



ENVIRONMENTAL POLICY
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Optimizing Interest Rate and Other Loan Policies for SRF Financing



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1. Executive Summary

State Revolving Fund (SRF) financial assistance is delivered through two main forms: "funding" (e.g. grants and principal forgiveness) and "financing" (loans with interest). While preferred by municipalities and water systems, funding is more limited under the SRF programs, and most SRF projects receive some amount of financing. The ability of many communities to accept an SRF loan depends on if states can structure interest rates and loan terms to be repayable by these communities. States must therefore make key policy decisions related to interest rates, loan terms, and fees. In making these policy decisions, states must balance communities' needs for affordable financing with the need to ensure the long-term viability of the SRF programs. Therefore, financing terms are critical to the accessibility, especially for under-resourced communities, of state SRF programs.

This brief explores policy options, analyzes trends across the states, and highlights policies and practices that states should consider when determining interest rate and other loan policies. Key recommendations include:

1.1 Interest Rate Policies

- **Evaluate Fixed vs. Market-Based Rates:** Generally, market-based interest rates tied to bond indices are preferred, especially for leveraged SRF programs, to ensure adequate repayment and financial sustainability.
- **Adopt Tiered or Formula-Based Rate Structures:** States should adjust rate structures based on borrower characteristics, such as offering lower rates for state-defined [disadvantaged communities \(DACs\)](#) and high-priority projects.

1.2 Loan Term Policies

- **Customize Loan Terms:** Flexible loan terms that align with the repayment capacities of underserved and overburdened communities can ease repayment burdens.
- **Offer Shorter Loan Terms for Planning Loans:** State SRF agencies should offer shorter loan terms for planning and eligible projects that can be completed quickly, balancing program longevity with community needs.

1.3 Loan Fee Policies

- **Assess the Impact of Fees:** Understand the significant impact of ongoing administrative fees on total borrowing costs and consider minimizing these to alleviate financial burdens on borrowers.
- **Consider Flexible, Variable Fees:** States should consider providing variable fees that depend on specific conditions such as the type of project or applicant (e.g. providing reduced fees for DACs).

2. Introduction

The State Revolving Funds (SRFs) are the largest federal funding programs for water infrastructure, serving as essential resources for financing local drinking water and wastewater projects across the United States. The SRF programs have collectively channeled billions of dollars to states through the Clean Water State Revolving Fund (CWSRF), established in 1987 under the Clean Water Act (CWA), and the Drinking Water State Revolving Fund (DWSRF), created in 1996 by amendments to the Safe Drinking Water Act (SDWA). Both programs are managed at the federal level by the U.S. Environmental Protection Agency (EPA) but are implemented through state-run programs.

The 2021 Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), significantly expanded the SRFs, infusing more than \$43 billion over five years into these programs. This funding aims to improve drinking water, wastewater, and stormwater infrastructure, with specific allocations for lead service line replacement and addressing emerging contaminants in drinking water.

Within the SRF programs, "financing" and "funding" represent distinct forms of financial assistance. Funding provides financial support without repayment obligations, often through grants or forgivable loans (generally referred to as principal forgiveness), aiding projects or entities that lack the means to repay loans. Financing, on the other hand, involves borrowing money that must be repaid with interest, serving as a critical mechanism for entities capable of and committed to repaying loans over time. It is important to note that because SRF borrowers are typically community water systems or municipalities, it is their customers—water ratepayers or municipal taxpayers—who ultimately shoulder repayment of these loans. The SRFs therefore provide a crucial financing mechanism for many communities by offering competitive loans at or below market interest rates.

While some SRF programs, like the DWSRF and the CWSRF Emerging Contaminants (EC) programs, offer up to 100 percent funding for certain projects, most projects receive an award that includes at least some financing. This means that some portion of the project costs must be repaid to the state SRF agency by the borrowing entity. This maintains the "revolving" nature of these programs, which rely on distributing a portion of funds as loans rather than grants. While additional forms of subsidization, such as principal forgiveness or grants, make up a smaller share of SRF investments, the majority of assistance provided by SRFs continues to be in the form of loans.

Given that the vast majority of SRF projects receive at least some financing, it is crucial to understand how interest rates and other loan terms impact project applicants. The ability of many communities, including state-defined disadvantaged communities (DACs), to accept an SRF loan depends on structuring interest rates and other loan policies in a way that's repayable by these communities. Historically, many communities have been hesitant to raise water rates, leading to inadequate utility revenues and inability to issue debt, and SRF loans may not have been a viable option for critical water infrastructure projects for communities with actual and perceived barriers to increasing debt, including communities that have reached their debt ceiling.

However, multiple policy options are available to states to help structure loans so that communities can repay them, making these financing policies critical to the ability of communities, especially those that are small or under-resourced, to access state SRF resources. This brief aims to unpack the policies around interest rates and other loan policies and provides recommendations and best practices where available.

3. Purpose and Goals of the SRF Programs Require Financing as well as Funding

Though SRF programs have evolved to include more grant funding over time, their initial purpose was to primarily serve as financing tools. Still, a majority of SRF dollars provided under the programs are distributed as loans.

There is an inherent tradeoff that states must make when balancing these two types of financial opportunities. On one side there is the desire to increase the dollars available as grants and forgivable loans to provide funding to communities that are unable to finance water infrastructure projects. This approach, however, decreases the amount of SRF dollars available in future years to spend on additional projects. On the other hand, maximizing the amount of loans increases the amount of dollars for projects in future funding cycles, but reduces the amount of financial assistance available as funding (i.e. grants or principal forgiveness), which is especially important for communities that are unable to repay loans.

