

# Welcome to the RLF 101 Workshop



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# Agenda

- About the Revolving Loan Fund (RLF) Community of Practice (CoP)
- About the Economic Development District (EDD) CoP
- RLF 101 Presentation:
  - About RLFs – General Information
  - About the Economic Development Administration (EDA) and EDA-funded RLFs
  - RLFs and EDDs
- Q&A



# Why an RLF Community of Practice?

“Local economic development practitioners are critical to making sure workers and entrepreneurs have the tools and skills they need to succeed in every community, especially those that have too often been left out and left behind. As part of President Biden’s commitment to investing in workers, **these [CoP] awards will support our nation’s economic development practitioners, helping to grow local economies and bolster communities across the country.**”

- Secretary of Commerce Gina Raimondo. Quote from [EDA Press Release](#) on March 28, 2023.

“The Revolving Loan Fund program is one of EDA’s oldest and most successful initiatives. **The RLF Community of Practice will enhance the ability of our network of RLF operators to efficiently direct federal funds to communities most in need.**”

- Alejandra Y. Castillo, Assistant Secretary of Commerce for Economic Development. Quote from [EDA blog post](#) on November 16, 2022.

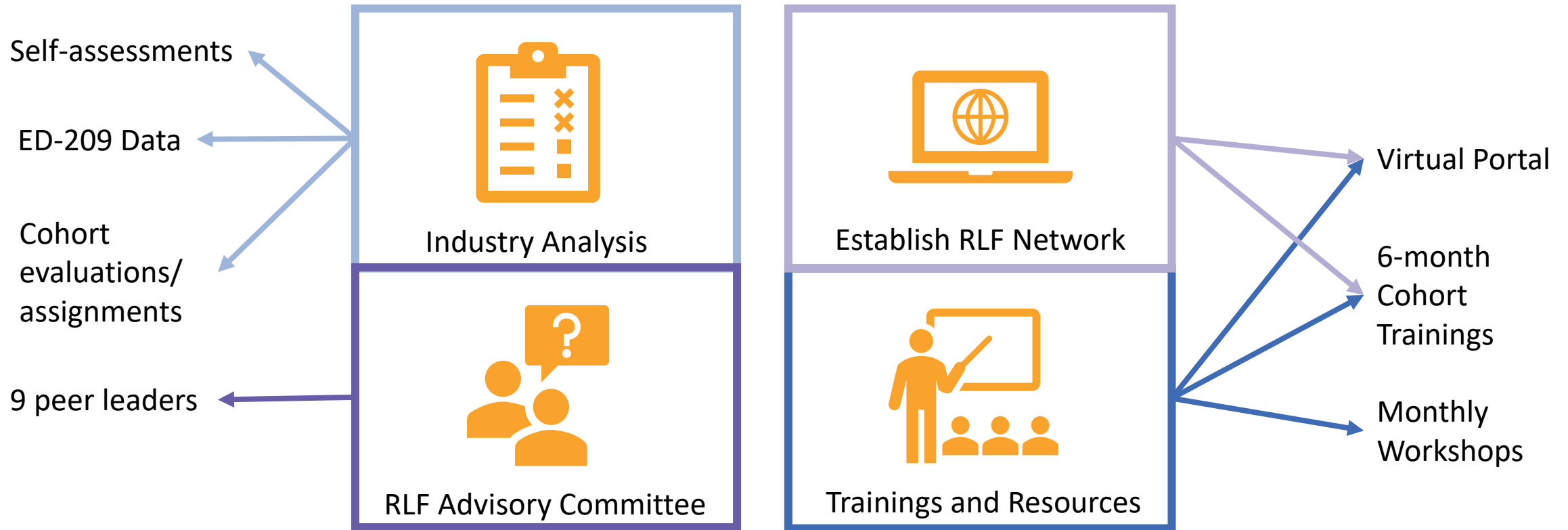
# RLF CoP Objectives

**Increase the capacity of RLFs to meet the needs of their local economic development strategies.**

1. Increase organizational capacity.
2. Increase the volume of loans and loan capital.
3. Establish a peer-to-peer group of RLFs to collaborate on needs, strategies, capacities, and program impact.
4. Increase understanding of broader economic development strategies through training and curriculum.



