

## APPENDIX A

### CREDIT CRITERIA

[Rice will insert additional criteria]

1. Institutional Accreditation. Institutions must be accredited by the appropriate regional accrediting body which has been approved by the Secretary under sections 496 and 114 of the Act.
2. Title IV Eligibility. HBCUs borrowing under the Program must meet the Department's "financial responsibility standards" (34 CFR Part 668) under Section 498(c) of Title IV of the Higher Education Act. The applicant must not have failed to provide a timely financial audit or been subjected to a conclusive Limitation, Suspension or Termination action in the last five years prior to application for Title III, Part D funds.
3. Revenue Mix. Generally, institutions should have less than 90% of revenues generated from tuition and fees.
4. Unrestricted financial resources to operation. Unrestricted financial resources divided by operation expense.
5. Enrollment. There should be evidence of stable enrollment trends over the past five years, or an acceptable explanation of decreasing trends.
6. Default Status. The institution cannot be in default on any loan (this does not refer to the GSL Program) to the Department or any other Federal Agency within the past five years.

If a default has occurred on a non-federal loan within the past five years, an adequate explanation must be provided.

7. Debt Ratio. Maximum annual debt service divided by current fund expenditures should not be higher than 15%. A Commercially Reasonable explanation must be provided if this ratio is not met.
8. Debt Service Coverage. One times pro forma debt service coverage should be adequate.
9. Current Operations. Total unrestricted current fund revenues - total unrestricted current fund expenditures + mandatory transfers.
10. Variable Rate exposure. Amount of variable rate debt divided by total comprehensive debt.
11. Decrease in endowment principal. There should be evidence of stable endowment principal trends over the past five years, or an acceptable explanation of decreasing trends.
12. Capital Improvement Plans. How does the application for Title III, Part D funds fit with the institution's overall five-year plan and with enrollment patterns and academic programs at the institution? What was the prior experience with debt financing? What other anticipated debt will the institution assume during the planned repayment period?