

Program Information and Updates



HBCU Capital Financing Program Provides \$463 Million to Help Tackle Pandemic Shortfall

With 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 COVID-19 pandemic, HBCUs have felt intense pressure to keep campuses open despite widespread closures and lockdowns.

A longtime friend to the HBCU community, the HBCU Capital Financing Program readily stepped up to help schools remain open and operational. Since the onset of the coronavirus pandemic in early 2020, eight HBCUs have taken advantage of the program's low rates to finance more than \$460 million in refunding and new money transactions, easing cash flow and financing critical improvements. These financings are briefly summarized below.

Xavier University (New Orleans, LA) **\$100,000,000 Refunding and New Money Loan** **June 25, 2020**

This combination new money and refunding loan financed construction of a 500-bed dormitory as well as a mechanical substation on Xavier University's south campus that will provide sustainable on-site generation and annual energy savings. The loan also financed deferred maintenance related to building systems (HVAC, electrical and plumbing) and refunded an outstanding U.S. Small Business Administration Disaster Loan that was used for various repairs after Hurricane Katrina.

Meharry Medical College (Nashville, TN) **\$48,500,000 New Money Loan** **August 19, 2020**

This transaction was completed in two series. The \$34,600,000 series financed the construction of a Living Learning Center consisting of a 120-unit apartment complex and a parking facility. The other series provided \$9,000,000 for deferred maintenance campus-wide.

Morgan State University (Baltimore, MD) **\$69,750,000 Refinancing and New Money Loan** **October 29, 2020**

In October 2020, Morgan State University opted to address its substantial financing needs through a unique combination of municipal bonds and HBCU loans. Rice Financial joint senior managed the \$80.82 million bond issue, and Rice Capital Access Program was the Designated Bonding Authority for the \$69.75 million refunding and new money HBCU loan. The new money portions of the loan transaction provided \$14.6 million for a new Public Safety Department operations center for 85 officers, administrative personnel, and private security forces, and \$32 million, which, together with the municipal bond transaction, funded a new 670-bed student housing project and 30,000-square-foot dining facility (the Thurgood Marshall Project). It will be the first new student housing facility to be added to campus in nearly 20 years. The refunding portion of the loan refunded \$18 million of outstanding debt to generate over \$3 million of NPV savings (16.85% of refunded par). The HBCU portion of the transaction, which is a draw down loan, funded the dining facility with extremely low interest rates in line with 30-year Treasury rates. See an article about the financing in the [Baltimore Business Journal](#).

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Infrastructure Bill Brings Relief to Struggling Students, but Some Say More is Needed

In November 2021, President Joe Biden signed a \$40 billion investment in higher education initiatives into law, including funding to increase the maximum Pell Grant awards for students at private and public nonprofit institutions. Though the increase in Pell Grant funding will help support low-income students, including HBCU attendees, many sector experts say more is needed, including permanent changes by both the federal government and institutions of higher education to guarantee food and shelter and provide meaningful cash incentives.

Lynn Pasquerella, the president of the Association of American Colleges and Universities, told the [GW Hatchet](#) last month that while the increase in funding for Pell Grants will help alleviate the economic strain that students have faced because of the pandemic, it won't be enough on its own. "There's a need to focus on the fact that Pell is a start, but students still might be denied access to the resources necessary to complete college if they can't afford to pay for books, food, housing and other necessities of life," Pasquerella said.

As widely reported over the past year, low-income students of color are facing disproportionate economic barriers to finishing college. According to the [Washington Post](#), lower enrollment figures in the fall of 2020 were an early sign of how the economic devastation unleashed by the coronavirus crisis has weighed more heavily on lower-income Americans

and minorities, who have suffered higher levels of unemployment and a higher incidence of COVID-19.

