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INTRODUCTION

Since 1994, Hope Enterprise Corporation (HOPE) has created opportunity where it is needed most. Both a nonprofit Community Development Financial Institution (CDFI) and the primary sponsor of Hope Federal Credit Union, a low-income designated credit union with 34,000 members, HOPE has generated $2.5 billion in financing, impacting more than 1 million individuals across the Mid South since its inception. The Mid South is one of our nation's most persistently impoverished regions. As a result of insufficient financial capital, this region is also home to many opportunity deserts – communities with limited or no access to high performing schools, financial services, affordable housing, quality health care, and other opportunities foundational to a vital and prosperous life. For 23 years, HOPE has shown how responsive, innovative financial services and products can strengthen communities, build assets, and improve lives in economically distressed communities.

Our Charter School Facilities Fund is an extension of this mission. In states with some of the lowest academic achievement and completion rates in the United States, charter schools have brought choice to families seeking a better education for their students. Yet these charter schools do not have sufficient access to public funds or facilities. In fact, according to the National Alliance for Public Charter Schools, Alabama, Arkansas, Louisiana, Mississippi, and Tennessee receive failing grades on this criterion of a hospitable charter school environmental. Further aggravating the situation, there is far too little private investment in our region. In fact, according to a Bain & Company study, given our gross regional product, the Mid South should have approximately $2.5 billion more in annual commercial lending than we do. In 2016 alone, HOPE closed $35.3 million (MM) in commercial lending.

HOPE is requesting $8MM from the US Department of Education's (ED) Credit Enhancement for Charter School Facilities (CECSF) program to continue supporting and strengthening charter schools in economically distressed areas in Alabama, Arkansas, Louisiana, Mississippi and Tennessee. HOPE is a leader among CDFIs in structuring complex transactions that leverage a variety of funds to strengthen critical community infrastructure in a capital-starved region. We also provide borrowers with hands-on, in-depth technical assistance (TA) that expands the human capital of the region. We will use an ED award to continue doing both – structure innovative facilities financing and build the capacity of local charter schools leaders and lenders, supporting continued charter school growth in the Mid South.

COMPETITIVE PREFERENCE PRIORITY

HOPE's Charter School Facilities Fund will target products and services to –

1. Geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring: All five states in HOPE's Charter School Facilities Fund's target area received No Child Left Behind waivers from ED and subsequently, adopted their own accountability models. They designate low performing schools given their performance on a number of measures (e.g. overall performance on standardized assessments, achievement gaps between sub-groups of students) and try to provide these districts and schools with what they need to improve. In their respective models, Alabama designated 76 schools as failing; Arkansas identified 999 schools as needs improvement, needs improvement priority, or need improvement focus; Louisiana gave 225 schools an accountability grade of D or F; Mississippi gave 332 schools an accountability grade of D or F, and Tennessee identified 84 schools on their Priority list (i.e. bottom 5% in all performance) and another 126 on their Focus list. In these states, many public schools identified for improvement, corrective action, or restructuring are located in the primary cities where HOPE will target our Charter Schools Facilities Fund –

	Birmingham City Public Schools, AL	Little Rock School District, AR	New Orleans, LA (Orleans Parish and Recovery School)	Jackson Public Schools, MS	Shelby County Schools, TN (Memphis)
District schools designated as needs improvement	22 of 83 schools (26.5%)	40 out of 44 schools (90.9%)	28 of 71 schools (39.4%)	42 out of 58 schools (72.4%)	50 out of 221 schools (22.6%)

Sources: Alabama Department of Education, Arkansas Department of Education, Louisiana Department of Education, Kids Count Data Center

2. Geographic areas in which a large proportion of students perform below proficient on State academic assessments: The Mid South region has some of the lowest academic achievement rates in the nation. In fact, the states in our region consistently fall in the bottom quintile of state rankings on education. On the National Assessment of Educational Program reading test, 71% of fourth graders in Alabama, 68% in Arkansas, 71% in Louisiana, 74% in Mississippi, and 67% in Tennessee score below proficient. This compares to 65% nationally. These students fare even worse on the 8th grade reading assessment – 74% of eighth graders score below proficient in Alabama, 73% in Arkansas, 77% in Louisiana, 80% in Mississippi, and 67% in Tennessee. The national average in 2015 was 67%. This performance is especially dire in the primary cities where we target our Charter Schools Facility Fund –

	Birmingham, AL	Little Rock, AR	New Orleans, LA	Jackson, MS	Memphis, TN
% below proficient on 4th grade reading	64%	65.25%	61%	80%	67.4%
% below	58.1%	57.74%	62%	89%	59.6%

proficient on 4th grade math					
% below proficient on 8th grade reading	56%	60.85%	58%	76.9%	45.9% (9th grade)
% below proficient on 8th grade math	72.8%	75.68%	82%	83.9%	44.6% (9th grade)

Sources: Alabama Department of Education, Arkansas Department of Education, Louisiana Department of Education, Kids Count Data Center

3. Communities with large proportions of students from low-income families: The Mid South is home to one quarter of the nation's persistent poverty counties, counties where the poverty rate has been 20% or greater for three decades or more. Each of the states we serve has poverty rates above the national average. In 2015, 15% of the US population lived in families with incomes below the federal poverty level, which compares to 18% in Alabama, 19% in Arkansas, 20% in Louisiana, 22% in Mississippi, and 17% in Tennessee. The difference between the national average and the states where we work is even larger when looking at the population of children who grow up in poverty. In 2015, 27% of Alabama's children, 27% of Arkansas's children, 28% of Louisiana's children, 31% of Mississippi's children, and 24% of Tennessee children lived in families with incomes below the federal poverty level. The national average that year was 21%. This means that more than one in four children in the Mid South is suffering the developmental consequences of poverty. Below is a table that shows Free or Reduced Priced Lunch (FRPL) data in the primary cities where we are likely to finance charter school facilities –

	Birmingham, AL	Little Rock, AR	New Orleans, LA	Jackson, MS	Memphis, TN
% of students FRPL eligible	64.81%	60.5%	83%	89%	61.1%

Sources: Alabama Department of Education, Arkansas Department of Education, Louisiana Department of Education, Kids Count Data Center

HOPE has a track record of financing charter schools that serve low-income families. Of those schools previously financed, all of them served populations where at least 85% of students are FRPL eligible. This focus on low-income communities remains core to HOPE's mission.

PROJECT DESIGN AND SIGNIFICANCE

HOPE is requesting $8MM from the CECSF program to strengthen and expand charter school sectors in Alabama, Arkansas, Louisiana, Mississippi and Tennessee. These are states with strong charter laws, consistent with criteria in the Elementary and Secondary Education Act –

	AL	AR	LA	MS	TN
Year Enacted	2015	1995	1995	2010	2002
Estimated number of charter schools in AY 2016-2017 as demonstration of progress in increasing the number of high-quality charter schools	0	73	146	3	107
Provides review and evaluation of each charter school by authorizing agency at least every five years	Yes	Yes	Yes	Yes	Yes
Provides an authorizing agency that is not a Local Education Agency (LEA) or if not, an appeals process for the denial of an application for a charter school	Yes	Yes	Yes	Yes	Yes
Allows charter schools a high degree of autonomy over budget and expenditures (ranked on a 12-pt scale, with 12 indicating maximum autonomy)	12	6	12	12	12

Source: National Alliance for Public Charter Schools

[Note: Having just passed charter school legislation in 2015, Alabama does not yet have any charter schools. The statewide authorizing board, the Alabama Public Charter School Commission, received three applications to open charter schools in Fall 2016 and is in the process of making decisions. It is also in the process of reviewing applications from four local school boards to become charter school authorizers.]

