



MEMO

TO: Joint Legislative Audit Committee

FROM: Shelly Braun, Senior Vice President, Credit & Risk

RE: JLAC Loan Portfolio Report

CC: WEDC Board of Directors, Awards Administration Committee

DATE: February 1, 2023

As part of LAB Report 17-9, WEDC was provided the following recommendation.

We recommend WEDC: a) determine the total outstanding loan balance and the total amount of past-due repayments for each loan with repayments 90 days or more past due on July 1, 2017 and January 1, 2018; b) determine the total outstanding loan balance for each of those loans that were amended to defer repayments, written off, or forgiven during each six-month period thereafter; c) determine each of those loans that was no longer 90 days or more past due during each six-month period thereafter because the recipients made loan repayments; d) determine the payment delinquency rate and the principal delinquency rate on July 1, 2017, and six months later and on January 1, 2018 and six months later; and e) report this information to the Joint Legislative Audit Committee by February 1, 2018, for the six month period from July 2017 through December 2017 and by August 1, 2018 for the six month period from January 2018 through June 2018.

As part of LAB Report 19-6, WEDC was provided the following recommendation.

We recommend WEDC: a) beginning on July 1, 2019, and every six months thereafter, determine the remaining balance and the total amount of past-due repayments for all loans 90 days or more past due; b) determine the remaining balance for all of these loans that were amended to defer repayments, written off, or forgiven from July 2019 through December 2019, and then during each six-month period thereafter; c) determine the remaining balance for all of these loans that were no longer 90 days or more past due during each six-month period because the recipients made loan repayments; d) determine the payment delinquency rate and the principal delinquency rate on the first and last day of each six month period; and e) report this information to the Joint Legislative Audit Committee by February 3, 2020, for the six-month period from July 2019 through December 2019, and then report this information every six months thereafter.

Attached is a report which complies with LAB's recommendations for the semi-annual periods ending June 30, 2018, December 31, 2018, June 30, 2019, December 31, 2019, June 30, 2020, December 31, 2020, June 30, 2021, December 31, 2021, and June 30, 2022 which have been previously submitted. In addition, WEDC is providing a report for the semi-annual period ending December 31, 2022. Beginning with the June 30, 2019 report, WEDC has added columns for outstanding interest and total remaining balance (i.e. principal plus interest).

LOOK FORWARD ➤

WEDC, in creating this report, has broken it out into two sections, as described below:

1. WEDC Loan Portfolio Delinquency Rates – Provides WEDC’s loan delinquency rates for the defined semi-annual period, based on both:
 - a. payments due balance and
 - b. principal outstanding balance
2. Reasons for the Change in Loan Delinquency Balance – Provides a reconciliation of WEDC’s Delinquent Loan Balance during the semi-annual period, broken out by the following categories:
 - a. Loans that have come current or were paid-off in full

Loans that have become current during the semi-annual period by making all required payments to-date, or loans that have been paid-off in full.

- b. Loans that have been amended

Loans that have been taken off the delinquent list as an amendment to the note was negotiated to defer payments to a later date, while either amortizing interest or requiring interest only payments in the interim.

(In cases where an amendment has been entered into and the loan was taken off the delinquent list, but the new amended payment start date has passed, the loan is again placed on the delinquent list. If this occurs in the same semi-annual period, the loan will be accounted for as both a loan that has been amended and a new loan that has become delinquent.)

- c. Loans that have been forgiven, per contract, in full or in part

Loans that were originated with the intention of being forgiven when specific performance benchmarks have been reached.

(In some cases, a forgivable/performance-based loan may not be fully forgiven. In those instances, the unforgiven portion is either paid back in full, or an amended amortization schedule is agreed to.)

- d. Loans that have been written off, in full or in part

Loans that have been written off. Loans originated by the Department of Commerce are sent to the Department of Justice for collection proceedings. Collections for loans originated by WEDC are internally managed with the assistance of outside legal counsel.

(In some cases, a loan may be written off when it has not come fully past due. This will be represented in the report by marking the loan as delinquent and the same loan will be taken off and categorized as a write off in the same period)

- e. Loan partial payments made on delinquent loans

Loans that have made some form of payment but have not caught up all their payments to remove them from the delinquent loan list. This amount represents the principal and, beginning with the June 30, 2019 table, the accrued interest reduction of those payments.

f. New loans that have become 90 days delinquent

Loans that have become delinquent during the semi-annual period and have remained delinquent through the period end date.

