December 14, 2017 – Updated RLF Regulations Webinar Script

Slide 1: EDA RLF Program Changes

[SPEAKER: Dennis Alvord]

Good afternoon and good morning to those out west. My name is Dennis Alvord. I serve as Deputy Assistant Secretary for Regional Affairs at EDA. I am currently leading the agency as we await our new political leadership. Thank you for joining us today to discuss important changes to the EDA Revolving Loan Fund program. EDA is proud of its long history of providing access to capital for businesses in economically distressed areas through our RLF program, and we work continuously to improve it.

On December 2nd, EDA published revisions to the regulations implementing the Public Works and Economic Development Act, which govern EDA's RLF Program. We believe that the regulatory updates, which in part modernize EDA oversight of the RLF program through a new Risk Analysis System, will make the RLF program more flexible for RLF Recipients and will lead to RLFs becoming an even more powerful tool for economic growth, increased private investment, and job creation. The changes will reduce the burden to operate a revolving loan fund and will enable RLFs to focus on providing gap financing to businesses in their community. Collectively, these changes will reduce risk, simplify reporting, and increase accountability.

Now I will hand off the presentation to EDA colleagues Mitchell Harrison and Jeff Goldsberry to guide you through the RLF program changes. Mitchell is EDA's RLF program coordinator in Washington, DC and Jeff is an RLF Administrator in EDA's Seattle Regional Office.

Slide 2: Webinar Agenda

[SPEAKER: Mitchell Harrison]

Dennis, thank you for the introduction. And, thank you to everyone who has joined us today.

Our goal for this webinar is to walk through the RLF program changes and to encourage you to submit comments on the proposed performance measures before the deadline for public comments on January 2nd. This webinar will summarize key changes in the updated RLF regulations, present the program measures in the Risk Analysis System, and outline EDA's planned transition schedule to implement the program changes. During the webinar we invite you to submit questions and comments in the chat box, and, following the webinar, we encourage you to submit public comment to EDA by emailing regulations@eda.gov.

Slide 3: EDA Revolving Loan Funds

Before we describe the specific updates to the RLF program, I would like to provide some background on EDA and the RLF program.

EDA is committed to its mission of leading the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. EDA supports development in economically distressed areas of the United States by making strategic investments that foster job creation and attract private investment.

The RLF program has been a part of EDA's investment programs since 1975. The purpose of the RLF Program is to provide regions with a flexible and continuing source of capital, to be used with other economic development tools, for creating and retaining jobs and encouraging private investment that will contribute to long-term economic stability and growth. EDA provides RLF grants to eligible recipients, which include State and local governments, Indian tribes, and non-profit organizations, to operate a lending program that offers loans with flexible repayment terms, primarily to small businesses in distressed communities that are unable to obtain traditional bank financing. These loans enable small businesses to expand and lead to new employment opportunities that pay competitive wages and benefits.

I am pleased to say that EDA's RLF portfolio currently consists of about 520 RLFs nationwide. EDA has invested approximately $538 million in these RLFs, which have grown to a combined capital base of approximately $824 million. EDA-funded RLFs have made more than 37,500 loans to American small businesses totaling over $3 billion in loans, which have leveraged more than $16 billion non-RLF dollars. RLF Recipients report that these loans have contributed to creating or retaining more than 662,000 jobs nationwide.

Slide 4: Updated RLF Regulations

I would like to thank everyone who provided comments on the proposed updates to EDA regulations last fall. EDA reviewed the comments and incorporated many of them into the final updates to these revised regulations.

We look forward to your questions and comments on the proposed performance measures. Unfortunately, due to time constraints during the webinar and the amount of information to convey, there will be limited opportunities for us to respond to questions during today's webinar. Nevertheless, EDA wants to hear from you. We are deeply interested in your thoughts regarding these proposed measures and urge you to share your comments and questions with us. Just keep in mind that all comments and suggestions must be received by January 2, 2018. We will review instructions for submitting public comment later in the webinar.