Federal regulations clarify that the purpose of the SRF programs is to ensure that each state's program is designed and operated to continue providing assistance for needed water infrastructure projects in perpetuity.^{1,2} Many policy decisions must be made to ensure that funds do not run out under the SRF programs but instead continue to provide for future water infrastructure needs. While the central function of the SRFs is to provide funding and financing that makes water infrastructure projects more affordable, particularly for communities that cannot invest in needed infrastructure upgrades utilizing conventional forms of finance, the countervailing need to maintain the revolving funds in perpetuity also influences the interest rates and other loan terms state offer for SRF loans.

4. Interest Rate Policies

One of the biggest decisions a state SRF agency has to make regarding financing under the SRF programs is **how to structure interest rates and related policies through the program**. These can be broken down into the following questions:

- What interest rate structure does the state use (e.g., fixed or market rate)?
- What interest rate substructure (e.g., tiered, formula-based, or percentage) does the state use?
- Does the state provide interest rate discounts for certain entities (e.g., state-defined DACs) or projects (e.g., urgent need)?

¹40 CFR § 35.3500(a).

²40 CFR § 35.3100(a).

Note that as states make these policy decisions, **there are both practical and regulatory limits on how much or how little state SRF agencies can charge for interest rates.** On the upper end, states are required to make loans at or below the market interest rate.³ The goal of this requirement is to provide more favorable financing than what communities can find elsewhere using other financing methods, like the bond market.⁴

On the other side of the spectrum, there are parameters that states must follow that dictate how low interest rates may be set. First, while some states may use general appropriations to provide state matching dollars needed to draw down federal capitalization grants, other states may opt to use **general obligation or revenue bonds** in order to put up matching funds. If a state elects to use bond proceeds for the state match, they are required to repay interest on the bonds from interest payments collected on SRF loans, which means that interest rates must be non-zero percent. Second, states may **leverage⁷ SRF programs by taking out additional bonds** to further bolster the SRF program⁸.

If a state decides to leverage their program in this manner, interest rates can't be zero percent for all loans because the SRF needs to generate enough revenue to cover its own costs and meet its debt obligations. Therefore, states must charge interest on loans for at least some portion of the projects that receive financing from the SRF program, despite the desire by advocates and communities to keep interest rates as close to zero percent as possible for all projects. SRF interest rate structure, substructure, and decisions about which projects to provide additional discounts to are therefore essential to maintaining a healthy debt coverage ratio and ensuring the financial sustainability of the SRF program into the future. We discuss these policies below.

4.1 Interest Rate Structure

Generally speaking, there are two options available to states in how they can structure interest rates. First, a state SRF agency may adopt a **fixed interest rate structure** where a base rate with no explicit relationship with a bond market index or their state bond rate is utilized.

³See 40 CFR 35.3525(a) for the DWSRF; see also 40 CFR § 35.3120(a) for the CWSRF. ⁴40 CFR § 35.3100(a).

⁴Note however that some communities might still prefer financing projects through municipal bonds over State Revolving Funds (SRFs) due to the complexity and length of the SRF process, which involves a detailed pre-application phase and project scoring period, without a guarantee of full project funding within a given year. Additionally, federal contracting requirements associated with SRFs, such as Buy America Build America and the Davis-Bacon Act, can increase project costs, offsetting the benefits of lower interest rates. In contrast, municipal bonds offer a simpler process without these federal requirements, potentially making them a more cost-effective option.

⁵Note that the EPA has encouraged states not to use bonds to come up with matching funds. Since interest must be paid back to investors, a portion of the money that could have been used for new water projects is instead being used to pay back the interest on bonds. For more on this topic, see OFFICE OF INSPECTOR GENERAL. Catalyst for Improving the Environment. Audit Report: EPA's Allowing States to Use Bonds to Meet Revolving Fund Match Requirements Reduces Funds Available for Water Projects. Report No. 2007-P-00012. March 29, 2007, available at: <https://19january2017snapshot.epa.gov/sites/production/files/2015-11/documents/20070329-2007-p-00012.pdf>.

⁶See 40 CFR §35.3550(g)(3) for the DWSRF. See 40 CFR §35.3135(b)(2) for the CWSRF.

⁷Leveraging refers to the practice of using SRF capitalization grants as security (or the assurance or collateral provided to lenders or bondholders to guarantee the repayment of the bond) for bonds the proceeds of which are deposited in the SRF as authorized in 42 USC §300j-12(2) for the DWSRF, and 33 USC §1383(d) for the CWSRF. Environmental Financial Advisory Board (EFAB), Relative Benefits of Direct and Leveraged Loans in State Revolving Loan Fund (SRF) Programs (August 2008). Available at: <https://nepis.epa.gov/Exe/ZyPDF.cgi/P100AA7K.PDF?Dockey=P100AA7K.PDF>.

⁸See 40 CFR § 35.3525(e) for DWSRF. See 40 CFR § 35.3120 for CWSRF.

A fixed interest rate remains constant for the life of the loan, regardless of market fluctuations, meaning that once set, it does not change. This structure provides stability and predictability by saving borrowers from potential market rate increases. However, it could potentially harm the long-term sustainability of the state's SRF program if market rates increase and could end up costing borrowers more in the long run if interest rates decrease.

