U.S. ECONOMIC DEVELOPMENT ADMINISTRATION REVOLVING LOAN FUND PROGRAM
SUPPORT REFORMS TO EDA RLF PROGRAM

ACTION NEEDED: Urge your members of Congress to support legislative reforms to the U.S. Economic Development Administration’s Revolving Loan Fund (RLF) program to end burdensome and costly reporting requirements placed on local grant recipients.

BACKGROUND: As part of the Economic Adjustment Assistance Program, EDA’s regional offices award competitive grants to establish Revolving Loan Funds (RLFs). EDA’s RLF recipient, in turn, disburses money from the RLF to make loans at interest rates that are at or below market rate to small businesses or to businesses that cannot otherwise borrow capital. As the loans are repaid, the grantee uses a portion of interest earned to pay administrative expenses and adds principal and interest repayments to the RLF’s capital base to make new loans. A well-managed RLF award actively makes loans to eligible businesses, continues to revolve loaned funds (interest and principal), and does not have a termination date, meaning it stays in federal control forever.

Since its inception, EDA’s RLF recipients have made more than 27,000 loans to small businesses, leading to the creation of more than 340,000 jobs while leveraging more than $12 billion in private investment. The program is self-renewing, creates additional access points to capital for businesses, and is a low-cost way to provide credit assistance to otherwise challenged borrowers.

As of September 2013, the RLF program encompassed 558 RLFs, with a combined capital base of $843 million, which represents a 4% increase in the capital base over September 2010. The majority of these RLFs reported concentrating on making loans in the range of $25,000 to $175,000, although a number of RLF operators made much smaller (as little as $1,000) or much larger ($1 million+) loans.

LATEST ACTION: In May 2016, the House approved by voice vote the bipartisan Public Buildings Reform and Savings Act of 2016 (H.R. 4487). The bill includes language that authorizes EDA to release the federal government’s interest in connection with a grant not less than seven years after final disbursement of the grant. This reform will end burdensome and costly reporting requirements placed on local grant recipients.

The Senate then “hotlined” H.R. 4487. “Hotlining” is an expedited process for moving non-controversial bills through the Senate. A Senator can object to the bill itself or a provision included in the bill by placing a “hold” on the bill. A “hold” may also be placed to allow for more time to consider the legislation and essentially pause the process. If concerns can be addressed and “holds” are lifted, the bill may move to the Senate floor for consideration. The 114th Congress adjourned in December 2016 without the bill clearing for Senator floor action.