

Program Information and Updates



HBCUs Foster a Sense of Community in the New Normal of COVID-19

HBCU institutions are in many ways unique among their higher education peers. In 2020, the distinctive HBCU approach to the college experience, and even the shared characteristics of the students attending those schools, resulted in a fall semester that was markedly different from what other college students across the country are experiencing.

Although the CARES Act helped to take some of the sting out of the financial burdens brought on by COVID-19, providing relief like refunds for housing and meal plans, the pandemic has had drastic and lasting effects on the higher education landscape. According to the National Student Clearinghouse Research Center, freshman enrollment is down 16% nationally. As a result of these revenue losses, combined with a catastrophic reduction in on-campus revenues that are much lower in a largely online learning environment, colleges and universities have been forced to make deep cuts, including the elimination of majors, the curtailment of athletic programs, the indefinite postponement of construction projects, the pausing of PhD programs and, inevitably, the furlough of administrative staff.

While HBCUs are certainly struggling in this climate, the gentle but firm community approach HBCUs take to provide their students a home away from home, and those students' serious and resilient attitude toward health and education, have helped foster a largely safe and successful on-campus environment. According to the article "Hitting Close to Home" from *Inside Higher Ed*, September 24, 2020, when total coronavirus infections eclipsed 1,000 at several public North Carolina colleges in mid-September, some HBCUs in the state were still reporting numbers in the double digits. In the article, North Carolina A&T State University Associate Vice Chancellor Todd Simmons said enforcing safety protocols at NCA&T has been manageable, with students willingly abiding by the rules. "Our students may be coming to A&T and to other HBCUs with different mindsets and different expectations about what college means," Simmons said. They come knowing "that the stakes are high and the opportunities to transform their lives



are enormous. That may mean they are more ready to police themselves with regard to COVID protection, and that could be an important reason why our campuses are not experiencing big clusters or outbreaks."

Overwhelmingly, college students want to be on campus. A United Negro College Fund survey found that more than 80% of students prefer in-person instruction, with freshmen more inclined to feel that way than upperclassmen. For Black students attending HBCUs, this desire is sometimes an actual need. With so many students struggling financially, and some with nowhere else to go, having either aged out of the foster program or lost family members or homes as result of the pandemic, HBCUs feel added pressure to keep campuses open.

During the spring outbreak, when safety protocols weren't yet established, and it was necessary for most schools to transition abruptly to online learning, HBCUs stepped up to help their students. According to *USA Today*, Edward Waters College in Jacksonville, Florida, secured 700 computers for its remote students. Miles College provided laptops and broadband discount cards. Miles College President Bobbie Knight described in *USA Today* how the college purchased plane tickets for some students to help them get home, providing gas cards for others. President Knight even phoned a niece in California to find shelter for a student with nowhere to go.

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HBCUs Rely on the HBCU Capital Financing Program to Finance Upgrades and New Construction

Approximately 50% of all eligible HBCUs have used the HBCU Capital Financing Program to meet their capital needs because they know that the Program provides them the lowest cost financing option in the market. Through the Program, HBCUs have received rates on their loans ranging from less than 1.00% to 4.00%. In the current market environment, rates are trending even lower. Uniquely, unlike traditional municipal bond financings, HBCU loan proceeds can be used to facilitate advance refundings, allowing for potential future opportunities to further reduce borrowing costs. The institutions depicted to the right are among the many HCBUs that have successfully participated in the Program.

Common Questions Regarding the Program

A few of the questions we frequently hear from HBCUs are briefly addressed below. For more information, go to www.ricecapitalaccess.com to review a timeline that takes you through the process. You can also visit the Department of Education's website at www2.ed.gov/programs/hbcucapfinance/faq.html to learn more.

Who is eligible to apply?

Any accredited HBCU in good standing that was established prior to 1964 whose principal mission is the education of Black Americans is eligible to apply.

How large can the loan be?

Loans are typically \$10-20 million but can exceed \$150 million.

Can my school get a better rate in the tax-exempt market?

It is sometimes possible to get better rates in the tax-exempt market if the HBCU has an investment grade credit rating. In either scenario, it is important to look beyond the interest rate and at the total cost of borrowing.

Can my school refinance high-interest loans for projects and equipment?

Yes, at an interest rate that approximates the U.S. Treasury rate.

After my school submits the preliminary application, what's next?

If your application is approved, a closing date will be set. All parties involved will receive a list of items needed to close the transaction. If your application is not approved, you will receive a letter explaining why and possible steps the school can take to receive an affirmative decision.

How long does it take to fund the loan?

After we receive the required financial and project documentation, it takes approximately two to three months to process the loan, although the Program has closed loans in as quickly as six weeks. The timeframe depends on the school's ability to provide the required documents and the level of negotiations involved in the loan transaction.



Morgan State University Seeks \$70M Loan for Student Housing Construction, Other Projects

Reprinted with permission from the *Baltimore Business Journal*, October 28, 2020

Morgan State University has earned state clearance to close on a \$70 million loan deal to support campus construction projects and debt refinancing.

The Baltimore university is seeking the funds to help finance a student housing and dining facility construction project on campus. In addition, the school is taking advantage of the opportunity to refinance some of its other outstanding debt at a lower interest rate. The plan to secure the loan was recently presented to and cleared by state officials with the Maryland Board of Public Works (BPW).

Sidney Evans, vice president of finance and management at Morgan State, said about \$32 million of the \$70 million loan total will go toward funding a new 670-bed student housing project and 30,000-square-foot dining facility, deemed the Thurgood Marshall Project. It will be the first new student housing facility to be added to campus in almost 20 years.

