



Mark R. Hogan
Secretary and CEO

January 31, 2018

Senator Robert Cowles
118 South – State Capitol
Madison, WI 53707

Representative Samantha Kerkman
315 North – State Capitol
Madison, WI 53707

Dear Senator Cowles and Representative Kerkman:

The Legislative Audit Bureau's (LAB) Report 17-9 recommended the Wisconsin Economic Development Corporation (WEDC) submit to the Joint Legislative Audit Committee by February 1, 2018, a report on WEDC's efforts to implement each of LAB's recommendations, including a report on WEDC's loan portfolio. The requested reports are attached for your review.

LAB issued its report in mid-May 2017 and on June 2nd, WEDC's Audit Committee was convened to review and discuss each of LAB's 18 recommendations. At that meeting, the Audit Committee endorsed WEDC's process for addressing each of the recommendations. On January 22, 2018, the Audit Committee unanimously approved the attached plan which was then forwarded to, and approved by, WEDC's Board of Directors on January 25, 2018.

I would also take this opportunity to highlight our work with the Department of Revenue (DOR) and the Department of Workforce Development (DWD) through the Center for Regional Economic Competitiveness' Data Sharing Initiative. The inter-agency work, which started in mid-2016, has been productive and I am pleased to report very good progress is being made.

One significant outcome from this initiative is the data sharing agreement finalized between WEDC and DWD. This will allow WEDC, specifically for jobs-related financial assistance awards, to review aggregated company employment data through DWD's unemployment insurance information. Use of the DWD information was recommended by LAB in several areas of its report as a useful and independent check to determine the reasonableness of payroll information submitted by claimants.

Going forward, we will continue to work with our state agency partners to determine best practices for sharing data. We believe these efforts will provide statewide benefits. But specifically for WEDC, it will assist us with compliance initiatives as well as in how we make evidence-based policy decisions.

We appreciate the opportunity to respond to LAB's Report 17-9. Continuous improvement efforts are incorporated into all areas of WEDC's operations. LAB's recommendations, along with WEDC's responses, provide valuable resources as we look to find ways to continue with these improvement efforts.

WEDC is committed to communicating these efforts in a transparent manner and providing ongoing updates to our board, the legislature, and our stakeholders, the taxpayers of Wisconsin.

If you have any questions or would like any additional information, please contact me directly.

