

CHAPTER 3

CDBG LOAN PROGRAM (CLP)

I. INTRODUCTION

This chapter describes the Community Development Block Grant (CDBG) Loan Program (CLP) and outlines the specific requirements that apply to it. While activities supported through the CLP must follow all the basic CDBG rules described in the other chapters of this manual, CLP activities are also subject to several special requirements. The Michigan Economic Development Corporation (MEDC) and Michigan Strategic Fund (MSF) have developed specific policies and protocols for the operation of the CLP. These policies are outlined in this chapter.

The intended purpose of the CLP is to provide loans to eligible small businesses to meet a National Objective most often creating job opportunities for Low to Moderate Income (LMI) individuals. As such, the use of proceeds of the loans should fall into the following categories:

1. Financing and/or refinancing of **real property** occupied by a small business where the definition of “occupied” and “small business” meet federal Small Business Administration defined standards.
2. Financing and/or refinancing of **equipment** used for business purposes.
3. Financing and/or refinancing of **inventory and receivables**.
4. Financing of **working capital**, including costs associated with activities such as engineering, sales, leasehold improvements, installation expenses, technology acquisition and enhancement activities, etc.
5. Financing and/or refinancing of **debt used to exit or transition ownership** into or out of the company.

II. CDBG LOAN FUND TYPES (Funds)

All the CDBG Loan Fund types below are required to follow applicable Federal, HUD and CDBG regulations, laws, rules and policies; MSF policies and procedures; and the content of this Grant Administration Manual (GAM) and, specifically, this chapter.

A. Community Revolving Loan Fund (C-RLF or Local Fund)

A Unit of General Local Government (UGLG or Community) that has entered into First Restated Grant Agreement with the MSF and is administering its CDBG RLF locally.

Description of Accounts for Local Fund

Administered by the UGLG

C-RLF ACCOUNT

1. interest bearing account allowed
2. interest earned from bank account must be treated as program income pursuant to GAM

3. administered by UGLG
4. not defederalized funds
5. monthly payments (principal and interest) made to UGLG received from business loans
6. report to MSF semi-annually on Accounting of Loan Funds form
7. copy of Accounting of Loan Funds form and check to Fund Manager
8. Fund Manager will place into C-RLF Account
9. Fund balance includes available Admin, if any
10. create a separate bank account OR separate accounting ledger for each business
11. up to 18% of business loans repayments (principal and interest) may be considered available admin

Roles and Responsibilities for Local Funds are set forth in detail in the Restated Grant Agreement, following is an overview of the responsibilities for the UGLG and the MSF.

LOCAL FUNDS - ROLES AND RESPONSIBILITIES	
UGLG RESPONSIBILITIES	MSF RESPONSIBILITIES
Outreach	Collaborate with UGLG to complete or assist with MSF specific compliance items and oversee UGLG compliance with additional statutory and program requirements, including but not limited to: <ul style="list-style-type: none"> ▪ National Objectives ▪ Citizen Participation ▪ Property Management ▪ Financial Management ▪ Environmental Review ▪ Fair Housing ▪ Equal Opportunity ▪ Labor Standards ▪ Acquisition and Relocation ▪ Procurement and Contract Management
Completion of loan applications; underwriting assessment	Oversee RLF budget and project amendments
Obtain loan collateral	Oversee field review and audits of project activities and overall project progress
Loan approval committee	Review final close-out reports prepared by UGLG prior to final submission to the MSF
Incurring costs	Review quarterly reporting prepared by the UGLG
Loan closing	Attend on-site project monitoring with the UGLG
Loan servicing/loan portfolio management	Attend on-site monitoring of UGLG, as requested
Monitoring of job creation	Complete annual UGLG performance report
Management of program income	All files and records as required to be kept by the MSF or as provided in the GAM must be kept at the MSF office and must be available to the public during regular business hours, except documents deemed confidential and exempt from disclosure pursuant to MCL 15.243.
Maintenance of records	Documents to be made available include copies of approved written policies related to the statutory and program requirements listed above.
Borrower compliance	

General Regional Fund program management	
Adoption of credit policies	
CDBG project closure	

B. Regional Revolving Loan Fund (R-RLF or Regionalized Fund)

The R-RLF is administered by a non-profit lender known as the Regional Loan Fund Administrator (RLFA) and is designated by the MSF, has entered into a Repaid Funds Agreement and is administering program income sub-granted by the UGLG based on regions.

