

## § 307.7

(1) EDA's RLF Standard Terms and Conditions; and

(2) The compliance supplement to OMB Circular A-133 (the "Compliance Supplement"). The Compliance Supplement is available via the Internet at <http://www.omb.gov>.

### Subpart B—Special Requirements for Revolving Loan Funds and Use of Grant Funds

#### § 307.7 Revolving Loan Funds established for business 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. The requirements in this subpart B apply to RLFs established for business lending activities. Special award conditions may contain appropriate modifications of these requirements to accommodate non-business RLF awards.

#### § 307.8 Definitions.

In addition to the defined terms set forth in § 300.3 of this chapter, the following terms used in this part shall have the following meanings:

*Closed Loan* means any loan for which all required documentation has been, received, reviewed and executed by an RLF Recipient.

*Exempt Security* means a Security that is not subject to certain SEC or Federal Reserve Board rules.

*Guaranteed Loan* means a loan made and serviced by a third party lending institution under a loan guaranty agreement providing that an RLF Recipient will purchase the guaranteed portion of the loan in the event of borrower default.

*Prudent Lending Practices* means generally accepted underwriting and lending practices for public loan programs, based on sound judgment to protect Federal and lender interests. Prudent Lending Practices include loan processing, documentation, loan approval, collections, servicing, administrative procedures, collateral protection and recovery actions. Prudent Lending Practices provide for compliance with local laws and filing requirements to

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perfect and maintain a security interest in RLF collateral.

*Recapitalization Grants* are Investments of additional Grant funds to increase the capital base of an RLF.

*Revolving Phase* means that stage of the RLF's business lending activities that commences immediately after all Grant funds have been disbursed to the RLF Recipient.

*RLF Capital* means, at any point in time, the aggregate amount of cash held by the RLF Recipient from any of the following sources: Grant funds; Local Share; repayments of principal from RLF loans; and RLF Income. The initial RLF capital base is normally comprised of EDA funds and the cash Local Share.

*RLF Income* means interest earned on outstanding loan principal and RLF accounts holding RLF funds (excluding interest earned on excess funds pursuant to § 307.16(c)(2)), all fees and charges received by the RLF, and other income generated from RLF operations. An RLF Recipient may use RLF Income only to capitalize the RLF for financing activities and 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 repayments of principal and any interest remitted to the U.S. Treasury pursuant to § 307.16(c)(2)(i).

*RLF Third Party*, for purposes of this subpart B only, means an Eligible Recipient or for-profit entity selected by EDA through a request for proposals or Cooperative Agreement to facilitate and/or manage the intended liquidation of an RLF.

*Sale* means an EDA-approved sale by an RLF Recipient of its RLF loan portfolio (or a portion thereof) to a third party. A third party may participate in a subsequent Securitization offered in a secondary market transaction and collateralized by the underlying RLF loan portfolio (or a portion thereof).

*SEC* or the *Commission* means the U.S. Securities and Exchange Commission.

*Securitization* refers to the financing technique of securing an investment of new capital with a stream of income