Advisory Board Meeting
Dr. Beverly Hogan, Chairwoman
December 2, 2017

Omni Hotel
White Rock Rooms 1-2, Level 5
555 South Lamar Street
Dallas, TX 75202
DR. HOGAN: Thank you so much, President Sorrell, for welcoming us to Dallas. It's a pleasure to be here and to welcome all of you as members of this HBCU Capital Financing Advisory Board.

I thank you all for your service. As I look forward to working with all of you in the important work, I think it comes at an important time as we look at infrastructure needs on our campus. This is my first meeting as the chair and some of you as new board members, advisory board members. So we will learn together. I know we are in an advisory capacity to look at advising not only the Secretary, but Congress, on some of the needs and maybe legislative kinds of things that we can look at. I know we have a long list of needs at our institutions. So this is the avenue that Don Watson and others and Mr. Kissel and here in the U.S. Department of Education, working with us on looking at how we can find the resources and prioritize those kinds of things.

So I'm excited about the work before us. I'm going to call this meeting to order, and we'll have the roll call by Don Watson.

MR. WATSON: Yes, ma'am.

MR. WATSON: David Beckley.

MR. BECKLEY: Present.
MR. WATSON: Beverly Hogan.
DR. HOGAN: Here.
MR. WATSON: Harry Tisdale.
MR. TISDALE (telephonic): Here.
MR. WATSON: David Hall.
(No response)
MR. WATSON: Adena Williams Loston.
MS. LOSTON: Here.
MR. WATSON: Perry Ward.
MR. WARD: Here.
MR. WATSON: Lezli Baskerville.
MS. BASKERVILLE: Present.
MR. WATSON: Lodriguez Murray.
MR. MURRAY (telephonic): Here.
MR. WATSON: Johnny Taylor.
MR. TAYLOR (telephonic): Here.
MR. WATSON: A. Wayne Johnson.
(No response)
MR. WATSON: Johnathan Holifield.
MR. HOLIFIELD: Here.
MR. WATSON: Madame Chair, we have a quorum.
DR. HOGAN: Thank you.
At this time I'll ask Adam Kissel, who is the Deputy Assistant Secretary for Higher Education Programs, to speak to us and any other comments he wants to make.
MR. KISSEL: Welcome. Thanks, everyone, for being here, audience and members and guests.

I'm Adam Kissel. I'm Deputy Assistant Secretary for Higher Education Programs in the Education Department. I'm the Designated Federal Official for the HBCU Capital Financing Advisory Board. I have been here for about five months, and I've been listening and learning quite a lot about the board and its duties. Let me tell you what the official duties are according to the charter.

In brief, the Advisory Board is established within the U.S. Department of Education to provide advice and counsel to the secretary of the designated body authority as to the most effective and efficient means of implementing construction financing on the campuses of HBCUs and to advise Congress regarding the progress made in implementing the program.

So with some specific duties that are listed, there's the feasibility of reducing borrowing costs associated with the program, including reducing interest rates, and again a general duty of advising on the most effective and efficient means of implementing construction financing on the campuses of the HBCUs.

I have some additional welcomes and thanks to give. So for the first time representing United Negro
College Fund is Lodriguez Murray, who's the designated member for the UNCF. We also should thank Michael Lomax for his service on the board.

We, of course, should thank Johnny Chandler. This is his last meeting with the board because he's running off of Thurgood Marshall College Fund, TMCF. So we have huge thanks to give him. Without his service on this board and to so many other enterprises he's been part of over the years.

So, Johnny, thank you so much for being with us for the time you have.

MR. CHANDLER: Thank you, Adam.

MR. JOHNSON: Adam, this is Wayne Johnson. I just joined in.

MR. KISSEL: Hi, Wayne. Thank you.

We also have coming in as the new TMCF President. It's Harry Williams from Delaware State University. So we will be welcoming him at our next meeting for his first time with us here on the advisory board.

Thanks again to Michael Sorrell for his welcome just before we started. This is a beautiful location, a wonderful city, and thank you for having us here. So thanks to Paul Quinn College for being part of the hosting delegation for us.
This is our first business meeting under our new charter. So the last meeting of this board was in 2015. The secretary rechartered and reconstituted the board just this past summer. We held an administrative meeting to get people up to speed on ethical responsibilities and things like that, but this is the first business meeting of the board in a couple of years. Our goal is to meet at least twice a year for the duties that I described.

The importance of having these meetings public and transcribed is that we are here as an advisory board for the service of HBCUs with public input. So we have people here in their representative capacities of public HBCUs, private HBCUs, and the HBCU organizations. And the public has its say, as well, and we can take public comment. We have a half hour for that at the end of the meeting, 6:45 to 715. And we have a transcriptionist to make sure anyone who is not here has a chance to know exactly word for word what everyone has said and think about that and provide additional comments in coming weeks and months.

In addition to that, we are intending to have our meetings not just in D.C., but at HBCUs around the country so that we can maximize public participation. Not everybody is in D.C. or Dallas. So we can have people from Alabama and North Carolina and Illinois and
wherever an HBCU may be -- it may be even outside of that area -- so we can have maximum public participation in the United States for people interested in this topic.

So we have a full agenda. Dr. Hogan is the chair, so she is running the meeting. My role is to approve the agenda and other duties like that, but for the rest of the time this is Dr. Hogan's meeting.

So thanks very much.

DR. HOGAN: Thank you so much, Adam. I know we have Dr. Leonard Haynes here, who is working with the Department of Education, long time associate of the work that we do, and the new Executive Director of the White House Initiative, Johnathan.

MR. HOLIFIELD: It's great to be here.

DR. LOSTON: Adam, since you're addressing the membership, the name of the institution is misspelled. St. Philip's is actually the biblical spelling of Philip's with one L and always an apostrophe S.

MR. KISSEL: Thank you very much.

DR. HOGAN: Lezli.

DR. BASKERVILLE: Madam President, I note the presence of two presidents in the audience, and for the record I think it would be great if they would introduce themselves. They thought this was important enough to get here early, and one came with their executive team.
DR. HOGAN: Great. Yes.

MS. DAWKINS: Good afternoon, everyone. I'm Phyllis Dawkins. I'm President of Bennett College. And with me I have my trustee chair soon to Gladys Robinson. She's a North Carolina Senator. And with me also is Leroy Summers; he's my chief financial officer.

DR. HOGAN: Okay. Gentlemen.

MR. NEWMAN: Hello, I'm Lester Newman, President of Jarvis Christian College, only 100 miles east of here.

DR. HOGAN: Thank you both for joining us.

At this time we will have the approval of the May 18, 2015, minutes. I know that there are a couple of members who were here at that time. Some of us were not, so we're going to have to rely on the knowledge of all of you who were here when those minutes were taken and those discussions were had.

I will entertain a motion for the approval of the minutes.

DR. LOSTON: So move.

DR. BECKLEY: Second.

DR. HOGAN: It's been moved and seconded that the minutes are approved. Is there any discussion?

If there are no objections, we will accept the approval of the minutes by acclamation.
Now we'll come down to the Director's report. At this time I publicly thank Don Watson for all the work he's done over the years with many of our institutions and helping to implement the programs and making the construction needs of our campuses become a reality.

MR. WATSON: Thank you, Dr. Hogan. First on my report, since we're doing introductions, I would like to introduce Rice, who is the designated marketing authority for the Capital Financing Program. Here from Rice is Will Fisher, CEO, and Don Rice, who is the president and CEO of Rice Securities.

With that, Madam Chair, I will start my report.

Thank you, Madam Chair and members. As I present my report for the Capital Financing Program, I would like to start with an update on Barber Scotia college. As many of you know, Barber Scotia has defaulted on its finance program in 2004. Since then Barber Scotia has been using the funds of other HBCU escrows to pay its bond payment.

As of December 17, the Designated Bonding Authority released a Request For Information. What that basically is, it's a document that goes out to developers and other individuals seeking ways in which they could utilize the asset for Barber Scotia campus. To date, I
believe they have somewhere between three or four
developments that actually have gone or requested visits
of the campus. The current president and his cabinet is
very helpful in facilitating those visits.

Just so you will understand the importance of
this, it's once -- we don't necessarily know what the
price of the campus would be until the asset is actually
sold. Or if the development comes in, that there will be
anything that the development can say, Hey, we want to
start bring all their payments to make them full and let
the college become -- continue as a going concern. Or
they can come and say, Hey, we want to buy the entire
campus, and Barber Scotia will sort of go away.

The importance of this part of the institution
in the loan program is that those institutions, whatever
the sale would be, would have -- after the bonds are
paid, a portion of their escrow has been used to pay the
bond service for the last 13 years would be reimbursed
proportionately.

DR. BECKLEY: Is the lien against the entire
campus or just that...

MR. WATSON: The lien is against the entire
campus. Carnus (phonetic) in 2008 made a suggestion or
made a statutory change that we actually only
collateralize one percent of the campus unless the
secretary deems more is necessary. So prior to that, though, what I thought on the same lines of what Carnus did prior to that, we actually no longer put liens on entire campus. We only take enough collateral to cover the loan.

But in this case, because that transaction was done prior to my arrival, that was -- that was the actual, but the program did design. There were situations where we came back and reevaluated some institutions where we collateralized entire campuses, and we went back, reevaluated the collateral, the assets, and our release in collateral so that we are in compliance with other things. But in this case, because they're in default, we did not go back to that.

Any more questions?

MR. TAYLOR: Just remind me. What's the amount owed?

MR. WATSON: The outstanding amount for Barber Scotia is roughly -- the bond itself is about four and some change. But when you actually start to put in what has been paid out of the other escrows, it comes closer to.

DR. BASKERVILLE: 6.4.

MR. WATSON: 6.4.

MR. KISSEL: This is Adam. May I ask the people
on the phone to state their name before they provide a comment or question so we can have that in the transcription?

MR. TAYLOR: I'm sorry. This is John Taylor. So what is the number?

DR. HOGAN: I think the number is 6.4 million dollars.

MR. WATSON: Right. So the way you get to the 6.4 million, there's been 25 bond payments that haven't been made on that, and their semiannual bond payment is roughly $257,000 every six months. Plus the outstanding bond, which would bring the total outstanding to around 10 million.

So campus would have to sell roughly over 10 million dollars to repay everyone's escrow and to pay the bondholder.

DR. BECKLEY: And what was the initial not?

MR. WATSON: The initial note was 6.9 -- roughly 6.9 million.

MR. HOLIFIELD: This is Johnathan Holifield. Do you have any idea of the value of their assets in total?

MR. WATSON: The last time I did an appraisal of a campus it was about five or six years ago. When we take college buildings as collateral, one of the downsides of that is that the buildings themselves have a
limited educational use. So that sort of hurts the value of selling the buildings as they are.

However, at the time that building -- the campus was collateralized, the appraised value was, I believe 15 million. Roughly 15 million.

Since then, though, what you also have to realize, in Concord, that town itself has actually changed. So when you actually visit the town, it's not like the same condition it was when we made the loan or even the position it was four years ago.

But then five, ten minute walk is the city hall. They have a race track there. They're building hotels and other things. So the city itself is actually -- there's development in the city itself.

DR. BECKLEY: But the condition of the buildings, that's going to be a major factor in terms of value.

MR. WATSON: The condition of the buildings, right.

A couple of things. As Dr. Beckley said, the condition of the buildings will come into play. However, when you look at the condition of the buildings, there are a couple of things that have to happen anyway. Because the buildings are designed -- most of their buildings are designed as classrooms and other academic
buildings. Anybody who bought the campus would have to
go in and do a redesign the buildings.

The other thing, some of the buildings are
historic in nature, which will also be some things that
will come into play.

What we actually finance itself is actually
still in great condition. That's something that is used
for classrooms as well as space for students they have
that live on their campus.

DR. HOGAN: How many students are there now, do
you know?

MR. WATSON: They roughly have from anywhere
between 20 and 25 students. They offer programs that are
not accredited, more certificate programs. When I meet
with them, they talk about having or finding programs
that are in that nature job, crazy programs like solar
development, installation, electrician programs, things
like that.

DR. HOGAN: Did you have a question?

DR. LOSTON: I didn't realize they were still
operating -- Adena Loston. I didn't realize they were
still operating as an institution. But they are
functioning with 25 students?

MR. WATSON: Yes. They have 25 students
functioning. I'm not sure where the revenue comes from
because, again, they're not eligible for Title IV aid or anything else. So how are students actually paying or that, I'm not sure. But getting reports, that's generally the number that I get. When I'm down to visit, that's what I see. However, when I'm there I've never seen any students.

DR. LOSTON: Is there anything in the law that says that there is a time limit for when you -- if they're continually defaulting on the loan, that we will continue to draw down from the pool account to go on for an unlimited timeline?

MR. WATSON: There is no timeline in the law. However, what you have to realize, this is an asset. As I said earlier, the asset is most of the buildings have an educational use. So if you think about the housing market and when the housing market took a bust, it was difficult for banks to sell houses because -- and people live in houses every day. People don't buy campuses every day. They don't buy buildings every day.

Even if -- if you had a building across from you or a campus was across from your campus at St. Philip's, the ability to buy that building or the need to buy that building wouldn't exist. So other development would have to come in, and that's what's driving the market. The other developers need to buy that or want an interest in
buying that piece of property.

So we have to keep going so the loan stays in default, and we don't foreclose on it until we find a lender. Otherwise, we become responsible for the security. We become responsible for if someone gets hurt on that campus at this point, we become responsible for that.