“When we were looking at financing options, we needed to find an option that met the needs of our board approved debt policy, would be affordable for the university and would take advantage of extremely low interest rates,” Evans said.

To that end, Morgan State is borrowing the money from Georgia-based [Rice Capital Access Program LLC](#), which is the designated bond authority for the [U.S. Department of Education’s Historically Black College and University \(HBCU\) Capital Financing Program](#), Evans said. The loan program was established to provide federal assistance and low-cost capital for HBCUs like Morgan State. Rice Capital has facilitated more than 50 loans for higher education institutions through the program, to the tune of nearly \$2 billion, according to its website.

Evans explained that working with Rice Capital allowed Morgan State access to particularly a low interest rate on the new loan — an expected rate of about 1.3%. The loan deal is expected to close Thursday, Evans said.



Rendering shows the Thurgood Marshall Project, a new student housing and dining project, planned at Morgan State University.

Morgan State has also entered into a public-private partnership with Maryland Economic Development Corp. (MEDCO) to develop the Thurgood Marshall Project. Through the partnership deal, Evans said MEDCO will help subsidize the cost to build the facilities, so that the school will not have to significantly increase housing prices for students.

While considering the deal with Rice Capital, Evans said Morgan State also decided to replace some other debt obligations. The remaining \$38 million of the \$70 million loan will be used to refinance existing debt at the much lower interest rates. The entire loan term is up to 30 years.

Morgan State will refinance about \$18 million in 2012 tax-exempt bonds, as well as an existing \$25 million outstanding loan debt — of which about \$8.4 million is currently outstanding — which was acquired to facilitate construction of a new public safety building on campus.

Evans noted Morgan State expects to see just under \$3 million in savings overall from this deal, which will allow the school to have “more financial flexibility for the future.” He added that Morgan State has already discussed the new financing plan with Standard & Poor’s Global Ratings, which recently reaffirmed the university’s A+ bond rating.

HBCU Capital Financing Program: 2020 Transactions

Date	Amount	Institution	Type	Purpose
06/25/20	\$100,000,000	Xavier University (LA)	Private	New money for dormitory and mechanical substation
08/19/20	\$48,500,000	Meharry Medical College (TN)	Private	New money for living/learning center with apartments and parking facility
10/29/20	\$69,750,000	Morgan State University (MD)	Public	Debt restructuring and new money for public safety and dining facilities
12/16/20	\$12,500,000	Morehouse School of Medicine (GA)	Private	New money for a health and wellness center
\$230,750,000				

Rice Capital Access Welcomes Two New Professionals to the Team



Andy Moleon has joined Rice Capital Access as a Senior Vice President and Lead Credit Officer. Andy has 20 years of experience in the banking and capital markets. Before joining Rice, his roles included market risk management at Goldman Sachs, research at Moody's Investors Service, credit risk management at Morgan Stanley, and energy service/

government equipment underwriting at Bank of America Merrill Lynch. He holds an MPA from New York University and a BA from Baruch College-CUNY.

Andy, the son of Haitian immigrants, is a native New Yorker from Queens. He enjoys travelling and plans to resume pursuing his goal of visiting every continent (minus Antarctica!) once the pandemic has subsided. In his free time, Andy participates in the Big Brother/Big Sister mentorship program. He is conversational in French and Haitian Creole.



Keisha McLaughlin-Eleazar joined Rice Capital Access in 2020 from HSBC Bank USA. Keisha has 19 years of experience in financial services, including positions with Mackay Shields, UBS, Deutsche Bank and JPMorgan Chase Bank. Her specific areas of expertise include compliance and operational risk assessment, document management and

review, client service and remediation, borrower screening, and booking and settlement of domestic and international bank debt trades. She received a BA from John Jay College in New York.

Keisha spends much of her free time serving the community and supporting local organizations in their charitable efforts, including collecting lightly used clothing and shoes to distribute locally and throughout parts of the Caribbean. She greatly values her time with family, including her husband Ronald and their children, Krystal, Christian and Rylie.

Rice Targets New Method for Funding Campus Energy Improvements

Rice Capital Access has launched a new initiative to help HBCU institutions finance low-carbon, sustainable energy improvements through the HBCU Capital Financing Program. These projects include replacement of older equipment with new, more reliable, more efficient energy assets. Uniquely, these borrowings can be structured as cash-flow-neutral financings through guaranteed annual utility savings. Our HBCU Capital Financing Program's standard credit review process and approval will be applicable for these projects. In addition, approval will be contingent on energy service company due diligence and strong energy performance contracts. The newest member of our team, Andy Moleon, is spearheading this effort. Please reach out to Andy with any questions at 212-908-9241 or andy.moleon@ricefin.com.

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Marybeth Gasman, Executive Director of the Rutgers Center for Minority Serving Institutions, agrees that the HBCU environment is different. In *USA Today*, she said that HBCUs have gone to great lengths to preserve a nurturing environment, even with more students participating online. "One of the things we've noticed is they are working really, really hard to foster a sense of community," she said. "That's a big deal. Some might argue that this is touchy-feely, but touchy-feely equals retaining students, which equals enrolling students, which equals alumni donations, which equals an overwhelming positive impression of the institution..."

"They're really, really trying to get people to feel ownership and at home and a sense of community," Gasman said. "Other places are doing that. I would say HBCUs are really going all out. There's a difference compared to other places. And HBCUs are better equipped to do that. They have been doing it for so long."



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