(In cases where a loan had both become delinquent and had subsequently been taken off the delinquent list in the same semi-annual period, the loan will be accounted for as both a new loan that has become delinquent and a loan that has been taken off the delinquent list due to one of the category reasons described above in 2a through 2d.)

g. Interest accrued on delinquent loans in period (beginning with the June 30, 2019 table)

Total interest accrued on the outstanding delinquent loans during the semi-annual period.

WEDC Loan Portfolio Delinquency Rates

| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | |
|-----------------|------------------------|--------------------------|-------------|----------------------------|-------------|
| | | Amount | Percentage | Amount | Percentage |
| January 1, 2018 | \$ 70,321,357 | \$ 2,301,760 | 3.3% | \$ 12,850,090 | 18.3% |
| June 30, 2018 | 54,890,501 | 3,028,193 | 5.3% | 10,040,676 | 18.3% |
| Change | \$ (15,430,856) | \$ 726,433 | 2.0% | \$ (2,809,414) | 0.0% |

Reasons for the Change in Loan Delinquency Balance

| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | Principal Balance | Loans |
|---|----------------------|-----------|
| Delinquent Loans as of January 1, 2018 | \$ 12,850,090 | 33 |
| Loans that have come current or were paid-off in full | \$ (560,988) | (5) |
| Loans that have been amended | \$ (450,000) | (3) |
| Loans that have been forgiven, per contract, in full or in part | \$ (1,000,000) | (1) |
| Loans that have been written off, in full or in part | \$ (4,471,488) | (5) |
| Loan partial principal payments made on delinquent loans | \$ (94,581) | |
| New loans that have become >90 days delinquent | \$ 3,767,646 | 12 |
| Delinquent Loans as of June 30, 2018 | \$ 10,040,679 | 32 |

WEDC Loan Portfolio Delinquency Rates

| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | |
|-------------------|-----------------------|--------------------------|---------------|----------------------------|---------------|
| | | Amount | Percentage | Amount | Percentage |
| July 1, 2018 | \$ 54,890,501 | \$ 3,028,193 | 5.3% | \$ 10,040,679 | 18.3% |
| December 31, 2018 | 49,220,792 | 1,820,122 | 3.6% | 6,868,007 | 14.0% |
| Change | \$ (5,669,709) | \$ (1,208,071) | (1.7%) | \$ (3,172,672) | (4.3%) |

Reasons for the Change in Loan Delinquency Balance

| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | Principal Balance | Loans |
|---|----------------------|-----------|
| Delinquent Loans as of July 1, 2018 | \$ 10,040,679 | 32 |
| Loans that have come current or were paid-off in full | \$ (732,921) | (5) |
| Loans that have been amended | \$ (133,722) | (4) |
| Loans that have been forgiven, per contract, in full or in part | \$ (827,000) | (2) |
| Loans that have been written off, in full or in part | \$ (3,402,375) | (2) |
| Loan partial principal payments made on delinquent loans | \$ (91,904) | |
| New loans that have become >90 days delinquent | \$ 2,015,253 | 10 |
| Delinquent Loans as of December 31, 2018 | \$ 6,868,010 | 29 |

| WEDC Loan Portfolio Delinquency Rates | | | | | |
|---------------------------------------|-----------------------|--------------------------|-------------|----------------------------|-------------|
| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | |
| | | Amount | Percentage | Amount | Percentage |
| January 1, 2019 | 49,220,792 | 1,820,122 | 3.6% | 6,868,007 | 14.0% |
| June 30, 2019 | 45,393,804 | 4,425,328 | 9.4% | 6,823,547 | 15.0% |
| Change | \$ (3,826,988) | \$ 2,605,206 | 5.8% | \$ (44,460) | 1.1% |

Reasons for the Change in Loan Delinquency Balance

| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | Principal Balance | Interest Balance | Principal and Interest Balance | Loans |
|---|---------------------|-------------------|--------------------------------|-----------|
| Delinquent Loans as of January 1, 2019 | \$ 6,868,007 | \$ 682,959 | \$ 7,550,966 | 29 |
| Loans that have come current or were paid-off in full | \$ (437,202) | \$ (2,515) | \$ (439,717) | (1) |
| Loans that have been amended | \$ (1,718,942) | \$ (42,887) | \$ (1,761,830) | (8) |
| Loans that have been forgiven, per contract, in full or in part | \$ - | \$ - | \$ - | - |
| Loans that have been written off, in full or in part | \$ (1,681,041) | \$ (352,584) | \$ (2,033,625) | (7) |
| Loan partial payments made on delinquent loans | \$ (13,030) | \$ (5,238) | \$ (18,268) | |
| New loans that have become >90 days delinquent | \$ 3,805,754 | \$ 319,350 | \$ 4,125,103 | 7 |
| Interest accrued on delinquent loans in period | | \$ 89,866 | \$ 89,866 | |
| Delinquent Loans as of June 30, 2019 | \$ 6,823,546 | \$ 688,950 | \$ 7,512,496 | 20 |

