



Understanding New Revisions to the EDA RLF Program

Implementation of RLF Risk Analysis System

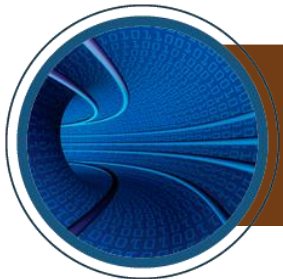
November 2018



REVISED RLF REGULATIONS AND RISK ANALYSIS SYSTEM



RLF REPORTING AND RATING LEVELS



RLF BEST PRACTICES PROGRAM



REVISED EDA REGULATIONS, EFFECTIVE JANUARY 2, 2018



RLF STANDARD TERMS AND CONDITIONS REVISED MARCH 14, 2018



RISK ANALYSIS SYSTEM FINALIZED MARCH 16, 2018



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 § 307.6]



- About 520 EDA-funded RLFs nationwide
- EDA investment of \$538 million
- Combined capital base of about \$823 million
- 37,500 loans made and 662,000 jobs created/retained
- \$3 billion lent and \$16 billion leveraged



Risk Rating

C – Capital

A – Assets

M – Management

E – Earnings

L – Liquidity

S – Strategic Results



RISK RATING – HOW AND WHY



U.S. DEPARTMENT OF COMMERCE
 Economic Development Administration
 Austin Regional Office
 903 San Jacinto, Suite 206
 Austin, TX 78701

November 1, 2018

Economic Development Administration
 903 San Jacinto Street
 Austin, TX 78701

Re: Annual Risk Rating for EDA Award Number(s): 08-19-00000

Dear RLF Operator:

AURO EDA has determined that the annual risk rating for the above-referenced Revolving Loan Fund (RLF) award is: Level B. This rating was determined using the information submitted in the RLF Financial Report (Form ED-209) for June 30, 2018.

Risk Analysis System Scoring

The aggregate score for the above-referenced RLF award on the fifteen measures of the Risk Analysis System is: [35]. Generally, RLFs that score [40] and above are rated as Level A; RLFs that score from [30] to [39] are rated as Level B and RLFs that score [29] or lower are rated as Level C. However, EDA has the discretion to lower the overall rating level of an RLF (but not the individual scores of the fifteen measures) to account for the specific circumstances of the RLF. The following table displays the scores for the fifteen Risk Analysis System measures that compose the rating for the above-referenced RLF award. Measures are scored from 1-3, with 1 being identified as weaknesses for the RLF.

<u>Capital</u>	<u>Management</u>	<u>Earnings</u>
<u>[1]</u> Capital Base Index	<u>[3]</u> RLF Plan	<u>[3]</u> Net RLF Income
	<u>[3]</u> Financial Control	
<u>Assets</u>	<u>[3]</u> Timely and Complete	<u>Liquidity</u>
<u>[1]</u> Default Rate		<u>[3]</u> Cash Percentage
<u>[2]</u> Default Rate over Time		<u>[3]</u> Cash Percentage over Time
<u>[1]</u> Loan Write-Off Ratio	<u>Reporting</u>	
<u>[2]</u> Dollars Written-Off	<u>[1]</u> Tenure	<u>Strategic Results</u>
	<u>[3]</u> Financial Reporting	<u>[3]</u> Leverage Ratio
		<u>[3]</u> Cost per Job

Reporting Frequency

An RLF award rated Level B or Level C must report on a semi-annual basis. Your next report is due on December 31, 2018.

Note: The ED-209 report is considered late and out of compliance after 60 calendar days following your second quarter and fiscal year end. **Reminder**, when completing your ED-209 reports, make sure to fill in each blank completely. I have been directed by headquarters to return any ED-209 reports and consider them late when they are not completely filled out.

Allowable Cash Percentage

The Allowable Cash Percentage (ACP), for RLF awards administered by the Austin Regional Office, for calendar year 2018 is 27.73%. During the Revolving Phase of the above-referenced award, the repayment and lending schedule of the RLF must be managed such that the award does not exceed the ACP. RLF awards with more than 50% of the RLF Capital Base, held as RLF Cash Available for Lending, for more than 24 months, may be subject to partial termination of the RLF award.

