

Welcome to RLF 201



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How Cities Navigate the New Economic Order

Save the Date for Wednesday, June 26th at 1:00-2:15 pm ET to join us for a presentation by Bruce Katz from Nowak Metro Finance Lab.



Cohort 3 application is open through June 30

*"Participating in the RLF CoP Cohort has been an invaluable experience, providing me with the essential tools and knowledge to effectively discuss and advocate for RLFs. This program has shown me the significant impact RLFs can have in supporting community members and attracting funding for our downtown area. The connections made and the supportive network built through this class have been instrumental in enhancing my understanding of these crucial financial mechanisms. **I'm excited to apply what I've learned to help our community thrive by providing much-needed access to capital.**"*

- Carlos Ortega, Executive Director at Downtown Springfield, Inc.





EDD CoP

Economic Development District
Community of Practice



More info at: www.nado.org/EDDCoP

Agenda



RLF Design

What should you think about before you write your RLF Plan?



EDA regulations

FAQs and misconceptions



Where to find helpful resources



Panel Discussion

Region XII CoG Business RLF

Business Revolving Loan Fund
Program

FACT SHEET

Total Capital Base: \$22 million

- **EDA:** 4 capitalizations
- **USDA RBEG:** 1 grant
- **USDA IRP:** 4 loans
- **USDA MPILP:** 1 grant

Region XII Development Corporation (RDC) provides loans & financial packaging assistance to businesses throughout the six counties Region XII serves. Since 1995, the RDC has provided 139 loans totaling over \$12.6 million. As a result, 1385 jobs have been created/retained, and over \$106 million has been invested in our counties.

The RDC Revolving Loan Fund contains funding provided by the six counties, the Iowa Economic Development Authority, the U.S. Department of Commerce (Economic Development Administration), and USDA Rural Development.

Loan applications are reviewed monthly by a committee of economic developers and lenders from each county served by the COG. Borrowers are required to meet investment and job creation criteria, which is further explained in this fact sheet.

**UPDATED MAY, 2022

For more information visit: <https://region12cog.org/wp-content/uploads/2022/07/Region-XII-RLF-Handout-MAY-2022.pdf>

RLF Design

Assess Your Opportunity:

- Where do financing gaps exist?
- Talk to your partners to assess need
- Where can you find capital to meet the region's need?

RLF Design

Consider Special Emphases/Targets

Why: eligibility, points, participating jurisdictions, politics, board direction, economic dev goals, etc.

- Current business growth & expansion
- Women, minority, or other under-served populations
- Specific Industry sectors, counties, census tracts, disaster relief
- Maximum loan-per-job
- Leveraging of other investments

Targets Only! Don't unduly limit the fund!

RLF Design

Determine Uses for Your Fund within Identified Needs

- Building Acquisition
- Rehab/New Construction
- Working Capital
- Equipment
- Startup (e.g licensing, patents, software development)
- Transition of Ownership
- Housing development?

RLF Design

Consider the Terms and Flexibility

- Application Fee
- Closing costs
- Interest rate
- Interest-only payments
- Maximum % of participation
- Loan maximum & minimum
- Expected Equity
- Maximum amortization
- Extensions
- Default

Remember – administration of the fund is paid by income!

RLF Design

Collateral

Types you will accept:

- Real Estate
- Equipment
- Vehicles
- UCC-1
- Securites
- Personal Guarantee
- Key-person life insurance
- Other?

Position you will accept:

- Try for 1st, expect to be subordinate
- Know how to protect your position in your state
- Update your UCCs!
- Release liens as liens are paid
- Partial release

RLF Design

Loan Review Committee

Membership

- Seek desired knowledge (bankers, Realtors, accountants, business owners, economic development professionals, etc.)
- Seek desired representation (geography, local government, workforce, DEI, education)
- Screen/orient members – no duds!

Powers

- Recommend loans, full approval authority, or a mix?

