

Financing Small Business Growth with Economic Development Administration Revolving Loan Funds

EDA Program Evaluation

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Executive Summary

Small businesses lead in job creation and innovation but often struggle to access the capital they need to thrive (Breitzman and Hicks 2011; Kobe and Schwinn 2018; Mills and McCarthy 2016). To broaden access to capital, the US Economic Development Administration (EDA) provides grants for revolving loan funds (RLFs)—self-replenishing pools of money from which operators make loans to local businesses. Operators of EDA–funded RLFs include state and local governments, Indian tribes, economic development districts (EDDs), universities, and other nonprofit organizations. RLF loans provide gap financing for small businesses that would otherwise struggle to obtain traditional financing from banks. This report presents the results of a study of EDA's RLF program and provides recommendations for how the program can be oriented toward the future.

Study Design

We obtained data on EDA grants made to capitalize or recapitalize RLFs between 1975 and 2021 and performance data on loans disbursed between January 2010 and June 2022. We used these data to explore the historical performance of the program since its inception and analyze program performance between 2010 and June 2022. We also conducted interviews and qualitative analysis to explore insights not available from program or secondary data. EDA provided a list of 30 RLF operators recommended by regional administrators for user-focused program insights. Our data collection concluded prior to the enactment of the Thomas R. Carper Water Resources Development Act of 2024 and therefore does not evaluate policy changes made in response to that legislation. The reauthorization did not make explicit changes to the RLF program, but it did expand the list of explicitly eligible grantees to include economic development organizations and public-private partnerships for public infrastructure.

Revolving Loan Fund Grants to Operators

Since the program's inception in 1975, EDA has made 955 grant awards to 454 RLF operators that we can observe in the program data. Adjusting for inflation, the median grant provided $1.2 million in funding and the average grant provided $2.4 million. Funding levels varied greatly over time. Between

1975 and 1999, EDA made an average of 20 RLF grants each year. From 2000 to 2019, EDA only made five RLF grants each year, on average. With the injection of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, EDA provided 314 RLF grants in 2020 and 44 in 2021. Although some operators have received multiple grants to operate RLFs, repeat grants were generally rare before 2020.

Revolving Loan Fund Operators and Loan Deployment

EDA funds a diverse group of RLF operators. Just under half of RLF operators are "EDA–approved district organizations," or EDDs; about one-quarter are government agencies or quasi-governmental organizations; and about one-quarter are other nonprofit entities, including community development financial institutions. Most loan funds in the RLF program made fewer than 20 loans between 2010 and 2022. Only 5 loan funds deployed more than 99 loans during that period. A plurality of RLFs initiated in the 2010s revolved exactly one time by 2022, consistent with taking 1 to 3 years to disburse funds and providing loans with 5-to-10-year terms. Yet RLF operators vary widely in terms of lending capacity, approaches to social impact lending, and regional context. We also find considerable differences in operations and performance.

Borrowers and Loans

Businesses that receive loans from RLFs range in terms of their size, but about half of loans go to businesses with no more than one employee or full-time equivalent. RLF loans provide less than half of the total amount that these businesses raise or borrow, as RLFs often (but not always) leverage bank or other financing when providing loans to businesses. For smaller loans, RLFs and private capital each provided about one-third of the funding. In contrast, businesses that borrow more than $100,000 from RLFs receive almost half of their financing from private funding, with the RLFs providing only about one-fifth of the total. Businesses use funds for both working capital and fixed assets. The top three industrial sectors represented among RLF borrowers in the study period are accommodation and food services, manufacturing, and retail trade. RLF funding supports businesses in areas with lower incomes and lower educational attainment, on average, compared with the US overall. RLF funding also disproportionately flows to areas with EDDs, rural areas, and areas with a greater share of non-Hispanic white residents.

Looking Ahead

We find that the EDA RLF program has strong potential to fill vital small business financing needs and increase positive outcomes, but adjustments are needed to support these advances. We offer the following steps for consideration: adapt fund-level oversight to better match operators' technical expertise; increase flexibility in grant funding allocation and reallocation; support high-capacity and high-volume operators; expand RLF resources; adopt larger geographic focus areas; focus on smaller loans; and provide derisking capital.

Financing Small Business Growth with EDA Revolving Loan Funds

Small businesses provide enormous benefits to the US economy. They create the majority of all new jobs and lead in innovation, receiving 25 more patents per 100 employees than large businesses (Breitzman and Hicks 2011; Kobe and Schwinn 2018). Yet because they face additional barriers to providing information and documentation to lenders and have a greater risk of default, small businesses often struggle to access the capital they need to thrive (Mills and McCarthy 2016). The US Economic Development Administration (EDA) seeks to address this financing gap by providing seed funding to establish revolving loan funds (RLFs)—a self-replenishing pool of money from which loans are made to small businesses.

Through the Economic Adjustment Assistance program, EDA provides grants to capitalize or recapitalize RLFs. Operators of EDA–funded RLFs include state and local governments, Indian tribes, economic development districts (EDDs), universities, and other nonprofit organizations. The operators manage the RLFs and make loans to support small business growth, retain jobs, create wealth, and support businesses. RLF loans provide gap financing for small businesses that would otherwise struggle to obtain traditional financing from banks (EDA 2022). Borrowers repay loans with interest (and sometimes fees), which allows RLFs to replenish themselves and provide a revolving source of capital to small businesses in their communities.

This report presents the results of a retrospective study of EDA's RLF program and provides recommendations for how the RLFs EDA has capitalized can be oriented toward the future. Our research focuses specifically on EDA RLFs. There are other types of revolving loan funds—for example, RLFs capitalized by the US Department of Energy and the US Environmental Protection Agency—that we did not examine as part of this research.

The last in-depth evaluation of EDA's RLF program was released more than two decades ago. In the late 1990s, researchers at Rutgers University evaluated the RLF program by creating a composite index based on four indicators of economic resilience: economic diversification, earnings per worker, economic stage, and import dependence. They found that of the 1,032 counties with businesses that received loans from an RLF, 42 percent of the counties had positive structural economic changes (an increase in the composite index), 46 percent had no significant change, and 12 percent had a negative

change (Burchell et al. 2002). They also found the program had a low cost per job and low average write-off rate.

BOX 1

Program Evaluation of the Economic Development Administration

This report is the sixth in a series of products evaluating EDA and its effects on local economies. The first brief describes the agency's programs and projects using EDA's administrative data (Theodos et al. 2021a); the second describes the agency's background and goals and provides a history of EDA (Theodos et al. 2021b); the third examines the locations of EDA grants (Theodos et al. 2023); the fourth explores EDA's role in disaster recovery and mitigation (Marx et al. 2023); and the fifth examines the impacts of EDA construction projects on local economies. These briefs, along with a feature on the economic development strategies of the Rosebud Sioux Tribe, can be found at urban.org/EDA.

We build on this prior research in our report, first by documenting the history, size, and scope of the RLF program. We then describe the characteristics of RLFs, loan fund operations, and program outputs and outcomes. We generate our findings through a mixed-methods approach that combines analysis of administrative records and interviews with grantees, stakeholders, and program staff.

Due to fluctuations in appropriations for the RLF program throughout its existence, as well as the evolving small business finance market, the program's performance and size has varied over time. In addition, loan fund operators differ in their capacities, operational approaches, regional contexts, and outcomes. We find that the program has strong potential to fill vital small business financing needs and increase positive outcomes, but adjustments are needed to support these advances.

Background on EDA's Revolving Loan Fund Program

In 1965, President Lynden B. Johnson signed the Public Works and Economic Development Act into law, authorizing the creation of EDA and appropriating funds to support economically disadvantaged regions to advance their economic recovery and build resilience against shifts in the global economy and natural disasters (Theodos et al. 2021a). Later, EDA also received authorization to drive domestic innovation and competitiveness. Across its programs, a central tenet of EDA's approach is targeted approaches based on regional economic contexts. As such, EDA's activities center regional partnerships in their efforts to strengthen, diversify, and increase the resilience of local economies.[1]

The RLF program provides injections of federal grant capital that can be lent to help businesses create new jobs in their local economies. EDA makes grants to local entities, or RLF operators, to "capitalize" (create) or "recapitalize" (replenish) funds that are used to make loans to local businesses. An RLF operator may be "a State, county, city, or other political subdivision of a State; Indian tribe; EDA-approved district organization; institution of higher education; and public or private nonprofit organization" (EDA 2022). RLF operators make loans to businesses in their geographically defined jurisdiction under EDA supervision. RLF loans can help businesses launch or expand by providing low-cost capital for higher-risk loans that lending institutions would otherwise not provide. As a result, RLF capital is most frequently lent to small businesses who might otherwise struggle to find financing.

Although Congress authorized the RLF program in the Public Works and Economic Development Act in 1965, EDA did not launch the RLF program until 1975. The RLF program differs from most other EDA programs, which provide grants to build the local economic development capacities needed to support economic growth and resilience at the community level (e.g., public infrastructure, technical assistance, and strategic planning) (Theodos et al. 2021a). By enabling EDA to enter the business finance market through its intermediaries, RLFs provide the agency with the ability to deploy loan capital to local businesses and fill gaps in the private sector finance industry.

Since the creation of EDA's RLF program, small business finance has evolved considerably. Banks and credit unions have traditionally played the largest role in providing small business loans, and they still do for low-risk firms. But fintech lenders and nonbank financial companies, such as payment processing companies, now receive roughly half of loan applications from firms with moderate or low credit scores (Corcoran et al. 2023). Following the 2008 financial crisis, the traditional banking industry contracted their small business portfolios, creating a void that fintech platforms have since filled (Gopal and Schnabl 2020). These platforms provide more flexibility to borrowers and serve larger geographic areas. They have higher approval rates and quicker processing times for medium- and high-credit-risk firms, though borrowers are less satisfied with them and their products, citing high interest rates and unfavorable repayment terms (Corcoran et al. 2023).

The policy environment has also changed significantly since the RLF program began. The US Small Business Administration (SBA) established and expanded targeted small business lending programs, increasing access to loan capital for high-risk borrowers by providing loan guarantees to private lending institutions. The Community Reinvestment Act of 1977 authorized the federal government to incentivize private financial institutions to meet the credit needs of the communities in which they are based—including the need for small business capital—across the income spectrum. The US Department of Agriculture (USDA) has more than 30 programs that directly or indirectly support small businesses

across a range of functions (Theodos et al. 2024). Some states and localities use the US Department of Housing and Urban Development's Community Development Block Grant and Section 108 programs to capitalize small business loan funds. With the passage of the Riegle Community Development and Regulatory Improvement Act of 1994, the US Department of the Treasury established the CDFI Fund, which provides capital to financial institutions serving undercapitalized communities—formally designated as CDFIs—to deploy low-cost, high-risk loans, including small business loans. Congress first created the State Small Business Credit Initiative in response to the 2008 recession and reinstituted it in response to the 2020 economic downturn. Several other federal, state, and local efforts now support capital access for small businesses that are not well served by the private market.

In its first four decades, the RLF program underwent relatively few changes. And between 2000 and 2019, EDA only funded smaller investments in new or existing RLFs. During this time, operational challenges became more apparent. In the late 1990s, EDA shifted to requiring federal oversight of RLF grant funds in perpetuity, which posed challenges for operators (as described below, this was later modified). In 2002, the National Association of Development Organizations Research Foundation found that the RLF program's limited funding for recapitalized loan funds and technical assistance, as well as the program's regulatory processes, limited the program's ability to achieve its goals (NADO 2002). Over a decade later, the Office of Inspector General reported that EDA's limited resources and the inflexibility of the RLF program's regulations caused EDA to fail to adequately monitor RLF operators and respond to prevalent underutilization of funds (OIG 2015).

Congressed reauthorized EDA with the Thomas R. Carper Water Resources Development Act of 2024. The act reauthorized funding through FY2029, made statutory updates reflecting congressional efforts to modernize economic development policy, established statutory investment priorities for EDA, expanded project eligibility, and amended EDA's administrative authority to provide greater flexibility (CRS 2025). The reauthorization did not make explicit changes to the RLF program, but it did expand the list of eligible grantees, making economic development organizations and public-private partnerships for public infrastructure eligible to be RLF operators.

BOX 2

Revolving Loan Funds Program Glossary

Below, we define several terms related to the RLF program, EDA, and its local partners used throughout this report.

- **Economic Development District (EDD):** EDA developed the EDD designation in 1969. EDDs are multijurisdictional entities that receive funding from EDA to develop and implement a region's strategic economic development plan, known as the Comprehensive Economic Development Strategy (CEDS), described below. To qualify as an EDD, an applicant must have, among other things, a CEDS and one or more geographic areas that meet EDA's regional distress criteria.
- **Comprehensive Economic Development Strategy (CEDS):** EDA designed the CEDS process to require regional planners to identify economic assets, current and potential economic needs, and opportunities in their region and develop strategies to increase economic resilience. Regional planners creating CEDS must involve relevant stakeholders from the private, public, and nonprofit sectors located in their jurisdiction in the planning process. EDA uses CEDS to review grant applications and measure grantees' performance toward meeting their regions' goals.
- **Defederalization:** RLF operators may request that EDA release its federal interest in their fund seven years after the final EDA grant disbursement. If this release is granted, the RLF and EDA enter into an agreement for the operator to use the funds for economic development—including by continuing to operate an RLF—without being subject to EDA reporting requirements, though they still need to follow Davis-Bacon and other regulations.
- **RLF operators:** Recipients of RLF grants that administer the loan funds. They include states, localities, tribes, nonprofit organizations, and other entities. RLF operators can be EDDs but do not have to be.
- **RLF plans:** EDA requires RLF operators to submit an RLF plan at a minimum every five years and in other circumstances according to regulations. RLF plans summarize the region's economic development plan; identify business development objectives and the financing needs of businesses in the area; and establish locally relevant procedures for loan fund administration, portfolio standards, and financing policies. RLF plans are drafted by the operator but are reviewed and must be approved by EDA.
- **RLF administrators:** EDA divides the US into six administrative regions and maintains offices in Atlanta, Austin, Chicago, Denver, Philadelphia, and Seattle, in addition to a headquarters in Washington, DC. Regional administrators in these offices are the main points of contact for RLF operators at EDA. These administrators generally guide and support RLF operators and review CEDS, RLF plans, disbursement requests, annual performance reports, audit reports, and corrective action plans.

Sources: Theodos et al. (2021b); CRS (2022); EDA (2021); and EDA (2022).

BOX 3

Revolving Loan Funds Program Requirements

Through regulations and award conditions, EDA broadly defines how RLF operators underwrite and set loan terms to ensure their lending activities are in line with EDA's goals and priorities. Below, we summarize the requirements that have the most influence on RLF operators.

- EDA initially holds the grant funding until RLF operators require the funds to close loans. Operators must disburse funding within 30 days of receiving grant funds.
- The minimum interest rate operators may charge is 4 percentage points below the prime interest rate, according to the *Wall Street Journal*. But it is also no less than 4 percentage points or 75 percent of the prime rate. For example, when the prime rate is 8.5 percent, the minimum rate allowed is 4.5 percent. When the prime rate is 4.0 percent, the minimum rate allowed is 75 percent of this, or 3.0 percent. The allowable interest rate is also governed by the maximum interest rate allowed under state law.
- The total leverage ratio of operators' loan portfolios must be no lower than $2 of non–RLF funding for every $1 of RLF funds invested. (This is not a requirement for each loan, but for the portfolio as a whole.)
- Each year, EDA establishes an allowable cash percentage standard—the maximum percentage of RLF funding operators are permitted to have that is not obligated or disbursed to borrowers—calculated based on the EDA regional average.

Between 2020 and 2022, EDA temporarily relaxed some program requirements to achieve its pandemic response–related objectives of providing relief funding to small businesses. Between May 2020 and June 2022, EDA waived regulations that established a minimum interest rate, required borrowers to leverage additional capital, and required borrowers to provide evidence demonstrating that they did not have other access to credit.

Sources: Theodos et al. (2021b); EDA (2022); USC Title 13 Chapter III, Part 307, Subpart B, Economic Development Administration; "RLF Award Flexibilities for EDA RLF Recipients Frequently Asked Questions," Economic Development Administration, accessed December 5, 2023, https://www.eda.gov/funding/programs/cares/faq/rlf.

In the latter half of the 2010s, EDA made a large push to reform the RLF program by implementing recommendations from the Office of Inspector General, Congress, and program grantees. These reforms largely took place through EDA's proprietary Risk Analysis System, which it adapted from the Uniform Financial Institutions Rating System (EDA 2017). This system focused on reporting procedures for RLF operators, customized reporting periods to align with operators' fiscal years, and refined EDA's approach to identifying and addressing operator performance through risk ratings. Through the revised reporting process, EDA began collecting and measuring performance on 15 performance metrics that

assessed growth of an operator's capital base, loan portfolio performance, management of loan funds, cost effectiveness of fund administration, leveraging of other funds, and job creation and retention.