Slide 5: RLF Program Changes

As Dennis mentioned in his introduction, this is a very exciting time for the RLF Program, and I am honored to share this opportunity to speak to all of you about the program changes and the transition schedule to implement these changes. This effort is the culmination of several years of effort and dedication by those at EDA who work with RLFs across the nation. Our hope is that, in partnership with you – our stakeholders – we will strengthen our ability to reach those who need the kind of financing that RLFs are uniquely qualified to provide and that, by doing so, we will drive economic growth like never before.

To meet these goals, the updated regulations implement a number of changes. Most notably, the updated regulations facilitate the transition to the risk-based program oversight – the Risk Analysis System. The updated regulations are also reorganized to more clearly distinguish the Disbursement Phase and the Revolving Phase of an RLF. Additionally, several definitions are added and others are clarified.

Before Jeff walks you through the Risk Analysis System, I will highlight the key program changes for RLF reporting and management.

Slide 6: RLF Reporting

One of the most exciting changes in the revised regulations is the adjusted RLF Reporting Period that RLFs requested. The updated regulations change the reporting cycle to align the reporting period to the RLF Recipient's fiscal year. Currently, RLF Recipients are required to submit the RLF Financial Report semi-annually for the periods ending September 30 and March 31. The updated regulations change this reporting period to instead align with the RLF Recipient's Fiscal Year, whether that is June 30, September 30, December 31, or another fiscal year end date.

Furthermore, RLF Income and Expenses will be reviewed on an annual basis according to the RLF Recipient's fiscal year rather than an imposed six-month reporting period.

The updated regulations implement two additional RLF reporting changes - the reporting frequency and the reporting forms. Reporting frequency will be determined by EDA's risk assessment for each RLF. High-performing RLF Recipients may be allowed to report annually, while all other RLF Recipients will continue to report semi-annually. The RLF financial report, Form ED-209, is streamlined to enable risk scoring, and the RLF income and expense report, Form ED-209I, is eliminated. EDA will instead rely on independent audits to validate appropriate accounting of RLF income and expenses.

Slide 7: Risk Analysis System

The updated regulations enable EDA to apply a risk assessment framework to RLF program oversight, which EDA has named the Risk Analysis System. The details of the Risk Analysis System and the performance measures are defined in an accompanying Federal Register Notice, which was also published on December 2nd. The metrics and measures are adapted from the CAMELS system used by the Federal Financial Regulatory Agencies to establish EDA's RLF risk assessment framework. The proposed performance measures that Jeff will present assess an RLF according its capital, assets, management, earnings, liquidity, and strategic results. By adopting this approach, EDA hopes to create better internal tools for assessing the strengths and weaknesses of each RLF and to provide RLF Recipients with an appropriate set of portfolio management and operational standards by which to evaluate their RLFs. EDA's goal is to lessen reporting and compliance burdens while providing more efficient and effective RLF program oversight.

Slide 8: Allowable Cash Percentage

The revised regulations for RLFs replace the fixed Capital Utilization Standard with the region-specific Allowable Cash Percentage. Where the Capital Utilization Standard typically required RLF Recipients to have 75% of their capital base lent out at all times, the Allowable Cash Percentage establishes a target based on peer RLF lending. That threshold will be updated annually. The Allowable Cash Percentage will be a floating rate that takes into consideration the economic cycles of the U.S. national economy and regional differences. To accommodate those differences, the Allowable Cash Percentage will be defined by each EDA regional office *individually*. By January 1st every year, each EDA regional office will inform the RLF Recipients in its regional portfolio of the applicable Allowable Cash Percentage in an effort to manage lending and repayment schedules through the ensuing fiscal year.

The updated regulations also change the sequestration requirement. Previously, failure to comply with the capital utilization requirement in successive reporting periods triggered sequestration of excess funds, thereby requiring an additional layer of reporting and possibly disallowance of Federal funds. Instead, the Risk Analysis System scores the RLF Recipient according to the Allowable Cash Percentage as one of the 15 proposed performance measures. However, the RLF Recipient may be required to develop a corrective action plan to address a persistently high cash percentage.

Slide 9: ACP Example

Based on the numbers in this example, before January 1, the EDA Regional Office would inform all RLF Recipients in the region's RLF portfolio that the Allowable Cash Percentage is 26%, which represents the sum of RLF Cash Available for Lending. The RLF Recipients in that region would also be told that they must manage their lending and repayment schedules during the ensuing fiscal year so that at all times their RLF Cash Available for Lending would not exceed 26%.

