

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. Recipients shall pay a one-time fee at the time of closing of the loan in an amount equal to 2 percent of the amount of the loan.

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.

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