After the onset of the COVID-19 pandemic, Congress responded to the economic devastation by passing the 2020 CARES Act and the 2021 American Rescue Plan Act (ARPA). These federal response packages included a combined $4.5 billion in supplemental funding for EDA. This additional funding was a dramatic infusion into EDA programs relative to previous years and allowed the agency to provide unprecedented levels of funding to RLF operators. Under the CARES Act, EDA prioritized funding for RLFs as an avenue to support small business owners affected by the pandemic and invited existing RLF grantees to apply for noncompetitive funding (CRS 2020). ARPA funding was not targeted to RLFs but provided a dramatic infusion of funding for EDA's grantmaking across programs. Combined, EDA made 371 RLF awards with funding from the CARES Act and ARPA, representing a total federal investment of approximately $700 million. To advance the goals of the two bills, EDA recapitalized existing RLFs and relaxed restrictions on lending terms and underwriting requirements so that lenders could deploy capital to small businesses more quickly during a period of economic crisis. With this higher level of public investment came a push to bolster and better measure performance. This included expanded support in the form of a cohort-based technical assistance program designed to help RLF operators implement equitable lending strategies.[2] In addition, EDA pursued legislation that would allow defederalization of existing RLFs after seven years. Congress passed the Reinvigorating Lending for the Future Act in 2020, creating a pathway to release federal interest in older RLFs and end the oversight requirements for them.

Study Design

This study explores the history, operations, and effectiveness of EDA's RLF program. Our research began with a review of prior evaluations of the RLF program, followed by interviews with EDA administrators to understand the context of the program. From there, we collected and analyzed performance measurement data and conducted semistructured interviews with RLF operators.

We obtained data on EDA grants made to capitalize or recapitalize RLFs between 1975 and 2021 and performance data on loans disbursed between January 2010 and June 2022. We used these data to explore the historic performance of the program since its inception and provide in-depth analysis of program performance between 2010 and June 2022. Due to limitations in the loan-level data, our analysis only covers RLF operators whose loan funds were active as of June 2022. This likely omits RLF

grants awarded but terminated before 2015, which are not readily identified in EDA administrative data.

We also used demographic data from the US Census Bureau to evaluate the geographic distribution of grants and loans and targeting of funding to areas with economic need.

We conducted interviews and qualitative analysis to explore insights not available from program or secondary data. EDA provided a list of 30 RLF operators recommended by regional administrators for user-focused program insights. We contacted these 30 operators and interviewed 20 who agreed to participate. We used open-ended questions to identify and incorporate new areas for inquiry relevant to our evaluation objectives, and we refined and added research questions as we uncovered new themes and insights in our interviews. After completing all interviews, we analyzed the transcripts for common themes relevant to our research questions. We then synthesized findings from our qualitative and quantitative analyses.[3]

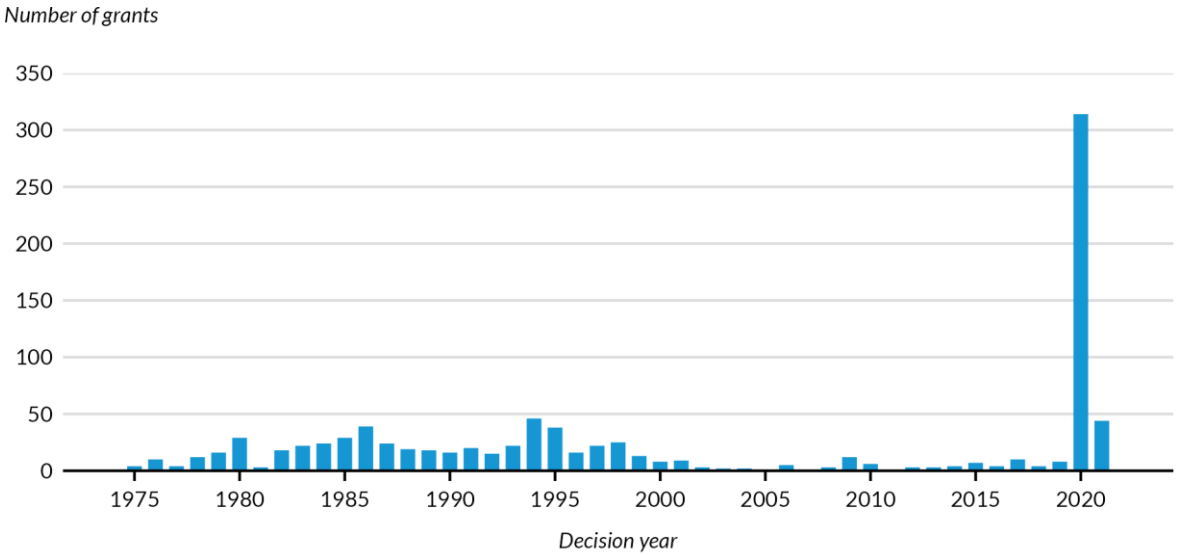
Revolving Loan Fund Grantmaking

EDA makes grants to capitalize or recapitalize RLFs through the Economic Adjustment Assistance program; the agency does not receive a separate appropriation for RLFs. Since the program's inception in 1975, EDA has made 955 grant awards to 454 RLF operators that we can observe in the program data. Adjusting for inflation, the median grant provided $1.2 million in funding and the average grant provided $2.4 million.

Grant funding from EDA dropped significantly between 2000 and 2019 but, as described above, hit an all-time peak in 2020. Figure 1 shows the number of RLF grants made each year, though it likely undercounts grants in earlier years given our incomplete data on RLF grants awarded but terminated before 2015. Between 1975 and 1999, EDA made an average of 20 RLF grants each year. From 2000 to 2019, EDA only made five RLF grants each year, on average. With the injection of CARES Act funding, EDA provided 314 RLF grants in 2020 and 44 in 2021.

FIGURE 1

Number of Revolving Loan Fund Grants Made over Program Lifetime, 1975–2021



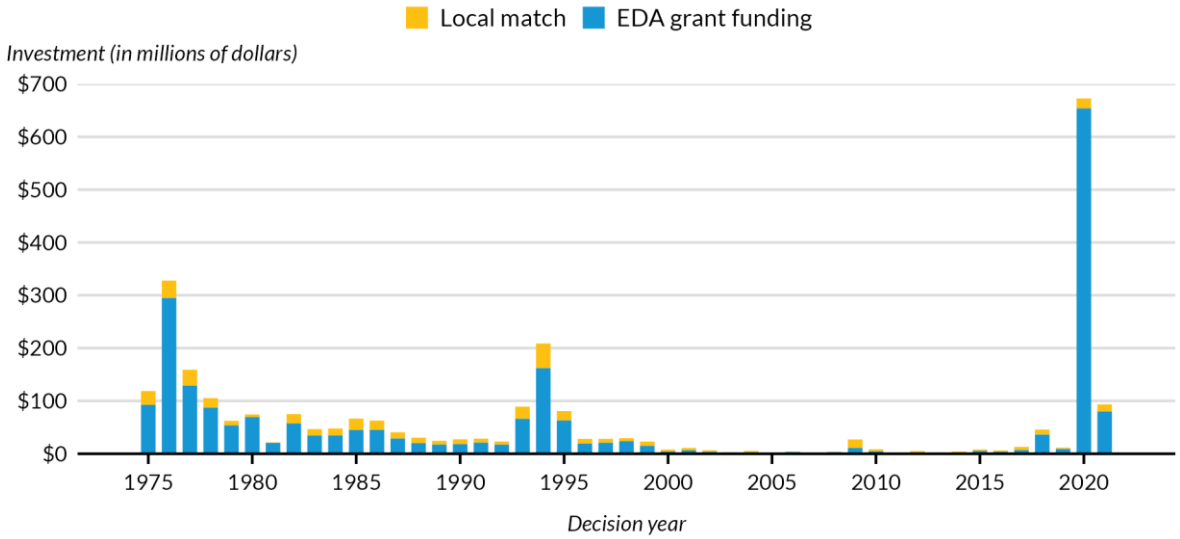
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Source: Economic Development Administration administrative data.
Notes: Decision year refers to the year the funding was awarded.

Figure 2 shows the dollar value of EDA grants for RLFs over time. Again, 2020 was an outlier. Looking beyond the pandemic-era spike in funding, the difference in grant fund deployment between 1975–2000 and 2000–2019 is stark. In inflation-adjusted dollars, EDA distributed more money annually in the program's first few years. Between 1975 and 1979, EDA provided the equivalent of $657 million (in 2021 dollars), providing 46 larger grants to capitalize RLFs at 44 operators. Funding for RLFs then gradually declined in inflation-adjusted terms through 1992. Between 1993 and 1995, EDA received additional funding for defense adjustment assistance and disaster support that led to increased RLF grantmaking.[4] New injections of funding into RLF operators tapered off between 2000 and 2019, and most RLF operators received most of their funding before 2000 and after 2019.

FIGURE 2

Dollars Invested in Revolving Loan Funds, 1975–2021



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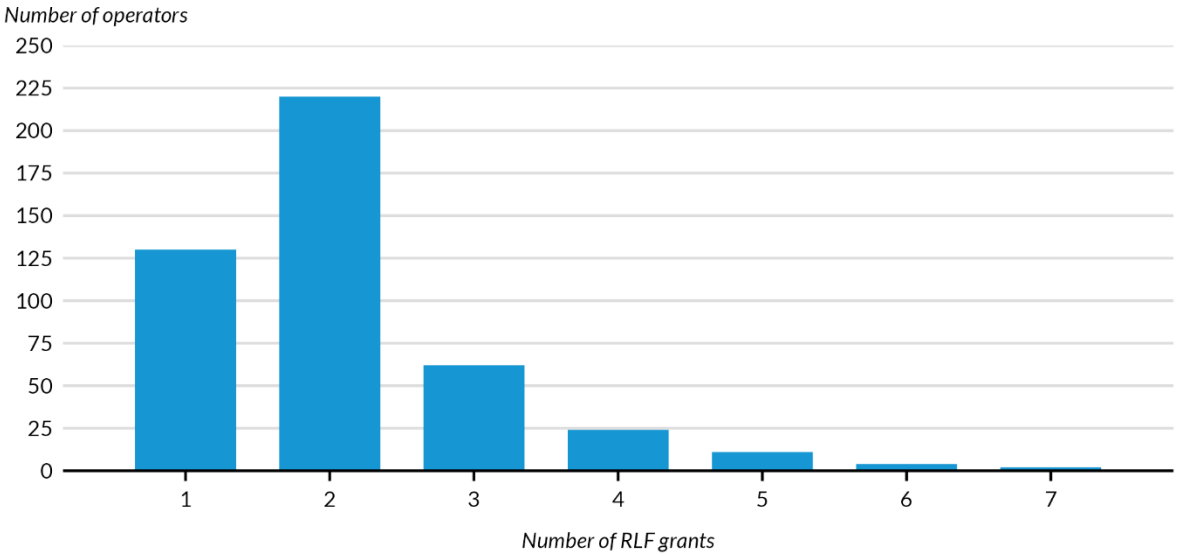
Source: Economic Development Administration administrative data.
Notes: Decision year refers to the year the funding was awarded. Local match refers to the volume of funds raised by RLF operators from non–EDA sources for their revolving loan funds. Dollar values are adjusted for inflation and presented in 2021 dollars.

RLF operators have historically incorporated local match funding to capitalize their RLFs alongside EDA resources. (This is different from an individual business or loan leveraging non–EDA financing, which we describe later in this report.) Before 2020, 86 percent of operators accessed additional sources of funding to capitalize their RLFs. The average amount of locally matched resources across all grants was about $700,000, with the average RLF receiving $3.7 million in new funding when they received a grant. However, given the urgency of distributing funds during the coronavirus pandemic, grants that recapitalized existing RLFs with funds from the CARES Act and ARPA did not require local grantees to source matching funds. In 2020 and 2021, only 20 percent of grants received leveraged funding. During the pandemic, the average amount of leveraged funding was $90,000 and the average total amount of funding was $1.9 million.

Although some operators received multiple grants to operate RLFs, repeat grants were generally rare before 2020. Even including grants funded under the CARES Act—which provided funding specifically for existing RLFs in good standing—and ARPA, most RLF operators only received one or two RLF grants (figure 3). There are, however, a few operators that received five to seven grants.

FIGURE 3

Number of Grants per Revolving Loan Fund Operator, 1975–2021



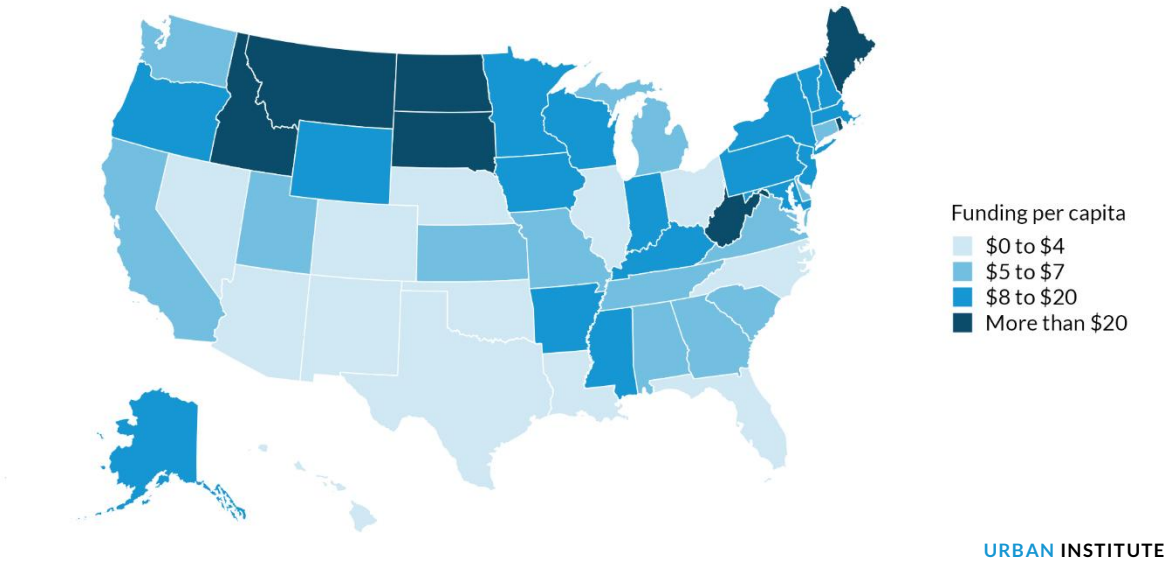
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Source: Economic Development Administration administrative data.
Note: RLF = revolving loan fund.

On a per capita basis, EDA's deployment of RLF grants varies across states and territories (figure 4, table A.1). North Dakota, South Dakota, and Montana received the most grants per capita, and Rhode Island, Maine, and Montana received the most RLF grant funds per capita. Florida, Arizona, and Texas received the fewest grants per capita, and Arizona, North Carolina, and Texas received the lowest amount of RLF grant funds per capita.

FIGURE 4

EDA Grant Funding for Revolving Loan Funds per Capita by State, 2010–2021



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Sources: Economic Development Administration administrative data, US Census Bureau 2010 Decennial Survey.
Notes: Dollar values are adjusted for inflation and presented in 2021 dollars.

Revolving Loan Fund Operators

One major challenge EDA faces in advancing economic development across the US is that communities' economic contexts are diverse, and the capacities of local development authorities vary widely. EDA works to overcome this challenge by maintaining flexibility in its recruitment of RLF operators. State and local governments, Indian tribes, EDDs, universities, and other nonprofit organizations are all eligible to operate an EDA RLF. Of the 454 RLF operators that we observed in the program data, 362 were active and reporting to EDA; 92 were either inactive or had been defederalized.

> **"The thing that's interesting about RLF operators is that they come from every different walk of entity possible."**
>
> *—Interviewee*

In practice, just under half of RLF operators were EDDs; about one-quarter were government agencies or quasi-governmental organizations; and about one-quarter were other nonprofit entities (table 1). Two hundred and five EDDs combined to receive 49 percent of RLF grants. They made up 45 percent of operators in our data and 49 percent of operators that EDA was monitoring in 2022. Nonprofits received the next-largest share of RLF grants at 23 percent. Nonprofit RLF operators include local chambers of commerce, community development organizations, and CDFIs. Nearly as

many grants went to local governments and quasi-governmental organizations, which include cities, counties, councils of governments, and quasi-governmental nonprofit development organizations. Five percent of RLF grants went to state-level agencies or quasi-governmental organizations, including organizations in territories. Two tribal-affiliated organizations received RLF grants (one of which remains active), and two universities operated RLFs in the past, but neither were still active and monitored by EDA in 2022.

TABLE 1

Revolving Loan Fund Grants and Operators by Grantee Organization Type

	Grants		Operators		Monitored Operators (June 2022)	
	Number	Share	Number	Share	Number	Share
EDDs	471	49%	205	45%	176	49%
Local government or quasi-governmental organizations	211	22%	122	27%	81	22%
Nonprofit organizations	219	23%	99	22%	85	23%
State and territorial agencies or quasi-governmental organizations	46	5%	24	6%	19	5%
Tribal-affiliated nonprofits	3	0.3%	2	0.4%	1	0.3%
Universities	5	0.5%	2	0.4%	0	0%
Total	955		454		362	

Source: Economic Development Administration administrative data and operator websites.
Notes: EDDs = economic development districts. Includes all grants for which data are available since the RLF program was created in 1975. Monitored operators include any grantee with at least one RLF that was neither inactive nor defederalized and thus still subject to EDA reporting requirements as of June 2022, when we retrieved the administrative data.

