartering agencies, and there are letters of support from just two charters, one single school and one CMO, in the application. (p. e307 – e315).

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 applicant has substantial experience in community development lending generally as well as in offering the kinds of products and credit enhancements that it proposes to support with the requested CE award. The applicant has six years of experience in charter facility lending just like those it proposes to offer with the requested award. The applicant's charter lending program also draws on a partner, Public Impact, to provide an educational assessment of potential charter borrowers (p. e32 – e33) that supplements the applicant's assessment of the proposed project and the borrower's credit.
2. The applicant appears to be solid financially, as reflected in its audits which show strong net asset positions, good liquidity and operating surpluses in fiscal year 2020 and 2019 (p. e87 – e89) and it is ranked exemplary by NeighborWorks America. (p. e42) .
3. The applicant's systems for financial management, underwriting, risk management and servicing, and portfolio monitoring seem generally solid based on lending policies, procedures, and disciplines described in their summaries in the narrative and the detailed commercial loan policies included as an attachment (p. e38 – e44 and e50 – e52) (p. e349 –

e451).

4. The applicant has extensive experience in commercial and community facility lending, six years of experience in lending to charter schools, and enhances its ability to determine the likelihood of success of potential charter borrowers by having an outside firm with specialized expertise assess their educational approach, track record, and prospects as part of the underwriting process.

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.

8. The applicant has received three previous CE awards and has successfully deployed [REDACTED] in loans to 29 charter schools. Two thirds of the assisted schools have been early stage and 40% single site and 75% of the nearly 11,000 students that they serve qualify for FRPL (p. e19 & e25). The applicant has not experienced any losses in connection with the program supported by the previous CE awards and has not had to expend any of the CE capital (p. e24).

Weaknesses:

1. The applicant's experience with community development lending is extensive, but their experience with charter school facilities is much smaller. They augment their experience with help from educational experts in the underwriting process, while the staff includes a number of people with substantial commercial and facility lending experience, only one seems to have significant prior experience with charter school lending.

2. The application would have been stronger if it included an independent rating agency assessment of the organization and the strength of its financial position and systems.

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 and they draw on outside educational expertise to help them to assess the educational position and prospects of charter school borrowers .

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:

none identified

Reader's Score: 15

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Technical Review Coversheet

Applicant: Hope Enterprise Corporation (S354A210008)

Reader #2: *****

	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	13
Capacity		
1. Capacity	35	32
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	90
Total	100	90

Technical Review Form

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

Reader #2: *****

Applicant: Hope Enterprise Corporation (S354A210008)

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 will fill significant funding gaps by providing Credit Enhancement on a range of loan products that address facility needs. A Charter school will be able to borrow capital with 20%-30% loan-to-value gaps. The applicant estimates the cost of financing secured by the Credit Enhancement Funds will range between 5-6%, with most traditional banks charging closer to 12%. (page e32)
- 2) The applicant will target schools in markets that meet specific criteria defined in the application. They have developed an advanced Logic Model. Their goals, measures, objectives, and timelines are described in detail. To assure progress in achieving goals, they will collect and analyze data, document best practices, and market the program to their core communities to ensure an adequate pipeline to meet the stated goals. (page e306)
- 3) The applicant will work with several partners on the successful implementation of the plan and activities associated with this project. They will continue working with established partners with charter school associations in their region, including Alabama, Arkansas, Louisiana, Mississippi, and Tennessee, who have provided letters of support. (pages e307-315) The applicant's strategy includes using the expertise of charter school authorizers and Public Impact, a national education policy and management consulting firm, for academic appraisal supplements. (pages e32-33) The strategy is designed to achieve measurable objectives that further the purposes of the program.
- 4) The applicant has an existing Charter School Facilities Fund with ██████ in grants funds raised in 2014, 2017, and 2019 through the US Department of Education awards. The applicant's previous success along with information detailed in this strategy, including project goals and objectives that are measurable, demonstrate the ability for future replication. (page e33)
- 5) The applicant has procedures in place to vet prospective charter schools and includes a robust application selection process. The schools are evaluated using a stringent underwriting process to determine risk levels in accordance with specific criteria. (page e344) Some of this information to be collected includes school enrollment, past academic performance, growth on standardized assessments and retention rates, governance model, financial stability, and project viability. (pages e25-26)

6) The applicant projects leveraging the requested [REDACTED] award to facilitate [REDACTED] in private financing to 11 schools. (page e12) The applicant will maintain a leverage ratio of 8:1. (page e27) This leveraging will substantially increase the pool of resources available to charter schools in the target market.