Description of Accounts for Regionalized Fund

Administered by UGLG

UGLG Account - Outstanding Loan Portfolio Fund Account

1. interest bearing account allowed
2. interest income paid by bank must be treated as program income pursuant to GAM
3. administered by UGLG
4. for loans set up by UGLG prior to regionalization
5. not defederalized funds
6. monthly payments (principal and interest) made to UGLG received from business loans
7. report to MSF semi-annually on Accounting of Loan Funds form
8. copy of Accounting of Loan Funds form and check to Fund Manager
9. RLFA will place into R-RLF Account
10. When transferred to the R-RLF Account, up to 8% of old portfolio business loans repayments (principal and interest) may be considered available admin.

ADMINISTERED BY RLFA

To assist in easily identifying and tracking funds, MSF would like the following 3 accounts to be separate and individual from each other.

R-RLF ACCOUNT

1. Fund balance includes available Admin, if any
2. separate account for each UGLG
3. interest bearing account allowed
4. interest received from bank account is treated as program income and reused for lending
5. not defederalized funds
6. administered by RLFA

REPAYMENT ACCOUNT - LOAN (RE)PAYMENT ACCOUNT

1. monthly payments to RLFA received from business loans are in this account
2. these are business loans set up by RLFA after regionalization
3. create a separate bank account OR separate accounting ledger for each business
4. interest bearing account allowed
5. interest received from bank account is treated as program income and reused for lending
6. when loan has met National Objective and closeout letter/certification is received from MSF, the business loan principal payments AND interest received to date (and future payments) will transfer to Deferalized Account

7. if, for any reason, loan does not meet National Objective, the business loan principal payments AND interest received must be returned to R-RLF Account

DEFEDERALIZED ACCOUNT

1. R-RLF program income used to achieve a successful project and met a national objective
2. interest bearing account allowed
3. separate account for each region
4. interest received from bank account may be used for lending or operating expenses
5. when loan has met National Objective and closeout letter/certification is received from MSF, the loan payments AND interest are transferred from Loan Repayment Account
6. defederalized funds must be used per Repaid Funds Agreement AND within corresponding Region
7. Principal received from business loan in regional defederalized account for is used for lending
8. Interest received from business loan may be used to pay operating expenses.

Roles and Responsibilities for Regionalized Funds are set forth in detail in the Subrecipient Agreement, following is an overview of the responsibilities of the RLFA and UGLG.

REGIONALIZED FUNDS ROLES AND RESPONSIBILITIES	
RLFA RESPONSIBILITIES	UGLG RESPONSIBILITIES
Outreach	Retain responsibility related to its Local RLF and for its sub-granted CDBG funds, program income and existing loans and grants
Completion of loan applications; underwriting assessment	Required to participate in the resolution of any problems that may develop in the course of a project's implementation.
Obtain loan collateral	Collaborate with RFLA to complete or assist with UGLG specific compliance items.
Loan approval committee	Oversee RFLA compliance with additional statutory and program requirements, including but not limited to: <ul style="list-style-type: none"> ▪ National Objectives ▪ Citizen Participation ▪ Property Management ▪ Financial Management ▪ Environmental Review ▪ Fair Housing ▪ Equal Opportunity ▪ Labor Standards ▪ Acquisition and Relocation ▪ Procurement and Contract Management
Incurring costs	Oversee Local/Regional RLF budget and project amendments
Loan closing	Oversee field review and audits of project activities and overall project progress
Loan servicing/loan portfolio management	Review final close-out reports prepared by RFLA prior to submission to the MSF
Monitoring of job creation	Oversee and monitor third-party contracts related to projects that utilize its program income
Management of program income	Review quarterly reporting prepared by the RFLA
Maintenance of records	Attend on-site project monitoring with the MSF and RFLA
Borrower compliance	Attend on-site monitoring of RFLA with MSF, as requested
General Regional Fund program management	Complete annual RFLA performance report and submit to MSF

Adoption of credit policies	A copy of all files and records as required to be kept by an UGLG or as provided in the GAM must be kept at the UGLG office and must be available to the public during regular business hours, except documents deemed confidential and exempt from disclosure pursuant to MCL 15.243.
CDBG project closure	Documents are to be made available include copies of approved written policies related to the statutory and program requirements listed above.