HOPE will use the $8MM to augment our existing Charter School Facilities Fund, which has financed six schools over the past 12 months, deploying $2.89MM in credit enhancement and leveraging $38.6MM in financing. With these new or renovated facilities, these schools are growing to serve 3,600 students in total, up from 2,285 students, 87% of whom are FRPL eligible. Looking forward, we have a pipeline of 10 schools we expect to finance over the next three years for which we expect to utilize $6.5MM in credit enhancement funds, leveraging $88MM in financing and deploying the full amount of the ED award we received in late 2015.

The demand for HOPE's Charter School Facilities Fund is great in our region. HOPE needs a second ED award to continue providing TA to charter school leaders and lenders, to structure and facilitate innovative financing, and to provide credit enhancement for charter school facilities projects that support high quality teaching and learning, particularly in communities of low school performance, low academic achievement, and high poverty. Furthermore, we aim to leverage $60MM in private financing, thus substantially increasing the pool of resources available to charter schools in the Mid South.

Project Goals and Objectives: HOPE's Charter School Facilities Fund is increasing access and affordability of facilities financing to high performing charter schools that serve low-income communities in the Mid South (Attachment 5 – Logic Model). Our goals and objectives are to:

1. Serve communities of greatest need in our region
    a. At least 75% of students served by all schools financed will qualify for FRPL

    b. At least 85% of schools financed will be located in an economically distressed area

2. Provide affordable and accessible facility financing and/or TA to a range of charter schools in our region
    a. At least 4 new or early stage schools served in contrast to more established schools with longer track records
    b. At least 6 single site charter schools served, compared to charter school networks or large charter management organizations (CMOs) with likely more resources
    c. At least 5 schools served in smaller cities or rural areas
3. Provide credit enhancement to support $13.75MM in loans to 21 charter schools in five years, providing better rates and terms than available in the conventional marketplace
    a. Provide an average credit enhancement of 56% over the first five years
    b. Provide interest rate savings of an average of 300 basis points
    c. Provide higher loan to value (LTV) ratios than otherwise available
    d. Facilitate a range of products using credit enhancement funds to enhance products by other lenders to meet the diverse needs of charter schools, including projects from $100,000 to $20MM or larger in size
4. Maximize the impact of ED funds and utilize rigorous underwriting policies and procedures
    a. Leverage $60MM in private financing and maintain a leverage ratio of 8:1
    b. Maintain an annualized credit enhancement loss rate of less than 2%
5. Facilitate innovative financing available to charter schools and promote replicability

    a. Partner with lenders, CDFIs, Community Development Entities (CDEs), or investors, in order to increase the partners and sources of capital financing available to charter schools in AL, AR, LA, MS and TN
    b. Provide TA to local and regional lenders regarding the needs of charter schools through a combination of individual assistance and group workshops
    c. Support the adoption of policies and programs in AL, AR, LA, MS and TN that increase the availability of capital for charter school facilities
6. Support the expansion of education options in our region with facility financing that enables the addition of at least 1,000 seats in high quality charter schools
7. Provide high quality TA to charter schools that strengthens the region's charter school sector, particularly with regard to financing and real estate acquisition and development
    a. Deliver a total of 250 hours of personalized TA to charter schools
    b. Partner with charter school associations and other TA providers to deliver workshops for charter schools.

HOPE has extensive experience documenting and monitoring the results of our efforts. We will document our progress towards these goals with the help of our Commercial Loan Tracking System, inputting data on enrollment and performance from charter schools, LEAs, and state education agencies (SEAs); and uploading loan documents, reserve account statements, loan write-offs, and loan origination reports.

Financial Products: HOPE will use the ED award as credit enhancement on a range of loan products that address charter school facility financing needs identified through interviews and conversations with charter school leaders, board members, funders, lenders, charter school associations, and authorizers. These needs include supporting leasehold improvements, providing subordinate debt that helps address appraisal gaps and equity requirements from other lenders, providing senior debt with more flexible terms, and structuring complicated financing transactions that leverage tax credits. HOPE's method of providing the credit enhancement varies depending on the school's unique needs and challenges.

Primary Loan Project #1 – Leasehold Improvement Loans: Compared to other regions in the US, many charter schools are still relatively young in HOPE's region. As such, many occupy leased facilities as they build their financial and academic track record and work toward the goal of owning their own facility. The facilities that these schools lease were often designed for purposes other than education – such as a space in a strip mall or office building – and/or were vacant for some period prior to occupancy by the school. As a result, there is almost always a need for significant leasehold improvements. Depending on the type of lease, the relationship between the school and the landlord, and the terms of the lease, the school must often take on the responsibility of making improvements to their leased space. This can be a significant burden as not only is the school managing the project, but it must find funds to complete the work. Most lenders consider themselves unsecured in this case, as a lien on Furniture, Fixtures, and Equipment (FFE) is of little value. The credit enhancement offered by HOPE using funds from the ED award is vital for any of these projects to be contemplated. We anticipate that HOPE will credit enhance an average of 90% of each leasehold improvement loan, which will average $250,000 in size.

It is hard to project cost savings to schools from the credit enhancement as it is almost certain these projects would not happen without it. In the current interest rate environment, we anticipate rates on these loans to be between 5 and 6%. The only debt that might be available otherwise would be debt from nontraditional subordinate lenders, priced at 12% at least.

Leasehold Improvement Loan to [redacted]*:* [redacted] *has been serving students in the* [redacted] *since 2010. In the 2015-2016 school year,* [redacted] *had 489 students enrolled in grades 9-12 and a robust waiting list. In order to better serve their growing student population,* [redacted] *needed to make repairs and upgrades to the old bank building they lease. HOPE provided credit enhancement on the $900,000 loan to finance these improvements and enable their continued growth. They are on track to serve nearly 700 students in the 2018-2019 school year. (See Letter of Support in Attachment 8)*

Primary Loan Product #2 – Real Estate Loan: As charter schools mature and look to own their facility, there is an increasing need for affordable, flexible financing for purchasing real estate. These real estate developments may include existing facilities in need of renovation or raw land on which to build new facilities. Because of the relatively young nature of the charter school market in the Mid South and the conservative nature of banking in our region, the number of lenders with experience and willingness to lend to charter schools is much less dense than in most other parts of the US.

In addition to the scarcity of lenders with charter school experience, another significant challenge is meeting the LTV and equity requirements of traditional lenders. Given limited capital in our region, real estate valuations are often lower than construction and development costs, and very frequently lower than the value needed to meet the 75 to 80% LTV requirements of traditional lenders. In addition, most lenders require an equity contribution of between 10 and 25% of the total project development cost. Charter schools rarely have significant cash reserve to fill the appraisal gap or to meet lenders' equity requirements.

