

Economic Development Administration  
Revolving Loan Fund NPRM Webinar  
Tuesday, November 15, 2016 – AdobeConnect

An informational webinar was conducted on Nov. 15, 2016. The webinar summarized the Notice of Proposed Rulemaking (NPRM) published on Oct. 3, 2016 (81 FR 68186) that proposed regulatory changes to the Economic Development Administration's (EDA) Revolving Loan Fund (RLF) program. The comments below were recorded during the Nov. 15 webinar from the AdobeConnect "Notes" and "Chat" boxes.

Notes:

Good afternoon.

Feel free to use the Chat function to submit questions or comments during the course of the webinar.

THANK YOU ALL FOR JOINING THE WEBINAR TODAY. I am going to close the webinar in just a minute.

The recording will be available through EDA's website and hosted on EDA's YouTube page.

The slides will be available through EDA's website as well as a transcript of the webinar.

The questions and comments will be further reviewed [sic] and included in the review and response for the Final Rule.

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Chat:

Economic Development Administration - PNP: Feel free to use the Chat function to submit questions or comments during the course of the webinar.

Vicki Eggers: Is there any audio? I'm not hearing anything.

Roxann: Good morning everyone

Lynn Head: No sound, after having sound during test check

Pat: No sound here either

Donna Lee: no sound either

Carol Sorensen: I do not have sound either

Alene Carr: No sound here either.

Jeff Pillas: no sound either

Roxann: me either

Nancy: No sound on PC or on the phone line

Julie Corey: No sound eiter

Nestor Correa: no sound in LA

Cheryl Dickinson: no sound here either

Pilivesburg Salanoa: No sound either

Cory: No sound here either

Angelina Billo: No sound

Jamie Brockwell: Quiet here as well.

Jeff Hanan: No sound on either web or phone

Arora: No sound on the phone line

Mark Keating: No sound heere either

Joe Willis: No sound

K'Nisha Gumbs: No sound

Christine Cleaver: No sound

Tim Ostroski: i have sound on my ipad

Nancy: SOund!

Andrew Standard: no sound

Lynn Head: Got it!

Vicki Eggers: Sound!

Julie Corey: I have sound on the phone now

Jeff Pillas: sound now, thanks

Nestor Correa: We have sound in LA

Pat: Yep

Christine Cleaver: Great!

Cathy Davison: I have sound Fantastic.

Patty Hess: sound good

Cheryl Dickinson: yes to sound

Nilima Kapoor: no sound

John: Sounds good here

rebecca macblane: great sound

Bridget Susel: No sound

Cecily Miller: we have sound

Mark Keating: We have sound now in Springfield

Pat: oops. Sound gone? Or is no one talking?

Natasha Koss: sound gone

Dana Northcott: No sound here

Nestor Correa: no one is talking now

John: No Joy

Jonathan Corso: He's on mute

SCTDD: there is no sound because they have nt started yet

John: Mute - check

Jackie: No sound

Jim Rosenberg: Nobody's talking. Relax. (I just wanted to see my name on the screen.)

Ann Alford: They are on but starting in a couple minutes

Dana Northcott: Good call, Jim.

Guest: Test

Gregg Foster - RREDC: Test

Greg Garrett: sounds good here

Holly Hakes and Kim Essary: there is a terrible echo

K'Nisha Gumbs: There is no sound

Rhonda Wojo: no echo on my end

Mark Keating: Turn thw computer sound off to eliminate the echo

Shanti: Will we have a copy of this handout?

Anita Dolan: Are we able to download the powerpoint?

Gloria Vasquez: bad connectivity

Ana: Am I able to print this powerpoint?

Greg Garrett: Powerpoint print out would be great to make notes on while we follow.

Kia Booker: Audio is going in and out...

Lolly Ravak, OMEGA: PowerPoint Questions: You can choose the Print Screen option then paste into Word.

Greg Garrett: thanks. Lolly

Ana: Thank you!

Lolly Ravak, OMEGA: You're welcome.

gary miller: are we talking about rating our loans or ourselves, as the grantee?

Angelina Billo: Can you provide a methodology on how a RLF is to be evaluated and rated? The original CAMEL system includes a comprehensive set of quantitative and qualitative factors for mid- and large financial institutions. Will EDA's CAMEL evaluation be modified and how?

Cathy Davison: how we would know our risk based category?

Nelly Rojas-Moreno: How often is this review to be completed? and Will Aeris Rating be used if available?

Gregg Foster - RREDC: We can still report 2x per year if we wish to?

Nestor Correa: What is the historical loss rate for RLF? What is driving this change?

Ann Alford: Will we be able to save and print this chat line? Some good questions here.

