

Borrower Principal Repayments, Level Debt Service, Interest Payments, and Capitalized Interest

WIFA Policy #: III.5

Purpose:

Detail requirements for a borrower to: repay principal, repay according to level debt service, and pay interest. Detail circumstances under which a borrower may include capitalized interest within a loan amount.

Policy:

Section 1: Principal Repayment

Unless otherwise specified by WIFA's Board of Directors, borrowers must begin repaying principal no later than 36 months of the date of the financial assistance closing.

Section 2: Level Debt Service

Unless approved by WIFA's Board of Directors, borrowers must make principal repayments based on level debt service in accordance with Section 1 of this policy. WIFA's Board of Directors may approve exceptions based on meeting the requirements for financial hardship which shall be subject to one or more of the following criteria:

1. The borrower demonstrates that repaying principal pursuant to level debt service will cause the borrower to be unable to repay principal,
2. The borrower has existing plus proposed water or wastewater facility related indebtedness on a per capita basis which is greater than 2% of the area's median household income, or
3. The borrower's average annual residential user rates and charges are greater than 2% of the area's median household income.

Section 3: Interest Payments

Unless otherwise approved by WIFA's Board of Directors, borrowers must begin paying interest within 12 months of the date of financial assistance closing.

Section 4: Capitalized Interest

A borrower may borrow an amount for capitalized interest subject to the following requirements:

1. The borrower must justify the need for capitalized interest based on deferred revenues resulting from the construction of facilities or the implementation of increased rates and charges,
2. Capitalized interest shall be limited to no more than 36 months from the date of loan closing, and
3. The borrower must submit a loan disbursement request form to make an interest payment from the capitalized interest portion of the loan.

WIFA staff will make capitalized interest payments on behalf of borrowers on the interest payment date pursuant to the amortization schedule included as part of the loan agreement. WIFA shall calculate interest payable on loan disbursements for capitalized interest payments from the interest payment date forward.

Responsibility: Executive Director

Statutory Reference: A.R.S. § 49-1224, § 49-1225, § 49-1241, and § 49-1242

Rule Reference: A.A.C. R18-15-104, R18-15-105, and R18-15-701

Original Issue Date: October 13, 1998

Previous Amendment Date(s): February 15, 2006 and March 5, 2008

Most Recent Amendment Date: October 20, 2010 (*Replaces All Previous Versions*)

Approval:



Interim Executive Director

10/20/10

Date