Alternatively, the state SRF agency may adopt a **market rate structure** where either a state bond issuance rate for a prescribed fiscal period or one of multiple industry-standard bond market indices are utilized as a rate benchmark. Examples of market rate benchmarks include: Bond Buyer's Municipal Bond Index; AAA Municipal Market Data (MMD) Rate; and State Treasury Rates. Under this type of structure, rates are adjusted periodically based on changes in the benchmark rate. These rate structures are more volatile, fluctuate with the market, and make long-term financial planning challenging for borrowers. However, they are generally competitive and reflective of current market conditions, potentially resulting in lower initial rates when the market is favorable.

4.2 Interest Rate Substructure

Within the two broad interest rate structure categories described above, multiple substructures exist to further describe how the state SRF agency administers its rate basis. The following substructures describe both fixed and market interest rate structures.

Fixed		Fixed and Market		Market	
Substructure	Definition	Substructure	Definition	Substructure	Definition
True Fixed	A loan where the interest rate remains constant for the entire term of the loan	Formula	Establishes a mathematical equation that utilizes various statistics and other data from the borrowing locality as inputs to determine a final rate	Percentage	Some SRFs stipulate a standard percentage discount from a market rate determined by borrower and project characteristics
		Tiered	Rate discounts are based upon loan term length, locality median household income, or other statistical measures		
		Variable	Some SRF programs that retain a fair degree of administrative flexibility and discretion in establishing the final rate with no explicit terms		

Table 1: Interest Rate Structures

4.3 Discounts for State-Defined Disadvantaged Communities and Certain Projects

In addition to developing an interest rate structure and substructure, state SRF agencies can decide to give additional interest rate discounts to state-defined DACs or to certain types of projects. While states still must balance the longevity of the SRF program with the need to provide suitable rates for applicants, the need to provide favorable interest rates is even stronger for communities who cannot afford to take on much debt. Further, the state SRF agencies may want to incentivize certain types of projects through interest rate discounts.

4.4 What are States Doing?

States employ a mix of fixed, variable, tiered, and formula-based rate structures, with various substructures for both DWSRF and CWSRF programs. The choice of structure and substructure often depends on the state's financial strategies and the characteristics of the borrowers. In addition, we see the following trends across states:

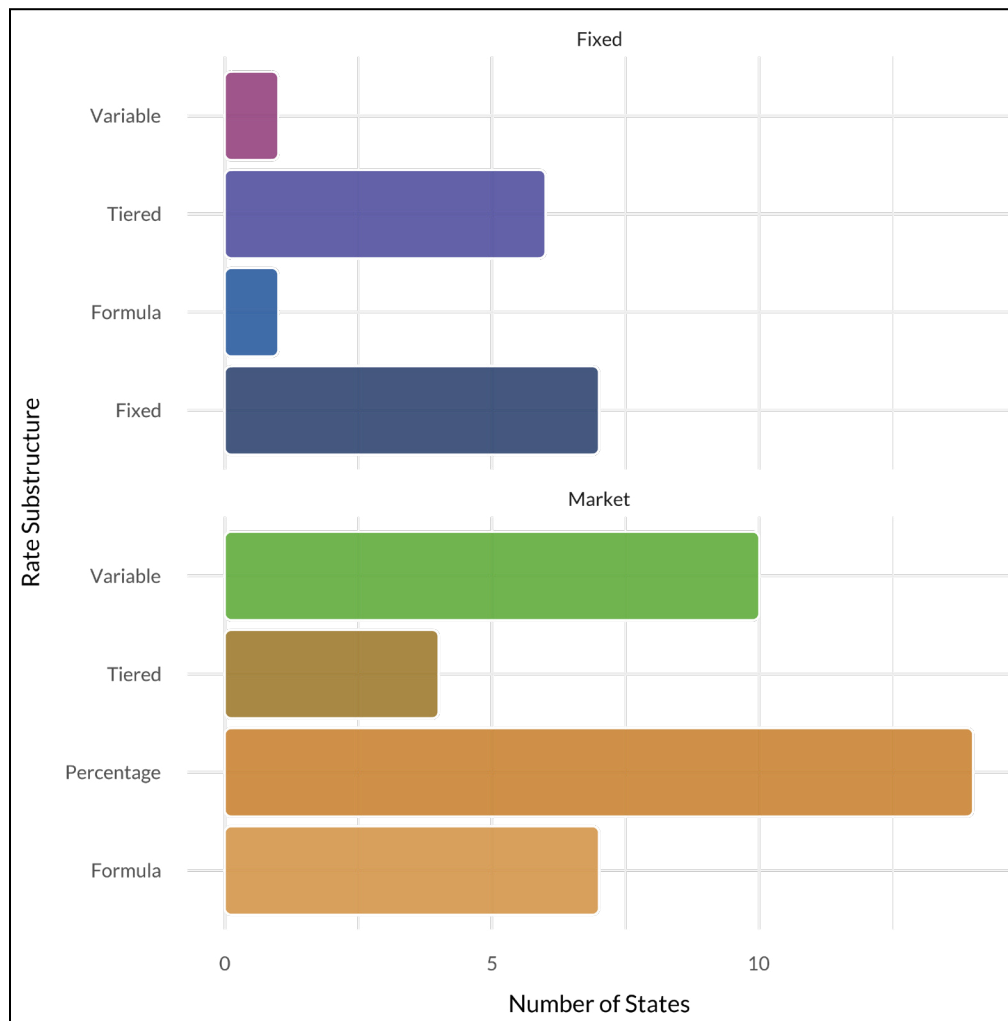


Image 1:
Distribution of
DWSRF and CWSRF
Programs by Rate
Structure⁹

⁹Jake Adams, Variation in Borrowing Costs Between Different States' Drinking Water and Clean Water State Revolving Fund Programs, Environmental Policy and Innovation Center, available at: <https://www.policyinnovation.org/blog/srf-borrowing-costs>.

