

rate, but not to exceed seven (7) percent. The rate was at 3.375 percent as of June 1, 2011. It applies to loans that do not meet the criteria for either the poverty rate or the market rate.

- ❖ Borrowers may choose the interest rate in effect on the date of loan approval or on the date of loan closing.

### Is Collateral Required?

- ❖ Loans are secured so as to adequately protect the Government's interest. Bonds or notes pledging taxes, assessments, or revenues may be accepted if they meet statutory requirements. A mortgage or other lien may also be taken on the applicant's property when State laws permit.

### What Should Be Included in an Application?

- ❖ Primary Documents:
  - ❑ Form SF 424, "Application for Federal Assistance (For Construction)."
  - ❑ State intergovernmental review comments and recommendations (Clearinghouse Comments).
  - ❑ Supporting documentation needed to determine eligibility, such as financial statements, audits, organizational documents, existing debt instruments, environmental report, and preliminary engineering report. Applicants will be advised as to necessary documentation.

### Where Should Applications be Filed?

- ❖ In Hawai'i, applications may be filed with the USDA Rural Development State Office in Hilo. Detailed information and applications are available through the following USDA Rural Development State and Local Offices.

USDA Rural Development  
Hawai'i State Office  
Room 311, Federal Building  
154 Waianuenue Avenue  
Hilo, HI 96720-2452  
(808) 933-8317

USDA Rural Development  
Guam Area II Office  
First Hawaiian Bank Building, Suite 303  
400 Route 8  
Hagatna, GU 96910-2011  
(671) 472-7272

USDA Rural Development  
O'ahu Area I Office  
99-193 Aiea Heights Drive, Suite 156  
Aiea, HI 96701-3911  
(808) 483-8600, ext. 124

USDA Rural Development  
Pohnpei Area III Office  
Jem's Building  
P. O. Box 396  
Pohnpei, FM 96941  
(011) (691) 320-2581, ext. 103

**For assistance with the application process, contact:  
Rural Community Assistance Corporation (RCAC)**  
Telephone (808) 573-2053 or (808) 345-1246  
E-mail [jgannon@rcac.org](mailto:jgannon@rcac.org)  
[www.rcac.org](http://www.rcac.org)

RCAC is a private, nonprofit organization [501(c)3] that provides technical assistance, training and financing so rural communities achieve their goals and visions.

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# Hawai'i Water and Waste Disposal Loans and Grants



*RCAC is an equal opportunity provider and employer*

**Providing innovative  
financing solutions  
for Hawai'i**

## Water and Waste Disposal Loans and Grants

The U. S. Department of Agriculture (USDA), Rural Development provides loans, guaranteed loans and grants for water, sewer, storm water and solid waste disposal facilities in cities and towns up to 10,000 people and rural areas with no population limits.

### Who May Receive Assistance?

- ❖ Recipients must be public entities. These can include counties, special purpose districts, and corporations not operated for profit, including cooperatives. A new entity may be formed to provide the needed service if an appropriate one does not already exist.
- ❖ Applicants must:
  1. Be unable to obtain needed funds from commercial sources at reasonable rates and terms.
  2. Have the legal capacity to borrow and to repay loans, to pledge security for loans, and to operate and maintain the facilities.
  3. Propose facilities that are consistent with any development plans of the State or county where the project is to be located. All facilities must comply with Federal, State, and local laws, including those involving zoning regulations, health and sanitation standards, and water pollution control.
- ❖ Grants may be provided when necessary to reduce user costs to a reasonable level. They may cover a maximum of 75 percent of eligible facility development costs.
- ❖ Loan guarantees may be available for up to 90 percent of any eligible loss incurred by the lender. Lenders pay a 1 percent guarantee fee, which may be passed on to the loan recipient.
- ❖ Direct loans and/or grants have been set aside for:
  - Areas designated Enterprise Communities.
  - Certain projects where at least 50 percent of the users of the facility/project are Native Americans.
  - Water emergencies and disaster relief.

## How May Funds be Used?

- ❖ **Loan and grant funds may be used to:**
  1. Construct, repair, modify, expand, or otherwise improve water supply and distribution systems and waste collection and treatment systems, including storm drainage and solid waste disposal facilities. Certain other costs related to development of the facility may also be covered.
  2. Acquire needed land, water sources and water rights.
  3. Pay costs such as legal and engineering fees when necessary to develop the facilities.
- ❖ **Limitations.** Only loan funds (not grant funds) may be used for:
  1. Interest on construction financing.
  2. Initial operation expenses.
  3. Purchase of existing facilities.
  4. Refinancing of eligible debts.

## What are the Loan Terms?

- ❖ The law authorizing the program allows a maximum repayment period of 40 years. However, the repayment period cannot exceed the useful life of the facilities financed or any statutory limitation on the applicant's borrowing authority.

## What is the Interest Rate?

- ❖ Three interest rates are used. They are set periodically based on an index of current market yields for municipal obligations. The most current rates are available on the USDA web site at <http://www.rurdev.usda.gov/UWP-int-rate.htm>.
  1. **Poverty Rate:** As of June 1, 2011 the poverty interest rate was 2.5 percent. The poverty rate applies when:
    - a. The primary purpose of the loan is to upgrade existing facilities or construct new facilities required to meet applicable health or sanitary standards; and
    - b. The median household income (MHI) of the service area is below the poverty line for a family of four or below 80 percent of the Statewide Nonmetropolitan MHI (SNMHI).
  2. **Market Rate:** The market rate is set quarterly based on the average of the "Bond Buyer" 11-Bond Index over a four week period prior to the beginning of the quarter. It applies to loans for projects where the MHI of the service area exceeds the SNMHI. The market rate was 4.25 percent as of June 1, 2011.
  3. **Intermediate Rate:** The intermediate interest rate is the poverty rate plus half of the difference between the poverty rate and the market

## What is the Advantage of USDA Financing?

### Comparison of USDA and Hawai'i SRF Financing for a \$1,000,000 Project

	Term	Interest Rate*	Annual Payment	Total Interest Paid	Total Repaid
Hawai'i SRF Loan	20 Years	3.52%	\$70,488	\$409,769	\$1,409,769
USDA Water and Waste Disposal 100% Loan	40 Years	3.375%	\$45,923	\$836,938	\$1,836,938
USDA Water and Waste Disposal 55% Loan/45% Grant	40 Years	3.375%	\$25,258	\$460,316	\$1,010,316
USDA Water and Waste Disposal 25% Loan/75% Grant	40 Years	3.375%	\$11,481	\$209,234	\$459,234

\*USDA interest rates are updated quarterly. The USDA interest rate shown is the intermediate rate effective June 1, 2011.