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## DEPARTMENT OF EDUCATION

### The Historically Black College and University Capital Financing Program

**AGENCY:** Office of Postsecondary Education, U.S. Department of Education.

**ACTION:** Notice of request for proposals.

**SUMMARY:** The U.S. Department of Education (Department) is seeking proposals from businesses interested in applying to serve as the "designated bonding authority" (DBA) under the Historically Black College and University (HBCU) Capital Financing Program, authorized under Title III, Part D of the Higher Education Act of 1965, as amended (HEA). This notice describes the duties of the DBA, the selection criteria to be used to select the DBA, the selection process, and the process for submitting proposals.

**DATES:** Notices of intent to submit a proposal must be received by the Department on or before December 29, 2008. Proposals must be received by the Department on or before January 30, 2009.

**FOR FURTHER INFORMATION CONTACT:** Donald E. Watson, Executive Director, Historically Black College and University Capital Financing Program, 1990 K Street, NW., room 6151, Washington, DC 20006; telephone: (202) 219-7037; fax: (202) 502-7852; e-mail: [donald.watson@ed.gov](mailto:donald.watson@ed.gov).

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(TDD) may call the Federal Relay Service (FRS) at 1-800-877-8339.

#### SUPPLEMENTARY INFORMATION:

##### General

The HBCU Capital Financing Program, authorized under Title III, Part D of the HEA, facilitates low-cost capital financing for HBCUs to enable them to continue and expand their educational mission and enhance their significant role in American higher education. Under this program, the Department provides financial insurance to guarantee up to \$1,100,000,000 (approximately \$650 million is already committed to current program borrowers) in loan principal and interest to qualifying HBCUs for specified kinds of capital projects. The Department provides this financing through an insurance agreement with a Designated Bonding Authority. To date, the Federal Financing Bank of the U.S. Treasury has purchased all bonds issued. Eligible borrowers under the program are limited to historically black colleges and universities as defined in section 322(2) of the HEA (20 U.S.C. 1061(2)).

##### The Designated Bonding Authority (DBA)

Section 314(d)(1) of the Higher Education Opportunity Act of 2008, Public Law 110-315 (HEOA), which amended the HEA, directs the Secretary to publish in the **Federal Register** a notice and request for proposals for any private for-profit organization or entity wishing to serve as the DBA following the enactment of the HEOA. Accordingly, through this notice, the Department seeks proposals from any private for-profit organization or entity wishing to serve as the DBA for the HBCU Capital Financing Program.

##### General Role and Responsibilities of the DBA

Under the HEA, the DBA issues taxable capital project construction bonds and plays a central role in administering and executing the HBCU Capital Financing Program. The DBA works with prospective borrowers to develop loan applications. With the approval of the Department, the DBA makes loans after determining, based on a credit review, that there is a reasonable expectation the loans will be repaid according to the terms of the loans. The DBA charges a rate of interest adequate to service the bond interest rate as well as to pay various costs of issuance including fees for the services of the DBA, costs to modify the loan documents, a Trustee, and fees for the services of other parties. These costs of issuance, however, must not exceed 2

percent of the principal amount of the proceeds of the bonds. The DBA monitors and enforces the loan agreements, including compliance with covenants and default provisions.

The DBA also has construction oversight responsibilities (including approval of construction plans, oversight of construction progress, and compliance with Federal and State building codes), and generally is the focal point of information for the HBCU Capital Financing Program. The DBA and other participants in the program are paid only by the operation of the program, and the Federal Government is not responsible for any of their fees.

Security for the bonds issued by the DBA includes investments, program loans, an escrow account funded with 5 percent of loan proceeds, and an insurance agreement executed by the Secretary or the Secretary's delegate and the DBA. This agreement will, subject to section 343(c)(1) of the HEA, 20 U.S.C. 1066b(c)(1), provide the full faith and credit of the United States to insure the payment of interest and principal on the bonds issued by the DBA.

The responsibilities of the DBA selected will be set forth in an agreement to insure to be negotiated with the Department. The DBA also will assume the responsibilities of the current DBA, including becoming the successor to the incumbent DBA with respect to loans made to date under an Agreement to Insure, dated May 8, 2001, a preceding Agreement to Insure, dated November 29, 1994, a June 13, 2007, Katrina Agreement to Insure, a master trust indenture, as amended and supplemented, and certain program financing agreements and bond purchase agreements. Copies of the agreements to insure used in the program to date, as well as copies of the master trust indenture, program financing agreements, and bond purchase agreements currently used in the program, will be provided to all entities that submit, in a timely manner, a written notice of intent to submit a proposal in accordance with this notice. We will also provide these entities with the current loan application form, credit criteria, loan agreement, and promotional literature as developed by the incumbent DBA. The HEOA may require modification of some or all of the foregoing documents.