RLF Design

Build Your Capacity – Seek & Procure Training

- Perfecting liens
- Understanding the differences in corporations and how this impacts your agreements
- Loan servicing
- Reading business plans
- Reporting
- Due diligence & underwriting

RLF Design



Reflections on My Experience

- Rely on your sister organizations for advice, documents, and processes
- Invest in training and good software
- Invest in staff
- Discuss reporting & tracking with fiscal/accounting personnel UP FRONT
- Loan review committees make or break a good loan fund
- Losses are not bad – discuss with the board an acceptable loss ratio
- SBDC is a great resource for deal flow and business plan referral
- Protect your client's proprietary and personal information



EDA

U.S. ECONOMIC DEVELOPMENT ADMINISTRATION

What comes next?

INNOVATION. REGIONAL COLLABORATION. JOB CREATION. 



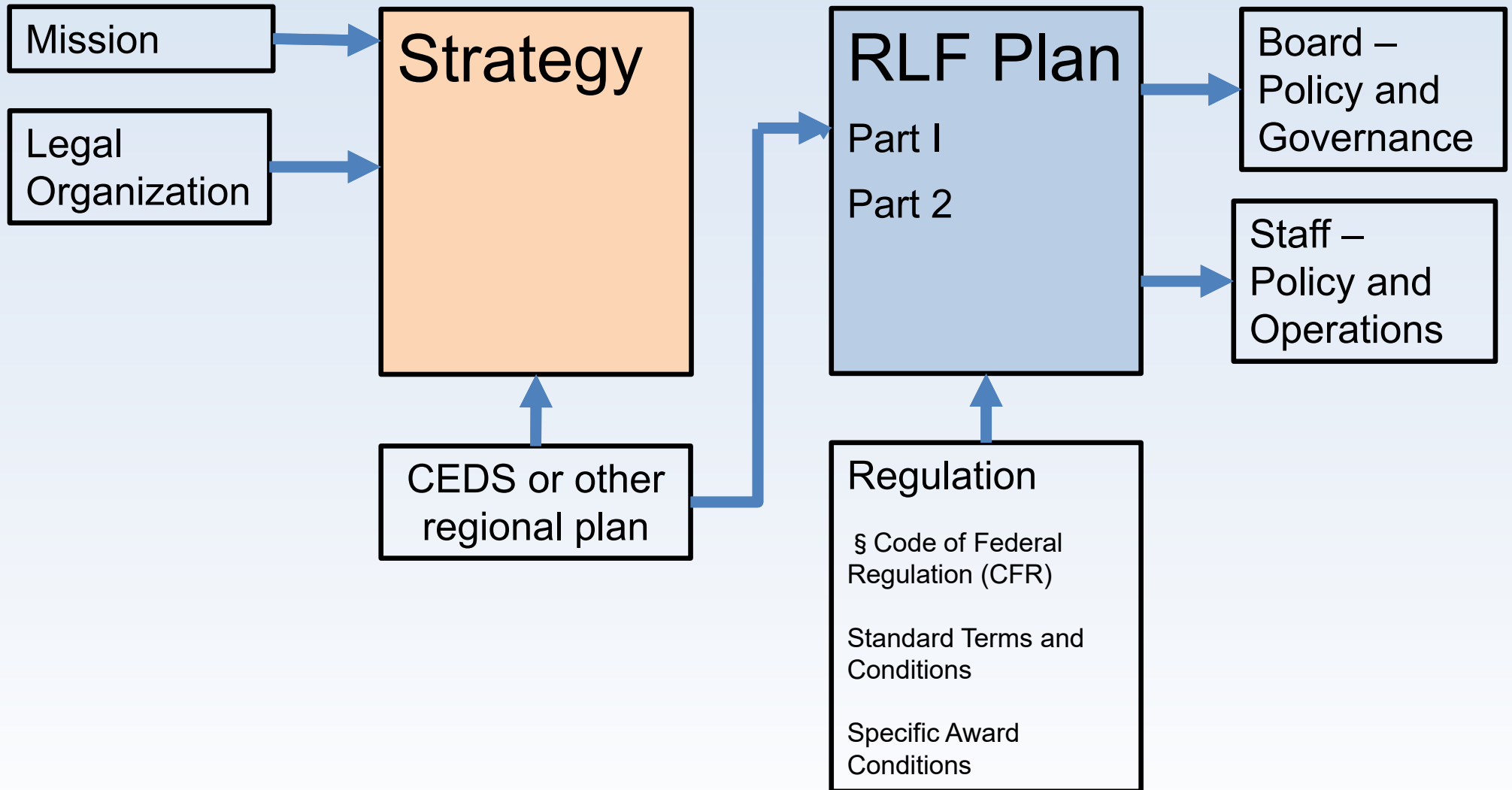
- Award date
- Preliminaries
 - Review Specific Award Conditions
 - Kick-off call and pre-disbursement requirements
- Disbursement phase (usually 3 years, may extend per 13 CFR 307.11)
- Revolving phase
- FYE after final disbursement – first rating
- Eligible for de-federalization 7 years after final disbursement



