



EDA RLF Proposed Changes

Regulatory and Risk-Based Management

November 15, 2016



- ✓ **Overview of RLF Program**
- ✓ **Categories of Proposed Changes**
- ✓ **What Will Not Change**
- ✓ **Q&A and Contact Information**
- ❖ *Please use the webinar chat feature to submit questions or comments at any point during the webinar.*



EDA RLFs established for lending. – Economic Adjustment Assistance Grants to capitalize or recapitalize RLFs most commonly fund business lending, but may also fund public infrastructure or other authorized lending activities. [see 13 CFR § 307.7]

- Approximately 800 EDA-funded RLFs nationwide
- EDA investment of \$550M
- Combined capital base of about \$813M
- Current Total Available for Lending – \$250M



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Search for the NPRM by typing the RIN number, 0610-AA69, in the search box. Click the “Comment Now” button to submit a comment.

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In the subject line of the message include “Comments on EDA’s regulations” and “Docket No. 160519444-6444-01”.

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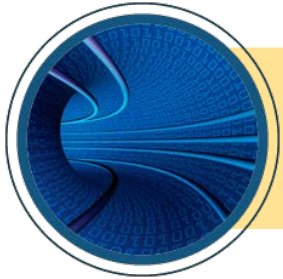
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1401 Constitution Avenue NW, Suite 72023, Washington, DC 20230.

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Comments DUE December 2!!



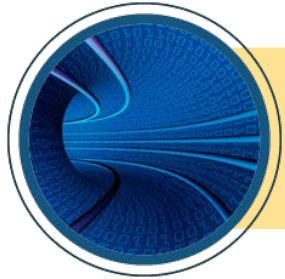
MANAGING RISK: Risk-Based Analysis Framework



REVISED DEFINITIONS: New and Revised Definitions



OTHER KEY CHANGES: Overview of Other Important Changes



MANAGING RISK: Risk-Based Analysis Framework



Risk-Based Analysis Framework



- ★ **CAMELS Approach:** The CAMELS approach adopted by EDA will look at capital, assets, management, earnings, liquidity and strategic results of the Program.
- ★ **Classification:** The risk-based analysis system will use a series of metrics to classify Recipients into one of the 3 categories: A, B or C
- ★ **Tailored Technical Assistance:** EDA will allocate their effort to the “C” RLFs, in order to adequately address risk and build the Capital Base.



Allowable Cash Percentage – *Tool to better account for regional economic trends:*

- Removal of EDA's current Capital Utilization Rate.
 - Allowable Cash Percentage is a floating rate that will be defined by each Regional office.
 - Allowable Cash Percentage target rates will be updated, regionally, on an annual basis.
-



| RLF Name | Capital Base | Cash Available | Cash Percentage |
|-----------------------|---------------------|--------------------|-----------------|
| RLF-1 | \$4,500,000 | \$1,200,000 | 27% |
| RLF-2 | \$7,600,000 | \$2,800,000 | 37% |
| RLF-3 | \$1,670,000 | \$630,000 | 38% |
| RLF-4 | \$13,872,930 | \$2,974,025 | 21% |
| RLF-5 | \$5,423,000 | \$900,000 | 17% |
| Regional Total | \$33,065,930 | \$8,504,025 | 26% |

Total RLF Cash Available for Lending = \$8,504,025

Total of All RLF Capital Base Amounts = \$33,065,930

$$\$8,504,025 \div \$33,065,930 = 26\% \text{ Allowable Cash Percentage}$$



Updates

- ★ Implement the UNIFORM GUIDANCE:
2 CFR Part 200
-

Reorganization

- ★ Clarify the phases of an RLF
- ★ Reorganize compliance provisions



REVISED DEFINITIONS: New and Revised Definitions



- ★ Disbursement Phase
- ★ RLF Capital Base
- ★ RLF Cash Available for Lending
- ★ Allowable Cash Percentage
- ★ Risk Analysis System
- ★ RLF Recipient
- ★ Voluntarily Contributed Capital



★ **Recapitalization Grants**

★ **RLF Income**

★ **Reporting Period**



OTHER KEY CHANGES: Overview of Other Important Changes



- ★ Eliminate the Income and Expense Statement
- ★ Report Certification
- ★ Legal Certification Regarding Loan Documents
- ★ Clarify Requirement for Bank Turn-Down Letter
- ★ Fidelity Bond Coverage
- ★ Adequacy of Accounting System and Loan Documents



- ★ Expansion of Types of Funds for Leveraging an RLF
- ★ Clarifying the Use of Loan Loss Reserves
- ★ Prohibitions on Use of RLF Cash
- ★ Sequestration





❖ **FEDERAL CHARACTER
OF RLF FUNDS**

❖ **OUR COMMITMENT TO YOU**





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Thank you.



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