The mix of operator types has evolved over time. In the first five years of the program, only 9 of the first 44 operators were EDDs, 19 were local governments or quasi-governmental organizations, 5 were state agencies or quasi-governmental entities, 1 was a tribal-affiliated nonprofit, and 10 were other types of nonprofits. As the program expanded between 1980 and 1999, EDDs received a bit more than half of all RLF grants, receiving 237 of 458 grants over that period. Between 2000 and 2019, when new funding for RLFs was lowest, EDDs continued to make up about half of grants (receiving 47 of 93). Nonprofits received only 14 percent of grants in the 1980s but received roughly one in four grants between 1990 and 2021; they accounted for 23 percent of monitored operators in 2022.

One interviewee described the breadth of RLF operators as such:

> *"The thing that's interesting about RLF operators is that they come from every different walk of entity possible. You have states, you have multicounty regions, you have cities, you have counties, you have [councils of governments], you have all different kinds of things that are the RLF operator, which means that they come at it with wildly different capacity and knowledge.*

Some RLF operators, the entire RLF is one person. The loan committee management, loan review, outreach and marketing, community engagement—it's all one person. On the other hand, some are, in fact, CDFIs. Small business lending is all their entity does. And they're using EDA as one of their many sources of funding."

RLF operators have varying jurisdictions and capacities in terms of staff size, lending expertise, and technology, and, as a result, grantees take vastly different approaches to deploying the loan funds. The diversity among RLF operators is a central characteristic of the RLF program that arose throughout our investigation of the program's performance. And EDA's flexible requirements for operators allow them to reach a wide array of communities across the US.

Our interviews revealed that operators' lending behavior tends to vary based on differences along two main spectrums: technical expertise and philosophical approach. Technical expertise represents the diversity of programs offered based on the size and training of staff, volume of lending, and experience operating loan funds with public sources. Philosophical approach reflects the different ways operators balance the competing priorities of minimizing their fund's exposure to financial risk while advancing their social mission of supporting small businesses that are riskier to lend to. Within our interview sample, CDFI operators and other lenders with greater experience or volume of lending appeared to have access to more sources of capital, and RLF funding represented a smaller fraction of the resources at their disposal. Smaller RLFs appeared to have fewer non–EDA resources at their disposal. More of these organizations appeared to be EDDs and/or rural, but these observations are tentative given the size of our interview sample.

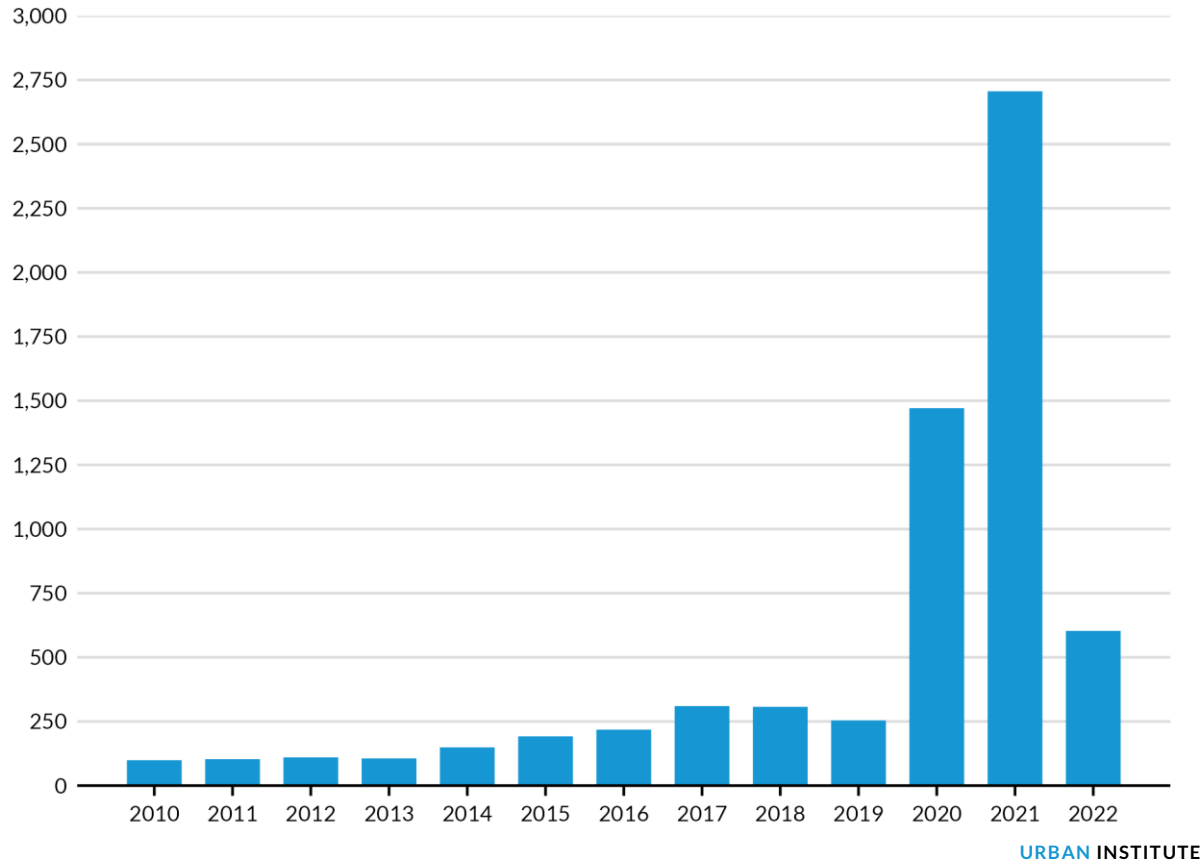
Most operators we spoke with use multiple government small business lending programs simultaneously. Rural operators tend to use USDA programs and occasionally SBA programs. Operators in urban areas are more likely to use funding from their cities' budgets and SBA programs. Numerous operators had CDFI certifications, which provide access to a range of high-volume funding sources.

Revolving Loan Fund Lending

The boost in EDA RLF grantmaking during the pandemic, funded by the CARES Act and ARPA and facilitated by loosened regulatory requirements to speed up the disbursement of funds, led to an increase in RLF lending in 2020, 2021, and 2022 (figure 5). Between 2010 and 2019, EDA–supported RLFs supported fewer than 300 loans and averaged less than $30 million each year across the entire US in constant 2021 dollars (figure 6). In contrast, EDA-supported RLFs financed nearly 1,500 loans totaling almost $120 million in 2020 and more than 2,500 loans totaling nearly $300 million in 2021.

FIGURE 5

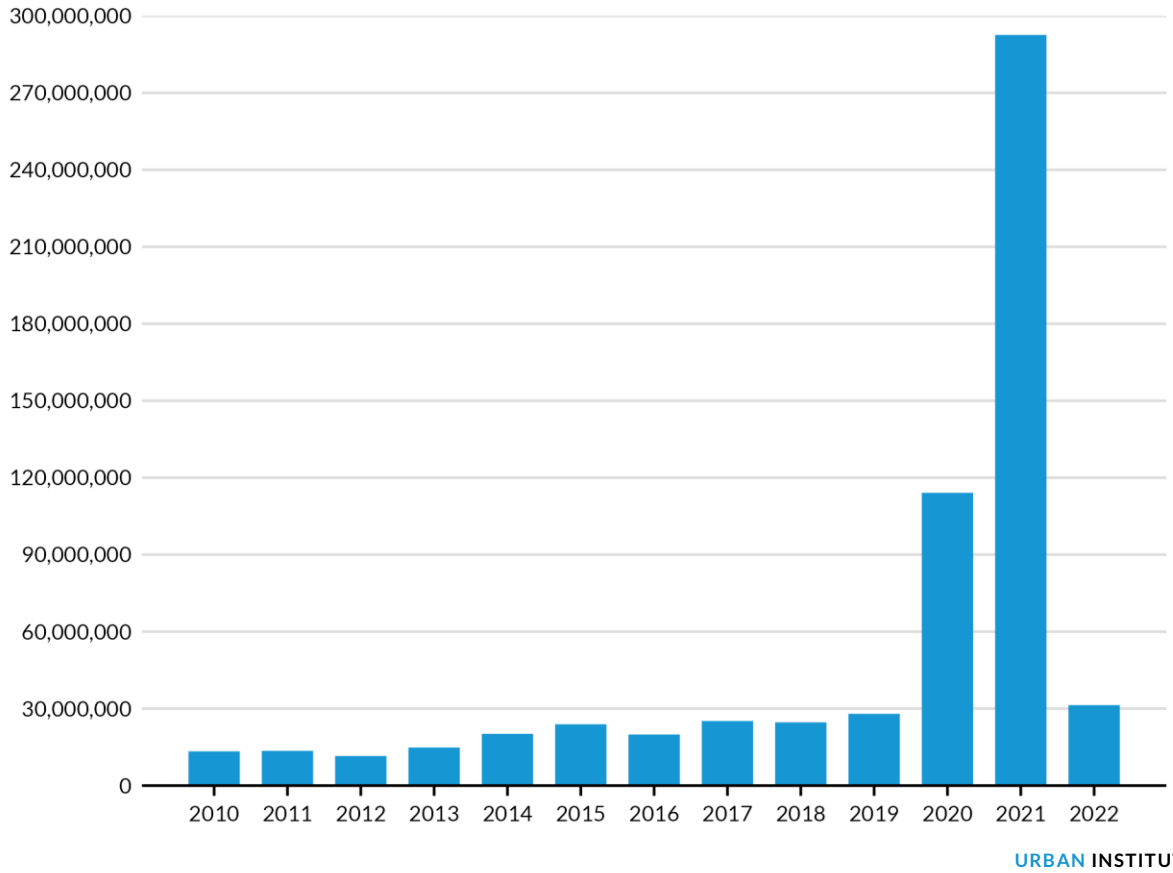
Number of Revolving Loan Fund Loans by Year of Loan Closing Date



Source: Economic Development Administration administrative data.
Note: Loan-level data include only the first half of 2022.

FIGURE 6

Total Value of Revolving Loan Fund Loans by Year of Loan Closing Date



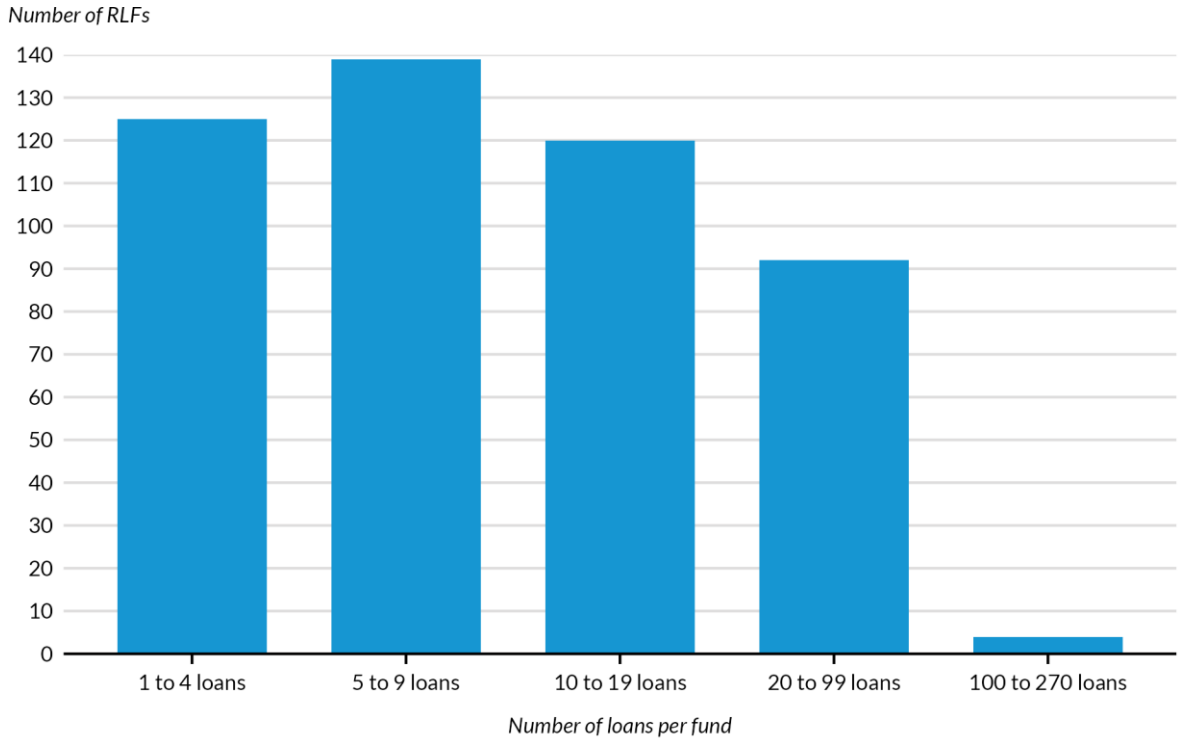
Source: Economic Development Administration administrative data.
Note: Loan-level data include only the first half of 2022. Dollar values are adjusted for inflation and presented in 2021 dollars.

Most loan funds in the RLF program had made fewer than 20 loans. Only 5 loan funds deployed more than 99 loans between 2010 and 2022 (figure 7). In interviews, operators in rural areas tended to report that they were meeting the demand for loans in their area, promptly responding to loan applications from borrowers, and were not rejecting loan applications due to lack of funding. Operators in urban areas had more varied answers on whether they were able to adequately meet demand for their product. Some reported that if additional resources had been available to them, they would have expanded engagement, marketing, and outreach.

FIGURE 7

Number of Loans per Revolving Loan Fund

For loans made 2010–22 by funds active in June 2022



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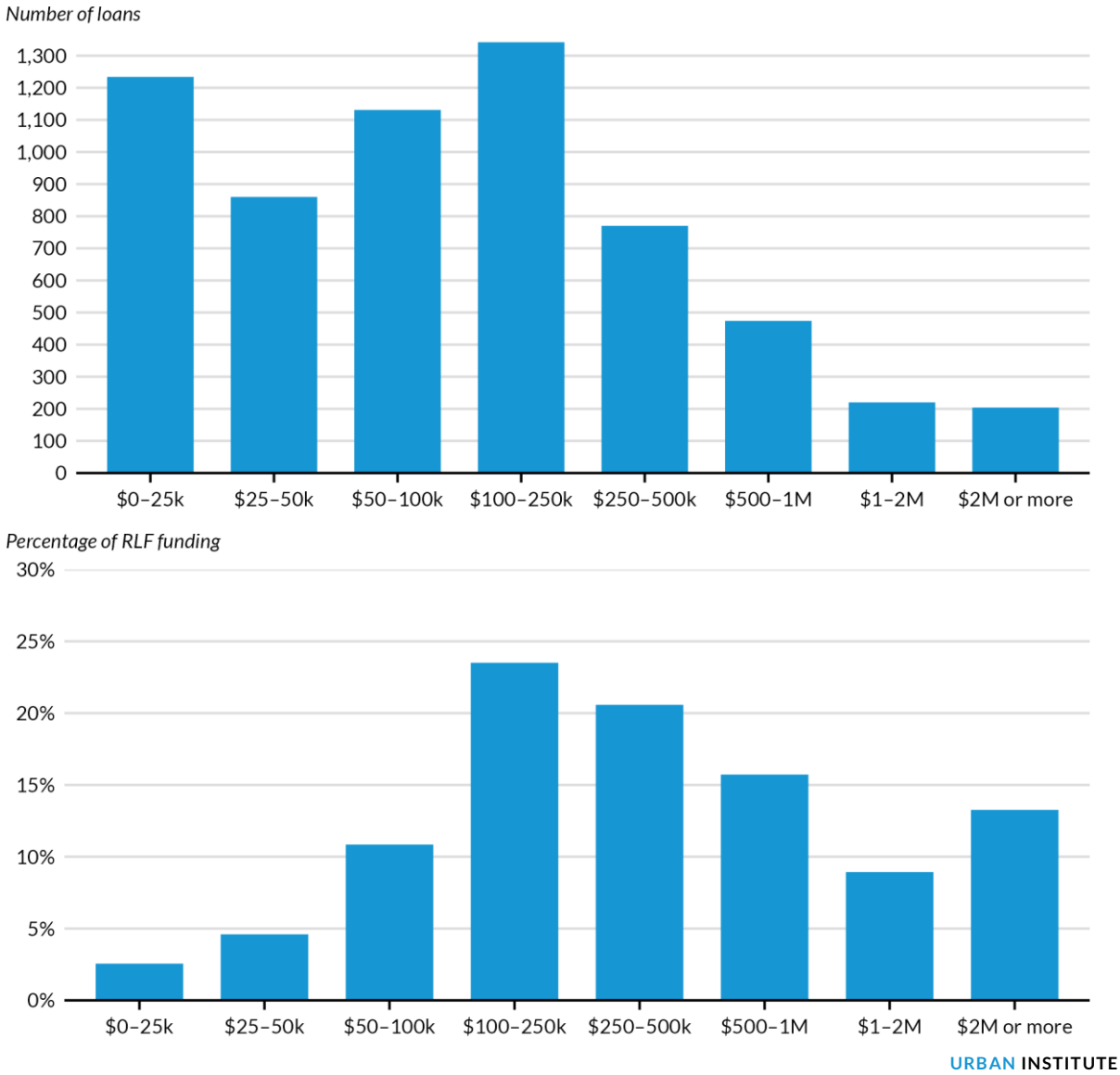
Source: Economic Development Administration administrative data.
Notes: RLFs = revolving loan funds. Dollar values are adjusted for inflation to 2021 dollars.