C. Repaid Funds (Defederalized)

Per HCDA 105(a)15, certain qualified organizations, including designated RLFAs, which issue loans and extensions of credit with CDBG grants and/or Program Income (PI) and then receive repayment of such funds may re-issue loans and other extensions of credit subject to a “Repaid Funds Agreement” between the RLFA and the MSF. Repaid Funds Agreements are subject to certain conditions which may change from time to time, in the sole discretion of the MSF or designee and which are described herein.

All funds are considered PI until the MSF has issued the RLFA written notice (Final Closeout letter and Final Certification of Completion) that the project has met its National Objective and been determined to be a Successful Project. At such time, PI governed by various CDBG agreements becomes devoid of Federal characteristics (defederalized) and is governed by a Repaid Funds Agreement.

III. CLP GENERAL REQUIREMENTS

A. ACTIVITY REQUIREMENTS

Federal law places restrictions on the use of CDBG funds which also apply to all activities. In addition, the MSF has instituted the following restrictions. Program funds may **not**:

1. be a **grant** under any circumstances.
2. provide assistance to a borrower or project while that business or any other business concern owned by the same person(s) or entity(ies) is the subject of **unresolved findings of non-compliance** related to previous CDBG assistance.
3. be used for the **construction of new housing** unless it is part of a mixed-use redevelopment project.
4. be used for **political activities**.
5. be used for the **general promotion of a community**.
6. be used to **pay general fund obligations** of an UGLG.
7. be used on **any speculative project**.

B. CONTINUING ACTIVITY REQUIREMENT

To be eligible to apply for or administer CDBG PI funds, the Continuing Activity requirement must be met. The MSF defines a “Continuing Activity” as the successful funding of a CDBG-eligible loan or extension of commercial credit within the CDBG Program Year (July 1 through June 30). The requirement is for a loan to be closed on or before June 30 each program year. Effective 3/27/18, the Continuing Activity requirement is at least one loan must be closed on or before June 30, 2019 and every 2 years thereafter.

In cases where the Fund had insufficient PI to advance on a proper loan request, the Fund must document the request and why the funding it had on hand was not sufficient for the project. Additionally, the MSF includes within its definition of Continuing Activity that the Fund must perform such activity as described

above such that normal monitoring of the Fund resulted in no major findings or issues which remain unresolved.

C. GOVERNMENT LIMITATION REQUIREMENT

Downtown Development Authorities, Local Development Finance Authorities and other similar government entities are permitted to obtain a loan, provided (i) the risk is prudent, (ii) the project is non-speculative, and (iii) the loan is secured by the assets being financed.

D. LOAN APPROVAL COMMITTEE COMPOSITION REQUIREMENT

Below are the composition requirements for Loan Approval Committees which must be comprised of no less than 5 individuals with the following attributes:

1. One **attorney** with experience in the practice of providing legal advice related to loans and lending;
2. One individual who has in the past or who is currently engaged in the business of **commercial banking**;
3. At least one individual engaged in the professional practice of **economic or community development** for at least 5 years;
4. One seat shall be provided for an **elected local community representative** from where the loan project is located which participant shall change for each loan considered based upon the location of the project under consideration; and
5. One seat shall be provided for an **economic development professional active** in the geographic area where the loan project is located that is selected by the local community representative who is part of the Loan Approval Committee. This participant will also change for each loan considered based upon the location of the project under consideration.
6. Additionally, the **MSF shall have one non-voting seat** on the Loan Approval Committee.

The Loan Approval Committee will review all loan recommendations forwarded to it by program staff of the Subrecipient. No loan will be made under the economic development loan program without the approval of the majority of members of the Loan Approval Committee.

