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## DECADE OF DATA SHOWS CHARTER SCHOOLS' STRONG BORROWING RECORD AND LINKS SCHOOL AND LOAN PERFORMANCE

### *Study Examines \$1.2 Billion in Charter School Loans and Finds Few Defaults*

(San Francisco, Calif.—July 14, 2011)—A new industry-wide study of \$1.2 billion in loans finds that charter schools loans have performed exceptionally well. Charter schools, unlike other public schools, have limited access to public buildings and public financing mechanisms. When seeking external financing, these schools have found traditional banking institutions reluctant to lend to the sector. Over the last decade, community development financial institutions (CDFIs) stepped in to fill this financing gap. For the first time, this data has been compiled and analyzed in a new report, *A Decade of Results: Charter School Loan & Operating Performance*, to provide a picture of lending in the charter school sector.

The report reflects data from 15 lenders representing \$1.2 billion in charter school loans. Of these loans, only 1.0% of the total loan amount in the study ended in foreclosure. Among outstanding loans, just over 3% were reported as delinquent for 60 days or more at any point in their history. Eight-five percent of loans maturing during the last three years of the study period (2000-2009) were paid off. The remaining 15% were extended and were still outstanding. The paid-off loans found a variety of take-out sources, including term loans, the bond market and New Markets Tax Credits. The report also tracks loan performance using metrics such as debt service coverage, delinquency and history of refinance.

*A Decade of Results: Charter School Loan & Operating Performance* sought to identify charter school characteristics related to loan performance. For example, stronger academic performance is associated with better loan performance. Among delinquent and extended loans, 53% of underlying schools have met the adequate yearly progress requirements of the No Child Left Behind Act, compared with 74% of underlying schools for all other loans. Other factors related to loan performance included age and size of the borrowing organization and occupancy costs. Among the schools in the study, average enrollment has increased by 30% over the past two years, while average daily attendance has remained around 95%.

Three CDFIs, the **Low Income Investment Fund (LIIF)**, **Raza Development Fund** and **The Reinvestment Fund (TRF)**, led the effort to release *A Decade of Results: Charter School Loan & Operating Performance*. The **Quantitative Economics and Statistics Practice of Ernst &**

**Young, LLP** compiled and analyzed the data and prepared the report. **Bank of America** provided funding support for the report.

**Kimberly Latimer-Nelligan, LIIF’s Chief Operating Officer**, said, “The Low Income Investment Fund (LIIF) has invested in charter schools working to close the achievement gap for low-income youth for more than a decade. The results of this study are something we’ve known in the community development sector for some time—that the schools we work with are strong borrowers that provide exceptional educational opportunities for youth. LIIF initiated this study to demonstrate to traditional financiers that these schools are sound investments, that also serve the neediest communities.”

**Dan Letendre, CDFI Lending & Investing Executive for Bank of America**, said, “Many charter schools are providing a quality education to underserved children nationwide, and the waiting lists for these schools exceed their capacity to enroll more children. In order to meet this demand, they need new facilities and access to capital to build the facilities. CDFIs have played a leadership role in helping charter schools access the capital markets, and we hope that this study will assist more traditional investors in more accurately assessing the lending risks of investing in this sector.”

“TRF was among the few CDFIs in the nation that began underwriting charter schools more than a decade ago,” shared **Sara Vernon Sterman, EVP for Community Investments and Capital Markets at TRF**. “The results of this study offer a strong case for more conventional lenders to invest in charter schools that offer educational choice to thousands of low-income children and families.”

**Tom Espinoza, President and CEO of Raza Development Fund**, said, “Raza Development Fund’s mission from its inception was to serve Hispanic and poor families throughout the country. Early in our creation the cry from our Latino community was the need for quality education for its children, so RDF moved into the uncharted waters of charter school financing because of the passion found in individuals willing to devote their lives to educating poor children in difficult communities, whether it was serving immigrant non-English speaking children or communities lacking quality education. The lesson learned from this study is that when CDFIs and banks lend to the true needs of the poor and with compassion, the results are success for all involved.”

Download *A Decade of Results: Charter School Loan & Operating Performance* at [www.liifund.org/resources-publications/publications/](http://www.liifund.org/resources-publications/publications/).

#### **About Bank of America**

Bank of America is one of the world's largest financial institutions, serving individual consumers, small- and middle-market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk management products and services. The company provides unmatched convenience in the United States, serving approximately 58 million consumer and small business relationships with approximately 5,800 retail banking offices and approximately 18,000 ATMs and award-winning online banking with 30 million active users. Bank of America is among the world's leading wealth management companies and is a global leader in corporate and investment banking and

trading across a broad range of asset classes, serving corporations, governments, institutions and individuals around the world. Bank of America offers industry-leading support to approximately 4 million small business owners through a suite of innovative, easy-to-use online products and services. The company serves clients through operations in more than 40 countries. Bank of America Corporation stock (NYSE: BAC) is a component of the Dow Jones Industrial Average and is listed on the New York Stock Exchange.

#### **About the Low Income Investment Fund**

The Low Income Investment Fund (LIIF) invests capital to support healthy families and communities. Since 1984, LIIF has served more than 890,000 people by providing over \$950 million in financing and technical assistance. Over its history, LIIF has supported efforts to create and preserve: 55,000 units of affordable housing; 160,000 child care spaces; 57,000 spaces in schools; and 3.2 million square feet of community facilities and commercial space. LIIF's work has generated \$19 billion in family income and societal benefits. LIIF has offices in San Francisco, Los Angeles, New York City and Washington, D.C. For more information about LIIF, visit [www.liifund.org](http://www.liifund.org).

#### **About Raza Development Fund**

Raza Development Fund is a 501C3 nonprofit corporation and a registered Community Development Financial Institution (CDFI) under the Department of the Treasury. Ranked among the top 5% of all CDFIs in the US on annual production and capitalization, and with total assets in excess of \$100 million, RDF creates investment solutions that generate greater opportunities for families and the Hispanic community. RDF is also a 509(a)3 support corporation of the National Council of la Raza (NCLR). Over its ten-year history, it has provided more than 132 Latino serving organizations with over \$135 million in loans, leveraging nearly \$1 billion private capital to fund projects in the areas of affordable housing, education and health care. In the area of education, it has worked with over fifty freestanding charter schools and charter school management organizations in eighteen states over the past seven years to facilitate acquisition or construction of school facilities. RDF is headquartered in Phoenix, AZ.

#### **About TRF**

TRF is a national leader in rebuilding America's distressed towns and cities, through the innovative use of capital and information. TRF has invested over \$1 billion in Mid-Atlantic communities since 1985. A CDFI, TRF finances housing, community facilities, food access, commercial real estate and energy efficiency projects. It also provides public policy expertise by helping clients create actionable solutions and by sharing data and analysis via [www.PolicyMap.com](http://www.PolicyMap.com). To date, TRF has financed \$207.5 million in support of 68 charter schools that together serve over 31,700 students. To learn more about TRF, visit [www.trfund.com](http://www.trfund.com).

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