Figure 8 shows the number of RLF loans made between January 2010 and June 2022, separated into groups by the total funding amount received by the borrower, including leveraged financing (top panel) and the share of RLF funding that went to these borrowers (lower panel). The majority of loans went to borrowers receiving $250,000 or less, and these loans accounted for more than a third of all RLF financing. Approximately 32 percent of RLF loans were microloans (those under $50,000), and RLFs made 1,234 loans that supported less than $25,000 in financing. Despite their large share, microloans represent less than 10 percent of total lending volume. Only 10 percent of loans were given to borrowers taking on more than $2 million in funding, representing about 15 percent of total funding.

FIGURE 8

Number of Loans and Share of Total Funding, by Loan Size

For loans made 2010–22 by funds active in June 2022



Source: Economic Development Administration administrative data.
Notes: RLF = revolving loan fund. Dollar values are adjusted for inflation to 2021 dollars.

Recruiting Borrowers and Sourcing Leverage

Operators vary in the extent to which they proactively engage with small businesses in their jurisdictions. A minority of operators we interviewed had invested heavily in implementing a robust outreach strategy and developing a strong presence and name recognition among the small businesses in their regions. An even smaller group of operators reported developing an outreach strategy targeting

undercapitalized groups of entrepreneurs. Most operators reported that they primarily focus on maintaining strong relationships with traditional financial institutions, local chambers of commerce, other public lenders, and their areas' Small Business Development Centers, Women's Business Centers, or other business support organizations. These partners referred entrepreneurs to operators, who would then conduct client intake and assess clients' needs. Almost all operators reported that many or most of their borrowers had been referred to them by banks that had rejected the borrower's initial loan application.

Operators also used various strategies to develop financing plans and work with borrowers to meet their needs. One operator explained:

> *"Ninety percent of the time, the loan is not done the way they've applied for it. Most of the time, we give them more money. For example, this guy who comes to me asking me for a working capital loan, 'Because I have all these credit card bills, and I gotta make payroll, and I gotta do this, and I gotta do this. And it's my slow season.' Once we get all the information, and we look at the whole great, big, huge picture, and I see he's paying like an average of 35 percent on these credit cards, he's never gonna pay these off. Right? If I call him and I'm like, 'Okay, if we pay off all your credit cards and just keep one for business purpose, we can get you into a fixed-rate interest product, and your payment will be a third of what you're paying now all together, and you'll have this paid off in nine years. Like, would that work?' He was like, 'Well, yeah, it would.'"*

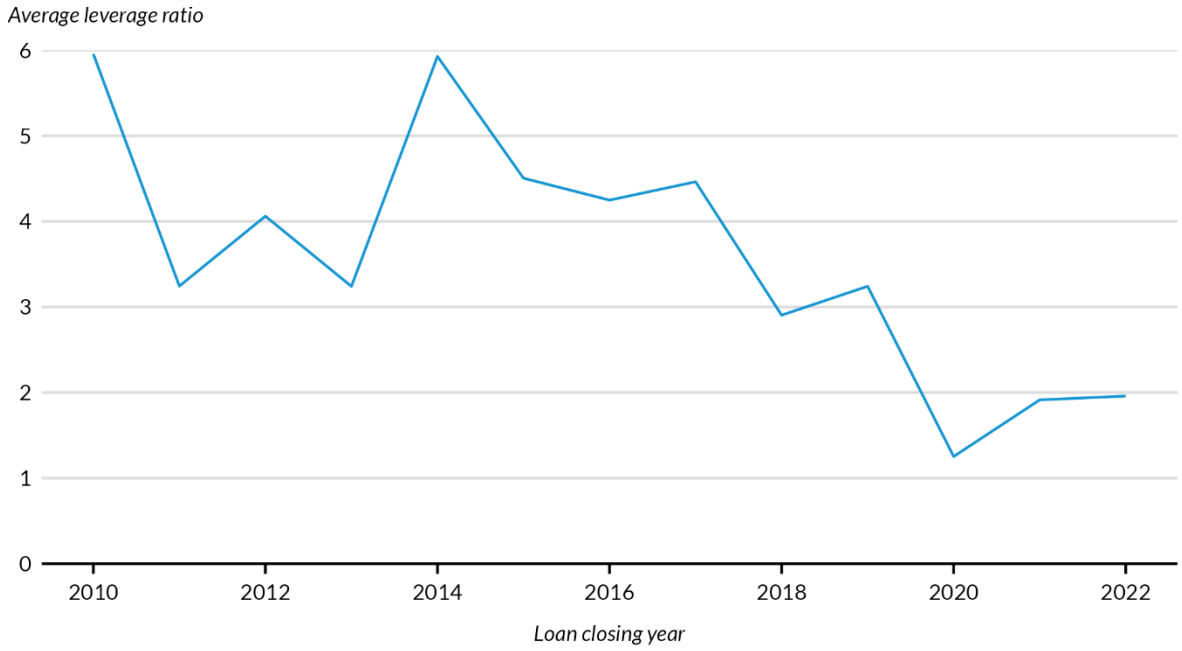
RLF loans often take a subordinate position to private debt. Interviewees reported that EDA favors this approach to increase the impact of the RLF program's relatively small funding and to minimize competition between operators and private lenders. By taking a junior loan position, RLFs take greater calculated risks and enable private lenders to make loans they otherwise would not.

The result of jointly participating in bank deals is a high degree of leveraged loan-level funding. Figure 9 displays the average loan leverage ratio by year from 2010 to 2022. Between 2010 and 2019, the average loan fund had a leverage ratio of $4 to $1, exceeding EDA's $2 to $1 requirement. EDA temporarily lifted the leverage requirement in 2020 (box 3), and average leverage ratios fell to $1.3 to $1.0 between 2020 and 2022.

FIGURE 9

Annual Average Leverage Ratio

For loans made 2010–22 by funds active in June 2022



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Source: Economic Development Administration administrative data.
Note: Dollar values are adjusted for inflation to 2021 dollars.

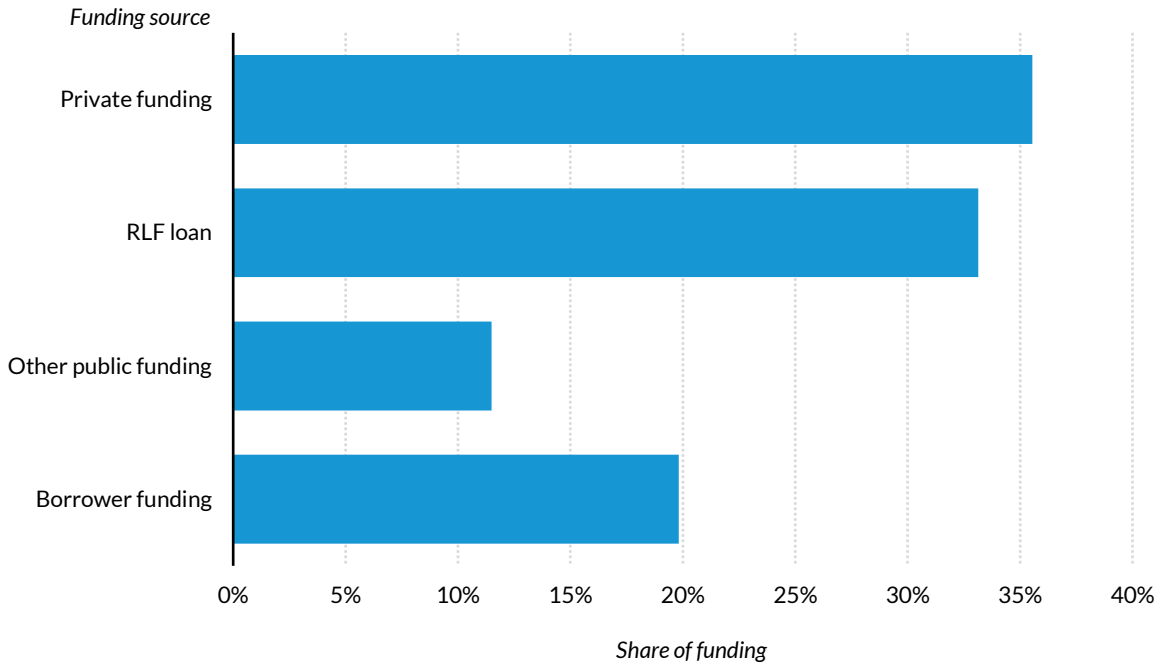
Although leveraged funds can scale the impact of EDA grants, they can also impose challenges. One drawback of some operators' limited direct engagement with borrowers is that it can shoehorn the RLF program into predominantly serving clients that bank partners are already engaging, potentially perpetuating existing gaps in lending coverage. Although no operator we spoke with had begun doing so, a handful of operators said they planned to use defederalized RLF funds in place of private funding for loans targeted to underserved groups of entrepreneurs and communities.

Figure 10 displays total lending to RLF clients by type of lender. Private funding was the largest source of capital, with non–RLF public sources making up approximately 11 percent of total funding. Overall, RLF lending represented less than 33 percent of total funding.

FIGURE 10

Share of Total Lending by Loan Source

For loans made 2010–22 by funds active in June 2022



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Source: Economic Development Administration administrative data.
Note: Dollar values are adjusted for inflation to 2021 dollars.

Operators generally seemed to leverage other public funding when they determined the borrower would not be able to access additional private funding and when program requirements presented an obstacle to providing the full amount a borrower needed through one program. In these instances, funding was typically provided through other public programs in which the operator was already participating. One interviewee explained the process as, "That decision [to give clients RLF loans] is based on what program requirements we think they'll fit into. Oh, they only have two jobs, they need $60,000, and [RLF] has to be $20,000 per job? So, I have to use $40,000 of [RLF], and we have to then pull out some other money from the other programs, USDA, whatever."

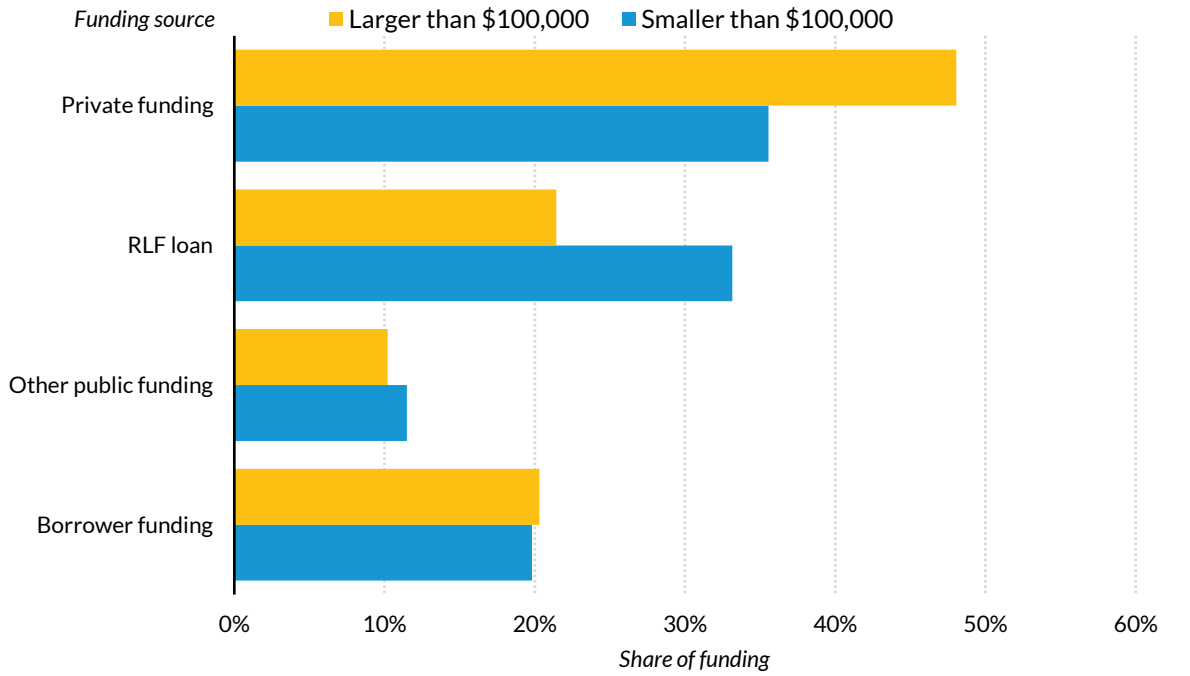
The composition of loan sources varied between small loans and large loans. RLFs tend to be the majority financer for small loans and a gap financer for borrowers taking on larger amounts of financing. Figure 11 compares the share of funding by source for smaller loans (those under $100,000) and midsize and larger loans (those greater than $100,000). For smaller loans, RLFs and private capital each provided about one-third of the funding. In contrast, businesses that borrow more than $100,000 from

RLFs receive almost half of their financing from private funding, with the RLFs providing only about one-fifth of the total.

FIGURE 11

Share of Total Funding by Source and by Size of Revolving Loan Fund Loan

For loans made 2010–22 by funds active in June 2022



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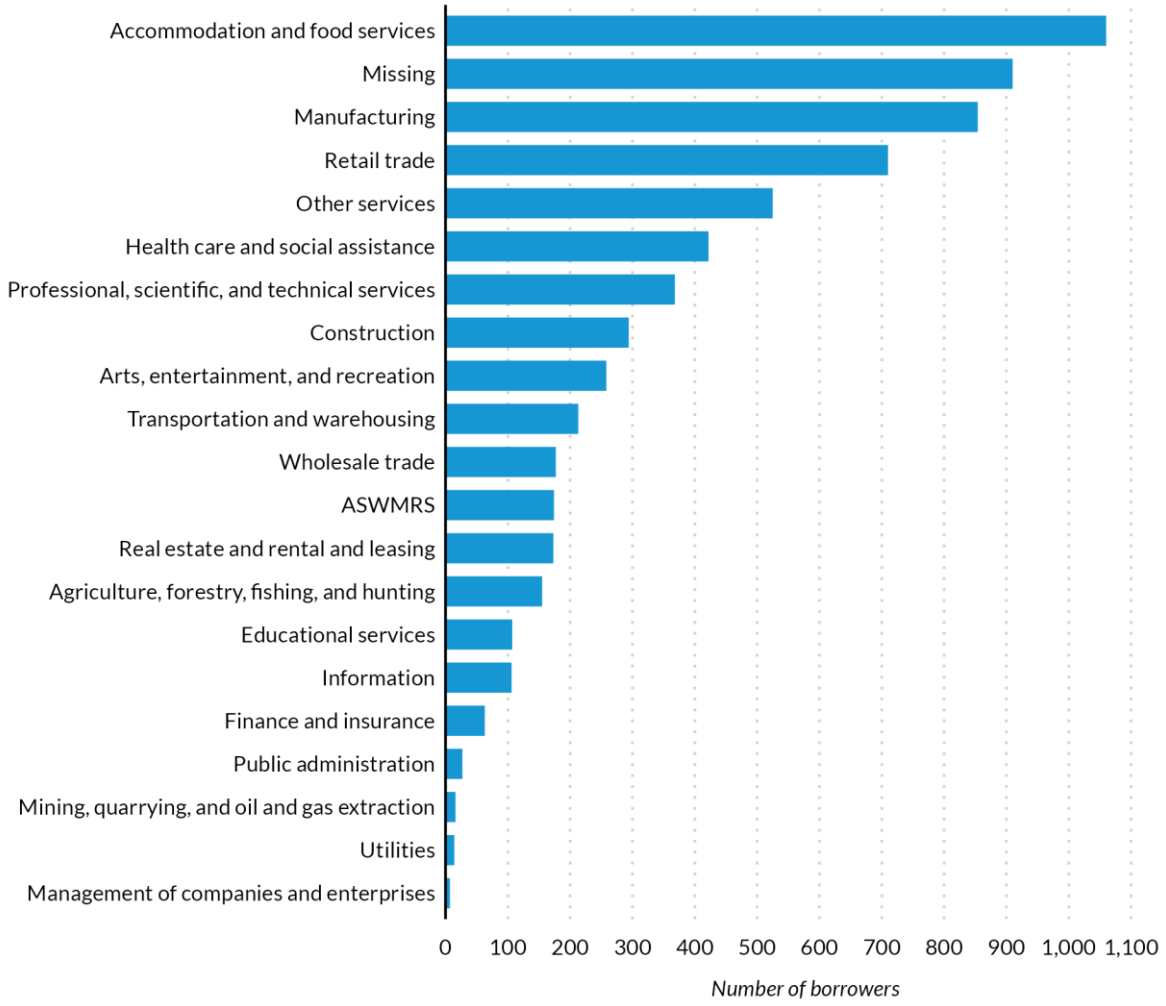
Source: Economic Development Administration administrative data.
Note: RLF = revolving loan fund. Dollar values are adjusted for inflation to 2021 dollars.

RLF borrowers tend to seek loans for working capital and job retention purposes, although the prevalence of loans for job retention may be due in part to the high number of loans made during the pandemic. Based on available data, the top three industrial sectors represented among RLF borrowers in the study period are accommodation and food services, manufacturing, and retail trade (figure 12). An important caveat to these findings is that RLFs made more than 800 loans for which the borrower's industry was not recorded.

