

LENDING & Learning

Issue 3, 2007-2008

**ANNUAL PROGRESS REPORT from the
SELF-HELP CHARTER SCHOOL LOAN FUND**



High Performing Texas Charter School Steps Up To Serve Community

East Fort Worth Montessori (EFWM) Charter School has served the Fort Worth community since 1997. The school currently offers a rigorous Montessori program for pre-kindergarten to fourth grade students. Joyce Brown founded EFWM as a private school and then converted to a public charter school, in 2000, to better serve low-income students.

Jane Ellis, the Director of Self-Help's Charter School Loan Fund, worked closely with the school over the last two years to finance their new facility. With the support of the US Department of Education Charter School Credit Enhancement Grant Program, Self-Help loaned \$1.2 million to the school so it could purchase a permanent school building and construct a cafeteria.

The new cafeteria is much more than a lunchroom, it is a central fixture in the school's community programs. The school partnered with the Tarrant County Food Bank to open a cooking school for low-income adults. Eight adults prepare healthy lunches every day for EFWM students under the guidance of two cooking instructors. For the students, the school has started a Kids Chef School that uses the kitchen as a lab to teach students about nutritious meal preparation. EFWM has also collaborated with the University of Texas at Arlington Graduate Nursing Program through the Healthy Eating and Active Lifestyle (HEAL) program to educate parents and community members about preparing healthy meals for their families.



In addition, HEAL holds exercise classes for children and adults at the school.

EFWM also utilizes its resources and facilities to provide ESL, GED, and parenting classes to 48 families as part of the Even Start Program. Through the school's reading outreach programs children and adults are able to check out books from the school library. EFWM's reading club provides the opportunity for students to discuss their book selections with peers.

Patsy O'Neill, Founder and Director of the Texas Resource Center for Charter Schools and a member of Self-Help's Charter School Loan Fund Advisory Committee, is a strong supporter of the school. "The energy and enthusiasm of the leaders and teachers at East Fort Worth Montessori is most impressive; and the school's dedication to its community serves as an inspiration to the Texas charter school movement."



Self-Help is one of the nation's leading community development financial institutions. Our mission is to create ownership and economic opportunity for minorities, women, rural residents, and low-wealth families. Over the past 25 years, Self-Help has provided \$5 billion in financing to over 55,000 small businesses, nonprofits and homebuyers.

Self-Help supports high performing charter schools that serve the needs of low-wealth, rural and minority students. To date, we have loaned over \$65 million to 25 charter schools

in 6 states serving almost 18,000 students. To learn more visit us at www.self-help.org.

For inquiries regarding loans to schools, please contact:

JANE ELLIS
(919) 956-4407 or (800) 476-7428
jane.ellis@self-help.org

CATHERINE GODSCHALK
(202) 349-1866 or (800) 881-6261
catherine.godschalk@self-help.org

STEVE SALTZMAN
(919) 956-4620 or (800) 476-7428
steve.saltzman@self-help.org

CULTIVATING DIVERSITY AT YOUR SCHOOL



Does your school aim to serve a diverse population? Are you having trouble meeting your diversity goals?

It is Self-Help's mission to serve communities that have traditionally been underserved by lenders. Through our experience working with charter schools we have learned the following lessons about encouraging diversity:

1. MAKE YOUR SCHOOL FINANCIALLY AND PHYSICALLY ACCESSIBLE TO YOUR STUDENTS

- **Affordability:** The National School Lunch Program (NSLP) is a federally assisted meal program operating in public and nonprofit private schools and residential childcare institutions. It provides nutritionally balanced, low-cost or free lunches to children each school day. By offering this program, your school can remove an economic barrier that some children might face in attending your school. To learn more visit: <http://www.fns.usda.gov/cnd/Lunch/>
- **Accessibility:** Providing transportation can make your school accessible to students whose parents' either do not have the time and/or the access to transportation. Alternatively, if your school is in an urban area, you may want to search for a location that is accessible by public transport.
- **Location:** Consider starting your school in an area that is racially and economically diverse.