I'll tell you, and as president you know, if there's a house across the street from you that worth $30,000, because you're the president of the institution and you want to buy the house, the value of the house now becomes 150 million dollars. So just imagine if someone knows the federal government owns something, and they fall and hurt themselves on the property.

DR. HOGAN: Dr. Beckley.

DR. BECKLEY: Don, if the other four or five institutions in that group decide to pay their bonds off, what will happen to Barber Scotia?

MR. WATSON: Well, it's up to them. It's their property.

DR. BECKLEY: What I'm saying is that four or five students, if the other four schools paid, Here's my check, I'm getting out of this. They just pay it off. What will happen to Barber Scotia?

MR. WATSON: Barber Scotia will stay as they
are. It doesn't matter -- as a lender you sort of have
to understand as a lender if four or five schools came to
say, Hey, we want to pay off this debt, then we'll accept
that payment. If somebody from across the street came
and said, Hey, we want to pay this off, they just have to
pay for the debt.

DR. BECKLEY: I guess I should have asked it the
other way. If we say that there are five schools in this
coop, Barber Scotia and four schools. The four schools
say, We owe you 6 million dollars on our debt, and they
pay that 6 million dollars. Do they still have the pay
the portion that resolves Barber Scotia debt?

MR. WATSON: No. So the school's obligation,
two things happen. When a school puts money in a pool of
escrow, that's their limit. If your five percent goes
away for whatever reason, that is your limit of liability
toward any default, whether it's Barber Scotia or some
other school. That's the limit of that particular
liability.

At the same time, for example, you give -- if
you have a million dollars in your escrow, and 100,000
went to Barber Scotia and you get out, you get that
$900,000 back. So it's whatever remains. Because the
way pool escrow works or the way escrow works is that
it's based on a weighted average. So the more loans we
make, the smaller in-school contribution funds.

To give an example, one school received a loan I think in 2002, and their initial contribution to the escrow was 15,000. Fifteen years later their contribution came less than $1,500 a year. Now, it's even less because we made more loans. The more loans we make, institutions weighted contribution also decreases.

Dr. Baskerville.

DR. BASKERVILLE: Yes, sir. Thank you very much.

Wondering so when by December 20 if the offers that are in don't approximate 6.4 million dollars, are you required to accept them or do you put out another request for information? And then is there a timeline by which something has got to happen?

MR. WATSON: There is not a timeline in which something has to happen, but two things have to happen. One thing you want to do, one, you have to have enough to pay off the bond. If you don't have enough to pay the bond, that's a no go there. That's the main objective.

If we get enough to pay of the bond and to give the schools back a portion of their escrow, we're okay doing that, as well. But the main goal is to pay of the bond and stop any other schools you contribute to, any debt service payments.
DR. BASKERVILLE: Okay. Thank you.

MR. TAYLOR: Johnny Taylor. One quick follow up to that. It's a two-part question. Is currently Barber Scotia paying anything or essentially they're squatters rights?

MR. WATSON: Yes. No -- well, I don't want to say it's there for free because as I said earlier in response to Dr. Loston question, they're actually paying insurance, they're paying lights, air, and other things in the building for which we actually constructed. So I wouldn't say that.

So what they're not doing is a paying their bond, but the asset we actually created, when I go to the campus, I have meetings there. There's running water, so they're paying water, they're paying other things in the asset that we actually created.

So -- and what the price of that is or the value of that, they also get a portion of the money from, I believe the Presbyterian church. So they're not paying the bond payments, but they are keeping up the assets. The grass is cut, things like that are going on.

MR. TAYLOR: But practically speaking, that would be like me owning -- living in an apartment and not paying rent, but I'm paying the light bill. I'm paying the water bill. But the question is, are you paying the
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1 rent? So that's what I mean. Specifically they are not
2 paying the rent, so they are there for free, right,
3 whether it comes to the rent or the mortgage in this
4 case?

  MR. WATSON: Actually, you could look at it that
5 way, but actually I look at it from a point that the
6 legislation itself says that the purpose of the escrow is
7 to paid for the delinquency or the default of any
8 institution. So the escrow is actually performing its
9 purpose until we sell the asset.
10
11 Of course, this is the board's -- the board can
12 make a recommendation at this point in time that we
13 foreclose immediately and put that payment on the federal
14 government, which we become responsible for having
15 security there because I don't see the federal government
16 putting up a fence. We have to have security. And the
17 asset that we actually finance, I don't see us -- because
18 no one's in there, I don't think that the government
19 would actually keep the lights on.
20
21 And the buildings are, if you believe it or not,
22 are living, breathing things. At a certain level the
23 building deteriorates. If somebody breaks a window and
24 it's not fixed, that water damage causes more corrosion
25 than anything.

  So it's a balancing act, but, as I said, the
board at any point in time can make a recommendation that
we foreclose immediately.

    MR. WARD: Perry Ward. I'm new to the board,
but the entity that we're dealing with is still the board
of trustees of Barber Scotia?

    MR. WATSON: Barber Scotia has a board of
trustees. They also have a president, a CFO. Everyone
there is on a volunteer basis.

    The president cuts the grass voluntarily. Their
IT person, she has her own company, but she's been doing
things voluntarily. So people who are working there --
when I say Barber Scotia has an executive board, they're
all working for free or volunteer.

    DR. BECKLEY: Let me go back to the building.
You maintain the building. Are they maintaining just the
building that you have a loan on or the entire campus?
Because from what I'm hearing, you have the entire campus
on your roll. If I'm only maintaining one building, you
may not have anything to sell other than rental space.

    MR. WATSON: Right. You're right. But again
these buildings are old buildings. If you look at the
inside of the building at the structure itself. If
someone had to buy these buildings, as I said before,
they would probably go in and do an entire gut of the
building, right? Unless you're an institution buying a
building, you can't fit classrooms into an apartment or create classrooms into condos or office space necessarily. So they would have to go in and gut those, anyway.

If they can't afford to take an entire campus because of the expense of it, I mean, just think about campuses that operate every day. There's no campus or community that has a zero deferred maintenance bill. Don't care who you are, what you're affiliated with, your deferred maintenance bill is high, and that's the first thing to go.

This is no different. The first thing we're unable to pay, they keep up as much as they can. And the building they're using, that's the one that they're trying to keep up.

DR. BECKLEY: So the likelihood, you're not going to get 6 million dollars for the property.

MR. WATSON: I don't know. It's not Cap Finance, but personally I had real estate in New Jersey that was in the worst shape of some of the buildings in Barber Scotia. And because it was turning around the city, I came off pretty good.

DR. BECKLEY: Good luck.

MR. WATSON: But again I'm not -- the market bears that price.
DR. LOSTON: Don, I think we lost some. This was maybe before your time. But do we know, what did full enrollment look like at Barber Scotia? What was the size of the...

DR. BECKLEY: About 700, I think.

MR. HAYNES: It was less than a thousand.

DR. BECKLEY: About 700. Small.

DR. HOGAN: Don, can you shed light on -- and others might know this, but the advantage of continuing the way -- we have to continue with Barber Scotia in the position that it's in or what's the advantage or disadvantage of saying it's time for foreclosure?

MR. WATSON: The biggest disadvantage to me is that, one, you still have to pay the debt service. So the debt service still comes out of escrow. So that's the only thing now.

The disadvantage to me is if we pay the escrow, we'll have to pay insurance. We also have to put a gate up, secure the campus, and probably have someone actually roaming the campus because it is -- security would have to be an issue there, and that could be -- that will be an additional cost.

DR. HOGAN: So you're thinking it's more advantageous to continue?

DR. BECKLEY: Let them use it.
DR. HOGAN: Let them use it and continue with some occupancy there. Makes sense.

DR. BECKLEY: Which leads to the question, How long? That's the real question.

MR. WATSON: Dr. Baskerville, was your question answered?

DR. BASKERVILLE: Yes. Thank you very much.

MR. WARD: I'm just curious. I'm sure you're probably already doing it. Is there a person who is on staff, a duty to market the property like a realtor could get out and shop the building and the location of the college?

MR. WATSON: On whose staff?

MR. WARD: On Barber Scotia. Is there anybody in the mix that's out there saying, Hey, here's a good buy. Find a secure buyer somewhere.

MR. WATSON: That's what we've done with the Request For Information. That actually is sort of the document. What we tried to do before was to go out and have a market to sell. That part we did. We hired -- I forget the entity's name, but this entity was specialized in special real estate. Nothing came about that, either.

So this is another avenue that we're trying to move the needle for with Barber Scotia.

DR. BASKERVILLE: A Request For Information, was
it in the federal register? Where was it published?

MR. WATSON: Can't remember. I can't remember. I could find out and report back. I can't remember where it was published.

DR. BASKERVILLE: Okay.

DR. LOSTON: Is it safe to assume that Barber Scotia is comfortable with the status that they're in? Because it sounds like they have a strategy, and it's church-related, and they're committed to doing the work on a volunteer basis. So they could be very comfortable with just status quo.

MR. WATSON: I think the problem -- so I've -- their problem in a way is sort of similar to what I see with institutions that aren't closed. So Barber Scotia in the last two years had four different chairs and probably six different presidents. So the strategy actually changed each time.

But they have an idea of, Do we want to go in and change the -- they tried to negotiate different things with companies for training facilities for, like, say, installing solar panels. Farmer Association, for example, had a lawsuit some years back. They promised they were going to come in and take over the campus and use that as their space. That deal didn't go through.

So just as any other transaction, deals fall
through. It's not like they're not trying to find ways to generate revenue. They're just not coming through.

The hard part with any institution, I always make the statement. If you lose Title IV aid, there is no institution. No matter how big your endowment, no matter how big anything is, eventually your money will start to dwindle and go away.

Anything else in that matter? Interestingly enough, that's always the longest piece of the report.

So these are what you would expect. So once the situation is resolved one way or the other, these conversations become lower.

The next issue is the A-123 Risk Assessment and our response. Every year the Department of Education goes to what we call the risk assessment. Risk assessment is basically where we have to go through a questionnaire saying, What happens if certain things aren't in place? The IT people and other things.

So when we went to our risk assessment, we actually came off really good. We have no glaring pieces. The year before last, two years ago, on the risk assessment we had to go through an entire process. Account finance, most people say it's a difficult to understand. So going through the risk assessment, we end up creating what we call SOP. And in creating the SOP,
it gave a little more insights as to what we do, what the documents look like. Also created a detailed flow chart so they could see what the process looks like in the very beginning. Every stage of the process, if there's any modifications that need to be done to advance dates. So once we got through that process, since then on the last three years we've been able just to respond to questions and pretty good on that.

GAO has also -- since I believe GAO has come through to a private program. The last time they did this I believe was 2006. In 2006 we addressed all the issues and all their recommendations, and this time they're coming around as well to ask about the program.

This time is very different. This process is different. They want to see how the program will be utilized by more institutions, what changes can be made to a program to allow more institutions to participate and are there any flexibilities that can be seen in the program.

MR. HOLIFIELD: This is Johnathan. These bullets really jump out. What are the prospects for a codified strategy for this program that really addresses these in a long term, north star kind of way, over a significant period of time versus perhaps just you or staff ask -- you know, having compensation, but really
engage the community around the capital needs in a federal capital strategy, if you will.

MR. WATSON: So, two things. One, the GAO report is very specific to these questions. So the GAO, when they come in, they're asking these questions that Congress has asked them to look at these specific things. Although there are three questions, it's a back and forth conversation of I'm providing them questions and documentation. They're coming back asking more questions, and it continues.

But this board actually -- so I think what you just mentioned, this board can actually sort of propose some of those things as we go through. The board starts to look at what it wants to do, I think the program would be looked at a little bit differently from a long-term range. The board can look at that and make a recommendation.

MR. HOLIFIELD: Very good. Thanks.

DR. BECKLEY: What happens if the person has problems with -- is that the escrow account? I have enough problems paying my own bills. I pay the building bills, too. That's a -- I'm talking about that possibility.

MR. WATSON: So what I always tell people about the escrow, and if you all notice the program coming, it
was scattered. There weren't many closings, and escrow has always been an issue. However, when I tell someone to look at your borrowing rate and look the borrowing rate if you were to lose your entire escrow, we're still achieving what you would get at any other place.

So if the escrow is your only issue, then you're not making the best business decision for your institution. Because if you take our interest rate at, say, 100 percent, you're better off with us than you would be in any other market.

And I'll tell you, what I like to give as an example, also. When we close loans sometimes, Harvard, Yale, other schools do loans at the same point in time. What ends up happening is that our institutions, their peer rate is lower than their rate. So we're doing better than what they are doing. If you think about the proportional rate, the escrow that you're using to pay, that's also something to consider because the effective rate is way less.

And if you think about for the most part, that's how the program -- institutions that had that view, they've come through on some institutions who from the state had the same issues. So now states are trying to figure out how they could come through and program the borrower. Some states say, We've already thought about
it and we already know that your rate is better than our rate. We need to see how we can get this done.

The program activities. You can see --

DR. BASKERVILLE: Excuse me, please. I'm sorry.

Before we go to the next discussion area, relative to the questions that you're considering, I think there may be some ways that we can be helpful.

MR. WATSON: These aren't my questions, just to clarify.

DR. BASKERVILLE: No. GAO is asking.

MR. WATSON: Right. What the board does at this meeting, I can share that with them, but their goal is to sort of answer these questions for the Congress. So whatever we do on this side will be totally different and in addition. And, of course, most the questions they're asking aren't administrative. They're statutory. Still require an act of Congress.

