

Borrower Debt Service Reserve Earnings

WIFA Policy #: V.7

Purpose:

Establish policy to allocate earnings from WIFA-held borrower funded debt service reserves.

Policy:

Section 1: WIFA Held Debt Service Reserves

In accordance with Policies III.7 and III.8, WIFA requires designated borrowers to fund a debt service reserve (DSR) held by WIFA on behalf of the borrower. In accordance with these policies, Fiscal Services shall:

1. Maintain borrower debt service reserve accounts within the Clean Water Revolving Fund and Drinking Water Revolving Fund.
2. Deposit debt service reserve contributions from borrowers to the appropriate borrower debt service reserve account.
3. Maintain records on borrower deposits and interest earned on the deposits.
4. Require the borrower to determine if they want their annual interest earnings applied each year to the outstanding principal of the loan or apply all of the interest earnings as a portion of the last payment.

Section 2: Allocation of Earnings on Debt Service Reserves

Each December and in accordance with Section 1 of this policy, Fiscal Services will:

1. Notify each borrower with the information listed in Section 5 of this policy, concerning their individual debt service reserve account(s).
2. During the December Board meeting determine the allocation, if any, of the borrowers proportionate share of interest earnings to be retained by WIFA for the administration of the fund. The amount may not exceed 10%.
3. Based upon the borrowers preference and the Board determination, allocate between 90-100% of a borrower's proportionate share of interest earnings towards reducing the borrower's principal outstanding.
4. Retain any additional interest earnings for WIFA.

Section 3: Flow of Earnings

Each year and in accordance with Sections 1 and 2 of this policy, Fiscal Services may:

1. Transfer earnings to the appropriate Financial Assistance Fund to reduce the principal outstanding by individual borrowers.
2. Transfer the remaining interest earnings to the appropriate WIFA Loan Servicing Account.

If Fiscal Services does not transfer the earnings as described above, the earnings will be credited to the borrower's final payment.

Section 4: Retention of Earnings

Based on input from WIFA's Board, WIFA may not retain more than 10% of an individual borrower's proportionate share of the earnings based on compliance with the loan agreement terms and conditions during the prior state fiscal year.

Section 5: Notice to Borrowers

Annually, after December 1st and prior to January 15th, Fiscal Services will send each borrower a statement with the following information concerning their individual debt service reserve account(s): balance of the DSR, total payments made by the borrower, total interest earned, amount of interest earnings applied as a principal payment in the calendar year, any interest earnings retained by WIFA for the administration of the DSR fund, and the interest earned in the preceding calendar year.

Responsibility: Controller

Statutory Reference: A.R.S. Title 49, Chapter 8


Rule Reference: N/A

Original Issue Date: October 18, 2001

Previous Amendment Date(s): June 21, 2006, August 17, 2011

Most Recent Amendment Date: August 3, 2016 (*Replaces All Previous Versions*)

Approval:



Executive Director

8/3/16

Date