



DEQ POLICY MEMORANDUM PM14-01

POLICY FOR DETERMINING INTEREST RATE ON LOANS FROM THE WATER POLLUTION CONTROL AND DRINKING WATER LOAN ACCOUNTS

PURPOSE:

To establish a method for determining the rate of interest to be charged on loans and extended term financing from the Water Pollution Control and Drinking Water Loan Accounts.

RATIONALE:

DEQ has been given direction from both the Governor's office and the Legislature to maintain the purchasing power of the loan programs over time. To do that we have to set the interest rate to address inflation, while at the same time making the rate attractive enough to be able to lend all of the funds. Additionally, there could be some "disadvantaged loans" where the interest rate will be 0.00% and a possibility that some of the principal forgiven in order to make loans affordable. We will need to offset those loans to some degree.

STATEMENT OF POLICY:

For loans issued by DEQ the interest rate that will be charged for loans awarded for water pollution control and drinking water projects will be determined as follows:

The interest rate for the Clean Water Loan Account will range between 2.75% and 1.50%. Interest rates would be reduced below the 2.75% ceiling for disadvantaged communities. For 30 years extended term financing to CWSRF recipients, the interest rate shall be 0.25% higher than they would be for a comparable 20 year loan. There may be a loan fee of 1.00% assessed on the declining balance of the new loans issued. To the extent that fees are assessed the interest rate will be reduced by the same percent; e.g. a standard loan with a 1.00% fee will have a 1.75% interest rate.

The rate for loans from the Drinking Water Loan Account will range between 2.75% and 1.50%. Interest rates would be reduced below the 2.75% ceiling for disadvantaged communities. The actual loan rate will be determined at the time the loan is awarded. There may be a loan fee of 1.00% assessed on the declining balance of the new loans issued. To the extent that fees are assessed the interest rate will be reduced by the same percent; e.g. a standard loan with a 1.00% fee will have a 1.75% interest rate.

These rates are subject to available funds. The interest rate may be adjusted if it is determined that the rate of inflation is higher than the interest rate charged, thereby causing the loan funds to lose purchasing power.

IMPLEMENTATION:

This policy shall be effective immediately and will supersede any previous policy for determining interest rate on loans from the Water Pollution Control and Drinking Water Loan Accounts.

Dated: March 3, 2014.



Curt A. Fransen
Director