2. RECRUIT BOARD AND STAFF LEADERSHIP THAT REFLECT THE TYPE OF STUDENTS YOU AIM TO SERVE

- Create board nomination and staffing policies that name diversity as a goal.
- Make sure that your job announcements have language along the following lines: My Charter School is an equal opportunity employer; women and people of color are encouraged to apply
- List proficiency in Spanish or other languages as a preferred skill when recruiting
- Recruit through organizations that advocate for minority access to quality education such as the Black Alliance for Educational Options (BAEO) or the Hispanic Council for Reform and Educational Options (HCREO)

3. INCORPORATE YOUR DIVERSITY GOALS IN YOUR MARKETING PLAN

- Make sure your plan answers the following questions: Where do the students live that you want to attract? Where do their parents congregate (churches, day care centers, health clubs, etc.)? How are the parents going to find out about your school?
- Distribute multi-lingual marketing materials throughout the community.

4. MAKE A PLAN AND TAKE ACTION

- Fostering a more diverse population at your school only gets harder as your school population becomes more entrenched. Get started today, by designing a plan to improve your school's affordability and accessibility, marketing plan, and leadership recruitment policies. To facilitate this process, create a sub-committee to drive and monitor progress.

SUPPORT FOR RURAL CHARTER SCHOOLS: USDA Rural Development Program

WHAT IS IT?

The USDA Rural Development Program is dedicated to promoting the development of key community facilities in our nation's rural areas. Community facilities include schools, childcare centers, hospitals, fire stations, and other essential public buildings. The Community Facilities Program has both a direct and guaranteed loan component that can be used to fund public projects. Self-Help has supported several rural charter schools in working with the USDA on this program. In fact, Self-Help was the first lender in the nation to use this resource for charter schools.

HOW CAN THIS SUPPORT CHARTER SCHOOLS?

Charter schools located in areas and communities of up to 20,000 in population can apply for guarantees and/or funds from the program to finance the construction, expansion, or improvement of their facilities. The funds can also be used to cover related costs such as acquiring land, equipment purchases, and professional fees. It is also possible to refinance existing debt with either a direct loan or guarantee.

The USDA direct loans are priced at three fixed interest rate levels according to the median household income of the area served by the school. The poverty rate is set at 4.5%, the market rate is indexed to the U.S. Treasury Department set eleventh bond buyers rate, and the intermediate rate is set midway between the market and poverty rates. If the school is seeking guarantees, the loan's interest rate may be fixed or variable, depending on the lender, and are generally market rate. In addition, the term of the loan(s) may not exceed the life of the facility or a maximum of 40 years.

The USDA has an additional program, Business and Industry Guaranteed Loans, available to charter schools located in communities under 50,000 in population. Through this program charter schools can receive guarantees up to 80 percent on commercial loans. The maximum amount a borrower may receive under this program is \$25 million.

HOW DO I APPLY?

USDA Rural Development field offices and the lender facilitate the two-state application process. The pre-application process takes approximately 45 days in order to establish the school's eligibility, project priority status, and funding availability. Then the timeline for processing the final application depends upon the project size, environmental review, and legal issues.

FOR MORE INFORMATION VISIT:

<http://www.rurdev.usda.gov/rhs/cf/cp.htm>

http://www.rurdev.usda.gov/rbs/busp/b&i_gar.htm



CHARTER SCHOOL LENDING TEAM BIOS

The Director of Charter School Lending, **Jane Ellis** has worked with charter schools nationally to secure financing ranging from small working capital loans to multi-million dollar construction loans. She has presented at numerous national and regional charter school conferences on financial management, financing options, and school governance. Prior to her work with Self-Help, she spent twenty years working in economic development in Africa and the Caribbean. Ms. Ellis is also the mother of a charter school graduate.

Catherine Godschalk is the Director of Self-Help's Washington, DC Branch. She also serves as a loan officer, working with commercial real estate, charter schools, and other community facilities borrowers. She has extensive experience in housing and community development policy and finance, having worked for Fannie Mae for six years prior to joining Self-Help.

