



**APPALACHIAN  
REGIONAL  
COMMISSION**

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*Office of Inspector General*

September 8, 2004

Memorandum for: The Federal Co-Chair  
ARC Executive Director

Subject: OIG Report 04-14  
Review of Revolving Loan Fund (RLF) Grants for the  
Buckeye Hills-Hocking Valley Regional Development District

Attached are copies of the subject report dealing with the RLF grants to the Buckeye Hills-Hocking Valley Regional Development District (BH-HVRDD). BH-HVRDD received its initial RLF grant in 1989. As of May 25, 2004, BH-HVRDD has received \$975,000 in ARC RLF grants, and has 23 loans outstanding, with unpaid balances totaling approximately \$964,342.

The report contains four recommendations. The responses by the grantee and ARC are considered responsive to the recommendation. They have agreed to take the necessary steps outlined in the recommendations.

This report is considered closed. However, ARC staff should verify that the promised actions have indeed taken place. Please contact me if you have any questions on this issue.

A handwritten signature in black ink, appearing to read "Cliff H. Jennings", is written over a light blue horizontal line.

Clifford H. Jennings  
Inspector General

Attachment

cc: Director for Program Operations  
Director for Finance and Administration



**LEON SNEAD  
& COMPANY, P.C.**


*Certified Public Accountants  
& Management Consultants*

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**MEMORANDUM**

**DATE:** September 3, 2004

**TO:** Clifford Jennings, Inspector General  
Appalachian Regional Commission  
Office of Inspector General  
1666 Connecticut Avenue, N.W. Room 215  
Washington, DC 20009-1068

**FROM:**   
Leon Snead, President

**SUBJECT:** Final Audit Reports

Leon Snead & Company is submitting to ARC and Grantee Officials five copies of the audit reports for the following assignments.

Buckeye Hills – Hocking Valley Regional District  
Buckeye Hills – Hocking Valley Regional District (Distressed)  
Southern Tier Enterprise Development Organization  
Regional Economic Development and Energy Corporation

Enclosure

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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL  
AUDIT OF REVOLVING LOAN FUND  
Buckeye Hills-Hocking Valley  
Regional Development District**

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**Report No. 04-14  
September 2004**

**Prepared by  
Leon Snead & Company, P.C.**



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September 1, 2004

Appalachian Regional Commission  
Office of the Inspector General  
1666 Connecticut Avenue, N.W.  
Washington, D.C. 20009

Leon Snead & Company, P.C. has completed an audit of the Buckeye Hills-Hocking Valley Regional Development District (BH-HVRDD) Revolving Loan Fund (RLF). The audit was performed at the request of the Appalachian Regional Commission's (ARC), Office of the Inspector General (OIG) to assist in carrying out its oversight of ARC activities.

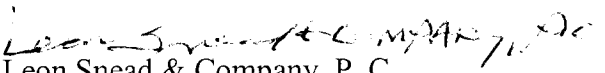
The audit objectives were to determine if: (1) the grantee complied with the requirements of applicable laws, OMB Circulars, ARC Guidelines and its grant agreement and operating plan (2) the grantee's internal control policies and procedures were adequate to assure that RLF transactions were properly recorded, and accurately and timely reported to the ARC on its semiannual reports, (3) administrative costs reported on the semiannual reports were allowable, supported and reasonable, and (4) appropriate actions have been taken to resolve or correct deficiencies identified in prior audits and reviews.

The audit determined that, overall, the BH-HVRDD: (1) operated the RLF in compliance with ARC regulations and guidelines, the grant agreement, and operating plan; and (2) implemented sufficient internal controls to assure semiannual reports to ARC were completed in a timely manner; and (3) had taken actions to correct a deficiency identified by ARC personnel during a prior review. However, we noted that BH-HVRDD needed to: (1) develop and document procedures for charging administrative costs to ARC that more closely approximate the work effort associated with the program; (2) strengthen its follow-up to ensure key borrower financial information used for loan servicing is obtained as required by the borrower's agreement; (3) strengthen its procedures to ensure that delinquent loan payments or collection of collateral is pursued to protect BH-HVRDD collateral; and (4) ensure that RLF loan committee membership complies with ARC guidelines.

A draft report was provided to ARC and RLF officials for comment on June 22, 2004. The Executive Director, ARC agreed with the findings and recommendations. The comments of the Executive Director are included in their entirety in Appendix A.