# RLF CoP Activities



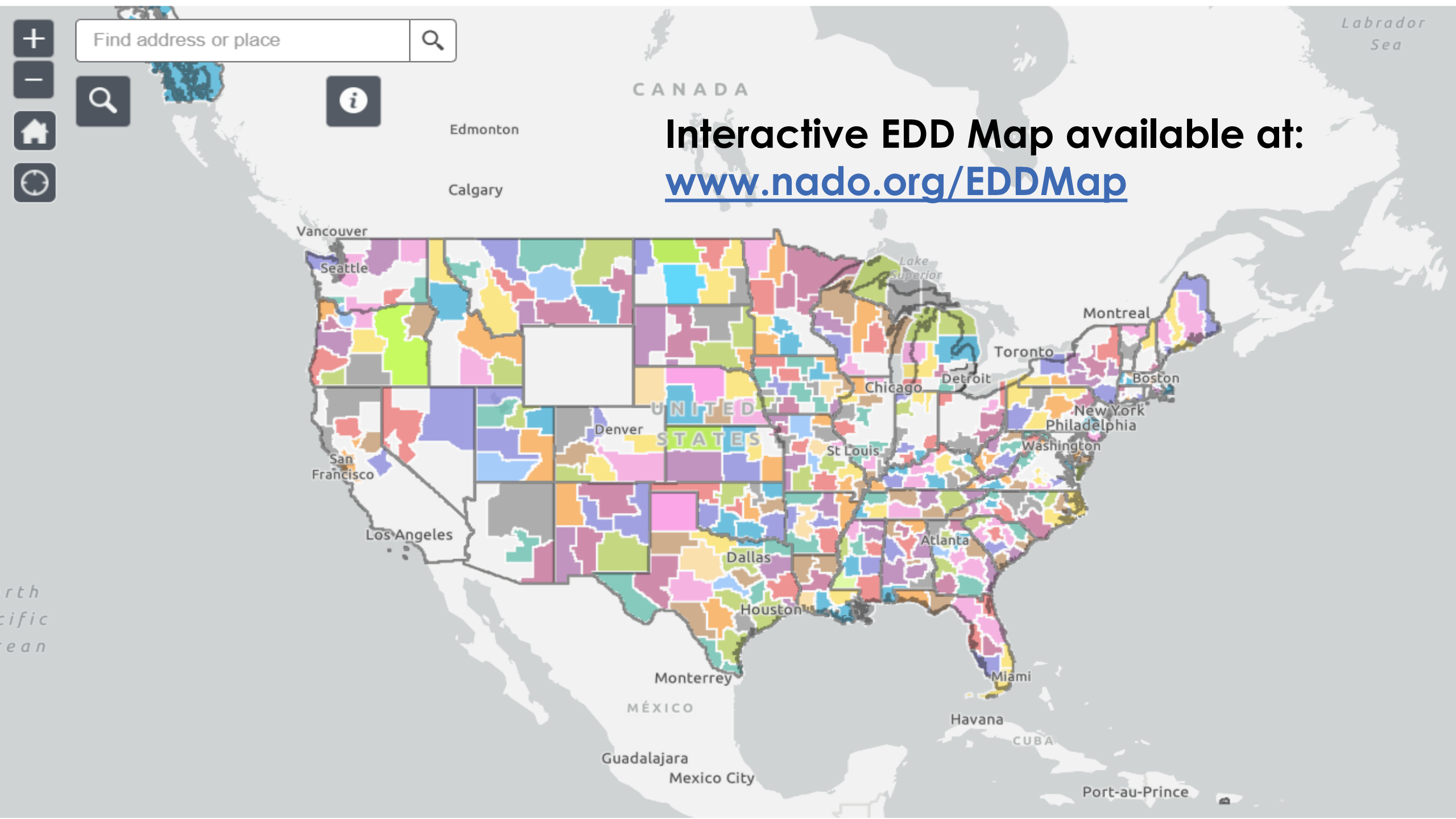


**EDD CoP**

Economic Development District  
Community of Practice



**More info at: [www.nado.org/EDDCoP](http://www.nado.org/EDDCoP)**



Find address or place



**Interactive EDD Map available at:**  
[www.nado.org/EDDMap](http://www.nado.org/EDDMap)

CANADA

Labrador Sea

Edmonton

Calgary

Vancouver

Seattle

San Francisco

Los Angeles

Denver

UNITED STATES

Dallas

Houston

Monterrey

Guadalajara

Mexico City

MÉXICO

Lake Superior

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# About RLFs - General

## What is an RLF?

Revolving Loan Funds (RLFs) are pools of capital that are lent out to small businesses to spur economic development. As principal and interest are repaid the pool replenishes and funds can be lent out again.



