ARC 0445D

IOWA FINANCE AUTHORITY[265]

Notice of Intended Action

Proposing rulemaking related to natural hazard mitigation financing program and providing an opportunity for public comment

The Iowa Finance Authority hereby proposes to adopt new Chapter 25, "Natural Hazard Mitigation Financing Program," Iowa Administrative Code.

Legal Authority for Rulemaking

This rulemaking is proposed under the authority provided in Iowa Code sections 16.5 and 16.17.

State or Federal Law Implemented

This rulemaking implements, in whole or in part, Iowa Code chapter 29D and sections 16.230 through 16.233.

Purpose and Summary

The Authority proposes to adopt Chapter 25 to implement Iowa Code sections 16.230 through 16.233 and chapter 29D as enacted by 2025 Iowa Acts, Senate File 619. Chapter 25 describes the policies and procedures applicable to the Authority's responsibilities relating to the Natural Hazard Mitigation Financing Program. The program provides loans for projects that mitigate the impact of natural hazards and is a joint and cooperative undertaking of the Authority and the Department of Homeland Security and Emergency Management.

Regulatory Analysis

A Regulatory Analysis for this rulemaking was published in the Iowa Administrative Bulletin on April 15, 2026. A public hearing was held on the following date(s):

- May 5, 2026

Fiscal Impact

This rulemaking has no fiscal impact to the State of Iowa beyond that of the legislation it is intended to implement.

Jobs Impact

After analysis and review of this rulemaking, no impact on jobs has been found.

Waivers

Any person who believes that the application of the discretionary provisions of this rulemaking would result in hardship or injustice to that person may petition the Authority for a waiver of the discretionary provisions, if any, pursuant to 265—Chapter 18.

Public Comment

Any interested person may submit written comments concerning this proposed rulemaking, which must be received by the Authority no later than 4:30 p.m. on August 11, 2026. Comments should be directed to:

Lisa Connell
Iowa Finance Authority
1963 Bell Avenue, Suite 200

Des Moines, Iowa 50309
Email: lisa.connell@iowaeda.com

Public Hearing

No public hearing is scheduled at this time. As provided in Iowa Code section 17A.4(1)"b," an oral presentation regarding this rulemaking may be demanded by 25 interested persons, a governmental subdivision, the Administrative Rules Review Committee, an agency, or an association having 25 or more members.

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rulemaking by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rulemaking at its regular monthly meeting or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rulemaking action is proposed:

ITEM 1. Adopt the following **new** 265—Chapter 25:

CHAPTER 25
NATURAL HAZARD MITIGATION FINANCING PROGRAM

265—25.1(16) Purpose and authority responsibilities. The program is established pursuant to Iowa Code chapter 29D. The authority is primarily responsible for the financial management of the program pursuant to Iowa Code chapter 29D and chapter 16, subchapter X, part 11; the STORM Act; the rules promulgated under Iowa Code chapter 17A by the department or the authority; and any other applicable federal or state laws. The authority's financial management responsibilities include but are not limited to the following:

1. Managing the financial assets of the program, including investments and audits;
2. Receiving, reviewing and approving loan applications;
3. Executing loan agreements, including establishing loan terms; and
4. Disbursing loan funds and monitoring loan repayments.

265—25.2(16) Definitions.

"Authority" means the Iowa finance authority created in Iowa Code section 16.1.

"Cost" means the same as defined in Iowa Code section 29D.2.

"Department" means the Iowa department of homeland security and emergency management.

"Director" means the director of the authority.

"Eligible costs" means all costs related to the completion of a project as approved by the department.

"Eligible entity" means the same as defined in Iowa Code section 29D.2.

"FEMA" means the Federal Emergency Management Agency.

"Fiscal year" means the state fiscal year starting July 1 and ending June 30.

"Intended use plan" or *"IUP"* means a plan developed by the department identifying the intended uses of funds available through the program.

"Loan recipient" means the same as defined in Iowa Code section 16.230.

"Net revenues" means the same as defined in Iowa Code section 384.80.

"Private entity" means the same as defined in Iowa Code section 29D.2.

"Program" means the same as defined in Iowa Code section 16.230.

"Project" means the same as defined in Iowa Code section 16.230.

"State project proposal list" means a priority-ranked list of mitigation projects the department may fund using STRLF funds.

"Safeguarding tomorrow revolving loan fund" or *"STRLF"* means the natural hazard mitigation revolving loan fund created in Iowa Code section 29D.4.

"Safeguarding tomorrow through ongoing risk mitigation Act" or *"STORM Act"* means the same as defined in Iowa Code section 29D.2.

265—25.3(16) Eligibility, application, and approval.

25.3(1) Only projects included in the state project proposal list and compliant with the IUP are eligible for the program.

25.3(2) Moneys in the fund shall not be used to provide a loan to a private entity for the acquisition of real property.

25.3(3) The authority will consider the following when determining whether to provide a loan to an eligible entity:

a. Loan recipient's financial capability;

b. Loan recipient's willingness to accept all loan terms, conditions, and covenants;

c. The priority of the project on the state proposed project list;

d. Funds available; and

e. Whether the loan recipient has a record of violations of the law that over a period of time tends to show a consistent pattern or that establishes intentional, criminal, or reckless conduct in violation of such laws.