According to the *Post*, the recent drop-off witnessed in college enrollment is unusual and particular to this pandemic, as college enrollment during the Great Recession actually grew. Further, when low-income students stop attending school, they rarely return, diminishing their job and wage prospects for the rest of their lives. Only 13 percent of college dropouts ever return, a [National Student Clearinghouse report](#) last year found, and even fewer graduate. And dropping enrollment trends have shown especially steep drops among Black students and rural White students.

The *Post* also spoke with Bill DeBaun, the National College Attainment Network's data director, about these troubling trends. "The ultimate fear is this could be a lost generation of low-income students," he said.

Jennifer Delaney, an associate professor of higher education at the University of Illinois Urbana-Champaign, also spoke with the *GW Hatchet* last month about the new bill. When the U.S. economy faces a downturn, she said, more students may qualify for a Pell Grant, which amplifies the potential benefits of the new legislation. "It's a lot of new money, and every time we've seen Pell go up, we have seen increases in low-income students attending college," she said. Nonetheless, "Increasingly, the academic literature is showing that it's not enough to give somebody Pell," Delaney said. "It's not enough to just have the finances covered to meet your basic cost of attendance. You need these wraparound support services."

Peer Review Offers Useful Insight into the Grant Application Process

by Don Watson, Executive Director, HBCU Capital Financing Program

HBCU professionals hoping to gain funding through grant writing can benefit greatly from serving as a peer reviewer of other grant applications. The experience provides valuable insight into the process and is well worth the effort when seeking governmental or foundation grants. Peer reviewers from institutions of higher education (IHEs) benefit because these competitive grants can increase funding, leverage other funding sources that the IHE receives, and create or expand new program offerings.

There is no need to postpone your application to provide peer review. Seeking grant opportunities and being a peer

reviewer can happen at the same time. An individual can be simultaneously writing a grant for one entity while also reviewing grant application for another agency, writing a grant for multiple entities, or being a peer reviewer for multiple entities.

As an example, the National Telecommunications and Information Administration of the U.S. Department of Commerce was soliciting peer reviewers to evaluate grant proposals for three broadband connectivity programs that were responsible for awarding \$1.5 billion to further national broadband goals and assist with COVID response and recovery efforts. At the same time, the U.S. Department of Education was soliciting a more targeted group for its Center of Educational Excellence for Black Teachers Program (CEEET) at HBCUs to support a model center of educational excellence at one or more HBCUs with a demonstrable record in graduating highly skilled, well-prepared, Black teachers. Theoretically,

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HBCU Program Provides \$463 Million*continued from page 1***Morehouse School of Medicine (Atlanta, GA)
\$12,500,000 New Money Loan
December 16, 2020**

This new money borrowing by Morehouse School of Medicine financed a new Health and Wellness Center. The project included the build-out of five condominiums that will each house public-facing services and housing facilities benefiting the Atlanta University Center and surrounding community. These five projects consist of 60 apartments to be leased to students, faculty, and staff of MSM; a 25,000-square-foot ambulatory and student health facility for all Atlanta University Center students; a 10,000-square-foot fitness and wellness center run by the YMCA; a 2,500-square-foot welcome center and security area; and a 320-space parking deck.

**West Virginia State University (Institute, WV)
\$40,500,000 Refunding Loan
May 5, 2021**

The purpose of this refinancing was to provide West Virginia State University overall cash flow relief by refunding three outstanding bond transactions and purchasing the Judge Damon J. Keith Scholars Hall from the WVSU Foundation. In total, the refunding generated net PV savings of almost \$11.3 million (34% of refunded bonds).