Teresa Liu: Is this change effective as of FY2017 - meaning no Semi-Annual report is due for March 2017?

Greg Garrett: Great question Nestor. would like to know the same.

Steve Dignam: when will the CAMELS rating be assigned

tom pellegrino: All: The EDA metrics will be disclosed in a separate notice. EDA review will be done annually

gary miller: will the "floating rate" ever go below 25% ?

tom pellegrino: Gary: it could

Forrest: So if one tribal unit is using ceds would another entity be able to use ceds?

Steven Lantsberger: Is there going to be a "phase-in" of these new rules

Andrea Newsom: Will EDA look into providing more grant funding to those that are an "A" rating and have loaned out all their funds?

Forrest: How do tribal non profits access these funds as loan funds?

Angelina Billo: May make sense to set up a threshold on the 'floating rate'.

Annie Chambers: What is the process for requesting De-Obligation of these funds?

tom pellegrino: RLF recaps can be awarded upon application and eligible match

David Zorn: you are breaking up and not audible at times

Tom: How can you speed up the defederalization process for programs that have been in place for 20 years or more? Reporting for this amount of time is time consuming and costly to manage.

David Tolces: in light of the incoming administration's goal to prohibit any new regulations, will these actually be adopted?

Rhonda Wojo: agree 100% with Tom. Please comment

Randy Griffin: Will the allowable cash on hand include an adjustment on future reports for loans committed but not yet closed?

tom pellegrino: The use of these new regs will occur during sometime in 2017

Kurt Hummel: Does it make any sense to only allow us to do risky loans that have been turned down by a bank, only allow us a 15% delinquency rate and then pressure us to make loans or be penalized for not doing loans?

Sarah Ross: Agree with Tom and Rhonda

Lolly Ravak, OMEGA: I'm with

John: Good question Kurt

Lolly Ravak, OMEGA: I'm with Tom regarding defederalization of older loan programs. Also, I agree with Kurt Hummel's comments.

tom pellegrino: Kurt: loans should be made to going concerns using prudent lending practices

Pam Carlson: Also interested in the answer to Tom and Kurt's comments

Shannon Waddell: These new regulations sound 180 degrees different than what we were told in DC just a few months ago.

Region Five: Agree with Tom in regards to defederalization

Gary O. Zabriskie, EDFP: Same comment as Tom above. Our original EDA grant for RLF use was done in 1987. We will celebrate our 30th year, unfortunately the reporting is the same as if the grant had been made last year. How is defederalization process coming along?

tom pellegrino: All: No congressional action on defed, even though we tried, we have no authorization to do so

Susan Howard: Are there slides that go along with what Patrick is discussing right now?

Tim Ostroski: I think the defederalization webinar is sometime in mid-december

Melanie Townsend: Where are the written definitions that he is flying through?

Steven Lantsberger: It would be nice if EDA defined "prudent lending practices"

Nestor Correa: The slides are not changing.

Lolly Ravak, OMEGA: The Allowable Cash Percentage concept sets restrictions on the amount of cash a recipient is allowed to have on hand. I liken this concept to bank quotas

Gregg Foster - RREDC: Perhaps we can bite at the apple on defederalization again next year? Where was opposition?

Gregg Foster - RREDC: BTW, I'm AARP eligible and was only 11 when our fund was created.

Annie Chambers: Is there anything in our ancient Assistance Agreements that prohibits us from lobbying our Congressmen/women directly?

Kurt Hummel: Prudent lending practices are what make us not do certain loans and cause our capital base to get above 25% at times but in being prudent we get penalized. The program almost lends to the idea of doing questionable loans.

Shirley Kelly: You cut out

Ryan 2: I can hear him just fine.

Shirley Kelly: I can no longer hear you

Bernadette: I can hear him

Shirley Kelly: I can hear him now

Steven Lantsberger: Dong feel bad Greg, I was 17 when our RLF was funded and have already retired once!

Kathleen Sawyer 2: So what will the reporting period be for a "C" ranking?

Gary O. Zabriskie, EDFP: Bravo on the annual reports tied to our FY not EDA's. I end up having to do 3 reports since our auditors want a FY year end report.

Rhonda Wojo: Kathleen - semi-annual

Cesar Suarez: Define Private Leverage vs Volunteer Contributed Capital vs Owner's Equity

Pilivesburg Salanoa: B & C - semi-annual

Greg Garrett: okay, Greg and Stevan, so i'm not the only one dealing with "mature" RLF resource.

gary miller: eliminate i/e statement - that's a great idea

Steven Lantsberger: Why were practitioners not queried prior to rulemaking proposals...we are in the trenches and dealing with the borrowers.

