I am pleased to present my report on the Historically Black College and University (HBCU) Capital Financing Program.

BARBER-SCOTIA UPDATE
Barber-Scotia College received a HBCU Capital Financing Program loan for $7 million on December 6, 2000. In 2004, Barber-Scotia lost its accreditation. Since September 2005, Barber-Scotia’s bond payments have been made using funds deposited in the escrow account by other Program participants. The current balance is $11.1 million ($4.5 principal balance and $7.5 million ($257,328 x 29) in escrow payments).

I have no new updates. The Designated Bonding Authority (DBA) released a Request for Information (RFI) for Barber-Scotia College in November 2017 to give the DBA an idea of what interest potential developers or other purchasers may have in the campus or buildings on the campus. The DBA began negotiating Conflict of Interest and Non-disclosure agreements (NDA) with the one responsive proposer. The Conflict of Interest agreement has been executed. The DBA has not yet proposed an offer to the Department because the DBA and the proposer are working through the NDA. The NDA is for 45 days, and a contract can be executed at that time. The next steps would be for the DBA to execute the NDA and prepare an offer for the Department to consider.

GOVERNMENT ACCOUNTABILITY OFFICE
The program has completed its exit conference with the Government Accountability Office (GAO), which is investigating any barriers that might be facing HBCUs when financing capital projects. The GAO made two recommendations in its report.

Recommendation 1: As Education develops the required HBCU Capital Financing Program outreach plan, the Executive Director of the program should include in the plan (1) ways to increase outreach to individual HBCUs so that HBCU officials are informed of the program; (2) steps to coordinate directly with state university systems to specifically address state-level challenges to participation and share potential solutions to increase public HBCU participation; and (3) ways to further leverage the designated bonding authority in its efforts.

Recommendation 2: The Executive Director of the HBCU Capital Financing Program should lead an agency effort to analyze various Capital Financing Program loan modifications, including the effects of the loan deferments authorized in the 2018 Consolidated Appropriations Act as well as other potential modifications, to assess the potential benefits to HBCUs participating in the program, the potential cost of these options to the government, and their effect on the program’s overall financial stability.
The Department is submitting responses to both of these recommendations, and I am developing a plan that addresses these recommendations.

**PROGRAM ACTIVITIES**

Scheduling of loan closings are based on approval of an Administration’s budget and apportionment by the Office of Management and Budget.

Here are some of the HBCU Capital Financing Program’s activities:

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY 2016</th>
<th>FY2017</th>
<th>FY2018 to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Schools</strong></td>
<td>5 (4 private, 1 public)</td>
<td>6 (4 private, 2 public)</td>
<td>3 (1 private, 2 public)</td>
<td>3 (2 private, 1 public)</td>
<td>3 (2 public; 1 private)</td>
</tr>
<tr>
<td><strong>Amount Available (in millions)</strong></td>
<td>$303.0</td>
<td>$303.0</td>
<td>$279.0</td>
<td>$282.0</td>
<td>$334.0</td>
</tr>
<tr>
<td><strong>Amount Funded</strong></td>
<td>$94.2</td>
<td>$213.1</td>
<td>$161.6</td>
<td>$68.0</td>
<td>$222.0</td>
</tr>
</tbody>
</table>

Annual loan capacity for FY 2014 was $303 million. In this regard funds were provided to St. Augustine’s University, Grambling State University, Voorhees College, Texas College, and Johnson C. Smith University.

Annual loan capacity for FY 2015 was $303 million. These funds were provided to Arkansas Baptist College, University of the Virgin Islands, T.A. Lawson State Community College, Philander Smith College, Arkansas Baptist College, and Livingstone College.

Annual loan capacity for FY 2016 was $303 million. These funds were provided to Jarvis Christian College, Grambling State University, and South Carolina State University.

Annual loan capacity for FY 2017 was $303 million. These funds have been provided to Morehouse School of Medicine, Tuskegee University, and Southern University at Shreveport.

Annual loan capacity for FY 2018 is $334 million. The following institutions received loans: Southern University at Baton Rouge, Alabama State University, and Morehouse College.

The Program has six active construction projects at the following institutions: Livingstone College, Jarvis Christian College, Grambling State University, Lawson State Community College, University of the Virgin Islands, and Morehouse School of Medicine.

For FY 2018, as of the date of this report, 14 additional institutions have expressed verbal or written interest in borrowing through the Program. Seven are public and seven 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 the loan amounts. These HBCUs would be requesting loan amounts that range between $20 million and $150 million.

PORTFOLIO

The loan portfolio as of September 2018 is as follows:

Since inception—

- $2.257 billion originated ($801 million to public HBCUs and $1.456 billion to private HBCUs)
  - 49 HBCUs (14 public HBCUs and 35 private HBCUs)
  - 95 loans made
  - 18 loans paid

Current—

- $1.754 billion active loans in repayment or construction stage ($691 million to public HBCUs and $1.063 billion to private HBCUs)
  - 41 HBCUs (11 public HBCUs and 31 private HBCUs)
  - 77 loans remaining to be paid
  - 58 loan closings (14 public HBCUs and 44 private HBCUs)

- Other portfolio numbers include—
  - 3 HBCUs have defaulted on loans
  - 8 HBCUs repaid or refinanced their loans
  - $8 million to $165 million is the loan range
  - 6 active construction projects
  - 8 loans deferred until September 30, 2018 (deferments are for up to six fiscal years but are funded one fiscal year at a time)