If one of the Recipients has Cash Available for Lending that does exceed 26%, the Excess Cash would no longer be subject to required sequestration. Instead, this would be considered as one factor in the Risk Analysis rating for this particular Recipient, and sequestration would be viewed as one of a range of possible remedies to obtain compliance with the terms of the RLF Grant.

Slide 10: Updates and Reorganization

In the coming months EDA will update the RLF Standard Terms and Conditions and work with RLF Recipients to update existing awards to memorialize these changes.

In addition to these program changes, the regulations are reorganized to place all pre-disbursement and disbursement phase requirements into a single section and to add clarifying language for the associated deadlines. The updated regulations also separate the compliance regulations into two different sections: one section describing those actions considered to be in noncompliance and another section listing remedies for noncompliance. In line with this approach, EDA updated the list of practices deemed to be noncompliant in order to reflect the shift to a risk-based approach.

Slide 11: What does not Change?

As you can see from this slide, two things would not change under the updated regulations. The first is the fact that RLF funds would continue to retain their Federal character in perpetuity; and, as a result, Recipients' obligations to manage their RLF funds in accordance with the terms of the awards and regulations also continue in perpetuity. We are aware that many RLFs have been operating successfully for many years … some for decades. Over the years, many of you have urged us to set a time limit, after which EDA would release the Federal interest in RLF awards. We hear you. However, the "de-federalization" of RLF awards would require a legislative act of Congress - not a regulatory change.

The second thing that will not change is our commitment to you and to the goals of the RLF program. Through this presentation, we hope to express that these changes will make it easier for RLF Recipients to do the important work that they do on a daily basis. We also hope that these changes will strengthen the RLF program, as a whole, and will enable EDA to work with RLF Recipients in more targeted, collaborative and effective ways. We believe the RLF program is a powerful tool for strengthening communities and local economies, and we remain unwavering in our support for all of you and your efforts with this program.

With this high-level overview, let's dig deeper into the Risk Analysis System and the proposed measures. As a reminder, please use the "web chat" for questions and comments throughout the remainder of the webinar; we will attempt to address as many questions as possible before the webinar concludes. However, all comments made during the webinar will be included in the transcript and will be considered along with all other public comments received during the comment period.

Now, I have the pleasure of handing you over to my colleague Jeff Goldsberry, an RLF Administrator in the Seattle Regional Office, who will walk you through the proposed performance measures and the scoring criteria.

Slide 12: Overview of Risk Analysis System

[SPEAKER: Jeff Goldsberry]

Thank you, Mitchell. Hello everyone. I'm glad to be a part of this effort and to have the chance to talk with all of you about these changes. The Risk Analysis System is a set of measures defined by EDA to evaluate an RLF Recipient's administration of its RLF and may include but is not limited to capital, assets, management, earnings, liquidity, and strategic results. By adopting this approach, EDA hopes to create better internal tools for assessing the strengths and weaknesses of each RLF and to provide RLF Recipients with an appropriate set of portfolio management and operational standards by which to evaluate their RLFs and improve performance, while providing for greater flexibility overall for EDA to prioritize and focus resources to those RLFs with substantial challenges.

Slide 13: Risk Analysis System Summary

Let's begin with a high-level summary of how the Risk Analysis System will work. EDA will use Form ED-209, audits, and other reporting requirements, as applicable, to rate each RLF annually at the RLF Recipient's fiscal yearend according to the 15 proposed performance measures. Each of the measures will be scored on a numerical scale ranging from 3 to 1, where "3" indicates exceeding the measure, "2" indicates an acceptable effort, and "1" indicates a below par performance for the indicated measure. The aggregate score will determine the RLF's risk rating as "A", "B", or "C", with each of the fifteen individual measures weighted equally.

An RLF rated as "A" will be considered a strong performer, which is managing its RLF program without any problems and with no need for intervention or assistance. RLFs rated as "B" will be those considered to be generally managing their RLF program well but possibly in need of technical assistance in one or more areas. RLFs rated a "C" exhibit performance deficiencies requiring additional oversight and intervention by the RLF Administrator. After summarizing the performance measures, I will explain the ratings and remedies to address noncompliance.