Sincerely,

cc: Joint Committee on Finance



LAB Audit 17-9 (May 2017) Recommendations and WEDC Responses

Financial Assistance Programs

	Page	Recommendation	Response	Owner	Status	Deadline
1.	23	We recommend WEDC consistently comply with statutory and policy requirements related to funding match requirements when completing staff reviews for grant and loan applications.	<i>We will modify the Brownfields Grants Program Guideline to be consistent with LAB's recommendation. One of the 37 awards tested found that foundational infrastructure costs necessary for new facilities was classified as eligible infrastructure and should have been classified as ineligible new construction.</i>	CFO and CLO	The issue has been addressed in the FY18 Brownfields Grant Program Guidelines. The revised guidelines are effective as of July 1, 2017.	Done
2.	24	We recommend WEDC consistently collect information during the underwriting process from applicants about their existing employees and determine the extent to which that information is accurate and complete, such as by comparing it with unemployment insurance information from the Department of Workforce Development.	<i>WEDC collects detailed information from loan applicants about their existing employees. As noted in LAB's report (bottom of p.23), since January 2016, we have required applicants to submit information about their existing employees as part of the application process. LAB's report also states (top of p.24), "WEDC indicated that it provided applicants with electronic spreadsheet templates that indicated the information that must be submitted, such as the wages paid to and hours worked by each employee during the prior year. Our file review found that WEDC collected such information when completing staff reviews. This information will help WEDC to determine in future years the extent to which contractually required jobs were actually created or retained." We are evaluating the means by which to most effectively verify this detailed information we collect. WEDC's culture is to continually evaluate and improve our processes. A primary effort with which we are currently involved is participating in the Center for Regional Economic Competitiveness' Data Sharing for State Policy Making and Program Evaluation Initiative. DWD and DOR are also participating in this initiative. The aim of the initiative is to find effective solutions for data sharing among state agencies, including for purposes of verifying a recipient's performance under an award contract. We will use the results of this initiative to help determine the most effective means to verify the jobs data we receive. In the interim, we will continue to review the unemployment insurance information from DWD to determine if the DWD report can provide consistent and clear comparisons thereby creating greater certainty around the accuracy of WEDC's data.</i>	Public Policy Director	<i>WEDC is working with the Center for Regional Economic Competitiveness' Data Sharing for State Policy Making and Program Evaluation Initiative. WEDC has determined that DWD unemployment information at the employer level can be a useful, independent reasonableness check as to whether the overall payroll information provided by awardees is accurate. WEDC has finalized a data-sharing agreement with DWD that will allow WEDC to view aggregate company employment data for this purpose.</i>	Ongoing
3.	26	We recommend WEDC consistently comply with its policies when executing grant and loan contracts.	<i>We will rely on this recommendation as we review our program guidelines and application for FY18. The issue underlying this recommendation is that 4 BOLF contracts did not include language requiring the recipient to report on its health insurance benefits to employees. Currently we require verification of health insurance coverage at the time of underwriting for eligibility but we do not verify this information on an ongoing contract compliance item.</i>	CLO	<i>BOLF no longer exist, and there will be no more activities relating to this program.</i>	N/A