8) The applicant has a track record, starting in 1995, of financing community facilities and nonprofits. This history, along with their Charter School Facilities Fund policies and procedures in place, demonstrates their effectiveness. Additionally, they have other strategic partnerships to ensure that project costs are reasonable in relation to the objectives and design to target single site, early-stage charter schools in the target market. (pages e349-453) This includes effectively evaluating the risks of potential projects, including the level of community support. (page e34)

Weaknesses:

5) The applicant has external partnerships. However, no analysis or pipeline was detailed in the information provided to determine the number of charter schools and their geographic location.

7) The application was weak on the definition of strong charter schools and would have benefited from additional criteria in making that determination. This includes the rank each state charter school was assigned by the National Alliance for Public Charter schools in order of its relative strengths based on 21 components.

Reader's Score: 31

Selection Criteria - Quality of Project Services

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

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

Strengths:

1) Hope has been in the business of facilitating financing for 29 schools over the past six years and has honed their strategy based on this experience. The programs are designed to offer schools innovative financing of facilities that support high-quality teaching and learning. This includes communities of low school performance, low academic achievement, and high poverty levels. The strategy has been helpful to new and newly expanding charter schools, allowing the schools access to funds in the marketplace that would otherwise be unavailable. (page e19)

2) The applicant has existing partnerships among charter school leaders, associations, and authorizers expressing the need for this program as shown in the letters of support. (pages e307-315) For an example, BlueHub Capital writes about previous experience with the applicant and looks forward to continuing a partnership in the Southeast. Additionally, the Charter School Development Corporation's letter, confirms a commitment to provide investments in and loans to charter school facilities in Hope's region.

3) The application details technical assistance, which is a critical component of their business model to help borrowers, potential borrowers, and others build their capacity to attract and steward investments. The types of technical assistance include real estate project development, financing, and organizational management. These are essential in the target area where financing is difficult to obtain and this area of expertise is unavailable. (pages e35-36)

4) The applicant's past due loans and charge-off ratios have remained consistently low, establishing a direct link between the level of technical assistance provided and the sustained quality of its portfolio. (page e38) This track record is

an indicator that the grant project will be focused on assisting charter schools with a likelihood of success. (page e39)

Weaknesses:

- 4) The application did not specifically address in detail risk mitigation strategies focusing on the New Markets Tax Credits programs that impacted their charge-off ratios.

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 applicant received its first US Department of Education award for Credit Enhancing Loans to Charter Schools in 2015 and has provided ██████████ in credit enhancement for 29 charter school facilities projects, while leveraging a total of ██████████ in financing. This has resulted in an average leverage ratio of 12.55:1. (pages e39-40) They are building on proven experience and expanding the impacts, focusing on new developments that ensure long-term affordability for schools.
- 2) The applicant contracts with an accounting firm that specializes in internal and external audits of CDFIs. (pages e79-229) Financials provided show financial stability with no significant findings. Audited financials for FY 2018 have been unmodified pertaining to issues disclosed in 2016 and 2017. The entities Quitment Investment Fund and Hickory Holdings, LLC have incurred recurring operating losses, and in 2016 Quitman subsidiary terminated its agreement with the entity that was a primary source of revenue. Because of the de minimis ownership positions, the applicant's financial exposure was limited to approximately ██████████, and these transactions were not deemed to negatively affect operations going forward. (page e180)

3) The applicant does not have a credit rating but does have the highest rating from NeighborWorks America. (page e42) They mitigate risk in portfolio with comprehensive policies and procedures that include sector- specific application, credit analysis checklist, and monitoring tools.

5) The applicant's conflict of interest policies are detailed in their Code of Business Conduct and Ethics Policy and Commercial Lending policy. (pages e349-461) The policies require disclosure and documentation of any interests and detailing of processes for violations. All employees are required to sign the Code of Business Conduct and Ethics Policy and Conflict of Interest state upon the date of hire and annually. Directors on the Board sign the Conflict-of-Interest Statement annually.

(8) The applicant's existing Charter School Fund has [REDACTED] in grant funds raised in 2014, 2017, and 2019 US Department of Education Credit Enhancement awards. (page e19) There have been no losses to date which demonstrates the success of their model.

Weaknesses:

4) Only the new Project Director hired in 2020 has a background in education, which is needed as they continue to expand in the target market. This knowledge base will enhance their strategic direction and oversight overtime.

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 for the existing [REDACTED] Charter School Facilities Fund joined the organization in 2020 and has over 13 years of experience in public education and nonprofit management. The six-member Executive Leadership Team has a combined 150 years of experience in development finance and related activities, which demonstrates the stability of the organization.

