Fact Sheet
COMMITTEE ON EDUCATION & THE WORKFORCE DEMOCRATS
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The Hon. Bobby Scott • Ranking Member

H.R. 5530 – HBCU Capital Financing Program Improvement Act

Researchers recently found that Historically Black Colleges and Universities (HBCUs) face inequities when selling bonds in the private market, even when compared to similar financially situated institutions. After rigorous statistical analysis, the authors found that school attributes and credit quality have little to do with the slow selling. Instead, the researchers narrowed it down to racial animus by wealthy investors.

To offset the inequities plaguing the private bond market, H.R. 5530 **HBCU Capital Financing Program Improvement Act** makes improvements to the HBCU Capital Financing Program, a program that provides low-cost capital to finance improvements to the infrastructure at HBCUs.

The **HBCU Capital Financing Program Improvement Act** will allow more HBCUs to take advantage of the program. This Act will open the door to more HBCUs by particularly impacting:

- **Public institutions**: HBCUs participating in the Capital Financing Program currently pay a fee that is pooled into an account known as an "escrow account" reserved to pay for any defaults or delinquency from any participating institution. However, this fee actually functions like any other bond issuance. As such, this bill reclassifies the "escrow account" as a "bond insurance fund." This change would allow public institutions in some states to pay into the account using state funds.

- **Institutions that are unable to meet the financial requirements of the program**: To provide additional support to institutions interested in participating, but unable to meet the program's financial requirements, H.R. 5530 will allow the Department of Education to offer financial counseling, in addition to the technical assistance already provided.