- Know your grant
 - Standard Terms and Conditions
 - Specific Award Conditions
 - Regulation 13 CFR 307
- Document compliance
 - Certification of accounting system
 - Certification of loan documents
 - Evidence of fidelity bond coverage
- Set up disbursement method—ASAP or EFT/ACH?
- RLF Plan



- Request disbursement when you have a loan ready to close or you can request reimbursement for a loan that has closed
- Typically, SF 270 and separate description of loan
- Payment requests for new RLFs in EDGE, for existing RLFs same as to date
- Cash must be in an interest-bearing account
- ***May not hold RLF funds more than 30 days before closing***





- SF-425 Federal Financial Report during disbursement phase
- Financial report in RLF Portal
- GPRA (Government Performance and Results Act) reporting sent from central Qualtrics system
 - ED-916 Semi-annual questionnaire only during disbursement phase
 - ED-917 Annual questionnaire for 5 years



- Rating starts after all funds are disbursed and is based on your FYE financial report
- Total possible points = 45
 - Over 40 is rated A – annual reporting due within 90 days
 - 30-39 is rated B—semi-annual reporting due within 30 days
 - Under 30 is rated C—same reporting as B plus Corrective Action Plan
- Transparent
 - Your rating letter will give you your score and the rationale, and it will highlight areas for improvement
 - Criteria are largely quantitative
 - Most data comes from the ED-209 report





RLF Plan

- What is “evidence that credit is not otherwise available to the applicant on terms and conditions that permit the completion or successful operation of the project”? §CFR 307.11
- I want my RLF to be more restrictive than the EDA regulation allows. We like the bank turndown letter. Can I keep that requirement?
- I want to expand my lending area into other counties that are in my SBA lending area. How do I do that?
- If I say in my Plan that I am lending to “small businesses,” what does that mean?
- What if I want to do a loan that is not consistent with my Plan?
- Does EDA have any requirements for approval authorities? Can approval be different for different size loans?