DR. BASKERVILLE: So as an advisory board, could we recommend some things that you would include or what is the process for getting the advice of this body? Because some of the questions certainly I think warrant some input by this body and some advice. They're not questions that necessarily the administrative office would have the best perspective. Some of the people around this table would have a good perspective, and
those of us who work with it and engage with people in the community. And can we have some input?

MR. WATSON: This has nothing to do with GAO. So as I told with Johnathan Holifield, this body, you do that without GAO. So this GAO wasn't going on. This is what this board should be doing, anyway. That's what I'm saying.

Whatever you tell me today I can share with GAO. They accept a report or not, but this body makes a recommendation. This recommendation goes to the Congress and administration. I didn't tell GAO one thing. I didn't say, Okay, we're not putting that in the report.

As I said, I can share whatever goes on here. They ask about the board meeting, but this body, if you want to make recommendations, you have to follow the official track and go through the Congress and the administration as the legislation says it should.

So if the body wants to make -- use these questions as a guideline for that, it can, but the recommendation should go to the Congress and the administration and not recommendations to GAO.

MR. KISSEL: What I understand -- I may be wrong about this -- is that individual members of Congress ask GAO to, in turn, ask us some questions. So our audience is really those particular members of Congress who take
an interest, but they may or may not share what happens with their colleague.

What the advisory board can do with its reports and recommendations is reach the correct committee's appropriations as well as education committees with the recommendation so that the audience convince is more pointed towards those who can make the recommendations or change the law rather than the few individuals, even though the few individuals might be the most interested, because that's why they're we're asking.

So there's advantages to addressing both audiences.

DR. BASKERVILLE: Yes, I'm not going to belabor the point, and I certainly hear you, Dr. Watson.

But the GAO reports when they come out, they're impactful. And so we want the GAO to have the most accurate and most inclusive view that it can have. Even though the CBC or some CBC members are asking, I hear you saying, and we can certainly individually or collectively or those of us representing associations do a joint letter to CBC members.

GAO is going to release a report. So I think it would be important for us to weigh in before they do to the extent that we have information or at least provide it to you or the appropriate people in ed so that becomes
a part of the report.

MR. WATSON: So what becomes a part of the report, when they ask me things about the board, they ask me things like, When did the board meet? Because they're going to look at the board minutes. They're going to look at what the board recommended. They're not going to say, Don this is what the board. So whatever you recommend, that's what's going to happen.

So whether -- it's like anyone writing a report. So you take what you think is useful, and you draw it out because they may think what this board gives here is germane to what they're asking. These questions are their questions. And I pulled these questions from a release from the committees web site that they sent to GAO.

But GAO questions are more about what Cap Finance is doing today, not about what -- what Cap Finance is doing today or what the board has recommended. So if the board wants to recommend something, recommend. I can't...

DR. HOGAN: If I'm remembering correctly -- I don't know if any of the other presidents received this. There was a survey sent to our institutions about the capital needs. Is this in any way connected with it?

MR. WATSON: Yes.
DR. HOGAN: And Congressman Butterfield was involved in that one or two, see and hear directly from the institutions what the capital needs were on the campuses.

MR. WATSON: Correct. That's very early on.

That's what I'm saying. These questions here are not just Don Watson. They're not just Don Watson. They're not just the administration. They contact the DBA. The contact the schools. So they ask for an entire list of schools, names and all of that.

So everyone in the portfolio should have gotten a survey. Whether they should have answered that like any survey, I have no idea. I didn't ask GAO what the responses were because I don't want GAO to think I influenced some way. I did give them a caveat. Some presidents were in place or CFOs were in place, whether they were there at the time it was made. So their ideas may be different, but the did get the presidents themselves.

DR. BASKERVILLE: So the engagement process has already taken place, and it will be reflected perhaps or not.

MR. WATSON: Again, I didn't send out the surveys; GAO did. They way it works, they ask me questions. I give them documentation. Ask me questions.
I didn't ask any presidents. They said, Well, Dr. Hogan said they received one. If that's happening, then they've actually gone off and asked presidents whatever they asked them because I don't know about the surveys here.

DR. HOGAN: It took place in the last year. It's not on old survey. It's recent.

DR. BECKLEY: David Beckley. But that survey was not tied to Capital Financing.

DR. HOGAN: I don't know if it was tied to the Capital Financing, but it was about the HBCU Capital Financing Program.

MR. WATSON: And GAO actually asked me for the list.

DR. BECKLEY: Of who had processed loans from you or what?

MR. WATSON: Who has loans with me as well as if I had things from any other institutions who wanted to come to the president. So they also ask me questions like, of all the schools you made, there's number of institutions you have not made loans to. Why have you made loans to these institutions?

Well, if your enrollment is at a certain level, then you can't actually effectively pay 10, 20 million dollars in debt. So we don't make loans to the
institutions.

So then that question came about. So what is there that can be done for that? It's a loan program. So there's three, basically, elements in the loan. There's the term, the interest rate, and the amount.

So if an institution wants to borrow 10 million dollars, I don't control the term. I control the interest rate, though, based on treasury instrument. Those are things that are outside of my control.

So again I'm not sure what went into the survey, but they did ask me for names of those institutions as well as institutions who have loans in the program.

MR. KISSEL: This is Adam Kissel again.

What I've seen in some GAO reports is the agency has had a chance to respond to a draft. There is no report before the final report comes out. It may be we think we shouldn't take that draft to this body if we're allowed to. I don't know if they are. But if we can, that might be a good last chance to see if there's something incorrect or the report goes in the right direction.

MR. WATSON: Okay. Program activities. I provided a chart that has loan activity from 2013 to 2017. As you see, there's a number -- we have a number of schools. In '13 there were seven schools: six
privates, one public.

Through 2017 where there were three institutions -- loans made to three institutions: two privates, one public. And the subsidy amounts have generally been around close to 300 million. We, as you see, because of the loan program we don't spend 300 million dollars. There's a credit piece that goes along. There's also a list of institutions who are interested in a program. Again, it's credit program, and we don't make loans to everyone who wants a loan.

So you see that, you know, in 2013, out of 303 million, we made almost 204 million dollars. But in 2014 out of 300 million, we only made 94 million. So on and so on.

In 2017, as you see, out of 82 million, we had 68 million. Again, it's not because the amount of money can't be used. It's because, one, it's a credit program. People have to meet the credit criteria and in addition to that, it takes time to make a loan. Every loan isn't just made in isolation. It takes time. It's a process to make each loan.

DR. BECKLEY: For this year, the 68 million dollars. Are there loans in process now from schools?

MR. WATSON: There's one loan in process. The numbers that you see here aren't academic year; they're
calendar year, the difference between the two. So we have to keep two accounts. I have to keep one account because, trust indenture, I actually use calendar year, but appropriation dollars are based on fiscal year.

So this data you're looking at now is based on calendar year. And so when you look at -- we have one more loan that is not a misheap (phonetic) because we haven't closed the loan yet. We close the loan next week. That loan is roughly 27 million. I didn't put it on here because to me a loan doesn't close until it actually closes, and that means that the actual letter of credit is actually issued and treasury accepts the bonds.

But we do have several schools that are in the pipelines for a loan, and that amount is over 600 million dollars. If each school got the amount they requested and they -- got the amount they requested and met the credit criteria, then we would be owed 600 million. But I can tell you that number will not -- there are some schools that ask for maybe 68 million, and they can't enforce. We have to scale that number back. Work with them about how you get to where you are and maybe a set of new buildings, do some refinancing to build up the reserves so you can get the new project.

So there's a lot of things that go into that.
Just not, Hey, we ask for this and let us have it.

MR. HOLIFIELD: Don, that's an important point. These numbers to an uninitiated person say that there are resources available, and our institutions are not accessing those resources.

But there's a huge need -- and I would hate for these kinds of numbers to undermine the position of the program because we're not maxing every year available. But there are real reasons why that's not true, and it's not based on need.

MR. WATSON: If I was a lender outside of the government, and if I was to spend every dollar every year, this board should be concerned that every institution is receiving all the money they want every time they want.

So sometimes I think we look at the government very differently, but we're still a lending institution, regardless of how you may look at it. And so we have to have certain things in place to make sure that we're being good stewards of the taxpayer dollars.

MR. HOLIFIELD: But there's not a narrative that the resources are available, and though we're not maxing every year those available resources, that there's an absence of need.

MR. WATSON: You're correct. What this board
actually recommended about, I want to say, maybe four years ago is that the program have multyear subsidy so that in the cases of continuing resolutions -- and Congress actually made that happen, all right? And Congress allowed that without budget authority.

So what generally happens is that you see 303 million dollars this year, following continuing resolution we're not concerned about what the money amount is going to be. If a school wants to get a loan for 30 million dollars, and I now have to build up money over a period of time under continuing resolution to get that 30 million. Now the school wants 30 million. I can make a 30 million dollar loan. I don't have to wait and push off the process.

Things like that become important, as well. So although we're not spending the 68 million, even if we don't have a budget at the end of next week, as long as the government is not closed, then I can still make a loan.

MR. HOLIFIELD: Thank you.

MR. WARD: I have a question here. Whatever the budget amount obviously does not roll forward. You either spend it, and it goes back into the...

MR. WATSON: That's a good question. That's a good question. So if you ever look at the budget for Cap
Finance, it's roughly 20 million dollars. They don't give us hundreds of millions of dollars to make loans. So they give us a subsidy.

So based on that subsidy, we have a subsidy rate. The subsidy rate is based on a number of defaults, the amount of interest and principal payments we have coming in. So all those things come into play to create a subsidy rate. And a subsidy rate determines how much money we're able to lend this year.

For example, when you see the 303 million dollars, that 303 million because we were standing with only one institution in default, which was Barber Scotia. We had a number of institutions that were actually on projects that were refunding. So now you think the program, we're doing a lot of refundings now. So now you will see what's going to be paid much sooner than infrastructure and renovation.

So, with that, the money doesn't go back, and the 20 million goes into what we call a financing account. And the financing account, that 20 million is sort of like a bank account. So you have the 20 million, plus all the calculations of principal payments, interest payments, all going to that one account as well as the disbursement.

So when you put them together, the object is
that it remains a zero. So at some point if the amount of disbursement we have coming in starts to decrease and the amount of disbursements going out increases, then that subsidy rate increases, which means the number score comes down, as well.

If you have more questions, I know it's kind of a government finance thing. That's one of my favorite things. I get to talk about it with somebody other than Will.

Any more questions about that?

And that process is no different than any other government program. We look at subsidy rate. There's a subsidy rate tied to it, and the subsidy rate dictates -- Congress tells you how much they're going to get. That's a flat amount. Congress can decide to up it or decrease it. If you recall in 2009, it was at 10 million, and we were only able to get 68 million based on that because subsidy rate was a little higher, based on never having -- having no subsidy rate.

Then after that, it went to 20 million, and our subsidy rate still remains constant around somewhere six and 7 percent.

It also remains constant that I want to add because the Federal Financing Bank, they charge a fee, and that fee, that goes back to the Department of
Education to help decrease our subsidy. So all these
different funds go into this to keep the subsidy rate up.

On the second page -- I'm sorry. The third
page. I'll just give a brief overview of what the
portfolio sort of looks like and what the program looks
like at this point.

As you see the construction projects, sometimes
that number will go up and down. Again, that depends on
what the projects are at an institution. As I said
before, we have been doing -- they range anywhere between
four and 10, but then any period of time. And that again
depends on what the institutions are doing, whether it's
renovation or new construction or refinancing, and
there's been a lot of refinancing of bonds. So that's
why this number is not as high as 10.

And most people will come to the program, and
they will ask could they get one of those loans at 65
million dollars. 165 million dollars. Those loans were
made at one percent, and so always know your balance
sheet. So that's always the piece that sort of comes
out.

Other than that, that is my report unless you
have additional questions.

DR. HOGAN: Any questions, Dr. Baskerville?

DR. BASKERVILLE: I do, but many times I don't
ask a question unless I know the answer, and I don't know
the answer.

   MR. WATSON: That's the lawyer in you.

   DR. BASKERVILLE: And this so goes against that.
This so goes against that. I wish I could read your
mind, Dr. Watson.

But if we look at the portfolio, as a finance
expert what would you say is the general state of the
portfolio?

   MR. WATSON: I would say it's in excellent
condition. And I'm not saying that just because it's
what it is. What I like to tell anyone is that when you
look at volume, dollar amount to number of schools made,
we still have the lowest interest rate than anyone -- any
bank anywhere.

I think the sad part is that people don't
realize it is a loan program, and we should expect
defaults. Although we don't want defaults, we should
expect defaults. I don't know what the limit is. If
it's a loan, has to be repaid. Someone is going to
default at some time.

I think we as an entity, because we're the
government, we are looked at a little bit differently,
but I don't think we should be looked at differently. If
you look at ABC bank and what their default rate is with
institutions, I'm sure it's much higher than ours if you
look at it comparatively. So I'm actually very impressed
with our portfolio performance of our institutions.

DR. BASKERVILLE: Thank you so much.

DR. HOGAN: Any other questions about the
report?

DR. BECKLEY: You have two HBCs that have
defaulted on the loan. Barber Scotia and somebody else?

MR. WATSON: Yes, Stillman.

DR. HOGAN: Are there any other comments or
questions regarding Don's report? If not, I'm going ask
him to continue with the update of the May 2015
recommendations.

MR. WATSON: What I said today is I didn't get
to the eye doctor. I generally print stuff in, like .8.
So I'm glad you all -- I bring smaller sheets of detailed
information there. As you can see, it's very little.

DR. BASKERVILLE: We can't even see it that.

