National Association of Development Organizations
NADO

March 23, 2015
EDA RLF PROGRAM: Overview for EDA RLFs

EDA RLF PROGRAM: Regulatory Revisions

EDA RLF PROGRAM: PROPOSED PROGRAM OVERHAUL
EDA RLFs established for business lending. – Economic Adjustment Assistance Grants to capitalize or recapitalize RLFs most commonly fund business lending, but may also fund public infrastructure or other authorized lending activities. [see 13 CFR § 307.7]

- Approximately 570 EDA-funded RLFs nationwide
- EDA investment of $550M
- Combined capital base of about $850M
- Current Total Available for Lending – $250M
EDA RLF guiding principles

★ Gap financing for economic development purposes
★ Fixed Assets, Working Capital
★ Start-up, Expansion, Retention

★ Job creation (RLF $ lent per job created/saved)
★ Leverage Private Capital ($2:$1)

★ Use of RLF Income for administrative costs
★ Capital Utilization Standard (75% or greater)

Federal Interest remains in perpetuity
Use of RLF Funds

- Over 27,000 loans made
- More than $12B non-RLF dollars leveraged (22:1)
- Reported 340,000 jobs created, 307,000 jobs retained
RLF Basics

RLF Grant Administration

- RLF Plan – functions as business plan & operations manual
- matching requirement (grant terms and conditions)
- disbursement phase vs. revolving phase
- semi-annual RLF report
- financial reporting [organizational audit]

Federal Interest remains in perpetuity
EDA RLF PROGRAM: Overview for EDA RLFs

EDA RLF PROGRAM: Regulatory Revisions

EDA RLF PROGRAM: Proposed Program Overhaul
Summary of RLF Regulatory Revision
– effective January 20, 2015

• Permits EDA to waive the requirement to submit the RLF Income and Expense Statement (Form ED-209I) for RLFs with a small capital base, as determined by EDA. [§ 307.14(c)]

• Imposes more rigorous standard for certification by an independent accountant as to adequacy of the RLF recipient’s accounting system. Certification be made by “a qualified independent accountant who preferably has audited the RLF recipient in accordance with OMB A-133 requirements.” [§ 307.15(b)(1)]

• EDA now permits any Federal loans, not just those from the U.S. Small Business Administration’s 7(a) and 504 loan programs, to be used by the RLF recipient to satisfy its leveraging requirement. [§ 307.15(d)(1)(iii)]
Summary of RLF Regulatory Revision (cont’d) – effective January 20, 2015

- EDA now may approve, at the request of the RLF recipient, the addition of a new lending area before the full amount of the RLF grant is disbursed to the recipient. [§ 307.18(a)]

- Clarifies the distinction between a “consolidation,” when a single RLF recipient that has multiple RLF awards obtains EDA approval for consolidation of the multiple awards into a single RLF, and a “merger,” when two or more RLF recipients obtains EDA approval for the merger of their respective RLF awards to form a single RLF award. [§ 307.18(b)]

- Deleted provision creating an exception to EDA’s capital utilization standard of 75 percent of RLF Capital if recipient anticipates making large loans relative to the size of its RLF capital base. [§ 307.16(c)(1)(ii)]
EDA RLF PROGRAM: Overview for EDA RLFs

EDA RLF PROGRAM: Regulatory Revisions

EDA RLF PROGRAM: PROPOSED PROGRAM OVERHAUL
Current RLF monitoring policy and procedures do not allow for effective and efficient management of the EDA RLF portfolio.
Move to Risk-based RLF Monitoring

Risk-based monitoring considers overall portfolio performance, market forces and the recipient capacity.
Review RLFs on performance-based benchmarks

Examine existing Federal Agencies approach to risk-based monitoring via CAMELS, FIRS, etc. Pay particular attention and emphasis on oversight of similar financial lending structures. Existing tools that Farm Credit Administration uses will be reviewed.

Establish metrics

Establish specific metrics within benchmarks for EDA to use in monitoring the performance/risk of RLF Financial Assistance grant awards.

Change reporting to annual

Except “high-risk” RLFs that would be required to submit semi-annual reports.
Change reporting cycle

Change reporting cycle to match RLF Operator’s fiscal year.

Develop new e-management system

Develop new RLF grantee reporting and monitoring system to replace RLFMS.

Enhance staffing resources

Develop RLF staffing/hiring plan for each regional office.