Leon Snead & Company appreciates the cooperation and assistance received from ARC and BH-HVRDD personnel during the audit.

Sincerely,

  
Leon Snead & Company, P. C.

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## **Introduction**

Leon Snead & Company, P.C. has completed an audit of Revolving Loan Fund (RLF) grant awarded by the Appalachian Regional Commission (ARC) to Buckeye Hills-Hocking Valley Regional Development District (BH-HVRDD). The audit was performed at the request of ARC Office of the Inspector General (OIG) to assist it in carrying out its oversight of ARC grant activities.

BH-HVRDD is a state certified Regional Planning and Development Organization representing local governments in eight counties. BH-HVRDD was designated as a Local Development District (LDD) for ARC in 1969. BH-HVRDD assists local officials in preparing plans and projects to improve living conditions, reverse trend of out migration of people, and to spur economic development. BH-HVRDD's organizational structure is governed by the General Policy Council. The Council is made up of 51 people from throughout the region, two-thirds of whom serve by reason of elected public office. The remaining one-third are people who represent various interests such as business, industry and labor, agriculture, education, health, low-income families, minorities, the elderly and others. The General Policy Council officers are elected annually and the Council meets semiannually.

BH-HVRDD received its initial RLF grant in 1989. As of May 25, 2004, BH-HVRDD had received \$975,000 in ARC grant funds, and had 23 loans outstanding, with unpaid balances totaling approximately \$964,342.

A RLF is a business development revolving loan fund that is used by eligible grantees to make loans to create and/or save jobs. As loans are repaid by the borrowers, the money is returned to the RLF to make other loans. RLF loans are not intended to match or replace the capacity of lending institutions, rather, RLF's fill gaps in local lending, and provide capital which otherwise would not be available for economic development. The primary goals of BH-HVRDD's RLF were to: (1) increase the birth and expansion of businesses and industries in the district and (2) encourage increased employment opportunities, with the focus on the low/moderate income work force in the geographic area of BH-HVRDD.

The grantee is required to administer the RLF in accordance with its grant agreement and operating plan. The operating plan, developed by the grantee as part of the grant agreement, defines specific objectives and operating procedures, including standards and selection criteria for loans in the portfolio. ARC does not review and approve individual loans made by the RLF. Instead, ARC monitors RLF activities for conformance with the ARC code, RLF Guidelines, operating plan, and other conditions of the grant agreement.

## **Objectives, Scope, and Methodology**

The audit objectives were to determine if: (1) the grantee complied with the requirements of applicable laws, OMB Circulars, ARC Guidelines, its grant agreement and operating plan, (2) the grantee's internal control policies and procedures were adequate to assure

that RLF transactions were properly recorded, and accurately and timely reported to the ARC on its semiannual reports, (3) administrative costs reported on the semiannual reports were allowable, supported and reasonable, and (4) appropriate actions have been taken to resolve or correct deficiencies identified in prior audits and reviews. The audit covered BH-HVRDD activities during the period October 1, 2002 to March 31, 2004. Audit fieldwork was completed at BH-HVRDD on May 25, 2004.

We reviewed grantee policies and operating procedures to gain an understanding of the grantee's system of administrative and accounting controls. In addition, we accessed the accounting and administrative controls established by BH-HVRDD to assure RLF operations adhered to applicable ARC Guidelines, OMB regulations, and BH-HVRDD's grant agreement and operating plan. The audit included tests of BH-HVRDD's subsidiary and detailed loan records to assure the financial information submitted to ARC was supported. We verified that the loans made by the grantee complied with ARC Guidelines and the RLF operating plan. We performed tests of selected administrative costs claimed by BH-HVRDD to validate that the costs were allowable, reasonable and supported. We also reviewed BH-HVRDD's most recent single audit, and ARC internal reviews to ensure that corrective actions were taken on any reportable or material weaknesses identified in the reports.

The audit was performed in accordance *Government Auditing Standards*, and included appropriate tests necessary to achieve the audit objectives.

### **Summary of Audit**

The audit determined that, overall, BH-HVRDD: (1) generally operated the RLF in compliance with ARC guidelines, the grant agreement, and operating plan; and (2) implemented sufficient internal control policies and procedures to assure semiannual reports to ARC were completed accurately and timely. ARC's latest internal review of BH-HVRDD disclosed that: (1) two of the active loan files did not contain evidence that credit life insurance was in effect; and (2) only four of the seven loans closed since 2000 included an acknowledgement that the borrowers must comply with federal, state and local laws.