E. NATIONAL OBJECTIVE REQUIREMENT

If a project fails to demonstrate that it has met or made satisfactory progress toward meeting a National Objective, the project will undergo a formal review by MSF and, if necessary, by the U.S. Department of Housing and Urban Development (HUD). If the project was appropriately underwritten, documented and managed, and it is determined by HUD the project had a reasonable chance of meeting the intended National Objective, then the project may be declared unsuccessful.

If it is determined the project was improperly underwritten or could not have been reasonably expected to meet a National Objective at the time the loan was made, then the outstanding loan amount must be returned to the CLP Account of record. The UGLG as the original grantee is the obligor under this recourse

event. The UGLG may look to the RFLA as a subrecipient; however, for purposes of the MSF, recourse will be required of the UGLG.

Notwithstanding obligations of the UGLG and RLFA to attain a National Objective, the success or failure of a project does not supersede or stand still the legal obligations of the note, loan agreement, guarantee agreement or any other financial instrument in place between the C-RLF or RLFA and the borrower. In the event of a failed project, the borrower is obligated to the terms of the loan agreement.

F. PASSIVE REAL ESTATE (PRE) SPECIAL RESTRICTION REQUIREMENT

The program defines Passive Real Estate as a facility less than 51% occupied, based on leasable non-common area square feet, by a company whose ownership is related. Related ownership means a corporation or individual who owns at least a 20% interest in both a real estate holding company and an occupying tenant.

PRE projects will not become a majority (defined as 51% of all loan outstanding's measured at the time of issue of the PRE loan) of a CLP portfolio.

The MSF desires to provide flexibility in this area, but reserves the right to restrict, through administrative notification, the ability of a Fund to underwrite PRE transactions.

G. PROJECT CLOSEOUT REQUIREMENTS

Notwithstanding any other guidance offered in this manual, this section discusses the process for closing a CDBG Project when it is connected to a loan. Borrowers receiving CDBG dollars have two main obligations (i) a financial obligation to repay the lender and (ii) a project performance obligation to the program which requires the borrower to meet a National Objective. All Funds must complete a closeout package as set forth in Chapter 13 of the GAM.

Once the required documentation is submitted and deemed complete, the Loan Program Specialist will complete the Closeout Review Worksheet and email the Final Closeout Letter and Certification of Completion to the C-RLF or RLFA. The Fund should keep the Closeout Letter and Certification of Completion with the project file to confirm the National Objective has been met and the project was successful. The C-RLF or RLFA will continue to record business loan repayments and include them in the financial reporting until the loan has been paid off.

H. PUBLIC INFRASTRUCTURE SPECIAL CONDITIONS

At times it may be appropriate for projects which require public infrastructure to be provided CDBG funds in the form of a loan to an UGLG, or an instrumentality of local government. Such an entity must agree to all potential recourse should the project fail to meet a National Objective as determined by the MSF.

IV. LOAN POLICY REQUIREMENTS

A. LOAN AMENDMENT

Any amendment to a loan agreement, or to the scope of an individual project, utilizing CDBG funds requires written authorization by the MSF. To request a loan amendment, a C-RLF or RLFA must submit a completed Grant Amendment Request (Form 12-B) from the authorized official to the Program Specialist

outlining the proposed changes. A draft Grant Amendment Request can be submitted to Loan Program Specialist for review and comments prior to obtaining the authorized official's signature.

B. COLLATERAL STANDARDS AND UNSECURED LENDING

Credit risk underwritten for the program will be secured by borrower assets at reasonable advance rates, as determined by a C-RLF or RLFA. Advance rates in excess of industry norms, but at or below 100% of the value of the asset established by a C-RLF or RLFA, must be addressed in the underwriting document and mitigating factors, if any, shall be described.

Credit underwritten for the program for which no security exists is allowed but must not become a majority of the credit underwritten within a loan portfolio. C-RLFs and RLFAs are required to provide mitigating factors that justify unsecured lending, such as long-term business success, unsecured position is temporary, sponsor strength not being available to secure the loan, or other appropriate factors.

