



Understanding New Revisions to the EDA RLF Program

Implementation of RLF Risk Analysis System

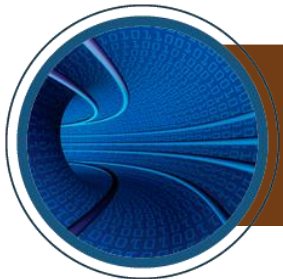
March 19, 2018



OVERVIEW OF RISK ANALYSIS SYSTEM



RLF REPORTING AND RATING LEVELS



QUESTIONS?



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



- About 520 EDA-funded RLFs nationwide
- EDA investment of \$538 million
- Combined capital base of about \$824 million
- 37,500 loans made and 662,000 jobs created/retained
- \$3 billion lent and \$16 billion leveraged



OVERVIEW OF RISK ANALYSIS SYSTEM



Risk Rating

C – Capital

A – Assets

M – Management

E – Earnings

L – Liquidity

S – Strategic Results



Measure:	Determined by:	3	2	1
Capital Base Index	RLF Capital Base divided by the original RLF Capital Base at the time the RLF was established	Greater than 1.5	From 1.0 to 1.5	Less than 1.0



Measure:	Determined by:	3	2	1
Default Rate	RLF Principal Outstanding for Loans in Default divided by RLF Principal Outstanding for Total Active Loans	Less than 10%	From 10% to 20%	Greater than 20%



Measure:	Determined by:	3	2	1
Default Rate Over Time	Number of consecutive months where default rate is over 20%	Less than 12 months	From 12 to 24 months	More than 24 months



Measure:	Determined by:	3	2	1
Loan Write-Off Ratio	The number of loans written-off divided by the number of “inactive loans” (calculated as number of total loans minus number of active loans)	Less than 16%	From 16% to 25%	Greater than 25%



Measure:	Determined by:	3	2	1
Dollars Written-Off	Loan Losses divided by the difference between Total RLF Dollars Loaned and Total RLF Principal Outstanding.	Less than 10%	From 10% to 20%	Greater than 20%



Measure:	Determined by:	3	2	1
RLF Plan	Updated RLF Plan	RLF Plan up to date	RLF Plan out of date, update submitted within 6 years	RLF Plan expired and not updated within the last 6 years



Measure:	Determined by:	3	2	1
Financial Control	Number and magnitude of audit findings	No findings	Minor findings	Material findings*

* Material findings, for example:
 Organization, Questioned Costs, Solvency, Interrelated party transactions



Measure:	Determined by:	3	2	1
Timely and Complete Reporting	Date audit and/or additional reports (such as SF-425 or Corrective Action Plan) submitted to EDA	On time	Up to 30 days late	Over 30 days late or no receipt



Measure:	Determined by:	3	2	1
Tenure	Shortest tenure of Executive Director, Lending Director, Finance Director, and Reporting Official	Greater than 3 years	From 2 to 3 years	Vacancy or less than 2 years



Measure:	Determined by:	3	2	1
Financial Reporting	Date RLF Financial Report (ED-209) submitted to EDA	On time with no corrections needed	Up to 60 days late and/or returned to RLF Recipient for minor corrections	More than 60 days late; or sent back for major revision



Measure:	Determined by:	3	2	1
Net RLF Income	Portion of RLF Income Used for Administrative Expenses divided by Total RLF Income	Less than 50%	From 50% to 100%	More than 100%



Measure:	Determined by:	3	2	1
Cash Percentage	RLF Cash Available for Lending (Net of Committed RLF \$) divided by RLF Capital Base compared to regional ACP	Less than 90% of the ACP	From 90% to 110% of the ACP	More than 110% of the ACP



US Department of Commerce
Economic Development Administration

EDA Regions



EDA Regional Offices/University Centers

Atlanta Austin Chicago Denver Philadelphia Seattle

Capital Utilization Threshold

“75% Rule”