MR. WATSON: I'm glad I didn't have to go
through that.

So from May '15 through today we haven't had a
business meeting. So there hasn't been much work done on
these recommendations because I'm not sure if this board
wants to continue the recommendations as they were made
then.
But just to give you some idea what was going on then, it's -- the board wanted us to continue with fast rate provisions that would allow us to leverage new market tax credit with Cap Finance Program.

So what that basically will do is, say that if Cap Finance Program today only allows institutions to be the lenders. If you want the tax credit, the lender would have to be -- if there is a leverage lender in play, that person would have to get some funds to make the transaction happen.

And I met with treasury individual who was in charge of this program. There was no way that we could make it happen unless there were some changes to Cap Finance which would allow us to allow new market tax credits as part of the Cap Finance Program.

For institutions, the benefit of the institution would be if you have a 20 million dollar project, you could borrow ten million from Cap Finance, get 10 million in tax credits, which means your debt service for us will be at 10 million instead of 20 millions. So you think about a savings to credit your debt service in half. So I think that would have been -- that's a good play for our institutions to benefit from that. I think that's why the board wanted to continue it.

The other piece was disaster relief program for
HBCUs. And although this representation happened in 2015, we're thinking in terms of what happened at Shaw when they went through a disaster, and they had to pay debt service.

This program is very different from a student loan program that if something happens, you have to pay debt service. There's no forbearance, there's no deferment. There's nothing. No matter what happens, we're expecting you to pay your loan.

At the time that Shaw had to shut down for a semester. As you all know, had to shut down for a semester and couldn't open. So that was a stream of revenue they could not generate. They were able to bounce back from debt payment service, but that was some things that affected them from getting that tuition.

Today Dr. Hall, who isn't here, his institution was affected by a hurricane. So he is in the same position with Cap Finance loans. However, we expect debt service payments. This relief program would have actually allowed some deferment of payments rather than a forbearance. So deferment, as you know, would say, Someone else was paying the debt service, not you. So that when you come back -- get back on your feet, you're starting where you were without the additional stress of having to make up any payments that were made on your
The other piece was economic impact study, which the department had done one many, many years ago, and UNCF has done one since then. But for the Cap Finance program, what we had realized is that we make loans. These loans are not just to the institution, but they have what I call a multiplying effect in communities, states, and the nation.

But to show that impact would not just be useful for Cap Finance, but it would be useful for institutions going to be donors or anyone else, saying, Hey, this is the impact. This is what we're doing today. If we were to actually get X amount from you, that would contribute X times five or four or whatever that multiplier is to the economy, to the community.

MR. HOLIFIELD: Don, is that expectation in any way an explicit criteria or recommendation in any way in the loan process?

MR. WATSON: No. In the loan process Congress -- there's a list of things that you can do and what can being paid for. This is not one that can be paid for or used. So there's uses that are associated with the project.

MR. HOLIFIELD: But that if the institution is able to tie the project to larger economic
competitiveness needs of their community, is that something that we should expect for institutions to do or it seems that any measurement of that impact is ad hoc and if it happens, it happens; if it doesn't, it doesn't.

MR. WATSON: So, yes, let me back up a little bit. For that recommendation, that recommendation is actually asking for -- so we get the subsidy for the 20 million, but we also get a fund for administration of the program, right? So that economic impact study at the time we were asking that, the board was recommending that Congress increase that administrative amount to allow us to pay for the impact studies for institutions. Not that it comes out the lending fees. You have to think, you're paying for an economic impact study that would have the effect of maybe two or three years, but your loan is over 10, 20, 30 year period. So you're financing this study over a 30 year period when it's no longer developed.

MR. HOLIFIELD: Maybe I'm asking a different question. Without an expectation up front that the institutions in some way consider tying their capital development with the economic needs of their community, then if it happens, it happens. If it doesn't, it doesn't. And that's what I'm really getting at.

Is there any expectation that the institutions
consider how their Capital investments also create value
for the broader community so that it can be measured in a
few years?

MR. WATSON: That's not expectations from us.
It's almost -- to me, that's like the government telling
an institution how to build capacity or what capacity
looks like. But I think each institution would have its
own idea of what their contribution to the community is
or what to community development would be.

The presidents around the table can probably
speak to that better than I can. But for me this
particular -- the board at the time this particular piece
was to actually fund that. And presidents will tell you
it may be a good idea, but may not have the money to fund
that study.

MR. HOLIFIELD: Right. And forgive me for
continuing to go on, but this is again of particular
interest.

And sometimes when investments are made in our
communities, they're disconnected from where the economic
puck in the broader community is going. So our
institutions and our people and the markets they serve
are not connected to that.

So the underlying question is, is there a way we
can encourage, then, institutions as they build out their
capital needs to explore aligning -- how they align with their local market needs and then over time can measure that, and perhaps it will be a tremendous contribution.

MR. WATSON: If this was a grant, I would say yes. But it's a loan that has to be repaid. Someone can tell you, Don't tell me how to -- why don't you tell me you're not giving me the money. Don't tell me how to spend the money other than how I want to spend it.

MR. HOLIFIELD: But it's public sector loan, too.

MR. WATSON: Doesn't matter. Unless we're telling people we're going to forgive them, then might as well say -- it may give other sector loans. It's public or private. But you're still telling the institution you have to repay it.

So that's the key there. So that's why this recommendation was for us -- the board was asking for Congress to increase the administrative amount to cover these reports so that way there will be no -- once you get -- the report is done, it's done, and there's no, Hey, I'm not doing it. No, you're doing it. It's very different at that point.

MR. HOLIFIELD: Got you.

MR. WATSON: But I can tell you from some financing that we have done, there has been community,
state, or local input in and development around the area
because Cap Finance was there to do some of the
development.

     MR. HOLIFIELD: Got you. That's really...

     MR. WATSON: So it is helpful, but again it
depends on the area where you are and other things.

     MR. HOLIFIELD: Got you. Thank you.

     MR. WATSON: Okay. The other piece was full
escrow requirement. The board wanted us to continue to
develop what that would look like, whether it was having
an add-on percentage or some other mechanism so that the
escrow would no longer be pooled.

     As you all may have heard that the Congress has
changed the word pool escrow to insurance fund. Well, if
you look at how the program actually works, the escrow
fund is actually payment for the secretary letter of
credit. Some programs have multiple accounts. This has
this one account that escrow or -- escrow account or
investment funds. And I think UNCF, Thurgood Marshall,
and NAFEO worked on getting that done outside of board
meetings.

     Anything else?

     MR. KISSEL: I was going to read what the draft
bill says. It says, Strikes -- well, I'll read it.

     Says, our D Title III is amended in Section 343 by
striking escrow account and inserting bond insurance fund. So that's the change that's being proposed.

DR. BECKLEY: From escrow to bond insurance?

MR. KISSEL: Bond insurance fund.

DR. BECKLEY: Same percentage, right?

MR. WATSON: Same percentage.

DR. HOGAN: And that's going to be used instead of escrow language?

MR. WATSON: Right. So the term "bond insurance" comes from -- again, you're paying for the secretary letter of credit. So if you think about it, if you're car insurance. You know, you pay a premium every month. If you're in an accident, the amount of your premiums are not necessarily going to cover whatever the accident is.

This is the same thing. So you pay premiums to the escrow, if you will, and the insurance company and other people pick up the other ends to cover whatever the loss is. So it's a similar concept to that.

DR. HOGAN: Any other questions about the update on the May 2015 recommendations?

DR. BASKERVILLE: Was Dr. Watson seeking to have us -- you started off by saying you weren't sure whether this body wanted to continue. Do you want a recommendation as to whether we do continue or go in
another direction or this is just --

THE COURT: That's further on the agenda.

DR. BASKERVILLE: Oh, I'm sorry.

DR. HOGAN: Yeah, the recommendations will come farther on the agenda. Just giving us an update right now.

We're going to talk now before we get down to the board discussion and recommendations about dates and locations for our 2018 meetings. It is my understanding that it is expected that this body would meet at twice a year. This is our first meeting, and I know that generally the body has considered how we can have these meetings in conjunction with other meetings that the members would be attending.

I am open for discussion and suggestions on those meeting dates. I have no dates in mind right now, so just give me some guidance on how the previous meetings, what time of the year, where. I know we talked about having them on some of our campuses. What time of the year would work best? Are there meetings coming up where we can coordinate that where presidents and other members would be attending?

DR. BECKLEY: Madam Chair, the UNCF meeting and NAFEO meeting.

DR. HOGAN: What did I say?
DR. BECKLEY: I don't know, but there's two organizations that meet with a lot of our presidents attending. HBCU would be, as well.

DR. HOGAN: That's what I was thinking about as well.

MR. HOLIFIELD: And I can tell you that the initiative is narrower in beginning the planning around the HBCU week and all of our clearances and support, et cetera. So we're anticipating and think we will have a robust meeting activities built around a more traditional approach to HBCU.

DR. HOGAN: September?

MR. HOLIFIELD: That's the idea. Obviously balancing the other major conference that generally happens during that time as well so that they're concurrent and not -- or not concurrent, but even -- what is it -- succeeding one another and not concurrent.

DR. HOGAN: Okay. Dr. Beckley, I know that UNCF has a meeting in March, but that's usually a packed week, and that's in New York.

Dr. Baskerville, when is NAFEO scheduled?

DR. BASKERVILLE: End of March, beginning of April. But I really like, if our collective thought that we should try and do at least one of them on or around a campus. So I know that NCAA draws a lot of people to
North Carolina, and there are lots of campuses there. And a lot of people attend, a lot of HBCUs attend. So what if we try to do it attendant to that?

DR. LOSTON: Is that --

DR. BECKLEY: March.

DR. HOGAN: You should know that, Dr. Beckley.

DR. BECKLEY: Did you say NCAA? Which one did you say?

DR. BASKERVILLE: Which ever one --

DR. BECKLEY: I go to NCAA.

DR. HOGAN: She said NCAA.

DR. BECKLEY: I can do that

DR. HOGAN: What are the dates?

DR. BECKLEY: Usually the last weekend in March. Last full weekend in March. It's in San Antonio this next year.

DR. LOSTON: We would love to host you. And we do have a wonderful program.

DR. HOGAN: Can we ask you to check into looking into those dates and see if they work on St. Philip's campus in March 2018 in connection with the NCAA?

DR. BECKLEY: The rear. Tuesday or Wednesday.

DR. HOGAN: I'm going to request that you rephrase that statement for the record.

DR. BECKLEY: He can give you the dates.
DR. HOGAN: I was thinking that you would have those.

DR. BECKLEY: I wonder why.

MR. KISSEL: We should try to do it earlier in the day on a week day so that people during the business day can come to the meeting. I think rotating the locations as well as dates and times is good.

DR. LOSTON: Can we say March 30 through April second?

DR. BECKLEY: So the third would be the latest.

DR. LOSTON: April 3?

DR. BECKLEY: Yes.

THE COURT: You're thinking April 3 would be a good day.

DR. BECKLEY: The games would be Saturday and Monday, I think, if I'm looking at this right, yeah. The final game's on the second, so the third would be the day after.

DR. HOGAN: What day of the week is that?

Dr. BECKLEY: That's a Tuesday. We get the tickets, we can cut out or Thursday and close out with the game.

DR. LOSTON: Wait a minute. You're expecting us.

DR. BECKLEY: He can change the tickets for
MR. KISSEL: In addition, this board may want to have some meetings by phone as a Higher Education Act Reauthorization proceeds. There might be things for this group to talk about in making a formal recommendation to Congress on key days. So we'll keep that in mind, as well.

DR. HOGAN: Okay. So that was easy.

DR. LOSTON: Morning or afternoon, decide later?

DR. BECKLEY: Just about ten o'clock through lunch.

MR. WATSON: Yes. Traditionally meetings were 10 am to two.

DR. HOGAN: We can get people in and out the same day.

DR. BECKLEY: If you come to the game, it won't be the same day.

DR. HOGAN: Understood. Exceptions as a rule.

DR. BECKLEY: Make sure you understand that.

DR. HOGAN: I think I understood that you would come on a Thursday and be there Thursday, Friday, Saturday, Sunday, Monday, and Tuesday.

DR. BECKLEY: Probably come Saturday morning.

DR. HOGAN: Now we'll move to -- we'll get those dates, and y'all will communicate back with this body on
Now we'll get to the recommendations. Board discussion on recommendations to the secretary and Congress then.

Are there discussions on whether we want to restate or revise the May 2015 recommendations as Don has set forth before us?

And now this is the time, Dr. Baskerville. This is the time you can make your comments or recommendations or have discussions around those recommendations, whether we want to restate those in any form or revise those or if they remain as they are. Go forward.

MR. KISSEL: So the source material for this might be the May 18, 2015, minutes summary which has a section called "Board Recommendations for the HBCU Capital Financing Program." So that's a summary of what the recommendations from the board were at that time.

DR. HOGAN: Let's start with maybe the New Market Tax Credits. It's an interest that I've had, not because I know all the details or how to necessarily leverage with the HBCU Capital Financing Program, but I think that there may be some opportunities to optimize available resources if we can get the legislative changes approved and the right recommendations.

I would just like to hear from others on that.
DR. BECKLEY: Don, have you discussed that possibility with someone with the Department of Congressional Leaders?

MR. WATSON: No. These recommendations aren’t discussed there. They’re discussed here. Because it’s statutory, these recommendations will go both to Congress, the congressional leadership, as well as to the administration for them to weigh if they will. But these are to actually take the congressional changes.

