

TITLE 830 - INFRASTRUCTURE BANK

CHAPTER 10 - PROGRAMS

SUBCHAPTER 15 - SEPTIC AND SEWER

PART 4 - Sewer Tie-In Loan Fund Policies and Procedures

4.1 Purpose:

These Loan Policies and Procedures of Rhode Island Infrastructure Bank (the "Bank") have been established to govern the lending activities between the Bank and local governmental units in the state of Rhode Island in connection with the Sewer Tie-In Loan Fund ("STILF") under and pursuant to R.I. Gen. Laws Chapter 46-12.2 as amended.

4.2 Definitions:

Except as otherwise defined herein, the words and phrases used within these Loan Policies and Procedures have the same meaning as the words and phrases have in R.I. Gen. Laws Chapter 46-12.2 as amended.

4.3 Financial Assistance:

- A. These Loan Policies and Procedures govern the provision of financial assistance to local governmental units to administer a program of sewer tie-ins for existing properties in their community. The STILF is a source of funds to provide subsequent loans to property owners to connect their properties to the local sewer system and abandon their individual septic systems or cesspools.
- B. The Bank and the local governmental unit will establish a relationship to be evidenced by a loan agreement to provide financing for property owners within the local governmental unit to connect their properties to the local sewer system and abandon their individual septic systems or cesspools. Rhode Island Housing and Mortgage Financing Corporation (RI Housing), or any other entity as selected by the Bank, or its successor, will be the loan servicer (the "Servicer") on the subsequent property owners loans. The Servicer will:
 - 1. accept applications from property owners;
 - 2. coordinate payments to sewer tie-in contractors/vendors;
 - 3. collect repayments from property owners;

4. credit the property owners' repayments to the principal repayment obligation of the local governmental unit; and
5. make monthly reports to both the Bank and the local governmental unit.

4.4 Loan Application:

- A. Request for financing under the Sewer Tie-In Loan Fund should be submitted in writing by the chief executive officer or other authorized officer of the local governmental unit to the Executive Director of the Bank. The written request shall include:
 1. A projection of the estimated need for property owners within the local governmental unit to connect into the local sewer system and abandon their individual septic systems or cesspools as detailed in the local governmental unit's Sewer Tie-In Program Plan as approved by the Department of Environmental Management.
 2. Indication of approval of the local governmental unit's Sewer Tie-In Program by the Department of Environmental Management (DEM), including the listing of the local governmental unit's STILF program on the most current DEM Project Priority List, for financing from the Bank to establish a Sewer Tie-In Loan Program within the local governmental unit.
 3. A description of the dedicated source of loan security in the event of property owner loan default or non-payment, i.e., pledge of general revenues from property taxes of cities and towns, property liens, or other source available to the local governmental unit and deemed appropriate by the Bank.
 4. A description of the overall operation of the local governmental unit, including but not limited to the most recent annual report or audited financials, with an emphasis on
 - a. legal structure;
 - b. management;
 - c. sources of revenues;
 - d. operating expenses;
 - e. operating surpluses or deficits;
 - f. actual results versus budget; and
 - g. sources of financial liquidity.

5. Legal authority or authorities to borrow from the Sewer Tie-In Loan Fund.
6. Other information reasonably requested by the Bank.

4.5 Loan Approval Process:

Subject to availability of Bank funds and to prioritization by DEM of projects as listed in the most current DEM Project Priority List, as well as an indication of approval for financing from the Bank to establish a Sewer Tie-In Loan Program within the local governmental unit, loan applications will be considered for approval by the Bank for any eligible local governmental unit STILF Loan. The Bank shall make a determination on each loan application from an eligible local governmental unit. The local governmental unit will provide a general obligation pledge, promissory note in fully marketable form, or other obligation deemed appropriate by the Bank to ensure repayment of the STILF loan. A credit review of the local governmental unit and report by the Executive Director will be taken into consideration by the Bank.

4.6 Terms and Conditions:

- A. The property owner repayment stream will be credited towards the community's repayment obligation of the STILF loan.
- B. Rate - The STILF loan to the local governmental unit from the Bank will be at a rate of zero percent (0%). The subsequent loans to property owners will carry an interest rate of zero percent (0%) and service fees equivalent to one percent (1%) of the outstanding balance of the property owners loan to be distributed as follows:
 1. Servicer 0.5% Property Owner Loan Service Fee
 2. Bank 0.5% Community Loan Service Fee
 3. 1.0% Total STILF Fees
 - a. In addition to the service fees set forth above, the property owner shall also pay a loan origination fee (Loan Origination Fee) at the time of closing to the Servicer in the amount of three hundred dollars (\$300.00).
 - b. (STILF loan rates and fees are subject to periodic changes as per §4.10 of this Part.)
- C. Community Fees - The local governmental unit will be responsible for its own out of pocket closing costs, i.e. borrower's counsel fees and financial advisor fees.
- D. Amortization - The loan repayments from the property owners will provide the t repayments to the Bank. As the primary borrower, the local government unit is

responsible for any shortfall or default in the repayments from the property owners. Amortization on the local governmental unit's loan will begin on the first day of the quarter after the loan closing and on a quarterly basis thereafter. The Servicer will collect payments from the property owners and make payments to the Bank on behalf of the local governmental unit.

