

DISADVANTAGED COMMUNITY ASSISTANCE AND ADDITIONAL SUBSIDY

to the payment of another lender if the identified Pledged Revenue has a strong, positive historical trend and the overall coverage adheres to the Minimum Coverage Requirements and Additional Bonds Test requirements.

2. Loan Repayment: Monthly receipt of loan payments from borrowers provides the NMFA with early indication of potential loan defaults. Generally, when a monthly revenue stream is available, the NMFA will require its loans to be paid monthly. The NMFA may allow borrowers to pay semi-annually; provided, the requesting entity has demonstrated ability to meet prior debt obligations and has sufficient staffing to manage timely loan payments.

3. All loans will be structured utilizing an executed intercept agreement if the NMFA is statutorily allowed to intercept the Pledged Revenue. The NMFA may agree to hold an executed intercept agreement in abeyance while the borrower makes monthly principal and interest payments on its loan under the following conditions:

a. If the borrower fails to make the agreed upon payments in a timely manner, the NMFA will immediately begin to intercept the Pledged Revenues pursuant to the intercept agreement for the duration of the loan.

b. This “contingent” or “suspended” intercept arrangement may be offered only to borrowers that have demonstrated ability to meet prior debt obligations and have sufficient staffing to manage timely loan payments.

A. Affordability Criteria. Capitalization Grant recipients are required to define Affordability Criteria and to provide additional assistance to Disadvantaged Communities. Pursuant to public comment, NMFA defines affordability based upon MHI of the applicant and provides for two levels of Disadvantaged entity status:

Dept. – Water Resources Project and Loan Policies

DRINKING WATER STATE REVOLVING LOAN FUND – LOAN MANAGEMENT POLICIES

[6/27/2019] - Effective Date 4/27/2006 – Original Effective Date [12/31/2020] – Review Date

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1. Disadvantaged Entities – to be considered a Disadvantaged entity, the applicant's MHI must be greater than 80% but less than 100% of the State's MHI, based on the most recent 5-year average of MHI from census data or through a survey acceptable to NMFA.

2. Severely Disadvantaged Entities - to be considered a Severely Disadvantaged entity, the applicant's MHI must be 80% or less of the State's MHI, based on the most recent 5-year average of MHI from census data or through a survey acceptable to NMFA.

3. Applications for Regionalization projects may use the MHI of the community proposed for incorporation into the applicant's water system service area for purposes of determining Disadvantaged entity status. These applications will be limited in scope to project elements related to the provision of water to the Regionalized Community and all assets funded by the loan must be owned and maintained by the borrower.

B. Disadvantaged Community Assistance. Capitalization Grant recipients are required to provide additional subsidy to its borrowers. NMFA provides additional subsidy in the form of loans with principal forgiveness, with the percentage of the principal forgiven determined by the NMFA Board of Directors at loan approval. The principal not forgiven will be structured and priced as provided otherwise in these Loan Management Policies.

C. The amount of additional subsidy provided will be promulgated each year in the State's Intended Use Plan and is subject to federal appropriation. Pursuant to CFR §35.3525(b), DWSRLF capitalization grant recipients must provide at least 6% but no more than 35% of the capitalization grant amount for additional subsidy for state-defined Disadvantaged Communities. From time to time, Congress may require capitalization grant recipients to provide additional subsidy to its loan recipients.

D. No single applicant may receive more than 50% of the total additional subsidy available for disadvantaged communities in any given year. Any additional funds