Without credit enhancement, charter schools would need to raise funds, contribute equity, or secure subordinate debt for between 10 and 50% of the cost of a real estate development project. Subordinate financing at a rate of up to 12% will significantly increase the financing costs and require redirecting funds that should be invested in the core business of charter schools – teaching and learning. With the ED award, HOPE will provide credit enhancements to bridge the valuation gap to ensure that subordinate financing is not necessary or is not cost prohibitive for these charter schools. We anticipate that these projects might include more than one financing provider. HOPE will credit enhance the lender taking the subordinate position, in order to reduce the cost of financing to the charter school or the developer of the facility for the benefit of the charter school.

Real Estate Loan to [redacted]: In 2016, HOPE provided credit enhancement on a $250,000 bridge loan to [redacted] for pre-development and development related expenses on a new 39,000 square foot facility. [redacted], a college preparatory charter school in [redacted], had been holding classes since its inception in modular buildings on land they leased from a neighborhood church. HOPE's credit enhancement enabled the school to secure and close $5MM in financing from a local bank for the purchase and development of a permanent home for the school. With this facility, [redacted] projects it will be able to serve an additional 350 students by the 2019-2020 school year, approximately 85% of whom will be FRPL eligible. (See Letter of Support in Attachment 8)

Primary Loan Product #3 - Loans Funding Leverage Debt for New Markets Tax Credit (NMTC) Transactions: HOPE has received five allocations of NMTC from the US Treasury and has used them to finance a variety of projects aimed at improving the quality of life for low-income residents in our region, including charter school facilities. Using our latest allocation of NMTC, we are currently working with two CMOs, one in rural Arkansas and one in Memphis, TN, on facilities projects totaling $19MM that will house five schools. NMTCs are used on larger projects to finance expansions or new facilities for charter schools that have been in operation for a significant period of time.

These transactions are complex and require HOPE spend significant time working to structure financing and providing TA to charter school leaders and lenders. The primary challenge in structuring the financing is recruiting a source of financing for the leverage debt. Under current tax credit pricing, the amount of this debt is typically 65-68% of the transaction size, and therefore vital to the financing of the project. It cannot be secured by the real estate related to the transaction. Instead, a lender must place a lien on a long-term leasehold, which has significantly less value. Because of this, it is almost impossible to find a local lender with experience in both charter school lending and NMTC financing and with a willingness to lend.

HOPE will provide credit enhancement using the ED award for finance providers to charter schools so they can overcome the collateral challenges inherent to the NMTC structure. In situations where the leasehold collateral is insufficient, this will facilitate financing required from leverage debt providers experienced in NMTC financing. We anticipate leverage on the credit enhancement for these transactions to be approximately 24:1.

NMTC Transaction with [redacted]: [redacted] is a growing network of public charter schools offering high-quality, college preparatory education to more than 1,400 children living in the [redacted]. In 2016, [redacted] secured a $9.8MM USDA loan to finance the expansion of its two schools in [redacted]. HOPE began working with [redacted] to provide $11MM in NMTC to reduce the amount that [redacted] needs to borrow by $2.4MM. This will save [redacted] $4.2MM over the 40 year life of the loan. HOPE will also provide credit enhancement to support $7.3MM in construction financing, which is anticipated to have a LTV gap due to the low appraised values of properties in [redacted]. To date, the HOPE team has provided more than 300 hours of TA to [redacted] with regard to this financing structure. (See Letter of Support in Attachment 8)

Utilization of ED Funds to Provide Credit Enhancement: HOPE has one year of experience providing credit enhancement on loans for charter school facilities. HOPE individually underwrites every loan on which it provides credit enhancement, carefully analyzing the school's financial, academic, and enrollment track record and the feasibility of their growth plans. To date, all loans have performed well; however, this history of performance is relatively short. Consequently, lenders are currently requiring 100% cash collateral to back up HOPE's credit enhancement. We anticipate that, with continued strong performance in our portfolio of credit enhanced loans, lenders will consider cash collateral in a pool less than the total amount of credit enhancement provided. This will allow us to utilize the ED award in two ways –

- Increase Leverage of ED Funds: As HOPE is able to provide credit enhancement on loans at a ratio of greater than 1:1 on financing directly credit enhanced, HOPE will be able to use the ED award to credit enhance more transactions and reach a higher leverage ratio. This will start to have an impact in Year 4 of this grant.

- <u>Increase the Level of Credit Enhancement on Individual Transactions</u>: As credit enhanced lenders become comfortable with less than 1:1 reserve fund coverage, HOPE will be able to offer more credit enhancement on individual loans. For example, HOPE will be able to offer credit enhancement on real estate loans similar to those offered by government guarantee programs at levels as high as 75-90% of the original loan amount. This will enable transactions that otherwise could not happen and reduce costs to the charter school borrower.

Implementation Plan: HOPE's Charter School Facilities Fund builds off our track record of financing community facilities and nonprofits since 1995. In the past year, we have developed Charter School Facilities Fund policies and procedures (Attachment 6), marketing collateral, and strategic partnerships in local charter school sectors. We will leverage these resources if selected for another ED award. Our lending goals for this project are ambitious – we aim to provide credit enhancement for 21 schools in five years – four schools in Year 1, five in Year 2, four in Year 3, four in Year 4, and four in Year 5. This pace continues the trend of our charter school lending over the past 12 months (Attachment 2 – Applicant Activity for Most Recently Completed FY, Attachment 43 – Table 4: Risk Level of Charter Schools Served, and Attachment 7 – 2016 Annual CECSF Performance Report).

ACTIVITY	TIMEFRAME (following award)
Infrastructure	--
Establish reserve account	2 months
Finalize performance agreement with ED	3 months
Receive ED funds	4 months
Customize Accounting system for Charter School Facilities Fund	Complete
Marketing and Outreach	--
Develop marketing collateral and other resources	Complete

Publish press release announcing award and program guidelines	3 months
Contact current and prospective charter school borrowers regarding award	3 months
Activate partners in marketing e.g. charter school associations, education service providers	Ongoing
Host Charter School Financing Workshop(s) with partners	6 months
Lending Activities	--
Design Charter School Facilities Fund application	Complete
Customize HOPE's Commercial Lending policies and procedures based on unique needs of charter school facility lending	Complete
Customize HOPE's Commercial Loan Tracking System to accommodate data needs specific to charter school facility lending	Complete
Meet with prospective funders to raise $650,000 in grant funds	Ongoing
Collect complete loan applications/packages from prospective borrowers	Ongoing
Complete due diligence on prospective borrowers	Ongoing
Complete underwriting on prospective borrowers	Ongoing
Send complete loan packages to Credit Committee for review and approval	Ongoing
Close 21 charter school loan guarantees	4 in Year 1 5 in Year 2 4 in Year 3 4 in Year 4 4 in Year 5
Begin recycling Reserve Fund	Year 4
Technical Assistance (TA)	--
Provide prospective and selected borrowers with TA on real estate project development and financing.	Ongoing
Connect selected borrowers with partners who can provide TA outside of HOPE's expertise	Ongoing
Monitoring and Evaluation	--
Analyze loan portfolio performance (repayment, delinquency, loss)	Every 3 months
Complete internal audit of Charter School Facilities Fund, including portfolio performance, borrowers' academic performance, project activities, etc.	Every 12 months
Submit results of internal audit to Board of Directors	Every 12 months
Send Annual Performance Report to ED	Every 12 months

