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

Monday, May 18, 2015
Open Public Meeting

Xavier University of New Orleans
Convocation Annex
7800 Washington Avenue
New Orleans, Louisiana 70125

The Historically Black Colleges and Universities (HBCU) Capital Financing Advisory Board (Board) met on Monday, May 18, 2015, in New Orleans, Louisiana. As requested by the Board, the Designated Federal Official prepared a synopsis of the meeting. This document serves as that synopsis. A complete copy of the transcript is available from the HBCU Capital Financing Program Office or at www2.ed.gov/about/bdscomm/list/hbcu-finance.html#meetings.

Designated Federal Official Present
Donald Watson

Items Distributed at the May 18, 2015, Meeting
The following items were distributed to Board members:

- Agenda for May 18, 2015;
- List of Board members;
- Synopsis of September 24, 2012;
- Director's Report dated May 18, 2015;
- Board's recommendations for discussion.

Meeting Call To Order
The Board's Chair Dr. Norman Francis called the meeting of the meeting to order at 10:11 a.m. Mr. Watson called the role of the members. Six members were present and Mr. Watson declared a quorum.

Members Present
Edith Bartley for Johnny C. Taylor, Lezli Baskerville, Norman C. Francis, Adena Williams Loston, John Rudley, Cheryl Smith for Michael Lomax, and Henry Tisdale.

Guests
Dr. James T. Minor, the Deputy Assistant Secretary for Higher Education Programs; Dr. Leonard L. Haynes, Senior Director of Institutional Service; and Mr. Malik K. Muhammad, Financial Manager HBCU Capital Financing Program.

Welcoming Remarks

Dr. Minor thanked Dr. Francis for hosting this meeting on the Xavier University of New Orleans campus and welcomed the Board on behalf the U.S. Department of Education (Department). Dr. Minor stated that the HBCU Capital Financing Program is an important part of the Department's support to HBCUs and HBCUs are a priority for the Department. He also posed two questions:

- How do we become better partners, and
- Are there things that we could be working on together?

Approve Minutes

Dr. Francis asked for approval of the minutes from the Board's September 24, 2012, meeting. Dr. Loston so moved. Mr. Watson called for the question. One member questioned the synopsis, and the Director indicated the synopsis of the meeting does not take the place of the meeting minutes as recorded by the stenographer. The synopsis is for the Board's convenience. Dr. Tisdale seconded the motion, and the minutes were approved.

Director's Report

The Director reported:

- Barber Scotia College's (BSC) debt remains the only defaulted loan in the portfolio. The entire campus was collateralized for the $7 million loan. College campuses are unique assets in their use and their historic structures, which makes it difficult to sell as a unit. Other program participants are making the BSC bond payment while BSC continues to pay insurance and utilities. The Director had not visited BSC in more than 18 months but will attempt to make it there before October 1, 2015. After this visit, the Program may need to revisit the initial proposal of selling parts of the campus in lieu of full foreclosure. There have been calls of interest in buying BSC, but no one has placed a contract on the campus or provided any earnest money. The current bond balance of BSC bonds is approximately $5.3 million. The current $45 million in escrow is sufficient to pay BSC bonds in full. However, doing so will require a make whole provision to immediately become due, and the other participating HBCUs will have to pay the make whole fee and the outstanding bond amount. The more loans that are made, the lower a participant contribution to the BSC's default because the payments on the BSC bond is weighted based on the other borrowers' original loan amounts.

  Members asked about changing the escrow requirement. The Director indicated that this will be discussed later in the meeting. Another member asked if there are potential delinquencies or defaults looming. The Director responded that there are habitually late payers but no looming defaults. The major issue is that schools are looking to the Department or their members to grant relief of payment, which cannot be done without a change in the law.

- The Program has been undergoing OMB A-123 risk assessment since 2011. The assessment is ongoing mainly because the contractor used to ask questions has changed each year and we have to explain the program and provide documentation each time the contractor changes.

- The director reported that he completed the Board's Charter which is a requirement of the Federal Advisory Committee Act. One member questioned the purpose of the charter, and the Director explained that each Federal Advisory Board must have a charter before it can perform any Board functions. This Charter summarizes, in plain language, the Board composition, purpose, frequency of meetings, reporting, etc., as outlined in the Higher Education Act of 1965, as amended.

- The Director provided Program performance data as follows:

	FY 2010	FY 2011	FY2012	FY2013	FY2014	FY2015 Projected
Amount Available	$178 mill	$279 mill	$367 mill	$303 mill	$303 mill	$303 mill
Number of Schools	6 (5 private, 1 public)	3 (1 private, 2 public)	7 (6 private, 1 public)	8 (5 private, 3 public)	5 (4 private, 1 public)	8 (4 private, 4 public)

One Board member asked whether the current appropriation amount is sufficient for new loans. The Director replied that so long as appropriation bills continue to allow funding, make loans without regard to whether an institution is public or private, and multi-year subsidy, there is no immediate need to change the HEA reference to guarantee loan limits.

Board's Recommendations for the HBCU Capital Financing Program

Pooled Escrow

The Board continues to support the escrow option as follows:
- Stay in the pooled escrow, or
- Pay a risk premium and not be included in the pooled escrow.

The Board also wanted to look at the impact of one or both of the following:
- Lowering the escrow percentage to 3.5 percent or some other number less than the current 5 percent escrow percentage;
- Changing the name from "escrow" to "insurance premium.

The Board asked the Department to continue to work on this option while keeping in mind that the open market still limits many institutions from borrowing.

Lower Interest Rates

Lowering the interest rate for academic structures related to science, technology, and engineering, and health-related fields of study (medicine, nursing, dentistry, allied health) and tie the interest rate to benchmarks with repayment consequences if the benchmark is not met or alternative uses of the interest rate savings. The Board asked the Department to continue to work on this option.

New Market Tax Credits

The Board would like a statutory provision that would allow the Program to leverage funds from the New Market Tax Credits.

Disaster Relief Grant Program

The Board discussed but took no action on broadening the Disaster Relief Grant Program available to Capital Financing participants and having a separate appropriation for this program.

Economic Impact Study
The Board recommended that the Department, through NCES evaluation, perform economic impact studies to show how useful Capital Finance and other funds are to the nation.

Next Board Meeting
Tentatively set a meeting during the week of the conference for White House Initiative on HBCUs.

Provide Pro Bono Counsel for Borrowers
The Board decided not to recommend the Department pay for legal counsel for schools that could not afford counsel.

Technical Assistance
Provide technical assistance to HBCUs that would include Bonds 101 Workshops and Title and Survey. Bond workshops are necessary because, of the 63 loans made under the Capital Financing Program, a majority of the presidents, CFOs, or both have changed since the loans were initially made. Title and surveys are the biggest problems when closing a loan and take the longest to accomplish. The timing is mostly because institutions are infrequent borrowers in the market and, as such, title and surveys are usually very old.

The Board recommended increasing funding for technical assistance as well as attending and presenting at conferences to accomplish some of the Bonds 101 Workshops initiatives.

Adopt a Resolution
The Board unanimously voted to approve a resolution for Dr. Francis's stellar service to the agency, community, and the Board.

Public Comments
Ms. Andrea Harris of the North Carolina Institute of Minority Economic Development provided written comments that were read in their entirety.

Meeting Adjourned
Dr. Francis adjourned the meeting at 1:48 p.m.