Joe Willis: NADO says there is no current stated opposition. It just hasn't been brought up for a vote beyond the House committee. it's in a fairly non-controversial bill but is hung up like all funding legislation. The hope is that it will be passed with all of the other funding bills in the lame duck session. However, there is talk of a continuing resolution instead of passing funding bills so who knows when it will be brought up for a vote

Lolly Ravak, OMEGA: I/E Statement not eliminated just added to the ED-209.

Holly Hakes and Kim Essary: ugggg, there is such bad double echo

Amy Deprez: no sound

Holly Hakes and Kim Essary: we can't understand

Tom: Who is going to pay for the cost related to legal counsel review of the loan documents going forward? Our program does not generate sufficient funds to pay for this additional legal review.

Lolly Ravak, OMEGA: Same here, Tom!

Drew Mackie: Other evidence such as? (re: turn-down letter)

Gary O. Zabriskie, EDFP: Holly, use either just the computer audio or the phone, not both.

Jeff Dietrich: We also use the SBA Microloan IRP, and these programs are becoming increasingly similar. Not in a good way.

Steven Lantsberger: Who must certify the lack of financing availability. This seems way too subjective wherein the RLF would run greater risk to the loan being disallowed. Yikes!

Ann Alford: Is this information being read going to be available to us? The

Holly Hakes and Kim Essary: we are only listening via computer audio

Kia Booker: If you are getting an echo, you probably dialed in and are also using your computer's audio. Please choose one or the other.

Jeff Dietrich: This presentation will be available on YouTube once complete.

Holly Hakes and Kim Essary: no we have not dialed in

Gary O. Zabriskie, EDFP: To join by audio conference: - Dial-in: 800-832-0736 Conference Room Number: 4130458

Sandra Easdale: Will we be able to get copies of slides?

Joe Landy: Besides a "turn down" letter, what would you accept as acceptable documentation?

Ann Alford: Is this not going to be available in printed form?

Lolly Ravak, OMEGA: It is all in the NPRM

Teresa Miller: For our SBA ILP program we utilize a statement from our office with evidence why the borrower would most likely have been turned down by a bank.

rebecca macblane: Would you please load this presentation on the EDA website when the presentation has ended?

Joe Landy: thanks Teresa

Teresa Miller: np

Holly Hakes and Kim Essary: Number: 4130458 being told this is invalid room number

gary miller: did you say that there is a proposal to NOT add rlf to the SEFA?



Steven Lantsberger: The loan leveraging ratio is nearly impossible to meet. We are helping companies that do not have the means to secure traditional credit...yet we are mandating 2:1 leverage. Borrowers that are not bankable are going to come up with \$200K cash, etc. on a \$100,000 RLF loan. In essence a very low loan to value of the project.

David Zorn: you broke up and were not audible on the major changes just presented

Gary O. Zabriskie, EDFP: Holly, I copied and pasted that from e-mail from EDA.

Ryan 2: I heard him just fine., David.

Debra Peters-NCRPC: Regarding using less than 100% of income for administration being tied to CAMELS rating, please keep in mind that some RLFs are trying to keep the RLF interest rate offered at the lowest possibly rate - which may results in 90% of the RLF income to be used for administration expense. So please do not penalize us for using the majority of RLF income for administration. Thank you for your consideration of this matter.

Nelly Rojas-Moreno: are the leverage requirements regulation? can they be chaged? it is hard to find a bank/partner to fund these high risk loans.

Steven Lantsberger: Please provide information so we can contact our local congressperson to get the legislative fix to release the federal interest. 40 years is a long time...

Kurt Hummel: Is there any possible way for us to buy out the EDA's original investment and for us to keep the excess income to move forward but no longer be required to do any reporting or follow EDA guidelines?

Fatima: PLEASE, can you make this presentation available to us on the EDA site? We only see bullet points.

Kathleen Sawyer 2: there has been a great deal of information narrated thus far; perhaps a webinar or tutorial in completion of the actual new reporting forms that i assume will be forthcoming

Tom: The defederalization of funds has been goinog on for at least 10 years. Is Congress not listening or has it never been place on the agenda for Congress to vote on the defederalization?

Audra Kelly, Jolly: Our title attorney prepares all of ourl loan documents. Would we still be required to provide additional legal certification?

David Zorn: could you briefly review those certification requirements

Rosalind Black: How is this different from Aeris?

gary miller: initially will the rating be based on info in our ED209 ?

Randy Stallings: What is the federal register number of the notice published in October?

Lolly Ravak, OMEGA: A concern with the Risk Analysis System is that it may place added burdens on the recipients, i.e., additional monitoring, financial controls, reporting requirements, loan closing and disbursement schedules, etc. Since many of the RLF programs have small or part-time staff, this could prove problematic to maintain compliance and result in the suspension or termination of the program.