Partners: HOPE will work closely with a number of partners on the successful implementation of this project. In particular, we will work with charter school associations in our region – Alabama Coalition for Public Charter Schools, Arkansas Public School Resource Center, Louisiana Association of Public Charter Schools, Mississippi First, and the Tennessee Charter School Center (Attachment 8 – Letters of Support) – to market our financial products and TA to their networks. As we have done while deploying our first ED award, we will also continue to call on the expertise of charter school authorizers and Public Impact, a national education policy and management consulting firm based, to help us assess the quality of prospective charter school borrowers. In order to structure affordable and accessible financing for facility projects, we will collaborate with other CDFIs; local, regional, and national banks; and other investors. For example, HOPE recently partnered with [redacted] a nonprofit CDFI based in [redacted], to close a financing package for [redacted]. We are now working with them to structure financing from both of our organizations for a new charter school facility in [redacted] (Attachment 8 – Letters of Support).

Financial Projections: The Cash Flow Pro Forma (Attachment 9) provides detailed cash flows, balance sheet, and income statement and uses the following assumptions:

- Reserve Account: The CECSF grant proceeds will be deposited into a reserve account in accordance with program requirements, to be used as direct credit enhancement for loans to charter schools for acquisition, renovation, or new construction of facilities, and for eligible administrative and program expenses.
- Timing: The projections assume that the Charter School Facilities Fund will provide credit enhancement for 21 loans over the first five years. This level of lending is consistent with HOPE's historical use of credit enhancement for charter school facilities and reasonable considering that HOPE intends to continue utilizing its previous ED award and add activity related to this new award. The requested funds will be fully utilized by the end of Year 4, at which time the fund will begin to recycle. After Year 4,

HOPE will be able to provide credit enhancement in an amount greater than the cash in the fund, further expanding its impact.

- Project Sizes: We anticipate utilizing credit enhancement funds to facilitate financing for projects ranging from $100,000 to $20MM. The model simplifies the projections for projects credit enhanced by HOPE's Charter School Facilities Fund into three different project sizes and types – five leasehold improvement loans to charter schools, averaging $250,000; 14 mortgage loans to charter schools that own their facilities, averaging $750,000; and two $12MM projects financed with NMTC. The fund may credit enhance additional projects including bond financing, but the majority of projects will fall into these three categories.
- Guarantees: The average credit enhancement will vary based on the different types of loans. For the NMTC financing proposed, the pro forma assumes an average credit enhancement of 15%. For the smaller leasehold improvement and mortgage loans, the pro forma assumes a credit enhancement averaging 90% and 40% respectively until Years 4 and 5 when the credit enhancement percentages on the mortgage loans rise to 85%. This level of credit enhancement is needed for non-NMTC loans given the challenges that charter schools in our region face securing private financing. The increase to 85% will be possible because of HOPE's history and strong portfolio, allowing it to extend credit enhancement beyond a 1:1 ratio of cash collateral in the fund.
- Financing provided: The financial projections assume that credit enhancements will be issued on three primary products – loans to charter schools for leasehold improvements with a 10-year amortization and a 5-year term; loans to charter schools that own their own facilities averaging $750,000, liens on the real estate, and a 10-year term and 20-

year amortization; and NMTC transactions incorporating a minimum of 7-year terms. We anticipate that approximately 35% (by number) of non-NMTC loan guarantees will be leasehold improvement loans based on the needs of our region.

- Fees: The Charter School Facilities Fund will charge a 1% credit enhancement fee to all projects. In addition, it will earn a small portion of the CDE fees on NMTC projects for which it provides a guarantee, totaling 0.5% of the NMTC transaction.
- Other Grants: HOPE has a successful track record of raising philanthropic support for its lending, operating, and TA activities. Over the last two years, HOPE raised more than $30MM in philanthropic support. The financial projections assume that HOPE will raise and utilize $50,000-$100,000 annually in philanthropic funds toward programmatic costs of this program.
- Loan Loss: The model projects allowance for losses at a rate of 1% of the balance of its net outstanding loans and guarantees. It also projects that one of the leasehold improvement loans will default with the guarantee being called upon. The Charter School Facilities Fund will lose 100% of the credit enhancement on this loan.

Potential for Replicability

In all of our work, HOPE strives to create innovative programs and products that respond to the needs of the low-income communities and borrowers we serve. HOPE is recognized as a leader in community and economic development, particularly in distressed areas, and has developed creative financing models that are now being replicated by local and regional lenders. HOPE has also helped shape federal and state programs that increase the flow of capital into underserved areas and sectors. For example, HOPE worked with the Clinton and Bush Administrations in structuring the NMTC program, and was part of a team of advocates that successfully worked with the Mississippi legislature to authorize the Mississippi Equity Investment (NMTC) tax credit, which CDEs can utilize to make investments in charter school facilities in the state.

Several foundations have recognized that HOPE's Charter School Facilities Fund provides a financing model with significant potential for replication. Last year, HOPE leveraged private financing at a ratio of 10:1 to support the growth of six charter school facilities, allowing them to expand from serving 2,285 to 3,600 students in coming years. HOPE's success relies on the presence of a local lender that understands the local charter school landscape - its history, politics, and needs. As an organization integrated into the communities we serve, we are able to effectively evaluate the risks of potential borrowers and ensure that the schools for which we provide credit enhancement funds are supported by the community. Based on our success providing financing for charter school facilities in the Mid South and knowledge of and presence in communities, several funders are interested in structuring localized credit enhancement funds that can support the unique financing needs of the schools in their communities. In addition to supporting this innovative use of philanthropic capital, HOPE will continue to promote replicability of the program through partnerships, education, and policy advocacy.

PROJECT SERVICES

Involving Charter Schools, Associations and Authorizers in the Project Design: HOPE developed its strategy for investing in charter schools alongside a number of stakeholders in local charter school sectors. When deciding to expand HOPE's work to include a focus on charter school facilities, HOPE conducted extensive interviews with charter schools, CMOs that manage more than 125 schools across our target market, charter school associations, authorizers, local and regional banks, and funders in the states we serve. We have since honed our strategy based on our actual experience financing charter school facilities. In fact, we collect ongoing feedback from charter school borrowers through letters we request at loan closing and annual surveys that assess the helpfulness of HOPE financing and TA.

As the region's charter school sectors grow and mature, there is increasing need for facilities financing. Local charter school associations and other charter supporters are working to develop targeted facilities strategies. HOPE actively serves as a thought partner in developing those strategies and as a lending partner with extensive facilities financing experience. We have included Letters of Support from charter school leaders, associations, and authorizers that reiterate the need for this program, their partnerships with HOPE, and their support for our application in Attachment 8.