2) The applicant's staffing model includes a staff of 210 in 25 locations, with 80% located in economically distressed communities. The team is diverse, with 72% being people of color and 73% women. This has contributed to the ongoing success of the organization. (page e45)

Weaknesses:

1) The Project Director is new to the organization and not seasoned in the assigned role. This is a different role for this employee, and there will be a learning curve.

Reader's Score: 14

Status: Submitted

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Status: Submitted

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Technical Review Coversheet

Applicant: Hope Enterprise Corporation (S354A210008)

Reader #3: *****

	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	11
Capacity		
1. Capacity	35	30
Quality of Project Personnel		
1. Project Personnel	15	13
Sub Total	100	85
Total	100	85

Technical Review Form

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

Reader #3: *****

Applicant: Hope Enterprise Corporation (S354A210008)

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 grant project proposes to assist charter schools in 5 Deep South states. Among these states are Mississippi and Alabama, which have very few charter schools, (respectively 6 and 9 as of 2019). Additionally, these charters do not have any specific funding for facilities available from the state or the local district. Many new charter schools are single site schools with no hope of securing financing absent this grant. Real estate acquisition is difficult due to the low LTV ratio of available properties and the amount of money it takes to renovate facilities, making them appropriate for a school setting. The lending culture in these 5 states is very conservative, making charter schools and especially new and early-stage charters left without a viable option for financing. (Pgs. e18-e25)

2. Specific project goals and objectives are provided, including the number or charter schools assisted each year of the grant project and the specific amount of dollars that will be leveraged toward each project. Specific criteria addressing the types of communities that will be served are also included and indicate that the applicant is truly reaching the hardest to finance charter schools in the most needed areas of the Deep South. (Pg. e27-e29)

3. Letters of support from past and future supporters of this project are included in the Appendix. These letters speak to the specific manner in which the applicant has assisted charter schools in their acquisition of facilities. Letters are provided from charter schools, technical assistance providers, charter school support agencies, and fellow lenders. Each letter indicates that the applicant has made good progress in assisting charter schools in the Deep South with obtaining needed facilities for their growing charter schools. These partnerships will continue to support HOPE's credit enhancement programs and assist the applicant in meeting their project objectives. (Pg. e307-e315)

5. Included in the application is a robust discussion of information that will be gathered to assist in determining whether or not a charter school is appropriate for funding. Standard information includes current school enrollment, waiting list capacity, and academic and financial performance as well as the viability of the proposed project. In addition to these

criteria, when considering a financing package for a new charter school, the track record of the founding leader and board members will weigh heavily on this decision. These criteria will assist the applicant in identifying charter schools that would be a good fit for the grant project. (Pgs. e25 – e26)

6. Through this fourth CE grant, the applicant intends to leverage ██████ in private financing in an effort to assist charter schools that have little chance of receiving a conventional loan. Charter schools located in depressed areas of the Deep South as well as new and early-stage charter schools along with stand-alone charters, would not be funded based on their lack of equity and operating experience. (Pgs. e19-e20)

7. According to ratings by the National Association of Public Charter Schools (NAPCS), the applicant's proposed geographic area includes three states with strong charter laws, and two states with rankings in the bottom half of National Association of Public Charter Schools rating. (Pgs. e24-e25)

8. The states targeted in this application are academically lacking, have no assistance for charter schools relative to facility acquisition, and have some of the highest poverty rates in the United States. Because of these factors and the charter school's lack of available financing options, the grant amount will be reasonable to assist 11 charter schools providing up to 1,000 additional seats in the first five years of the grant project. (Pgs. e15, e17, e19-e20 and e25)

Weaknesses:

3. An implementation plan is weakly presented, including activities surrounding marketing and outreach, lending, technical assistance and monitoring, and evaluation. These activities are loosely defined in both breadth and timing. The applicant needs to be much more specific regarding the timing of each area and the specific sub-activities included in each overall area. The implementation plan as presented will make it difficult to determine if the objectives have been met. (Pg. e29 - e30)

4. While the applicant discusses the fact that the project will lead to replication through the education of the regional lenders concerning the charter school sector, there is no good explanation of how this will happen. The applicant needs to present a specific plan outlining how the results will be shared to encourage replication. (Pg. e33 - e34)

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 has identified charter schools located in economically distressed and depressed areas of the Deep South for inclusion in the project. These charter schools have little to no hope of acquiring financing for school facilities because of extremely conservative lending practices, a lack of understanding by lenders as to what a charter school is and how it is funded, and a general lack of equity from which to borrow against. (Pgs. e18-e20)

