



Tips for Managing Your RLF Program



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Revolving loan funds (RLFs) are an essential element of the development finance toolbox and help fund entrepreneurs and growing small businesses of all kinds. RLF programs encourage investment from banks and other lending institutions

while, at the same time, assisting traditionally underserved businesses.

Monitoring the performance of your RLF program has always been an important element to ongoing success, but given today's economic climate, this function is no longer just a necessity: it is vital. So, what can be done to ensure that your RLF program continues to be relevant within your region's economic development industry? Here are some ideas related to capitalization, RLF committees, marketing, and loan servicing to help you succeed.

Capitalization

Take a look at the availability of funds in your RLF program. Do you have enough to meet the needs of your local businesses? Or, have you seen an increase in certain types of businesses applying for financing? Depending on the flexibility of your program and capability of staff, it may be time to consider new sources to increase the size of your RLF.

We are all familiar with grant funding options available at the federal level to capitalize RLFs, from the USDA or EDA for instance, but there are many other options

available. The St. Louis County Economic Development Corporation pooled funds from local banks to develop an innovative program; the Great Lakes Revolving Loan Fund was created with the support of a local foundation; and Winnebago County, Illinois operates a RLF that generates money from charging garbage haulers for dumping at the local landfill.

Consider some unique partners in your region to help initiate a specialized fund. For instance, you could partner with a utility company to create a fund that encourages energy efficiency upgrades in the business community or join forces with a larger regional loan fund to bring new opportunities to assist local business owners.

However, keep in mind that funding sources have finite availability. Acquiring funds that do not meet your agency's specific strategies is not only a waste of time; it may take money away from another region that could put those resources to use.

RLF Committee

The RLF Committee is an essential facet of your program. Even if you are not required to assemble a committee to approve loan decisions, it is considered a best practice and very beneficial to have a committee with diverse backgrounds to serve as a support structure. This provides well-rounded review and assistance in areas where staff may have minimal expertise.

Plus, a committee made up of leaders in your community will help legitimize your

program and can be a good source of connections when you are seeking new opportunities to reach local businesses or assistance with an underperforming loan. Most RLF committees include accountants, lawyers, bankers, educators, and local business owners, but thinking outside of the box and inviting new perspectives to the committee can help broaden your reach.

Most importantly, remember that the members of your RLF committee are volunteers. Take the time to train them on the specifics of the various programs that your agency manages. Help them understand your mission, the basic terminology of commercial transactions, and the essential components of risk so that they can help successfully lead the program.

Marketing

Hundreds of RLF programs across the country are underutilized and, in many cases, unknown to business and industry. Marketing your RLF is a critical component of operating a successful program, but it can present unique challenges for your agency.

Generic marketing, such as newspaper advertisements, can create an onslaught of interest and applications from less-than-qualified applicants. This can put a strain on staff to weed through the applications and field phone calls looking for "free" money. Conversely, if you fail to connect with the business community, you may not have enough deal flow to justify the program or to ensure ongoing success.

One successful approach is to enlist the aid of connections at local banks and credit unions. Many lenders have certain quotas they are tasked with attaining and putting good loans on the books can benefit all parties. Oftentimes, banks are unable to lend to non-qualifying borrowers due to collateral or credit risks. Contributing to a revolving loan fund program may be a good alternative for the bank to mitigate their risk exposure while assisting local business growth.

You may also want to reach out to local business and industry groups to inquire about upcoming networking events or speaking engagements. These opportunities can highlight your RLF program to a variety of businesses and help spread the word about your available funding options. And, always of utmost importance, make sure your website is routinely updated with the most recent application materials and success stories of businesses you have assisted.

Loan Servicing

The loan has been approved and funds distributed, but that is only part of your role within the fund. Ongoing monitoring and servicing of the loan is critical and easily overlooked as new demands and transactions present themselves. Routine management of each loan—and the overall fund portfolio—often means the difference between a marginally performing fund and a successful one.

Payment monitoring should be routine and followed on a weekly basis. Identifying a troubled loan before it becomes past due will increase the opportunity to begin remediation, whether in the form of additional assistance or increased monitoring. Loans that become past due face a difficult hurdle returning to current status. Being aware of problems and reporting them promptly demonstrates your understanding of the RLF's value and its importance to your funders and the greater community.

Put Your Plan into Action

Now that you have some ideas of how to reinvigorate your RLF program, it is time to identify areas for improvement. No matter the size of your agency or the total number of loans in the fund's portfolio, reevaluating management practices can take your program from functional to highly performing.

Once you have targeted objectives, seek out help to put your plan into action. CDFA's *Revolving Loan Fund Reference Guide* offers more in-depth explanation and analysis of program management to give you further direction. Or, better yet, join CDFA for the Intro Revolving Loan Fund WebCourse this December 13-14 to learn the essential elements of operating a successful RLF program. This course qualifies for the CDFA Training Institute's Development Finance Certified Professional (DFCP) Program, so you will be one step closer to earning your certification while learning how to make your RLF program an important resource for your region's economic engine.

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