Cost Effective Technical Assistance: As a community development lender working in distressed communities, a critical component of our business model is providing time intensive TA to our borrowers, potential borrowers, and others. We work to build their capacity to attract and steward investments for critical community facilities, including charter schools. This TA is especially important in our target area where financing is difficult to obtain and community development expertise is scarce.

HOPE works with each charter school to structure individualized TA. Charter schools are typically led by experienced educators with minimal real estate development or financing expertise. Single site charter schools or small CMOs are especially unlikely to have someone on staff this experience. Even larger CMOs often need assistance preparing budgets and financial projections. HOPE offers the following types of TA to charter schools with whom we work:

- *Real Estate Project Development TA:* HOPE's program and lending staff have expertise working with potential borrowers in pre-development to structure the best project for their needs. This TA consists of helping schools evaluate their facility options and structuring a financing package that maximizes benefit to the borrower.
- *Financing TA:* HOPE works closely with charter schools through the loan application, due diligence, underwriting, closing, and post-closing processes. It is critical to ensure the borrower is ready for the financing proposed and that they are not taking on more debt than they can afford.
- *Organizational TA:* As needed, HOPE will make TA referrals to partners with expertise in charter school management and operations. HOPE connects schools with resources provided by charter school associations in their state and national education consulting firms like Public Impact, EdTec, 4th Sector Solutions, and the Ten Square Group. This TA is often oriented around school operations, governance, and growth.

Technical Assistance with [redacted]*: Over the last six months, HOPE has provided TA to* [redacted]*, a locally grown charter network of five schools, for a project they are developing that will include space for their elementary and high school. HOPE meets every week to review the project status and identify next steps for advancing financing of their schools. HOPE has assisted with strategies for acquisition, pre-development, and project management, as well as provided extensive financing TA. To date, HOPE has provided more than 120 hours of TA.*

Targeting Schools with Greatest Need and Greatest Likelihood of Success: As demonstrated earlier, HOPE is embedded in communities with high poverty, low performing schools, and large numbers of students with low academic achievement. Serving individuals, organizations, and communities with the greatest need is HOPE's mission across our lines of business, including our Charter School Facilities Fund. As such, we have set a goal that 75% of students benefiting from our charter school lending portfolio will be FRPL eligible and that the majority of charter schools we finance will be located in areas with poor education options. In our region, there is no shortage of prospective charter school borrowers that can help us meet these criteria. We work closely with partners to identify high impact schools serving high-need students and families. Charter school associations, authorizers, funders, consultants, and TA providers with local footprints all provide critical connections to schools that align with HOPE's mission and priorities.

In order to vet prospective charter school borrowers for likelihood of success, we have designed a robust application and selection process (Attachment 6). As part of this process, we collect information on school enrollment (current total and projected, by grade, race, FRPL, special needs, limited English proficiency) and waiting list; past academic performance – namely proficiency and growth on standardized assessments, in aggregate and disaggregated by various student subgroups; management team experience and track record, including staff retention rates; governance model; financial stability and strength; and project viability. We ask charter schools to share their charter application and any subsequent submissions to their authorizer body as well as any quarterly or annual reports to their governing board. We also examine the stability of the local charter school sector, including the performance of other charter schools under the same authorizer and possible risks that might come from local or state-level policy decisions.

We use Public Impact, a national education policy and management consulting firm based in Chapel Hill, NC, to complete an academic appraisal of quality applicants. Public Impact has nearly two decades of experience conducting analyses and providing services to LEAs, SEAs, schools and others seeking to improve learning outcomes. Their academic appraisal supplements HOPE’s internal review, diving into past academic performance and practices around curriculum and instruction. In particular, Public Impact brings important perspective on a school’s model for teaching and learning and the research base to support its efficacy. This helps HOPE better understand a school’s strengths and weaknesses with regard to their likelihood of success.

We continue to monitor the performance of our charter school borrowers throughout the duration of the loan. Since receiving our previous ED award, we have augmented the annual impact survey we send to all HOPE borrowers with specific questions for charter schools around enrollment and waiting lists. We supplement this with up-to-date academic performance and accountability data. All of this informs an annual audit of our Charter School Facilities Fund portfolio. We reach out directly to any charter school borrowers that are not meeting HOPE’s high expectations for quality to understand their situation and identify any TA or other resources they need in order to improve.

Mitigating Burden on Borrowers: HOPE works to alleviate burdens on charter schools that arise during the financing life cycle. We collect as much publicly available data as we can before asking charter schools for data needed on the loan application or as part of due diligence, underwriting, or ongoing monitoring. When participating with other lenders on the transaction, we work to coordinate our data requests so that the school does have to report the same information in different formats to multiple financers.

<u>BUSINESS AND ORGANIZATIONAL CAPACITY</u>

Expertise in Financing: Since 1994, HOPE has provided financing for small businesses and community facilities in our region. In 2001, HOPE launched an initiative to provide financing to rural health care facilities and since then, has financed eight health care providers with $7.25MM in financing. We have also provided financing in a wide selection of other community facilities including seven childcare facilities, eight healthy food facilities, and seven affordable housing facilities.

HOPE also has significant experience working with government programs to recruit private investment into transactions. As described previously, HOPE has received five NMTC awards, which we have used to raise $75MM in private equity and debt. Additionally, HOPE is the administrator of the City of New Orleans' Fresh Food Retailer Initiative, which so far has invested $5MM in Community Development Block Grant (CDBG) funds and leveraged $45MM in private financing. In 2012, the Small Business Association (SBA) launched the Community Advantage Program for its 7(a) guarantee program. Under the 7(a) guarantee program, the SBA will guarantee between 75 and 85% of each loan originated by the certified lender. With the Community Advantage Program, the SBA extended the 7(a) guarantee program beyond regulated lenders to CDFIs. HOPE was one of the first CDFIs certified in this program. HOPE is also certified by the USDA as a guaranteed lender in its Business & Industry and Community Facilities guarantee programs. Under the Community Facilities program, HOPE originated a loan in 2002 that received the first USDA guarantee issued in the State of Mississippi in a generation.

Expertise in Education

In 2013, HOPE completed an analysis of the need for charter school financing across its target market. It identified a significant gap in available, affordable financing flexible enough to meet charter schools' unique needs. HOPE began building its expertise in charter school finance, and in late 2015, received its first ED award for credit enhancing loans to charter schools. Since receiving that loan, HOPE has provided $2.89MM in credit enhancement for six schools to directly support $6MM in lending, leveraging a total of $38.6MM in financing for these charter schools. Through this experience and ongoing consultation with charter schools, charter school associations, authorizers, lenders and other service providers, we have developed robust policies and procedures for HOPE's Charter School Facilities Fund that include a sector-specific application, credit analysis checklist, routine monitoring tools, and other templates (Attachment 6). We continue to collaborate with these partners to enhance our internal expertise in evaluating the likelihood of a prospective charter school borrower's success.

Expertise in Portfolio Management: Over the last 23 years, HOPE has made loans to small businesses, nonprofit organizations, and community facilities projects in some of the most financially underserved communities in the country.

