

— PENNSYLVANIA. BUILT TO ADVANCE. —

Certification of Economic Development Organizations

Program Guidelines



July 2015

Commonwealth of Pennsylvania
Tom Wolf, Governor

Department of Community & Economic Development



newPA.com

Table of Contents

Section I	Purpose	1
Section II	Definitions	1
Section III	Eligibility	2
Section IV	Certification Procedure	2
Section V	General Certification Requirements	3
Section VI	Additional Certification Requirements	4
Section VII	Professional Staffing	4
Section VIII	Facilities	5
Section IX	Quality Services	5
Section X	Fee Schedule	6
Section XI	Code of Ethics	6
Section XII	Annual Reporting Requirements	7
Section XIII	Annual Performance Rating	8
Section XIV	Performance Incentive Payments	8
Section XV	Advisory Board	9
Section XVI	Certification Renewal	9
Section XVII	Implementation	10
Section XVIII	Contact Information	10
Exhibit A	Loan Application Performance Rating	
Exhibit B	Portfolio Management Performance Rating	

Section I – Purpose

The Pennsylvania Industrial Development Authority (PIDA) currently administers business loan financing programs which require the financing to pass through a certified economic development organization. PIDA is required by law to establish standards which an economic development organization must meet to demonstrate that it possesses the qualifications necessary to evaluate and administer loans made by PIDA, before the organization submits a financing application.

Section II – Definitions

The following words and terms, when used in these guidelines, have the following meanings, unless the context clearly indicates otherwise:

“Business entity” – A sole proprietorship, corporation, partnership, limited liability company, joint venture or other form of for-profit business.

“Certified Economic Development Organization” – An economic development organization that has complied with the provisions of these guidelines and has been certified by the Pennsylvania Industrial Development Authority.

“Economic Development Organization” – A local development district, an industrial development agency, industrial resource center, redevelopment authority, community development financial institution, or any other nonprofit economic development organization that seeks certification under these guidelines to participate in the Pennsylvania Industrial Development Authority loan program.

“PEDI” – The Pennsylvania Economic Development Institute.

“PIDA” – The Pennsylvania Industrial Development Authority.

“Professional staff” – Employees of an economic development organization for whom a substantial portion of their required job function or duties involves performing one of the following functions:

- (i) Preparing, packaging, analyzing and presenting a loan application, including performance of credit analysis.
- (ii) Managing and directing the closing of a loan.
- (iii) Servicing and monitoring a loan after approval and closing.

The term does not include members of the board of directors of a certified economic development organization or members of a loan review committee of a certified economic development organization.

Section III – Eligibility

- A. Only a certified economic development organization (CEDO) may submit a financing application to PIDA on behalf of a business entity or developer. Each financing application must be reviewed and approved by the CEDO’s loan review committee or Board of Directors, depending on the organization’s bylaws and governing structure, before the application is submitted.
- B. The presence or absence of a certification does not otherwise affect any rights, duties, privileges or liabilities of the economic development organization, beyond its ability to submit business financing applications to PIDA.

Section IV – Certification Procedure

- A. In order to become certified, an economic development organization must submit to PIDA an application for certification, in a format approved by PIDA, which demonstrates that the economic development organization meets the requirements of Sections V – XI of these guidelines.
- B. If PIDA staff determines that the application meets the requirements of these guidelines, the PIDA Board may, in its sole and final discretion, certify the economic development organization as a CEDO. If an economic development organization is seeking to become certified in a geographic area currently being served by another economic development organization or CEDO, PIDA’s determination will be based on, but not limited to:
 - 1. the number of organizations currently serving the proposed area,
 - 2. the project volume generated by existing CEDOs in the proposed area, and
 - 3. the quality of services provided by the existing CEDOs.

PIDA certification shall remain in effect until an annual review is conducted in accordance with Section XIII of these guidelines. At the beginning of each fiscal year, the CEDO shall submit to PIDA changes, which occurred during the previous year, to the information provided in the application.

