



Quickly Help Small Businesses and Local Organizations Struggling with Cash Flow and Liquidity Issues During the COVID-19 Public Health Crisis

Defederalize EDA Revolving Loan Funds

EDA Revolving Loan Fund Program Overview

- The U.S. Department of Commerce Economic Development Administration's (EDA) Revolving Loan Fund (RLF) program provides working capital and gap financing for small businesses and entrepreneurs at or below market rates. The RLF program is particularly beneficial to businesses that may not otherwise be able to borrow capital from traditional sources.
- The EDA RLF program is part of the EDA's Economic Adjustment Assistance (EAA) program. EDA awards grants to local intermediary organizations (RLF operators) which, in turn, disburse money from the RLF to make loans to small businesses and local community organizations and service providers.
- **The EDA RLF program can help communities during the COVID-19 economic crisis.** Existing EDA RLF operators in communities across the country are already positioned to provide capital to small businesses and can deliver funding to entities that need it quickly.

Congressional Action Needed in FY 2021 Appropriations Legislation or Forthcoming COVID-19 Emergency Supplemental Funding Legislation

- **Congress should take action to cut red tape and reduce regulatory burdens** associated with the EDA Revolving Loan Fund (RLF) program's reporting requirements within the FY 2021 appropriations bill. Specifically, we encourage Congress to **reform the EDA Revolving Loan Fund program's "in perpetuity" reporting requirement, which currently requires EDA RLF grantees to report forever**, even on loans that were made decades ago and have been repaid. This is a **burdensome and unnecessary** provision. Other RLF programs in the federal government do not require this, and even EDA leadership wants to change this provision. However, **legislative action is needed to change this.**

Why This Reform is Especially Important During the COVID-19 Crisis

- Requiring grantees to **report forever** on loans made through the EDA RLF program is unnecessarily burdensome. This perpetual reporting costs time and money which RLF grantees could instead be using to help small businesses and local organizations in need of working capital and/or that have been affected by the COVID-19 crisis. This reporting burden may also dissuade local RLF operators from being willing to make the kind of small loans that small businesses need most during the COVID-19 crisis. Reforming the RLF program by defederalizing the EDA RLFs would allow for greater usage of the program and more flexibility for communities. EDA leadership supports this reform, but EDA states in their most recent [regulations promulgated in December 2017](#) that EDA does not have the authority to release its interest in RLF assets. Therefore, **in order to resolve this issue, legislative action by Congress is needed.**

Sample Legislative Language – EDA RLF Defederalization: Release the Federal Interest in the EDA Revolving Loan Funds

Section 601(d)(2) of the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3211), is amended,

- 1) by striking “(2) RELEASE.—” and inserting the following:
(2) RELEASE.—
(A) *In general*
- 2) and by adding at the end the following:

The Secretary shall release, subject to terms and conditions the Secretary determines appropriate, the Federal Government’s interest in connection with a grant under section 209(d) not less than 7 years after final disbursement of the grant, if—

- (i) *the recipient has carried out the terms of the award in a satisfactory manner;*
- (ii) *any proceeds realized from the release of the Federal Government’s interest will be used for one or more activities that continue to carry out the economic development purposes of this Act; and*
- (iii) *the recipient shall provide adequate assurance to the Secretary that at all times after release of the Federal Government’s interest in connection with the grant, the recipient will be responsible for continued compliance with the requirements of section 602 in the same manner it was responsible prior to release of the Federal Government’s interest, and that the recipient’s failure to comply shall result in the Secretary taking appropriate action, including, but not limited to, rescission of the release and recovery of the Federal share of the grant.*

Other EDA RLF Modifications Can Also Help During the COVID-19 Crisis

- **Make loans forgivable:** specify in legislation that *local RLF operators shall have the discretion to make forgivable loans*, and that loan forgivability will not affect EDA RLF operators’ EDA risk rating
- **Reduce interest rates:** specify in legislation that *local RLF operators shall have the discretion to reduce interest rates*
- **Reduce or eliminate leverage ratios and matching fund requirements:** specify in legislation that *local RLF operators shall have the discretion to eliminate leverage ratios and matching fund requirements*

*The National Association of Development Organizations (NADO) represents the nation’s network of Regional Development Organizations (RDOs). For more information please contact **Mirielle Burgoyne**, Director of Government Relations and Legislative Affairs, at mburgoyne@nado.org or 202-921-4443 or **Joe McKinney**, Executive Director, at 202-921-4441.*