- **Rate Structure:** The most commonly used interest rate structure is a market-based approach, with two-thirds of states adopting this structure. Within market-based structures, a percentage-based substructure is typically used.
- **Lowest and Highest Rates:** Rates vary significantly, with some states offering as low as zero percent interest (e.g. Vermont), and others charging 3.5 percent for thirty-year terms (e.g. Arkansas) or up to 4 percent for for-profit systems (e.g. New Mexico).
- **Rate substructure:** As noted above, while the most commonly used interest rate structure is a market-based approach, the most commonly used rate substructure is one that's percentage-based. Meanwhile, under the fixed approaches, true fixed, tiered, and formula-based substructures are almost evenly tied for the most popular substructure.
- **State-Defined Disadvantaged Communities¹⁰ and Prioritized Projects:** Both DWSRF and CWSRF programs provide significantly lower rates for state-defined DACs.

Approximately 20 states explicitly provide discounted interest rates for state-defined DACs under the DWSRF, while 22 states have similar discounts for state-defined DACs under the CWSRF. For example, Michigan offers a tiered system for DWSRF with rates as low as 1 percent for significantly overburdened communities and a similar structure is seen in their CWSRF program. Similarly, states often provide rate reductions for projects that address specific needs such as lead service line replacement, green infrastructure, and projects that address urgent public health needs. For instance, Indiana provides an additional interest rate discount of 0.5 percent for projects that receive funding under the Green Project Reserve and those that have nonpoint source project features.

See [Appendix A](#) to see which states adopted a market or a fixed rate structure, and the resulting interest rate amounts.

4.5 Interest Rate Policy Considerations and Recommendations

As states develop policies around interest rates, we recommend considering the following:

- **Ensure Transparency:** States should clearly communicate how their interest rate structure is determined and provide borrowers with important information that will help aid long-term planning associated with their borrowing.
- **Evaluate Fixed vs. Market-Based Rates:** Generally speaking, market-based approaches are preferred to fixed rate structures, especially where SRF funds are heavily leveraged. In these cases, if interest rates don't respond to market conditions, the state's SRF programs may not be able to adequately repay debt obligations. States may set a market-based interest rate based on a municipal market yield curve or a bond index, both of which are commonly used to assess bond rates. However, states should evaluate whether fixed rate approaches might better serve borrowers, especially in times of rising market rates, as opposed to rates tied to fluctuating bond markets.

¹⁰For more information on zero percent interest rates under the Lead Service Line Replacement program, see [our blog](#).

- **Adopt Tiered or Formula-Based Rate Structures:** States should consider adopting tiered or formula-based rate structures that adjust based on borrower and project characteristics to provide more tailored financial support.
 - *Eligibility for favorable interest rates:* Under a tiered interest rate structure, the state should consider providing favorable interest rates to **state-defined DACs and urgent or high-priority projects**. This approach provides further opportunity for applicants that have significant financial burdens to be able to access SRF financing and incentivizes investments in essential projects. Examples of projects that the state may want to provide favorable interest rates to include: urgent need projects, projects in rural areas, loans for preparation of asset management plans, green projects, and more.
 - Note that where the state SRF agency leverages SRF funds, **higher tiers of interest can be utilized for projects using leveraged money**. Examples of states that utilize this approach include New York, Ohio, and Texas. This flexible approach allows some projects to have a larger discount interest rate while ensuring projects that benefit from leveraged funds can repay the debt burden taken on by the state to provide additional loans made possible through leveraging. Importantly, it appears that states which very actively leverage their SRFs also provide zero percent interest for state-defined DACs, meaning they are able to provide more loan financing overall while also providing deeper interest rate discounts for all DACs.¹¹
 - State SRF agencies should also consider providing different interest rates for equivalency vs. non-equivalency projects. Equivalency projects are those that meet all federal requirements such as environmental reviews, Davis-Bacon wage rules, American Iron and Steel provisions, and other federal procurement and contracting standards. In contrast, non-equivalency projects must only meet federal anti-discrimination, super-crosscutter requirements. **States may want to consider lower interest rates for equivalency projects, as meeting crosscutter requirements often increases project costs.**
- **Conduct Periodic Reviews:** Regularly review interest rate policies and fee structures to ensure they remain effective and fair in changing economic conditions and adhere to programmatic goals for program longevity.
- **Take Input From Stakeholders Into Consideration:** Consider input from comments received during the IUP process and other engagements with key stakeholders, including municipal entities, utilities, and communities to understand their needs and challenges and adjust SRF policies accordingly to improve water infrastructure affordability and accessibility of the SRFs.

¹¹While we currently only have anecdotal observations at this time from a few states that leverage their programs and provide 0% interest rates, a comprehensive analysis on this could uncover the underlying principals, policies, and market exigencies that drive these patterns.

5. Loan Term Policies

In addition to interest rate policies, loan terms—the duration over which the loan will be repaid—are critical factors that determine the attractiveness of a loan to potential applicants. Longer loan terms can often make repayments more manageable by spreading them over an extended period, which can be especially beneficial for state-defined DACs or other communities that may struggle to repay loans in a shorter time period.

For the DWSRF, the maximum loan amortization period is up to 30 years for any eligible recipient.¹² However, for state-defined DACs, this period can extend to 40 years or the design life of the project, whichever is shorter.¹³ In contrast, the CWSRF has a loan term limit of up to 30 years or the useful life of the project, whichever is shorter.¹⁴ Note that certain states, like Indiana, New Jersey and Ohio provide extended loan terms past 30 years under the CWSRF—which has been obtained through EPA approval to go beyond the 30 year loan term.