- C. If PIDA staff determines the application does not meet the requirements of these guidelines, staff will provide to the economic development organization a list of deficiencies which must be corrected before the PIDA Board will consider the economic development organization for certification.

Section V – General Certification Requirements

- A. An application for certification shall include the following:
1. A copy of the organization’s articles of incorporation on file with the Department of State, which must indicate economic development as a purpose and the geographic area the organization will serve.
 2. A copy of the organization’s bylaws, which shall state how board members are selected, the term length of board members, how officers are selected, and the term length of officers.
 3. A good standing certificate of the economic development organization issued by the Department of State.
 4. A certified resolution of the economic development organization adopting the Code of Ethics set forth in Section XI of these guidelines.
 5. A list of current members of the board of directors and a brief resume of each board member.
 6. A list of current loan review committee members and a brief resume of each loan review committee member. The loan review committee members shall be separate and apart from the economic development organization’s professional staff.
 7. A brief resume of the executive director or chief operating officer of the economic development organization, each member of the economic development organization’s professional staff, and other employees of the economic development organization who may provide assistance as described under the definition of “professional staff”.
 8. The location of the economic development organization’s permanent office, a list of other organizations utilizing that same office, and a description of the activities performed by the organizations utilizing the same office.
 9. An organization chart and job description for each member of the economic development organization’s professional staff.
 10. A list of all anticipated revenues from identified sources that will finance the operating costs of the economic development organization, and, if applicable, the current or proposed membership dues structure of the economic development organization.
 11. A description of the fees charged by the economic development organization for its services.
 12. A copy of the most recent audited financial statements of the economic development organization prepared by an independent certified public accountant.
 13. A statement as to the geographic area to be served by the economic development organization. If a geographic area is currently being served by another CEDO, a detailed explanation must be submitted justifying the need for a new economic development organization to administer loans in the area and the agency shall provide evidence there is broad-based support backing the request.

Section VI – Additional Certification Requirements

- A. In addition to the requirements set forth in Section V, an economic development organization must enter into a Master Agreement with PIDA setting forth the responsibilities and duties of the organization with regard to the processing of loan applications, the closing of loans, the monitoring of closed loans, and the collection and workout efforts for troubled or defaulted loans.

Section VII – Professional Staffing

- A. **Employment of Professional Staff.** A CEDO shall employ full-time professional staff and demonstrate professional management ability to service its geographic area.
- B. **Basic Requirements.** At least one member of the CEDO's professional staff shall be qualified by basic training, work experience, or both, which shall include, but not be limited to, at least two of the following:
1. A bachelors or masters degree in business, accounting, finance, or a related discipline from an accredited college or university; or
 2. No less than five years of related, on-the-job experience involving economic development, commercial lending, or similar business activities; or
 3. Completion of economic development training courses related to finance offered by a reputable training organization or learning institution and approved by PIDA.
- C. **Additional Requirements.** In addition to fulfilling the basic training requirements of Section VII(B), a CEDO's professional staff shall in the aggregate also attend:
1. Not less than 20 hours of related continuing education courses (6 of which must deal with financing) every year, which courses shall be approved by PEDI. Courses may consist of any training that enhances the ability of a CEDO's professional staff to perform their day-to-day duties and is offered by a reputable training organization or learning institution. Proof of attendance at such courses must be provided to PIDA at the time of the CEDO's annual review.
 2. All mandated training programs offered by PIDA. Attendance at such programs shall be counted towards the 20-hour requirement set forth in Section VII(c)(1).

Section VIII – Facilities

A CEDO shall demonstrate the availability of adequate facilities and resources that will permit the CEDO to perform all necessary functions on behalf of business entities. Adequate facilities and resources include, but are not limited to, the following:

- A. Adequately equipped office space for professional staff, meetings, and conferences.
- B. Appropriate online electronic information systems, such as the internet, which permit electronic communication with PIDA.
- C. Appropriate technical and clerical support and systems.