The performance of HOPE's loan portfolios over the last five years are as follows:

	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Past Due (90+ days)	2.58%	3.15%	4.19%	3.65%	2.60%	20.86%
Charge-offs	3.29%	0.31%	2.07%	(0.09%)	(0.01%)	2.01%

Despite serving a capital deprived region and underserved businesses, HOPE's past due loans and charge-off ratio have remained consistently low. The significant spike in past dues at the end of 2016 was the result of a single large NMTC financing on a high-risk business. This loan was made with funds invested specifically for the transaction by parties unrelated to HOPE with full knowledge that this particularly high-risk transaction could result in their funds being at risk.

HOPE have entered into a forbearance agreement with this borrower and are working closely with them to improve their financial condition.

The strong performance of HOPE’s loan portfolio is the result of detailed and careful underwriting, thorough TA provided to borrowers before and after making a loan, and thoughtful loan modifications when necessary.

Financial Stability: HOPE boasts a track record of growing assets, strong financial management, and solid leadership. HOPE is comprised of a CDFI with $106MM in assets and total net assets of $80.5MM, and a low-income designated credit union with $201MM in assets. We have developed rigorous policies and procedures for financial management (Attachments 18-19), loan portfolio production and management (Attachment 16-17), and risk management. These policies have led to strong financial performance and stability.

HOPE supports its operations with a combination of interest earnings from its loan and investment portfolios, fees from consulting activities and financial transactions, and grants from private foundations and government agencies. HOPE capitalizes its loan funds with grants, loans, and program related investments from private foundations, and equity from a range of institutions, typically facilitated with the use of tax credits. HOPE has been successful in raising these funds and anticipates this success will continue, enabling the organization to maintain its position and grow steadily.

Earned revenue, which incorporates interest earnings and fees, is considered vitally important to sustaining HOPE’s operations long term. As our loan portfolio grows, HOPE will look for continued growth in interest earnings. This being said, as a mission-driven organization, HOPE will always devote the bulk of its portfolio to below market rate loans, and consequently, will never maximize earnings from its portfolio. The same is true with fees, as HOPE often offers fees significantly below market rates to meet the needs of our members.

Because of these factors, HOPE's operations are and will continue to be subsidized by outside philanthropic support. Since inception, HOPE shown the ability to successfully raise long-term grant funding. We are continuing to raise grants from regional and national funders, and currently have commitments from [redacted] among others. In 2016, HOPE began a campaign to raise $50MM over a three year period, of which we have already raised over $25MM.

Furthermore, HOPE has received five allocations of New Markets Tax Credits (NMTC) and has successfully deployed all except for the most recent allocation, which we received just six months ago. We are currently working to close six NMTC transactions this year totaling $50MM, of which two are charter schools. We plan to use ED funds in both transactions to provide credit enhancement on funds that will be used as leverage debt in these transactions. HOPE is also working on an application for additional NMTC and will include charter school lending as one of the activities it intends to pursue with an allocation. Because of HOPE's past success with applying for and deploying NMTC, the likelihood of receiving future allocations is good.

HOPE does not have a credit rating, but does have the highest "Exemplary" rating from NeighborWorks America, a national network of community development organizations (Attachment 13). Also included in this application are audited financial statements for the past three years (Attachments 10-12); HOPE's most recently filed Form 990 (Attachment 14), and HOPE's Articles of Incorporation and by-laws (Attachment 15).

Risk Management: HOPE mitigates credit risk in our lending portfolio with comprehensive policies and procedures implemented by experienced staff embedded in the communities we serve. We invest in comprehensive, in-depth due diligence and underwriting; high-touch portfolio monitoring; and strong partnerships.

The policies and procedures used for underwriting, servicing, and monitoring commercial loans (Attachments 16-17) are approved by the Board of Directors and reviewed annually by Department heads, our Compliance team, and our internal auditors. Over our 23 year history, we have continuously refined guidelines with a focus on addressing the needs of the distressed communities where we work and providing TA to borrowers throughout the application, due diligence, underwriting, and closing process. Because of this infrastructure, HOPE's commercial loan repayment rate was 100% in 2015 and 98% in 2016. In 2015, we developed policies and procedures specific to our Charter School Facilities Fund (Attachment 6). These support our ability to successfully support charter schools in addressing their facility financing needs.

Underwriting and Approval: HOPE's rigorous underwriting standards and processes are used for all loans and/or guarantees to charter schools. HOPE credit analysts review the following on each prospective loan: Financial Condition/Performance, Financial Projections and Business Plan, Management Team and Governance, Development Team, Industry Analysis, Competition, Potential Exposure, and Community Impact. HOPE's underwriting for charter school facility loans also includes a comprehensive understanding of the charter school's management, governance, academic track record, financials (per pupil, other public and private funds), history, and projections along with their state's charter school laws, and process for authorization and accountability. This analysis includes loan purpose, structure, terms (amortization, pricing, repayment), community impact, strengths and weaknesses, and is reviewed and approved by HOPE's credit committee.

The Credit Committee, appointed by the Board of Directors, has considerable experience in lending and community development finance. Bill Bynum, HOPE's CEO, chairs the committee and is joined on the committee by two board members, two additional bankers, and an employee of a national CDFI. The Credit Committee makes all loan decisions over $250,000 and has delegated power to approve loans under $250,000 to Senior Management.

Loan Servicing and Monitoring: HOPE has created an effective and sophisticated commercial loan servicing and monitoring system for its portfolio. We service all of our loans using LA Pro, which facilitates standard loan servicing functions as well as aggregates loan impact and other data for reporting to funders and investors. HOPE's monitoring systems track payments, liens, collateral, insurance, and financial information from the borrower and alert staff early to any possible problems.

HOPE's Loan Review Committee (comprised of HOPE's Chief Operating Officer, Chief Financial Officer, Deputy Chief Financial Officer, Senior Vice President of Lending, Vice President of Special Assets, and Associate Vice President of Special Assets) meets monthly to assess the condition of our commercial loan portfolio including the Charter School Facilities Fund, develop strategies for dealing with problem loans, and adjust asset management policies and practices to mitigate any systemic portfolio risk. They review and set all loan ratings and reserves. Loans are rated on a 1-8 point scale, with 1-5 being a pass rating. Loans rated 6-8 become the responsibility of HOPE's Special Assets Department (see Attachment 17 – Special

Assets Department's Collection Procedures). The goal of this department is to develop a workout solution for the problem, if possible, and return the loan to performing status. Staff members are experienced at working with borrowers experiencing trouble to stabilize their operations, restructure their financing, and ultimately repay their principal. Liquidation and foreclosure is considered a last resort, but is done when the business has no hope of performing or when the management or ownership of the business shows no willingness to work with HOPE.

HOPE's loan monitoring team currently manages more than $67.5MM of outstanding charter school, commercial real estate, community facility, grocery store, and other small businesses loans. HOPE's detailed asset management policies are more comprehensive than those of most CDFIs because they incorporate Hope Credit Union's policies, which are regulated by the National Credit Union Administration.