Under the terms of section 315(d)(3) of the HEOA, the entity selected by the Department to serve as the DBA must undergo a performance review at least every three years. The statute authorizes the Secretary, based on this review, to use a revised competitive process, if the

Secretary determines a revised process is necessary.

### Statutory Responsibilities of the DBA

The responsibilities of the DBA under the HEA are as follows:

(a) Use the proceeds of the qualified bonds, less costs of issuance not to exceed 2 percent of the principal amount thereof, to make loans to eligible institutions or for deposit into an escrow account for repayment of the bonds;

(b) Provide in each loan agreement with respect to a loan that not less than 95 percent of the loan proceeds will be used to finance the repair, renovation, and in exceptional cases, construction or acquisition, of a capital project, or to refinance an obligation the proceeds of which were used to finance the repair, renovation, and in exceptional cases, construction or acquisition, of an eligible capital project;

(c) Charge such interest on loans, and provide for such a loan repayment schedule, as will, upon the timely repayment of the loans, provide adequate and timely funds for the payment of principal and interest on the bonds; and require that any payment on a loan expected to be necessary to make a payment of principal and interest on the bonds be due not less than 60 days prior to the date of the payment on the bonds for which the loan payment is expected to be needed;

(d) Prior to the making of any loan, provide for a credit review of the institution receiving the loan and assure the Secretary that, on the basis of such credit review, it is reasonable to anticipate that the institution will be able to repay the loan in a timely manner pursuant to the terms of the loan;

(e) Provide in each loan agreement with respect to a loan that, if a delinquency on such loan results in a funding under the insurance agreement, the institution obligated on such loan shall repay the Secretary, upon terms determined by the Secretary, for such funding;

(f) Assign any loans to the Secretary, upon demand by the Secretary, if a delinquency or default has required a funding under the insurance agreement;

(g) In the event of a delinquency or default, engage in such collection efforts as the Secretary shall require for a period of not less than 45 days prior to requesting a funding under the insurance agreement;

(h) Establish an escrow account into which each eligible institution shall deposit 5 percent of the proceeds of any loan made, with each eligible institution required to maintain in the escrow

account an amount equal to 5 percent of the outstanding principal of all loans made to that institution under the HBCU Capital Financing Program. The escrow's balance shall be available first to the Secretary for the payment of principal and interest on the bonds in the case of a delinquency or default in loan repayment. Within 120 days, following full repayment of an institution's loan, the balance of an institution's 5 percent deposit of loan proceeds shall be used to return to the institution an amount equal to any remaining portion of that deposit;

(i) Provide in each loan agreement that, if a delinquency or default occurs in any such program loan, all funds contributed by the borrowers to the escrow will be exhausted before there can be a funding under the insurance agreement.

(j) Provide in each loan agreement with respect to a loan that if a delinquency or default results in a withdrawal from the escrow account to pay principal and interest on bonds, subsequent payments on such loan shall be available to replenish the escrow account.

(k) Comply with the limitations described in section 344 of the HEA;

(l) Make loans available only to eligible institutions in accordance with conditions prescribed by the Secretary to ensure that loans are fairly allocated among as many eligible institutions as possible, consistent with making loans of amounts that will permit capital projects of sufficient size and scope to significantly contribute to the educational program of the eligible institutions; and

(m) Limit loan collateralization, with respect to any loan under the program, to 100 percent of the loan amount, except as otherwise required by the Secretary.

### Additional Responsibilities of the DBA

Once designated by the Secretary or the Secretary's delegate, the DBA also will be required to:

(a) Provide, one week after the end of a calendar quarter, detailed accounting information on each borrower's loan(s), including the payment due date, payment received date, payment amount, and type of all payments and disbursements (including fees), and the schedule of future payments; reports on marketing; delinquency and detailed accounting information on the transfer of Federal Financing Bank (FFB) Fees including each borrower's loan(s), the FFB Fee amounts, and the date the FFB Fee was paid; and an analysis of each borrower's financial status;

(b) Provide audited annual financial statements for the DBA's activities three months after the end of a calendar year;

(c) Provide program data and information as may be requested by the Department within 15 calendar days of the request, except in cases in which the Department agrees to a longer timeframe; and

(d) Provide program marketing and communication materials to the Department and develop an annual marketing plan that is reviewed and approved by the Department.