WEDC Loan Portfolio Delinquency Rates

| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | |
|-------------------|-----------------------|--------------------------|---------------|----------------------------|---------------|
| | | Amount | Percentage | Amount | Percentage |
| July 1, 2019 | 45,393,804 | 4,425,328 | 9.4% | 6,823,547 | 15.0% |
| December 31, 2019 | 40,858,287 | 1,682,358 | 4.0% | 3,544,258 | 8.7% |
| Change | \$ (4,535,518) | \$ (2,742,970) | (5.4%) | \$ (3,279,289) | (6.4%) |

Reasons for the Change in Loan Delinquency Balance

| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | Principal Balance | Interest Balance | Principal and Interest Balance | Loans |
|---|---------------------|-------------------|--------------------------------|-----------|
| Delinquent Loans as of July 1, 2019 | \$ 6,823,546 | \$ 688,950 | \$ 7,512,496 | 20 |
| Loans that have come current or were paid-off in full | \$ - | \$ - | \$ - | - |
| Loans that have been amended | \$ (842,801) | \$ (261) | \$ (843,063) | (2) |
| Loans that have been forgiven, per contract, in full or in part | \$ (2,800,000) | \$ (301,085) | \$ (3,101,085) | (3) |
| Loans that have been written off, in full or in part | \$ (247,729) | \$ (52,650) | \$ (300,379) | (1) |
| Loan partial payments made on delinquent loans | \$ (13,754) | \$ (37,707) | \$ (51,461) | - |
| New loans that have become >90 days delinquent | \$ 624,995 | \$ 24,801 | \$ 649,796 | 5 |
| Interest accrued on delinquent loans in period | | \$ 74,907 | \$ 74,907 | - |
| Delinquent Loans as of December 31, 2019 | \$ 3,544,257 | \$ 396,955 | \$ 3,941,212 | 19 |

| WEDC Loan Portfolio Delinquency Rates | | | | | | | |
|---|-----------------------|--------------------------|-------------|----------------------------|-------------------|--------------------------------|-----------|
| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | | | |
| | | Amount | Percentage | Amount | Percentage | | |
| January 1, 2020 | 40,858,287 | 1,682,358 | 4.0% | 3,544,258 | 8.7% | | |
| June 30, 2020 | 36,807,588 | 3,359,855 | 9.5% | 6,489,495 | 17.6% | | |
| Change | \$ (4,050,698) | \$ 1,677,497 | 5.5% | \$ 2,945,237 | 9.0% | | |
| Reasons for the Change in Loan Delinquency Balance | | | | | | | |
| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | | | | Principal Balance | Interest Balance | Principal and Interest Balance | Loans |
| Delinquent Loans as of January 1, 2020 | | | | \$ 3,544,258 | \$ 396,955 | \$ 3,941,213 | 19 |
| Loans that have come current or were paid-off in full | | | | \$ (99,819) | \$ (689) | \$ (100,508) | (1) |
| Loans that have been amended | | | | \$ (721,535) | \$ (58,610) | \$ (780,145) | (3) |
| Loans that have been forgiven, per contract, in full or in part | | | | \$ (350,000) | \$ (37,340) | \$ (387,340) | (1) |
| Loans that have been written off, in full or in part | | | | \$ (1,113,137) | \$ (93,214) | \$ (1,206,351) | (3) |
| Loan partial payments made on delinquent loans | | | | \$ - | \$ - | \$ - | - |
| New loans that have become >90 days delinquent | | | | \$ 5,229,728 | \$ 215,141 | \$ 5,444,869 | 18 |
| Interest accrued on delinquent loans in period | | | | | \$ 64,593 | \$ 64,593 | - |
| Delinquent Loans as of June 30, 2020 | | | | \$ 6,489,495 | \$ 486,836 | \$ 6,976,331 | 29 |
| WEDC Loan Portfolio Delinquency Rates | | | | | | | |
| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | | | |
| | | Amount | Percentage | Amount | Percentage | | |
| July 1, 2020 | 36,807,588 | 3,359,855 | 9.5% | 6,489,495 | 17.6% | | |
| December 31, 2020 | 32,623,010 | 3,740,955 | 11.0% | 6,108,394 | 18.7% | | |
| Change | \$ (4,184,578) | \$ 381,100 | 1.6% | \$ (381,101) | 1.1% | | |
| Reasons for the Change in Loan Delinquency Balance | | | | | | | |
| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | | | | Principal Balance | Interest Balance | Principal and Interest Balance | Loans |
| Delinquent Loans as of July 1, 2020 | | | | \$ 6,489,495 | \$ 486,836 | \$ 6,976,331 | 29 |
| Loans that have come current or were paid-off in full | | | | \$ (312,969) | \$ (2,522) | \$ (315,492) | (4) |
| Loans that have been amended | | | | \$ (1,374,158) | \$ (157,687) | \$ (1,531,845) | (7) |
| Loans that have been forgiven, per contract, in full or in part | | | | \$ - | \$ - | \$ - | - |
| Loans that have been written off, in full or in part | | | | \$ (145,932) | \$ (5,877) | \$ (151,809) | (1) |
| Loan partial payments made on delinquent loans | | | | \$ (340) | \$ 984 | \$ 643 | - |
| New loans that have become >90 days delinquent | | | | \$ 1,452,299 | \$ 46,589 | \$ 1,498,888 | 8 |
| Interest accrued on delinquent loans in period | | | | | \$ 79,730 | \$ 79,730 | - |
| Delinquent Loans as of December 31, 2020 | | | | \$ 6,108,394 | \$ 448,052 | \$ 6,556,446 | 25 |

