

Program Information



What is the HBCU Capital Financing Program?

The HBCU Capital Financing Program is a U.S. Department of Education program that provides low-cost capital to the nation's Historically Black Colleges and Universities (HBCUs) for infrastructure improvements. Specifically, the program provides HBCUs with access to capital financing or refinancing for the repair, renovation and construction of classrooms, libraries, laboratories, dormitories, instructional equipment, and research instrumentation.

The program provides assistance through the issuance of federal guarantees on the full payment of principal and interest on qualified bonds, the proceeds of which are used for loans. While early on the majority of transactions were for private institutions, there is a growing interest in the program among public institutions. Since 2016, more than half of the transactions completed have been for public institutions.

Rice Capital Access Program, a subsidiary of Rice Financial Products Company, serves as the U.S. Department of Education's Designated Bonding Authority for the program. Since the firm's appointment in 2009, Rice has completed more than \$1.6 billion in financings through the program.



To date, nearly 40% of all HBCUs have used the HBCU Capital Financing Program to meet their capital needs.

Program loan rates are based off the corresponding U.S. Treasury yield. The U.S. Treasury provides financing to help federal agencies manage their borrowing and lending programs, and to ensure that all federal government borrowing from the public is conducted through the Treasury. HBCUs have received rates on their loans ranging from 2.75-4.00% (which includes ongoing fees of 22.5 basis points). Uniquely, as compared to traditional municipal bond financings, HBCU loan proceeds can be used to facilitate advance refundings, allowing for potential future opportunities to further reduce borrowing costs.

Does My Institution Qualify for the Program?

Institutions of Higher Education that are designated by the Secretary of Education as HBCUs and established prior to 1964 are eligible to borrow from this program.

The criteria used to evaluate the creditworthiness of borrowers under the Program are largely based on the standard criteria used by the major rating agencies to evaluate the creditworthiness of higher education institutions. However, there are significant distinctions between typical HBCU borrowers and other higher education borrowers. In comparison to HBCUs, traditional higher education borrowers tend to be much larger, wealthier and enjoy greater market receptivity by virtue of the strong credit metrics and market influence they enjoy. For these reasons, they have greater access to and reception from the higher education credit investors than their HBCU counterparts.

How to Apply

Log in to www.ricecapitalaccess.net to fill out a brief application that reviews your institution's enrollment figures, operating revenue and expenses, and a brief project description. This initial review is conducted to determine whether you qualify for a loan through the Capital Financing Program before you spend more time and resources completing the full-scale application process.

Click on the [What to Expect](#) button on the home page to review a timeline that takes you through the process and the steps that will be taken by your institution, Rice Capital Access Program (lender), the U.S. Department of Education (guarantor) and the U.S. Treasury (bondholder). We are sensitive to your desire to keep your project on track and will work diligently to help accomplish this goal.

After we receive the application and required financial and project documentation, it takes approximately two to three months to process the loan. In some instances, however, loans have been closed in as few as six weeks. The timeframe depends primarily on your institution's ability to provide the required documents and the level of negotiations involved in the loan transaction.

Sample of Recent HBCU Capital Financing Program Participants				
Date	Amount	Institution	State	Purpose
11/15/18	\$25,000,000	Morgan State University	MD	New Money
06/29/18	\$45,000,000	Morehouse College	GA	Refinancing and New Money
03/06/18	\$152,000,000	Alabama State University	AL	Refinancing
12/06/17	\$27,000,000	Southern University of Baton Rouge	LA	Refinancing
10/18/17	\$27,500,000	Morehouse School of Medicine	GA	Refinancing and New Money
09/28/17	\$12,500,000	Southern University at Shreveport	LA	Refinancing
08/04/17	\$28,000,000	Tuskegee University	AL	Refinancing



HBCU Capital Financing Program Case Study: Morgan State University

On November 11, 2018, Rice Capital Access Program completed a \$25 million HBCU loan transaction for Morgan State University, a public HBCU in Baltimore, Maryland. Morgan State is Maryland's designated public urban research university and the largest of Maryland's historically black colleges and universities.

The financing, which consisted of a 30-year loan with level debt service, represented a much needed solution to a long history of deferred maintenance at the University. Rice Capital Access helped to address this concern by monetizing the value of on-campus assets, such as housing. In addition to funding several projects around campus, the resulting revenue will help to address future maintenance needs on a more routine basis. The \$25 million new money transaction generated \$10 million for deferred maintenance improvements and \$15 million for a variety of projects, including renovations to existing properties, roof replacements, electric improvements and HVAC upgrades.

Morgan State is rated "A1" by Moody's Investors Service and "A+" by Standard & Poor's.



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