

Synopsis of the Historically Black Colleges and Universities Capital Financing Advisory Board Hybrid Meeting

Monday, November 13, 2023
Open Public Meeting

U.S. Department of Education
Lyndon Baines Johnson Auditorium
400 Maryland Avenue SW, First Floor
Washington, D.C. 20202

The Historically Black Colleges and Universities (HBCU) Capital Financing Advisory Board (Board) met on Monday, November 13, 2023, in Washington, DC. In addition to the official meeting transcript that has been shared with Board members and posted on the Board's web site at www2.ed.gov/about/bdscomm/list/hbcu-finance.html#meetings.

Designated Federal Official Present

Donald Watson

Items Distributed at the November 13, 2023 (see attached)

The following items were distributed to Board members:

- Agenda
- List of Board members,
- Draft September 19, 2018, meeting minutes,
- Director's Report, and
- Board's discussion and action regarding New Market Tax Credits and proposed Natural Disaster Deferment

Meeting Call To Order

The Board's Chair Dr. Verret called the meeting of the meeting to order at 10:02 a.m. Mr. Watson called the roll of the members. Eight members are present, and a quorum was declared.

Members Present

The following Board members were present:

- Lezli Baskerville, President & CEO, National Association for Equal Opportunity in Education (in person)
- Dwight J. Fennell, President, Texas College (on mute)
- David Hall, President, University of the Virgin Islands (virtual)
- Lodriguez Murray, Senior Vice President, Public Policy & Government Affairs, United Negro College Fund (UNCF), Designee (virtual)

- Valerie Montgomery Rice, President & CEO, Morehouse School of Medicine (virtual)
- Quintin Ross, President, Alabama State University (virtual)
- David K. Sheppard, Chief Legal Officer & Chief of Staff, Thurgood Marshall College Fund (TMCF), Designee (virtual)
- [Dietra Trent](#), Executive Director (on mute)
- C. Reynold Verret, Chair and President, Xavier University of Louisiana (virtual)

Board Approval of the minutes.

The Board approved the September 19, 2018, meeting minutes as recorded. Dr. Murray moves to accept meetings of the last meeting. Dr. Baskerville second. Unanimous approval.

Director's Report

A summary of the Director Report is as follows:

Improper payments

Risk assessment is an audit that is performed because of the potential of improper payments. We were flagged because of the volume and dollar amounts associated with deferments in 2018, 2019, and 2020 as well as loan forgiveness in 2021. There were no actual improper payments during any fiscal year and the current pre risk assessment determined that there is likely no potential improper payments for fiscal year 2024.

GAO

Had two recommendations—make loans tom smaller and state institutions as well as make the availability of the Capital Financing Program. For the latter recommendation, we provide a newsletter to all our intentions public and private regardless of the enrollment or the institution's ability to meet rate covenant. For the former recommendation, we continue to work with state entities and provide technical assistance to smaller institutions regarding bond financing. GAO also wanted the Department to do an analysis at the end of the deferment period to determine the effects of deferments on the recipient's financial position. The Department was unable to do this because loan forgiveness occurred at least two years before the deferments ended.

Loan Forgiveness

Forty-five institutions received partial or full loan forgiveness of about \$1.6 billion, and institutions that received full forgiveness had about \$186 million of indentured funds returned to them.

Overview of the Portfolio

The current portfolio after loan forgiveness is as follows—

- \$1.0 billion active loans in repayment or construction stage.
- 14 HBCUs (5 public HBCUs and 9 private HBCUs).

- \$13 million to \$227 million is the loan range.
- 17 issuances remaining to be paid.
- 14 active construction projects (new construction and renovations).

For FY 2024, as of the date of this report, nine additional institutions have expressed verbal or written interest in borrowing through the Program. Four are public and five are private institutions. At this date, all institutions appear to have eligible projects. However, a financial analysis has not been performed to see if the institutions can support their requested loan amounts. These HBCUs would be requesting loan amounts that range between \$30 million and \$90 million.

Recommendations

The Board had the following recommendations:

New Market Tax Credit (NMTC) is a program through the U.S. Treasury that provide tax credit to qualified investors through qualified community development entity for a period of up to seven years to financing capital projects for certain types of entities. The entities must provide a portion of the funding for the NMTC structure and many HBCUs do not have the ready cash to supplement the NMCT loan. If statutory changes were made to the program, HBCU Capital Financing Program could provide the institution portion of the NMTC structure. Currently, under the HBCU Capital Financing program, the institution must be the borrower. **Recommendation is that the NMTC be an eligible capital project or allow HBCU Capital Financing Program funds to be part of a CDE for an eligible project.**

Deferments for declared natural disaster are necessary because natural disaster affects institutions enrollment and insurances do not move as quickly to start the recovery process for large-scale disasters. In addition, the appropriation language talks about modifications but whenever deferments were provided the funding and authority came from legislative authority i.e. deferments for private institutions in 2017 and 2018 made deferments subsidy twice as lending subsidy, the same for COVID deferments and forbearances made to institutions affected by Hurricanes Katrina and Rita. The appropriation language talks about modifications but the cost of modifications deferment modification for 2017 and 18nwas equal to and more than the loan issuance subsidy respectively. **Recommendation for Mr. Watson to prepare a recommendation for the Secretary and the Congress regarding Natural Disaster deferments and to get input from the Department's Office of Legislation and Congressional Affairs.**

Whether changes are needed to the program like was to do for small institutions. Some suggestions to support "small" institutions were as follows:

- Receive third party grant or gift as an equity contribution or subsidy to help with eligibility.
- Provide subsidy for lower interest rates for a portion of the repayment period for STEAM academic buildings.

- Provide a seven to eight figure grant as equity contribution for small institutions.
- Finance energy projects for smaller institutions and save money before moving to bigger projects.
- Finance online as well as hybrid learning infrastructure.

The Board need these suggestions to be flesh out to make them more robust. However, **the Board recommended that “small” institution be defined.**

The Board reiterated that extending the grant capacity would have more impact and expand the capabilities of the program could encourage more institutions to use the program.

Meeting Dates

Virtual meetings are preferred right now as needed.

Public Comments

There were no comments from the public. However, Dr. Fennell said that his institution may be identified as a smaller institution and we should add catastrophic to the definition then looking at declared natural disasters to provide more flexibility as to how the dollars can be used and may aided to gain acceptance from the Congress and others. He also added that small institutions should be a meeting place for future meetings.

Meeting Adjourned

Motion to adjourn the meeting. Dr. Verret adjourned the meeting at 12.15 p.m.