5.1 What are States Doing?

Generally, states provide loan term lengths up to 20-40 years for the DWSRF and 20-30 years for the CWSRF, with state-defined DACs typically eligible for longer terms.

Under the **DWSRF**, we see the following trends

- **20-year term:** 22 states offer up to a 20-year term, with four of these states (Massachusetts, Rhode Island, Tennessee, and Washington) offering this as the longest term for any applicant regardless of DAC status or any other special condition of the applicant.
- **30-year term:** 37 states explicitly offer up to 30-year terms, with a majority of these states (24) offering up to 30-year terms for any applicant regardless of DAC status or any other special condition of the applicant.
- **Over 30-year term:** 19 states provide options for loan terms over 30-years (one state with a 35-year term and 18 states with 40-year term options), with only a handful offer this option for non-DACs (i.e. Georgia, Kansas, and Michigan).

Under the **CWSRF**, we see the following trends

- **20-year term:** 22 states use a 20-year term as their standard option for CWSRF loans, with many offering extended terms for state-defined DACs and other special conditions.
- **30-year term:** Most states (41) provide up to 30-year loan terms, with 32 states offering these terms for any applicant regardless of DAC status or any other special condition of the applicant.

¹² 42 U.S.C. §300j-12(f).

¹³ *Id.*

¹⁴ 33 U.S.C. §1383(d).

- **Over 30-year term:** Only three states (Indiana, New Jersey and Ohio) offer over 30-year terms, reflecting its rarity and the additional criteria required for such an extended loan period. Additionally, New Jersey occasionally extends loan terms up to 45 years for specific longer-lived projects like Combined Sewer Overflow (CSO) mitigation projects.

In addition to these standard term durations and extended durations for state-defined DACs, some states provide shorter loan-term options for specific types of projects. Examples include:

- **DWSRF:**
 - At least four states (i.e. California, Kentucky, Massachusetts, and Washington) offer up to five or ten-year term options for certain pre-construction projects, such as planning, asset management, and design projects.
- **CWSRF:**
 - Three states (i.e., Nebraska, Ohio, and South Dakota) offer up to five or ten-year term options for certain projects, such as planning, asset management, interim financing, and design projects.

[Appendix B](#) shows each state and the loan term lengths provided under the DWSRF and CWSRF.

5.2 Loan Term Considerations and Recommendations

As state SRF agencies consider how to structure loan term policies in their SRF programs, we provide the following considerations and recommendations:

- **Customize Loan Terms:** States SRF agencies should utilize the flexibility of SRF programs to customize loan terms that align with the repayment capacities of underserved and overburdened communities.
- **Offer Shorter Loan Terms for Planning Loans:** In order to balance the needs of the state to maintain the longevity of the SRF program and to help communities plan for water infrastructure projects, state SRF agencies should consider flexible loan terms for planning and other eligible projects that can be completed in a shorter timespan.
- **Consider Loan Term Length and Interest Rates:** States should consider how extended loan term lengths might not be wholly beneficial if, for example, interest rates are not also discounted for state-defined DACs, as longer loan term lengths could result in communities paying more over the duration of the loan. States should consider decreasing interest rates for longer-term disadvantaged borrowers where possible.

6. Loan Fee Policies

In contrast to interest rates, loan fees are intended to cover the actual administrative costs of loan origination and closing or to support specific programs offered through the SRF and other eligible uses of funds.

These fees are typically charged either as a percentage of the principal at closing or are incorporated into the interest rate as an annual administrative fee. Based on the data analyzed, **ongoing fees included in the annual rate have a significantly greater impact on borrowers' total costs than fees charged as a flat percentage of the principal at closing.**¹⁵

States also vary in their use of these fees: some apply them to cover annual administrative expenses, while others establish reserve funds, earmarking them for future SRF-eligible programs or initiatives. Additionally, some states use a portion of the funds as program revenue, creating a source of capital for future loans.

It is important to note that even when interest rates are kept low to make loans more attractive, fees might still be necessary to ensure the ongoing management and operation of the program. However, states must make sure to balance interest rate and fees with keeping SRF loans affordable for borrowers. This balance helps maintain the financial health and sustainability of the SRF programs while providing essential support to communities for water infrastructure projects.

6.1 What are States Doing?

Across states, there is considerable variability in the types and amounts of fees assessed under SRF programs. Some states explicitly describe the types of fees they assess, such as administrative or origination fees, while others only specify how the fee is calculated, such as a percentage of the outstanding balance (e.g. 2 percent). On the other hand, some states (e.g. Alabama) provide no information about loan fees at all.

Under both the **DWSRF** and **CWSRF**, we see the following trends:

- Annual fees are most commonly used, with 23 states (46 percent) under the DWSRF and 33 states (66 percent) under the CWSRF utilizing annual fees.
 - Two states under both the DWSRF (Kentucky and Louisiana) and CWSRF (Hawaii and Kentucky) require payment of fees on a semi-annual basis.
- One-time fees are the next most commonly utilized fee type, with 8 states (16 percent) under the DWSRF and 9 states (18 percent) under the CWSRF utilizing one-time fees.
- A handful of states under the DWSRF utilize both annual and one time fees, with 5 states (10 percent) utilizing both fee types under their program. Meanwhile, only one state (Iowa) under the CWSRF utilizes both a one-time and semi-annual fee.
- Several states do not utilize fees, representing 10 percent of states under the DWSRF and 6 percent of states under the CWSRF or may be as little as 0.08 percent (e.g. Tennessee).