FIGURE 12

Industrial Sectors of Revolving Loan Fund Borrowers

For loans made 2010–22 by funds active in June 2022



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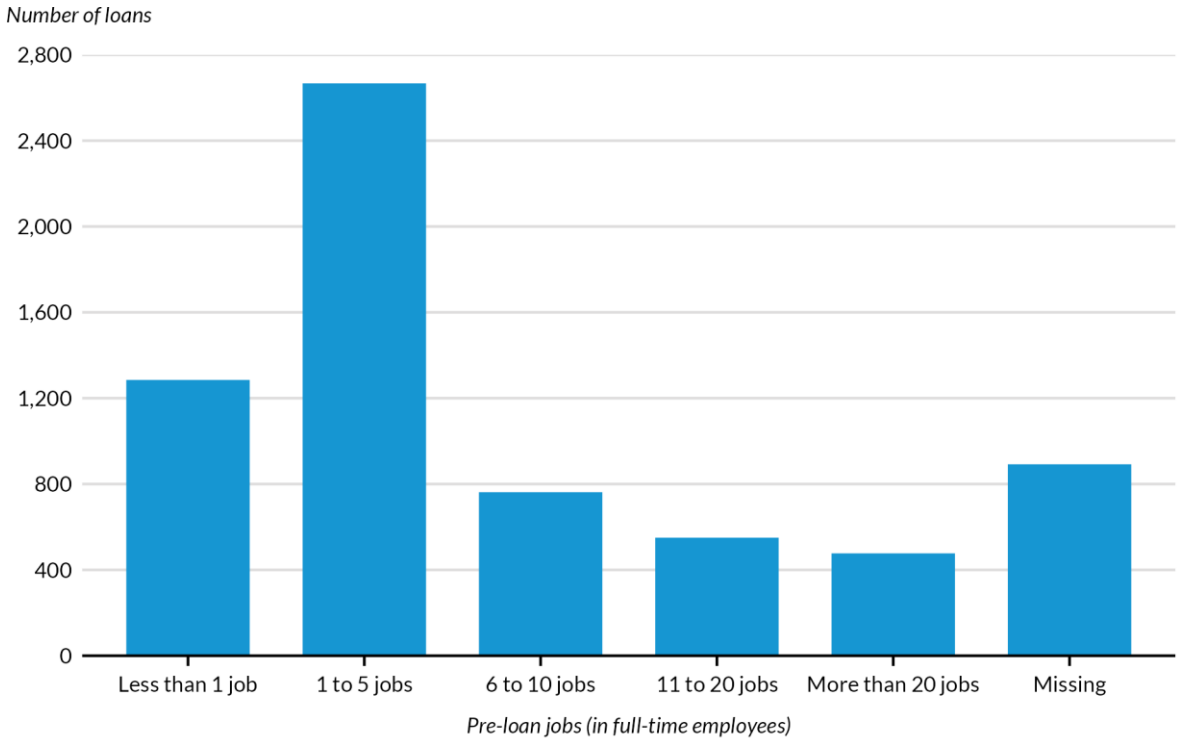
Sources: Economic Development Administration administrative data and North American Industry Classification System (NAICS).
Notes: ASWMRS = Administrative and Support and Waste Management and Remediation Services. RLFs made more than 800 loans to borrowers whose NAICS code was not recorded.

RLFs served both owner-operated businesses without employees and those with employees. More than one in four loans (27 percent) went to businesses with no employees, and another 19 percent went to businesses with no more than 1 employee or full-time equivalent.[5] Businesses with 20 or fewer full-time employees represented 92 percent of RLF loans (figure 13). Of the more than 6,600 loans made over the 2010–22 period, fewer than 500 loans went to businesses with more than 20 full-time employees.

FIGURE 13

Distribution of Revolving Loan Fund Loans by Number of Employees Before the Loan

For loans made 2010–22 by funds active in June 2022



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Source: Economic Development Administration administrative data.
Note: RLFs did not report the size of borrower (number of jobs) for 892 loans.

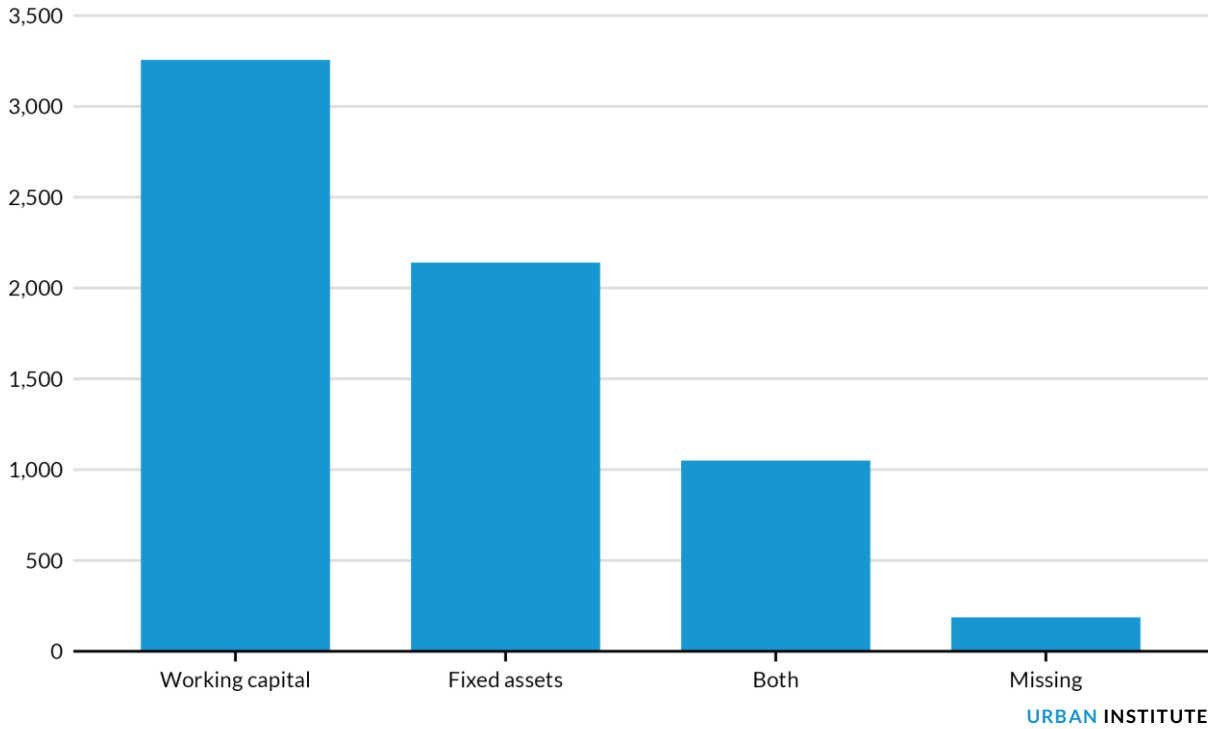
RLF operators are asked to describe the purpose of each loan in their required financial reports to EDA. Loan purposes can be working capital, fixed assets, or both. Figure 14 shows the distribution of loans by loan purpose. More than 3,000 loans provided working capital, about 2,000 were intended for the purchase of fixed assets, and another 1,000 loans were made to borrowers who intended to use part of the funding for fixed assets and part of the funding for working capital.

FIGURE 14

Distribution of Revolving Loan Fund Loans by Loan Purpose

For loans made 2010–22 by funds active in June 2022

Number of loans



Source: Economic Development Administration administrative data.

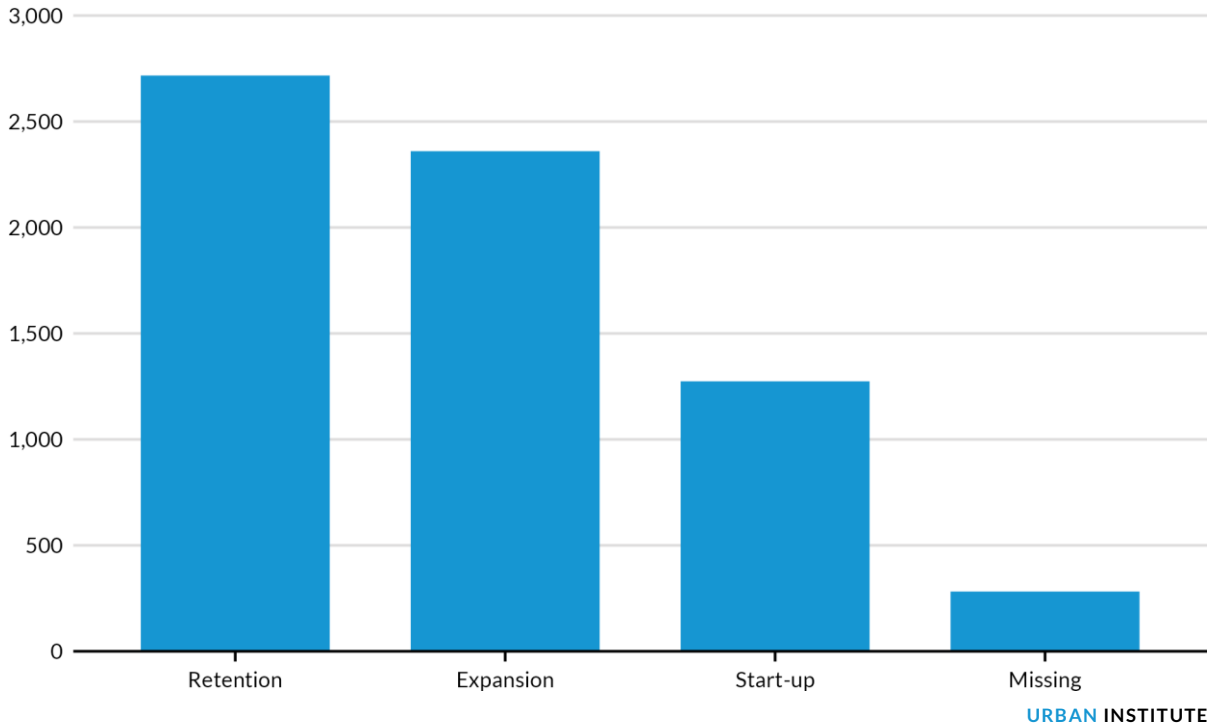
RLFs also ask borrowers how the loan will be used to sustain or grow their business. This loan description is classified as job retention, business expansion, or business start-up. Figure 15 shows the distribution of loans by the borrower's goals. Job retention was the most common reason borrowers provided, though a sizable group of borrowers planned expansions and about one-fifth of loans were made to support business start-up.

FIGURE 15

Distribution of Revolving Loan Fund Loans by Loan Description

For loans made 2010–22 by funds active in June 2022

Number of loans



Source: Economic Development Administration administrative data.

Operators reported that after the onset of the pandemic, they saw a huge spike in applicants seeking loans for working capital and to retain their current employees. This likely contributed to the relatively high number of working capital loans seen in figure 14 and the relatively high number of retention loans seen in figure 15.

Geographic Variation in Revolving Loan Fund Lending

There is wide geographic variation in per capita lending by RLFs. As with grants to RLFs, on a per capita basis, RLF lending is highest among a small group of lower-population states. The highest per capita lending occurred in South Dakota, North Dakota, and Montana, in that order (grant data by state appear in appendix table A.1, and loan data by state appear in appendix table A.2).

Although a larger number and volume of loans go into metropolitan statistical areas (MSAs) and census-defined urban areas, areas outside MSAs receive more than three times more RLF dollars per capita, while areas outside census-defined urban areas received more than double the amount of per

capita loan funding than urban areas (table 2). This finding is consistent with the information shared in interviews with RLF operators.

TABLE 2

Total Funding by Geography-Based US Census Designations

For loans made 2010–22 by funds active in June 2022

	Share of total population	Number of loans	Loans per 100,000 people	Millions of dollars of total funding	Dollars of total funding per capita
All loans (metro status)					
Metropolitan statistical area	85%	4,378 (70%)	1.6	$1,628 (65%)	$6.12
Nonmetropolitan statistical area	15%	1,921 (30%)	4.1	$884 (35%)	$19.03
Total	100%	6,299 (100%)	2.0	$2,512 (100%)	$8.04
Loans with precise geographic data (urban area)					
Inside an urban area	82%	3,646 (77%)	1.4	$1,167 (68%)	$4.62
Outside an urban area	18%	1,109 (23%)	2.0	$551 (32%)	$9.84
Total	100%	4,755 (100%)	1.5	$1,718 (100%)	$14.45

Sources: Economic Development Administration administrative data and US Census Bureau 2010 Decennial Survey.
Notes: Dollar values are adjusted for inflation to 2021 dollars. Total funding includes private funding, RLF loans, other public funding, and borrower funding.

One RLF operator whose jurisdiction encompasses both rural and urban areas shared the following observation:

> *"Most of our money in [our county] has gone to the outlying areas. Coming into this job, I initially anticipated heavy investment in the more densely populated pieces of [our county], but out of eight loans, one is in [the city]. Everything else is in what would be considered rural towns, outside of the more densely populated areas."*

We did not have the capacity to determine the reasons for these trends. However, two potential explanations are that small businesses in rural locations have better access to and awareness of the resources RLF operators can provide and that small businesses in urban areas have better access to traditional sources of lending.

RLF loans also go into EDDs at higher volumes per capita than into non–EDD areas. Only 53 percent of the US population lives in EDDs, yet EDDs receive double the per capita loan dollars that non–EDD areas receive (table 3). Looking at EDDs across the country, we find that RLF lending is greater in the Midwest and the South (figure 16).

TABLE 3

Total Funding by Location, Inside or Outside an Economic Development District

For loans made 2010–22 by funds active in June 2022

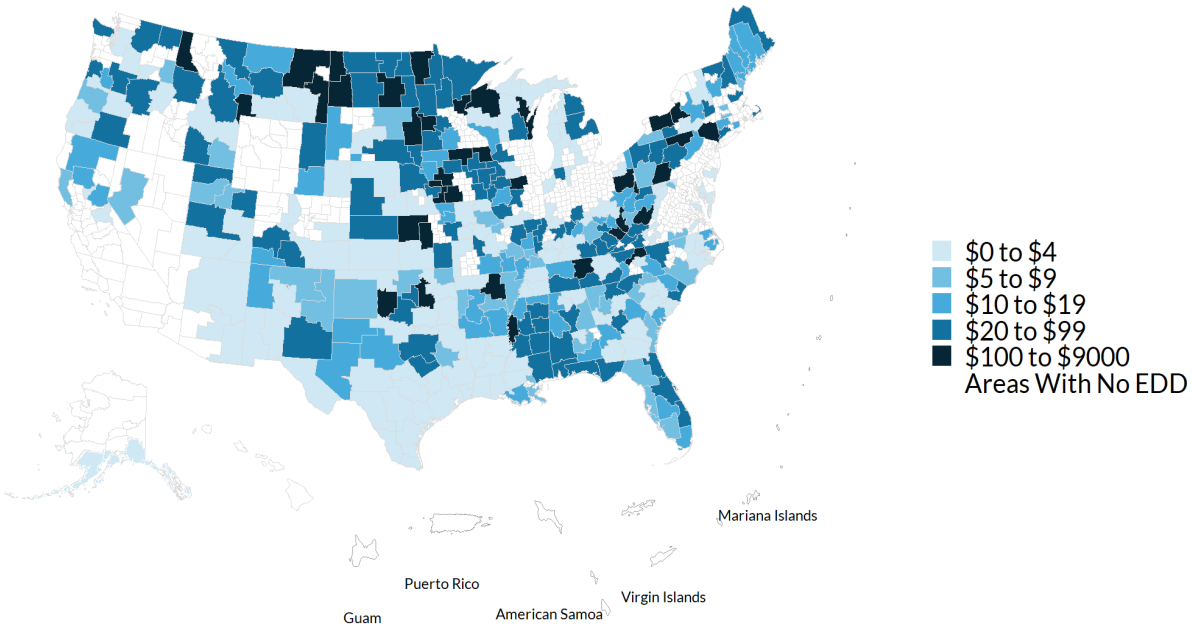
	Share of total population	Number of loans	Number of loans per 100,000 people	Millions of dollars of total funding	Dollars of total funding per capita
Inside an EDD	53%	3,183 (61%)	1.9	$1,301 (66%)	$8
Outside an EDD	47%	2,063 (39%)	1.4	$666 (34%)	$4
Total	100%	5,246 (100%)	1.7	$1,967 (100%)	$6

Sources: Economic Development Administration administrative data and US Census Bureau 2010 Decennial Survey.
Notes: EDD = economic development district. Dollar values are adjusted for inflation to 2021 dollars. Total funding includes private funding, RLF loans, other public funding, and borrower funding.

FIGURE 16

Total Funding by Economic Development District

For loans made 2010–22 by funds active in June 2022, per capita



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Sources: Economic Development Administration administrative data, EDD, US Census Bureau 2010 Decennial Survey. Areas with no EDD usually have other regional planning entities, but none that are recognized as an EDD.
Notes: EDD = economic development district. This map is not to scale. Dollar values are adjusted for inflation to 2021 dollars. Total funding includes private funding, RLF loans, other public funding, and borrower funding.

Targeting Lending Activity to Economically Disadvantaged Communities

One of EDA's goals is to support the growth and recovery of economically distressed communities. As stated on EDA's website, "Grants made under [EDA's] programs are designed to leverage existing regional assets to support the implementation of economic development strategies that advance new ideas and creative approaches to advance economic prosperity in distressed communities."[6] With this objective in mind, we sought to assess how well EDA targets RLF loans to communities with greater need.

