

§ 308.5 Applicant requirements.

Each application for a grant under part 308 must:

(a) Include evidence of area and applicant eligibility (see part 301 of this chapter). For Technical Assistance under the Economic Adjustment program, if the project is regional or national in scope, EDA may determine that the requirement that public or private nonprofit organizations must act in cooperation with officials of a political subdivision of a State is satisfied by the nature of the project;

(b) Include, or incorporate by reference, if so approved by EDA, a strategy, as provided in §301.3 of this chapter (except that a strategy is not required when a funding request is for planning assistance, *e.g.*, a strategy grant);

(c) Identify the sources of the other funds, both eligible Federal and non-Federal, that will make up the balance of the proposed project's financing, including any private sources of financing. The application must show that such other funds are committed to the project and will be available as needed. The local share must not be encumbered in any way that would preclude its use consistent with the requirements of the grant; and

(d) Explain how the proposed project meets the criteria of §308.2.

[64 FR 5429, Feb. 3, 1999, as amended at 64 FR 69879, Dec. 14, 1999; 65 FR 71025, Nov. 28, 2000]

§ 308.6 Post-approval requirements.

(a) Financial, performance, and progress reports will be specified in the Special Award Conditions of the grant.

(b) Projects involving construction shall comply with the provisions of subpart B of part 305.

(c) RLF Supplemental Requirements and Guidelines—RLF grants are subject to the requirements set forth in this part and the publications: EDA's RLF Standard Terms, EDA's RLF Administrative Manual, and EDA's RLF Audit Guidelines, Appendixes B–D of this part displayed at EDA's web site, <http://www.doc.gov/eda>. A copy of these documents is available from EDA and a copy will be furnished to an award recipient with the Offer of Financial Assistance.

Subpart B—Special Requirements for Revolving Loan Fund Projects and Uses of Grant Funds

SOURCE: 65 FR 2532, Jan. 18, 2000, unless otherwise noted.

§ 308.7 Revolving Loan Funds established for business lending.

EDA grants to capitalize or recapitalize Revolving Loan Funds are most commonly used for business lending, but may also be established for public infrastructure lending or other authorized purposes involving lending. The RLF requirements in this subpart B are applicable to RLFs established for business lending. Appropriate modifications of these requirements will be addressed in special award conditions to accommodate non-business RLF awards.

§ 308.8 Definitions.

As used in this part:

Closed loan means any loan for which all required documentation has been executed, received, and reviewed.

Guaranteed loan means a loan made and serviced by a lending institution under the agreement that a third party (*e.g.*, a governmental agency) will purchase the guaranteed portion if the borrower defaults.

Program income means gross income received by the grant RLF recipient or the sub-recipient directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. Program income includes principal repayments and RLF income.

Prudent lending practices means generally accepted underwriting and lending practices for public loan programs based on sound judgment to protect Federal and lender interests. Such practices cover loan processing, documentation, loan approval, collections, servicing, administrative procedures, collateral protection, and recovery actions. Prudent lending practices include compliance with local laws and filing requirements to perfect and maintain security interests in RLF collateral.

Recapitalization grants are additional grant funds awarded to increase the capital base of an RLF.

RLF capital includes the funds which capitalized the RLF plus such earnings and fees generated by RLF activities as may be added to the RLF capital base to be used for lending. The original sources of capital for EDA RLFs are normally comprised of EDA grant funds and local cash matching share.

RLF income means interest earned on outstanding loan principal, interest earned on accounts holding RLF funds not needed for immediate lending, all loan fees and loan-related charges received from RLF borrowers, and other income generated from RLF operations. The RLF recipient may use RLF income only to capitalize the RLF and/or to cover eligible and reasonable costs necessary to administer the RLF, unless otherwise provided for in the grant agreement or approved in writing by EDA. RLF income excludes principal repayments.

Secondary market includes those entities that purchase an interest in a loan from an original lender.

Securitization refers to the technique of securing an investment of new capital with the stream of income generated by one or more (usually a large group of) existing loans. EDA broadly defines securitization transactions to include techniques such as the sale of loans, pledging the future income stream of a loan, and similar activities, to access investor capital to increase available funds for lending.

§ 308.9 Revolving Loan Fund Plan.

All RLF recipients must manage RLFs in accordance with an RLF Plan (Plan) as described in this part. For all RLF recipients, the Plan must be submitted to and approved by EDA prior to the grant award. For RLF recipients other than states, the RLF Plan must have been approved by resolution of the organizations' governing board and such resolution must be submitted to EDA along with the Plan prior to the grant award; with EDA's approval, political subdivisions of states may be exempted from the resolution requirement.

(a) *Format and content.* (1) The title page of the Plan should show the RLF

recipient organization's name and the date the Plan was adopted.

(2) Part I of the Plan, titled Revolving Loan Fund Strategy, summarizes the area CEDS and business development objectives, and describes the RLF's financing strategy, policy and portfolio standards. Organization of the material and the level of detail provided in the subsections of Part I may be varied to improve the narrative flow, provided the substantive content is adequately covered.

(3) Part II of the Plan, titled Operational Procedures, serves as the internal operating manual for the RLF.

(b) *Evaluation of Plans.* EDA will use the following criteria in evaluating Plans:

(1) The Plan must flow from and be consistent with the EDA-approved CEDS for the area.

(2) The Plan must be an internally consistent, coherent statement of the strategic purpose of the particular RLF and the various considerations influencing the selection of its financing strategy, policies, and loan selection criteria encompassing:

(i) A financing strategy that demonstrates a knowledgeable analysis of the local capital market and the financing needs of the targeted businesses; and

(ii) Financing policies and portfolio standards that are consistent with EDA policies and requirements.

(3) The strategic objectives defined must be sufficiently meaningful, though not necessarily quantified, so that progress toward them can be assessed over time.

(4) The administrative procedures for operating the RLF must be consistent with generally accepted prudent lending practices for public lending institutions.

[65 FR 2532, Jan. 18, 2000, as amended at 65 FR 71025, Nov. 28, 2000]

§ 308.10 Pre-loan requirements.

(a) RLF recipients must adopt procedures to review the impacts of prospective loan proposals on the physical environment. The Plan must provide for the disapproval of any loan project that adversely (without mitigation) impacts flood plains, wetlands, significant historic or cultural properties,