### Criteria for Selection of the DBA

The Department will use the following selection criteria to evaluate proposals for the DBA:

1. *Support of Minority Participation.* In accordance with section 348 of the HEA (20 U.S.C. 1066g), the extent to which the entity, in its employment, subcontracting, and partnering activities, encourages applications from members of groups that have been traditionally underrepresented based on race, color, national origin, gender, age, or disability, will be a positive factor.

2. *Existence of trained staff to perform the various duties of the DBA.* It will be a positive factor if the entity will use its existing trained staff and resources, as opposed to having to hire and train new personnel and obtain new systems. Staff knowledge in the areas of bond financing, higher education credit, evaluation of security and collateral, program management, construction oversight (including knowledge of State and Federal building codes and standards), and loan servicing will be positive factors.

3. *Capacity to manage the issuance of a large offering of debt securities to the Federal Financing Bank pursuant to a direct placement.* It will be a positive factor if the entity is a regular participant in the capital markets, using financing structures similar to those described in the Agreement to Insure between the Department and the existing DBA.

4. *Financial position and stability relative to industry norms.* It will be a positive factor if the entity is a mature, stable corporation with favorable trends in key financial strength indicators such as net worth and stable earnings.

5. *Approach in performing the requirements of the program.* It will be a positive factor if the entity presents a well thought out approach to the program, and has a thorough familiarity with the documentation used in the program. Suggestions for change in program documentation and administration will be entertained.

6. *Experience and resources available and commitment to providing business development services.* It will be a positive factor if the entity currently undertakes similar business development functions as those required under the Agreement to Insure. Ideas for business development, which should be included in the proposal, will be positive factors.

7. *Past performances on previous Federal Government contracts.* Sound prior performance on Federal Government contracts and familiarity with the particular requirements of the Federal Government will be a positive factor.

8. *Demonstrated history and ability in addressing the special needs of HBCUs.* It will be a positive factor if the entity can demonstrate that it has extensive experience working closely and successfully with HBCUs. It will be particularly helpful if the entity has been involved in activities related to the HBCUs' educational mission, improvement of HBCUs' facilities, or HBCUs' financial planning.

9. *Detailed cost proposal.* The extent to which the entity's cost proposal, e.g., provisions for separation of fees, including separate pricing for the costs of issuance, promotion, financing, loan review, construction oversight, ongoing loan servicing, program monitoring, post-loan closing document modification, and program administration, reflects an understanding of the various responsibilities of the DBA. Statements indicating the entity's willingness to promote the program, recognizing that payment of fees is contingent on making the loans to HBCUs, will be a positive factor.

10. *Corporate authority and ability to comply with for-profit requirement.* The entity must have full corporate authority to perform the functions of the DBA and must specify the corporate and transactional structure it intends to establish with respect to its program responsibilities, including its access to financial resources and performance agreements. If the entity will be a special, for-profit subsidiary of a not-for-profit entity and proposes to enter into a long-term contract with the not-for-profit entity, under which the not-for-profit entity will perform all or some of the actual responsibilities of the DBA, we will assess the relationship proposed to make sure it is workable over the long-term. Agreements between the non-profit and the for-profit entities that are unconditional will be viewed positively, and agreements with extensive conditions will be viewed negatively.

11. *Cohesiveness with any subcontractors.* It is possible that the entity may seek to use subcontractors in performing its duties under the Agreement to Insure. Arrangements with subcontractors will be reviewed in light of how extensive the subcontractor's role would be and the ability of the contractor to replace a subcontractor for cause. An arrangement in which a subcontractor performs a discrete function and receives specific identifiable compensation will receive a more positive rating than an arrangement with a subcontractor in which tasks and compensation are shared between the contractor and the subcontractor.

12. *No conflict of interest.* We will not consider any proposal that indicates an actual or apparent conflict of interest.

13. *Senior management stability.* It will be a positive factor if the senior management of the entity is experienced and stable.

14. *Special assistance to program applicants.* It will be a positive factor if the entity demonstrates the ability, and presents a strategy, to provide assistance to potential borrowers who do not currently meet criteria for receiving a loan under this program.