As discussed in the background section, EDA targets the RLF program toward economically distressed areas through its grant application process. Applicants' regions must meet certain thresholds for economic distress to qualify for RLF grants. Operators, however, are not required to further target their lending to businesses located in more distressed areas within their service area.

Table 4 compares national data on a variety of economic indicators and demographic characteristics against the corresponding data for census tracts, ZIP code tabulation areas (census ZIP code equivalents), and counties served by RLFs between 2010 and 2022. We look at indicators using data from 2010, the beginning of our study period, to assess how well-targeted RLF loans were to geographies that were disadvantaged at the beginning of the period. The results were mixed.

Overall, RLF dollars are going to geographies with lower average household incomes, lower educational attainment, and less expensive rents. Poverty rates and vacancy rates were comparable at the county level and slightly elevated in receiving tracts relative to the US overall. The data indicate that geographies receiving RLF dollars had similar unemployment rates, firms per capita (at the county level), and jobs per capita (at the county level). It is difficult to draw conclusions from the data on home values; RLF funds go to counties with homes values lower than the national average but to census tracts with home values higher than the US average.

RLF funding goes to communities with a higher percentage of white residents than their share of the US population and, correspondingly, with a lower percentage of Black and Latino residents compared with their shares of the US population. This last finding aligns with the higher level of RLF grantmaking for rural areas, in which a greater share of residents identifies as non-Hispanic and white.

TABLE 4

Demographics and Economic Indicators of Areas Receiving Revolving Loan Fund Loans

For loans made 2010–22 by funds active in June 2022

Indicator	United States	Receiving counties	Receiving ZCTAs	Receiving census tracts
Median household income	$62,607	$54,505	$54,423	$55,127
Poverty rate	15%	15%	17%	17%
Unemployment rate	9%	8%	9%	9%
Percentage of population with a bachelor's degree or higher	29%	25%	28%	27%
Jobs per capita	0.41	0.42	0.96	1.24
Firms per capita	0.04	0.05	0.08	0.12
Median home value	$214,095	$191,379	$221,869	$228,977
Median gross rent	$1,049	$840	$880	$896
Percentage vacant	12%	13%	14%	14%
Non-Latino Asian	5%	3%	3%	4%
Non-Latino Black	12%	9%	10%	10%
Non-Latino white	64%	76%	75%	74%
Percentage Latino	16%	9%	9%	10%

Sources: Economic Development Administration administrative data and US Census Bureau 2010 Decennial Survey.
Notes: ZCTA = ZIP code tabulation area. Values represent average or median values weighted by overall lending volume per geographic unit. Receiving counties, receiving ZCTAs, and receiving census tracts are defined as the pool of the corresponding geographical unit that received RLF loan capital during the specified time period. Due to incomplete data, we are missing location data for 4 percent of RLF borrowers. Additionally, because of the limited geographic specificity of the data, "receiving census tract" data represent only 52 percent of RLF borrowers, "receiving ZCTA" data represent only 74 percent of RLF borrowers, and "receiving county" data represent 96 percent of RLF borrowers. Dollar values are adjusted for inflation to 2021 dollars.

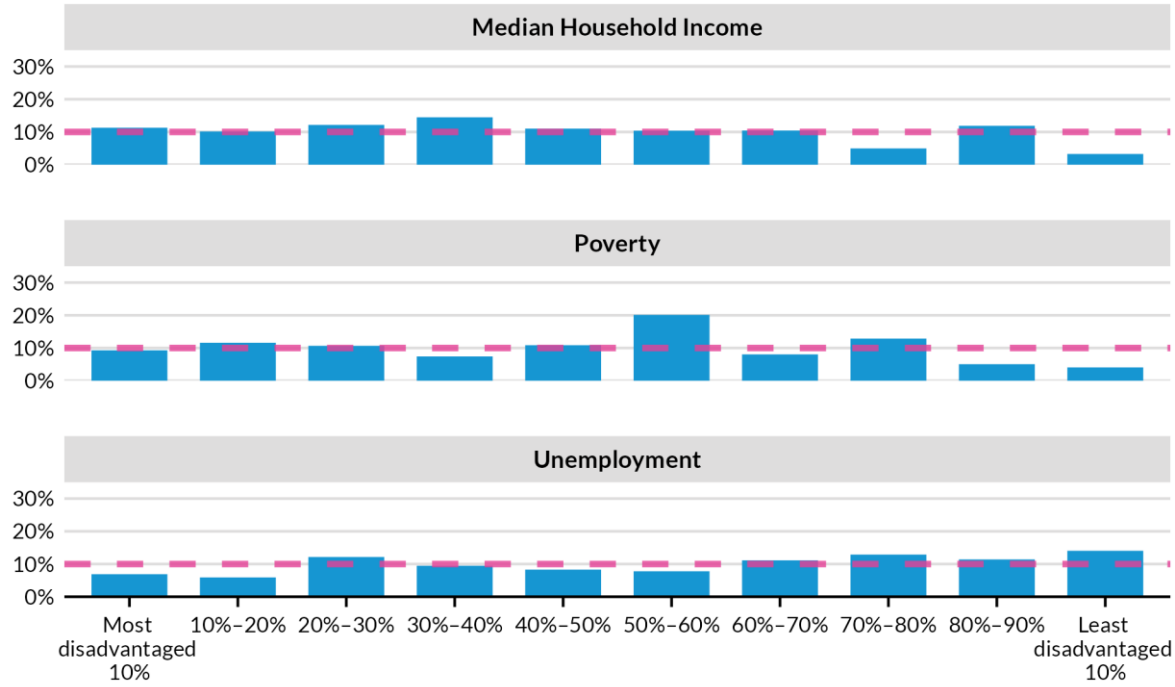
RLF lending does not appear to be targeted to the most disadvantaged census tracts in the US based on median household income, poverty, or unemployment (figure 17). Figure 16 indicates that there is no clear pattern across any of these indicators.

FIGURE 17

Geographic Distribution of Revolving Loan Fund Loans by Census Tract–Level Measures of Economic Disadvantage

For loans made 2010–22 by funds active in June 2022

Percent of total project cost



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Sources: Economic Development Administration administrative data and US Census Bureau 2010 Decennial Survey.
Notes: Due to limited level of geographic specificity in data, data in this figure represent only 52 percent of RLF borrowers during the specified time period.

Beyond the grant application–based screening, EDA does not have any specific policy mechanism to target RLF lending to entrepreneurs and communities most in need of the program's resources. In fact, the program may inadvertently be reinforcing existing trends of which places and types of owners can access capital. This may occur because many (though not all) operators rely on private lenders to refer potential clients to them.

To broaden access, the Institute of Local Self-Reliance and Recast City developed a lending leaders program with a research and national technical assistance grant from EDA. The program is a 12-week elective, cohort-based training program for RLF operators to receive technical assistance on how to identify needs in their regions, develop goals, employ lending strategies that improve access to financial products, and measure the impacts of this work. After participating, some RLF operators reported reexamining their lending practices with their board of directors and taking steps to expand access to

loans in their service area. Although participation is voluntary, 120 operators participated in the training through 2023.

Loan Fund Operations

In our interviews with RLF operators, we asked about their underwriting and management and the performance of their loans. We also examined administrative data to understand how loans were structured, learn more about RLF policies, and better understand fund performance.

> **"There are a lot of revolving funds that are capitalized but underutilized. The problem is lack of sophistication. Some of these funds could be used in more creative, equity capital–like ways, but regions often don't have the knowledge capacity to do that. With EDA, all around, there is an abundance of caution."**
>
> *—RLF operator*

Underwriting

All the RLF operators we spoke with described using a holistic approach to assess the financial risk and creditworthiness of loan applicants. Rather than automatically rejecting applicants based on a low credit score, they took the time to look at applicants' full credit histories; analyze their business plans, existing debts, and balance sheets; and consider nontraditional evidence of financial responsibility.

Operators described the fine line they walk between approving a risky loan to advance their mission and being fiscally responsible to protect the loan fund from long-term losses. This is where operators' lending philosophies led to different approaches. Although all operators reported taking (and often requiring) personal guarantees, more risk-averse operators were more assertive about maximizing the amount of collateral they could obtain from loan applicants. One such operator described their strategy:

> *"Our approach is if you believe in the person and the business, and they put up everything they got, and you don't think [you've] got enough collateral but you believe in the business, in the borrower—do it. Make the loan. But if they've got assets that they won't put up [for] what you think you need to properly collateralize the loan, then you walk away. And we pretty much follow that. We will make loans and we will be undercollateralized, no question, but if they've put up everything they own, their house, their possessions, for that loan, they're gonna try to pay you. And we've seen that historically works."*

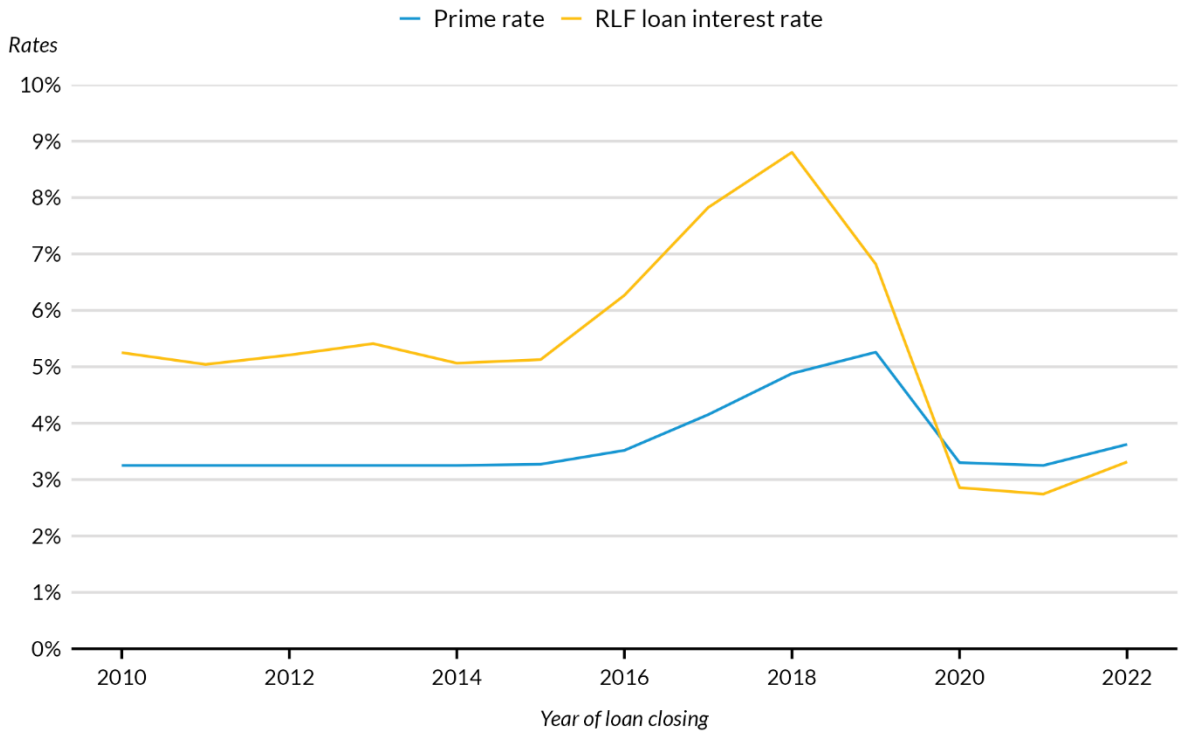
More mission-focused operators also sought collateral on their loans and required personal guarantees from loan applicants. Nevertheless, these operators were more likely to seek out other sources of protection for their loan funds and frequently used loan loss reserve funding to backstop their RLF portfolios.[7]

With regard to setting interest rates, approaches were fairly consistent. Operators generally set fixed-price interest rates at a certain level above or below the prime rate—the rate banks offer to the lowest-risk customers—regardless of the riskiness of a loan (i.e., they did not do risk-based pricing). Most loans had terms of 5 to 10 years.

FIGURE 18

Annual Average Interest Rate of Revolving Loan Fund Loans

For loans made 2010–22 by funds active in June 2022



URBAN INSTITUTE

Sources: Economic Development Administration administrative data and Federal Reserve data.

As figure 18 illustrates, RLF loan interest rates had been slightly above the prime rate but dropped below in 2020 due to EDA temporarily lifting the minimum interest rate requirement (box 3).

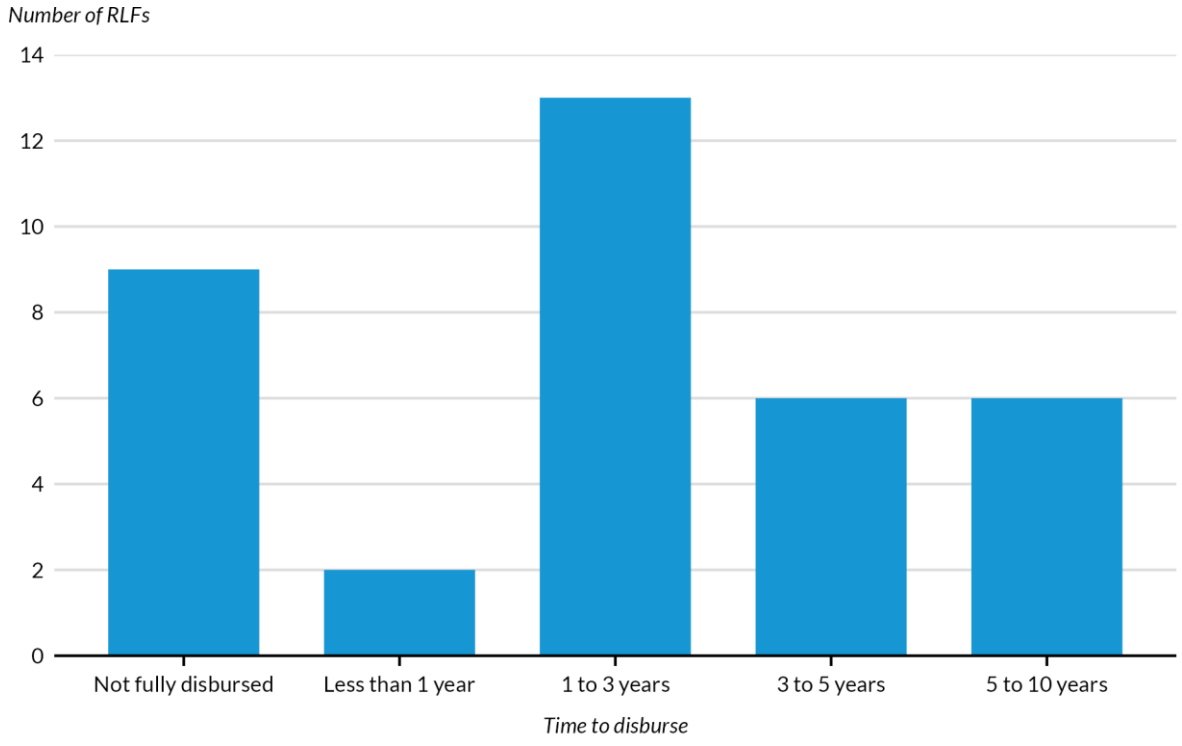
Revolving Loan Fund Deployment

Most RLFs take more than a year to deploy 90 percent of their grant awards, and some funds that were created between 2010 to 2019 had still not deployed at least 90 percent of their funds by the time of our data extract in June 2022 (figure 19). In our interview sample, all operators who had not fully deployed their pre–CARES Act loan funds were based in rural areas. These operators reported that they were ready and prepared to deploy unallocated funds, but they had not found small businesses ready for financing and in need of it.

FIGURE 19

Time to 90 Percent Disbursement of Grant Awards

For loan funds initiated 2010–19 and active in June 2022



URBAN INSTITUTE

Source: Economic Development Administration administrative data.
Notes: RLFs = revolving loan funds. Loan values are not adjusted for inflation and reflect nominal dollar values. "Not fully disbursed" was determined as of June 2022. We consider the time to disburse 90 percent of grant award funds as opposed to 100 percent of grant award funds because it may not be administratively feasible to provide loans that exactly equal the grant amount. We excluded loan funds initiated after 2019 since this study was initiated in 2022.

