

**7380.0265 LOAN TERMS AND CONDITIONS.**

Subpart 1. **In general.** Subject to the availability of funds, the authority shall provide loans or other financial assistance for eligible costs of projects listed in the fundable range on the intended use plan which are not rejected for any of the reasons listed in part 7380.0260, subpart 7. The act, other applicable federal laws and regulations, Minnesota Statutes, Minnesota Rules including parts 7380.0252 to 7380.0297, the capitalization grant, and the authority's basic bond resolution and series bond resolution, all as amended from time to time, govern the terms and conditions of the loan agreement issued by the authority. Except as provided in subpart 3, all borrowers shall issue a general obligation bond or a revenue bond to the authority as debt security for the loan agreement. The borrower's authorizing resolution for issuance of debt to the authority shall acknowledge the primacy of the terms and conditions of the loan agreement.

Subp. 2. **Borrowers providing general obligation or revenue bonds.** A borrower providing a general obligation or revenue bond to the authority must use a nationally recognized bond counsel, identified as such and included in The Bond Buyer's Municipal Marketplace Directory, to prepare the bonds and other related documentation and render an opinion to the authority. Items A to F apply to borrowers providing general obligation or revenue bonds to the authority.

A. The loan must be amortized over a period not to exceed 20 years. In no case may the term of the loan exceed the design life of the project being financed.

B. The borrower shall designate and maintain dedicated sources of revenue sufficient to fully amortize the loan and to fully provide for the operation and maintenance of the drinking water system.

C. The borrower shall establish and maintain a debt service account and an operation and maintenance account in amounts to achieve the purposes in items A and B.

D. The borrower shall maintain the technical, managerial, and financial capability to adequately operate and maintain the water supply system for the full term of the loan.

E. The borrower shall begin making interest payments on the loan no later than one year after approval of the loan. The principal payments must begin no later than 18 months after approval of the loan or one year after project completion as estimated in the application, whichever is earlier. Principal and interest payments must be made in the amounts and at the times stated by the authority in the loan agreement. Interest accrues immediately on funds disbursed to the borrower by the authority.

F. Throughout the life of the loan the borrower shall, upon request of the authority:

- (1) update pertinent information contained in the original application;

(2) attest that the information does not contain any untrue statement of material fact; and

(3) authorize the authority to use the information to meet its continuing disclosure obligations.

Subp. 3. **Borrowers not providing general obligation or revenue bonds.** The authority shall provide financial assistance to a borrower not issuing a general obligation or revenue bond by utilizing a participation loan. The maximum participation must not exceed 50 percent of the loan balance at time of purchase or \$50,000, whichever is less. The terms and conditions in items A to D apply to participation loans.

A. The maximum term of the loan shall be based on the useful life of the project not to exceed the following limits:

(1) 12 years for land, buildings, or other real property;

(2) the lesser of 80 percent of the useful life or seven years for equipment or machinery; or

(3) a weighted average of the limits provided in subitems (1) and (2) for loans that are a combination of real property and equipment or machinery.

B. Principal and interest payments are due in accordance with the loan agreement and the promissory note.

C. The borrower shall maintain the technical, managerial, and financial capability to adequately operate and maintain the water supply system for the full term of the loan.

D. For participation loans, the financial institution and the authority shall take a proportional security interest in capital assets or real property of the borrower to collateralize the loan.

**Statutory Authority:** *MS s 446A.07; 446A.081; 446A.11*

**History:** *22 SR 397; 32 SR 321*

**Published Electronically:** *August 21, 2007*