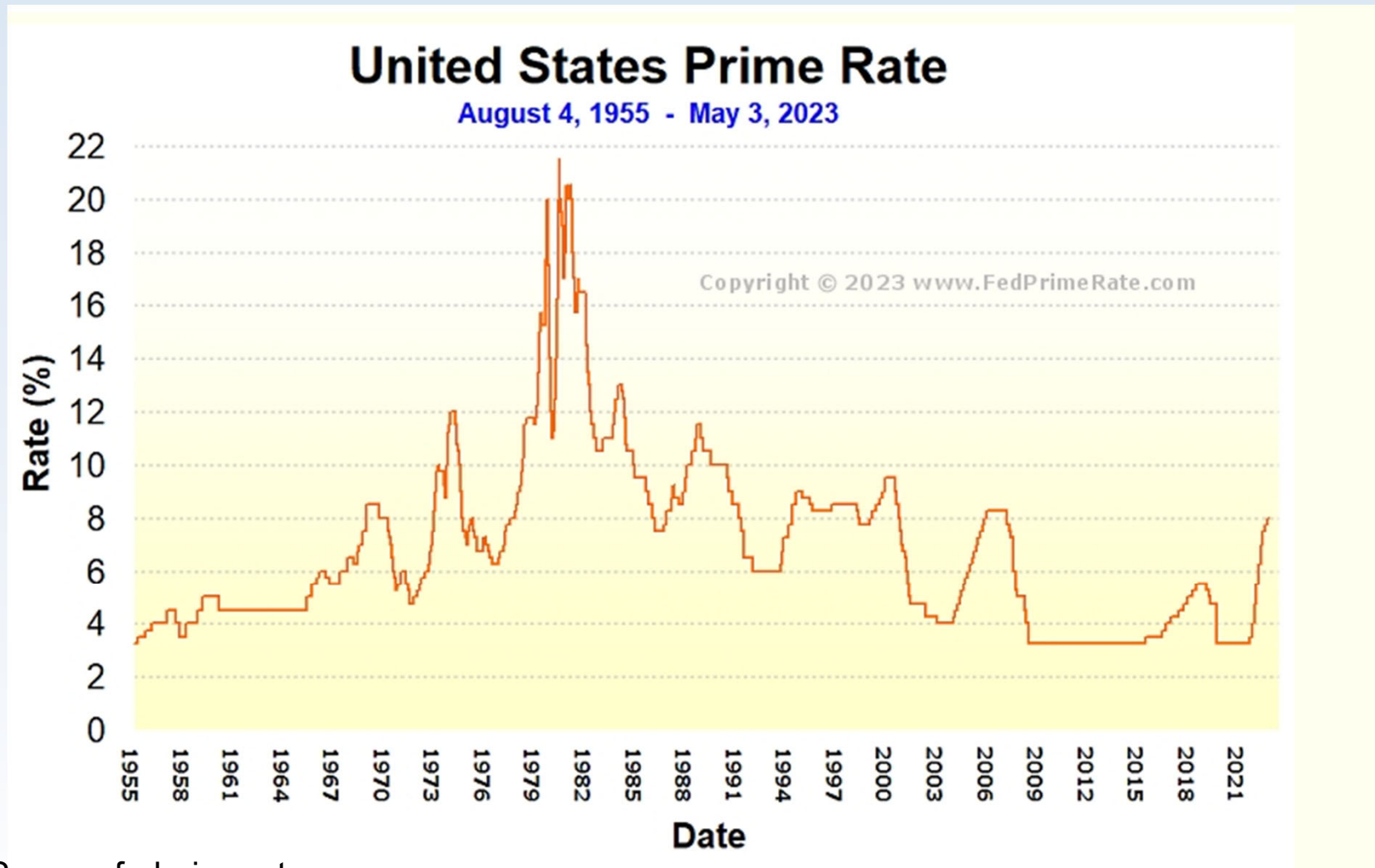


Making New Loans

- Why can't I do loans to refinance existing debt or to purchase a business?
- I want to do a loan to finance a multi-use building in a designated downtown. What do I need to be aware of?
- Can I make a loan to a municipality?
- Working capital loans work best in my market. Why is the percentage of the portfolio limited? (Hint: it's not)
- Does each loan have to meet the cost per job and leverage target?
- Is it possible to make loans at less (or more) than 4%?



May 29, 2024 prime 8.5% = minimum RLF loan rate 4.5%



Source: fedprimerate.com



Servicing and Collections

- One of my borrowers has defaulted. What are my responsibilities to recover funds after write-off?
- I have major legal expenses to recover a loan. Can I use RLF capital as needed?
- When do I have to send a 1099-C to record forgiveness of the loan as income to the borrower?