DR. BECKLEY: I guess the question would be, will this fly with federal policy, I guess is the question from your standpoint, your feelings for that.

MR. WATSON: Dr. Beckley, this thing is almost like going on the Hill, and we haven’t been approved to say something. I'm not sure how that works.

MR. KISSEL: I don't think there's a department position on it at this point, even if there was one earlier. But just as a matter of process I would say that there's this big tax bill that just got passed. And so perhaps the conversation is now to have about this issue. Regardless of what people in the room feel like, the time might be now.

DR. HOGAN: I think the board, if I'm reading the minutes right, it's kind of recommended statutory provision that would allow this to take place. That was
the recommendation. I think you were on that board at that time; I was not.

   DR. BECKLEY: I was a guest at that meeting.

   DR. HOGAN: Okay. From this board earlier, you were there?

   DR. BASKERVILLE: yes.

   THE COURT: I think you were asking about that, what's the likelihood that something like this -- and we won't know until the recommendations.

   DR. BECKLEY: I make that motion, Madam Chair. I move that the board hire staff to work with the necessary powers to advance this idea at the next meeting.

   DR. HOGAN: So in essence what you're saying is that this board would recommend advancing the recommendation that's been made previously, that we approve that recommendation and move forward.

   DR. BASKERVILLE: I second that.

   DR. HOGAN: It has been moved and properly seconded that this board would like to advance the position of the prior board's action that will allow for a statutory provision for the program to leverage funds from the New Market Tax Credit.

   DR. BECKLEY: Very well said.

   DR. HOGAN: Is there any discussion? I think
this is important enough to carry this.

    All in favor, say aye.

    (Audible responses)

    Opposed, no.

    (No audible responses)

DR. HOGAN: Done.

Okay. The next recommendation we talked about was the National Disaster Assistance Program, and at that time the board took no action on that, on the Disaster Relief Grant Program available to Capital Finance.

MR. KISSEL: I had a phone call with Dr. Haynes and Dr. Hall. Dr. Hall is unfortunately not able to be in the meeting, but he is very interested in this topic area, of course, not only because of his institution, but because of other institutions in similar situations.

    DR. BECKLEY: Did anybody say how it would be administered? Would it be a grant or would it be loans? How do they propose to deal with it?

    MR. WATSON: It was proposed to go to a very similar situation. The staff would act as the schools that were affected by Hurricanes Katrina and Rita, but there was also a grant portion that would allow institutions to sort of pay some of the debt service while they're trying to rebuild.

    The difficulty about a school that actually has
a loan with Cap Finance and trying to come back through, because the loan program and because of the balance sheet limits what you can borrow, the institution would not be able to come through unless there were a lower interest rate or something else.

In the case of -- so you have insurance and other things that you're going to have to go through and process, but that may not be enough to restore your institution to where it was. This proposal is only for grants to pay the debt service, which would have been a separate motivation.

DR. BECKLEY: That's the loan that they had made -- so okay. It's not really rebuilding.

MR. WATSON: It's nothing that prohibits this Board, though, from extending or modifying regulation that's to include a refinancing or anything else for this that would be favorable for an institution affected by a disaster.

So although we have these recommendations to make debt service payment, you don't have to stick to that. You can extend it if you want to extend it.

DR. LOSTON: Your response just answered -- well, the question I was about to ask is, Would this even benefit? Dr. Hall, you said he had a question. You called and asked would he be the benefactor. So there is
an opportunity that our recommendations could benefit
existing institutions.

      MR. WATSON: Yes.

      DR. BECKLEY: And until -- withholding the
payments until they get back on their feet and get back
to -- okay. It really would be a cash outlay in some
cases. It would be a delay.

      MR. WATSON: Well, two things. The payment,
again, for this recommendation was a deferment, which
means that payment would have come from someone else.
The payment would not have come from the escrow account.
That's why you need a separate funding source. You are
not pulling these payments from an escrow account; you
are pulling these payments from another account that
Congress has appropriated.

      MR. WARD: I'm new to this. So we're suggesting
taking a look at this or do we need to take a look at it
because obviously it has been impacted.

      DR. BECKLEY: I think so.

      DR. HOGAN: There's discussion on broadening the
Disaster Relief Grant Program and allowing a separate
appropriation for this program.

      MR. WATSON: Yes.

      MR. WARD: If I were there, I certainly would
wave the flag and say, Help, please, at least to get me
back on my feet, so.

DR. BECKLEY: Make a motion?

MR. WARD: Yes.

DR. BECKLEY: Second.

DR. HOGAN: It's been moved and properly seconded that the Board would recommend that you broaden the Disaster Relief Grant Program available to Capital Financing and allow a separate appropriation for institutions impacted.

MR. MURRAY: Lodriguez Murray. I'm going to give a little explanation for separate appropriation. I just want some clarification on what exactly we're meaning when we make that recommendation.

MR. WATSON: So right now Congress only appropriates money, 20 million dollars, for us to make loans. The separate appropriation would be instead of 20 million dollars, now Cap Finance would have two lines in the budget. It will have the 20 million to make loans, and it would have another set of appropriation dollar, whatever that amount would be, to pay the debt service for schools that have been impacted by natural disaster.

MR. MURRAY: Okay.

DR. BASKERVILLE: Okay. I'm sorry. Dr. Watson, you said loans. My understanding was that we
were talking about two things. One is grant funds, and
the other a refinancing, and it's under separate power.

   MR. WATSON: Well, for Rodriguez's explanation,
I have explaining where the second line item would come
from. If it was to make debt service payments would be
grants which will require a separate line item. If we're
talking about a new loan program that would have more
favorable terms than what the current program offers,
that would also have to be another separate line item.

   DR. HOGAN: Let me be clear. On the motion
that was taken was on broadening the Disaster Relief
Grant Program, not a loan program. A grant.

   DR. BECKLEY: Right.

   DR. HOGAN: That was the understanding. I just
wanted to be clear.

   MR. MURRAY: Thank you. I don't have any more
questions.

   DR. HOGAN: Okay. I'll move the question.
All in favor, say aye.

   (Audible responses)

   Opposed, nay.

   (No audible responses)

   DR. HOGAN: Okay. The motion is carried.
Then we talked about the HBCU Economic Impact
Studies.
MR. HOLIFIELD: Dr. Hogan, this one really -- I really would like some discussion around this one. As Don described it and what's written here measuring how useful these funds have been, I guess I struggle with, if that's not part of the consideration for the investment, to then try to measure it on the back end --

DR. HOGAN: Yes, I recall.

MR. HOLIFIELD: -- is a tough one.

DR. HOGAN: It is.

MR. HOLIFIELD: Are there ways that add some intent consistent with -- you know, it is a loan. But some encouragement for our institutions when we make these significant investments, to also leverage how they connect to and support local regional economic priorities or what have you so that in years to come, we may have a better shot at making the case for the multiplied impact that you're talking about.

I think, absent that intent, we won't get the optimum performance. We'll get whatever happens without intent, which could be great. But without intent we risk losing what could be a significant multiplier that makes the case for these institutions' contributions to their regional economies.

And as we all know, other institutions that make significant investments grounded significantly -- not
necessarily in the academic mission, but in how that academic mission has an impact on the local regional economic priorities, as well.

MR. KISSEL: Let me add. In terms of public encouragement, I could imagine with very little extra time and trouble to have more attention when we do make a loan to what the loan is and what it's for and how it will be perceived to either help the students or whatever the point is with that project and see if not just Tweet about it, but see if there's an article in the newspaper that says, If you hear something good that's happening for the school from this program, just to make those connections and alert people to the fact that this is happening.

That may not be all that exciting as we refine it, but it might still be exciting because it frees up other moneys to do other interesting things. So I could see that as being part of the publicity strategy.

MR. HOLIFIELD: Well, I would be interested in modifying this to make it a more affirmative statement or an affirmative objective than something we looked back at and never encouraged it on the front end, but we're looking back at it.

And underlying thrust to all this, many of us believe that these institutions are indispensable to
local economies. So if we're able to build that expectation in on the front end, perhaps on the back end we could have better impact that further supports the narrative that I think we all believe.

DR. HOGAN: And the kind of metrics that we would be using in order to make this determination as we go through this.

MR. HOLIFIELD: And probably the local economies have their priorities and how this investment supports that. And then looking back over time these are the -- I'm not trying to add a whole big layer of work.

DR. HOGAN: No, I understand.

MR. HOLIFIELD: But more explicitly tying it there so we can look back and make that case -- or the program to make the case.

MR. WATSON: Just so I understand because I will have to implement this.

MR. HOLIFIELD: I'm only around the corner from you.

MR. WATSON: So instead of credit criteria --

MR. HOLIFIELD: No.

DR. HOGAN: He didn't say that.

MR. WATSON: In addition to credit criteria. So in addition to credit criteria, we're actually going to say in order to get a loan, you have to
show what your impact is?

DR. BASKERVILLE: No, no criteria.

DR. HOGAN: I tell you what. Why don't you hold your thought there, and let's hear the other comments. And it may clarify.

Dr. Haynes and then Dr. Baskerville.

DR. HAYNES: Let me give an illustration of why what I think Johnathan is saying is very important.

A couple years ago we made a loan to Wiley College, and Dr. Strickland pointed out the 28 million dollar loan was the largest amount of federal infusion in that area in the history of that county. He became every banker's friend. And because of the way that money turned over, and it demonstrated again the value of Wiley being in that location.

So it goes back to the narrative, as we say, of indispensable institutions who have tremendous value to where they're located. In the form of President of Grambling, I can speak to that because I know we're trying to do something with Grambling or not, that would be huge.

So I was saying how we frame that I think is the issue. Not to put -- you know we talk about the economic impact and so forth, but it is important, I think.

DR. HOGAN: And you quantify the construction
1 employed out there and through making these kinds of
2 things happen on the campus, yes.
3
4 DR. BASKERVILLE: So when we had the discussion
5 previously, it wasn't that we were adding any new
6 criteria in, and we should be really clear about that
7
8 DR. HAYNES: Right, right.
9
10 DR. BASKERVILLE: But we were seeking the
11 Economic Impact Study to validate that, which we know.
12 And that is that our institutions are the economic
13 engines of their communities' universities. So to the
14 extent that you're building the infrastructure, you're,
15 by and large, building the communities that surround
16 them.
17
18 It would be a welcome addition to the UNCF
19 recently reported where they updated the 2006 report and
20 documented 14.8 billion dollar collective economic impact
21 just on what we're spending on our campuses. So we would
22 add to that when we build, this goes also to economic
23 impact on our communities, but we truly do not want
24 another criteria.
25
26 MR. HOLIFIELD: Those two comments were more
27 artfully than I made the point that I'm struggling to
28 make.
29
30 DR. HOGAN: You got instructed.
31
32 MR. WATSON: That's perfect because that's what
I had in mind. I just didn't want us to try to say that in order to get these funds. We were doing something else.

So basically this impact study is only, as the two prior speakers said, would prove or show evidence of what we've already been doing.

DR. HOGAN: And I think by this action, we are affirming the recommendation of the board in 2015.

DR. BASKERVILLE: That's correct, Madam Chair.

MR. HOLIFIELD: Well...

DR. HOGAN: But clarification.

MR. HOLIFIELD: Yes, clarification. This recommendation looked back to a fund, but I'm also interested to see how we encourage on the front end not to add a new criteria, but that this is important to the program. And part of -- not the criteria, but the expectation is that the program will have a broader impact in the community and to somehow inform us of that on the front end.

DR. HOGAN: It's expectation that can not be measured until the project is in progress.

MR. HOLIFIELD: Exactly, but you're aware that it will be measured or we will ask and we will -- you know, the program will want those kinds of...

DR. HOGAN: And hence the purpose of my question
to Don was, Is this instructive enough for him? Because sometimes things can't always be written as clearly in guidelines to understand the essence of this, and that will be taken into consideration.

MR. KISSEL: For instance, if there were, to repeat my other point, a standard operating procedure that after we make a loan, there's a press release a week later once it's really made, and we're going to have to save that institution.

So what do we say about your part why this is good? That puts implicit pressure on that school to say, There's going to be 50 jobs from the construction part of this, or, There's going to be this many more students we can help.

MR. HOLIFIELD: Or in case of an academic building, this furthers our economic priority in XYZ Industries, which is one of the growth industries in our area.

DR. LOSTON: There are a lot of things that can be said about the impact. We are leaving it up to the institution to define what that is rather than trying to provide specific guidance about expectations.

MR. HOLIFIELD: I think so, yes.

DR. LOSTON: Okay. Now we enter into a whole another arena.
DR. BASKERVILLE: May I please piggyback on President Loston?

I think I hear you saying that we're going to leave up to the member institutions to do this. But I want the record to reflect that I personally -- and if we need a vote, we need a vote. I don't think it wise to require anyone applying for an HBCU Capital Financing loan to have to do something extra. I think when you start going down that road, someone in Congress looks and says, Well, if they're going to get this money, we want them to show da da da da da.

The fact is that the data reflect the impact, and we need to have the survey that would do that, but we don't need to require our members to do anything else. Our institutions are small, and they're doing everything that they can to get the loans that they need, the grants that they need, and to move forward. And they have responsibilities on the outside to show success, impact, or some other things.

I really want to make sure we're not adding something that HBCU seeking a loan, that any other entity seeking a loan, would have to do.