4.	27	We recommend WEDC consistently comply with its policies by executing grant and loan contracts based on staff reviews that were completed within the prior six months.	<i>WEDC will ensure that revisions to staff reviews are covered in a revised staff review and not other formats. For the 1 award at issue underlying this recommendation (out of the 33 awards reviewed), rather than preparing a revised staff review, staff prepared a memo that in format outlined the staff review by describing the background, the loan reduction proposed for the award, and had it signed and approved by the division vice president, the CFO, and the CEO.</i>	CLO	<i>The issue has been addressed. Procedures have been updated to include revisions to staff review. Adjustments to loans will not be made without using the new staff review format.</i>	Done

Financial Assistance Programs

	Page	Recommendation	Response	Owner	Status	Deadline
5.	28	<p>We recommend WEDC:</p> <p>a) contractually require grant and loan recipients to submit sufficiently detailed information showing that each contractually required job was actually created or retained; and</p> <p>b) determine the extent to which grant and loan recipients created or retained contractually required jobs, such as by requesting unemployment insurance information from the Department of Workforce Development and comparing it with the jobs-related information submitted by grant and loan recipients.</p>	<p>WEDC requires detailed information at the employee level (wages, start dates, termination dates, etc.) at the time of underwriting to verify a baseline number, and at the time when a performance-based loan is being considered for forgiveness. For all applicable loans and grants executed after June 30, 2017, we will implement a requirement to receive this detailed information on an annual basis showing that each contractually required job was actually created or retained.</p> <p>WEDC's culture is to continually evaluate and improve our processes. A primary effort with which we are currently involved is participating in the Center for Regional Economic Competitiveness' Data Sharing for State Policy Making and Program Evaluation Initiative. DWD and DOR are also participating in this initiative. The aim of the initiative is to find effective solutions for data sharing among state agencies, including for purposes of verifying a recipient's performance under an award contract. We will use the results of this initiative to help determine the most effective means to verify the jobs data we receive.</p> <p>In the interim, we will continue to review the unemployment insurance information from DWD to determine if the DWD report can provide consistent and clear comparisons thereby creating greater certainty around the accuracy of WEDC's data.</p>	Public Policy Director	<p>WEDC is working with the Center for Regional Economic Competitiveness' Data Sharing for State Policy Making and Program Evaluation Initiative.</p> <p>WEDC has determined that DWD unemployment information at the employer level can be a useful, independent reasonableness check as to whether the overall payroll information provided by awardees is accurate.</p> <p>WEDC has finalized a data-sharing agreement with DWD that will allow WEDC to view aggregate company employment data for this purpose.</p>	Ongoing
6.	32	<p>We recommend WEDC:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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</p> <p>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.</p>	<p>As we did in response to Audit Report 15-3, we will provide this data to the Joint Legislative Audit Committee by the dates specified.</p> <p>Since July 2013, we have provided to the Board of Directors a Quarterly Credit & Risk Report. In addition to a historical trends analysis, the Report currently includes 8 individual spreadsheets covering:</p> <ul style="list-style-type: none"> - performance-based loans forgiven, - past due loans, - charged off loans, - tax credit revocations, - overdue performance reports, - overdue schedules of expenditures, - amendments, and - awards origination. 	CFO	<p>To the Joint Legislative Audit Committee:</p> <ul style="list-style-type: none"> * Report Jul 17-Dec 18 by February 1, 2018 * Report Jan 18-Jun 18 by August 1, 2018 	<p>Semiannual:</p> <p>February 1st, 2018</p> <p>August 1st, 2018</p>