Resources

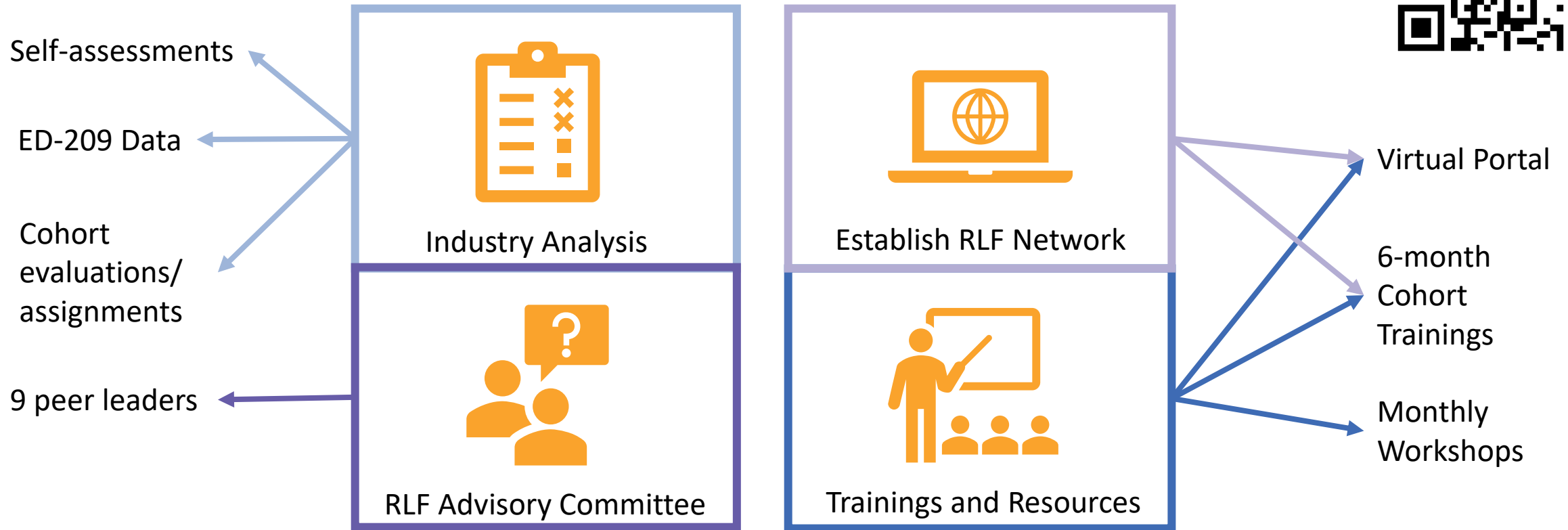
- **Your RLF Administrator!!**
- Prudent Lending Best Practices for Successful RLFs
<https://www.eda.gov/funding/programs/revolving-loan-fund/guidance>
- Your RLF Plan – you put a lot of work into defining how you operate your fund

Updated Regulations

- The Revolving Loan Fund Standard Terms and Conditions (incorporates the Department of Commerce Standard Terms and Conditions)
 - <https://www.eda.gov/files/tools/grantee-forms/2019-RLF-Standard-Terms-and-Conditions.pdf>
- Code of Federal Regulation (CFR) Title 13 Chapter III Part 307 Subpart B (§CFR 307)
 - <https://ecfr.io/Title-13/pt13.1.307>
- EDA RLF Risk Analysis System
 - <https://www.eda.gov/files/rlf/EDA-RLF-Risk-Analysis-System.pdf>

The RLF Community of Practice

Cohort 3
Application



Thank you!

Questions for our Panel?

- Rick Hunsaker: rhunsaker@region12cog.org
- Karen Lynch: klynch@eda.gov
- Mary Louk: mlouk@growamerica.org



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