- E. Prepayments - The loan may be prepaid by the borrower at any time but may be subject to a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Bank, or any other negative financial impact to the Bank.
- F. Security - Loans may have a pledge of
 - 1. general revenues; and/or
 - 2. may be secured by any other assets and upon such other terms and conditions as the Bank deems appropriate to protect the interest of the other participants in the loan programs of the Bank, other creditors of the Bank, bondholders, or the finances of the Bank, or
 - 3. The obligations of the Borrowers may be subject to and dependent upon appropriations being made by the Borrower for such purposes.
- G. Loan Advances - The local governmental unit will indicate in written form an estimate of its yearly requirement for sewer tie-in and abandonment of septic system loans. As loans to property owners are originated, the Bank will advance the necessary amount for disbursement for approved project costs. RI Housing will act as paying agent on behalf of the local governmental unit for payments to contractors/property owners for approved project costs.
- H. Community Specific Criteria for Property Owner Loans - The community may apply specific property owner loan criteria such as; number of estimates needed from licensed sewer-tie in contractors; maximum number of housing units per structure allowed access to the STILF; owner-non-owner-occupied borrowers; and other such specific requirements. The community may not raise or lower the current property owner STILF fee of 1% but may combine the STILF with other sources of money so as to provide a greater dollar amount available for loans or to provide a greater economic incentive for property owners to tie-in to the local sewer system and abandon their septic system. All additional criteria must be detailed in the community's Sewer Tie-In Program Plan. Any additional criteria applied by the local governmental unit cannot negate or otherwise overrule any federal and state laws and regulations which apply to the STILF.
- I. Ineligible Project Costs - Eligibility shall be subject to any restrictions mandated by the EPA.
- J. Certificate of Approval - Prior to disbursement of funds by the Bank, the Bank must be in receipt of the Certificate of Approval by the RIDEM of the Borrower's

proposed project(s) pursuant to R.I. Gen. Laws Chapter 46-12.2 as amended and rules and regulations promulgated thereunder.

4.7 Reporting Requirements:

- A. Local governmental units will be required to provide information to the Bank during the life of the loan, including but not limited to:
1. A record of the number and type of sewer tie-ins and abandonment of septic systems or cesspools funded by this program.
 2. A copy of its Annual Audited Financial Statements in accordance with Generally Accepted Government Accounting Standards annually within nine months of end of fiscal year.
 3. Copies of reports submitted to RIDEM, the Environmental Protection Agency (EPA) and any other regulatory agency relating to the sewer tie-ins financed by the Bank or the operation thereof, simultaneously with each submission.
 4. Other information or reports as and when the Bank may reasonably require.

4.8 Loan Documents:

The terms and conditions of each loan will be evidenced by an agreement outlining the specific terms and conditions of the loan and such agreement will be accompanied by an opinion of counsel, as required by the Bank enabling act.

4.9 Compliance with State and Federal Law:

Recipients (the Borrower) of loans must comply with all applicable state and Federal, Bank and municipal laws, ordinances, rules and/or regulations.

4.10 Modifications:

Where deemed appropriate by the Bank, waiver or variation of any provisions herein may be made or additional requirements may be added.

4.11 Severability:

If any provision of these rules and regulations or the application thereof to any local government unit, person, or corporation is held invalid by a court of competent jurisdiction, the remainder of the rules and regulations shall not be affected thereby. The invalidity of any section or sections or parts of any section or sections shall not affect the validity of the remainder of these rules and regulations.

830-RICR-10-15-4

TITLE 830 - INFRASTRUCTURE BANK

CHAPTER 10 - PROGRAMS

SUBCHAPTER 15 - SEPTIC AND SEWER

PART 4 - SEWER TIE-IN LOAN FUND POLICIES AND PROCEDURES (830-RICR-10-15-4)

Type of Filing: Refile Capabilities

Department of State

Regulation Effective Date

Original Signing Date

Department of State Initials

Department of State Date