While we found that administrative costs charged to the ARC RLF appeared reasonable, BH-HVRDD's unwritten policy for allocating administrative costs did not result in a reasonable and supportable allocation among the loan programs. BH-HVRDD's policy was to allocate administrative costs equally without regard to the size of the program or the program activity.

We also noted that BH-HVRDD needed to strengthen its follow-up to ensure key borrower financial information used for loan servicing is obtained, as required by the borrower's loan agreement. In addition, BH-HVRDD needed to (1) more effectively pursue the collection of delinquent loans or the collateral used to insure the loan, and (2) ensure that the make up of the RLF Committee complied with ARC Guidelines.



## **FINDINGS AND RECOMMENDATIONS**

### **1. Administrative Cost Allocation Procedures**

BH-HVRDD needs to modify and document its policies on the allocation of salary costs to the ARC RLF. While we found that administrative costs charged to ARC RLF appeared reasonable, BH-HVRDD's unwritten policy for allocating administrative costs equally among BH-HVRDD's four loan programs without regard to the size of the loan program did not result in a reasonable and supportable allocation of administrative costs to ARC RLF programs.

ARC guidelines require grantees to establish internal controls over Federal programs to ensure they are managing the RLF in accordance with provisions of the grant. ARC guidelines require grantees to keep complete records to document those administrative costs charged to the program. In addition, OMB Circulars contain specific requirements concerning documentation needed to support administrative costs charged to a program.

Review of administrative costs charged to the ARC RLF program showed that all direct costs charged to the program were fully supported. However, for those costs related to the salary and other expenses charged to the ARC RLF, no written documentation was available to support the allocation of these costs. Although an unwritten policy existed regarding the process followed to allocate these costs, this policy was not equitably distributed among the loan programs. The policy was to allocate administrative costs equally among its four loan programs despite the size of the program. For example, the administrative costs claimed by BH-HVRDD for the period July 2002 through March 2003 was allocated at \$2,319 for each of the four loan programs. The ARC loan program covered 24 active loans with an outstanding balance of \$964,332, whereas the ARC Distressed Loan Program covered 5 loans with an outstanding balance of \$101,632.

BH-HVRDD's payroll and other systems did not track time charges by program; therefore, we were unable to determine if the administrative costs charged to the ARC RLF were supported by time sheets. However, based upon review of the various loan activity and outstanding loan balances, and discussions with BH-HVRDD officials, the administrative charges to ARC RLF did not appear to be materially out of line with the administrative requirements of the overall loan program.

### **Recommendation**

ARC should require BH-HVRDD to:

Document the procedures for allocating salary costs to the ARC RLF. Perform periodic studies of actual time charges as well as other administrative costs claimed to support the allocation of administrative costs to the program.

## **Management Response**

The ARC Executive Director concurred with the finding and recommendation. BH-HVRDD responded that: (1) the RLF Program Manager prepares a bi-weekly timesheet and a monthly travel sheet which are used to invoice the RLF program for salary and travel expenses; (2) BH-HVRDD will spread the RLF Program Manager's salary, travel and other administrative costs not directly related to a specific loan fund on a percentage basis based upon the accounts receivable in each loan fund; and (3) administrative costs that can be directly tied to one of the four RLFs will continue to be charged directly to that loan fund.

## **Auditor's Comments**

*The comments received from the grantee and ARC are considered responsive to the recommendation.*

## **2. Loan Servicing Process**

BH-HVRDD needs to strengthen its loan servicing process to ensure that borrower financial information, such as annual financial statements, semiannual or quarterly financial data, and/or individual income tax information is received and reviewed, as required by the borrowers loan agreement. The absence of this key financial information could reduce the effectiveness of BH-HVRDD's monitoring of high-risk borrowers.

ARC Guidelines require the grantee to have sufficient staff to enable it to perform required loan servicing, and to establish internal controls over Federal programs to ensure they are managing the RLF in accordance with provisions of the grant. The BH-HVRDD Loan Administrative Manual contains requirements that, generally, require borrowers to provide financial statements, within 90 days of fiscal close. In addition, the loan agreement also requires borrowers to provide BH-HVRDD personal financial statements of all owners. BH-HVRDD developed a Loan Servicing and Monitoring Checklist that provides guidance and instructions for completing and documenting the results of loan reviews.