Section IX – Quality Services

- A. A CEDO shall demonstrate its commitment to and the performance of quality service for business needs in its designated geographic area. Quality service shall include:
 - 1. Provision of a professional level of service in the preparation, packaging, analysis, management, closing and monitoring of loan applications. This includes the following:
 - a. Demonstrating an adequate level of technical knowledge regarding lending activities and financial analysis and a thorough knowledge of commonwealth financing programs.
 - b. Providing timely response and service to business entity requests and keeping the business entity accurately informed of all steps to be followed in the financing process.
 - c. Providing appropriate assistance to other potential applicants, CEDOs and economic development organizations requesting assistance with financial packages.
 - 2. Cooperative interaction with representatives from PIDA, other CEDOs and economic development organizations, in order to ensure that all business entities have access to the full range of services and resources available.
 - 3. Active participation in commonwealth initiatives or programs designed to address the needs of business entities.
- B. A CEDO shall demonstrate to PIDA its commitment to cooperate with staff in the administration of the program. This includes, but is not limited to, the following:
 - 1. Assisting PIDA in the gathering of information and data from business entities.
 - 2. Assisting with monitoring and collection efforts.
 - 3. Meeting submission deadlines for reports required by PIDA.

Section X – Fee Schedule

The basis or rate of all fees charged by the CEDO to a business entity for its services shall be communicated to the business entity in writing before the services are performed. The CEDO will set forth all fees, costs and charges that the business entity is required to pay to the CEDO or to any individual or organization as a result of preparing, processing, approving, submitting and closing a loan application. Fees, costs and charges include the following:

1. One time fees.
2. Ongoing servicing fees.
3. Legal fees.
4. Accounting fees.
5. Required memberships.
6. Fees assessed by PIDA.
7. Other costs passed on to the business entity for payment.

Section XI – Code of Ethics

A CEDO shall adopt and comply with the following Code of Ethics:

- A. An officer, director or employee of a CEDO who is a party to or who is interested in a project shall disclose the nature and extent of the interest to the board of directors of the CEDO, and may not vote on actions of the CEDO concerning the project, nor participate in the deliberations of the CEDO concerning the project.
- B. A consultant or independent contractor of a CEDO who is a party to or who is interested in a project shall immediately disclose the nature and extent of the interest to the board of directors of the CEDO.
- C. The disclosures required under Sections XI(a) and XI(b) include the existence of:
 1. A financial interest in a project.
 2. An interest of a relative by blood or marriage in a project.
 3. An employer-employee, partnership, agency or fiduciary relationship with a party to or a person financially interested in a project.
 4. A matter which might reasonably be expected to influence that person in the discharge of the person's official duties concerning a project.
- D. The board of directors of the CEDO shall take action that is necessary in light of the facts revealed by the disclosure to avoid a conflict of interest or impropriety with regard to a project. The disclosure statement of the officer, director, employee, consultant or independent contractor, and action by the board of directors, shall be made a part of the minutes of the CEDO at the next regular or special meeting and shall be disclosed to PIDA.

- E. No officer, director, employee, consultant or independent contractor of a CEDO may solicit, accept or receive from a person, firm, corporation or other business or professional organization a gift, loan, gratuity, favor or service that might influence his position in the discharge of his official duties concerning a project. This paragraph does not apply to gifts and business entertainment of less than \$50.
- F. No officer, director, employee, consultant or independent contractor of a CEDO may directly or indirectly use, for personal gain, information not available to the public concerning projects which come to him/her as a result of affiliation with a CEDO, nor may he/she provide that information to others not directly connected with a CEDO's investigation concerning the feasibility, development or establishment of a project.
- G. Each CEDO shall ensure a copy of this Section XI is given to each officer, director, employee, consultant and independent contractor of the CEDO. A copy of Section XI shall also be given to a business entity seeking direct or indirect assistance under PIDA.
- H. Failure to disclose or another breach of Section XI is grounds for disciplinary action by the CEDO against the officer, director, employee, consultant or independent contractor of a CEDO. Disciplinary action may include removal or dismissal, and is grounds for disapproval of a financing application, rescission of a commitment, or decertification by PIDA.