EDA aims to establish fixed rating criteria such that RLFs are rated against established criteria rather than in relation to the performance of other RLFs; however, EDA may change these rating criteria from time to time. Upon implementation, EDA will establish criteria for rating RLFs as "A", "B", or "C" using data from the first set of reports and audits submitted after implementation of the Risk Analysis System. At the conclusion of the webinar, Mitchell will outline further details for the transition to the Risk Analysis System.

Slide 14: Performance Metric – Capital

The first proposed measure in the Risk Analysis System is the "capital base index". The measure compares the current RLF Capital Base to the initial RLF funding. The RLF Capital Base is expected to be maintained, if not increased, over time in order to sustain lending activity and to carry out the purposes of the RLF Program. In addition, sufficient capital is necessary to protect the RLF from potential loan losses.

To illustrate this, let's look at a couple of examples. Let's consider an RLF that began with combined funding of $500,000 between EDA funding and local match. In this example, the RLF's Capital Base has grown to $800,000. According to the measure, that RLF would be scored as a "3". While an RLF that began with $1 million of funding reports a Capital Base of $800,000. In the second example, the RLF would be scored as a "1" for this measure.

Slide 15: Performance Metric – Assets, Default Rate

The following set of measures refer to the RLF Assets according to loan repayment, defaults, and loans written off. RLF regulations require that an RLF Recipient must adhere to prudent lending standards to safeguard the quality of the loan portfolio. Previously, EDA focused compliance on default rate without formally considering loans written off. There are four measures within this metric.

The first of those measures is “default rate”, which assesses weaknesses in loan payments or loan servicing processes. It is measured as the RLF Principal Outstanding for Loans in Default as a percentage of the RLF Principal Outstanding for Active Loans. EDA considers a high default rate as 20% or greater. Let’s look at an RLF that has loans in default, which account for 14% of that RLF’s principal outstanding. This RLF would be scored as a “2” regardless whether that amount in default consists of one loan or multiple loans.

Slide 16: Performance Metric – Assets, Default Rate Over Time

EDA will also measure “default rate over time” by looking at how long a high default rate has persisted. This measure attempts to identify possible weaknesses in underwriting, enforcement of loan terms, and/or working with borrowers to modify loan payment schedules toward the goal of achieving full repayment.

Slide 17: Performance Metric – Assets, Loan Write-Off Ratio

The “loan write-off ratio” measures the number of written off loans compared to the number of inactive loans (meaning those loans that have been fully repaid or have been written off). It will be used to identify weaknesses in loan underwriting and loan management. For example, an RLF that has made 55 loans has 10 active loans in repayment, 35 fully repaid loans, and 10 loans written off would be scored as a 2, where write offs represent 22% of ‘inactive’ loans (or 1 out of every 4.5 loans).

Slide 18: Performance Metric – Assets, Dollars Written-Off

The measure "dollars written off" will identify the financial impact of loan losses by comparing the amount of loan losses to the amount of principal repaid. As an example, an RLF that has made $4 million in loans with $800,000 of principal outstanding and has written off $300,000 of unpaid loan principal would be scored as a "3".

Slide 19: Performance Metric – Management, Financial Control

The next set of measures assess RLF Management. In order to increase the likelihood of a successful RLF, the RLF Recipient should have experience managing lending programs to be able to satisfy program, audit, RLF Plan, and reporting requirements.

The first of five Management measures assesses "financial control", and is based on audit results and audit findings. RLF Recipients subject to the single audit requirement pursuant to 2 CFR part 200, subpart F, (previously known as an A-133 audit) must demonstrate through an independent annual audit that financial controls are in place to operate the organization and the RLF according to Generally Accepted Accounting Principles, account for RLF assets, secure the use of funds, and value the RLF correctly in the audit's Schedule of Expenditures of Federal Awards. RLF Recipients not subject to the single audit requirement must submit to EDA an independent audit of the RLF grant in the first year of the Risk Analysis System and as directed by EDA thereafter.

