

US EPA ARCHIVE DOCUMENT



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OCT 17 2005

OFFICE OF
SOLID WASTE AND EMERGENCY
RESPONSE

MEMORANDUM

SUBJECT: "Discounted Loans" Under Brownfields Revolving Loan Fund Grants

FROM: Thomas P. Dunne
Acting Assistant Administrator

A handwritten signature in black ink that reads "Thomas P. Dunne". The signature is written in a cursive style and extends across the "FROM:" field.

TO: Superfund National Policy Managers, Regions I-X
Brownfields Regional Coordinators

This memorandum describes how Brownfields Revolving Loan Fund (RLF) grantees may provide discounted loans in certain situations. RLF grants are awarded to eligible entities provided in Section 104(k)(1) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), to capitalize RLF's for brownfields cleanup. RLF grantees can use their EPA grant funds for loans and subgrants, as well as other eligible activities.

The Office of Solid Waste and Emergency Response is providing this policy in response to interest by RLF grantees awarded under CERCLA Section 104(k) in issuing discounted loans as part of their RLF programs. Such loans were provided for in earlier policies that applied to Brownfields Cleanup Revolving Loan Fund (BCRLF) grants awarded under CERCLA Section 104(d). BCRLF grants were awarded starting FY1997 to FY2002, prior to the passage of the Small Business Liability Relief and Brownfields Revitalization Act (Brownfields Law). Several BCRLF grantees made discounted loans under CERCLA Section 104(d) policies, thereby achieving cleanup goals. However, with the signing of the Brownfields Law, new RLF grants, awarded under 104(k) from FY2003 forward, were left with no provision for the use of discounted loans. This policy meets this need, giving RLF grantees additional options to achieve cleanup goals, in keeping with prudent lending practices.

This policy supersedes all previous memorandums and/or policies that address this practice for these grantees. It applies to:

RLF grants awarded under CERCLA Section 104(k),
BCRLF grants originally awarded under CERCLA Section 104(d) that have transitioned to Section 104(k) as provided in Section 104(k)(3)(D), and,
BCRLF grants awarded under CERCLA Section 104(d) that have not transitioned.

RLF grantees may offer discounted loans (also called “principal forgiveness”) under the following conditions:

I. Borrowers for discounted loans

RLF grantees may offer discounted loans to those entities provided in CERCLA Section 104(k)(1) including states, political subdivisions, and others, as well as nonprofit organizations¹. Private, for-profit entities are not eligible for discounted loans.

II. Conditions for individual discounted loans

For an individual loan, the amount of principal discounted may be any percentage of the total loan amount up to 30 percent, provided that the total amount of the principal forgiven shall not exceed \$200,000. For example, a loan of \$600,000 may be discounted at 30 percent, resulting in \$180,000 in principal forgiven. However, a loan of \$800,000, could only be discounted at 25 percent, resulting in \$200,000 in principal forgiven (any discount above 25 percent, in this case, would result in more than \$200,000 in principal forgiven, which is not provided for under this policy). In addition to these terms, a discounted loan may not be used in combination with a subgrant at a single site.

III. Conditions for RLF grant management when discounted loans are employed

For an RLF grant budget as a whole, the total dollar amount of principal forgiven through discounted loans plus the amount subgranted shall not exceed a total of 40% of RLF grant funds awarded.

OSWER will work with the Office of General Counsel to notify RLF and BCRLF recipients of this policy. If you have any questions regarding this memorandum, please contact Alison Evans at telephone: (202) 566-2744 or Email: evans.alison@epa.gov.

cc: Brownfields RLF Coordinators
Brownfields Grants Team
Brownfields Policy Team

¹For the purposes of the brownfields grant program, EPA will use the definition of nonprofit organizations contained in Section 4(6) of the Federal Financial Assistance Management Improvement Act of 1999, Public Law 106-107, 31 USC 6101, Note. The term "nonprofit organization" means any corporation, trust, association, cooperative, or other organization that is operated mainly for scientific, educational, service, charitable, or similar purpose in the public interest; is not organized primarily for profit; and uses net proceeds to maintain, improve, or expand the operation of the organization.

Brownfields Management and Budget Team

James Drummond, OGC

Jennifer Lue, OGC

Erin Smith, OECA

Dennis Alvord, DOC-EDA