Jeff Pillas: Does defederalization actually have a chance

Steve Dignam: Will the annual reporting requirement for CAMEL "A" RLF's be tied to our fiscal year end?

Teresa Pridemore: we can not access you tube. Our internet filters will not allow us.

Nestor Correa: Will the risk rating be based on the grantee's fiscal year end?

Fatima: so, no power point presentation is going to be available?

Debra Peters-NCRPC: Also related to keeping RLF administration as less than 100%, keep in mind that the new rule for attorney review of all standard closing docs will add to the administration cost.

Tom: If attorney certification is approved does this look forward only? We would not want to pay the attorney to look back at our existing portfolio. This would be at great expense

Patty Hess: How often will RLF receipts be required to have their loan documents certified?

Nestor Correa: Will the three of you remain with EDA with the change of administrations?

alan singer: the poll is now closed

Alene Carr: I agree. Having an attorney look at every new loan closing document will add tremendously to our administration costs!

alan singer: Alane - I second that

Sandy Shively: I agree with Alene Carr. Seems excessive and stating that we do not know what we are doing.

Ann Alford: Agree with Alene - It will only add to the use of Admin funds

gary miller: seemed to be a very one-sided presentation.... ??

Gary O. Zabriskie, EDFP: Seems like there ought to be a delay in implementing this since there is a lame duck administration and likely major deregulation in the new administration.

John: Yes, does each new loan to be legally reviewed? Or do our closing documents need to be reviewed by legal?

Tom: Legal fees will get out of hand if we have to have an attorney certify compliance

Steven Lantsberger: are the presenters going to read the chat comments and respond?

Linda Wunsch: I agree with Gary

Teresa Miller: I would suggest possibly a legal review of our documents on an annual basis.

Sandy Shively: It seems like there are a lot of questions posted here that have not been answered. How will we find the answers to these questions?

Jonathan Jackson: comments will be responded in a write-up, they said

Ann Alford: Power point slides are not what I need - I need a copy of the verbal presentation

sam: Can you provide an English language summary of the changes?

Teresa Miller: Ann, they said you can listen again on youtube

Melanie Townsend: Yes. The slides were very sparse. A transcript of what they were reading would be GREAT!!

Debra Peters-NCRPC: Maybe the attorney review is a one-time review of the standard set of loan closing document forms and not prior to each individual loan closing?

Ann Alford: Transcript - yes

RAW: As indicated, EDA is reading all of the comments and will be considering those and responding through the Final Rule.

Patty Hess: If you use D & H software the documents are in compliance with your state and shouldn't require re-certification

Patty Hess: Debra - yes.

Suzanne Burnette: Charge the attorney

Ryan 2: I am going to get back to work. Thanks for the information.

Linda Wunsch: Perhaps we just need EDA to develop their required loan docs so we know they meet compliance!

Lolly Ravak, OMEGA: Love Linda Wunsch's idea!

Line Kruse: Perhaps, for consideration as the legal review of the complete loans documents affect the cost to the program but for our program will greatly affect the delay, as there are already many due to our economic environment. Would it at all be possible for a "transitional" period where the RLF grantees be trained by Regional offices in what it is specifically that EDA would like improved in each regional district on the loan documents. This way there are more targeted improvements to the program without the burden of bringing in attorneys for each applicant review. For consideration, thanks.

Teresa Miller: I agree with Linda as well!

Alene Carr: I agree with Linda Wunsch... If EDA wants required documents, let them create them and have them certified and then we can just implement them.

Kathleen Sawyer 2: Definitely need clarification on the legal review component. The additional cost of legal fees to either the loan-client or our agencies would appear slightly counter-productive, additional costs added to a 'higher-risk' loan? In addition, it would add another layer of time-constraint and potential delays.

Dawn Putney: We have it set in place that our attorney reviews closing documents, title, appraisals, etc. prior to closing on loan amounts over \$50,000. If the loan is less than \$50,000 we review internally. The cost of the legal review is then passed on to the borrower at time of closing. Would this be sufficient in the "legal certification"?

Manuela Zigarlick: The review is of the standard documents and not the documents for each closing. See page 68206 of the handout emailed prior to the Webinar.

Kathleen Sawyer 2: Clarification on other acceptable forms to replace 'bank turn-down' letter

Debra Peters-NCRPC: No to EDA developing their own loan docs. This may just create more red tape AND probably the investment in additional software AND fine print that either we or the borrower can't live with or comply with at the time of signing?

Economic Development Administration - PNP: Thank you again for joining the webinar. Have a great rest of the day.