| WEDC Loan Portfolio Delinquency Rates | | | | | | | |
|---|---------------------|--------------------------|------------|----------------------------|------------------|--------------------------------|-------|
| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | | | |
| | | Amount | Percentage | Amount | Percentage | | |
| January 1, 2021 | 32,623,010 | 3,740,955 | 11.5% | 6,108,394 | 18.7% | | |
| June 30, 2021 | 29,988,760 | 4,452,808 | 14.8% | 7,154,761 | 23.9% | | |
| Change | \$ (2,634,249) | \$ 381,100 | 3.4% | \$ 1,046,367 | 5.1% | | |
| Reasons for the Change in Loan Delinquency Balance | | | | | | | |
| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | | | | Principal Balance | Interest Balance | Principal and Interest Balance | Loans |
| Delinquent Loans as of January 1, 2021 | | | | \$ 6,108,394 | \$ 448,052 | \$ 6,556,446 | 25 |
| Loans that have come current or were paid-off in full | | | | \$ (940,671) | \$ (91,590) | \$ (1,032,260) | -4 |
| Loans that have been amended | | | | \$ (1,077,817) | \$ (35,873) | \$ (1,113,691) | -4 |
| Loans that have been forgiven, per contract, in full or in part | | | | \$ (500,000) | \$ (73,260) | \$ (573,260) | -1 |
| Loans that have been written off, in full or in part | | | | \$ (377,018) | \$ (89,763) | \$ (466,781) | -2 |
| Loan partial payments made on delinquent loans | | | | \$ (4,695) | \$ (3,404) | \$ (8,100) | 0 |
| New loans that have become >90 days delinquent | | | | \$ 3,946,568 | \$ 189,740 | \$ 4,136,309 | 10 |
| Interest accrued on delinquent loans in period | | | | | \$ 48,027 | \$ 48,027 | 0 |
| Delinquent Loans as of June 30, 2021 | | | | \$ 7,154,761 | \$ 391,928 | \$ 7,546,690 | 24 |
| WEDC Loan Portfolio Delinquency Rates | | | | | | | |
| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | | | |
| | | Amount | Percentage | Amount | Percentage | | |
| July 1, 2021 | 29,988,760 | 4,452,808 | 14.8% | 7,154,761 | 23.9% | | |
| December 31, 2021 | 25,021,630 | 4,009,149 | 16.0% | 5,981,325 | 23.9% | | |
| Change | | | | | | | |
| Reasons for the Change in Loan Delinquency Balance | | | | | | | |
| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | | | | Principal Balance | Interest Balance | Principal and Interest Balance | Loans |
| Delinquent Loans as of July 1, 2021 | | | | \$ 7,154,761 | \$ 391,928 | \$ 7,546,690 | 24 |
| Loans that have come current or were paid-off in full | | | | \$ (502,453) | \$ (4,453) | \$ (506,906) | -3 |
| Loans that have been amended | | | | \$ (891,943) | \$ (5,305) | \$ (897,248) | -3 |
| Loans that have been forgiven, per contract, in full or in part | | | | \$ (1,634,045) | \$ (64,206) | \$ (1,698,251) | -2 |
| Loans that have been written off, in full or in part | | | | \$ - | \$ - | \$ - | 0 |
| Loan partial payments made on delinquent loans | | | | \$ - | \$ - | \$ - | 0 |
| New loans that have become >90 days delinquent | | | | \$ 1,855,005 | \$ 204,659 | \$ 2,059,664 | 8 |
| Interest accrued on delinquent loans in period | | | | | \$ 55,808 | \$ 55,808 | 0 |
| Delinquent Loans as of December 31, 2021 | | | | \$ 5,981,325 | \$ 578,430 | \$ 6,559,756 | 24 |

