

Welcome to Defederalizing a Revolving Loan Fund



**RLF
Community
of Practice**

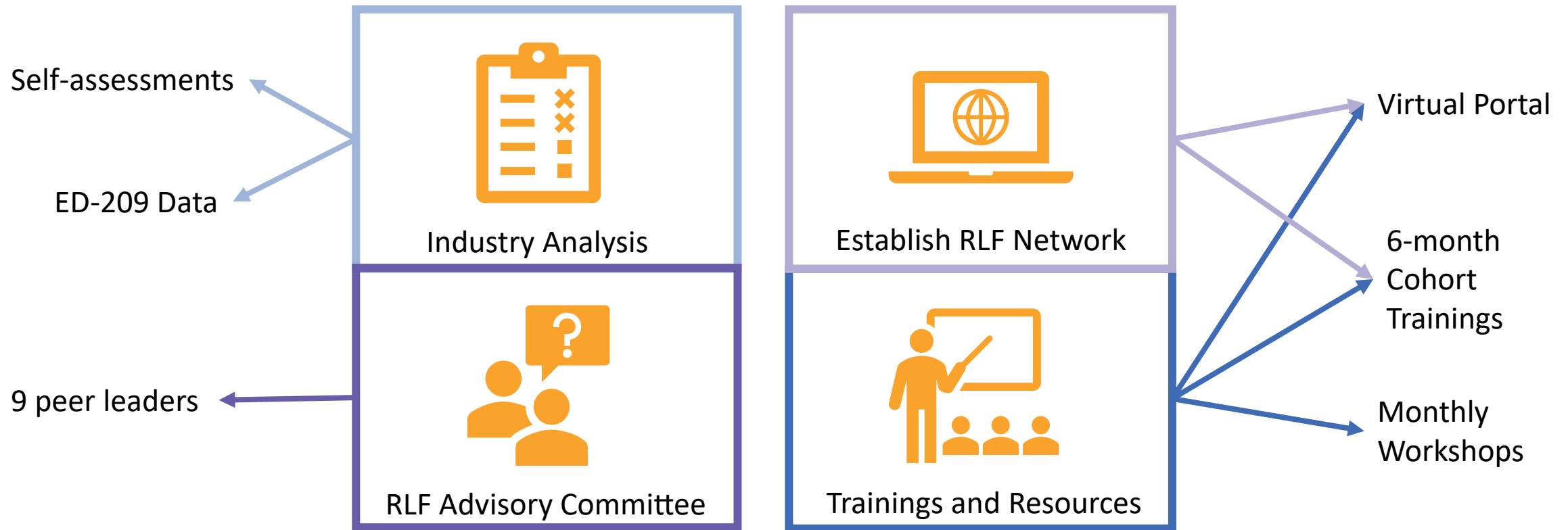
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RLF CoP Objectives

Increase the capacity of RLFs to meet the needs of their local economic develop 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



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Today's Topics

1. Reinvigorating Lending for the Future Act
2. General Requirements to Defederalize
3. Defederalization Process
4. Required Documentation
5. Benefits to Defederalization
6. How RLF Administrators have Used Defederalized Funds
7. Innovative Ways to Use Your Defederalized Funds
8. Panel Discussion and Audience Q&A

Reinvigorating Lending for the Future Act (RLF Act)

This legislation...