BH-HVRDD closed 15 loans totaling \$966,833, since January 1999. Review of 8 of 15 borrowers loan agreements showed that certain financial information was required to be provided to BH-HVRDD. Our review disclosed that all eight of the borrowers were not providing BH-HVRDD with financial statements, and/or individual financial information, as required by the loan guidelines. In addition, loan files did not contain completed loan servicing and monitoring checklists. The absence of this key borrower financial information could hinder BH-HVRDD monitoring of borrower operations. Review of financial information is an important aid in preventing or reducing borrower delinquencies or defaults.

BH-HVRDD personnel stated that the servicing checklists were completed every 2 years, and they were not aware of the requirement to obtain annual financial information. They also advised that review of borrower financial information might also be performed at a participating lending institution, even though the borrower's financial statement was not on file at BH-HVRDD.

The BH-HVRDD has implemented strong requirements for submitting borrower financial information in the Loan Administrative Manual and they should incorporate these requirements into each borrower's loan agreement. This information can provide BH-HVRDD with key data on the financial strength of its borrowers.

**Recommendation**

ARC should require the BH-HVRDD to:

Strengthen controls to ensure that required financial information is received from borrowers in a timely manner. Strengthen documentation of loan servicing actions taken based upon analysis of borrower provided financial information.

**Management Response**

The ARC Executive Director agreed with the finding and recommendation. BH-HVRDD responded that a Procedures and Loan Administrative Manual was adopted during June 2004. This Manual serves as a protocol for loan processing, loan closing and loan servicing. The Manual was adopted by the Regional RLF Committee, and it includes specific requirements for loan servicing, such as updated financial statements and site visits. BH-HVRDD also stated that the Revolving Fund Loan Manager began requesting updated financial information from all loan fund recipients during July 2004, and sites visits are being scheduled.

**Auditor's Comments**

*The comments received from the grantee and ARC are considered responsive to the finding and recommendation.*

### 3. Delinquent Loans

BH-HVRDD needs to strengthen its loan delinquency monitoring process to ensure borrowers are notified of delinquencies in a timely manner and that collection of delinquent loan payments and/or collateral is pursued to protect BH-HVRDD assets. The absence of an effective delinquent loan review process may result in writing-off loan balances and borrowers posted collateral.

ARC guidelines require the grantee to follow specific procedures when dealing with loans that are 30 days or more past due. In addition, BH-HVRDD's RLF Administrative Manual calls for specific action including: (1) a phone call by the RLF Manager to determine the problem and when payment is expected; (2) notifying the RLF and the Executive Committees when a loan is 30 days past due; and (3) notifying the borrower, by certified letter, that the loan is 90 days past due and foreclosure or possession of collateral would commence within 30 days of the notice. In addition, the Manual states that BH-HVRDD counsel should notify the borrower of pending foreclosure, and a physical inventory of all collateral should be made and steps should be taken at that time to secure and protect the collateral.

BH-HVRDD reported to ARC that eight loans, with an outstanding balance of \$321,311, were delinquent during the period October 1, 2001 through March 31, 2004. Review of five of the eight delinquent loans showed that the loan files did not contain any documentation that the borrowers had been notified by the RLF Manager by phone that the loan was delinquent. In addition, there was no evidence that the borrowers were notified by certified letter when the loans were 90 days delinquent, and that foreclosure procedures would be initiated unless the loan was brought current. The files did contain documentation that indicated that two of the five delinquent borrowers were notified by either the BH-HVRDD's counsel or the RLF Manager that the loan was over 5-months delinquent. The letter from counsel stated that the payment history for the loan had been unsatisfactory for a period of time and that foreclosure would be initiated if the loan was not brought current. In the other case, the RLF Manager sent a letter stating that if the loan was not brought current, the loan would be handed over to the Regional RLF Review Committee for collection procedures

While these loans were brought current, we noted that two other loans in default were in danger of being written off because steps were not taken to protect the collateral in place to secure the loan. Specifically, the collateral for the first loan was an additional mortgage on the business real estate (a second lien was already in place on an earlier loan) and a personal guarantee from the borrower. However, after financial problems and the filing of mortgage foreclosures, the borrower filed for bankruptcy protection. The loan payments were over 650 days past due. In the event of foreclosure, BH-HVRDD stands fifth in priority for repayment, with little chance for repayment.