Slide 20: Performance Metric – Management, Tenure

The "tenure" measure assesses the RLF Recipient's collective experience with the EDA RLF Program. Managing an RLF requires specialized knowledge and experience. The roles critical for a successful lending program include: Executive Director, Lending Director, Finance

Director, and Reporting Official. Vacancies or inexperience in any of these positions can lead to program neglect, weak loan generation, accounting problems, and late reporting. This measure will score an RLF according to the shortest tenure of staff in any of those positions. Where those individuals all have more than three years of experience, the measure will be scored a "3". While an RLF that has a vacancy in one of those positions would be scored a "1" for this measure.

Slide 21: Performance Metric – Management, RLF Plan

The measure, "RLF Plan," assesses whether the RLF Recipient is operating the RLF pursuant to a current, EDA-approved RLF Plan. Regulations require that the RLF Plan be updated at a minimum of every five years. Consider an RLF grant that was awarded in 2010. If a revised RLF Plan has not been submitted since the time of the award, it would be scored as a "1" until the RLF Plan was updated and approved by EDA.

Slide 22: Performance Metric – Management, Financial Reporting

The "financial reporting" measure assesses the timeliness and accuracy of RLF reporting through the standard RLF Financial Report, Form ED-209. Where the ED-209 is submitted on time and does not require revisions, the measure would be scored as a "3".

Slide 23: Performance Metric – Management, Timely and Complete Reporting

"Timely reporting" assesses the RLF Recipient's timeliness in submitting audits and any additional reporting required like the Federal Financial Reports (Form SF-425) for RLFs in the Disbursement Phase or corrective action plans. Similarly, when an RLF is required to prepare and implement a CAP, the timeliness to resolve the issue or issues subject to corrective action will be assessed in this measure. An RLF in the Disbursement Phase that submits its Federal Financial Reports and required audit on time will be scored a “3”.

Slide 24: Performance Metric – Earnings

Another performance metric in the Risk Analysis System assesses an RLF’s Earnings. An RLF Recipient is expected to manage costs and generate net income in order to maintain, if not increase, the RLF Capital Base. The “net RLF income” measure determines how well a Recipient is managing costs and generating net income by dividing the portion of RLF Income used for administrative expenses over the life of the RLF by total RLF Income, to determine the cumulative percentage of RLF Income used for administrative expenses. For example, an RLF that has used 80 percent of the RLF Income to subsidize administrative costs through the life of the RLF would be scored a “2”.

[pause for poll: What is the size of your RLF Capital Base?]

Those are the first 11 of the 15 proposed measures. Let’s take a minute for another poll while you digest these measures and I catch my breath.

Slide 25: Performance Metric – Liquidity, Cash Percentage

Great, let’s dive back in again.

The proposed performance measures that assess an RLF’s liquidity are the “cash percentage” and “cash percentage over time”. RLF Recipients are expected to maintain a robust lending pipeline and cash available for lending within a range of their region’s Allowable Cash Percentage, or ACP. Recall from earlier in the webinar, the ACP is established by the revised RLF regulations to replace the fixed capital utilization standard. The ACP is a floating rate, determined annually for each EDA region according to the region's average RLF Cash Available for Lending. The two liquidity measures are used to assess whether an RLF is actively lending.

“Cash percentage” considers the Recipient's RLF Cash Available for Lending as a percentage of its RLF Capital Base compared to the ACP for the Recipient's region. The Federal Register Notice includes an example for a region whose ACP is determined to be 30 percent. An RLF in that region with 22 percent of its Capital Base available for lending would be scored a “3”, while an RLF with 40 percent of its Capital Base available for lending would be scored a “1”.

Slide 26: Performance Metric – Liquidity, Cash Percentage Over Time

The measure “cash percentage over time” evaluates the length of time during which the Recipient's cash percentage exceeded the Region's ACP. This measure attempts to provide context for a high “cash percentage”. An RLF that maintains a balance available less than the ACP would be scored a “3”. While an RLF with early loan payoffs during the reporting period may have a high “cash percentage” but may also be scored a “3” if the high “cash percentage” does not persist across reporting periods.