# About RLFs - General

## RLFs are Financing Tools

- Fill financing gaps
- Recycle dollars
- Keep dollars in the community
- Leverage private sector financing
- Finance smaller, unconventional deals



# About RLFs - General

## How RLFs work

1. Government agencies provide a grant or a loan to capitalize the fund and cover administrative expenses.
2. The repayment of principal, interest payments, and fees replenish RLFs so that future loans can be made to eligible borrowers and the loan fund can eventually be sustained or “revolved” without subsidy.



# About RLFs - Benefits

1. Self-replenishing funds
2. For a community institution, RLFs..
  - Provide local control
  - Give EDD's the ability to implement their plans/goals
  - Require less political decision making
3. RLFs improve communities, businesses, and the lives of target-area residents



# About RLFs - Funding Sources

ARC

EDA

CDBG

EPA

USDA

Local/  
Regional/  
State

# About RLFs - Types of RLFs

Different sources of funding → different ways to use funds

Funding Source	Ways to use RLFs
ARC	Region-specific small business loans for job growth
CDBG/ HUD	Single family home rehab
<b>EDA</b>	Lending to small businesses for economic development
EPA	Environmental clean up programs, Brownfields, etc.
Local	Façade programs, corridor specific programs, etc.
USDA	Creating/maintaining rural job

**Main takeaway:** RLFs can manage multiple fund sources to meet community needs.

# EDA's Mission



*To lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.*

- Increase America's **global economic competitiveness**
- Support **community-led economic development**
- Help communities develop **resilient and agile** local economies

# EDA's RLF Program



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The RLF Program is established under the Public Works and Economic Development Act of 1965 (PWEDA). Through the Economic Adjustment Assistance (EAA), EDA has granted awards to capitalize (and re-capitalize) RLFs since 1975.

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An EDA RLF grant's purpose is to **provide capital as gap financing that enables small businesses to grow and lead to more and better job opportunities.**

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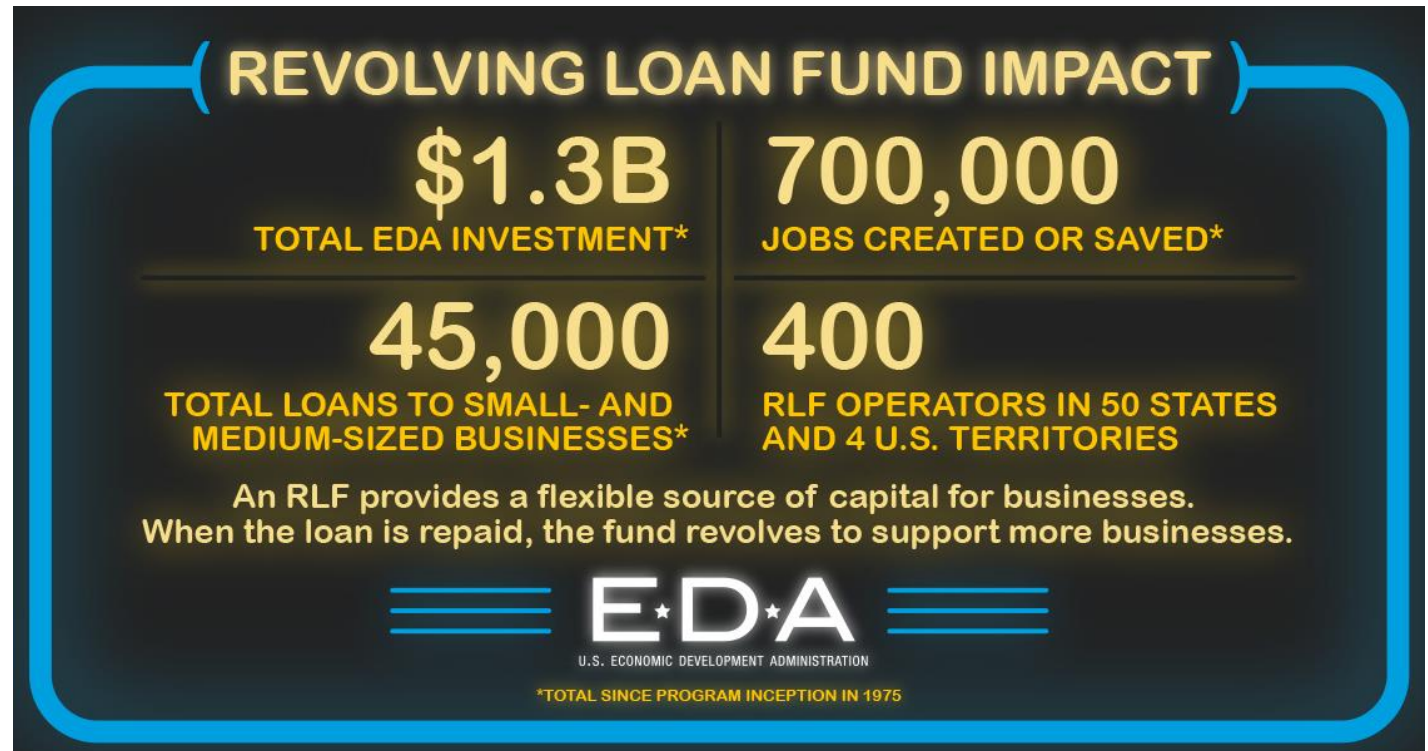
Each RLF should have its own lending strategy based on local community needs.