Tax Credit Programs

	Page	Recommendation	Response	Owner	Status	Deadline
7.	43	We recommend WEDC consistently collect information during the underwriting process from applicants about their existing employees and determine the extent to which that information is accurate and complete, such as by comparing it with unemployment insurance information from the Department of Workforce Development.	<p><i>WEDC requires detailed information at an employee level (wages, start dates, termination dates, etc.) at the time of underwriting to verify a baseline number, and then annually, at the time when a tax credit award is being considered for a tax credit verification. When a tax credit award's certification date is in the future (after the underwriting is completed), that baseline payroll data may be collected at a later date as provided for in the contract but must be collected prior to the release of any credits under the contract.</i></p> <p><i>We are evaluating the means by which to most effectively verify this detailed information we collect. WEDC's culture is to continually evaluate and improve our processes. A primary effort with which we are currently involved is participating in the Center for Regional Economic Competitiveness' Data Sharing for State Policy Making and Program Evaluation Initiative. DWD and DOR are also participating in this initiative. The aim of the initiative is to find effective solutions for data sharing among state agencies, including for purposes of verifying a recipient's performance under an award contract. We will use the results of this initiative to help determine the most effective means to verify the jobs data we receive.</i></p> <p><i>In the interim, we will continue to review the unemployment insurance information from DWD to determine if the DWD report can provide consistent and clear comparisons thereby creating greater certainty around the accuracy of WEDC's data.</i></p>	Public Policy Director	<p><i>WEDC is working with the Center for Regional Economic Competitiveness' Data Sharing for State Policy Making and Program Evaluation Initiative.</i></p> <p><i>WEDC has determined that DWD unemployment information at the employer level can be a useful, independent reasonableness check as to whether the overall payroll information provided by awardees is accurate.</i></p> <p><i>WEDC has finalized a data-sharing agreement with DWD that will allow WEDC to view aggregate company employment data for this purpose.</i></p>	Ongoing
8.	44	We recommend WEDC consistently comply with statutes when allocating tax credits.	<p><i>On July 2, 2016, we added additional review of the contract to our contracting workflow, an electronic system that requires staff to verify each step has been completed and when. The contracting reviews will help ensure the language in our contracts is clear and all statutory and policy requirements are satisfied. Specifically, where there are distinct remedies specific to contractual defaults, those remedies will be clearly delineated from the remedies applicable to statutory events of default. The 1 contract (out of 25 contracts reviewed) has been amended to provide greater clarity.</i></p>	CLO	<p><i>The issue has been addressed. The contract has been amended.</i></p>	Done
9.	45	We recommend WEDC consistently comply with its policies by executing tax credit contracts based on background checks that were completed within the prior six months.	<p><i>On July 2, 2016, we added a compliance check to the contracting workflow, an electronic system that requires staff to verify each step has been completed and when. This check -- called Check for Statutory/Programmatic Changes -- includes confirmation that the background checks were completed in the prior six months. This contracting workflow was created as part of our shift in our awards administration process so that the effective date of our awards is the contract execution date instead of the original decision date. The workflow will help avoid the mistake made in the 1 contract (out of 25 contracts reviewed) at issue here.</i></p>	CLO	<p><i>The issue has been addressed. The contracting workflow is in place.</i></p>	Done

