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| --- |
| **Guide for Review of Section 108 Loan Guarantees and BEDI/EDI Grants** |
| **Name of Program Participant:** |
| **Staff Consulted:** |
| **Name(s) of Reviewer(s)** |       | **Date** |       |

**NOTE:** All questions that address requirements contain the citation for the source of the requirement (statute, regulation, NOFA, approved application, contract or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance. All other questions (questions that do not contain the citation for the requirement) do not address requirements, but are included to assist the reviewer in understanding the participant's program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a **"finding.**"

**Instructions:** The Exhibit provides program-specific monitoring guidance to be used for Section 108 Loan Guarantee, Economic Development Initiative (EDI) and Brownfields Economic Development Initiative (BEDI) projects. As of the revision to this Exhibit (REV-7), HUD is not providing new funding for EDI and BEDI. However, previously-approved grants are still being carried out and HUD must monitor compliance with applicable requirements. The Exhibit in this Chapter is to be used in conjunction with the monitoring Exhibits in Chapter 3 for the Community Development Block Grant (CDBG) Entitlement program and Chapter 4 for the CDBG State program. These include Exhibits for the CDBG Entitlement program related to the applicable national objective and any activities for which specific Exhibits are provided, such as rehabilitation or economic development. Other CDBG Exhibits related to Float/Interim Financing (Exhibit 3-14), Subrecipient/CBDO Management (Exhibit 3-16), and Overall Management (Exhibit 3-17) are also applicable. Furthermore, several master Exhibits related to Financial Management and Audits (Exhibit 34-1), Cost Allowability (Exhibit 34-2), Procurement (Exhibit 34-3), and Equipment Management and Equipment Disposition (Exhibit 34-4) are also applicable.

This Exhibit contains 5 sections: Project/Activity Description and Eligibility; Reporting; Section 108 Security Requirements; Section 108 Financial Management; and EDI/BEDI Financial Management. For purposes of this Exhibit, the term “Borrower” means a program participant (grantee) and/or any designated public agency carrying out the Section 108-assisted activity and any associated EDI or BEDI-assisted activity.

When monitoring a Borrower with several Section 108 Guaranteed Loans and/or EDI/BEDI grants, select an appropriate sample (either randomly or judgmentally selected). When monitoring a Borrower which has provided Section 108 Guaranteed Loan proceeds and/or EDI/BEDI grant funds to multiple subrecipients (e.g., through an economic development loan pool, housing rehabilitation fund), select an appropriate sample (either randomly or judgmentally selected).

**Questions:**

A. PROJECT/ACTIVITY DESCRIPTION AND ELIGIBILITY

1.

|  |
| --- |
| What is name of the project(s) or activity(ies) being reviewed? |
| **Describe Basis for Conclusion:** |
|       |

2.

|  |
| --- |
| What is the amount and type of financial assistance provided by HUD? (Identify whether it is a Section 108 Loan Guarantee only, or if EDI and/or BEDI assistance has also been provided.) |
|       |
|  |

3.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| For an activity or activities receiving EDI/BEDI assistance, has the Borrower documented efforts it has made to obtain any of the firm commitments or other financing for the activity or activities, as described in the approved (and, if applicable, amended) EDI/BEDI Application? |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion** |
|       |

4.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Is the Borrower carrying out the activity or activities described in the approved (and, if applicable, amended) Section 108 application and any associated approved (and, if applicable, amended) EDI or BEDI application(s)? [24 CFR 570.703 for Section 108 and EDI/BEDI projects; any applicable Grant Agreements] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |
|  |

5.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Are, or were, the activities generally undertaken by the Borrower according to the schedule presented in the approved (and, if applicable, amended) Section 108 and/or EDI/BEDI application? |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |

6.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. If the Borrower is carrying out an activity that does not appear in the approved (and, if applicable, amended) Section 108 application, has the Borrower shown evidence that HUD approved the change to the use of Section 108 funds? [24 CFR 570.704(c)(5)]  |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
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|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| b. If the Borrower is carrying out an activity that does not appear in the approved (and, if applicable, amended) EDI/BEDI grant agreement, or is failing to carry out an activity in the approved (and, if applicable, amended) EDI/BEDI grant agreement, has the Borrower shown evidence that HUD Headquarters approved the change to the use of EDI/BEDI funds? [EDI/BEDI Grant Agreement] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

7.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Are the uses of Section 108 and/or EDI/BEDI funds substantially consistent with the uses presented in the approved (and, if applicable, amended) Section 108 and/or EDI/BEDI application? |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |
|  |
| 1. If the uses of funds have substantially changed from those presented in the approved (and, if applicable, amended) Section 108 and/or EDI/BEDI application, has the Borrower shown evidence that HUD approved the substantial change to the use of funds?