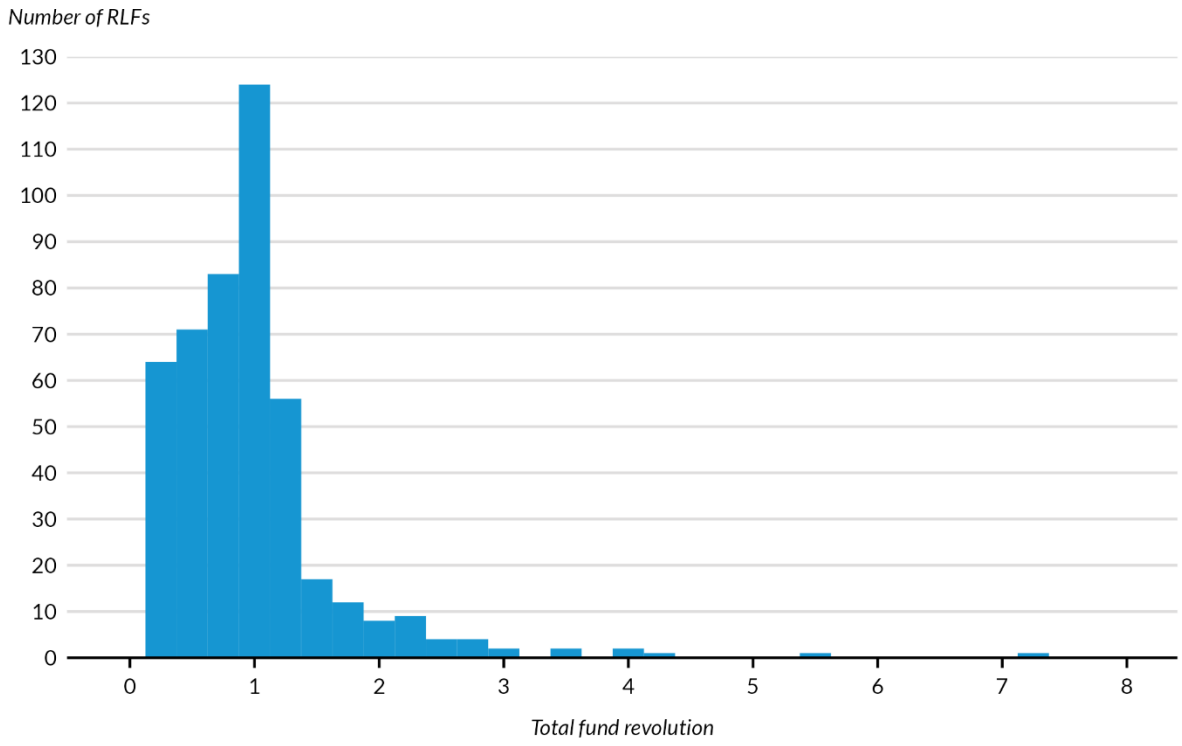
A plurality of RLFs initiated in the 2010s revolved exactly one time by 2022 (figure 20). This is consistent with taking 1 to 3 years to disburse (figure 19) and providing loans with 5- to 10-year terms. Although there are a few loan funds that revolved more than three times, the majority of RLFs created

between 2010 and 2019 had not revolved more than once by 2022 (figure 20). Loan funds are intended to be self-sustaining over time, but this has not yet happened for all funds.

FIGURE 20

Number of Revolutions of Loan Funding per Revolving Loan Fund

For funds initiated 2010–19 and active in June 2022



URBAN INSTITUTE

Source: Economic Development Administration administrative data.
Notes: RLFs = revolving loan funds. We calculate fund revolution by dividing the sum of RLF loans repaid by the corresponding fund's total grant award value. We excluded loan funds initiated after 2019 since this study was initiated in 2022.

Loan Performance and Servicing Loans

Loan performance is an important indicator of success for RLFs. Figure 21 indicates that annual average write-off rates largely stayed between 5 and 10 percent in most years. As expected, write-off rates are low for more recent loans (those placed in 2020 and after). As a point of comparison, Equifax's broader Small Business Default Index showed default rates that peaked at just over 6 percent during the Great Recession and remained below 4 percent through 2023 (Equifax 2023).

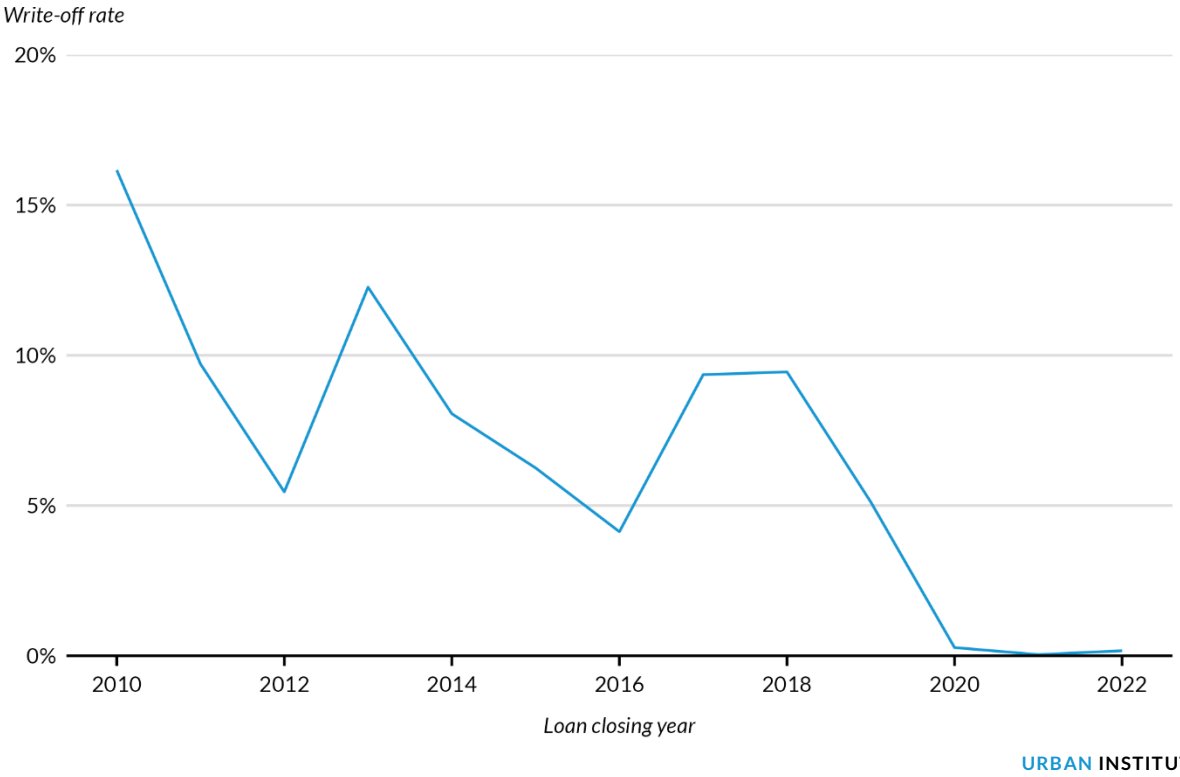
Servicing loans is an essential skill for an RLF as it is for other small business lenders. Operators reported that when needed, they would create alternate payment plans, write off defaulted loans, and

cover losses by drawing from reserves. Managing existing loans was another area where operators differed in approach, but in general, relatively few expressed challenges with loan repayment and collection. As one operator reported, "They pay us no matter what. We've got a loan right now that pays us over $700 a month. The business has been closed for two or three years, but they're paying. So that is due to personal guarantees and the collateral we take."

FIGURE 21

Share of Revolving Loan Fund Loans Defaulted or Written Off

For loans made 2010–22 by funds active in June 2022



Source: Economic Development Administration administrative data.

Programmatic Changes

Most of the RLF operators we spoke with lauded the updates EDA made to its administration of the RLF program over the past decade (box 3), namely, the implementation of the Risk Analysis System in 2018, defederalization of loan funds older than seven years following the RLF Act of 2020, and switch to reporting in Salesforce rather than using paper forms as of 2021.

Nevertheless, RLF operators reported that the regulations and reporting requirements imposed by EDA are still burdensome and inhibit their ability to meet small business needs in their regions and fulfill the mission of the program. The key constraints described by interviewees were as follows:

- Some RLF operators felt the portfolio leverage ratio requirement constrained them from lending to undercapitalized demographics and from fully meeting the capital needs of the clients they were able to serve.
- Some operators found EDA's procedure of holding funds until operators needed them to disburse loans to be cumbersome and a frequent source of delay.
- Interviewees shared that the benchmarks identified in their EDA–approved RLF plans—particularly a minimum requirement for jobs created or retained per dollar of RLF funding—were unrealistic or constraining. Although the cost per job benchmark is officially set by the RLF operator, one operator characterized this requirement as burdensome: "EDA is pretty restrictive. We have to loan a certain dollar amount per job created. I think it was initially one job for every $25,000 in loans, but we got it to [$35,000]. We're not in a city, and we don't have a big pool of clients. If I do a loan to one person, but the loan is $20,000, but for every $35,000 I have to show a job created, but she's not hiring anyone, then what can I do? My hands are tied. We ended up asking if we can do it portfoliowide."
- Lack of flexibility was a commonly cited issue. Operators with extensive lending expertise and volume, and those making use of multiple federal, state, or local public funding sources, were particularly emphatic about the negative effect of EDA constraints on the success of their efforts. As one RLF operator shared, "I'm not looking for capital or funding with no strings attached or no administrative responsibilities. If you're a CDFI like us, we just need as much latitude and flexibility as possible. Not around outcomes that you want to see, of course, as we all want to be beholden to that. But in terms of like, how we're getting the capital out, how we're trying to leverage the flexibility that we have inherently as a nonregulated lender…[EDA] needs to help us use that."
- Some interviewees were also critical of the inclusion of employee tenure in EDA's RLF Risk Analysis System.[8] As part of annual reporting, EDA required RLF operators to include how many years of lending experience staff responsible for managing RLF funds have. Operators with inexperienced staff received a higher risk rating. These operators felt EDA was unfairly punishing them and that the mechanism should be refined. This perspective coincided with

feedback given directly to EDA. In late 2024, EDA revised the Risk Analysis system to remove tenure and four other measures that were deemed "unnecessary or redundant."[9]

EDA has committed to working with a diverse group of RLF operators to overcome the challenge of deploying capital to vastly different communities across the US. Nevertheless, interviewees said EDA's oversight of operators is not sufficiently adaptable to the varied lending expertise of individual operators. While small, inexperienced operators may generally benefit from the level of oversight EDA provides, larger or more experienced operators felt that the oversight seemed overly constraining, especially for high-volume operators with well-trained staff managing multiple lending programs. Given the opportunity cost of applying for and participating in the RLF program, some high-capacity operators we spoke with stated that they did not plan to apply for RLF grants in the future.

Effects of the Federal COVID-19 Response on Loan Fund Operations

The federal pandemic response led to unprecedented funding infusions into the RLF program and to EDA relaxing certain program restrictions. Operators reported that the new funding and loosening of some restrictions enabled them to more effectively support small businesses in their regions. This helped loan funds respond to a critical moment of need. One operator recounted an internal conversation they had with their board of directors:

> *"I remember distinctly a conversation when the pandemic struck that my board said, 'We're going to stop lending money.' And I said, 'Then we might as well close the doors and shut down our organization, because this is what we're here for. Right?' So the whole point, I mean look at the mission…Yeah, we have to find a place to be comfortable lending money in this uncertain economic landscape. And so they got behind me, luckily enough, and they bought in. And we had more success through the pandemic than we probably ever had in 25 years. It was, it was pretty incredible."*

With loosened restrictions and increased federal funding, operators substantially adapted their lending strategies to provide capital to more businesses. Because of private lenders' market retreat during the beginning of the pandemic, all the operators we interviewed reported adapting their lending to do more standalone financing. Although mission-focused operators strived to provide the lowest interest rates they could afford—even as low as 1 percent for 15-year loans—other operators expressed concern with this approach. One operator explained:

> *"We, just as a board, believe it's unfair to have someone come and ask for federal assistance and we give them a better rate than they would have got if they were commercially bankable in the private sector. We want to give them the same rate as the private sector. We may have been 6*

percent or 7 percent when [the prime rate] was 6 or 7. That means we went all the way down into the fours when prime was in the fours. So, for example, right now prime is 6.25 percent. We decided to go 5.95 percent. So slightly more favorable. The board does want to bump it up into the sixes to make sure we're not replacing the private sector. But the problem is, if we climbed as high as prime now, you could start having a credit impact on borrowers that can be detrimental for them if the business's ability to repay is compromised."

This quote reveals the difficulty operators faced in striking a balance between competing priorities. On one hand, they wanted to avoid competing with private lenders, but on the other hand, the operators sought to help businesses ride through the economic volatility brought on by the pandemic.

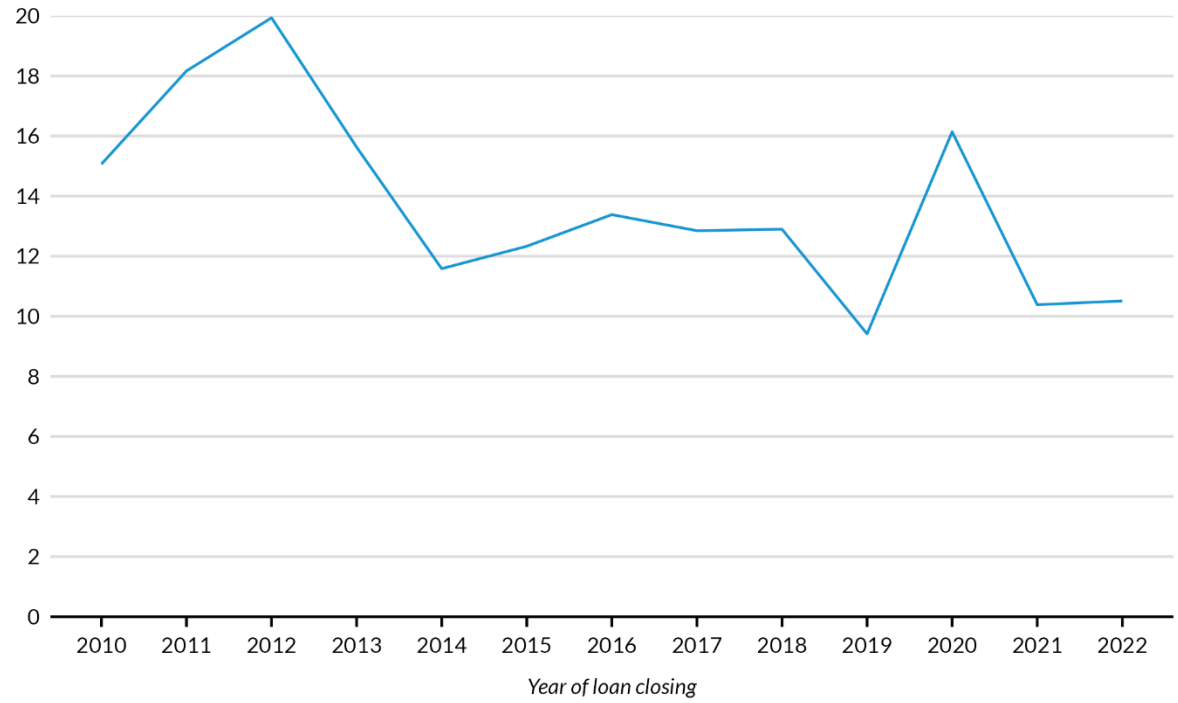
Outcomes for Revolving Loan Fund Borrowers

EDA collects data from operators on the number of jobs borrowers report retaining or creating. The agency requires operators to establish a target cost per job created. In figure 22, we illustrate the annual average amount of jobs created or retained for every $100,000 invested. Across most years, this average was between 10 and 20 jobs per $100,000. Figure 22 illustrates that the infusion of federal funding and temporary suspension of program regulations in 2020 was tied to a spike in scaled jobs retained and created, with 16 jobs on average for every $100,000, compared with about 10 jobs for every $100,000 in 2019 and 2021.

FIGURE 22

Borrower-Reported Jobs Created or Retained per $100,000 of Revolving Loan Fund Funding Received

For loans made 2010–22 by funds active in June 2022



Source: Economic Development Administration administrative data.
Note: RLF = revolving loan fund. Dollar values are adjusted for inflation to 2021 dollars.

Several operators, especially those based in rural areas, felt this metric does not fully reflect the economic impact of their lending activity on their regions. Although they agreed that number of jobs created or retained is a useful measure, they believed additional metrics provide a more complete picture of their loan funds' economic benefits. One important example mentioned was economic diversification (i.e., loans that support underrepresented industries in a region). Many interviewees would also like to do more qualitative reporting on the impact of their loans in addition to the quantitative measures they report.

Operators also stressed the importance of business survival and growth, with growth measured in ways other than jobs. Operators had much to say about the transformative impact they felt their programs have on businesses. Many operators, typically those located in nonurban areas, discussed how they had seen their lower-cost and longer-term lending rescue businesses from financially precarious

positions and provide infusions that helped businesses remain operating and even grow. One RLF operator spoke to the impact of pandemic response funding in their region:

> *"The economic impact is, especially in [our region], tremendous. We track when we engage a new borrower. It's really to retain jobs, expand jobs, and to be able to have them leverage our monies, with other opportunities. And we track all those, all those statistics…And really, the funding has just been a tremendous support for local minority-owned businesses here that really would not be able to survive any type of, you know, COVID impact if it wasn't for us."*

A third outcome of interest is a business owner's ability to graduate from RLF financing to mainstream finance. As one operator described:

> *"We think we make a big impact with EDA. You can find a lot of people who can give you SBA loans around here, but the hardest person to finance who has been rejected around town from all the SBA lenders, we look at their case, and being able to give them a loan is a unique offering. If you toil over that for a week, and go through with that loan, you change somebody's life. I had one business I'm working with right now on settling titles for their loans. But he started out as just an auto detail person who I did a $50,000 microloan with. And now he has three car washes. And [the banks] are doing financing with him on those now, which is fantastic. And it's neat to see the range of business we get to serve, from a coffee kiosk to this small food cart, and later on, seeing them getting a brick-and-mortar building. It's exciting to, you know, watch the businesses grow and be able to assist them from the start."*

With increased flexibility and funds during the height of the pandemic, operators reported that another outcome was helping aspiring entrepreneurs launch new ventures. Many operators reported that this funding allowed communities to start a new chapter in their local economies, filling long-vacant storefronts and bringing new life to Main Streets across the country.