The MSF reserves the right to restrict the ability of a C-RLF or RLFA to underwrite credit with little or no security via written administrative notification. The MSF is looking for responsible CLP policies that are administered with consistency and prudently.

C. DISBURSEMENTS

Any disbursement from a C-RLF or RLFA to a business must be approved in writing (Loan Approval letter) by the State's CDBG Loan Program Specialist in advance of the disbursement.

D. DISCHARGE OF DEBT REQUEST

A discharge of debt may be granted to a C-RLF or R-RLF for a CLP loan that meets the eligibility criteria. The community must receive approval from the CDBG Program Director in advance of discharging any existing debt.

Eligibility. In order to be eligible for a discharge of debt, a loan must:

1. have been fully funded prior to the grantee community executing either a Subrecipient Agreement, or a First Restated Grant Agreement;
2. have been in default for a minimum of 6 consecutive months prior to requesting the discharge of debt; and
3. have sufficient proof/documentation to establish that the grantee community exhausted all reasonable collection methods. The Community should document all communication to/from the borrower, all collection activities, and any information used to make its decision.

Documentation. Submit the following required documentation to the Loan Program Specialist:

1. A discharge of debt request on UGLG letterhead with the loan specific information, the request, and signed by an authorized CDBG Loan Fund representative; and
2. Documentation of the collection activities that were completed by the community.

Upon receipt and review, the Loan Program Specialist will provide the community written approval via email or, in the alternative, required next steps and/or action items.

E. GUARANTEE POLICY

The program requires a C-RLF or RLFA to obtain an unlimited and unsecured personal guarantee of any owner (corporate or natural person) who holds 20% or more of a borrower. C-RLFs and RLFAs should

have evidence of a policy and consistent implementation of the policy with respect to securing guarantees.

In a case where a C-RLF or RLFA desires to use a guarantee as a mitigating factor for not securing collateral, the C-RLF or RLFA should look to a secured guarantee.

In the case where the C-RLF or RLFA is entering into a pari passu participation agreement, it may utilize the same guarantee structure as the lead lender. Guarantees are required when the participation is subordinated with respect to collateral or payments or both.

In the instance a C-RLF or RLFA desires to limit a guarantee, it should specifically discuss and address the reasons why the guarantee must be limited. Likely acceptable reasons would be:

- An unlimited guarantee impacts the ability of the business or sponsor to secure additional debt or equity.
- An unlimited guarantee provides excessive risk mitigation given the size of the loan as compared to the resources incorporated by the guarantee.

The MSF reserves the right to restrict through administrative notification the ability of a C-RLF or RLFA to underwrite credit with limited or no guarantee of the owners of a borrower.

F. INTEREST RATE POLICY

The program will charge interest rates commensurate with the level of risk of the credit that it is underwriting but will not exceed legal limits and will not compete with traditional lending institution rates. The MSF reserves the right to require justification that the program is not in rate or fee competition and make such a determination in its sole discretion.

- Regardless of the security position and financial health of the company, a direct loan's interest rate must be **2% over the prime rate** as published in the Wall Street Journal, with a floor of 5.99% per annum.

The MSF maintains the ability to approve exceptions to the rate policy on a case by case basis or reject a proposed rate. Pricing is required to be included in the CDBG Loan Financial Review Memo submitted by a C-RLF or RLFA. If interest rate is less than stated herein, provide justification for lower interest rate in Financial Memo.

G. PERMANENT WORKING CAPITAL

Permanent Working Capital (PWC) is identified as capital used to fund current assets which are paid back as a "long term liability" (essentially repaid on a schedule exceeding 12 months). Generally, PWC is provided as a fully amortizing term loan over the course of 2 to 5 years. The use of proceeds can be to pay down a traditional working capital revolving line or can be a direct spend on current assets and immediate expenses necessary to facilitate growth in business activity.

PWC requests are frequently of a subordinated or unsecured nature and represent significant risk. These credit facilities should be as short term as possible while maintaining adequate debt service coverage

ratios and, if subordinated to other lenders, should have broad rights to all business assets behind the senior lender.

