**Alternative Financing Program and Access to Telework Fund**

**Plan for Sustainability**

**Oklahoma Assistive Technology Foundation**

Oklahoma Assistive Technology Foundation (OkAT) has provided Oklahoma ABLE Tech an assurance that the Alternative Financing Program and the Access to Telework Fund (AFP/ATF) programs will continue permanently. Therefore, OkAT has established the Plan for Sustainability to ensure the day-to-day operations will maintain a fiscally responsible methodology to ensure AFP/ATF low interest bank loan funds are available for Oklahomans with disabilities to access.

## Separate Account Investments

* 1. OkAT maintains one operating account for daily expenses, and one interest bearing money market account. Of those accounts the money market functions to pay for AFP/ATF buy-down invoices, rescue payments of guaranty loans, and to pay off balances of guaranty loans in defaults. The funds for this account will be withdrawn from a CD that has the lowest interest rate. When expenses occur for ATF, once investment funds from the ATF separate account are available without penalty, ATF will reimburse the money market account as necessary but at least on an annual basis.
  2. OkAT maintains four separate Certificates of Deposits accounts for AFP and three separate accounts for ATF. Invested CDs have staggering renewal dates for optimal return on investment. Predictability of future interest rates is based on the national economic forecast which drives the decision as to how the funds will be invested. Therefore, in May of 2012, OkAT placed 93% of its available AFP funds and 84% of ATF funds into a 24 month CD to maximize interest earnings. As a result, projected interest income will rise to $12,464 compared to the FY12 interest income of $2,587. Until the recent shift of CDs, OkAT held a pledge security against 100% of all deposits. At this time OkAT maintains the FDIC insured maximum amount, as all of the funds are deposited with BancFirst as part of the contract criteria.
  3. The Board will review the balance, interest rate and terms of the separate accounts quarterly. The Board may determine at anytime to research better investment possibilities to ensure the highest return. Investment income will be evaluated as each CD becomes available for renewal.

## Strategies to Maintain Sustainability

* 1. The program utilizes a Board approved Loan Policy, that guides the decision making process to determine qualified borrowers. The process minimizes loan defaults.
  2. The Board has directed itself to limit 90% of available investment funds to guaranty loans. As of July 1, 2012, OkAT has obligated 18% of available funds for guaranty loans.
  3. Policy also establishes a mechanism for client assistance with rescue payments to minimize loan default.
  4. OkAT has established term limits for Board membership. Annually, new Board members provide an opportunity to evaluate operational procedures, loan policies, and investment strategies to promote sustainability for the corporation.
  5. The Board reviews quarterly, various data elements to insure funds remain available on a permanent basis, to provide low interest bank loans for assistive technology and equipment for telework outcomes to Oklahomans with disabilities. Data elements include the following:

**Guaranty Loan Portfolio Performance – AFP\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2012 | 2011 | 2010 | 2009 |
| # of Loans Outstanding Balance | 51 | 50 | 50 | 60 |
| $ Loan Balance | $258,227 | $232,820 | $246,697 | $237,564 |
| # of Defaults | 2 | 1 | 2 | 1 |
| $ Loan Loss | $6,307 | $3,480 | $8,516 | $2,560 |

**Guaranty Loan Portfolio Performance – ATF\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2012 | 2011 | 2010 | 2009 |
| # of Loans Outstanding Balance | 6 | 5 | 3 | 4 |
| $ Loan Balance | 37,188 | $36,363 | $57,986 | $82,303 |
| # of Defaults | 0 | 0 | 1 | 0 |
| $ Loan Loss | 0 | 0 | $19,919 | 0 |

**Annual Certified Audit – Total liabilities and net assets by year\*\***

|  |  |  |  |
| --- | --- | --- | --- |
| **2012** | **2011** | **2010** | **2009** |
| $1,576,589 | $1,613,494 | $1,679,183 | $1,716,410 |

**Compare Buy-down expenses to interest income annually – AFP\*\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** |
| Buy Down Expense | $11,438 | $29,733 | $17,902 | $9,077 |
| Interest Earned | $2,172 | $3,620 | $7,463 | $21,784 |

**Compare Buy-down expenses to interest income annually – ATF\*\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** |
| Buy Down Expense | $0 | $0 | $38 | $1,408 |
| Interest Earned | $219 | $425 | $2,571 | $2,736 |

**Balance of all Guaranty loans compared to balance of investment accounts – AFP\*\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** |
| Guaranty Balance | $258,227 | $232,820 | $246,697 | $237,564 |
| Account Balance | $1,390,295 | $1,433,148 | $1,485,348 | $1,517,920 |

**Balance of all Guaranty loans compared to balance of investment accounts – ATF\*\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** |
| Guaranty Balance | $37,188 | $36,363 | $57,986 | $82,303 |
| Account Balance | $126,145 | $168,907 | $174,686 | $176,105 |

**Compare Number of Guaranty Loans to Number of Non-Guaranty -**

**AFP\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** |
| Guaranty | 13 | 18 | 17 | 13 |
| Non Guaranty | 37 | 61 | 69 | 60 |
| Total | 50 | 79 | 86 | 73 |

**Compare Number of Guaranty Loans to Number of Non-Guaranty -**

**ATF\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** |
| Guaranty | 1 | 3 | 0 | 4 |
| Non Guaranty | 2 | 0 | 0 | 0 |
| Total | 3 | 3 | 0 | 4 |