25.3(4) Applications for loans shall be submitted to the authority in the form and content established by the authority. The application will include:

a. A description of the project, project budget, and estimated project timeline;

b. The requested loan amount and loan term;

c. The proposed security for the loan and documentation that approval processes have been initiated;

d. The tax status of the loan;

e. The other sources of funds for the project;

f. A pro forma cash flow analysis in a form acceptable to the authority that demonstrates that the net revenues of the borrower are sufficient pursuant to paragraph 25.4(2)*"c"*;

g. Documentation that technical and environmental review has been completed; and

h. Any other information reasonably requested by the authority.

25.3(5) Subsequent segments of a project that have been previously awarded financial assistance will receive priority over new projects. Loans made for separate segments of a project will be administered separately.

25.3(6) Requested loan amounts may be adjusted to reflect eligible costs.

25.3(7) Complete and eligible loan applications that are recommended for approval based on the criteria in these rules will be considered by the authority board. The board may approve, deny, or defer an application for a loan.

265—25.4(16) Loans.

25.4(1) *Loan agreements.* The authority will prepare a loan agreement after an application has been approved by the authority board.

25.4(2) *Loan terms.*

a. *Interest rates.* The authority shall determine loan interest rates in cooperation with the department to be established in the IUP.

b. *Fees.*

(1) The loan initiation fee shall be equal to 0.5 percent of the loan commitment amount, not to exceed $100,000. The fee shall be payable on the closing date of the loan agreement.

(2) The annual loan servicing fee shall be equal to 0.25 percent of the outstanding principal balance. Payment of the loan servicing fee will be made semiannually along with scheduled interest payments.

c. *Revenue pledge.* The loan recipient shall establish sufficient revenue sources for the repayment of the loan, as determined by the authority. To ensure repayment of obligations according to the terms of the loan agreement, the loan recipient shall agree to impose, collect, and increase, if necessary, user charges, taxes, or other dedicated revenue sources identified for the loan repayment in order to maintain annual net revenues at a level equal to at least 110 percent of the amount necessary to pay debt service on all revenue obligations during the next fiscal year. At the discretion of the director or director's designee, the authority may allow other revenue sources and coverage of less than 110 percent. At the discretion of the director or director's designee, the authority may require revenue sources and coverage in excess of 110 percent of the amount necessary to pay all revenue obligations if the loan recipient has a history of default on its revenue obligations or insufficient credit history, as determined by the authority. The loan agreement shall authorize the authority to require revenue adjustment to collect delinquent loan payments.

d. Security.

(1) A loan may be secured by a first lien upon the loan recipient's net revenues. Loans secured by net revenues may rank on a parity basis with other outstanding obligations, or, with the approval of the director or director's designee, those loans may be subordinate in right of payment to the loan recipient's other outstanding revenue obligations.

(2) A loan may be secured by a general obligation of the loan recipient, and the loan recipient may achieve this through the provision for a levy of taxes to repay the loan.

e. Construction payment schedules. The loan agreement shall include an estimated construction drawdown schedule provided by the loan recipient.

25.4(3) *Loan commitments.* Loan funds are considered a binding commitment at the time a loan agreement is executed.

25.4(4) *Costs.* The loan recipient shall use the program loan proceeds solely for the purpose of eligible costs of the approved project. The loan recipient must document all eligible costs to the satisfaction of the authority and the department before loan proceeds are disbursed.

25.4(5) *Loan amount and repayment period.* All loans shall be made contingent on the availability of funds. The maximum loan term will be 30 years. Repayment of the loan must begin no later than one year after the project is substantially complete.

25.4(6) *Prepayment.* A loan recipient may prepay a loan, in whole or in part, on any date with the prior written consent of the authority.

25.4(7) *Disbursement of funds.* Funds shall be disbursed in accordance with the loan agreement. The loan agreement may allow for periodic disbursement of funds.

265—25.5(16) Administration.

25.5(1) The loan recipient shall maintain records that document all costs associated with the project. The loan recipient shall provide access to these records to the authority, the department, the auditor of the state of Iowa, FEMA, the Office of the Inspector General at FEMA, or their agents or designees upon request. The loan recipient shall retain such records and documents for inspection and audit purposes for a period of three years from the date of the final loan payment.

25.5(2) The loan recipient shall provide the authority, the department, or their agents or designees access to the project site on request for the duration of the loan to verify that the funds are being used for the purpose intended, that the construction work meets applicable state and federal requirements, and that the project is being operated and maintained as designed.

25.5(3) The loan recipient's accounting procedures shall conform to generally accepted government accounting standards.

25.5(4) The authority may, for cause, find that a loan recipient is not in compliance with the requirements of the program. Remedies for noncompliance may include penalties up to and including withholding of loan funds not yet disbursed or return of loan funds already disbursed. Findings of noncompliance may include but are not limited to the use of loan funds for activities not described in the application; failure to begin construction within one year of execution of a loan agreement; or failure to comply with any applicable state or federal rules, regulations, or laws.

265—25.6(16) References. References to the STORM Act are as in effect on [effective date of this rulemaking].

These rules are intended to implement Iowa Code chapter 29D and sections 16.230 through 16.233.