Note: The ACP averages the percentage of the RLF Capital Base, maintained as RLF Cash Available, for Lending in the Austin Regional Office portfolio, of RLF awards. On or before December 31, each year EDA plans to notify RLF Recipients of the ACP for fiscal years beginning in the ensuing calendar year.

Please feel free to reach out with any questions to LaDonna Barbee, RLF Administrator, at 512-381-8162 or by email at lbarbee@eda.gov.

Sincerely,

LaDonna Barbee

LaDonna Barbee
 RLF Program Analyst/Administrator, Austin
 U.S. Economic Development Administration

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 weaknesses, for example:
Questioned Costs, Insolvency, 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~~ → Allowable Cash Percentage
“75% Rule” Regional Average
Sequestered Excess Cash 2 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

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

*Update Annually



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

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

**ED-209 REPORT IS DUE
90 DAYS AFTER FYE**

ANNUAL SINGLE AUDIT

40 - 45 = A

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

**ED-209 REPORT IS DUE
30 DAYS AFTER FYE
& AGAIN IN 6 MONTHS**

ANNUAL SINGLE AUDIT

30 – 39 = B

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	

“C” Rated RLF



SEMI - ANNUAL REPORTING

**ED-209 REPORT IS DUE
30 DAYS AFTER FYE
& AGAIN IN 6 MONTHS**

CORRECTIVE ACTION PLAN

ANNUAL SINGLE AUDIT

15 – 29 = C



RISK RATING – HOW TO INCREASE YOUR RATING



1. Reporting Aligned to RLF Recipient's Fiscal Year End
2. RLF Portfolio Loan List
 - Portfolio Loan List spreadsheet and Form ED-209 (PDF) are password protected prior to emailing to EDA
 - Portfolio Loan List shows all loans in portfolio history
3. Expense Reporting Aligned to Fiscal Year (12 months)
4. ED-209I no longer needed
5. Annual Audit Required for all RLFs



AUDITS - TYPES



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



Part II: Portfolio Financial Status

A. RLF Funding Sources

1. EDA Funding:
2. Local Match:
3. Total RLF Funding:

Federal Grant Rate

0.00%



FEDERAL GRANT RATE % CALCULATION:

PART II / A.1 (EDA FUNDING) / PART II / A.3 (RLF FUNDING)



Part IV: Risk Scoring Measures

A. Capital

1. Capital Base Index:

B. Assets

1. Default Rate:

2. Default Rate over Time: months

3. Loan Write-Off Ratio:

4. Dollars Written-Off:

C. Earnings



1. Net RLF Income:

2. Administrative Expenses % of Income, Fiscal Year:

3. RLF Income used for Admin. Expenses, Fiscal Year:

4. RLF Income earned during Fiscal Year:



D. Liquidity

1. Allowable Cash Percentage:

2. Cash Percentage:

3. Cash Percentage over Time: months



CURRENT CAPITAL BASE / INITIAL CAPITAL BASE = GROWTH

ALLOWABLE CASH % = PROVIDED BY EDA

NO BLANKS



C. Status of RLF Capital

1. Total RLF Funding:	\$ 0.00
2. RLF Income Added to Capital Base for Lending:	\$ 0.00
3. Voluntarily Contributed Capital:	\$ 0.00
4. Loan Losses:	\$ 0.00
5. Disallowance:	\$ 0.00
6. RLF Capital Base:	\$ 0.00

D. Current Balance Available for New Loans

1. RLF Principal Outstanding on Loans:	\$ 0.00
2. RLF Cash Available for Lending:	\$ 0.00
3. RLF \$ Committed but Not Disbursed:	\$ 0.00
4. RLF Cash Available for Lending, Net of Committed RLF \$:	\$ 0.00
5. RLF Cash Available for Lending, % of Capital Base:	0.00%



CASH PERCENTAGE (RLF CASH AVAILABLE FOR LENDING, % OF CAPITAL BASE) IS COMPARED TO ALLOWABLE CASH PERCENTAGE (ACP, UPDATED EACH YEAR)

NO BLANKS



- Excess cash no longer automatically sequestered.
- Instead the excess cash is considered as one factor in the Risk Analysis rating for the Recipient.
- Sequestration or Disallowance of the excess funds is viewed as an option to obtain compliance with the terms of the RLF grant award.