15. *Loan procedures.* The extent to which the entity proposes workable written policies and procedures addressed to the originating, servicing and monitoring of program loans, including adequate internal controls. The written policies and procedures should include but are not limited to the initial pre-application procedure, the calculation of the costs of issuance, quality control for loan closing documentation and recordation, how delinquency and defaults are handled, processes for handling borrower inquiries, reconciling and segregating principal, interest, escrow fees, late fees, default payments, Federal Financing Bank fees and other fees, and the types of information provided in borrower billing statements.

16. *Fully operational after appointment.* Because the Department desires that the HBCU Capital Financing Program not experience any lapse in its outreach efforts or operations, the entity's demonstrated ability to become fully operational, including but not limited to reconciling current borrower account balances, as the DBA immediately upon appointment will be important.

#### Proposal Content

In addition to responding to each of the selection criteria described, proposals submitted must include the following information:

1. A statement that the entity has the legal corporate authority to perform all of the services required of the DBA by the Agreement to Insure and the statute.

2. Assurances that no conflicts of interest or apparent conflicts of interest exist, and a description of the review and analysis that the entity conducted to reach this conclusion.

3. Resumes of the entity's owners and proposed program managers.

4. A description of the entity's experience with respect to each of the DBA's responsibilities as described in this notice, including in particular any current relevant experience the entity may have. This description must include a discussion of existing resources available to perform the DBA's duties, and the need (if any) to hire and train additional staff. Because the DBA is expected to perform these duties for an extended period, the proposal must describe similar programs and tasks that the entity currently expects to perform during its tenure as DBA.

5. A description of the entity's approach to performing each of the DBA's responsibilities, which must reflect the entity's review and understanding of the current program documents and processes. Innovative presentations will convey the entity's understanding of the proposed duties and will be favorably received.

6. Information with respect to the entity's financial strength and copies of the entity's last five annual audited financial statements. The proposal must contain factors that assure the entity's existence for an extended period, including, for example, issuance of other long-term non-callable debt, or other long-term ventures, which will require the long-term existence of the entity.

7. A discussion of the entity's history in working with HBCUs, particularly with respect to experience relating to HBCU physical facilities, financial planning, and the HBCUs' educational mission. It must also describe actions the entity has taken and plans it has made for recruiting and outreach programs to ensure a diverse applicant pool in the entity's employment, subcontracting, and partnering activities, as well as the success the entity has achieved in attracting diverse applicants.

#### Submission of Proposals and Selection Process

Entities interested in submitting proposals must send written notice of their intent to Donald Watson, Executive Director, Historically Black College and University Capital

Financing Program, by mail, commercial carrier or fax. All notices of intent must be received by the Department on or before December 29, 2008. Notices of intent sent by mail should be addressed to Mr. Watson at 1990 K Street, NW., Room 6151, Washington, DC 20006. Notices of intent sent by fax should be faxed to Mr. Watson at (202) 502-7852. Although neither telephone nor e-mail submission of notices of intent are acceptable, Mr. Watson's telephone is (202) 219-7037 and his e-mail is [donald.watson@ed.gov](mailto:donald.watson@ed.gov). All notices must include the entity's name, address, telephone number, e-mail address, fax number, and point of contact. The Department will then supply the entity with copies of the current DBA agreements, forms, and documentation described earlier in this notice.

Each interested entity must send, by mail or commercial carrier, eight (8) copies of its written proposal. Proposals must be sent to Mr. Watson at the above address, and must be received by him on or before January 30, 2009. Written proposals cannot be submitted by fax or e-mail. Written proposals submitted by entities that failed to submit a notice of intent or submitted its notice of intent late will not be considered.

We do not consider any proposal that does not comply with the deadline requirements. If your proposal is sent after the deadline date, we will not consider it.

Consideration of all proposals submitted will be based on the 16 criteria listed. The Department will rank the proposals quantitatively after giving each criterion a score of 1 to 10, with 1 being generally unfavorable and 10 being generally favorable. Highest-ranking proposals will be contacted for an oral interview, currently scheduled for the last week of February 2009.

The Secretary or Secretary's delegate will make a final selection of the DBA, upon consideration of a written record that includes the highest-ranking proposals and staff recommendations. The record will be publicly available. The Department expects to complete the selection process within approximately ten weeks of the date of this notice.

The appointment of the DBA will become effective as of the date of expiration of the incumbent DBA's appointment, which will occur immediately after the selection of the new DBA.