H. SUBORDINATION

Subordination of both payments and collateral are allowed under the program. At all times, a C-RLF or RLFA should seek the best possible position with respect to both payments and collateral. The best possible position for the CLP is a pari passu participation in which the interests of the private lender and the program are most closely aligned. In such cases, the program benefits from the lender's involvement in the management of the asset and the lender benefits from the reduced exposure taken on by the program.

I. TERM AND AMORTIZATION

Terms and Amortizations are traditionally linked to the useful life of the assets that are being financed as well as the rate and re-pricing environment. Generally, term loans do not exceed 5-year terms, although they may have 20- or 30-year amortizations. A C-RLF or RLFA is required to develop and implement a consistent policy on the Term and Amortizations subject to the following conditions:

LOAN TYPES	MAXIMUM TERM	MAXIMUM AMORTIZATION
Construction/Permanent	1-year construction term followed by a maximum of 6-year permanent debt term	30 years
Equipment	10 years or the appraised useful life, whichever is shorter	10 years
Permanent Working Capital	5 years	10 years
Real Property <i>An appraisal is not required to be submitted to MSF. Underwriting and risk mitigation and collateral decisions are made by the CLP/RLFs and Fund Managers/RLFAs who should have an underwriting policy which identifies when an appraisal is required.</i>	7 years	30 years
Working Capital	Maximum term of 18 initial months followed by 12 months (in order to time renewal with the availability of company financial statements)	10 years

Exceptions to this section require pre-authorization by the MSF, and such requests will be made in writing and accompanied by a description of risk mitigation factors. Exceptions shall require unanimous support by the Loan Approval Committee of the C-RLF or RLFA and justification shall be provided in the Financial Review Memo.

J. TROUBLED ASSET MANAGEMENT

All C-RLFs and RLFAs are required to have a Troubled Asset Management Plan (TAMP) which addresses the policy for managing defaults under its loan, collateral, and security agreements. The plan should include steps the institution will follow once it identifies defaults including the use of forbearance, the waiving of defaults, its restructuring standards and its standards for carrying loans to non-accrual and charge off.

In the event that a borrower fails to make a regularly scheduled payment for a period of 6 months, such a loan should be moved to “non-accrual” whereby its interest rate is reduced to zero but the Fund’s counsel believes the loan can be collected or rehabilitated in the near future.

In the event a loan in non-accrual is determined to have a low likelihood of collectability, the loan should be charged off.

V. REPORTING REQUIREMENTS

All Funds are required to complete various reports as provided and directed by the MSF. There are additional reporting requirements for all projects receiving CDBG funds and is described throughout the GAM.

A. ADMINISTRATIVE EXPENSES

The use of CDBG Funds to reimburse for reasonable and allowable administrative expenses is governed by HUD and the MSF and is described in detail throughout the GAM. Notwithstanding any state or federal law or administrative policy, the allowance for and use of CDBG Funds for the reimbursement of administrative expenses by a C-RLF or RLFA is provided as follows:

Community Revolving Loan Fund (C-RLF or Local)

1. 18% of the initial amount of local PI entered into IDIS in June 2013 (minus approved UGLG administrative costs disbursements) may be drawn upon until depleted or returned to MSF, whichever occurs first.
2. 18% of PI generated by a Local Fund’s loan portfolio is available for administrative expenses.
3. All funds generated by a Local Fund are considered PI.
4. No loan application or closing fees can be charged to a borrower on a CDBG Loan program loan.

Regional Revolving Loan Fund (R-RLF or Regionalized)

1. 18% of the amount of the local PI balance initially transferred to the RLFA may be drawn upon until depleted or returned to MSF, whichever occurs first.
2. 8% of PI generated by an UGLG’s loan portfolio sub-granted to the RFLA is available for administrative expenses.
3. The RLFA will need to provide a separate payment request for reimbursement for each UGLG for which administrative expenses were incurred.

For administrative expenses incurred by the RFLA that are not attributable to any one UGLG, it will be at the discretion of the RLFA to determine the breakdown of costs incurred per UGLG as set forth in its Cost Allocation Plan.