Tax Credit Programs

	Page	Recommendation	Response	Owner	Status	Deadline
10.	48	<p>We recommend WEDC:</p> <p>a) establish policies for verifying information submitted by tax credit recipients on the extent to which contractually required results were achieved; and</p> <p>b) comply with statutes by annually verifying information submitted by tax credit recipients on the extent to which contractually required jobs were created or retained, such as by requesting unemployment insurance information from the Department of Workforce Development and comparing it with the jobs-related information submitted by tax credit recipients.</p>	<p>a) <i>By September 30, 2017, WEDC will complete its existing inventory of verification procedures to include procedures on verifying job related information for the Business Development and Enterprise Zone tax credit programs and verifying supply chain investments, capital investments, and employee training.</i></p> <p>b) <i>WEDC's culture is to continually evaluate and improve our processes. A primary effort with which we are currently involved is participating in the Center for Regional Economic Competitiveness' Data Sharing for State Policy Making and Program Evaluation Initiative. DWD and DOR are also participating in this initiative. The aim of the initiative is to find effective solutions for data sharing among state agencies, including for purposes of verifying a recipient's performance under an award contract. We will use the results of this initiative to help determine the most effective means to verify the jobs data we receive.</i></p> <p><i>In the interim, we will continue to review the unemployment insurance information from DWD to determine if the DWD report can provide consistent and clear comparisons thereby creating greater certainty around the accuracy of WEDC's data.</i></p>	<p>a) CFO</p> <p>b) Public Policy Director</p>	<p>a) WEDC has developed verification procedures.</p> <p>b) WEDC is working with the Center for Regional Economic Competitiveness' Data Sharing for State Policy Making and Program Evaluation Initiative.</p> <p>WEDC has determined that DWD unemployment information at the employer level can be a useful, independent reasonableness check as to whether the overall payroll information provided by awardees is accurate. WEDC has finalized a data-sharing agreement with DWD that will allow WEDC to view aggregate company employment data for this purpose.</p>	<p>a) Done</p> <p>b) Ongoing</p>

Program Results and Accountability

	Page	Recommendation	Response	Owner	Status	Deadline
11.	51	We recommend WEDC's governing board ensure its staff consistently comply with its policies for sending past-due notices to award recipients that do not submit contractually required progress reports on time.	<i>WEDC will continue to follow its procedures for sending past-due notices to award recipients. Those procedures require staff to send notices when a recipient is 30, 60, and 90 days past due on submitting a performance report. Of the 16 performance reports that were more than 90 days past due as of December 31, 2106, 3 were not initially sent a 30-day notice, 6 were not sent a 60-day notice and 2 were not sent a 90-day notice.</i>	Operations & Program Performance Director	The issue has been addressed. *Staff will continue to follow the procedures in place for sending past-due notices.	Done
12.	53	We recommend WEDC's governing board: a) establish written policies for completing the annual verification effort; b) comply with statutes by ensuring that the annual verification effort includes the review of progress reports submitted by both grant and loan recipients; and c) ensure that the annual verification effort reviews a sufficient amount of expenditures reported by a given award recipient.	<i>WEDC will establish written procedures for completing the annual verification effort by July 31, 2017. As part of those procedures, WEDC will require grant recipients to be included in its dataset, for selection by the auditors. In addition, sample selection for capital expenditure testing will be significantly increased.</i>	CFO	WEDC's 3rd Party Verification Testing Procedure (effective July 31, 2017) outlines the process for completing the annual verification effort.	Done
13.	60	We recommend WEDC's governing board ensure its staff consistently follow contractual provisions when closing awards.	<i>The 2 loans at issue here were executed prior to WEDC establishing a requirement (in January 2016) that companies provide payroll information to verify a baseline number of jobs. At the time the forgiveness eligibility was evaluated for these loans -- executed in July 2011 and June 2013 -- we required that companies provide us detailed data on the payroll to determine a verified baseline number of jobs along with payroll data showing the number of jobs retained and created. When we analyzed this data on the 2 loans to determine forgiveness eligibility, we discovered the baseline job number in both of the loan contracts was wrong. We used the verified job numbers, instead of the incorrect numbers in the contracts, to determine forgiveness.</i> <i>At the time the forgiveness eligibility was evaluated for these 2 loans, there was no requirement to amend the terms of the contract to reflect the revised baseline numbers. However, for clarity and consistency, WEDC has adopted a procedure that an adjustment to the contractual baseline number identified in the contract requires an amendment to the contract.</i>	CFO and CLO	At the time of evaluating loan forgiveness, baseline payroll data will be verified. If there is a change in the baseline job number, the contract will be amended to reflect the verified number prior to finalizing the forgiveness determination. Going forward, we will amend the terms of the contract to reflect current procedures. WEDC created an inter-departmental procedure: "Performance Based Loan Assessment". Going forward, WEDC will not be continuing the performance based forgivable loan program. WEDC currently has 21 performance based loans that have potential forgiveness.	Done
14.	61	We recommend WEDC's governing board ensure the accuracy of its online data by: a) establishing policies requiring the online data to be updated when closing awards; b) removing the numbers of jobs created or retained as a result of awards that ended before the contractually specified dates; and c) ensuring the numbers of jobs created or retained are not double-counted.	<i>By September 30, 2017, we will create a procedure governing our online data to address these recommendations. We will review that procedure with the Board of Directors when completed.</i> <i>LAB identified 7 awards for which the job reporting metrics should have been corrected online (1 company ceased operations in Wisconsin, 2 sold the Wisconsin-based operations, 2 withdrew from their WEDC contracts, and 2 where the jobs associated with the same company were attributed to 2 contracts with WEDC).</i>	Public Policy Director	WEDC staff have developed written procedures, which were shared with the Board of Directors at the January 2018 meeting. WEDC presented updates made to the FY17 Annual Report on Economic Development (ARED) at the September Board meeting.	Done

