

G. Loan Terms and Conditions

PFA determines terms and conditions for CWRF loans pursuant to [Minnesota Statutes Section 446A.07](#) and [Minnesota Rules Part 7380.0430](#). Construction loans are not awarded until as-bid construction costs are submitted to the PFA. CWRF loans are made at below-market rates in accordance with federal and state law. The basis for setting interest rates is described in [Minnesota Rules Part 7380.0442](#). PFA bases interest rates on the greater of the current bond market rates for AAA or AA rated municipal bonds as determined by a daily index, (or the bond yield scale of the PFA's bonds if PFA bond proceeds are available) less any applicable discounts described below. The interest charged includes a servicing fee up to 2% of each loan payment. PFA uses fee revenues to pay program administrative expenses. Fees are non-program income.

For projects that receive loan awards after the 2025 IUP is approved, the PFA has set a base discount of 1.00% that will be applied to the applicable bond yield scale for loans up to \$76 million, with no base discount applied to loan amounts in excess of \$76 million.

Additional discounts up to 2% may be applied to borrowers under 2,500 population as described in Minnesota Rules Part 7380.0442, Subpart 3B ([7380.0442 - MN Rules Part](#)). These discounts take project affordability into account. The minimum interest rate under PFA rules is 1 percent.

The standard loan term is 20 years or up to 30 years for those projects that meet the affordability criteria described in Minnesota Statutes Section 446A.07, Subdivision 7. No loan term can exceed the useful life of the project.

To manage large project requests within the CWRP annual lending capacity, the PFA may provide separate financing agreements for some projects over more than one year based on the project's cash flow needs as negotiated between PFA and the borrower.

H. Additional Subsidization

The federal capitalization grants require a certain percent of the funds be used for additional subsidization of projects beyond the below-market interest rates on loans described above. The PFA provides additional subsidization to eligible projects in the form of Principal Forgiveness grants, meaning a specific dollar reduction in the amount of loan principal that must be repaid, which is granted at the time a CWRP financing agreement is awarded.

[Minnesota Statutes, Section 446A.07](#), Subdivision 8, authorizes the PFA to provide principal forgiveness to the extent permitted under federal law to address affordability needs and for green infrastructure projects.

The PFA received the 2024 base capitalization grant in September of 2024. The 2024 base grant is \$15,004,000 and requires a minimum of 20% and a maximum of 40% be used for additional subsidization. PFA expects to receive the year 3 IJA supplemental capitalization grant in SFY 2025 which requires 49% or \$20,481,510 be awarded as additional subsidization. The PFA also has \$11,243,358 in additional subsidization funds available from prior federal funds. IUP Table 1 shows \$25 million in estimated carryover projects that are eligible for green project reserve (GPR) or affordability principal forgiveness. Existing state WIF funds and federal PF funds are sufficient to cover estimated 2025 carryover projects affordability and GPR needs. If needed the PFA may use more than the 20% minimum PF allotment. PFA reviews new project requests for principal forgiveness affordability after loan applications are submitted.