



## MEMORANDUM

DATE: September 18, 2014  
TO: Members, Board of Directors  
FROM: Juan Salgado, Executive Director  
SUBJECT: Education Loan Fund

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### EDUCATION LOAN FUND

- **Pre-Development Loan Fund (PDLF).** The Board of Directors has previously allocated \$1 million of Community Impact Fund and/or General Fund proceeds to fund the Phoenix IDA's participation in a program to provide interim loans to schools prior to closing of Phoenix IDA bond financing. These funds are designed to provide short-term financing of up to \$250,000, for pre-development costs; deferring the need for schools to incur debt service costs on the entire bond issue. With a \$500,000 commitment from Arizona Community Foundation (ACF), there is a combined \$1.5 million available for these interim loans.
- **Revolving Credit Line.** We propose a new program for short-term (12 month maximum) loans or lines of credit for schools. The program would target creditworthy schools that have limited access to credit. It is expected that the loans could range from \$50,000 to \$250,000. Interest rates would be competitively indexed to the Wall Street Journal Prime Rate. The Executive Director would be authorized to approve the loans and execute all related documents under the program.

We request the Board approve the Revolving Credit Line program and authorize the Executive Director make all lending decisions for this program. Approval is also requested in combining the current \$1 million allocation for the PDLF program with the revolving credit line program as outlined above.

**Education Line of Credit**  
**Program Description**

<b>Borrower:</b>	A qualified Arizona school.
<b>Credit Line:</b>	Up to \$250,000
<b>Use of Funds:</b>	Short-term cash flow and/or working capital needs.
<b>Disbursement of Funds:</b>	Either one-time or as needed.
<b>Source of Repayment:</b>	Future cash flows from state payments.
<b>Documentation:</b>	The parties will prepare and sign a Loan Agreement, Promissory Note and other lender-required documents.
<b>Maturity:</b>	Up to twelve months with no pre-payment penalty.
<b>Amortization:</b>	Interest only payments are required. All principal and any accrued interest to be paid at maturity.
<b>Interest Rate:</b>	Variable, indexed to WSJ Prime Rate.
<b>Prepayment:</b>	The borrower will have the option to prepay all or any portion of the debt at any time without penalty or premium.
<b>3<sup>rd</sup> Party Expenses:</b>	All such expenses to be paid by the borrower.
<b>School Location:</b>	Within the State of Arizona.
<b>Fees:</b>	Origination fee of \$500, renewal fee of \$150 for creditworthy borrowers.