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Charter School Credit Enhancement Program FAQs

IFF received two grants totaling \$18 million from the U.S. Department of Education to credit enhance tax exempt bonds, bank debt, and other financing structures for established charter schools seeking financing over \$1.5 million in Illinois, Indiana, Missouri, and Wisconsin.

How does IFF's Charter School Credit Enhancement Program (CSCEP) work?

IFF's CSCEP provides credit enhancement in the form of a debt reserve of up to 10% of the financed amount to be accessed by the lender in the event of a default to make debt payments. The credit enhancement cannot serve as a guarantee, collateral, or equity. With tax exempt bond financing, the credit enhancement typically serves as a supplemental reserve to the bond financed debt reserve. IFF's credit enhancement pledge will be held in a trustee account that must be invested in funds that meet certain criteria and any interest earnings on the account must be returned to IFF.

What types of schools can access the Credit Enhancement?

Only charter schools, as defined by the U.S. Department of Education, can qualify for the CSCEP. Further, the program is intended for established charter schools with a solid track record and history, and preferably one charter renewal. Eligible charter schools must also have a student population with a high percentage of students eligible for free and reduced lunches within public school districts that need significant improvement on State assessments.

What types of facilities projects are eligible?

The credit enhancement can be used for refinancing of existing debt, renovations to owned or leased space, acquisition, and new construction. Charter schools must be able to demonstrate that the credit enhancement will enable financing at more favorable terms.

What are the fees/costs associated with the CSCEP?

IFF does not charge fees or points for the CSCEP. Schools pay a portion of IFF's legal fees and other costs associated with the closing.

What is the term of the Program?

IFF will typically pledge the credit enhancement for the term of the financing up to 30 years.

What happens if there is a default?

If there is a default and the lender must access the CSCEP debt reserve, IFF has the right to seek repayment from the school if the school continues to operate. If the school ceases to operate, IFF has the right to find a suitable charter school replacement to occupy the facility and take over the debt obligations.

What if my school does not fit the criteria for the CSCEP?

IFF's loan program provides financing to schools for up to \$1.5 million. IFF can also assist schools with financial packaging and other services. Please visit IFF's website at iff.org/iff-schools for more information.

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