MR. WATSON: We're talking about the 2015. This recommendation has been around for a while, and it came about because I stumbled upon I think it was University
of Nebraska, their impact study. So I reached out to the agency that did their study. It wasn't a government agency; it was a private entity. I asked about the study, and they sent me two more. It was actually a book about maybe eight or 10 pages. That's when I realized that they were actually confirming our institutions. They were showing how institutions with Title IV and what that impact was with their athletic programs, what that impact was. So that they needed something for a stadium, they didn't necessarily have to come out of their pocket for the stadium. The state says, Hey, that's helping us.

So that was the purpose of that study, not to save the institution. That's what I was saying for us. It was the funding assigned for us to do it so that institutions themselves could say, Hey, alums, this is what we're getting from alum donations. This is what we're doing from this pocket. If we're able to do these things, then this helps the institution.

But as I said, I'll go either way, but it wasn't necessarily for us to look for -- I mean, there's nothing that prohibits the Department of Education if we make a loan to say, Hey, we made X loans to this institution. We do it for grants all the time.

And if the body wants to have institutions, you know, going on a press release or what have you, I'm okay
with that, as well. But I just think that the original purpose of this was to have an actual report so people can use when they're going to anyone. Because it wasn't just about Cap Finance, just to be clear. It was about all of the institutions' funds. Cap Finance, I already know when I go on a campus, I see the jobs from construction. I see journeyman. I see outside. If it's a small town, I see contractors from another county or city coming in. So I know what that multiplying effect is.

It's almost like buying a refrigerator today. They're buying a refrigerator in the store, in some store in your town, doesn't necessarily just benefit that town. It's also benefits people who actually made that in other places. That's where the concept came from. It wasn't necessarily to say, Hey, let's do this.

Again, it's whatever the Board decides. And I can share those reports I have from Nebraska.

MR. HOLIFIELD: And to respond to Lezli's concern. My interest is not to add anything, a new infrastructure, but there is a narrative in our nation, particularly around the very markets that our institutions serve. And that narrative is rising in prominence.

But what's not yet rising in prominence is the
role of these select institutions as a primary or preferred tool to address this national imperative. So when they're -- I'm interested in all kinds of ways to continue to build the indispensability of this set of institutions to all of these important things that continue to get more and more traction. And lots of nonprofits and bigger institutions or PWIs are beginning to eat off of this plate. But 170 years of experience is not yet fully eating off of that plate.

DR. LOSTON: I agree. I understand everything that you just said. But where you're driving towards should not be limited to the institutions that are receiving loans.

MR. HOLIFIELD: Agreed. I was keeping it within the confines of the advisory board, but I'm certainly wide open and enthusiastic to engage in that matter for the entire community.

DR. LOSTON: I would ask a question. You know, we started down this road with Don about pursuing a loan. Is there not sufficient documentation in place already to address the potential impact that the institution is going to have with the loan? Is that not already in place? It's not in place, it's not sufficient.

MR. WATSON: From Cap Finance I looked at -- I don't look at what the impact would be to them.
Literally I'm looking at it's an objective because the impact, I just said impact of one community stadium, the impact of that institution. It negatively effected. So I don't look at that. I look at objective view, which the numbers are objective. So I look at the numbers themselves and say, Hey, could this institution afford to repay a loan based on this criteria?

DR. HOGAN: Where do we stand? Earlier I thought we were at a point where we were affirming the prior recommendation and with instructions -- clarifying instructions to Don what this means in terms of how we would proceed within HBCU Capital Financing Program.

MR. HOLIFIELD: Dr. Hogan, may I offer this then, since I have been a primary driver at this point. If it's the Board's will to affirm the 2015 recommendation and provide an opportunity for perhaps a report back from Don -- and I'll certainly work with Don on an approach that may get at the kinds of concerns that we're raising today to report back to the board in X number through telephonically or what have you, whatever mechanisms may be available so we don't have to resolve it today.

DR. HOGAN: Right.

DR. BASKERVILLE: May I suggest when the board gives us advice, we don't generally ask executives or
director or try to be more proscriptive than we have
about approach. So we would not need a report back.

    I think we can affirm the recommendation from
2015. We've had this discussion. It's on the record. I
think it was important to have it on the record for
historical purposes, and then you all do your thing.

    DR. HOGAN: Because it's not limiting. I don't
think the recommendation is limiting or expanding how you
do it at all.

    MR. HOLIFIELD: Right, it's not.

    DR. HOGAN: Do we need a motion on this?

    DR. BASKERVILLE: I make a motion to affirm the
2015 recommendation with regard to the Economic Impact
Study.

    MR. WARD: Second.

    DR. HOGAN: It is moved that --

    DR. LOSTON: Wait, wait, wait.

    DR. HOGAN: It's been moved and properly
seconded that the -- we reaffirm the recommendation of
the Economic Impact Study as made in 2015.

    Are there any questions or comments?

    DR. LOSTON: Yes. Are we living by this
statement that is written into -- it says, "The Board
recommended that the Department, through NCES's
evaluation, perform economic impact studies to show how
useful Capital Finance and other funds are to the nation."

So are we also buying into this evaluation process? Because that's what's written here.

DR. HOGAN: I think one the comments -- and we can integrate that -- that I made is that we're not limiting how this can be done.

DR. LOSTON: But if you adopt it as written by 2015, so I think you just need to be real clear, that's all.

DR. BASKERVILLE: What if I amend the recommendation to adopt the spirit of this, but not necessarily the letter of the word?

DR. HOGAN: Without limitations on how to make it.

Now, what is your -- make the motion again.

DR. BASKERVILLE: I was just proposing that we amend the motion to adopt the spirit of the Economic Impact Recommendation 2015, not necessarily the letter of the words.

DR. HOGAN: That's what I thought we were doing.

DR. BECKLEY: And study all the Capital Funding Programs in the various communities to make a loan, is that what she's saying?
MR. WATSON: For me, in that recommendation I just struck out "through NCES evaluation." I struck that out.

DR. HOGAN: Okay. Might we restate this motion?

It has been moved and seconded that the Board recommend that the Department perform Economic Impact Studies to show the usefulness of the Capital Finance Program and other funds are to this nation.

Any comments?

All in favor, say aye.

(Audible responses)

Opposed, nay.

(No audible responses)

DR. HOGAN: Thank you. And I think one of the other comments -- and I don't know if we -- it's about the pool escrow. That has been changed to the insurance bond.

MR. KISSEL: To be clear, that's just a bill at this point. So it didn't change.

DR. HOGAN: It's been recommended. Was there a recommendation on the pool escrow? I was looking at this requirement.

Okay. "The Board continues to support the escrow option stay in the pool escrow. The board asks
the Department to continue to work on this option while
keeping in mind that an open market still limits many
institutions."

What is the recommendation?

MR. WATSON: That the department continue to
look at changing the escrow from a pool escrow
requirement to something...

DR. HOGAN: And that's what this would be.

MR. WATSON: It's a name change, in nature.

It's not necessarily a change to how it works. But the
escrow in and of itself, whether it's an escrow in
insurance fund, it would still work the exact same. Just
changing the language to sort of nudge the insurance fund
to the Secretary's letter of credit, which is wise to get
the low rates, the treasury rates of security.

DR. HOGAN: So the recommendation is basically
just to continue to work on this option.

MR. WATSON: Yes.

DR. HOGAN: Okay.

DR. BASKERVILLE: So moved.

DR. BECKLEY: Second.

DR. HOGAN: We can affirm that. It's been moved
and properly seconded that we will affirm the -- that
were given to the program to continue to work on the
option as stated in the original recommendation.
Are there any questions?

All in favor, say aye.

(Audible responses)

All opposed, say nay.

(No audible responses)

DR. HOGAN: Well, Thanks. And Program Staffing.

DR. BASKERVILLE: Madam Chair, I'm sorry. I'm really not trying to extend this meeting, and I know it's close to the dinner hour and so forth.

But we talked about the Disaster Relief Grant Program. We voted on the grant piece. But in the discussion we mentioned refinancing, and then we took that off of the table? We didn't vote on that. I was wondering Dr. Murray on the phone said that he had an objection.

Dr. Murray, was your objection to considering the refinance objection?

DR. MURRAY: No, ma'am, it wasn't an objection. It was more unreadiness. I wanted clarification when it was previously mentioned to have a separate appropriation line. And having worked there in those difficulties in the labor that will make that happen, I just wanted us to be clear on what we were asking for.

So I have no objection if we want to pursue the
grant option, as well.

   DR. BASKERVILLE: Well, the grant option I thought we voted for.

   DR. HOGAN: We did.

   DR. BASKERVILLE: I was asking about a separate refinancing pool so that when natural disasters hit, there would be a separate pot of money that could go beyond the 20 million which is basically what we're getting now and have another set of another pool.

   DR. HOGAN: I thought we affirmed that.

   MR. WARD: Yes.

   DR. HOGAN: That was all inclusive.

   DR. BASKERVILLE: Was that your understanding that we agreed on both the grant and the refinancing?

   MR. WATSON: Yes.

   DR. BASKERVILLE: Great.

   DR. HOGAN: I want to get some guidance from the staff here. On these other of issues of Program staffing, Criteria for loans, Role of the Board, Leveraging partnerships, do we need discussion on that? Have recommendations been made on this or is this something that's coming up now?

   MR. KISSEL: These are topic areas that came up in conversation with individual board members between the administrative meeting and today.
So if there's someone on the phone or in the room who takes an interest in any of these issues, that person can raise it. And if there is not, then we can skip it.

DR. HOGAN: Okay. I think we kind of talked about the leveraging partnership in the New Market Tax Credits.

DR. BECKLEY: And the criteria, we can't change it back to the basic criteria.

DR. HOGAN: For the loans.

DR. BECKLEY: For the loans. Who will make the suggestion that they can say what they had in mind here in the criteria, Don?

MR. WATSON: Not me. There was recommendation I think in 2010 to lower the criteria, but, again, this is a bond program. So loan has to be paid. Loan and criteria will not be paid.

DR. BECKLEY: Speaking of the criteria, financial health, debt service, accreditation.

MR. WATSON: We're no different than any other. In fact, we go a step further. My former Title IV policy, and I know CERs are important. In 2014 we made that a change for HBCUs, so that became a part of our criteria, as well.

DR. HOGAN: Are there any comments or
discussion that we need to have on any of these topic
areas? Do we want to think about those?

DR. BECKLEY: I move we think about it a little
bit further.

DR. HOGAN: I don't know if that requires a
motion.

Dr. Baskerville.

DR. BASKERVILLE: I'm sorry. I don't raise my
hand to second it. So if somebody wants to second it...

DR. BECKLEY: She ruled it out of order.

DR. HOGAN: It's not a recognized motion.

DR. BASKERVILLE: Madam Chair, I'm always
interested in program staffing. Dr. Watson does a
remarkable job of servicing our members, and he always
has a woefully, woefully small staff. And I don't know
where we are today. I don't know what was recommended in
terms of staffing going forward and the funding for that.

Is that something that would come under this
discussion of program staffing or what was envisioned?
Because I would certainly like to know what has been
recommended, and then we certainly might collectively
have a recommendation.

MR. KISSEL: This topic came up a number of
places because Don really has the wisdom and experience
of the program. In my view we need to have enough people
to not just manage the program, but have long term
certainty. And there may be other growth opportunities
that we're limited in by not having a larger staff.

So I don't know if Wayne Johnson is still on the
phone with us or not. But since we're in hiring freeze
situation in the education department, our best source of
people with solid finance knowledge might be FSA, Federal
Student Aid.

MR. JOHNSON: This is Wayne, and we're certainly
prepared to provide support. We do have the knowledge
and skill set to, I think, make a contribution. So just
let us know what we need to do.

MR. KISSEL? Thank you very much.
DR. HOGAN: What's the size of your staff?
MR. JOHNSON: My staff?
DR. HOGAN: No, this is directed to Don Watson.

I'm sorry.
MR. WATSON: Wayne, we know you have the largest
staff.

It's two of us right now. It's two of us with
Cap Finance. I have another person for (inaudible), so
under my division are actually two bond programs.

DR. HOGAN: You have three staff people doing
two bond programs?

MR. WATSON: There's three of us: the director
and two staff.

MR. HAYNES: And some are getting ready to retire.

DR. HOGAN: Do you have a portfolio?

MR. WATSON: For Cap Finance itself, Cap Finance is roughly 2.4 billion dollar. Staff is about another 300 million.

DR. HOGAN: Whether we have it tonight or make recommendation, I think that probably is worthy of some discussion. Understanding the limitations, but it's amazing that we do as well as we do.

MR. HAYNES: I can say -- and Adam knows this, too -- the Department's senior leadership is very much aware of this issue.

DR. BASKERVILLE: So may I suggest another way, as well? First of all, student financial aid staff is doing a remarkable job, and we're grateful for them. Our members and the associations have a strong partnership with them through lots of challenging times. So I applaud them.

So someone who has mastered student financial aid, but not necessarily have mastered HBCU Capital Financing --

MR. HAYNES: Dollar bill.

DR. BASKERVILLE: He's the exception. His
background is in that, but my point is that -- and understanding there's a freeze, there may be value to considering an IPA to a broader group of agencies, and some of them that are agencies that are actually doing housing, lending, and so forth. And then get a pool of people, and then you select someone who's an extra in a housing finance administration within the government under an IPA which will allow you to get them without paying.

MR. KISSEL: Right. So that's the other major way we might be able to bring people in.

MR. WARD: Don, just as a matter of record, if we were a private entity based on the loan amounts, what would our staffing possibly look like? Can anybody speak to that? I'm just curious when you talk about the kind of volume of dollars we have.

DR. HOGAN: Look at banks as lending institutions. Even on a local level.