2. Through interviews with charter schools, CMO's, charter school support organizations, regional lenders and authorizers, the applicant has adjusted their current CE projects to meet the needs of the current situations. Letters of support are provided in the appendix that speak to the need for another CE grant for HOPE, to continue the work that is needed for charter school facilities. (Pgs e34-35 and e307-e315)

3. Special types of technical assistance are discussed in the areas of project development, financing, and organizational management. Each of these areas is a necessity when working with new and early-stage charter schools as well as stand-alone charters that don't have the backing of a larger organization. These types of assistance are beneficial in ensuring charter schools have what they need in the way of a facility that will provide ample room for growth without taking a large percentage of operating expenses away from students. (Pgs e21-e22)

4. Throughout the application the narrative demonstrates that this grant project is focused on charter schools that are new or early-stage as well as single site charter schools that have no organizational backing. Additionally, the culture of lending in the targeted markets is not conducive to charter schools. Charter schools with these characteristics are among the neediest in the nation with respect to finding affordable facilities. (Pgs. e15-e18)

Weaknesses:

3. While technical assistance is discussed in specifics, there is not an indication of what this technical assistance will cost outside of indicating that a credit enhancement fee of [REDACTED] will be charged on all deals involving CE funds. The costs of technical assistance should be provided to determine if the fees are reasonable for the services received by charter schools. (Pg. e32)

4. There is no discussion surrounding the likelihood of success of the charter schools included in this project.

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:

1. With over 27 years of lending experience, the applicant has generated ██████ in financing for many community-minded projects in the Deep South. HOPE has been involved with charter school facility financing since 2015, having provided ██████ of CE for 29 charter schools. These projects have allowed the applicant to further define their lending practices and lending focus relative to charter schools. There have been no defaults within the charter school portfolio since its inception. (pg. E36 and e40-e41)
 2. With net assets of ██████ and a healthy infusion of ongoing philanthropic support, the applicant is positioned well to support this new grant project. (Pgs. e41-e43)
 3. A 17-member board is in place that is ultimately responsible for the financial oversight of HOPE. Processes, procedures, and policies are in place to monitor finances and accounting activity on a quarterly basis. The Finance and Investment Committee meets frequently to review investment and financial performance. These two committees will assist the board in monitoring the financial health of the organization. The narrative indicates that accounting practices are in place to support the policies as written. (Pgs. e43-e44)
 4. The project director has experience working in a charter school in the role of finance director. This will provide some assistance with determining whether or not a charter school will succeed. (Pg. e47-e48)
 5. A Conflict of Interest Policy is included in the attachments, in the Code of Business Conduct and Ethics. The definition of a conflict is well-defined as is the process that should occur if there is a perceived or actual conflict. According to the narrative, the policy pertains to both personnel and members of the Board of Directors. (Pg. e44 and e452- e461)
- #6 and #7 are N/A, therefore, not addressed.
8. According to information in the appendix, the applicant has received two CE grants, one in 2014 and the other in 2017. Information gained from the grant reports indicates that there have been no defaults.

Weaknesses:

3. While policies are in place for monitoring against risk, the application does not sufficiently explain how these policies help mitigate those risks. Specific information regarding these processes should have been included. (Pg. E44)
4. The applicant lacks individuals with significant expertise in education on staff. With the exception of one staff member with limited experience, there is no indication of educational knowledge that would allow the application to make a decision regarding educational viability of a charter school. (Pg. E46 – e48)
8. There is no discussion within the narrative about the performance of the two previous CE grants received by the applicant. Some discussion of these grants and whether or not they have been successful would have added merit to the request for new monies.

Reader's Score: 30

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 is named, and she has some educational experience with a large network of charter schools as their COO. She has recently joined HOPE and is currently the project director for the [REDACTED] Charter School Facilities Fund. She is responsible for the educational lending for HOPE. The project director is joined by an executive team with over 150 collective years of experience, including the founder of HOPE. (Pgs. e4 6– e48 and e70-e71)

2. The applicant has staff located in 25 communities throughout the Deep South, making access to facility financing much easier as these staff members will have specific knowledge about the communities in which a charter school would like to set down roots. Additionally, the individual staff members may have specific information regarding available facilities that would be on the market for a possible school location. (Pgs. e45 – e46)

Weaknesses:

1. While the project director has a variety of experiences, as indicated on her resume, working within educational policy and education finance, she has only been with HOPE for a short time. Being new to this organization, there will be a huge learning curve relative to the credit enhancement programs she will be directing. (Pgs. e70-e71)

Reader's Score: 13

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