[24 CFR 570.704(c)(5); EDI/BEDI Grant Agreement and the applicable Grant Agreement] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
|       |
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8.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| If the Borrower is carrying out activities that do not appear in the approved 108 application(s), or is failing to carry out activities that appear in the approved 108 application(s), or if there has been a substantial change in the use of funds, has the Borrower complied with the required citizen participation requirements? [24 CFR 570.704] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

9.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Did the Borrower establish and maintain the records required to demonstrate compliance with program requirements? [24 CFR 570.506] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |

B. REPORTING

10.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Has the Borrower correctly set up the Section 108 activity (or activities) in HUD’s Integrated Information and Disbursement System (IDIS) to correspond with the activity or activities described in the approved (and, if applicable, amended) Section 108 application (e.g., the correct accomplishment type is associated with the applicable activity)? |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| b. Has the Borrower accurately reported accomplishment data for the Section 108 and EDI/BEDI funds in IDIS on an annual basis, to be included in its Consolidated Annual Performance and Evaluation Report (CAPER)?[24 CFR 570.707; 24 CFR 91.520] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |

11.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. Has the Borrower carried out the Section 108 and EDI/BEDI activity or activities as described in the approved (and, if applicable, amended) Section 108 and/or EDI/BEDI application in a timely fashion (i.e., in accordance with the timeline outlined in the approved or amended application)? |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |
| b. If the answer to “a” above is “No,” has the Borrower provided a reasonable explanation for the delay, measures that can be enacted to rectify any issues, and a realistic revised completion deadline?  |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |
| c. If the answer to “a” above is “Yes,” has the Borrower reported the activity as being completed in IDIS?  |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

C. Section 108 Security Requirements

12.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Does the Section 108 Contract for Loan Guarantee Assistance contain other security requirements, in addition to the pledge of CDBG grant funds and program income? [Section 108 Contract for Loan Guarantee Assistance, Paragraph 15] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |

13.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| a. If answer to 12 above is “Yes,” has a “documents custodian” been selected and a custodial account set up for the documents establishing the security for the Section 108 Guaranteed Loan? [Section 108 Contract for Loan Guarantee Assistance, Paragraph 15] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |
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|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| b. Have the documentsestablishing the security for the Section 108 Guaranteed Loan been submitted to the appropriate “documents custodian?” [Section 108 Contract for Loan Guarantee Assistance, Paragraph 15] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |
|  |

D. Section 108 Financial Management

**Instructions:** Use the Instructions provided at the beginning of this Exhibit to complete the following section. Review to determine that the appropriate accounts have been established for guaranteed loan funds and for program income. Trace several transactions to ensure use of the funds for authorized purposes and consistency with contract provisions.

14.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Have all guaranteed loan funds and program income been deposited in the approved custodial account(s), i.e., the Guaranteed Loan Funds account and the Loan Repayment account? [Section 108 Contract, Attachments 1 and 2, and 24 CFR 570.705] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |
|  |

15.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Have the funds in the “Guaranteed Loan Funds Account” been used solely for the project activity or activities, and other uses authorized by the Section 108 Contract? [Section 108 Contract for Loan Guarantee Assistance, Paragraphs 1 and 15] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:**      |

16.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Is the Borrower depositing program income in the “Loan Repayment Account?” [Section 108 Contract for Loan Guarantee Assistance, Paragraph 6] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

17.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Has the Borrower recorded program income generated by the Section 108 activities in its financial records and in IDIS?[24 CFR 570.707]  |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

18.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| If investment accounts have been established, have funds in the accounts been invested in Government Obligations and with maturities as required?[Section 108 Contract, Paragraphs 1 and 6] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

19.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| If the balance in any custodial account exceeds the amount of Federal insurance, has the excess amount been invested in Government Obligations? [Section 108 Contract, Paragraph 1 and 6] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

20.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Has the Borrower submitted the written statement(s) showing the balance of funds in the Guaranteed Loan Funds Account and the Loan Repayment Account and the withdrawals from such account(s) during the preceding calendar month? **NOTE**: These statements are only required if the related accounts are required to be maintained.[Section 108 Contract, Paragraph 1 and 6] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

21.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Has the Borrower submitted the written statement(s) identifying investments and their assignments in the Guaranteed Loan Funds Investment Account and the Loan Repayment Investment Account? **NOTE**: These statements are only required if the related accounts are required to be maintained.[Section 108 Contract, Paragraph 1 and 6] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

E. EDI/BEDI Grant Financial Management

**Instructions:** Use the Instructions provided at the beginning of this Exhibit to complete this section. Review to determine if the Borrower has implemented financial management practices consistent with Subpart M and the EDI/BEDI Grant Agreement.

22.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Has the Borrower maintained the required ratio of EDI/BEDI funds drawn to Section 108 funds drawn?[EDI/BEDI Grant Agreement, Paragraph 3]  |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

23.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| If the EDI/BEDI grant agreement provides an extended time period for achieving the specified ratio of BEDI/EDI funds to Section 108 funds drawn, can the Borrower document compliance with the ratio within the time period specified?[EDI/BEDI Grant Agreement, Paragraph 3] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |

24.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| If the EDI/BEDI grant agreement provides for the EDI or BEDI funds to be used to establish a debt service reserve account, were the funds used for authorized purposes? [EDI/BEDI Grant Agreement] |

|  |  |  |
| --- | --- | --- |
| [ ]  | [ ]  | [ ]  |
| **Yes** | **No** | **N/A** |

 |
| **Describe Basis for Conclusion:** |
|       |