# EDA's RLF Program



- About 500 active RLFs across the country.
- RLF operators include:
  - States
  - Local governments
  - EDDs
  - Indian tribes
  - Non-profit organizations
- Grant awards range from \$500,000-\$2,000,000.

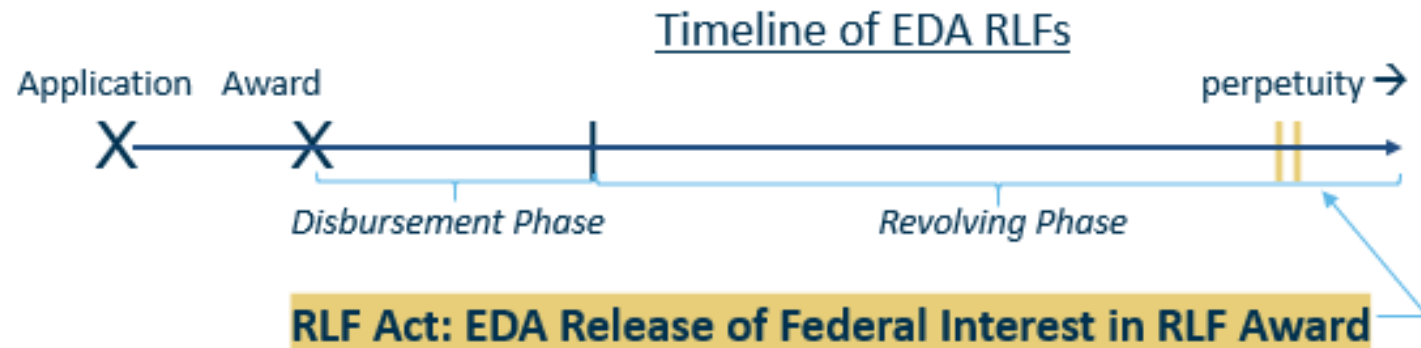


Source: [EDA](#) as of January 22, 2024

# Applying for an EDA RLF Grant

## Who can apply for an RLF Grant?

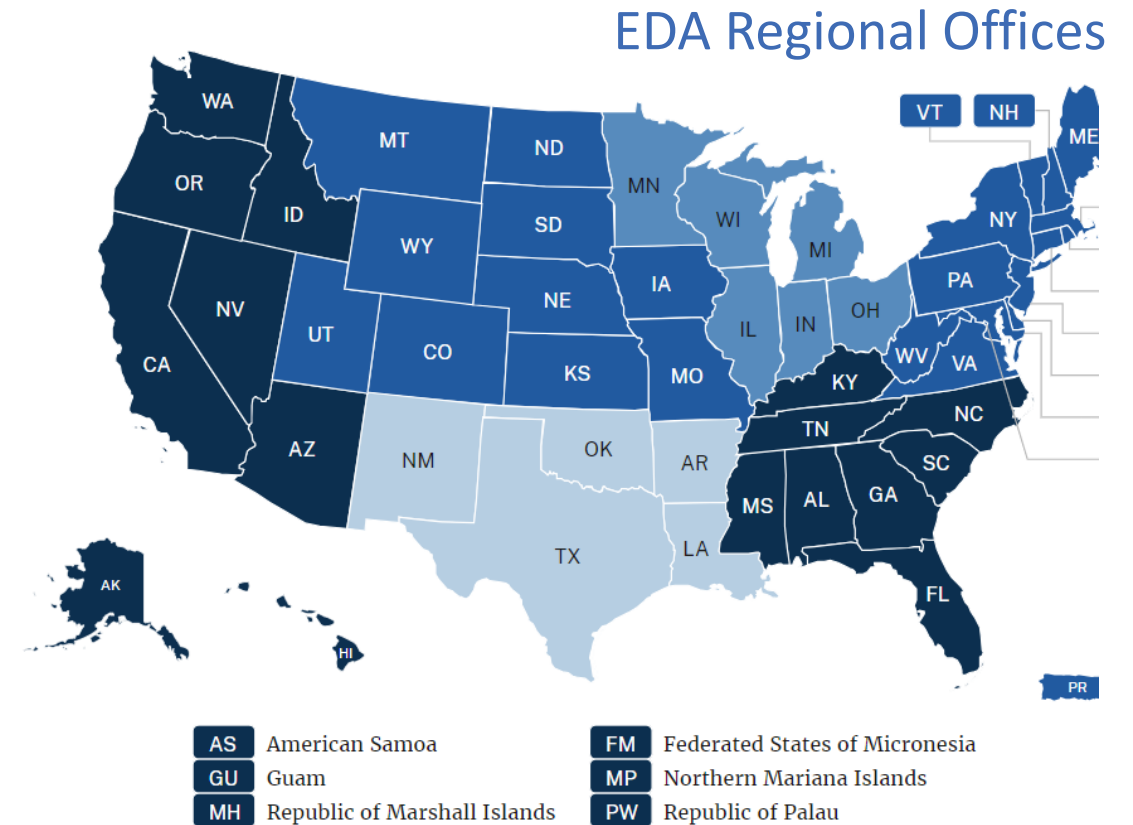
- State, County, City or other political sub-division of a state
- Indian Tribes
- EDA-approved district organization (EDD)
- Institution of higher education
- Public or private nonprofits



# Applying for an EDA RLF Grant

## How to apply for an EDA RLF Grant

- Funding Opportunities
- Alignment with CEDS\*
- Eligibility
  - Applicant type
  - Eligible region: distress/ special need
- Matching Requirement
- Application Forms:
  - [www.grants.gov](http://www.grants.gov)
  - Standard forms
  - EDA Forms
- Economic Impacts
- RLF plan



# Applying for an EDA RLF Grant



## EDA RLF Grant Application should include:

- Demand for public financing tool, based on CEDS\* priorities (or EDA approved plan)
- Types of financing activities anticipated
- Capacity of the applicant to manage lending activities
- Ability of the applicant to create networks with other lending partners and business support organizations

\*CEDS = Comprehensive Economic Development Strategy, the five-year regional economic development plan prepared by EDA-funded Economic Development District (EDD)