The Marketing Director for Self-Help's Commercial Lending, **Steve Saltzman**, doubles as a loan officer, working with charter schools, commercial real estate and other community facility borrowers. Before coming to Self-Help, Steve spent five years teaching and ten years building and operating two successful software companies and wants to share these entrepreneurial skills with charter schools.

Laura Benedict, Vice President in charge of Self-Help's overall commercial lending, is a longtime advocate of charter schools. She has worked with charter schools since they first appeared in North Carolina in 1996. She currently serves on the board of the National Alliance for Public Charter Schools and is the mother of a charter school kindergartner.

Construction Managers **Paul Brown** and **Ron Bodkin** provide invaluable assistance to our loan officers and borrowers as they build and renovate buildings for charter schools. Paul Brown, a licensed contractor since 1984 has overseen millions of dollars in charter school construction. Ron Bodkin is an engineer with 14 years of experience in both real estate development and construction management.

RESEARCHING YOUR SCHOOL'S FINANCE OPTIONS

It is integral to the success of your school's facility purchase, construction, expansion, and/or renovation that you thoroughly research all available financing options. Self-Help recommends that schools establish a Facilities Work Group to examine all financing and facility development issues. There are several financing options available to schools including conventional bank loans, working with a community development financial institution such as Self-Help, and tax-exempt bonds. The table below provides key information about these three options. Please note that while these characteristics are industry norms there are also exceptions.



CONVENTIONAL BANK LOANS

- Market Interest Rate (Fixed and Variable)
- Origination fees in 1% range
- 5-10 Year Term
- Short to Long Amortization (5-25 years)
- First Mortgage Required
- Financing Tools – New Markets Tax Credits; USDA Guarantees
- Bridge to Bond Financing



COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

- Flexible Interest Rates
- Origination fees in 1% range
- 5-25 Year Term
- Short to Long Amortization (5-25 years)
- Financing Tools – US DOE Credit Enhancement¹; New Markets Tax Credits²; USDA Guarantees³
- Generally more flexible underwriting than conventional banks
- Bridge to Bond Financing

TAX-EXEMPT BONDS

- Generally Fixed 5%-7% Interest Rates (dependent upon term and school credit)
- Origination Fees Range from 4-6%
- 20-30 Year Term
- Long Amortization 20-30 years
- Ability to finance 100% of Project & Transaction Costs
- First Mortgage Preferred, but not essential
- Complex legal and payment structure
- Minimum 300 students, 500+ preferred

¹ The US Department of Education Credit Enhancement for Charter School Facilities Program provides grants to eligible institutions to enhance the ability of charter schools to access private sector capital to acquire, construct, renovate, or lease facilities.

² The US Treasury Department awards New Markets Tax Credits to for-profit and non-profit lenders to increase their ability to provide financing to business and nonprofits in low-income areas.

³ Charter schools located in rural areas can utilize USDA Guarantees to secure financing for facilities.

SELF-HELP CHARTER SCHOOL LENDING ADVISORY COMMITTEE

David Church – South Carolina Association of Public Charter Schools, Executive Director

Caleb Dolan – KIPP Gaston College Prep, Principal

Bryan Hassel – Public Impact, Co-Director

John Holdslaw – NCB Capital Impact, Director of Policy and Development, The Charter Coalition, Coordinator

Marc Hunt – Open Space Institute, Conservation Finance Program, Director

Patsy O'Neill – Texas Resource Center for Charter Schools, Executive Director

Bonnie Wright – Maureen Joy Charter School, Founder; Self-Help, Co-Founder

FINANCING RESOURCES

There are resources available to help you make good financing and facility development decisions, including:

Charter School Facilities: A Resource Guide on Development and Financing

http://www.uscharterschools.org/gb/dev_fin/toc.htm

The Answer Key: How to Plan, Develop and Finance Your Charter School Facility

<http://www.ncbcapitalimpact.org/default.aspx?id=42>

The Charter School Facility Finance Landscape

<http://www.lisc.org/content/publications/detail/809/>