**Bethune-Cookman University (Daytona Beach, FL)
\$108,000,000 Refunding and New Money Loans
June 29, 2021**

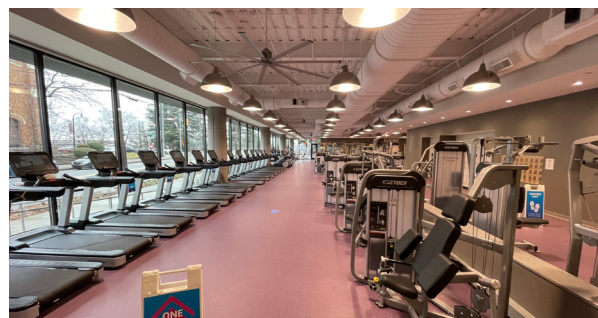
In addition to refinancing \$90.67 million in outstanding bond debt at more favorable rates, this HBCU loan helped Bethune-Cookman University pay for deferred maintenance projects, including roofing, insulation, HVAC upgrades, electrical systems and other related infrastructure updates, throughout the campus. See a brief article regarding this transaction in [Diverse Issues in Higher Education](#).

**Southern University and A&M College (Baton Rouge, LA)
\$69,000,000 New Money Loans
September 16, 2021**

Completed in two series, this HBCU new money loan will allow Southern University and A&M College at Baton Rouge to construct a new 90,000-square-foot Student Union (approximately \$30,017,500) and a new 300-350 bed Honors Student Housing Building (approximately \$29,902,000).

**Miles College (Fairfield, AL)
\$15,000,000 Restructuring Loan
October 26, 2021**

Miles College turned to the HBCU Capital Financing Program in October 2021 to refinance three bond transactions that had originally funded a variety of projects, including the College's Dining Hall/George T. French Student Activity Center; the Teresa E. Snorton Hall, which houses 216 beds; and the W. Clyde Williams Hall (Welcome/Admissions Center). The bonds were structured with bullet maturities; the restructuring loan is intended to level out and extend the debt service payments of a 20-year tenor consistent with the useful life of the property financed (approximately 60 years for each facility) and eliminate substantial bullet maturity payments in FY 2023 and FY 2028. The level debt service structure will allow the College to better manage its cashflow.

*New student housing at Morehouse School of Medicine.**New Health and Wellness Center at Morehouse School of Medicine.**New James E. Huger, Sr. Administrative & Academic Building at Bethune-Cookman University.**New Performing Arts Center at Bethune-Cookman University.*

HBCUs Continue to 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%. 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 HBCUs 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, transaction calls will begin to pave the way toward closing. 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.



Peer Review Offers Insight into Grant Process*continued from page 2*

a person could be a peer reviewer for the broadband grant and an applicant for the HBCU-specific grant at the same time.

If an HBCU was awarded the CEEBT grant for \$2,000,000, those funds could expand or improve the work the HBCU was doing with its noncompetitive Title III, Part B funds. The same holds true for the broadband grant at the Department of Commerce.

Although these two examples of grant funding were completed in December of 2021, there are billions of dollars in other competitive grant funds available from federal, state and local governments, as well as foundations and corporations. Being a peer reviewer gives you a more detailed understanding of how these grants are scored and discussed, and to what types of applicants funding is ultimately awarded.

Many IHE administrators at HBCUs have spoken about the benefits of being part of another HBCU or small IHE review team, including learning how resources are used and seeing what language is commonly used in applications.

Being a peer reviewer provides similar benefits to HBCU, minority-serving institutions and small IHEs that may not have the resources and experience of other IHEs.

Notably, peer reviewers are paid for their time, and the payment, although it varies based on the grant competition, is based on the number of applications reviewed. Peer reviewers are generally chosen based on the knowledge, skills and expertise shown in their resumes and their attendance at a specified meeting. They are typically required to have related program experience and education, to be able to analyze grant applications effectively against specific criteria, and to be able to write their evaluations clearly and concisely. If there are other specific criteria for peer reviewers, the awarding agency will let potential peer reviewers know in advance through the peer reviewer solicitation process.

It is important to remember that there is also a dedicated time commitment that cannot be altered as the peer reviews are only one part of the grant making process. This time commitment includes coordination with other peer reviewers to discuss the applications and submit the applications and comments to the agency.

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