Financial Management: HOPE's Accounting Policies (Attachment 18) and Investment Policies (Attachment 19) outline policies and procedures for protecting the organization's financial assets and mitigating risk. Among these policies is one that prohibits cash payments on loans. All loan payments are made by ACH debit. Accounting staff reconcile all general ledger balance sheet accounts on either a daily or monthly basis, depending on the account's level of activity. Transaction postings are performed by different individuals. One purpose of the reconciliation function is to ensure that no staff member has sole control over any asset of the organization, eliminating the ability to embezzle funds.

Mike Wilbanks, our Deputy Chief Financial Officer, and Felicia Goon, our Controller (resumes in Attachment 4) have daily oversight over the organization's finances and report to the Chief Financial Officer who in turn, reports quarterly to HOPE's Board of Directors. The

Investment Committee and the Audit Committee are appointed by the board, comprised of board members, and meet quarterly. The Investment Committee reviews the performance of HOPE's investment portfolio, ensures all investments are made in accordance with policy, and recommends to the full Board the appointment of investment managers. The Audit Committee appoints the financial and internal auditors, reviews all reports from the financial and internal auditors, discusses any issues of internal control with the auditors, and meets quarterly with HOPE's Compliance Officer.

Conflict of Interest: HOPE's conflict of interest policies are detailed in our Code of Business Conduct and Ethics Policy (Attachment 20) as well as in our Loan Policy (Attachment 16). These policies require disclosure and documentations of any interests, and detail a process for any violations. All employees sign HOPE's Code of Business Conduct and Ethics Policy and Conflict of Interest Statement (Attachment 21) when they are hired and each subsequent year they are employed at HOPE. Directors on the Board also sign the Conflict of Interest Statement. These policies and practices ensure fairness in decision making, lending, and all other areas of business.

Audits: To ensure a high level of compliance, HOPE contracts with [redacted], an accounting firm that specializes in internal and external audits of CDFIs. [redacted] conducts quarterly audits of HOPE's operations, portfolios, and systems to ensure HOPE is compliant with all appropriate regulations and has adopted best practices in risk management.

Monitoring and Evaluation: In order to remain compliant with federal regulations for CDFIs, HOPE provides the CDFI Fund with an annual report that includes loan-level information on up to 98 variables for every commercial transaction in our portfolio. Over years of submitting this report, we have developed a sophisticated infrastructure for tracking and analyzing data from our lending activities.

HOPE collects in-depth data on its borrowers throughout the loan application, due diligence, underwriting, closing, and servicing periods. These data are inputted into a tracking system from which data can be pulled and analyzed. In addition to the aforementioned portfolio monitoring supported by LA Pro, HOPE surveys borrowers from the Charter School Facilities Fund at multiple moments over their relationship with HOPE. We administer a baseline survey to all borrowers immediately following loan closing that captures general information (such as square footage developed, number and quality of jobs created and retained with financing, and whether the borrower applied for financing from another institution before coming to HOPE) and industry-specific data. For charter school borrowers, these industry-specific measures include current enrollment, student demographics, and school performance. HOPE also conducts annual impact surveys that track changes in these measures over time.

Taken together, this longitudinal data allows HOPE to examine trends in performance and results of different financial products and services and in different markets and industries. From the trend analysis, HOPE is able to evaluate its impact in the region and develop new lending targets, particular for “high impact loans” in high poverty communities, that create or retain high quality jobs, or that expand business ownership among historically underserved populations.

On The Ground Relationships: HOPE has a distinct advantage over other institutions working to finance charter school facilities in the Mid South as we are deeply embedded in communities across the region and have been for 23 years. We have 189 staff in 30 locations, 80% of which are physically located in economically distressed communities (Attachment 22). We are especially proud of our team's diversity – 61% of our employees are Black or African American, 34% are White, 4% are Hispanic or Latino, and 1% identify as other races or ethnicities.

Project personnel are engaged in the low-income communities we serve and manage robust networks of strategic partners. Their relationships with families, charter school teachers and leaders, CMOs, associations, authorizers and many others enhance the impact of our facility financing. They ensure that HOPE's financial products and services meet the community's needs and that HOPE is able to serve those who most need our affordable, flexible capital. This familiarity with the local landscape and stakeholders allows us to provide highly customized TA and underwriting. Our rootedness in communities also underpins our ability to convene diverse stakeholders in support of local educational options, from elected and appointed government officials to business leaders to local financial institutions. This is particularly important in the rural areas where we work and will help us achieve our goal to facilitate facilities financing for at least five charter schools in smaller cities or rural areas.

For example, Cassandra William, SVP for Community and Economic Development in Memphis and local charter school lead, is heavily involved in her local community and church, [redacted] grew out of this church and its elementary school is currently located in modular buildings on church property. Many [redacted] students at the high school have passed through Cassandra's Sunday school class.

QUALITY OF PROJECT PERSONNEL

Management and Staff Experience: A number of departments are instrumental to the successful execution of this project (see Attachment 23 – Organizational Chart). Our organization's leadership team is responsible for strategic direction, oversight, and expertise as needed. Daily implementation of our Charter School Facilities Fund is led by our Community and Economic Development (CED) team. This team is responsible for building relationships across the charter school sector in our region, providing TA on facility financing and management, identifying prospective borrowers, and engaging charter school leaders in the continuous improvement of HOPE's products and services. Once a prospective charter school borrower is identified, the CED team works alongside HOPE's Commercial Lending team on loan underwriting, closing, servicing, and monitoring, paying particular attention to the unique needs and challenges of charter school facility financing. Finally, we have a cross-departmental team of employees who work to evaluate the outcomes and impact of our lending and report these results to key stakeholders. This evaluation helps HOPE be transparent and accountable to our funders and informs our ongoing refinement of this work.

Organizational Leadership: HOPE's leadership team has a combined 105 years of experience in development finance and related activities. Together, they have led HOPE's rapid growth as a family of development organizations with $282MM in combined assets and 189 employees in 30 locations. We have included brief descriptions of their responsibilities and expertise below and included their resumes in Attachment 4.

Bill Bynum, CEO, is responsible for HOPE's management, capitalization, and strategic plan. A leader in the CDFI industry, Bill cultivates national and regional partnerships in support of HOPE's strategic initiatives. He has raised more than $256MM in capital and has lead HOPE's deployment of $2.5 billion in the communities across the Mid South. He is integrally involved in the design and implementation of all financing programs, including the Charter School Facilities Fund. Bill has more than 30 years of experience in community development and development finance, the past 20 of which have been at HOPE.

Alan Branson, COO, is responsible for oversight of HOPE's mortgage, commercial, and retail lines of business along with community and economic development programs like the Charter School Facilities Fund. Since joining HOPE in 1994, Alan has led a more than $221MM increase in HOPE's commercial real estate and business loan portfolios. He has more than 25 years of experience in small business lending and community development finance, with previous posts as a commercial banker serving small and medium-sized businesses at Signet Bank, a consultant to the micro-lending program at the North Carolina Rural Center, a research associate at Harvard Business School, and a developer of extended-stay hotel properties.

Richard Campbell, CFO, is responsible for HOPE's overall financial operations and compliance. He has overseen the successful deployment of $135MM in commercial and community facility transaction, including $125MM in NMTC allocation. Richard was instrumental in the design of our Charter School Facilities Fund strategy and remains heavily involved, particularly in the sourcing and structuring of transactions. Prior to joining HOPE Richard was the CFO of the Foundation for the Mid South and worked for a public accounting firm in the UK.

