

IOWA FINANCE AUTHORITY[265]

Regulatory Analysis

Notice of Intended Action to be published: 265—Chapter 25
“Natural Hazard Mitigation Financing Program”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 16.5(1)“r” and 16.17
State or federal law(s) implemented by the rulemaking: Iowa Code sections 16.230 through 16.233
and chapter 29D

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

May 5, 2026
9 to 9:15 a.m.

Via Microsoft Teams
Information about Teams participation can be
found at
[opportunityiowa.gov/about/iowa-finance-
authority/ifa-red-tape-review](https://opportunityiowa.gov/about/iowa-finance-authority/ifa-red-tape-review)

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the Iowa Finance Authority (Authority) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Iowa Finance Authority
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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.

Analysis of Impact

- 1. Persons affected by the proposed rulemaking:**
 - **Classes of persons that will bear the costs of the proposed rulemaking:**
Entities applying for or receiving a loan through the program will bear the costs of the proposed rulemaking.
 - **Classes of persons that will benefit from the proposed rulemaking:**
Entities interested in applying for or receiving a loan through the program will benefit from the proposed rulemaking.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

• **Quantitative description of impact:**

Entities applying for a loan may require staff time to complete an application. Recipients may similarly incur costs to comply with reporting and monitoring requirements of the program. Some applicants may choose to rely on an external service provider to complete these tasks. The amount of the costs will vary depending on the compensation of staff or service providers involved.

Recipients will pay interest on loans as determined by the Authority. Recipients will also pay the following fees:

1. A loan initiation fee equal to 0.5 percent of the loan commitment amount, not to exceed \$100,000; and
2. An annual loan servicing fee equal to 0.25 percent of the outstanding principal balance.

• **Qualitative description of impact:**

The program provides loans for projects that mitigate the impact of natural hazards.

3. Costs to the State:

• **Implementation and enforcement costs borne by the agency or any other agency:**

Authority staff time is required to review and approve applications, draft and execute program contracts, disburse funds, and communicate with program applicants and recipients.

• **Anticipated effect on State revenues:**

The proposed chapter has no anticipated impact on State revenues.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

Only the entities that will potentially benefit from the program will bear the costs of the proposed rulemaking. The costs to the State to administer the program are proportional to the activities supported by the program.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

The Authority has not identified any less costly methods or less intrusive methods for administering the program.

6. Alternative methods considered by the agency:

• **Description of any alternative methods that were seriously considered by the agency:**

The Authority did not consider any other methods.

• **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Authority did not consider any other methods.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

• Establish less stringent compliance or reporting requirements in the rulemaking for small business.

• Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.

• Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.

• Establish performance standards to replace design or operational standards in the rulemaking for small business.

• Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rulemaking does not have a substantial impact on small business.

Text of Proposed Rulemaking

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.