MR. HAYNES: There are between 50 and 100 people, professionals.

MR. WARD: Between 50 and 100 people professionals, and we only have two or three.

DR. HOGAN: Three with two loan programs.

Is it appropriate at this time to make the comment that this Board would strongly support taking a
very close look at assessing the staffing and recommend that staffing would be increased to handle the volume of work?

MR. WARD: Yes.

DR. HOGAN: That's coming with this program.

MR. HAYNES: Absolutely.

DR. HOGAN: So noted.

DR. BECKLEY: Yes.

MR. KISSEL: That's a comment and not a recommendation?

DR. HOGAN: It's a comment. We strongly recommend. Can I use that term? I think I did.

MR. WARD: Do you need a motion? I raised the issue of --

THE COURT: You can do that then. I don't make the motion.

MR. WARD: I'm making a motion.

DR. BECKLEY: Second.

DR. HOGAN: It has been moved and seconded that the board recommends that there been an assessment -- review assessment of the staffing at HBCU Capital Financing Program and urge attention to increase the staff with the volume of loans that are handled there on a yearly basis.

MR. WARD: Perfect.
DR. HOGAN: Are there any comments?
All in favor, say aye.
(Audible responses)
Opposed, nay.
(No audible responses)
DR. HOGAN: Do we have any comments about the role of the board at this time on more members? I guess we need more members that would be needed to be discussed.

MR. KISSEL: So more topics from members under the new business.

THE COURT: Okay. Any comments on any of that?
MR. HOLIFIELD: Yes. Dr. Loston really I think nailed something very important. And a contribution the initiative is interested in making is in the area of strategy. There is no, nor to my knowledge has there ever been a federal strategy around these institutions. The weakness in the model is we have some great programs. Thumbs up. But the overarching objective, what is the national objective vis-a-vis the HBCUs? And that is generally stated through some sort of enduring strategy. We have strategies for world development, for inner city or innovation development, for STEM development and all kinds of other things. But we don't have a federal strategy around HBCU competitiveness.
What do all of these things and all of our actions connect up to? What is the national goal? I am interested in bringing that strategy to the board. Something that is a living document, if you will, but it's a North Star kind of document to which problematic and individual disjointed and disparate efforts all connect.

And when any of us are asked or any federal official is asked, What's the United States's objective for HBCUs, we will be able to provide a clear, concise answer and then back that up with some documentation which is supported by programs across our federal government to support this big objective.

That's going to take some time, development, some resources, and the like. I'm interested in discussing it briefly or more longer time a path forward to get there. Should it come in the form of a recommendation from this Board to the Department? Should it be some other form?

I'm not sure, so I'm really bringing it to the Board for some level of consideration today. And if we're able to arrive at a path for it, then I would like to adopt a motion in that respect.

DR. LOSTON: Just for clarification purposes, I want to make sure we understand. I, Adena Loston, was
not raising the issue of about the contributions of HBCU because it's clear to me in my head that we were talking about some potential added requirements for the Capital Financing, and I was just saying that it's best something we shouldn't just access who's receiving these dollars.

So I am not at all raising the issue about the contribution of HBCUs.

DR. HOGAN: Let me comment on what Johnathan said. I thank you for that comment.

I could not agree with you more about the need for a federal strategy, but I guess when you were laying all this out, because HBCU Capital Financing program is one part of that.

Might the discussion be better held with the President's Advisory Board or advisors are of HBCUs under the aegis of the White House Imitative?

MR. HOLIFIELD: And that's good counsel. As that comes together, that will be a priority matter. That's the kind of counsel that I wanted from this group.

DR. HOGAN: Because you're talking broadly. You're not just talking about -- you're talking broadly. And that would be my suggestion.

MR. HOLIFIELD: That's a good suggestion.

MR. MURRAY: And it's possible that that
advisory board will move forward. I would assume there would be portions that would impact with this board.

    DR. HOGAN: Sure.

    MR. MURRAY: And we could reaffirm. We could stand with or figure put another way, the support of such an effort. It all looks exactly as you described.

    MR. WATSON: Lodriguez, correct?

    MR. MURRAY: Correct.

    MR. WATSON: I just wanted to be sure who was speaking.

    DR. BASKERVILLE: So I just affirm what President and Chairwoman Hogan has said regarding the White House Initiative and HBCU regimen and add that when President Trump, like previous presidents, signed the Executive Order, he established his vision. And then that is expected that the White House Initiatives on HBCUs and members of that body will help to flesh it out and give meat to it. So there's the vision, and then there will be a strategy.

    But there's also a national goal that is important for all of us to keep in mind, and that is that the nation has embraced the 2025 goal of having 60 percent of all Americans with a two or four year degree. According to the Education Testing Service recent report, today the Asian American community has exceeded the 60
percent goal, 2025 goal. White females will meet that
goal not by 2025, but by 2027. White males will meet it
seven years after white females. African-Americans,
Hispanics, and Native Americans will not meet that goal
up until 2060 unless something is done drastically
different.

ETS makes some recommendations, but in terms of
the work of this Board, we can have Pell grants, we can
have all types of student loans. If our infrastructures
are not strong, what you get is a lot of qualifying, low
income students who are eager and prepared to go to
college who may opt not to come to institutions that
have 20 years of deferred maintenance and the absence of
an infrastructure. And I hope that and I know that this
group gets it. But it is important for the record that
people are sitting and reading and passing judgment
understand the importance. It can't be done without the
appropriate dollars. It can't be done without
appropriate documentation and a range of other things.

But right now African-Americans and other
traditionally under-represented minorities in this
country won't make the goal, but we can. Our
institutions, because of their outcomes, because they're
graduating disproportionately African-American in all the
growing areas can and will make the difference. They're
making a substantial difference with woefully inadequate resources.

And so somehow -- I know you're sitting here, and I know you agree. But how we need -- we're here because we want to be in partnership with this administration and whatever administration is in in making this case so that as we go back and look at places where people want to cut, we can talk about it. America won't realize her goals if we cut infrastructure development dollars for HBCUs, first of all.

Second thing is we really have to clear up misunderstandings about the history and what HBCUs are. Unlike any other group of American -- of the so-called MSIs, HBCUs do not have and never have had any racial or ethnic criteria. And this body has to be empowered and clear to say that so that when members of Congress or others who may be confused stand up and say, Well, we think that illegal because that is for black people or brown people or some other dubious classification, the answer is, Not so. Our institutions have an important historical mission that grew out of the nation's history of slavery, and they have to have as part of their mission the education of the progeny of the American slave system, disproportionate percentage of whom are black, African-American. But they've always been open to
all, and today they are educating between 30 and 35 percent non African ancestry students.

    DR. HOGAN: Dr. Baskerville, I'm excited about what you're saying. I think you're in the public comments period. If we can finish the fees.

    DR. BASKERVILLE: Okay.

    DR. HOGAN: I think it is, but I think your comments are well taken in the public comment section because you're covering a lot of very important areas.

    DR. BASKERVILLE: Thank you. Get off the soap box.

    DR. HOGAN: You wanted to quote something from the legislation. Don't leave right now because we do have the public comments.

    MR. KISSEL: Related to the earlier comments, as well. In the bill, again which is not the law, the reporting section has been replaced with a new reporting requirement which says, "On an annual basis the Advisory Board shall prepare and submit to the authorizing committees a report on the status of the Historically Black Colleges and Universities described in paragraph 1A." Basically, HBCU is getting under the program. "And an overview of all loans in the Capital Financing Program, including the most recent loans awarded in the fiscal year in which the report is submitted, the report
shall include administrative and legislative
recommendations as needed for addressing the issues
related to construction financing facing Historically
Black Colleges and Universities."

So this will be, if it's passed, a change from
what this body is asked to report on anyway from ad hoc
to whenever we want to submit a report to a required
annual report as described.

So if this Board wants to make a recommendation
related to that, again the time is over the next several
months as the HEA gets decided.

MR. WATSON: Just so you all know, that
requirement, they've been passing that around before this
draft came out. Now it's a different requirement. I'm
not sure what they mean by HCUs that they're going to
attend at a certain level. That may be difficult
because, again, it's loan program. But I think about the
report and the recommendation we just went over. That is
the report. So whatever the recommendation of this
board, the same thing, much more than that that we
provide. They could extend that activities peace of
mind, but I don't see it being a big issue.

MR. KISSEL: So we can interpret that at the
Department however we think is most appropriate. So we
could interpret it very narrowly as just being the
directions reporter versus, for instance, asking the status of institutions that could be an endless amount of work, correct, anywhere in between?

DR. HOGAN: If there are comments or thoughts about any of these discussion points here, I know that I'm open to hearing from you all in between the meetings. I'm sure that Adam and Don are. Think about some things, and we can take them up at our next meeting.

And if we are complete on the board discussion part of the agenda, we can move into the public comments area.

DR. BASKERVILLE: I really don't have a public comment, but, Madam Chair, may I just comment on this?

DR. HOGAN: Sure. Absolutely.

DR. BASKERVILLE: So I was in conversations when this was developed, and it was in the context of some misinformed person prefacing the discussion with lots of defaults and the program needs more Congressional oversight.

It seems to me that we have a clear record that they're not blocks. So perhaps this board could take the position that — certainly our institutions will do anything that the law requires. But we think that it is cumbersome, burdensome, costly, and not suggested by the facts. And the facts are that over long period we have
two institutions in default, seven that have paid off the programs, and lots of good things going on that we heard earlier today. So I think that would be helpful because there is also an effort afoot to come back and ask for even more oversight on HBCU Capital Finance Program.

And that's probably why I went into the part about my public comment.

DR. HOGAN: So what's your recommendation on this?

DR. BASKERVILLE: That this body certainly suggest that we will follow our -- our institution will follow the law to the letter, whatever it becomes, but that we believe that such congressional intrusion would be costly, cumbersome -- well, costly in terms of human and financial costs -- and is not suggested by the evidence which shows that the HBCU Capital Financing Program is one of the best run programs in the federal government and, low, there's nothing negligible, but very small numbers in the history of the program have defaulted, and that the institutions are enriched and the communities they serve, as well, by the program.

DR. HOGAN: Let me ask you a question. I agree with that; I think it's important.

But given the law suggesting that there's a report, could that not be included in the report that we
would submit annually to the Congressional people? How do we do that?

DR. BECKLEY: Who would it need to go to?

THE COURT: Whoever it needs to go to, could we have that kind of report? What you're saying is basically -- I don't know if that's prescribing how extensive a report would be, but it's suggesting a report from this body. And I think that we comment on all of those things, and we include that in a report that's a part of all the reports that Don would have made during the year.

But at the end of the year I do think this body should have a report that will go in, even talking about how many loans. You have that, anyway, but say that. Out of all the loans we had, only two institutions have defaulted and the kind of work that's done. It doesn't have to be cumbersome. It's just a compilation in my opinion of what has been discussed during the year and what's been done.

Anybody differ with that?

DR. BASKERVILLE: No.

DR. BECKLEY: Makes sense to me.

DR. HOGAN: So it doesn't have to be cumbersome or costly. Just a compilation.

MR. JOHNSON: This is Wayne. Do we have
anything such as an annual report that we produce?

MR. HOLIFIELD: No.

MR. JOHNSON: I know that one of the things when I took over FSA I found very interesting, very helpful, was that we actually produce an annual report. And I think it might be something that we should consider making as a part of what we do. And in that we would be reflecting that kind of information that serves as an on-going public reference document. We publish it. We actually published ours November 13 if you want to go online and look at it. I don't think it needs to be that elaborate, but just a thought.

DR. BECKLEY: Don, don't you have at least a financial report to somebody in the Department of Education on activities of the year?

MR. WATSON: I would glance, like, it's a one page where basically the same information you have. So the difference between -- of course, as you all know, it's three of us. So the reports we have and most of our reports on finance and we have the reports that we have, but it's not like I'm not going into each institution's financial statement.

DR. HOGAN: It's a summary.

MR. WATSON: It's a summary, so that's why it's easy for me to pull together the data that I gave you
all. I have that. Again, it depends on how detailed you want it to be.

From the finance --

MR. JOHNSON: Let me wade in here as the Secretary's designee, which is my role in this. I think and offer up that an annual report to the Secretary -- I think technically it's Secretary of Congress, but the annual report to the Secretary just summarizes how many dollars are outstanding, how many programs -- whatever we want to report. Enough to carry the message because what I heard somebody else say just a few minutes ago, and I thought it was very proud. A lot of work has to be encapsulated in a lot of, quite frankly, high quality performance to the portfolio that you talked about when you opened up in your director's report. I think that would be -- if you make it a report to the Secretary, then it becomes a matter of public document. You issue a press release around it, and it comes in -- basically in the online data bases forever.

MR. MURRAY: This is Murray. I agree with Dr. Johnson on this. And I think some of the previous comments, that it's best that we let the -- let the cat out of the bag in terms of great work that's being done here and by the program.

MR. WATSON: So this is Don Watson. I think
when we use the word "report," I look at something a little different than what you all look at. As I said earlier, this status report was easy to pull together because I have two pages that I keep for when anyone asks about Cap Finance. So it's what you want -- it depends on what the report would look like in the format of the report. For what is asked, as I said, they've been going around with this for about 18 months. I didn't know the history behind it, but the things they're asking for, it's based on my direct report and what your recommendations are.

Somebody may interpret it much steeper than that. Then I have to look and see what that looks like because again I have to weigh options of making loans or doing reports with the number of people I have. But I'm okay with either way y'all want to go.