Slide 27: Performance Metric – Strategic Results, Cost Per Job

The remaining measures gauge the economic development outcomes of the RLF designed to fulfill the economic development needs in the lending area. The Strategic Results performance metric assesses whether RLFs are meeting those goals by quantifying the economic impact of the RLF in its region. The two proposed measures are “cost per job” and “leverage ratio”.

“Cost per job” compares the RLF borrowers’ cumulative jobs created and retained to the lending target identified in its RLF Plan. The measure is based on the amount of dollars loaned divided by the total number of jobs created and saved, or the amount of RLF dollars loaned for each job created. So, an RLF whose approved RLF Plan states a target “cost per job” of $15,000 but has averaged $12,000 per job over the life of the RLF would be scored a “3”.

Slide 28: Performance Metric – Strategic Results, Leverage Ratio

The measure “leverage ratio” calculates whether the RLF meets the regulatory requirement of $2 leveraged for every $1 of RLF funds lent. The 2:1 requirement applies to the cumulative RLF portfolio from the time of the award rather than on a loan by loan basis. The revised RLF regulations expand the category of leveraged funds to include investment by the borrower and other public loan programs. Many RLFs far exceed the 2:1 requirement, while other RLFs may have met the requirement during their long history but recent loans are lowering their reported ratio, in some instances below the regulatory requirement. This measure scores RLFs according to whether they meet the leverage requirement (a score of “3”), or whether the portfolio is below the leverage requirement (a score of “1”).

Slide 29: Risk Analysis Scoring

Let me pause for a moment; are you still with me? Maybe you were reviewing and rating your own RLF as I walked through the measures.

These are the 15 proposed measures in the RLF Risk Analysis System as adapted from the CAMELS system. Where each measure is scored as a “3”, “2”, or “1”, the maximum aggregate score is 45 possible points, as all measures are weighted equally. Using the final semi-annual report for the period ending March 31st, 2018, EDA will evaluate each RLF to establish the criteria for “Level A”, “Level B” and “Level C” RLFs. Upon establishing that criteria, EDA intends to maintain a fixed rating criteria so that RLFs are rated according to the measures of the

Risk Analysis System rather than in relation to the performance of peer RLFs. Nevertheless, EDA anticipates learning from the implementation process and may revise scoring periodically.

Slide 30: Reporting, Rating & Remedy

At this point, you are probably wondering what all of this will mean for you, whether you would be rated as an "A", "B" or "C". RLF Recipients in Level A are managing their RLF award soundly and are almost always in compliance with EDA policies and regulations. These RLF Recipients exhibit the strongest performance and management practices, and any issues that arise are addressed in a timely manner. These RLF Recipients may be allowed to administer their RLF portfolios and resolve issues without significant EDA involvement. Level A Recipients may be allowed to report to EDA on an annual basis within 90 calendar days following the end of their fiscal year.

RLF Recipients in Level B are fundamentally sound, but some deficiencies are present and will take time to resolve. Recipients are usually in compliance with EDA regulations and policies, though, while these RLF Recipients generally exhibit satisfactory results, the RLF Administrator will provide additional oversight and attention to assist the RLF Recipient with improving its performance toward a "Level A" rating. Level B RLFs will report to EDA on a semi-annual basis within 30 calendar days following the end of their fiscal year and again within 30 calendar days of the end of the second quarter of their fiscal year.

RLF Recipients in Level C exhibit performance deficiencies requiring additional oversight and intervention by the RLF Administrator. In general, multiple measures in the Risk Analysis System are scored as a "1". Recipients may exhibit material noncompliance with EDA policies and regulations and may result in the RLF Administrator having to propose formal enforcement actions, including corrective actions, suspension, transfer, or termination of the RLF Award.

Level C Recipients will report to EDA on a semi-annual basis within 30 calendar days following the end of their fiscal year and again 6 months later. They will be required to produce a Corrective Action Plan to address areas of weakness. The RLF Recipient will have 60 days, running from the day that the RLF Recipient receives notification from EDA of its risk-analysis score, to propose its CAP. The RLF recipient will have a specified timeframe to implement the CAP, not to exceed 3 years, which will run from the day that EDA concurs with the RLF recipient's proposed CAP. (Note that there is an exception to the three-year limit for an RLF recipient who proposes to rebuild the capital base to a certain level, where up to 5 years may be granted to reach the identified target.) The CAP must include measurable targets and dates by which improvement will be achieved.

