Attachment VI. Description of Disadvantaged Loans

Idaho Drinking Water Revolving Loan Fund

To initially qualify for a disadvantaged loan, an applicant must be defined as a disadvantaged community. For a disadvantaged loan, the applicant will have an annual cost of drinking water service for residential customers that exceeds 2.0% of the MHI. The annual cost includes all operating, maintenance, replacement, and debt service costs, both for the existing system and upgrades being financed with state debt. If the applicant's service area is not within the boundaries of a municipality, the applicant may use census data for the county in which it is located or may use a DEQ-approved income survey (which details the community's MHI).

First, the loan interest rate will be reduced from the rate established by the DEQ director or as outlined in this IUP for Lead Service Line Replacement funding for standard loans to a rate that results in an annual charge equal to 2.00% of MHI. The interest rate reduction may result in a loan interest rate of as low as 1.25% for a 20-year loan (in rare instances the rate may be set at 0.00%).

Second, if a 1.25% interest rate and 20-year repayment loan terms and conditions result in the annual user charge exceeding 2.0% of MHI, then the length of the loan repayment will be extended in yearly increments up to a maximum of 30 years until the annual user charges equals 2.00% of MHI. Loans for 30 years have a 0.25% higher interest rate than a 20-year loan but will result in lower annual repayments.

Last, (assuming that a 30-year repayment period is acceptable to the applicant) if at 1.50% interest and a 30-year repayment, the annual user charge still exceeds 2.0% of MHI, the principal may be reduced. If a disadvantaged community's user rates exceed 2.00% of MHI there will be no more qualification requirements for that community in order to receive principal forgiveness. If the user rates fall between 1.50% - 2.00% of MHI see requirements in Section 5.2 (page 9).

The principal reduction will be based on the pool of qualifying disadvantaged communities (projects) and communities in need of emergency assistance. Principal forgiveness may not be to lower a community status to below 1.50% of the MHI.

- When the federal capitalization grant is ready to be closed out (that is associated with the principal forgiveness allocated for SFY 2024) any unallocated principal forgiveness for disadvantaged communities (identified in the Fundable List – Attachment I), will be allocated to those disadvantaged entities that signed loans with DEQ during state fiscal year 2024 and still qualify as disadvantaged. If a project's budget increases after the Fundable List is established, any year-end reallocation of unused principal forgiveness will take into account the project's new cost.
- If a disadvantaged community accepts principal forgiveness and their project is completed under budget, their remaining principal forgiveness will be allocated to those disadvantaged entities that signed loans with DEQ during the state fiscal year and still qualify as disadvantaged.

- If a project that has a claim to disadvantaged assistance (on the Fundable List) opts out of the loan process and the funding thereby goes to a lower-rated project or gets reallocated to other disadvantaged communities that have signed loans. For lower-rated projects (if the community is disadvantaged) can lay claim to the disadvantaged assistance (however, the ratio of principal forgiveness to dollars loaned will remain consistent).
- Principal forgiveness is allocated to systems that have long-term loan repayments to the DWSRF program. Interim financing is not considered a long-term loan with DEQ. Interim financing given by DEQ could affect any principal forgiveness the system is slated to receive. If the minimum percentage of principal forgiveness is not reached by the end of the fiscal year, loans receiving interim financing, that qualify for principal forgiveness, may receive principal forgiveness.