¹⁵ Jake Adams, Variation in Borrowing Costs Between Different States' Drinking Water and Clean Water State Revolving Fund Programs, Environmental Policy and Innovation Center. Available at: <https://www.policyinnovation.org/blog/srf-borrowing-costs>.

- Other states have high fees, like Mississippi—which charges up to 5 percent of the initial loan principal or the total amount of interest over the life of the loan—or Maine—which has a one-time, 1 percent project management fee on principal and up to 5 percent administrative fee under the DWSRF, and a 3.5 percent administration fee and 1.5 percent fee charged by state Bond Bank under the CWSRF.
- Several states do not provide information about fees, including 5 states (10 percent) under the DWSRF and 2 states (4 percent) under the CWSRF.

Some **special cases** include:

- The Hawaii DWSRF program assesses different fees for municipal and programmatic financing projects (1.5 percent) versus private projects (up to \$1,000 flat fee).
- Nebraska has a reduced rate for planning loans (.5 percent) versus construction loans (1 percent).
- The Indiana DWSRF and CWSRF programs do not use a percentage rate for loan fees, instead opting for a flat fee of \$1,000 for closing.
- Some states like Delaware explicitly state that fee waivers may be possible.

See [Appendix C](#) for a list of the fees assessed by each state DWSRF and CWSRF program.

6.2 Loan Fee Policy Considerations and Recommendations

The following considerations and recommendations can help guide state SRF agencies when determining loan fee policies:

- **Ensure Transparent Fee Structures:** Ensure transparency in how fees are structured and utilized, with clear communication to borrowers, such as the total cost implications and whether the fee is assessed on an ongoing annual basis or paid once. Some states collect loan fees to cover administrative costs but then build up surpluses of unspent fee revenues over the years. Where this is happening, states should consider reducing fees to ensure economic burden on borrowers is kept to a minimum.
- **Assess the Impact of Fees:** Understand the significant impact of ongoing administrative fees on total borrowing costs, and consider minimizing the fees to alleviate financial burdens on borrowers, particularly those that are under-resourced.
- **Consider How The State Can Utilize Administrative Set-Asides to Reduce Loan Fees:** Generally, we see the states that offer low or no fees are accounting for their program costs either through interest rates or their administrative set-aside. These can accrue over the years and can result in significant reserve funds available to offset the need for fees. If a state is not utilizing the full set-aside for administrative fees, it should consider these set-asides as a way to reduce burden on borrowers.

- **Consider Flexible, Variable Fees:** States should consider providing variable fees that depend on specific conditions such as the type of project or applicant. For example, New York assesses variable administrative fees depending on the financing tier for both DWSRF and CWSRF, and Vermont provides a 1.5 percent reduction in administrative fees for state-defined DACs.
- **Consider the Tradeoff Between Interest Rates and Loan Fees:** There is a practical limit to how much states can charge borrowers before those borrowers seek alternative financing options. On top of interest rates, fees increase the cost of loans. Therefore, to support the aim of the SRF program to provide affordable financing, states should always be striving to keep fees to the minimum necessary to sustain a viable program. However, since loan fees do not support growth of the program, states should consider the proportion of interest rate versus fees, since reducing the interest rate on a loan to accommodate a fee diminishes the program's future funding capacity if the fee is not directly allocated for program purposes.¹⁶

7. Conclusion

In conclusion, the SRF programs play a pivotal role in financing essential water infrastructure projects across the United States. These programs, bolstered by the recent infusion of funds from the IIJA, offer a combination of funding and financing options to support a wide range of projects. The balance between grants and loans, along with the structure and terms of these loans, is crucial to ensuring the sustainability and accessibility of the SRFs.

The diverse approaches to interest rate policies, loan terms, and fee structures across states reflect the flexibility and adaptability of the SRF programs. States employ various approaches to these policy decisions to cater to the specific needs and capacities of different communities. This diversity allows for tailored financial support, particularly for state-defined DACs that might struggle with higher interest rates or rigid loan terms. The success of these programs hinges on the thoughtful consideration of interest rate policies, loan terms, and fee structures, ultimately contributing to the long-term health and viability of the nation's water systems.

¹⁶70 FR 61039, providing guidance on fees charged under the CWSRF, available at: <https://www.federalregister.gov/documents/2005/10/20/05-21014/guidance-on-fees-charged-by-states-to-recipients-of-clean-water-state-revolving-fund-program>

About EPIC

The Environmental Policy Innovation Center (EPIC) is a nonprofit organization whose mission is to build policies that deliver spectacular improvements in the speed and scale of environmental progress. We deliver data-driven policy analysis, innovation, and technical assistance to expand and enhance access to safe, reliable, and affordable water infrastructure so communities and nature can thrive.

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Appendix A: DWSRF and CWSRF Interest Rate Structures and Rates by State as of Spring 2024