Revolving Loan Funds and the Small Business Lending Ecosystem

The role of RLFs in the small business ecosystem varies based on operator structure and regional context. For some RLF operators, the RLF is just one of the ways in which they provide small businesses with financing options. Typically, operators reported using their RLFs for clients who were in financially unstable positions, had good credit habits but perhaps lacked strong financial standing, and/or had maxed out on or been rejected from mainstream private lending and SBA–guaranteed loans. One operator compared RLF with SBA:

"I find that the SBA loans could provide a good service to a tremendous amount of companies that fit their guidelines, and that's needed. However, if you don't fit the stringent guidelines, there's a tremendous amount of businesses that need alternative financing that the SBA is not offering. And that's where we come in. So, you know, we have good dialogue with the SBA…You may or may not know, a borrower has to go to an SBA–approved bank to get an SBA loan. And so there's guidelines the SBA provides to those SBA providers, AKA banks, to do the servicing and take the application, and not all banks actually approve or have funding available for those applicants."

Some RLF operators offered financing outside of what was available through the RLF, either because the organization participated in other government programs or because they were a nonprofit mission lender first, prior to becoming an RLF operator. To better understand the extent to which operators are engaged in lending outside of the RLF program, we matched the list of operators to a list of CDFIs, SBA Certified Development Companies, and SBA microlenders. We found that about one in six RLF operators participated in at least one of these programs (table 5). Some of the operators in rural areas participated in USDA lending programs, although we were not able to identify these in the same way.

TABLE 5

Revolving Loan Fund Operator Participation in Other Small Business Finance, by Type

	CDFI	SBA CDC	SBA microlender	Any of these	None of these
EDD	4	8	8	17	188
Local government or quasi-governmental organizations	2	1	2	5	117
Nonprofit organizations	32	16	19	47	52
State agencies or quasi-governmental organizations	0	0	1	1	23
Tribal-affiliated nonprofits	2	0	0	2	0
Universities	0	0	0	0	2
Total	40	25	30	72	382

Source: Economic Development Administration administrative data, operator websites, SBA.gov, and the CDFI Fund.
Notes: EDD = economic development district. CDC = Certified Development Company. Includes all grants for which data are available since the RLF program was created in 1975.

Most of the RLF operators that were also CDFIs, Certified Development Companies, or SBA microlenders were not EDDs or quasi-governmental organizations. Less than 10 percent of EDDs that operated RLFs were also CDFIs or SBA lenders, and only 6 state or local quasi-governmental organizations operated an RLF while also being a CDFI or SBA lender. In contrast, almost half of the RLFs that we categorized as other nonprofits were CDFIs, SBA Certified Development Companies, or SBA microlenders.

Some of the operators in rural areas that we spoke with compared the RLF program to USDA's lending programs, whether they operated USDA's programs or had visibility into them. They appreciated EDA's RLF resources for being structured as grant funding, whereas USDA provides loans that operators have to pay back with interest.

Operators found EDA's RLF program clear in its guidance and requirements and held their regional administrators in high regard due to their responsiveness and partnership mindset. One operator further described their experience with EDA:

> *"EDA is the best agency that we deal with across the board. If we have a problem or concern, we can go to [our RLF administrator]. We know they're there to help us and that they have our back. And they want to see us succeed."*

Urban-based operators, which are more likely to be high-capacity lenders with specialized staff, typically felt that the RLF program was not fully unique among the wide array of lending programs they operate. They found that EDA's RLF program functioned similarly to private lending or other federal

programs in terms of the level of risk tolerance. They also found RLF program restrictions and reporting requirements more constraining than those of some other funding sources. RLFs in nonurban areas often reported that RLFs were the only resource available to small businesses, while in urban areas, organizations seeking to operate subsidized small business lending programs tend to have other options available.

Gaps in the Small Business Lending Ecosystem

Despite the existence of various programs that provide access to funding, urban operators consistently reported that the capital available to them does not match the level of need within their regions.

Most operators we interviewed specifically identified microlending as an important need. Many lenders felt they lacked funding with the right characteristics (e.g., cost, flexibility) to be able to feasibly deploy a high volume of microloans. This is a particular challenge because of the fixed costs of originating a loan, which are more difficult to cover with low-dollar lending. An operator described the challenges they face with microlending:

> *"The biggest gap, there's no doubt about it, is microlending. And I think if you talk to every federal agency that lends money, whether it be Commerce, Treasury, [Veterans Affairs], SBA, all of us out in the field, that's sort of what I think there's unanimous consent on. It's just how do you do it and not go bankrupt? Because the administrative cost of monitoring is still the same for a microloan as for a normal loan. If you're doing a $5,000 loan, you are getting a few hundred dollars in interest. How do you pay for the administrative cost of that loan with only a few hundred dollars?"*

Looking Ahead

As we have discussed throughout this report, RLF operators vary widely in terms of lending capacity and approaches to social impact lending. In terms of overall impressions of the RLF program, operators that operated numerous lending programs and had a mission-focused philosophy tended to view it somewhat unfavorably. Many revealed that they had applied for the program due to the one-time spike in grant funding during the pandemic but, with the expectation that future grants would be much smaller, did not plan to reapply. Operators that had fewer programs or capital sources to draw on were generally more positive about the RLF program.

Based on our interviews and a review of the literature, we advance several potential considerations for the RLF program.

Adapt fund-level oversight to better match operators' technical expertise. EDA does little to adapt its reporting requirements and oversight processes to operators' technical expertise, which can be a source of frustration for higher-capacity groups. By improving, and in some cases limiting, the mechanisms EDA uses to oversee operators, EDA can target its oversight resources to the operators most in need of them and provide high-functioning operators with more flexibility to adapt their lending strategies to meet clients' needs.

Increase flexibility. Operators had various ideas on how to go about this, but they generally wanted to see fewer requirements and review and approval processes for loans made. In that sense, they are interested in having funds underwritten and then given flexibility. Such an approach should be more achievable through the RLF program, which provides grants, than through programs offered by the USDA or SBA, which provide loans or guarantees.

Support high-capacity and high-volume operators. While some operators lent out all their funding and had applicants they were unable to serve, operators in other regions had unallocated funds due to low demand. Some funds have had no or very few revolutions in their RLFs, even after several years. EDA should consider reallocating unused RLF grant funding based on regional need to maximize deployment.

Expand RLF resources. EDA made significant infusions into RLFs in 2020 and 2021, but in the two decades prior, available resources were thin. Provided that other reforms are adopted, EDA should increase funding for existing and new RLFs to maintain this momentum.

Adopt larger geographic focus areas. To expand impact and drive efficiency, EDA could deploy funding to more statewide or multistate operators. Smaller operators typically deploy a handful of loans across their region over 5- to 10-year periods. Consolidating nonurban jurisdictions and recruiting state or multistate social impact lenders to administer the program in these areas has the potential to increase program efficiency and potentially economic impact. At this level, organizations are more likely to have sufficient technical expertise and staff capacity to effectively meet clients' needs in their jurisdictions. Additionally, with larger geographies, these operators will be able to deploy a higher volume of loans, avoiding the issue of funds remaining unallocated for long periods of time. Of course, it will be necessary to maintain community connections to help RLFs remain in touch with and relevant to local economic needs.

Focus on smaller loans. Microloans and other smaller loans were repeatedly cited as the most challenging type of debt to provide—as well as the most needed. EDA should consider tailoring the RLF program to allow an operator to specialize in microlending, with the needed grant resources to cover administrative costs. Many emerging small businesses need small capital infusions to help them expand, but for mainstream lenders, the cost of administering these loans is prohibitive.

> **"Well, we don't want to loan everything to just one borrower; we want to have something in case another opportunity comes around. Lending to that one borrower prevents us from helping other businesses grow, you know, so that doesn't really make sense mission wise, financials wise…For example, we have a company here, they had an opportunity to get some new business, but it would require them to expand their building. It was going to cost a good million dollars. They weren't in a position right now to do that. So, they had to turn away the new business. I told them, 'The most we can do with you is probably $150K. At the most.'"**
>
> *—RLF operator*

Provide derisking capital. As an alternative to its current approach, EDA could use grants to provide loan loss reserve or other derisking capital to mission-oriented lenders. A central component of the RLF program that makes it stand out from other public lending is that it increases capital access for entrepreneurs by reducing risk for private lenders. Adapting the RLF program to this new design would contribute to increasing access and deployment in the program.

Based on our cumulative findings, the RLF program has high-performing operators that strategically deploy loans and successfully contribute to regional economic development. Beyond these operators, however, many revolve their loan funds at slow rates or do not adequately use the scarce resource of grant capital to pursue higher-risk lending, and such benefits come at a relatively high administrative cost if deployment is low. The recommendations above have the potential to advance the field and the program in meeting its twin objectives of impact and growth.

Appendix A. Additional Tables

TABLE A.1

EDA Grants for Revolving Loan Fundss by State, 2010–21

State name	State population	Number of grants per 100,000 residents	EDA grant funding per capita	Total funding per capita
Alabama	4,876,250	0.41	4.38	5.41
Alaska	737,068	0.54	16.08	19.28
Arizona	7,050,299	0.07	0.71	0.88
Arkansas	2,999,370	0.47	7.66	8.01
California	39,283,497	0.22	6.71	7.61
Colorado	5,610,349	0.22	3.22	3.55
Connecticut	3,575,074	0.25	6.28	7.43
Delaware	957,248	0.52	5.85	7.14
Florida	20,901,636	0.03	2.72	3.28
Georgia	10,403,847	0.21	6.73	7.24
Hawaii	1,422,094	0.28	2.81	3.40
Idaho	1,717,750	0.93	19.09	21.49
Illinois	12,770,631	0.22	2.38	2.99
Indiana	6,665,703	0.33	11.97	18.54
Iowa	3,139,508	1.11	15.14	16.59
Kansas	2,910,652	0.41	5.06	5.91
Kentucky	4,449,052	0.61	8.30	9.28
Louisiana	4,664,362	0.34	3.55	4.42
Maine	1,335,492	1.65	46.45	58.06
Maryland	6,018,848	0.23	12.64	18.79
Massachusetts	6,850,553	0.51	14.14	16.24
Michigan	9,965,265	0.16	6.13	7.95
Minnesota	5,563,378	0.56	8.11	8.93
Missouri	6,104,910	0.48	5.91	7.24
Mississippi	2,984,418	0.60	14.91	16.54
Montana	1,050,649	2.28	33.08	44.72
Nebraska	1,914,571	0.21	2.98	3.40
Nevada	2,972,382	0.17	2.93	3.46
New Hampshire	1,348,124	0.45	7.50	8.92
New Jersey	8,878,503	0.14	10.05	10.52
New Mexico	2,092,454	0.33	2.47	3.16
New York	19,572,319	0.19	10.90	12.33
North Carolina	10,264,876	0.15	1.67	2.09
North Dakota	756,717	2.78	31.93	38.20
Ohio	11,655,397	0.21	3.94	4.79
Oklahoma	3,932,870	0.30	2.92	3.51
Oregon	4,129,803	0.68	11.10	13.78
Pennsylvania	12,791,530	0.32	13.55	18.41

State name	State population	Number of grants per 100,000 residents	EDA grant funding per capita	Total funding per capita
Puerto Rico	3,318,447	0.18	3.06	4.37
Rhode Island	1,057,231	0.47	49.66	50.83
South Carolina	5,020,806	0.26	5.04	5.77
South Dakota	870,638	2.52	28.04	34.39
Tennessee	6,709,356	0.22	4.25	5.02
Texas	28,260,856	0.11	2.34	3.00
Utah	3,096,848	0.42	4.39	5.72
Vermont	624,313	1.28	13.96	19.22
Virginia	8,454,463	0.19	6.55	7.53
Washington	7,404,107	0.28	4.39	5.61
West Virginia	1,817,305	0.83	30.45	32.35
Wisconsin	5,790,716	0.48	7.44	9.43
Wyoming	581,024	1.03	10.98	14.19

Sources: Economic Development Administration administrative data, US Census Bureau 2010 Decennial Survey.
Notes: Dollar values are adjusted for inflation and presented in 2021 dollars. Total funding includes both EDA grant funding and local match.

TABLE A.2

EDA Loans by State

For loans made 2010–22 by funds active in June 2022

State name	State population	Loans per 100,000 residents	RLF–funded lending per capita	Total funding per capita
Alabama	4,876,250	2.07	2.19	6.94
Alaska	737,068	2.04	2.79	7.77
Arizona	7,050,299	0.06	0.04	0.05
Arkansas	2,999,370	3.57	2.95	5.14
California	39,283,497	1.67	1.25	5.33
Colorado	5,610,349	1.89	0.82	4.90
Connecticut	3,575,074	0.31	0.47	0.94
Delaware	957,248	7.73	5.35	14.54
Florida	20,901,636	0.58	1.35	5.35
Georgia	10,403,847	2.17	2.35	3.95
Hawaii	1,422,094	3.45	2.59	3.35
Idaho	1,717,750	2.74	3.82	13.42
Illinois	12,770,631	3.78	1.21	10.56
Indiana	6,665,703	1.34	1.68	7.51
Iowa	3,139,508	8.06	10.31	65.37
Kansas	2,910,652	2.61	1.60	5.80
Kentucky	4,449,052	6.47	4.27	14.02
Louisiana	4,664,362	0.96	1.23	2.43
Maine	1,335,492	6.89	8.99	21.00
Maryland	6,018,848	0.38	0.34	0.83
Massachusetts	6,850,553	2.80	2.51	5.88
Michigan	9,965,265	0.39	0.54	4.24
Minnesota	5,563,378	4.93	4.10	35.07
Missouri	6,104,910	2.08	1.75	4.06
Mississippi	2,984,418	6.30	11.91	39.89
Montana	1,050,649	8.38	18.50	119.33
Nebraska	1,914,571	1.04	1.30	3.05
Nevada	2,972,382	1.28	1.92	2.03
New Hampshire	1,348,124	1.34	0.94	7.06
New Jersey	8,878,503	1.46	0.79	1.08
New Mexico	2,092,454	0.38	0.07	0.07
New York	19,572,319	2.22	2.58	11.28
North Carolina	10,264,876	1.20	0.91	2.46
North Dakota	756,717	10.97	8.92	58.45
Ohio	11,655,397	2.26	1.40	3.89
Oklahoma	3,932,870	0.56	0.80	3.09
Oregon	4,129,803	2.64	2.50	5.93
Pennsylvania	12,791,530	2.44	2.44	13.23
Puerto Rico	3,318,447	0.78	0.15	0.15
Rhode Island	1,057,231	3.12	6.31	25.94
South Carolina	5,020,806	2.17	1.78	3.15
South Dakota	870,638	23.20	26.77	156.74

State name	State population	Loans per 100,000 residents	RLF–funded lending per capita	Total funding per capita
Tennessee	6,709,356	1.12	1.35	3.92
Texas	28,260,856	0.99	0.73	1.50
Utah	3,096,848	0.84	0.89	1.03
Vermont	624,313	3.84	1.93	3.60
Virginia	8,454,463	0.33	0.54	3.92
Washington	7,404,107	1.12	1.14	4.60
West Virginia	1,817,305	1.93	4.07	5.39
Wisconsin	5,790,716	3.92	5.00	25.79
Wyoming	581,024	7.23	5.49	29.48

Sources: Economic Development Administration administrative data, US Census Bureau 2010 Decennial Survey.
Notes: RLF = revolving loan fund. Dollar values are adjusted for inflation and presented in 2021 dollars. Total funding includes private funding, RLF loans, other public funding, and borrower funding

Notes

[1] A comprehensive overview of EDA's history, strategy, and programmatic organization can be found in Theodos et al. (2021b).

[2] EDA contracted with the Institute for Local Self-Reliance and Recast City to develop and lead the Equitable Lending Leaders program. This was funded through a competitive grant under the Research and National Technical Assistance (RNTA) program. See "Revolving Loan Fund," US Economic Development Administration, https://www.eda.gov/funding/programs/revolving-loan-fund.

[3] Our data collection concluded prior to the enactment of the Thomas R. Carper Water Resources Development Act of 2024 and therefore does not evaluate policy changes made in response to that legislation.

[4] Funding for RLFs rose in 1993, 1994, and 1995 and included $131 million for defense adjustment assistance between 1993 and 1995. 1994 also had the two highest level of prepandemic disaster funding for RLFs with $31 million for NE fisheries and $56 million for the Northridge Earthquake. For a point of contrast, the Sandy supplemental led to $3 million in RLF grantmaking. (All dollar amounts are inflation adjusted.)

[5] This analysis excludes loans given to firms that did not have a reported number of employees prior to receipt of the loan.

[6] "About EDA," US Economic Development Administration, accessed October 2, 2023, https://www.eda.gov/about.

[7] Loan loss reserve funding is an income statement expense set aside to allow for uncollected loans and loan payments. Loan loss reserves give lenders the flexibility to write off defaulted loans.

[8] For more details on EDA's RLF risk analysis system, see EDA (2018).

[9] "Risk Analysis System, Update 2024 [EDA Memo for Grantees]," US Economic Development Administration, accessed September 30, 2024, https://www.eda.gov/sites/default/files/2024-08/RAS_Revisions_Memo_for_Grantees.pdf.

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