Updated RLF Regulations
Implementation of RLF Risk Analysis System
December 14, 2017
EDA Revolving Loan Funds

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 § 307.7]

- About 520 EDA-funded RLFs nationwide
- EDA investment of $538 million
- Combined capital base of about $824 million
- 37,500 loans made and 662,000 jobs created/retained
- $3 billion lent and $16 billion leveraged
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Fiscal Year Reporting:

- ED-209, revised
- ED-209I, eliminated

Income/Expense Reporting:

- 12-month fiscal year
- Required audit
Allowable Cash Percentage

Capital Utilization Threshold
“75% Rule”
Sequestered Excess Cash

Allowable Cash Percentage Regional Average
1 of 15 measures
Total RLF Cash Available for Lending = $8,504,025
Total of All RLF Capital Base Amounts = $33,065,930

\[
\frac{\$8,504,025}{\$33,065,930} = 26\% \text{ Allowable Cash Percentage}
\]
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What Does Not Change?

- OUR COMMITMENT TO YOU
- FEDERAL CHARACTER OF RLF FUNDS

PERPETUITY
Risk Analysis System

RISK ANALYSIS SYSTEM AND PROPOSED MEASURES

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<table>
<thead>
<tr>
<th>Measure:</th>
<th>Determined by:</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Base Index</td>
<td>RLF Capital Base divided by the original RLF Capital Base at the time the RLF was established</td>
<td>Greater than 1.5</td>
<td>From 1.0 to 1.5</td>
<td>Less than 1.0</td>
</tr>
</tbody>
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<tbody>
<tr>
<td>Default Rate</td>
<td>RLF Principal Outstanding for Loans in Default divided by RLF Principal Outstanding for Total Active Loans</td>
<td>Less than 10%</td>
<td>From 10% to 20%</td>
<td>Greater than 20%</td>
</tr>
</tbody>
</table>

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<tbody>
<tr>
<td>Default Rate Over Time</td>
<td>Number of consecutive months where default rate is over 20%</td>
<td>Less than 12 months</td>
<td>From 12 to 24 months</td>
<td>More than 24 months</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Measure: Loan Write-Off Ratio</th>
<th>Determined by: The ratio of the number of loans written-off to the number of “inactive loans” (calculated as number of total loans minus number of active loans).</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 1 out of every 6</td>
<td>From 1 out of every 6 to 1 out of every 4</td>
<td>Greater than 1 out of every 4</td>
<td></td>
</tr>
</tbody>
</table>

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<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars Written-Off</td>
<td>Loan Losses divided by the difference between Total RLF Dollars Loaned and</td>
<td>Less than</td>
<td>From 10% to</td>
<td>Greater than 20%</td>
</tr>
<tr>
<td></td>
<td>Total RLF Principal Outstanding.</td>
<td>10%</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

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<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Control</td>
<td>Number and magnitude of audit findings</td>
<td>No findings</td>
<td>Minor findings</td>
<td>Material findings*</td>
</tr>
</tbody>
</table>

* Material findings pertaining to Organization, Questioned Costs, Solvency, Interrelated party transactions
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</tr>
</thead>
<tbody>
<tr>
<td>Tenure</td>
<td>Shortest tenure of Executive Director, Lending Director, Finance Director, and Reporting Official</td>
<td>Greater than 3 years</td>
<td>From 2 to 3 years</td>
<td>Vacancy or less than 2 years</td>
</tr>
</tbody>
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<tr>
<td>RLF Plan</td>
<td>Updated RLF Plan where EDA has not granted a time extension</td>
<td></td>
<td>RLF Plan up to date, updates submitted at least every 5 years</td>
<td>Updated RLF Plan received more than 5 years since its last update but within 6 years</td>
</tr>
</tbody>
</table>

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<tr>
<td>Financial Reporting</td>
<td>Date RLF Financial Report, ED-209 submitted to EDA</td>
<td>On time with no corrections needed</td>
<td>Up to 60 days late and/or returned to RLF Recipient for minor corrections</td>
<td>More than 60 days late; or sent back for major revision</td>
</tr>
</tbody>
</table>

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| Measure: Timely and Complete Reporting | Determined by: Date audit and/or additional reports (such as SF-425 or Corrective Action Plan) submitted to EDA | 3 - On time | 2 - Up to 30 days late | 1 - Up to 30 days late |

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<table>
<thead>
<tr>
<th>Measure: Net RLF Income</th>
<th>Determined by: Portion of RLF Income Used for Administrative Expenses divided by Total RLF Income</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 50%</td>
<td></td>
<td>From 50% to 100%</td>
<td>More than 100%</td>
</tr>
</tbody>
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<tr>
<td>Cash Percentage</td>
<td>RLF Cash Available for Lending divided by RLF Capital Base</td>
<td>Less than 90% of the ACP</td>
<td>From 90% to 110% of the ACP</td>
<td>More than 110% of the ACP</td>
</tr>
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<tr>
<td>Cash Percentage</td>
<td>Length of time where the Cash Percentage exceeds the Region's ACP</td>
<td></td>
<td>Less than 12</td>
<td>More than 24</td>
</tr>
<tr>
<td>Over Time</td>
<td>months</td>
<td></td>
<td>From 12 to 24</td>
<td>months</td>
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**Strategic Results**

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<tbody>
<tr>
<td>Cost Per Job</td>
<td>RLF Dollars Loaned divided by Total Jobs compared to RLF Plan Target</td>
<td>Less than 90% of RLF Plan target</td>
<td>90% to 110% of RLF Plan target</td>
<td>Greater than 110% of RLF Plan target</td>
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<tr>
<td>Leverage Ratio</td>
<td>Total Dollars Leveraged divided by RLF Dollars</td>
<td>Meets or exceeds required leverage of 2:1</td>
<td>N/A</td>
<td>Less than 2:1</td>
</tr>
<tr>
<td></td>
<td>Loaned.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A = Annual Reporting
B = Semi-Annual Reporting
C = Semi-Annual Reporting & Corrective Action
Email: regulations@eda.gov
Include “Comments on EDA Notice” and “Implementation of Revolving Loan Fund Risk Analysis System” in the subject line of the message.

Fax: (202) 482–5671.
Please indicate “Attention: Office of Chief Counsel,” “Comments on EDA Notice” and “Implementation of Revolving Loan Fund Risk Analysis System” on the cover page.

Mail:
Ryan Servais, Attorney Advisor
Office of the Chief Counsel, Economic Development Administration,
U.S. Department of Commerce,
1401 Constitution Avenue NW., Suite 72023, Washington, DC 20230
Please indicate “Comments on EDA Notice” and “Implementation of Revolving Loan Fund Risk Analysis System” on the envelope.

Comments DUE January 2!!
Dec. 1 – Revised regulations published

Dec. 14 – Updated RLF Regulations Webinar

Jan. 2 – Revised Regulations become effective
Jan. 2 – RAS Public Comment concludes

March 31 – Final semi-annual reporting period end

June 30 – First large cohort for fiscal yearend reporting
Questions??

Thank you.

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Seattle Regional Office  
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