Slide 31: RLF Program Transition

This concludes the summary of the proposed RLF program measures. Now, I would like to turn you back over to Mitchell to explain the public comment instructions as well as the transition and implementation process. If enough time remains, he will try to address a few of the questions that have been submitted in the chat feature of this webinar; Mitchell.

Slide 32: Public Comment Instructions

[SPEAKER**: Mitchell Harrison]**

Thank you, Jeff. That was quite a bit of detail. For anyone with additional questions, comments, or suggestions, please use the instructions in this slide to submit public comment to EDA by January 2nd. Please note that you do not need to use all of these methods; simply select the one method that works best for you. EDA will thoroughly consider all public input prior to finalizing the measures and will post the final guidance on the EDA Web site at www.eda.gov/rlf. EDA will continue to update the webpage to become a source of current information for EDA RLFs. For example, this recorded webinar will be available from the EDA RLF webpage as soon as possible after the webinar concludes.

For further RLF Program information, you may contact me, Mitchell Harrison, by email at mharrison@eda.gov.

Slide 33: Transition and Implementation Schedule

Throughout today's webinar there have been several references to the transition to implement the revised RLF regulations and the Risk Analysis System. This slide outlines the anticipated implementation schedule as the regulations become effective, as the performance measures are finalized, and as the reporting periods transition to individual fiscal years.

[December 1] Revised RLF Regulations were published on December 1st concurrently with the Notice of the Implementation of the RLF Risk Analysis System.

[December 14] A recording of today's webinar will be available from EDA's RLF webpage in the coming week.

[January 2] The updated regulations become effective on January 2nd.

January 2nd is also the day the RAS public comment period closes.

[Spring 2018] Through the winter months, EDA will review RAS public comment and finalize the risk scoring. This spring, EDA will complete the update of the RLF Standard Terms & Conditions and will then work with each RLF Recipient to update the grant award documents, similar to what was done previously in 2007.

[March 31] The final semi-annual reporting period concludes on March 31st, and those reports using the revised ED-209 are due April 30th. Your RLF Administrator will provide the revised form this spring, and EDA will communicate each RLF's initial risk rating as soon as possible following receipt of the March 31st reports.

[June 30] While a few organizations have fiscal years that end in April or May, June 30th is the fiscal yearend for the first large cohort of RLFs in the reporting period transition. Reports for those RLFs will be due at the end of July. The remaining RLFs will report within 30 days of their fiscal yearend.

Throughout the implementation process, EDA will continue to communicate additional transition details and will work through implementing the revised regulations with you.

Slide 34: Questions??

At this point, Jeff and I will attempt to respond to some of the excellent questions that have been submitted during the webinar. Meanwhile, feel free to note our contact information to follow up individually after the webinar.

Q1. Will this presentation be available for viewing after the webinar?

A1. Yes. EDA will post a recording of this webinar on eda.gov/rlf

Q2. Will our individual operating plans need to be updated to reflect the new ranking system?

A2. EDA will provide future guidance on how the updated regulations will impact RLF plans.

Q3. Will the maximum amount of cash allowed include a line where we can include loan commitments approved but not yet closed. Often we may show cash but have commitments we are waiting to close. The reports need to have a line to deduct those pending loans that have been approved but not yet closed.

A3. The Allowable Cash Percentage measure assesses the percentage of the RLF Capital Base maintained as RLF Cash Available for Lending. RLF Cash Available for Lending excludes loans that have been committed or approved but not yet funded. So loans that have been committed or approved but not yet funded, including lines of credit, will not be considered in assessing compliance with the Allowable Cash Percentage measure.

Q4. Is this information in a printed form available to RLF operators?

A5. Yes. EDA published a notice in the U.S. Federal Register on December 1 that included the risk analysis system measures. EDA's website includes a link to that document. See eda.gov/rlf.

Q5. When will the next reports be due?

A5. EDA will provide future guidance on the transition to reporting by fiscal year.