| WEDC Loan Portfolio Delinquency Rates | | | | | | | |
|---|---------------------|--------------------------|------------|----------------------------|------------------|--------------------------------|--------|
| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | | | |
| | | Amount | Percentage | Amount | Percentage | | |
| December 31, 2021 | 25,021,630 | 4,009,149 | 16.0% | 5,981,325 | 23.9% | | |
| June 30, 2022 | 24,037,047 | 4,558,357 | 19.0% | 5,385,856 | 22.4% | | |
| Change | | | | | | | |
| Reasons for the Change in Loan Delinquency Balance | | | | | | | |
| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | | | | Principal Balance | Interest Balance | Principal and Interest Balance | Loans |
| Delinquent Loans as of December 31, 2021 | | | | \$ 5,981,325 | \$ 578,430 | \$ 6,559,756 | 24 |
| Loans that have come current or were paid-off in full | | | | \$ (584,925) | \$ (71,357) | \$ (656,281) | \$ (3) |
| Loans that have been amended | | | | \$ (1,091,283) | \$ (138,240) | \$ (1,229,522) | \$ (4) |
| Loans that have been forgiven, per contract, in full or in part | | | | \$ (1,791,671) | \$ (4,169) | \$ (1,795,841) | \$ - |
| Loans that have been written off, in full or in part | | | | \$ (199,000) | \$ (64,405) | \$ (263,405) | \$ (1) |
| Loan partial payments made on delinquent loans | | | | \$ (3,218) | \$ (43,886) | \$ (47,104) | \$ - |
| New loans that have become >90 days delinquent | | | | \$ 1,887,363 | \$ 157,227 | \$ 2,044,590 | \$ 8 |
| Interest accrued on delinquent loans in period | | | | | \$ 66,686 | \$ 66,686 | \$ - |
| Delinquent Loans as of June 30, 2022 | | | | \$ 4,198,591 | \$ 480,287 | \$ 4,678,878 | 24 |

| WEDC Loan Portfolio Delinquency Rates | | | | | | | |
|---|---------------------|--------------------------|------------|----------------------------|------------------|--------------------------------|--------|
| Date | Portfolio Principal | Payment Delinquency Rate | | Principal Delinquency Rate | | | |
| | | Amount | Percentage | Amount | Percentage | | |
| June 30, 2022 | 24,037,047 | 4,558,357 | 19.0% | 5,385,856 | 22.4% | | |
| December 31, 2022 | 22,629,785 | 2,832,398 | 12.5% | 4,753,078 | 21.0% | | |
| Change | | | | | | | |
| Reasons for the Change in Loan Delinquency Balance | | | | | | | |
| Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due | | | | Principal Balance | Interest Balance | Principal and Interest Balance | Loans |
| Delinquent Loans as of June 30, 2022 | | | | \$ 4,198,591 | \$ 480,287 | \$ 4,678,878 | 24 |
| Loans that have come current or were paid-off in full | | | | \$ (666,308) | \$ (65,149) | \$ (731,457) | \$ (4) |
| Loans that have been amended | | | | \$ (628,734) | \$ - | \$ (628,734) | \$ (1) |
| Loans that have been forgiven, per contract, in full or in part | | | | \$ - | \$ - | \$ - | \$ - |
| Loans that have been written off, in full or in part | | | | \$ (329,282) | \$ (58,682) | \$ (387,964) | \$ (2) |
| Loan partial payments made on delinquent loans | | | | \$ (36,424) | \$ (893) | \$ (37,318) | \$ - |
| New loans that have become >90 days delinquent | | | | \$ 2,215,235 | \$ 184,669 | \$ 2,399,904 | \$ 11 |
| Interest accrued on delinquent loans in period | | | | | \$ 6,729 | \$ 6,729 | \$ - |
| Delinquent Loans as of December 31, 2022 | | | | \$ 4,753,078 | \$ 546,961 | \$ 5,300,040 | 28 |