Collateral for the second delinquent loan was a lien on the equipment used in the business. On January 24, 2000, BH-HVRDD informed the borrower that the loan was in default, and a payment had not been received since May 1999 and that payment was requested. The HB-HVRDD counsel suggested to BH-HVRDD on March 28, 2000, that they make, "...arrangements to take possession of and sell the personal property that is also collateral for this loan." The BH-HVRDD RLF Manager did not take steps to take possession of the equipment until the end of 2003, after the borrower had filed for bankruptcy. On December 15, 2003 the counsel informed BH-HVRDD that they should proceed to sell personal property under lien. However, he added that he had been advised by the former RLF Manager that, "...personal property was, in large part, missing, damaged, or destroyed and that the remainder was not worth pursuing for the purpose of sale." BH-HVRDD has not pursued liquidation procedures. As of the completion of the audit, it appears that BH-HVRDD may have to write off the \$122,304 balance remaining on these loans.

### **Recommendation**

ARC should require the BH-HVRDD to:

Strengthen controls to assure that required delinquent loan procedures are followed and that steps are taken to ensure that loan collateral is protected and that collection procedures are initiated when advised by legal counsel.

### **Manager Response**

The ARC Executive Director concurred with the finding and recommendation. BH-HVRDD responded that the Revolving Loan Fund Manager is ensuring that the required delinquent loan procedures are followed, appropriate steps are taken to ensure loan collateral is protected, and collection procedures are initiated when required. The steps being taken are: (1) borrowers will be contacted 15 days after not receiving a monthly loan payment; (2) a past due notification letter will be sent to borrowers that are 30 days or more past due; (3) the RLF Manager will review loans that are 60 days past due; (4) for loans that are 90 days past due, a certified letter will be sent to the borrower stating that foreclosure and/or repossession of collateral will commence within 30 days; (5) the BH-HVRDD counsel will be instructed to initiate legal actions to collect the unpaid loan balance for loans 120 days past due; and (6) BH-HVRDD will require an annual audit of the loan files which will include reviewing specific delinquent loan actions.

### **Auditor's Comments**

*The comments received from the grantee and ARC are considered responsive to the finding and recommendation.*

#### **4. Regional Loan Review Committee Membership**

The BH-HVRDD Regional Loan Review Committee (RLRC) membership does not comply with ARC Guidelines or the RLF Plan submitted by the grantee. ARC and BH-HVRDD guidelines state that the RLRC should be composed of representatives from the participating communities and will have at least 60 percent of its membership made up of individuals with commercial lending experience. However, BH-HVRDD revised its Revolving Loan Fund Program Procedures and Loan Administration Manual in February 2004 to alter the make up of the RLRC.

The guidance calls for BH-HVRDD to choose the 11 members from a broad geographic base within the service area to include: 2 bankers; 1 attorney; 1 accountant; 1 real estate appraiser; 2 business persons; 2 economic development representatives; and 2 representatives of the executive of BH-HVRDD. The actual committee membership does not agree with BH-HVRDD's own guidance. While the membership includes representatives from the designated backgrounds, emphasis seems to be placed on members from the economic development community and executive of the BH-HVRDD. Currently 6 of the 11 members come from this background. Only 2 of the current members (i.e. 18 percent of the Committee) indicate experience with the commercial loan environment.

BH-HVRDD personnel indicated that the membership makeup was changed because of the inability to obtain sufficient participation from the banking and business sectors. BH-HVRDD personnel also indicated that ARC did not approve new provisions, such as the make up of the RLRC, in the Administrative Manual. In addition, BH-HVRDD did not seek a waiver from ARC regarding the composition of the RLRC.

#### **Recommendation**

ARC should require the BH-HVRDD to:

Comply with ARC Guidelines regarding the composition of the RLRC, or seek approval for a variance in the requirement.

#### **Management Response**

The ARC Executive Director concurred with the finding and recommendation. The Executive Director responded that BH-HVRDD has been reminded of the ARC requirements for loan review committee membership, and BH-HVRDD has furnished ARC with a list of RLRC members for 2004/2005 that complies with ARC RLF requirements.

**Auditor's Response**

*The comments received from the grantee and ARC are considered responsive to the finding and recommendation.*



**APPENDIX A**  
**MANAGEMENT RESPONSE**



August 25, 2004

Leon Snead, President  
Leon Snead & Company, P.C.  
416 Hungerford Drive, Suite 400  
Rockville, Maryland 20850

Subject: Management Response to ARC Inspector General Audit of the ARC Funded Revolving Loan Fund at the Buckeye Hills-Hocking Valley Regional Development District performed By Leon Snead & Company, P.C.