I just want to say depends on how detailed the report is. And I know you're the Secretary's designee, but, of course, you have a thousand people in the office that specialize in that kind of thing. Statistics and other things like that.

DR. JOHNSON: What I'm really trying to say here is not an accountability report because I think that has its own set of issues. I'm talking about PR.
DR. HOGAN: Which you're doing.

(Multiple speakers)

MR. WATSON: I think it's fine.

DR. JOHNSON: It could be just an annual record to the Secretary instead of a report. Program overview, something that can be a touch point for, you know, some of the basic questions that are asked, but most importantly are amplifying how important the program is and the particular work that's being done and certainly would be prepared to lend substance by discussing and put together a few pages with the right kind of guidance.

I'm not making a motion or a recommendation. I'm just putting it on the table for consideration, and perhaps we can discuss it between now and the next meeting. And I would be happy to sit down with you and flesh out some thoughts. That's all I'm trying to say.

MR. WATSON: Again, I think it's fine. When I read it before, I said this time when the Board meets, instead of just having a letter with the recommendation and estimates, I will modify the board report -- the Director Report a little bit to add more flavor to it.

And part of that was to sort of get rid of some of the misinterpretations people have when they read a press release, for example, where I'm able to tell the story of Cap Finance in a way where people understand a
little bit. So I think it may be fine.

I'm not sure what the Congressional intent was behind it, but the report itself I think will be fine.

MR. JOHNSON: One last thing on the report. I think when we do effect the financing, for example, where did you go get the additional legislation for -- the additional authorization for disaster relief, financing, support, how can we make sure.

(Bells ringing)

DR. BECKLEY: I think it's time.

DR. HOGAN: Excuse us. Thank you for your comments, and I think that certainly that gives Donald some directions of what, you know, what we're thinking. But I wasn't thinking about a long, drawn out report, either, but a compilation of what you do during the year.

DR. BASKERVILLE: Madam Chair, the recorder didn't hear many of the things that Chief Johnson said. And I certainly agree with what I heard him say. But I think the very important thing that he said that I would hope the record would reflect is that he does not envision adding this as another layer of accountability. That it's not an accountability report, but a touch point and something that will help us tell the story.

I think that's very important because, having
been in the meetings when discussions were being had, it was in the context of misunderstandings about the good that we're doing, and so this can help.

    DR. MURRAY: Sorry. I agreed with Ms. Baskerville, and I know that -- and the Chair, as well, because we don't want this to be an onerous report for the administrator. But what we would like is something that showcase the work.

    I know that it was previously in a motion. But I'm willing to put forth a motion that we produce an annual report. It doesn't have to be onerous or long. It can look not very different from the report that we received today, but could help tell the story of the good work that Capital Financing is providing.

    DR. LOSTON: Who is that speaking?

    DR. BASKERVILLE: Murray.

    DR. HOGAN: Dr. Murray from UNCF. Does someone want to second that recommendation?

    MR. JOHNSON: This is Wayne. I would second it.

    DR. HOGAN: It has been moved and seconded that we produce an annual report similar to the information that Don Watson has been providing, but captioned in a way that tells the good work as well that has come forth from the HBCU Capital Financing Program.
Are there any questions?
All in favor, say aye.

MR. MURRAY: Madam Chair, I have a question. This is Lodriguez. I have a question. I do want to say again this is not to be onerous on Dr. Watson. And for the record, FSA offers staffing assistance, if necessary, to help bring this to pass. So I want the record to reflect that as well as we move forward.

DR. HOGAN: Is that your comment?
Okay. All in favor, say aye.

(Audible responses)

Opposed?

(Audible responses)

MR. WATSON: Let's count.

DR. HOGAN: It's two on the phone voting yes.
The nays, one, two, three, four.

MR. HOLIFIELD: I didn't vote at all.

DR. HOGAN: Four. Well, this recommendation in the sense that it has been presented has failed for lack of --

DR. LOSTON: May I comment on that? Because I think we talked about the annual report, the language. So it's the terminology that we're struggling with. So we have a different terminology because when you're saying annual report, that signals a different number of
accountability. And we're not trying to put more work on
the stack here.

    MR. WARD: And when you put it into the form of
a recommendation and it's voted on, then it starts to
take on a life of its own, and it becomes a huge report,
creating a burden.

    DR. LOSTON: And we do want to share what is
happening.

    DR. HOGAN: On a yearly basis, and that's in
the form of a report. But not necessarily -- because he
does one report.

    MR. JOHNSON: This is Wayne. Could we change it
perhaps with the approval of the gentleman that made the
recommendation? Instead of an annual report, an annual
letter to the Secretary talking about the work that's
being done.

    DR. BECKLEY: I don't think that's necessary. I
think what he's doing now could be expanded to include
some of the highlights. That should go to the Secretary,
go to all of us. I think it will address what you're
suggesting in the vote.

    DR. HOGAN: I think what I heard you say, too,
you're talking about a few pages. You said three pages,
if I'm not mistaken, which indicates to me you're not
talking about expansive report. You're not talking about
a document --

   DR. BECKLEY: Updates.
   MR. WARD: We had talked about not being
proscriptive at all, and we would share with the Director
what we would like for him to do, and he's very capable.
So we shared that, and let him take it and implement it
in the form that he sees fit.
   DR. BECKLEY: And he sees fit to update the
Secretary on what's going on, he can do that between our
meetings and share a copy with us.
   DR. HOGAN: Well, the motion has failed. So
thank you all.
   I think we're short on time. We certainly want
to allow time for public comments, and we'll move into
that sector.
   Those who are here to make comments, if you will
come forward, state your name, and adhere to the five
minutes allotted for public comments for each individual.
   DR. BASKERVILLE: Are you going to introduce
Michael Sorrell, Jr.?
   DR. SORRELL: This is my son, Michael. He has
been in school, and he's staying so he can learn how
things get done. He's seven, second grade -- seven and a
half. It's important.
   Really, all we want to say during the public
comment was just to very briefly talk about how important these programs are. Many schools haven't yet accessed them. We are one of those institutions. We spent the decade really positioning ourselves as a very different institution than the one which we inherited 11 years ago, which was failing.

At this point we have had six or seven figure surplusses, eight in the last 10 years. We just received a gift in the spring for two and a half million dollars, which erases our final piece of debt.

And what we are doing now really is akin to some of the comments that you all talked about is we are now going to have to be responsible for redeveloping our entire community which surrounds the college. We've started with the institution. We've done eight to nine million dollars of infrastructure improvements over the course of the last decade without using any debt. Mostly through successful use of the Title III program and fund raising.

We are now at a point where we have 90 students living off campus because we're out of room on the campus. It has a work college. Over 50 percent of our student must live on campus and must be part the work program, but we have no place to put them now until we build new facilities. We're building a new 120 person
dorm.

    We're building 120 person dorm which will already be filled at the moment that it opens. We are negotiating to build a 200 unit complex to use for both the community and the college. The idea is to split the housing up between police officers, area teachers, and our students.

    So we are doing all these things as an effort to really create a very different institution and a very different community.

    So we are excited about this program because, quite frankly, we've never been in a position to use it. We are in a position today to use it. We have been blessed that we have lots of options that we can go to to receive financial funding, but we are prudent investors, so we look for places where the interest rates will not be something which will be difficult for our institution to match.

    So we say all that to say this is an important program. It's a program which deserves to continue, deserves to expand. Having been a corporate securities lawyer, I can tell you that two defaults over the years and the people involved in this is nothing to even focus on.

    And I would say this. I would encourage you not
to make it more difficult for institutions to access the funds. There are enough hurdles. We see enough places that don't want to do business with us simply because of who and what we are. So the places that do, we would appreciate just been able to be treated fairly.

Any questions or is this the part where I take him to go get something to eat?

DR. HOGAN: This is the part where we say thank you for your comments.

MR. HOLIFIELD: May I ask one question?

DR. HOGAN: Sure.

MR. HOLIFIELD: Very quick one.

To your impact around your community, how would you successfully advocate and winning those kinds of investments?

DR. SORRELL: We are a business. We never pretended to be anything other than a business. So for us it was simply a value proposition. We came forward. We assessed the environment. We realized that, one, it didn't matter what we did academically if we wanted a sound business loan.

So we created a different version of a college business model. Then we embraced the work program idea that allowed us to expand rapidly, reduce tuition fees by 10,000.
This April we will celebrate 146 years, and in the last three years we've had waiting lists. We can't meet the demand. We've rejected 25 to 30 percent of the students who are now applying. We raise the admission standards from none to 2.5 to now 2.75.

We are a different institution, but we don't stand just for ourselves. We built the model. And we said this from day one, that we are going to address the needs of the communities we serve. Those needs initially were security, so we addressed those.

Now, listen, the average student loan rate the students are buying, $37,000 a year. And many of our black colleges, those numbers are greater because the reality of it is, for many of our communities and families, this is the first time they've had access to the capital market.

So we can not be surprised that they borrowed more money because it's the first time their families have had access to money. So we've dealt with that by reducing tuition and fees. It allowed us to place a cap so students didn't wind up in situations that would serve them poorly.

But the market is also very, very clear. 79 percent of employers want their entry level students to -- eligible hires that come to them with previous work
experience for the entry level jobs, which means the only place they're going to get them is while they're in school. So we have to speak to that need.

50 percent of college students wish the college had given them more real world experience. So we address that need.

Right now if you are a dependent student, over 70 percent of them are working more than 20 hours per week. If you're an independent student, more than 80 percent of them are working 30 hours per week. So we built a system which acknowledges the reality of the day and speaks to standing in that gap.

So once you do things like that, people respond, and people have responded to us.

DR. HOGAN: Thank you.

MR. NEWMAN: I know it's been a long evening, afternoon, so I'll try not to keep you much longer.

I'm Lester Newman, President of Jarvis Christian College. First of all, I want to commend Don Watson and his small staff for the work they have done with the program. I've had a long history with the program. I served on the board back in 2005 or '6, and I worked at two previous institutions, have gone through the process, and I let that happen. And it was a tremendous help to those institutions.
At Jarvis Christian College we recently went through the process. Last year we were able to refinance some debt, renovate one residence hall, and we're in the process of building two new residence halls, 192 beds, to accommodate the growth that we've experienced.

Going to the question of the impact on the community, it has a great impact on the community. It has helped build our relationship with the local banks. And now we have the community supporting our efforts because they see the resources that we are putting into the community. That's coming on the heels of the report that UNCF, the entity that was here a few weeks ago, helps us in our local community.

But one of the things I want to put on the table for your consideration is that many of the schools who use the program are small, underresourced institutions. And during the summer when we have no students on campus, that's when we can really use the help. If the program can be redefined where you can take a line of credit for operational purposes to help get us through those lean months, because a lot of times during the summer is when you renovate, enhance the residence halls. Because when you have students on your campus, they're going to do some things, and that's the time you really need the resources to do it. We go the banks, and interest rates
are a lot higher. But if we could do it through this program, it would be a tremendous help to a lot of our program.

If there are any questions...

MR. WARD: Are you asking short term?

MR. NEWMAN: Yeah, short term line of credit. Because we usually pay the line of credit back during the year because you're going to need it again during that summer. So if it's short term, give us a year to pay it back because we always go back again for the line of credit.

DR. BASKERVILLE: President Newman, this board actually considered that. And, Dr. Watson, correct me. We took an affirmative position on that?

MR. WATSON: No, I think it was discussions at the 2015 meeting. The meeting had already ended when the conversation came up about that. So the board did not take a position on short term borrowing, which comes into place not just as Dr. Newman described during the summer months when it's low, but also in the cases where audits are low, and they have to issue a line of credit for five years. Audits are late. They have to issue a line of credit for five years, things like that. So it's not just for low periods.

But as you say, our rates are much lower. If we
would give a line of credit for what he just described for one year, and we could actually try to sort of risk premium or something similar to it or add on to it, it would be less than two percent. Around two percent or less.

I haven't done any substantive calculations, but the substantive calculations probably would be zero to none because the program will fund itself. And as you describe, all HBCU issues, I'm sure, would be from the line of credit.

DR. BECKLEY: Could we suggest that you explore that possibility?

DR. WATSON: Explore it?

DR. BECKLEY: Possibility. Or is it already in place?

MR. WATSON: No, if the board wants to recommend it. It's not in place yet. That would have to take a statutory change. Right now it's a capital program. Short term credit would have to be new or something added to this.

DR. HOGAN: I suggest we make this an agenda item for our next meeting so we can have more discussion on it.

Thank you so much, President Newman.

Are there any other comments from the public?
There are no other board comments. Let me thank all of you for your participation, for your thinking and comments as we move forward with the work as advisory board members for the HBCU Capital Financing Program.

I look forward to the next meeting. I think that this, for our first gathering as a body, was a good one.

I want to again thank Don and his staff, and all of you, Adam, and others for your good work in helping us to put this meeting together. And we look forward to further conversations to make this an even stronger program for the benefit of our HBCUs.

DR. BASKERVILLE: Thank you for your tremendous leadership.

DR. HOGAN: This meeting is adjourned.

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REPORTER'S CERTIFICATE

I, Janet E. Wright, CSR No. 1532, Certified
Shorthand Reporter, certify:

That the foregoing proceedings were stenographically
reported by me at the time and place therein set forth
and were thereafter transcribed;

That the foregoing is a true and correct transcript
of my shorthand notes so taken;

I further certify that I am not a relative or
employee of any attorney or any of the parties nor
financially interested in the action.

I declare under penalty of perjury under the laws of
Texas that the foregoing is true and correct.

Dated this 29th day of December, 2017.

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