

3318:1-7-01

**Community schools classroom facilities loan guarantee program procedure for application and risk management.**

(A) To be considered for participation in the community schools classroom facilities loan guarantee program (the program), the governing authority of a "start-up community school" shall apply to the commission and provide such additional requested data and documents as are deemed necessary for evaluating the application. "Start-up community school" means a "new start-up school" as that term is defined in division (A) of section 3314.02 of the Revised Code. Additional requested data and documents may include, but are not limited to the following:

- (1) School information including name, sponsoring authority, contract information, enrollment information, and contact information.
- (2) Governing authority information, identifying the president and treasurer of the governing authority.
- (3) Classroom facilities project information describing the project to be financed.
- (4) Loan information identifying the loan amount, term, number of payments, payment amount, interest rate, total principal and interest, and amount of guarantee requested.
- (5) Other relevant information including, but not limited to, information on all existing direct and contingent loan and lease obligations of or on behalf of the school, loan history, conflicts of interest, and pending litigation that could have an adverse financial impact on the applicant.

(B) Applicants to the program must be deemed credit worthy by the commission and are subject to credit review.

(C) The executive director shall appoint a charter school facility loan guarantee review committee (review committee) to review applications and make recommendations for approval by the commission. The review committee shall include representatives from the banking industry, community schools, and such other informed parties as are deemed necessary in assisting the commission in assessing the risk of each application for purposes of protecting the interest of the state.

(D) The review committee shall assess applications using the following criteria:

- (1) Minimize risk to the state.
- (2) Maximize benefit per dollar guaranteed.
- (3) Maximize use of other non-guaranteed funds.

- (4) Maximize the diversity of types of projects and loan arrangements.
- (E) The review committee may recommend one or more loans to the executive director after each round of applications. The executive director may present some, all, or none of these loans to the commission for conditional approval. Upon conditional approval of the commission, the executive director shall work with each approved applicant community school and its financial institution to agree upon a loan guarantee agreement. Such agreement shall be presented to the commission for approval before execution. The commission's approval shall direct the executive director to sign the loan guarantee agreement and carry out its terms and conditions.
- (F) If approved by the commission, the maximum term of the guaranteed portion of any loan to purchase a facility or for renovations to a facility owned by the governing board of the community school shall be the lesser of fifteen years or the useful life of the asset, with the total guarantee not to exceed one million dollars.
- (G) If approved by the commission, the maximum term of the guaranteed portion of any loan used for modular facilities, buildings renovations to a leased facility, or other improvements to a leased facility shall be the lesser of seven years or the useful life of the asset, with the total guarantee not to exceed five hundred thousand dollars. Where improvements or renovations are being financed for leased facilities, the lease term with renewal options shall extend beyond the financing term or at least for a sufficient term to insure that the community school is the primary beneficiary of the improvements.
- (H) If approved by the commission, the maximum term of the guaranteed portion of any loan to purchase furnishings or technology infrastructure shall be the lesser of five years or the useful life of the asset.
- (I) Under no circumstances shall the guarantee amount exceed eighty-five percent of the total principal and interest of the loan. In the event of default, the net loss of the commission shall not exceed eighty-five percent of the outstanding and unpaid principal balance of the loan, accrued interest of the loan and reasonable costs of collection, excluding penalties and late fees incurred by the borrower.
- (J) The commission shall monitor the financial status of the borrower and require the borrower to submit a copy of the following documents to the commission:
  - (1) Annual report;
  - (2) Financial statements and budgets;
  - (3) Quarterly financial reports of the governing board; and

- (4) Community school payment report received from the Ohio department of education.
- (K) The lender shall notify the commission of any delinquent payment on any loan that is subject to an approved guarantee by the commission. In the event that a default occurs, the lender shall follow its normal collection and foreclosure procedures to minimize any claims against the guarantee fund.
- (L) Upon any default, where the lender intends to take action to accelerate the loan, within thirty days of the lender taking such action, the lender shall give notice to the commission, meet with the borrower in order to make a determination as to the nature of and severity of the problems causing such default, and promptly communicate this information to the commission.
- (M) When the lender has determined to take action to accelerate the loan, the lender may seek any method of remedy available under the laws of this state, with prior notification to the commission of the remedy sought, and shall follow the normal procedures for default for similar loans made by lender. The commission may propose to the lender any alternative remedy, including remedies that may deviate from lender's normal process. While the lender may consider the request of the commission, the lender retains the right to determine when default has occurred and to determine the appropriate remedies to be taken to collect the loan.
- (N) Upon payment in full of the guarantee amount by the commission to the lender under an approved guarantee, the commission shall have the right to enforce or participate in any claim, right, or remedy that the lender then has or may thereafter acquire against the borrower and the security interests under the loan documents and shall be entitled to the benefit of and any right to participate in any security interests and collections then or thereafter held or acquired by the lender. No payment by the commission to the lender under an approved guarantee shall reduce, discharge, satisfy or terminate any obligation of the borrower.

Five Year Review (FYR) Dates: 11/2/2017 and 11/02/2022

**CERTIFIED ELECTRONICALLY**

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Certification

11/02/2017

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Date

Promulgated Under:	111.15
Statutory Authority:	3318.50
Rule Amplifies:	3318.50
Prior Effective Dates:	06/26/2002 (Emer.), 09/19/2002, 08/10/2012