Dear Mr. Snead:

Thank you for your thorough examination of the Buckeye Hills-Hocking Valley Regional Development District (BH-HVRDD) main ARC RLF grant. The assistance provided by this examination will aid BH-HVRDD in justifying the costs of the lending program charged against program income from ARC RLF lending activities. Please correct the typographical error (RFL) in the third paragraph of the draft report introduction.

Administrative Cost Allocation Procedures.

ARC agrees with the finding and recommendation regarding Administrative Cost Allocation Procedures. BH-HVRDD was asked to respond to the audit recommendation. Their response follows:

The BH-HVRDD RLF Program Manager fills out a bi-weekly timesheet and this timesheet is used to invoice the RLF program for administrative salary expenses. The RLF Program Manager also fills out monthly travel sheet to document travel expenditures for the RLF program.

BH-HVRDD has historically spread the salary, travel and administrative costs equally among all programs, unless the costs could be directly tied to a specific loan fund. In the future, BH-HVRDD will spread the RLF Program Manager salary, travel, and any other administrative costs not directly related to a specific loan fund on a percentage basis, based upon the accounts receivable in each fund (ARC, ARC-Distressed County, EDA and USDA-RBCS IRP).

Administrative costs that can be directly tied to one of the four (4) RLFs such as loan closing fees from the BH-HVRDD attorney, will continue to be directly charged to that loan fund.

### Loan Servicing Process.

ARC agrees with the finding and recommendation regarding the Loan Servicing Process. BH-HVRDD was asked to respond to the audit recommendation. Their response follows:

In June 2004 BH-HVRDD adopted a Procedures and Loan Administrative Manual to serve as a protocol for handling the processing, loan closing and loan servicing aspects of the program. This manual adopted by the Regional RLF Committee lists specific requirements for loan servicing, such as updated financial statements on the business, personal financial statements of all owners, site visit (required every two years) and employment verification. The Revolving Loan Fund Manager began in July 2004 requesting all loan fund recipients update their financial information within the next 60 days. Letters are being sent and phone calls are being made to the clients. Loan servicing visits are being scheduled and in the near future BH-HVRDD will be current with this requirement.

### Delinquent Loans.

ARC agrees with the finding and recommendation regarding Delinquent Loans. BH-HVRDD was asked to respond to the audit recommendation. Their response follows:

The Revolving Loan Fund Manager is assuring that the required delinquent loan procedures are followed and that steps are taken to ensure that loan collateral is protected and that collection procedures are initiated when advised by legal counsel. These steps are:

Clients are notified by phone after 15 days of not receiving the monthly loan payment. They will attempt to determine when the payment can be expected.

A past due notification letter will be sent to borrowers that are 30 days or more past due. Those borrowers will be reported to the Regional Loan Review Committee.

Loans that are 60 days past due will be visited by the RLF Manager to determine the resolution. The risk rating will be re-evaluated.

At 90 days past due a certified letter will be sent to the borrower notifying that foreclosure and/or repossession of collateral will commence within 30 days. BH-HVRDD counsel will be notified. Under counsels guidance conduct a physical inventory of the collateral. Steps to protect collateral will be initiated.

At 120 days the BH-HVRDD counsel will be instructed to institute legal action to collect the unpaid loan balance. BH-HVRDD ceases to accrue interest/penalties on the loan unless there is a viable plan to bring the loan current.

BH-HVRDD will require an annual audit of the loan files by its auditing firm or a qualified consulting firm. The auditing firm or the qualified consulting firm will review the files to ensure that the RLF Manager is following the Loan Fund Procedures and Loan Administration Manual, including the specific delinquent loan actions called for in the manual.

Regional Loan Review Committee (RLRC) Membership.

ARC was furnished a roster of Regional Loan Review Committee membership in October 2002 that complied with ARC RLF Guidelines. BH-HVRDD has been reminded of the requirements of ARC BDRLF Guidelines for loan review committee membership. BH-HVRDD has furnished ARC with a list of Regional Loan Review Committee members for 2004/2005 that complies with ARC BDRLF Guideline requirements that more than 50% of the members represent the private sector of their community as opposed to government and that a majority have had commercial loan experience. Evidence of the member's commercial loan experience accompanied the list.

Sincerely,

Thomas M. Hunter  
Executive Director