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Alabama	Market Rate	Variable	1-1.5% lower than prevailing muni bond rate for 'AAA' rated localities	Market Rate	Variable	1-1.5% lower than prevailing muni bond rate for 'AAA' rated localities
Alaska	Market Rate	Formula	Bond Buyer's Municipal Bond Index - Bond rate less than 4%: 0.5% for <1-year, 1% 1-5-year, 1.5% 6-20-year, 2% 20-30-year; Bond rate greater than 4%: 0.5% <1-year, 1% + (0.5 x (bond rate - 4)) for 1-5-year, 1.5% + (0.625 x (bond rate - 4)) for 6-20-year, 2% + (0.75 x (bond rate - 4)) for 20-30-year	Market Rate	Formula	Bond Buyer's Municipal Bond Index - Bond rate less than 4%: 0.5% for <1-year, 1% 1-5-year, 1.5% 6-20-year, 2% 20-30-year; Bond rate greater than 4%: 0.5% <1-year, 1% + (0.5 x (bond rate - 4)) for 1-5-year, 1.5% + (0.625 x (bond rate - 4)) for 6-20-year, 2% + (0.75 x (bond rate - 4)) for 20-30-year
Arizona	Market Rate	Formula	Formula to determine rate: Combined Interest and Fee Rate (CIFR) - Fee (1.5% governmental, 3% non-governmental) = rate	Market Rate	Formula	Formula to determine rate: Combined Interest and Fee Rate (CIFR; 70-95% of tax-exempt AAA MMD rate) - Fee (1.5%) = rate
Arkansas	Fixed Rate	Tiered	2.5% for 10-year, 3% for 20-year, 3.5% for 30-year	Fixed Rate	Tiered	Random, 0% for 10-year, 0.75% for 20-year, 1.25% for thirty-year
California	Market Rate	Percent	50% of CA average GO bond rate for previous calendar year	Market Rate	Percent	50% of rate obtained by State Treasurer for California's most recent GO bond sale; 25 basis point (.25%) reduction to standard rate for 20-year or less financing term

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Colorado	Market Rate	Percent	70% market rate of AAA-rated drinking water revenue bonds sold by state financing authority	Market Rate	Variable	Loans greater than \$3M: 80% of CWRPDA AAA rated municipal bonds for leveraged loan program, 3% for 20-year, 3.25% for 30-year; loans less than \$3M: 1-2.25% for DACs depending on qualifications
Connecticut	Market Rate	Variable	An eligible drinking water project shall bear an interest rate not exceeding one-half the rate of the average net interest cost as determined by the last previous similar bond issue by the state of Connecticut as determined by the State Bond Commission" Connecticut General Statute 22a-478	Fixed Rate	Fixed	2% fixed interest as defined by Connecticut General Statute
Delaware	Fixed Rate	Fixed	1% per annum (lower rates available based on projected residential user rates)	Fixed Rate	Fixed	1% fixed interest; lower rates available based on projected residential user rates as percentage of MHI

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Florida	Market Rate	Formula	Percentage of weekly average yield in Bond Buyer 20-Bond GO Index; Median Household Income variable in formula to determine rate	Market Rate	Formula	"The CWSRF financing rate is determined using the Bond Buyer 20-Bond GO Index average market rate for the full weeks occurring during the three months in the preceding fiscal quarter and applying that average rate to a formula which also uses the affordability index and population served or to be served as variables in the calculation."
Georgia	Market Rate	Percent	True interest cost (TIC) of state's general obligation bond issue, 50% below benchmark rate	Market Rate	Percent	2.63% market benchmark (true interest cost of state's GO bond issue); rates 0.5% below benchmark
Hawaii	Fixed Rate	Tiered	Municipal project-based: .65%; Programmatic Financing: .25%; Private Systems: 2.75%; rates established unless market rates are lower	Market Rate	Variable	.25% annual interest rate

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Idaho	Fixed Rate	Variable	Ceiling rate 2%, floor rate 1.25%	Fixed Rate	Variable	Ceiling rate of 2.5%, floor of 1.5% for 20-year loans; ceiling of 2.75%, floor of 1.75% for 30-year loans; DACs may qualify for rates below 1.5%
Illinois	Fixed Rate	Fixed	1/2 the mean interest rate of the 20 GO Bond Buyer Index from July 1 to June 30 in preceding state fiscal year; small and hardship communities qualify for lower fixed rates	Market Rate	Percent	Base rate equals 50% of average 20 GO Bond Buyer Index for preceding fiscal year; small communities eligible for 25% reduction from base rate; hardship loans eligible for fixed 1% rate
Indiana	Market Rate	Percent	Rates at or below 90% of average 20-year AAA rated GO bond municipal market data; further discounts for applicant's median household income and local user rates; additional discount of .5% if Green Project Reserve or non-point source project features; reduction to 0% for qualifying lead line projects	Market Rate	Percent	Base Interest Rate equal to 90% of daily average 20-year AAA GO Municipal Market Data (MMD) index for most recent calendar month; rates reset in January, April, July, and October; further discounts available based upon Median Household Income (MHI) and projected user rates

¹⁷Information is provided in the next section for Kentucky's methodology for MHI determination. 1. The standard rate is applied when the MHI is equal to or above the Kentucky MHI of \$48,392. 2. The first non-standard rate is applied for the following reasons: a. When the MHI is greater than 80% but less than the Kentucky MHI; b. Projects that meet the definition for regionalization; or c. Projects necessary for compliance with an Agreed Order or Consent Decree. 3. The second non-standard rate is applied when the MHI is equal to or below 80% of the Kentucky MHI. This rate is also known as the Disadvantaged Community Rate (DCR). a. Projects that qualify for the DCR are eligible for principal forgiveness consideration for and may request a loan amortization up to 30 years or the life expectancy of the facilities being financed.