Section XII – Annual Reporting Requirements

Each CEDO shall submit to PIDA by June 30 of each year an annual report including the following:

- A. A copy of the most recent audited financial statements of the CEDO prepared by an independent certified public accountant.
- B. A list of the CEDO's current loan review committee members, board of directors, and professional staff, including the resumes of any new members of the loan review committee, board of directors or professional staff.
- C. The CEDO's current mailing address and telephone number.
- D. A statement of the current service fees charged by the CEDO.
- E. A statement of training completed by the CEDO's professional staff during the year that satisfies the requirement of Section VII(c).
- F. A statement of any changes in the CEDO's charter or bylaws that have been made during the year.

Section XIII – Annual Performance Rating

- A. A CEDO will undergo review at the end of each fiscal year, June 30, by PIDA. Along with submitting the annual reporting requirements outlined in Section XII above, each CEDO will receive an overall yearly performance score based on the following criteria:
1. The quality of applications underwritten, packaged and submitted by the CEDO. The scoring matrix, included as Exhibit A, will be used to score each PIDA loan application submitted by the CEDO. The total aggregate points awarded for applications submitted/scored during the year under review shall be added together and then divided by the number of applications submitted/scored to calculate the yearly loan application performance score. The maximum possible score is 50 points.
 2. The CEDO's portfolio management performance. On a quarterly basis, the CEDO shall be responsible for reporting on the status of loans 60 or more days delinquent in the CEDO's portfolio. The scoring matrix, included as Exhibit B, will be used each quarter to score the portfolio management performance of a CEDO. At the end of the fiscal year under review, the total aggregate points awarded during the year under review shall be added together and then divided by 4, to calculate the yearly portfolio management score. If the CEDO does not have any loans 60 or more days delinquent for the quarter under review, the CEDO will receive a score of 50 points, which is the maximum possible score.
 3. The yearly application performance score and yearly portfolio management score for the fiscal year under review will be added together in order to determine the combined overall yearly performance score of the CEDO. The maximum possible score is 100 points.

Section XIV – Performance Incentive Payments

Contingent upon the CEDO's overall yearly performance score, the CEDO may be eligible to receive a share of interest received on its PIDA loan portfolio. For a PIDA loan to qualify for interest sharing, the loan must have closed after June 30, 2015 and be less than 60 days delinquent with payments as of the end of the fiscal year under review. Performance payments will be made as a lump sum payment to the CEDO.

Below is the scale outlining the interest to be shared with the CEDO for each qualifying PIDA loan. The number of basis points shared per loan is contingent upon the overall yearly performance score of the CEDO.

<u>Yearly Performance Score</u>	<u>Basis Points Per Loan</u>
90-100	50
80-89	40
70-79	30
00-69	00

Section XV – Advisory Board

- A. An advisory board will be established to include representatives of PIDA and representatives of the economic development organizations affected by these guidelines. The advisory board will work closely with PIDA when necessary to define the standards for training, review, performance scoring, and the certification renewal processes. The composition of the board shall be determined by PIDA and the Executive Director of PIDA shall sit as chairman of the board.

Section XVI – Certification Renewal

- A. If a CEDO receives a yearly performance score between 70-100 for the fiscal year under review and remains in compliance with the provisions of these guidelines, including the annual reporting requirements, PIDA staff shall recommend that the PIDA Board renew the organization's certification as a CEDO for a one-year period and the CEDO will be notified in writing of the Board's decision.
- B. If a CEDO receives a yearly performance score between 0-69, but remains in compliance with all other provisions of these guidelines, including the annual reporting requirements, the following shall occur:
 - 1. The CEDO shall be placed on probation during the next fiscal year period. If at the end of the probation period, the CEDO receives a yearly performance score between 70-100, PIDA staff will recommend to the PIDA Board that the CEDO's certification be renewed for a one-year period and the CEDO will be notified in writing of the Board's decision.
 - 2. If the CEDO receives a yearly performance score between 0-69 for two consecutive years, the CEDO shall be subject to peer review. PIDA will appoint an ad hoc, four person review team, composed of two PIDA staff representatives and two representatives from CEDOs in good standing. PIDA shall employ measures to assure that the individuals appointed to the peer review team do not possess any conflict of interest with the CEDO under review. The peer review team will discuss the deficiencies with the CEDO and make a recommendation to the PIDA Board as to whether or not the CEDO's certification should be renewed for a one-year period. The CEDO will be notified in writing of the Board's decision.
- C. If the PIDA Board determines a CEDO's certification will not be renewed because the CEDO received a yearly performance score between 0-69 for two consecutive years, the certification will be revoked for a one year period and the CEDO will be notified in writing. The economic development organization is able to submit a new certification application, as outlined in Section V, for consideration after the revocation period expires.

