



## Challenges to Accessing Capital for People of Color

### Self-Help

### Durham, North Carolina

*Self-Help's mission is creating and protecting ownership and economic opportunity for people of color, women, rural residents and low-wealth families and communities.*

# Agenda

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- Who Is Self-Help?
- Discuss challenges that people of color face in accessing capital
- Present methods for getting over, around, and through the obstacles to capital access

# Who is Self-Help?

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- Non-profit CDFI founded in 1980
- Mission: **Creating and protecting ownership and economic opportunity for people of color, women, rural residents and low-wealth families and communities.**
- \$1.3 Billion in assets
- Over \$90 million lent to charter schools nationwide since 1997



# How Self-Help is Different From Traditional Banks

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- Team dedicated to working with charter schools & non-profit organizations...because we're a non-profit
- Known advocates of the charter school movement (frequent speakers at regional and national CS conferences)
- Deft at tapping public subsidy/guarantee programs (ex. New Market Tax Credits, Charter School Enhancement Grant, USDA guarantees, etc.)
- Shared mission (ultimately want individual charter schools, and the movement, to succeed)

# Identifying Capital Access Challenges through Research

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- **Issue:** Charter schools are educating a vast number of our nation's students of color, but the charter school leadership is disproportionately white.
- **Objective:** Develop recommendations to charter school leaders, charter support organizations, foundations and lenders that will strengthen access to capital for schools led by people of color.

# Loans made to People of Color (#)

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<b>CDFI</b>	<b>Total Loans</b>	<b>Loans to People of Color</b>	<b>Percentage of Loans to People of Color</b>
<b>Self-Help</b>	50	28	56%
<b>NCB Capital Impact</b>	72	23	32%
<b>Illinois Facilities Fund</b>	50	22	44%
<b>LISC</b>	20	11	55%
<b>Total</b>	192	84	44%

# Loans made to People of Color (\$)

<b>CDFI</b>	<b>Total Loans</b>	<b>Loans to People of Color</b>	<b>Percentage of Loans to People of Color</b>
<b>Self-Help</b>	\$67 Million	\$37 Million	56%
<b>NCB Capital Impact</b>	\$114 Million	\$29 Million	25%
<b>Illinois Facilities Fund</b>	\$15 Million	\$7 Million	47%
<b>LISC</b>	\$23 Million	\$17 Million	74%
<b>Total</b>	<b>\$219 Million</b>	<b>\$90 Million</b>	<b>41%</b>

# Loan Details Analysis

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- White-led schools were lent \$1,106 more per student than schools led by people of color
- LTV (Loan To Value) of white-led schools were 11% lower than schools led by people of color
- Schools led by people of color twice as likely to use CMOs

# Interview Findings From Borrowers

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- **Provide better technical assistance**
  - Business trainings for leaders of color
  - Handbook
- **Increase awareness of loan officers**
  - Structural racism, personal bias, unique context of school leaders of color; recognize politics of LEAs (local educational agencies)
- **Projected Revenue vs. Historical**
  - Requested lenders assess projected revenues, not just historical, especially for start-up charter schools

# Interview Findings

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- **Denial or limited understanding of racism as factor**
  - Observers and Charter School Leaders provided alternate reasons for difficulties . . . Charter schools in general are not supported; harder for small schools, urban schools, new schools
  - Observers and Charter Schools Leaders more willing to talk about racism in the abstract vs. personal experiences
    - “Reality of life in America.”
    - Every charter school/operator is treated equally.”

# Major Findings

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- *Pipeline of leaders/teachers of color* is seriously leaking, if not broken altogether; pipeline is different
- *Cultural competence* is highly misunderstood in the chartering process and among charter schools

# Pursuit of Capital from a Lender's Observation Tower

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- “Empowering” Fact: Capital is a necessity and all quality charter operators are positioned to attract and retain this resource
- “Extinguishable” Problem: Not all charter school operators are privy to the best “capital attraction” tools
- “Escalating” Why’s: Limited technical assistance, increased cultural competence training of lenders, locating “capital attraction” tools, and lack of research data
- “Extraordinary” Solution: A partnership between lenders and charter school operators that implement strategies to eradicate the glaring disparities in financial capital recruitment.

# Glaring Disparities

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- Costs of borrowings
- Depth and professional diversity of governance team
- Equity gap
- Feedback from lenders varies
- Access to capital
- Lending Perceptions
- Training
- Fundraising
- Depth of management team
- Academic performance
- Independent vs. managed school

# Potential Outcomes

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- Develop pipeline for loan officers of color
- Produce cultural competency curriculum for lenders
- Create growth fund to provide financing to successful schools run by people of color in order to open additional campuses
- Raise credit enhancement funds for schools operated by people of color
- Start a technical assistance program for schools led by people of color

# Becoming an effective borrower

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- 1) Be prepared – have your key documents available
  - a. Financial projections
  - b. Historical financials (if available)
  - c. Charter application/authorization
  - d. By-laws
  - e. Resumes of board members
  - f. Articles of incorporation
- 2) Respond quickly to lender requests
  - a. Be available and accessible

# Becoming an effective borrower

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## 3) Have a balanced leadership team

- a. Retain the core competencies
  - i. Legal
  - ii. Financial
  - iii. Political
  - iv. Academic
- b. Carefully measure family involvement

# Becoming an effective borrower

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## 4) Maximize your resources

- a. Conferences
- b. Business contacts
- c. Networking

## 5) Plan ahead

- a. Know your timelines
- b. Getting a commercial loan can take three months or more

# Questions?

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