D. Retention of Key Personnel

	<u>Name</u>	<u>Title</u>	<u>Tenure</u>
1. Executive Director:			(Please make a selection)
2. Lending Director:			(Please make a selection)
3. Finance Director:			(Please make a selection)
4. Reporting Official:			(Please make a selection)

NO BLANKS



U.S. ECONOMIC DEVELOPMENT ADMINISTRATION

Portfolio Loan List



A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	
Recipient ID	Recipient Name	Recipient Location	Loan Purpose	Loan Description	Project NAICS Code	Borrower Funding	Private Funding	Public Funding	RLF Funding	Loan Closing Date	Loan Term	Loan Interest Rate	Modified Loan	Loan Status	Loan Status Date	Loan Payment Amount	Payment Schedule	Principal Repaid	Interest Paid	

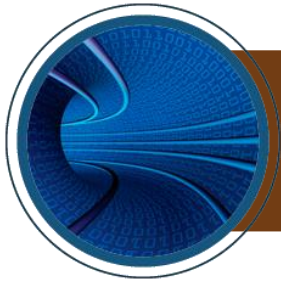
RLF PORTFOLIO HISTORY



PORTFOLIO HISTORY – HOW AND WHY



ED-209 REPORTING AND OIG



CDFA/ EDA - RLF Best Practices Program



Council of Development Finance Agencies is providing a FREE resource to EDA's RLF grantees:

https://www.cdfa.net/cdfa/cdfaweb.nsf/pages/eda_rlfprogram.html

EDA Revolving Loan Fund Webinar Series

- Exclusive online learning environment through CDFAs established webcast system.
- Module will include 12, ninety minute, webinars focused on specific RLF program management best practices.



EDA Revolving Loan Fund Training

- “Intro Revolving Loan Fund Finance Course” in each of EDAs six regions.
- Course curriculum will be tailored to address the specific needs of EDA RLF grantees with a focus on introductory elements related to:
 - program design
 - marketing
 - management
 - decision making
 - pre- and post-loan closing processing
 - disclosure and monitoring
 - underwriting strategies
 - program expansion
 - evaluations
 - program risk strategies



Home / Revolving Loan Fund

REVOLVING LOAN FUND

Revolving Loan Fund
RLF Reporting
Economic Development Directory

- Resource Directory
- Disaster Recovery
- Annual Reports
- Stay Connected
(Subscribe to EDA's monthly e-newsletter)

REVOLVING LOAN FUND

UPDATED RLF REGULATIONS

EDA recently published revisions to the regulations implementing the Public Works and Economic Development Act, which govern EDA's Revolving Loan Fund (RLF) Program. Read the full text of the revisions. **The updated regulations took effect on January 2, 2018.**

The updated regulations establish the Risk Analysis System, which is designed to provide more efficient oversight of the RLF Program. The Risk Analysis System has been finalized and is published here along with the responses to the related public comment. [\(PDF\)](#)

For more information about the Risk Analysis System, including scoring, implementation, and performance improvement, please see EDA's notice in the Federal Register for the draft measures of the Risk Analysis System, which was published on December 1, 2017.

RLF REPORTING

RLF SUCCESS STORIES

- Excel Boats Rebuilds Manufacturing Center in Mountain View, Arkansas After Tornado Devastation
- Mid-Columbia Economic Development District Gives Small Businesses a Boost with Revolving Loan Fund
- Kansas' Thunder Struck Inc., Expands Thanks to EDA Revolving Loan Fund Program
- EDA Revolving Loan Fund Critical to the Success of Cedar Rapids' Geonetric
- The River Valley Regional Commission Revolving Loan Fund Success
- Hardware Hank, Ortonville, Minnesota
- Innovative Senior Solutions, Cordele, Georgia
- Kreinik Manufacturing Company, Parkersburg, West Virginia
- Trinity Hotel, Carlsbad, New Mexico

LOCATE AVAILABLE REVOLVING LOAN FUND GRANTEE'S BY STATE

Click on a state in the image below or select from the following drop down menu.

Alabama

Go



Contact Mitchell Harrison for further information or RLF program questions, mharrison@eda.gov.



FEDERAL GOVERNMENT – invest in the REVOLVING LOAN FUND (RLF)

REVOLVING LOAN FUND (RLF) – invest in SMALL BUSINESSES

SMALL BUSINESSES – invest in the COMMUNITY

WE ALL – invest in the ECONOMY





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Thank you.