**Electronic Access to This Document:** You may view this document, as well as all other documents of this Department published in the **Federal Register**, in text or Adobe Portable Document Format (PDF), on the Internet at the

following site: <http://www.ed.gov/news/fedregister>.

To use PDF, you must have Adobe Acrobat Reader, which is available free at this site. If you have questions about using PDF, call the U.S. Government Printing Office (GPO), toll free at 1-888-293-6498; or in the Washington, DC, area at (202) 512-1530.

**Note:** The official version of this document is the document published in the **Federal Register**. Free Internet access to the official edition of the **Federal Register** and the Code of Federal Regulations is available on GPO Access at: <http://www.gpoaccess.gov/nara/index.html>.

**Program Authority:** 20 U.S.C. 1066 *et seq.*

Dated: December 8, 2008.

**Vickie Schray,**

*Acting Deputy Assistant Secretary, Higher Education Programs, Office of Postsecondary Education.*

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**BILLING CODE 4000-01-P**

## DEPARTMENT OF ENERGY

[Case No. CAC-020]

### **Energy Conservation Program for Commercial Equipment: Publication of the Petition for Waiver From Mitsubishi Electric & Electronics USA, Inc. and Granting of the Application for Interim Waiver From the Department of Energy Commercial Package Air Conditioner and Heat Pump Test Procedure**

**AGENCY:** Office of Energy Efficiency and Renewable Energy, Department of Energy.

**ACTION:** Notice of petition for waiver, granting of application for interim waiver, and request for comments.

**SUMMARY:** This notice announces receipt of and publishes a Petition for Waiver from Mitsubishi Electric & Electronics USA, Inc. (Mitsubishi). The Petition for Waiver (hereafter "Mitsubishi Petition") requests a waiver of the Department of Energy (DOE) test procedure applicable to commercial package air-cooled central air conditioners and heat pumps. The waiver request is specific to the Mitsubishi variable speed and variable refrigerant volume S&L Class (commercial) multi-split heat pumps and heat recovery systems. Through this document, DOE is: (1) Soliciting comments, data, and information with respect to the Mitsubishi Petition; and (2) announcing our determination to grant an Interim Waiver to Mitsubishi from the applicable DOE test procedure for the subject commercial air-cooled, multi-split air conditioners and heat pumps.

**DATES:** DOE will accept comments, data, and information with respect to the Mitsubishi Petition until, but no later than January 12, 2009.

**ADDRESSES:** You may submit comments, identified by case number "CAC-020," by any of the following methods:

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.

- **E-mail:**

[Michael.Raymond@ee.doe.gov](mailto:Michael.Raymond@ee.doe.gov). Include either the case number [CAC-020], and/or "Mitsubishi Petition" in the subject line of the message.

- **Mail:** Ms. Brenda Edwards, U.S.

Department of Energy, Building Technologies Program, Mailstop EE-2/J/1000 Independence Avenue, SW., Washington, DC 20585-0121. Telephone: (202) 586-2945. Please submit one signed original paper copy.

- **Hand Delivery/Courier:** Ms. Brenda Edwards, U.S. Department of Energy, Building Technologies Program, 950 L'Enfant Plaza, SW., Suite 600, Washington, DC 20024. Please submit one signed original paper copy.

**Instructions:** All submissions received must include the agency name and case number for this proceeding. Submit electronic comments in WordPerfect, Microsoft Word, Portable Document Format (PDF), or text (American Standard Code for Information Interchange (ASCII)) file format and avoid the use of special characters or any form of encryption. Wherever possible, include the electronic signature of the author. Absent an electronic signature, comments submitted electronically must be followed and authenticated by submitting the signed original paper document. DOE does not accept telefacsimiles (faxes).

Any person submitting written comments must also send a copy of such comments to the petitioner, pursuant to 10 CFR 431.401(d). The contact information for the petitioner is: Mr. William Rau, Senior Vice President and General Manager, HVAC Advanced Products Division, Mitsubishi Electric & Electronics USA, Inc., 4300 Lawrenceville-Suwanee Road, Suwanee, GA 30024.

According to 10 CFR 1004.11, any person submitting information that he or she believes to be confidential and exempt by law from public disclosure should submit two copies: one copy of the document including all the information believed to be confidential, and one copy of the document with the information believed to be confidential deleted. DOE will make its own determination about the confidential