4. No loan application or closing fees can be charged to a borrower on a CLP loan.

R-RLF UGLGs (communities entering into the subrecipient agreement)

1. All PI generated by an existing loan portfolio (loans executed prior to regionalization) after July 1, 2015 will need to be sub-granted to the RLFA pursuant to the terms of the Subrecipient Agreement. Reimbursement of administrative costs are not allowed.

B. ADMINISTRATIVE EXPENSES - ELIGIBLE

The CLP will require all Funds to adhere to the rules set forth in 24 CFR 570.206, as follows, for the CLP Account and Defederalized Account separately.

Payment of reasonable program administrative costs and carrying charges related to the planning and execution of community development activities assisted in whole or in part with funds provided under this part and, where applicable.

General management, oversight and coordination. Reasonable costs of overall program management, financial management, coordination, monitoring, and evaluation. Such costs include, but are not necessarily limited to, necessary expenditures for the following:

- 1) **Salaries, wages, and related costs of the recipient's staff engaged in program administration.** In charging costs to this category, the recipient may include the pro rata share of the salary, wages, and related costs of each person whose job includes any program administration assignments. Program administration includes the following types of assignments:
 - a) Providing local officials and citizens with **information** about the program;
 - b) Preparing program **budgets and schedules**, and amendments thereto;
 - c) Developing systems for **assuring compliance** with program requirements;
 - d) Developing **agreements** with contractors to carry out program activities;
 - e) **Monitoring** program activities for progress and compliance with program requirements;
 - f) **Preparing reports** and other documents related to the program for submission to HUD and/or MSF;
 - g) Coordinating the resolution of audit and monitoring **findings**;
 - h) Evaluating **program results** against stated objectives; and
- 2) **Travel costs** incurred for official business in carrying out the program; and
- 3) **Administrative services** performed under third party contracts or agreements, including such services as CLP-related legal, accounting, audit and marketing services.
- 4) **Other costs for goods and services** required for administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space.
- 5) **Bank fees** for CLP and Defederalized Accounts are eligible admin expenses.

Defederalized Account. Eligible administrative expenses as listed above must be solely to prospect and obtain new defederalized activities. The RLFA must document the use of defederalized administrative expenses and maintain onsite; however, it is does not required to be submitted to MEDC.

C. ACCOUNTING OF LOAN FUNDS

An ongoing document to be completed by UGLGs semi-annually to report data RLF loans in place prior to regionalization and determine transfer amount to RLFA, if applicable.

D. ANNUAL PERFORMANCE REPORT

For Local Funds, pursuant to the Restated Grant Agreement, completed by the UGLG to provide comments on UGLG and MSF responsibilities on an annual basis.

For Regionalized funds, pursuant to the Subrecipient Agreement, completed by the UGLG to provide comments on RLFA and UGLG responsibilities on an annual basis.

E. FINANCIAL REPORTING

To be completed by Local and Regional funds semi-annually to report on loan payments received, loan disbursements, program interest, and defederalized funds (if applicable).

F. PAYMENT REQUESTS

For Local and Regional fund managers, all payment requests for reimbursement of eligible Administrative Expenses must be submitted quarterly to be considered for approval based on dates the costs were incurred, see below. Administrative Expenses incurred during a program year must be submitted via payment request within 90 days of the end of said program year (6/30) for reimbursement to be allowed. The Fund requesting a disbursement from the MSF for administrative expense reimbursement must use the CDBG Payment Request (PR) form located in Chapter 8 of the GAM.

Costs Incurred Between	Reimbursement Request Submitted By
Jan 1 - Mar 31	Apr 30
Apr 1 – Jun 30	Jul 30
Jul 1 – Sep 30	Oct 30
Oct 1 – Dec 31	Jan 30

G. SINGLE AUDIT

For C-RLFs, all CLP expenditures must be reported on the UGLG's Schedule of Expenditures of Federal Awards (SEFA) if a Single Audit is required.

For R-RLFs, all CLP expenditures must be reported on the RLFA's Schedule of Expenditures of Federal Awards (SEFA) if a Single Audit is required.

Refer to the Single Audit Guidance for further details.

CHAPTER 3 FORMS

None

Any questions on this GAM Chapter 3 should be directed to the CDBG Loan Program Specialist.