Sequestered Excess Cash



Allowable Cash Percentage

Regional Average

1 of 15 measures



RLF Name	Capital Base	Cash Available	Cash Percentage
RLF-1	\$4,500,000	\$1,200,000	27%
RLF-2	\$7,600,000	\$2,800,000	37%
RLF-3	\$1,670,000	\$630,000	38%
RLF-4	\$13,872,930	\$2,974,025	21%
RLF-5	\$5,423,000	\$900,000	17%
Regional Total	\$33,065,930	\$8,504,025	26%

Total RLF Cash Available for Lending = \$8,504,025

Total of All RLF Capital Base Amounts = \$33,065,930

$$\$8,504,025 \div \$33,065,930 = 26\% \text{ Allowable Cash Percentage}$$



Measure:	Determined by:	3	2	1
Cash Percentage Over Time	Number of consecutive months where the Cash Percentage exceeds the Region's Allowable Cash Percentage	Less than 12 months	From 12 to 24 months	More than 24 months



Measure:	Determined by:	3	2	1
Leverage Ratio	Total Dollars Leveraged divided by RLF Dollars Loaned.	Meets or exceeds required leverage	N/A	Less than required leverage



Measure:	Determined by:	3	2	1
Cost Per Job	RLF Dollars Loaned divided by Total Jobs compared to RLF Plan Target	Less than 90% of RLF Plan target	90% to 110% of RLF Plan target	Greater than 110% of RLF Plan target





RLF REPORTING AND RATING LEVELS



ABC

A = Annual Reporting

B = Semi-Annual Reporting

C = Semi-Annual Reporting

& Corrective Action



- *Reporting Aligned to Fiscal Yearend*
- *RLF Portfolio Loan List*
- *Expense Reporting Aligned to Fiscal Year (12 months)*
- *Audit Required for RLFs*



- ***Removed the Automatic Sequestration Requirement***
- ***Level “B” and “C” Recipients report on a semi-annual basis within 30 calendar days following the end of their fiscal year and again within 30 calendar days of the end of the second quarter of their fiscal year.***
- ***Level “A” Recipients report to EDA on an annual basis within 90 calendar days following the end of their fiscal year.***
- ***RLF Standard Terms & Conditions were revised and will be issued as a formal Amendment to Financial Award (CD-451)***

Measure:	3	2	1
Capital Base Index	X		
Default Rate	X		
Default Rate Over Time	X		
Loan Write-Off Ratio	X		
Dollars Written-Off		X	
RLF Plan	X		
Financial Control	X		
Timely and Complete Reporting	X		
Tenure		X	
Financial Reporting	X		
Net RLF Income		X	
Cash Percentage	X		
Cash Percentage Over Time	X		
Leverage Ratio	X		
Cost Per Job	X		

"A" Rated RLF



ANNUAL REPORTING

AUDIT REQUIRED

Measure:	3	2	1
Capital Base Index		X	
Default Rate	X		
Default Rate Over Time	X		
Loan Write-Off Ratio		X	
Dollars Written-Off		X	
RLF Plan			X
Financial Control	X		
Timely and Complete Reporting	X		
Tenure			X
Financial Reporting	X		
Net RLF Income		X	
Cash Percentage	X		
Cash Percentage Over Time	X		
Leverage Ratio	X		
Cost Per Job		X	

“B” Rated RLF



SEMI-ANNUAL REPORTING

AUDIT REQUIRED

“C” Rated RLF

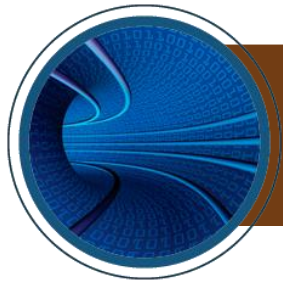


Measure:	3	2	1
Capital Base Index			X
Default Rate		X	
Default Rate Over Time		X	
Loan Write-Off Ratio		X	
Dollars Written-Off			X
RLF Plan			X
Financial Control		X	
Timely and Complete Reporting	X		
Tenure			X
Financial Reporting	X		
Net RLF Income		X	
Cash Percentage			X
Cash Percentage Over Time		X	
Leverage Ratio	X		
Cost Per Job		X	

SEMI-ANNUAL REPORTING

AUDIT REQUIRED

CORRECTIVE ACTION PLAN



QUESTIONS?



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Feel free to contact us with any questions or concerns.