Program Results and Accountability

	Page	Recommendation	Response	Owner	Status	Deadline
15.	62	We recommend WEDC's governing board ensure the accuracy of its online data by including only the amounts of capital investments for which award recipients submitted documentation.	<p><i>WEDC provides information based on nationally recognized best practices for reporting economic development results relating to capital investments. This provides a clearer picture to the public of the full impact of the project that has been leveraged by the state's investment. For example, some projects earn tax credits or are provided a loan based only on job creation or retention, even if there is a significant capital investment by the company. If WEDC didn't include this leveraged capital investment that was part of the project, it would provide a very inaccurate picture of the project's impact to Wisconsin.</i></p> <p><i>By September 30, 2017, we will review our reporting practices with the Board of Directors.</i></p>	Public Policy Director	WEDC continues to follow current procedures, and will continue to review best practices with our Audit Committee and Board of Directors.	Done
16.	65	We recommend WEDC's governing board comply with statutes by ensuring that its annual economic development program report presents accurate information on each program's results.	<p><i>By September 30, 2017, we will create a procedure governing our online data to address this recommendation. We will review that procedure with the Board of Directors when completed.</i></p>	Public Policy Director	WEDC staff have developed written procedures, which were shared with the Board of Directors at the January 2018 meeting.	Done

Financial Management

	Page	Recommendation	Response	Owner	Status	Deadline
17.	74	<p>We recommend WEDC's governing board revise its fund balance policy to:</p> <p>a) specify that the unassigned fund balance represents the residual amount of fund balance;</p> <p>b) clarify that the target for the unassigned fund balance is two-twelfths of its estimated annual administrative expenditures for that year; and</p> <p>c) discuss the steps it will take when its unassigned fund balance is above or below the target.</p>	<p>WEDC will amend its current fund balance policy (FIN 104) by September 30, 2017 and bring that revised policy to the Board for approval. The amended policy will 1) specify that the unassigned fund balance represents the total residual amount of fund balance, 2) clarify that the target for the unassigned fund balance is two-twelfths of its estimated annual administration expenditures for that year, and 3) provide a general strategy on the steps WEDC will take when its unassigned fund balance is above or below the target at the end of any given fiscal year.</p>	CFO	The fund balance policy (FIN104) has been amended and the revised policy was approved by the Board, and effective July 1, 2017.	Done
18.	80	<p>We recommend WEDC:</p> <p>a) ensure appropriate credit limits are maintained on all credit cards;</p> <p>b) ensure authorization of credit limits is appropriately documented for all credit cards; and</p> <p>c) modify its written credit card procedures to separately address shared corporate credit cards.</p>	<p>WEDC will continue to monitor credit card usage and credit limits, maintain written authorization of new credit cards issued, as well as changes to credit card limits. WEDC will also modify its credit card procedure to address shared, or departmental, corporate credit cards by June 30, 2017. LAB identified 3 credit card limit changes that did not have adequate written approval authorization.</p>	CFO	The issue has been addressed. Changes have been made in the Corporate Credit Card procedure, and the procedure has been updated as of July 1, 2017.	Done
Overall						
	Page	Recommendation	Response	Owner	Status	Deadline
19.		We recommend WEDC report to the Joint Legislative Audit Committee by February 1, 2018, on its efforts to implement all recommendations.	We will report to the Joint Legislative Audit Committee on our efforts to implement all of the recommendations in Audit Report 17-9 by February 1, 2018.	CLO	Report will be timely submitted	February 1st

MEMO

TO: WEDC Audit Committee

FROM: Brian Nowicki

RE: JLAC Loan Delinquency Report

DATE: January 17, 2018

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.

Attached is a report which complies with LAB's recommendation for the semi-annual period ending 12/31/17. In addition, WEDC is providing the report for the prior semi-annual period ending 6/30/17. 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 1) a loan that has been amended and 2) 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 pack 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.

e. Loan partial principal 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 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 was subsequently been taken off the delinquent list in the same semi-annual period, the loan will be accounted for as both 1) a new loan that has become delinquent and 2) a loan that has been taken off the delinquent list due to one of the category reasons described above in 2a through 2d.)

WEDC Loan Portfolio Delinquency Rates

Date	Portfolio Principal	Payment Delinquency Rate		Principal Delinquency Rate	
		Amount	Percentage	Amount	Percentage
January 1, 2017	\$ 79,302,663	\$ 1,957,100	2.5%	\$ 10,528,950	13.3%
June 30, 2017	75,454,987	1,682,793	2.2%	8,740,642	11.6%
Change	\$ (3,847,676)	\$ (274,307)	(0.2%)	\$ (1,788,308)	(1.7%)

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, 2017	\$ 10,528,950	23
Loans that have come current or were paid-off in full	(4,850)	(1)
Loans that have been amended	(6,882,356)	(10)
Loans that have been forgiven, per contract, in full or in part	(3,975,000)	(7)
Loans that have been written off, in full or in part	(522,687)	(3)
Loan partial principal payments made on delinquent loans	(100,377)	
New loans that have become >90 days delinquent	9,696,961	25
Delinquent Loans as of June 30, 2017	\$ 8,740,642	27

WEDC Loan Portfolio Delinquency Rates

Date	Portfolio Principal	Payment Delinquency Rate		Principal Delinquency Rate	
		Amount	Percentage	Amount	Percentage
July 1, 2017	\$ 75,454,987	\$ 1,682,793	2.2%	\$ 8,740,642	11.6%
December 31, 2017	70,321,357	2,301,760	3.3%	12,850,090	18.3%
Change	\$ (5,133,630)	\$ 618,967	1.0%	\$ 4,109,448	6.7%

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, 2017	\$ 8,740,642	27
Loans that have come current or were paid-off in full	\$ (663,845)	(4)
Loans that have been amended	\$ (435,195)	(2)
Loans that have been forgiven, per contract, in full or in part	\$ (1,700,000)	(1)
Loans that have been written off, in full or in part	\$ -	0
Loan partial principal payments made on delinquent loans	\$ (186,940)	
New loans that have become >90 days delinquent	\$ 7,095,428	13
Delinquent Loans as of December 31, 2017	\$ 12,850,090	33