Preface: Within RLF Plans, EDA Regulations should work “hand in glove” with local policies, strategies and objectives to guide the management of RLF funds. To this end, updated RLF Plans must include the EDA Regulations noted below. EDA Regulations should not be paraphrased but copied word for word. EDA Regulations for RLFs (last updated Jan. 27, 2010) can be found in Chapter 307.7, Subpart B: Special Requirements for RLF’s and Use of Grant Funds. Information on RLF Plans can be found in section 307.9.

Section I: Revolving Loan Fund Strategy

Name of organization

List of Counties Comprising the Lending Territory

Summarize the Region’s CEDS

Business Development Objectives

RLF Financing Strategy
307.15: prudent lending standard and operating in accordance with GAAP

RLF Financing Policies
307.15 eligibility for loan; signed bank turn down letter or other documentation
307.17 ineligible loans

RLF Portfolio Standards
307.15 requires private leverage of $2 for every $1 federal and defines what constitutes private leverage

Section II: Operational Procedures

Organization Structure
- Composition/Role of governing body and RLF board
- Include policy that members of governing body are not also members of RLF board and vice versa (violation of internal controls/conflict of interest)
302.17 EDA’s conflict of interest regulation

Interest Rate
307.15 contains EDA interest rate regulation
RLF Income
307.12 regulation language to be folded into RLF Plan

Priority of Payment on Defaulted Loans
307.12 regulation language to be folded into RLF Plan

Loan Documentation
307.15 contains a list of minimum documentation

Environmental Considerations
307.10 (a) see EDA language on second page. Most of you probably do this, and EDA RLF investments have to meet NEPA.

RLF Semi Annual Reporting
307.14 regulation language to be folded into RLF Plan

Records and Retention
307.13 regulation language to be folded into RLF Plan

Loan Write off Policy
Plan should include a well thought out, progressive approach to managing loans in default to the point of write off and submission of a 1099C to IRS and borrower

Other
Based on audit findings, I find that some RLFs do not conduct an annual collateral valuation and evaluation to determine whether loan portfolio is over capitalized or undercapitalized. Another comment is that loan write up documentation did not have any finding with respect to how the loan interest rate met EDA requirements based upon the Wall Street Journal prime rate. I find these to be valid findings, and I suggest you adopt some procedures and include in your RLF Plan.
Environmental Language 307.10

The RLF organization shall adopt procedures to assess the significance of environmental impacts of activities to be financed in compliance with the National Environmental Policy Act of 1969. No activity shall be financed which would result in a significant adverse environmental impact under the following conditions:

No project shall be approved which would result in the alteration of or have an adverse impact on any wetland without prior consultation with the U.S. Department of the Interior, Fish and Wildlife Service, and, if applicable, the loan applicant obtaining a section 404 permit from the Army Corps of Engineers.

Consistent with E.O. 11988, no project shall be approved which would result in new above ground development in a 100 year flood plain. Loan applicants will be required to submit evidence of the proposed development in concert with FEMA Flood Insurance Rate Maps.

The State Historic Preservation Officer, (SHPO) shall be notified of each loan proposal that involves new construction or expansion and asked to submit comments on the effect of the proposed activity on any historic and archaeological sites. RLF staff shall work with the SHPO and loan applicant in cases where the SHPO has recommended actions and no project shall be approved when the project has been determined an adverse impact.

All proposed loan applicants shall be requested to provide information indicating whether or not there are hazardous materials such as EPA listed (see 40 CFR 300), hazard substances, leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials on site that have been improperly handled and have the potential of endangering public health. If deemed necessary, loan applicants may be required to perform or provide evidence of a Phase I site assessment to identify possible sources of contamination, a Phase II site assessment to test soil and/or groundwater, and a Phase III site remediation involving mitigation of applicable contaminants. No project shall be approved if there are cases where there are unresolved site contamination issues.