# RLF Program Design



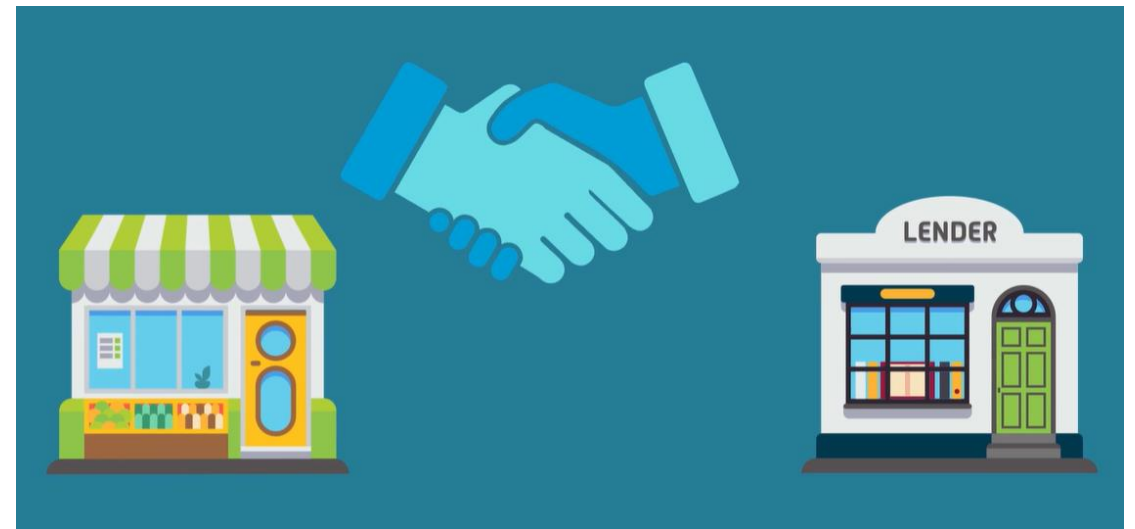
## EDA RLF guiding principles

1. RLF lending strategy aligns with CEDS priorities
2. Gap financing for economic development purposes
  - Job creation and retention
  - Leverage private and public funding
3. Start-up, Expansion, Retention
4. Fixed Assets, Working Capital
5. Use of RLF Income for administrative expenses
6. Portfolio monitoring – RLF Risk Analysis System

# RLF Program Design

## Gap financing for economic development purposes

- RLF Plan establishes lending strategy, targets, and limits
- Where credit is not otherwise available for the activity to be financed
- Leverage requirement (\$2 : \$1)
- Job creation (cost/job target)



# Using RLF Dollars

## Do...

- Fund business lending
  - Most common use of RLFs
- Fund public infrastructure or other authorized lending activities

## Don't...

- Acquire equity position in private business
- Subsidize interest payments on existing RLF loan
- Provide borrowers' required equity contribution under other Federal loan programs
- Enable borrowers to acquire an interest in a business (unless sufficient economic benefit)
- Provide loan for purpose of investment capital
- Refinance existing debt (unless 'sound economic justification' or purchase rights of prior lien holder...)

**NOTE:** Contact your Regional RLF Administrator if you have questions about use of funds.

# RLF Operations

- **EDA RLF grant management**
  - *Uniform Guidance* – [2 CFR Part 200](#)
  - EDA Specific Award Conditions, including reporting requirements
  - [RLF Standard Terms and Conditions](#)
    - EDA RLF Regulations – [13 CFR Section 307](#), particularly [Subpart B](#)
    - RLF Risk Analysis System
- **RLF Plan [[13 CFR § 307.9](#)]**
  - Consistency with CEDS and RLF Award
  - Updated as economic conditions change, at a minimum every 5 years
  - Part 1: Revolving Loan Fund Strategy
  - Part 2: Operational Procedures



# RLF Operations

- **Loan Committee**
- **Prudent Lending Practices** and local lending laws
- **RLF Income** can subsidize administrative expenses
- **RLF reporting** and **audit** → risk rating
- **Defederalized Funds** - Release of EDA interest 7 years after final disbursement

# RLF Risk Analysis



- **CAMELS Approach:** Metrics adapted by EDA includes capital, assets, management, earnings, liquidity and strategic results; to be updated periodically.
- **Classification:** The risk-based analysis system uses a series of metrics and measures to rate RLF as 3 levels: A, B or C  
[15 measures, scored 3 (highest) to 1 (lowest)]
- **Tailored Technical Assistance:** EDA focuses oversight effort on level C RLFs to address risk and performance issues.

# RLFs and EDDs – Example from SPAG



Kelly Davila, Director of Economic Development at South Plains Association of Governments

**SPAG** | **REVOLVING LOAN FUND**

Counties in which loan can be made: Bailey, Cochran, Crosby, Dickens, Floyd, Garza, Hale, Hockley, King, Lamb, Lubbock, Lynn, Motley, Terry and Yoakum

**ELIGIBLE USE OF FUNDS**

- Working Capital
- Machinery/Equipment
- Building/Land\*\*

**FIXED INTEREST**  
for the life of the loan,  
as low as 4%  
\*Rates determined by RLF board\*

**1/3 SPAG-RLF Loan**  
**2/3 Other Funds**  
(Private Lender, Equity, Other)

Terms tied to useful life of assets | **NO** Pre-payment Penalty

One job must be created or retained for every **\$65,000** borrowed

**1%** Origination fee at time of closing  
Borrower is responsible for paying all attorney and filing fees associated with the loan

EDA awarded SPAG a grant to establish this program

**E•D•A**  
U.S. ECONOMIC DEVELOPMENT ADMINISTRATION

# Thank you! Questions?



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