Ed Sivak, Chief Policy and Communications Officer, oversees HOPE's public policy, communications, and marketing activities. In addition to supporting marketing of HOPE's Charter School Facilities Fund, Ed leads the evaluation of this project's outcomes. As founding

Director of the Hope Policy Institute, a HOPE affiliate that collects data and publishes reports on the issues that impact the Mid South's low-wealth people and communities, Ed is uniquely qualified to assess the impact of these activities.

Project Leadership: HOPE's CED team is responsible for project implementation and deployment of the Charter School Facilities Fund. They have developed excellent working relationships with charter school authorizers, CMOs, state and local agencies, and others. This team leverages these relationships to market this project across the region, providing charter schools with TA and ultimately, supporting charter school borrowers through the loan process. We have included brief descriptions of their responsibilities and expertise below and have included their resumes in Attachment 4.

Mary Elizabeth Evans, Senior Vice President in New Orleans, LA, leads the CED team and is Project Director for our Charter School Facilities Fund. As such, she sets goals for HOPE's financing and support of charter schools and monitors progress towards them. Mary Elizabeth has successfully raised and deployed $14MM and leveraged $45MM in additional investments in financing charter school facilities since HOPE began this work in 2015. She has 16 years of experience in community and economic development, including the past eight at HOPE. Prior to joining HOPE, she served as the Director of Community and Economic Development at Midtown Partners, Inc., a neighborhood based nonprofit.

Phil Eide, Senior Vice President in Jackson, MS, has more than 30 years of experience in community development and development finance, especially in affordable housing financing. He led HOPE's Katrina relief and recovery efforts, leveraging CDBG and other funds. All said, he has deployed more than $53MM in low income communities in our region.

Cassandra Williams, Senior Vice President in Memphis, TN, has more than 20 years of community development and banking experience, including the last 16 with HOPE. Before joining the CED team at HOPE, she was Vice President and Regional Branch Administrator and oversaw all retail and operational activities at HOPE locations in Arkansas and Tennessee, which collectively serve more than 10,000 members.

Other members of the CED team include: Kevin Coogan, Vice President, in Jackson, MS; Kathy Saloy, Vice President in New Orleans, LA; and a Vice President position in Little Rock, AR which we expect to fill by June 2017. This position will develop and manage a robust pipeline of partners and support HOPE's development financing across the state, providing TA to prospective borrowers and connecting projects to financing through HOPE or others.

Commercial Lending Team: HOPE's Commercial Lending team will support the execution of this project through loan underwriting, closing, servicing, and monitoring. After a prospective charter school borrower is identified, the CED team partners with the Commercial Lending team to support the charter school through the loan process. This team has more than 250 years in combined experience and in 2016 alone, deployed $35.3MM in commercial loans and managed a loan portfolio of $67.5. We have included a brief description of their responsibilities and expertise below and included their resumes in Attachment 4.

Greg Wineland, Senior Vice President, leads HOPE's Commercial Lending team and manages all aspects of our commercial lending, from loan production to portfolio performance. He joined HOPE in 1995 and has since sourced and closed $140MM in loans to charter schools, health care facilities, small businesses, community facilities, and commercial real estate transactions. Before joining HOPE, he worked at First Commercial Corporation, a $10 billion multi-bank holding company in Little Rock, AR that merged with Regions Bank in 1998.

George Miles, Vice President of Commercial Business Development, helps lead HOPE's commercial lending activity, including loan products for charters schools, affordable housing developments, healthy food, and other community facilities. In particular, he will manage the loan development process for our charter school facilities financing. George has 31 years of experience in financial services, including four as Executive Director of Community Development Capital, a CDFI in New Orleans, LA and nine as Executive Director of Local Initiatives Support Corporation (LISC) in Greenville, MS.

Three Lending Vice Presidents and Loan Officers are charged with sourcing potential charter school facility projects in their respective markets alongside the CED team and supporting borrowers through the loan process. As such, they work with the charter school over the duration of the loan to ensure compliance with all loan agreement terms and conditions, collecting any information needed by the Commercial Lending team, communicating regularly with the borrower to monitor progress, and working with the borrower should any problems arise.

Vickie Jones, Vice President of Credit Analysis, manages and supports HOPE's four credit analysts in underwriting of our charter school facility transactions, ensuring they take into account the unique characteristics and needs of the sector. They examine the prospective transactions in depth, structure our loan products, and prepare detailed credit write-ups and financing recommendations to our credit committee. These credit analysts have more than 60 years of combined experience. Vickie has worked in HOPE's commercial loan department for 20 years and has more than 28 years of commercial underwriting experience.

HOPE's charter school facility lending is also supported by staff dedicated to loan closing, operations, servicing, and monitoring. HOPE's Loan Operations team processes all loan payments and collects financial statements, insurance verifications, tax payment verifications, and other loan documentation updates throughout the loan term. HOPE's Loan Servicing team conducts field audits of borrowers and produces formal reports detailing findings, concerns, and any recommendations for risk mitigation or account management.

Evaluation and Reporting: The activity and results of HOPE's Charter School Facilities Fund are monitored and evaluated in several ways and by several departments. The Commercial Lending team tracks borrowers' finances and issues annual reports on their findings. HOPE's team of Business Analysts conducts monthly reviews of HOPE's loan production and overall portfolio quality. They analyze data by geography, loan product, borrower type, loan officer, and several other key attributes to identify any trends that might need to be more closely examined. On a quarterly basis, they generate reports for the senior management team and the board of directors to review.

Beyond this routine monitoring, HOPE evaluates the results of the Charter School Facilities Fund on an annual basis. Ed Sivak, Chief Policy and Communications Officer, Mary Elizabeth Evans, Senior Vice President of Community and Economic Development, and Robbye Good, Vice President of Investor Relations work with HOPE's policy analysts to collect data on myriad impact measures of our charter school lending. These inform the ongoing TA we offer borrowers and the continuous improvement of HOPE's financial products and services. The Investor Relations team also reports these to HOPE's Board of Directors and other key stakeholders.

Board of Directors: HOPE's Board of Directors (Attachment 24) shares their expertise and relationships in the implementation and continuous refinement of all programs and projects, including the Charter School Facility Fund. They approve an annual budget and goals for HOPE's lending activity and receive regular progress updates. They also oversee all accounting activity and thoroughly review quarterly financial statements. In addition to the full meeting of the Board, Directors are engaged on various committees. The Credit and Investment Committees are those most directly involved in the deployment of the Charter School Facilities Fund. The Credit Committee reviews all charter school loans, while the Investment Committee is responsible for appointing and supervising HOPE's investment managers.

HOPE's Board of Directors has a wealth of related expertise. Maurice Jones, President and CEO of the Local Initiative Support Corporation (LISC), one of the nation's leading nonprofits investing in struggling communities, provides one example of the Board's financing expertise. He previously served as Secretary of Commerce and Trade for the State of Virginia and Deputy Secretary for the US Department of Housing and Urban Development.