Section XVII – Implementation

These guidelines are effective as of July 1, 2015.

Section XVIII – Contact Information

Inquires about the guidelines or certification process should be directed to Jared Lucas:

Phone: (717) 346-8006
Email: jarlucas@pa.gov

Completed applications should be mailed to:

Department of Community and Economic Development
Center for Business Financing
Attn: Jared Lucas, PIDA Office
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, Pennsylvania 17120-0225



LOAN APPLICATION PERFORMANCE RATING

EXHIBIT A

1. CERTIFIED PROVIDER NAME:	2. DATE:
3. BORROWER:	
4. PROGRAM NAME:	5. PROJECT NUMBER:

OVERALL SCORE: _____ out of 50

1. Please select the rating that most accurately reflects the loan application package (10 possible points):

- All required supplemental information was included with the application package and the application documents were completed satisfactory. If any application documents were missing, the certified provider received approval from PIDA staff to submit the application without the documents. **(10 points)**
- The loan application did not include all required information, application documents were incomplete, or sufficient detail was not provided. **(0 points)**

2. Please select the rating that most accurately reflects the quality of the underwriting associated with the loan application (40 possible points):

- The loan application followed the program underwriting requirements, the financials demonstrated the company is able to service all existing debts as well as the project debt, and the loan was approved with minimal questions or modifications. If an area of the loan application did not follow the program underwriting requirements, the certified provider discussed the area with PIDA staff and received approval to move forward with the project prior to submitting the application. **(40 points)**
- The loan application had significant underwriting concerns that needed addressed prior to the loan being approved such as concerns about the company's ability to service its debts, a collateral deficiency that required a significant collateral enhancement, or underwriting inconsistencies throughout the application. **(20 points)**
- The loan application did not meet the program underwriting requirements and the loan was not approved. **(0 points)**

3. Comments:

PIDA:	DATE:
-------	-------



PORTFOLIO MANAGEMENT PERFORMANCE RATING

EXHIBIT B

Quarter Ending: _____

1. CERTIFIED PROVIDER NAME:	2. DATE:
3. NUMBER OF LOANS 60 OR MORE DAYS DELINQUENT WITH PAYMENTS:	4. NUMBER OF DELINQUENCY REPORTS RECEIVED:

OVERALL SCORE: _____ out of 50

1. Please select the rating that most accurately reflects the reports (10 possible points):

All required reports were included and the reports were completed satisfactory. If any reports were missing, the certified provider received approval from PIDA staff to exclude the report for the respective account. **(10 points)**

Reports were not submitted, reports were incomplete, information was inaccurate, or sufficient detail was not provided. **(0 points)**

2. Please select the rating that most accurately reflects the actions taken by the certified provider against the delinquent accounts (40 possible points):

The reports demonstrated the actions taken against the delinquent accounts follow the established portfolio management procedures. If actions did not follow the established procedures, the certified provider discussed the accounts and received approval to move forward, prior to submitting the report to PIDA staff. **(40 points)**

Either the reports required a significant amount of clarification to gain an understanding of the actions taken against the delinquent accounts or the actions taken were inconsistent with the established portfolio management procedures. **(20 points)**

Overall, the actions taken against the delinquent accounts did not follow the established portfolio management procedures. **(0 points)**

3. Comments:

PIDA:	DATE:
-------	-------