



Understanding EDA Revolving Loan Funds

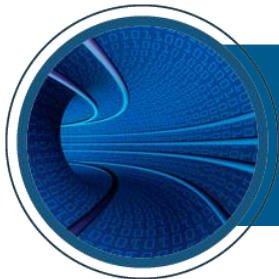
September 2019



EDA RLF RISK ANALYSIS SYSTEM



EDA RLF REPORTING AND THE RISK ANALYSIS SYSTEM



REVIEW AND QUESTIONS



Did you know?



- Over 500 EDA-funded RLFs nationwide
- EDA's investment in RLFs is approximately \$566 million
- EDA RLFs have a combined capital base of approximately \$870 million
- In 2018, there were approximately 37,500 loans made and 662,000 jobs created or retained
- EDA RLFs have lent over \$3 billion with another \$16 billion leveraged
- Nice job, everyone!





**REVISED EDA REGULATIONS, EFFECTIVE
JANUARY 2, 2018**




RISK ANALYSIS SYSTEM FINALIZED MARCH 16, 2018



**RLF STANDARD TERMS AND CONDITIONS REVISED
APRIL 30, 2019**

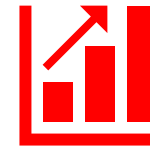
Reporting Changes



- Reports now align with RLF Recipient's fiscal year end
- RLF Portfolio Loan List
 - Portfolio Loan List spreadsheet and Form ED-209 (PDF) are password protected
 - Portfolio Loan List is comprehensive! Must reflect entire lending history
- ED-209I no longer needed – expenses are aligned with entire fiscal year 
- Annual audit now **REQUIRED** for all RLFs (regardless of age, activity).



Risk Rating Metrics



C – Capital

A – Assets

M – Management

E – Earnings

L – Liquidity

S – Strategic Results

Capital



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

Assets



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%

Assets



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 expired but less than 6 years since last update	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 may include 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%



US Department of Commerce
Economic Development Administration

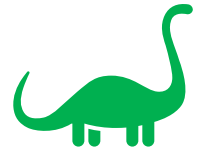
EDA Regions



EDA Regional Offices/University Centers

Atlanta Austin Chicago Denver Philadelphia Seattle

75% Capital Utilization NO LONGER USED! =



Now it's the: ALLOWABLE CASH PERCENTAGE (ACP)

Based upon each RLF Region's average percentage of cash on hand for lending. Determined by EDA on an annual basis. Currently 34% for Chicago Region.

Liquidity



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



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

Strategic Results



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



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



SCORE= 40 – 45

ANNUAL REPORTING

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

ANNUAL SINGLE AUDIT



= 40

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



SCORE = 30 – 39

2 REPORTS PER FISCAL YEAR

ED-209 “ANNUAL” REPORT IS DUE 30 DAYS AFTER FYE

ED 209 “SEMI-ANNUAL” REPORT IS DUE 30 DAYS AFTER THE MID-YEAR SEMI-ANNUAL DATE

ANNUAL SINGLE AUDIT

= 38

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



SCORE= 15-29

2 REPORTS PER FISCAL YEAR

ED-209 “ANNUAL” REPORT IS DUE 30 DAYS AFTER FYE

ED 209 “SEMI-ANNUAL” REPORT IS DUE 30 DAYS AFTER THE MID-YEAR SEMI-ANNUAL DATE

CORRECTIVE ACTION PLAN

ANNUAL SINGLE AUDIT

Portfolio Loan List



Borrower	Private Funding	Public Funding	RLF Funding	Loan Status	Interest Paid	Fees Paid	Loan Principal Balance	Jobs Created	Jobs Saved
\$ 99,016.00	\$ 657,270.00	\$ 35,000.00	\$ 115,000.00	Current	\$ 24,069.11	\$ 1,250.00	\$ 20,308.47	7	0
\$ 60,000.00	\$ 113,000.00	\$ -	\$ 72,000.00	Current	\$ 3,402.58	\$ 820.00	\$ 56,462.30	1.5	0
\$ 100,000.00	\$ -	\$ -	\$ 50,000.00	Current	\$ 1,832.23	\$ 600.00	\$ 40,782.27	14	0
\$ 110,000.00	\$ -	\$ -	\$ 50,000.00	Current	\$ 951.67	\$ 500.00	\$ 44,177.97	0	0
\$ 30,000.00	\$ 164,300.00	\$ -	\$ 45,000.00	current	\$ 5,119.93	\$ -	\$ 32,476.67	2	0
\$ 364,744.11	\$ 531,250.00	\$ 364,744.11	\$ 45,676.03	delinquent	\$ 32,831.09	\$ -	\$ 42,007.12	8	0
\$ -	\$ -	\$ -	\$ 31,742.45	delinquent	\$ 3,214.53	\$ 45.00	\$ 22,911.98	2	0

Corrective Action Plan



Deliverables	Due Dates
Provide Updated RLF Plan to EDA for review and approval	
Marketing Plan and Updating Website	
Quarterly Loan Status Updates provided to EDA	
Execute a Corrective Action Plan for Audit Findings related to internal controls and timely submittal	
Provide documentation of training – 4 CDFA “RLF Best Practices” Webinars	



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Thank you!