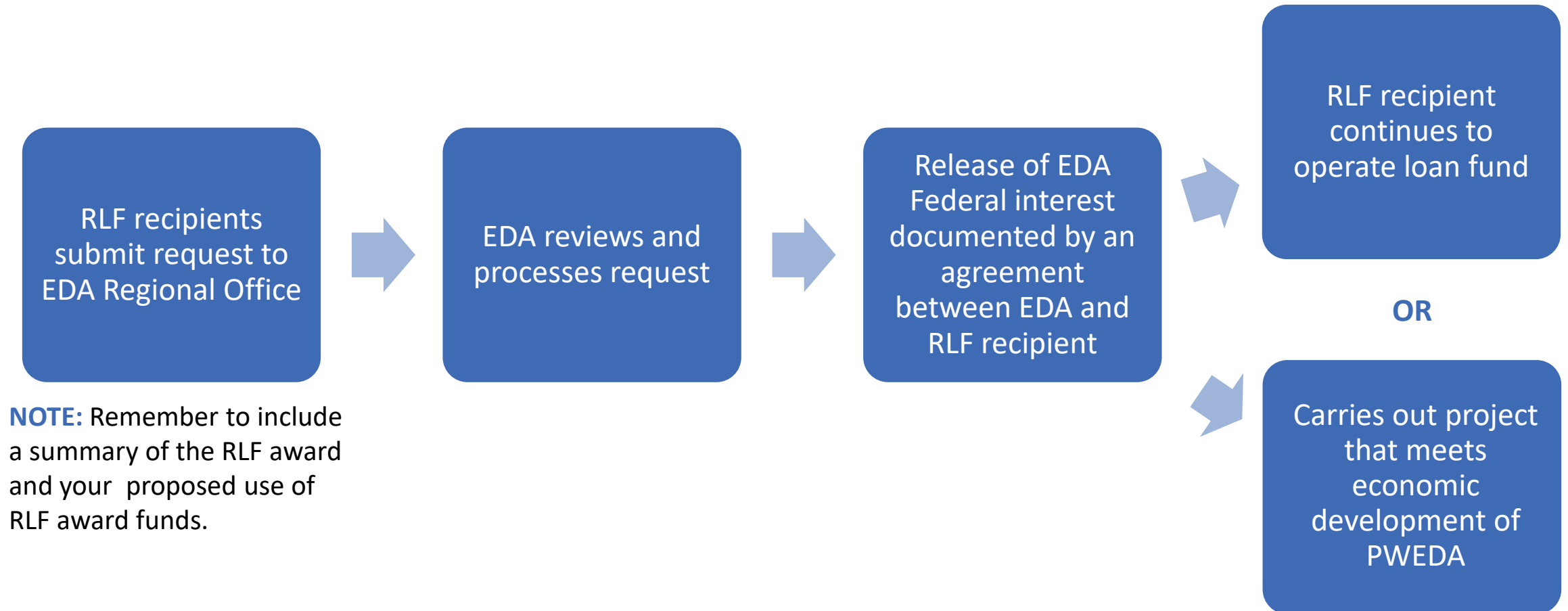
- Enables EDA to release Federal Interest in RLF Award
 - NOTE: Section 602 (Davis Bacon) requirements continue to apply
- Confirms the process to defederalize RLF funds:
 - RLF recipient makes written request for release
 - EDA makes determination in 180 day
 - RLF Act enables EDA an additional 180 days, if necessary

General Requirements to Defederalize

- ☐ More than 7 years have passed since the final EDA disbursement
- ☐ The RLF recipient has complied with the terms and conditions of the RLF award
- ☐ The RLF award funds will be used to carry out one or more activities that continue the economic development purposes
- ☐ Requests describe how funds will be used



Defederalization Process



Required Documentation

- ☐ Letter identifying award information, including:
 - award number, date of award, federal investment rate
 - certifications that your organization has complied with the terms and conditions of the RLF award
 - evidence final disbursement occurred more than 7 years ago

- ☐ Final RLF Financial Report (ED-209)
 - value of the RLF capital base



Required Documentation

- ☐ Proposed use of RLF award funds:
 - continued operation of the RLF,
 - one or more activities that continue to carry out the economic development purposes of PWEDA
- ☐ Resolutions/letter from your organization's Board of Directors:
 - supporting the request to release EDA's federal interest
 - committing to using the RLF for one or more activities that continue to carry out the economic development purposes of PWEDA in compliance with ongoing restrictions required by the Act as articulated in the release agreement

Benefits of Defederalization

No More Reporting

Board/Committee Decides on Guidelines

- Lending area
- Job creation ratio
- Leverage ratio
- Combine with other accounts

Flexible Lending

- Amount/Rate/Terms
- No Third-Party Lender required
- Reduced equity requirement

How RLFs have Used Defederalized Funds

Grow America used its defederalized funds for a **state-wide loan fund** in WA.

In the Atlanta region, an EDD had an SBA lending area larger than their EDA lending area. They used their defederalized funds to **expand into other counties** outside the EDD and in their SBA lending area.

An RLF in California used its defederalized funds as the **match for a new EDA grant award** application that will be used to expand its existing RLF.

Many organizations have used their defederalized funds for **construction**.

Innovative Ways to Use Defederalized Funds

Flexible lines of credit, purchase order financing, invoice factoring

Equity financing – growth capital for higher risk/ return prospects

Employee ownership financing – opportunity for generational wealth transfer with “silver tsunami”

Provide hard-to-find **bridge capital** for growing firms between larger raises

Nonprofit finance, recoverable grants, bridge financing for grant fundraising

Revenue based financing (**RBF**), Redeemable Equity Investing (**RE**)

Key Reminders for Using Defederalized Funds

RLFs are flexible, defederalized funds are even ***more*** flexible.

- With defederalized funds, EDA is more concerned with the outcomes and less with the specifics of implementation.
- Defederalization offers the opportunity to:
 - Listen to the needs of your community and creatively structure capital to match specific circumstances
 - Consider funding projects, partnerships, or use of funds that other funders can't do

Thank you for attending Defederalizing a Revolving Loan Fund

For more information or further questions, you can...

- visit: <https://rlf-cop.growamerica.org/resource/defederalized-eda-rlfs-workshop/>
- contact Mary Louk: mlouk@growamerica.org
- contact your local EDA RLF Administrator



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