\* Based on Federal Fiscal Year, October 1 to September 30 – Reported to RSA

\*\* Based on OkAT Fiscal Year, July 1 to June 30 – Reported in Audit

### Leverage Funding:

* 1. BancFirst provides non-guaranty loans to qualified borrowers. This model eliminates any OkAT risk if a default occurred for non-guaranty loans. Over the last four years, 77% of all loans are non-guaranty. In addition, BancFirst provides in-kind resources as part of the contract between the two parties that includes:
     1. Assigned trained personnel who accept and process all loan applications
     2. Secretarial support to loan officers, ABLE Tech personnel and AFP/ATF customers
     3. Monthly loan guaranty and non-guaranty reports
     4. Assigned Loan officer support to all BancFirst branches across the state
     5. Facilities, phone, fax, toll free customer lines, internet and marketing brochures
  2. ABLE Tech through a contract provides all personnel, facilities, and office support to OkAT to facilitate the daily operations. As a result of this contract, OkAT does not have any occupancy expenses for rent, phone, internet, etc. Personnel coordinate all Board meetings, teleconference calls, bank reports, interaction with AFP/ATF applicants and borrowers, reports to DRS, RSA and ABLE Tech Consumer Advisory Council members. This agreement was initially at no cost to OkAT. Beginning July 1, 2009 to June 30, 2012 OkAT paid $15,000 yearly for this expertise. In July 1, 2012, OkAT will pay $20,000 per year for the services.
  3. The Oklahoma Department of Rehabilitation Services has financially supported the AFP/ATF since 2002. Initially state funds were utilized for state match for each grant year award. DRS continues to contract with ABLE Tech to provide financial support for a portion of the personnel expenses to operate the AFP/ATF.
  4. OkAT Board members are volunteers who receive no compensation for their time and expertise. The structure of the organization relies on all members to review and determine approval or denial of each guaranty loan request, policy, financial statements, audits, reports, and investments.

### Summary - Barriers and Opportunities

In July 2010, an OkAT Board member along with ABLE Tech staff discussed with two separate banks the concept of becoming the banking partner for OkAT. Both banks considered the offer seriously; bank presidents were involved in the discussions and the final decision. It was determined by both that they could not operate as the partner on the terms OkAT currently has with BancFirst. Therefore, OkAT assumes creating new partnerships with other financial institutions would be very difficult under the current terms. Consequently, in October 2010 the OkAT Board decided to investigate the possibility of becoming the direct lender. An outside accounting firm was hired to conduct an analysis and comparison of the cost of the two models. In July 2011, OkAT was presented with a cost analysis of converting from the current model to implementing direct lending. Although fiscally feasible, the Board determined to continue to utilize the banking/loaning expertise of BancFirst. The Board would be willing to review the possibility of changing the partnership model, in the future, if the current contract terms with BancFirst created a substantially greater expense.

In 2010, OkAT experienced a significant reduction of interest income as a result of the national economic downturn. For the first time since the inception of the AFP, OkAT experienced a net loss of assets. With the current low interest rates available for investments, OkAT continues to experience an inability to earn enough income to offset all of the operational expenses plus default losses. The Board took the assertive action to realign the short term secured investments to optimize interest income growth. This should reduce the loss by approximately $10,000.

Initially, the BancFirst agreement with OkAT was to charge and interest rate of 2% above the prime for all loans. Within a couple of years of utilizing that model, BancFirst decided they could not continue to operate the program under that margin. With guidance from the national technical assistance program it was determined that an interest rate buy-down model could be economically feasible for both OkAT and BancFirst. The interest buy down model was adopted in October of 2004 to ensure Oklahomans would continue to have access to an affordable interest rate of 2% over prime. BancFirst charged OkAT an additional 2% on each loan. Although the expense of the buy-down is permanent, until interest rates fell dramatically in 2008, OkAT earned enough income to offset the expense. BancFirst had to make another adjustment in 2010 to move the interest paid by OkAT from 2% over prime to an interest rate ceiling of 9.5% for non-guaranty loans charging the customer 6% and 7.5% on guaranty loans charging the customer 5%. OkAT continues to support the mission of providing low interest loans to Oklahomans with disabilities to make assistive technology affordable.

As part of its overall strategy, OkAT seeks additional public and private funds to support the general administrative expenses. OkAT was awarded a grant from Federal Emergency Management Administration (FEMA) in June of 2011, to contract with Fire Protection Publications and ABLE Tech. The purpose of the program was to distribute specialized smoke alarms and provide educational materials on the benefits of retrofitting home fire sprinklers systems for people with severe disabilities. The budgeted indirect funds from FEMA assisted with the general management expenses of the corporation which reduced the total loss for the year. OkAT submitted another grant proposal to FEMA for the next fiscal year. [Insert outcome of grant proposal.]

OkAT continues to operate a quality program with very low administrative cost and no facility expenses through effective partnership with BancFirst of Stillwater and ABLE Tech. The Board, along with ABLE Tech staff, continues to evaluate investment opportunities to maximize income, explore opportunities of various state financing loan models, creating new partnerships such as Fire Protection Publications, seeking grants and other new revenue sources. The volunteer Board of Directors diligently works toward operating a fiscally prudent program while remaining dedicated to providing affordable alternative financing of assistive technology and telework equipment for Oklahomans with disabilities.