



# CDT Charter School Lending Program

## Term Sheet

- Eligible Loans** ..... First mortgage loans on newly-constructed or substantially renovated charter school facilities.
- Borrower Requirements** ..... Eligible Borrowers include charter schools (as defined in Section 5201 of the Federal and Secondary Education Act, as amended (or any successor statute), charter school networks, charter management organizations and developers that build or rehabilitate facilities suited to the specific needs of charter school tenants.
- Eligible Schools** ..... Existing charter schools with at least one successful charter renewal are preferred. Waivers will be considered for schools operated by charter networks, management organizations or foundations with significant facility development experience and demonstrated academic excellence within the portfolio.
- School Performance Criteria** .. Strong academic performance as evidenced by standardized test scores that are consistent with the terms of the charter and that exceed those of the host district. The operations of the school must also evidence managerial and financial capacity as indicated by adherence to budgets, meeting enrollment targets, establishment of practices that promote staff retention and strong cash flow for at least the previous three years.
- CRA Eligibility** ..... All schools must serve a student population that has no less than 51% free and reduced lunch eligibility.
- Loan Amount Range** ..... Up to \$15,000,000.
- Forward Commitment Period** ..... Up to 24 months
- Loan Term/Amortization** ..... Minimum term of 15 years with a maximum through facility maturity, approximately 26 years; amortization period of up to 30 years.
- Interest Rates** ..... Fixed at spread over comparable term U.S. Treasury rates.
- Prepayment Terms** ..... Prepayment permitted during a minimum 15-year yield maintenance period, subject to a prepayment premium of the greater of 1% [minimum] of the outstanding loan amount or the Fannie Mae yield maintenance formula.
- Loan to Value (LTV)** ..... Maximum LTV of 80% of the appraised value. A lower LTV may be required depending on the transaction's risk profile. LTV is a combined loan-to-value that includes *all* loans requiring debt service payments.

- Loan to Cost (LTC)**.....Maximum 85% of the total development cost. A higher LTC may be required depending on the transaction's risk profile.
- Debt Coverage Ratio (DCR)** ...Minimum DCR of 1.20. A *higher DCR* may be required depending on the transaction's risk profile. DCR includes *all* loans requiring debt service payments.
- Lease Coverage Ratio (LCR)** .....A minimum LCR of 1.20 for leased facilities.
- Facility Burden** .....The debt burden, facility expenditures divided by collected revenue, shall not exceed 15%.
- Subordinate Financing** .....All subordinate financing must have maturity dates that are at least 90 days past the maturity date of the first mortgage. Soft subordinate financing permitted, subject to execution of subordination agreement.
- Guaranty/Recourse** .....Full Borrower and Guarantor recourse required.
- Property Insurance**.....Property and liability insurance, including professional liability and facility interruption coverage, are required.
- Escrows/Reserves** .....Escrows are required for property insurance. The following reserves, held by CDT, are based on the minimum requirements listed:
- Maintenance, Repair and Replacement:
    - > The greater of \$.15 per sq. ft. in accordance with the recommendation of the physical needs assessment.
  - Operating:
    - > 6-months of debt service.
    - > Fully funded at closing.
    - > CDT reserves right to require additional reserves depending on market conditions and transaction features.
- Third Party Reports**.....An appraisal, a phase I environmental report and a physical needs assessment are required for all transactions. A deposit of \$12,000 is due at application for third-party reports, including appraisal, environmental, physical needs assessment, zoning and other reports (if required). CDT bills actual report costs. Total fees may be higher or lower.
- Commitment Fee** .....1% of loan amount; minimum of \$10,000.
- Rate Lock Security** .....Delivery Assurance fee note secured by subordinate lien.
- Application Fee** .....\$1,000 non-refundable fee due at application.

**Legal Fees**.....Legal fees are a borrower expense and typically range between \$15,000 and \$20,000. Higher fees may apply for more complex transactions.

*Please be advised that this term sheet is provided for informational purpose only, does not constitute a commitment or any offer from CDT and is subject to changes at any time. Please contact CDT for questions related to your loan request or if you require additional information.*

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