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Iowa	Fixed Rate	Tiered	0% interest for planning and design loans (max 3 year terms); 1.75% for standard and DAC loans (up to 30 years); 2.75% for non-DAC extended loans (up to 30 years) and taxable loans (up to 20 years)	Fixed Rate	Tiered	0% rates for planning and design loans; 1.75% for standard 20-year term tax exempt, 3.53% for taxable; 2.75% for extended term (21-30 years) tax exempt, 4.53% for taxable
Kansas	Market Rate	Percent	60-80% of previous three months' average of Bond Buyers 20 Year GO Index: up to 20 years - 60%, 20-30 years - 70%, 30-40 years - 80%	Market Rate	Percent	Gross interest rate (interest plus fee) equal to 60% of previous three months' average Bond Buyers 20-year GO Index
Kentucky	Market Rate	Tiered	Tiered system based on 20 Bond GO Index; 2.5% standard rate for applicants with Median Household Income of >\$46,535; 1.5% non-standard rate for MHI \$37,227-\$46,534; .5% non-standard rate for DACs with MHI < \$37,228; flat 2.5% rate for all planning and design loans	Market Rate	Formula	Rates are based on prevailing market conditions with the 20 Bond General Obligation Index as a reference rate. Kentucky has one standard interest rate and two non-standard interest rates for the CWSRF program primarily dependent upon the community's Median Household Income (MHI). ¹⁷
Louisiana	Market Rate	Variable	Rates from 0% to market; currently 2.45% and set by Secretary of Louisiana Dept of Health	Fixed Rate	Fixed	0.95% fixed rate; lower rates or additional subsidization (principal forgiveness) available for green infrastructure projects

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Maine	Market Rate	Variable	Loans eligible for up to 200 BP (2%) subsidy below MMBB cost of tax-exempt funds with floor rate of 1%	Market Rate	Percent	Rates set at two-thirds of the one-year AAA municipal tax exempt rate or 1%, whichever is higher
Maryland	Market Rate	Percent	Standard rate = 50% of market; DAC rate = 25% of market; market benchmark is average of Bond Buyer 11-Bond Index for month preceding loan closing	Market Rate	Percent	Rates based on average of Bond Buyer 11-Bond Index for month prior to closing; Standard rate ranges from 0.7% to 1.6%; DAC rate from 0.3%-0.8%
Massachusetts	Fixed Rate	Fixed	2% standard rate; some eligible projects for PFAS remediation at 0%	Fixed Rate	Fixed	2% fixed rate; some lower rates available for specific projects
Michigan	Fixed Rate	Tiered	20-year loan: 2.50%, 2% overburdened, 1% significantly overburdened; 30-year loan: 2.75%, 2% overburdened, 1% significantly overburdened; 40-year DAC loan: 2% overburdened, 1% significantly overburdened	Fixed Rate	Tiered	Annual fixed interest rate based upon demand, market conditions, program costs, and future project needs; current 20-year rate 1.875%; 30-year rate 2.125%; 30-year DAC rate 1.875%

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Minnesota	Market Rate	Variable	At or below market rates (including 0% interest for some loans)	Market Rate	Variable	Rates determined by market rate index or state public facilities authority (PFA) bond market rate (whichever is higher) less a 1.0% discount; borrowers with service area population below 2,500 may receive additional discounts
Mississippi	Market Rate	Formula	Lesser of 1.95% or 20-year AAA tax-exempt revenue bond yield published by FMS-bonds, Inc.	Fixed Rate	Tiered	0.8% annual fixed interest rate for 20-year term; 1.8% annual rate for 30-year term
Missouri	Market Rate	Percent	Bond Buyers 25-Revenue Bond Index on 30-year revenue bond yield	Market Rate	Percent	Rate 70% below Bond Buyer's 25-Revenue Bond Index published the week before closing
Montana	Fixed Rate	Fixed	Rates published by project priority list in IUP; webpage states 2.5% fixed rate	Fixed rate	Fixed	2.5% fixed rate for SFY23 (set annually); 1.75% rate for interim financing loans (shorter of construction period or three years)

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Nebraska	Market Rate	Formula	1/3 average of 10- and 30-year municipal bond rates; rate reductions available for eligible projects	Market Rate	Percent	Rates set at one-third the average of the 10- and 30-year Municipal Bond rates at the start of each quarter
Nevada	Market Rate	Percent	No direct loans - individual applicants must issue bonds via State Treasurer; 62.5% of Bond Buyer market rate for 20-year loans; refinancing loans rate equal to rate of current MMD AAA curve plus 25 BP; some short-term loans may qualify for special rate at or below market	Market Rate	Percent	CWSRF applicants are required to issue a bond purchased by State Treasurer; rates typically 62.5% of 20-year Bond Buyer Index for 20-year loans, 62.5% plus difference between 20-year MMD and 30-year AAA curve for 30-year loans
New Hampshire	Fixed Rate	Tiered	.7925% 5-year loan; 1.585% 10-year loan; 2.3775% 15-year loan; 2.536% 20-year loan; 2.536% 30-year loan (DACs only); rates fixed annually using 11-Bond Index published by The Bond Buyer	Market Rate	Tiered	Rates based on 11 GO Bond Index; 2% for 5- to 10-year term, 2.3775% for 15-year term, 2.5360% for 20- to 30-year term
New Jersey	Market Rate	Tiered	Three loan rate tiers: Affordability (DACs), 75% minimum interest free and principal forgiveness; Base Public, 50% interest free; Base Investor-Owned, 25% interest free; rate benchmark is I-Bank AAA market bond funds	Market Rate	Percent	Base CWSRF rate - 50% of I-Bank AAA Market Interest Rate

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
New Mexico	Fixed Rate	Fixed	.01% public systems rate, 3% non-profit, 4% for-profit systems; 0% rate for DACs	Fixed Rate	Tiered	Rate tiers fixed annually; 0% for public entities with per capita income (PCI) below 75% of statewide average, 0.5% for public entities with PCI equal to or less than state, 1% for PCI greater than statewide
New York	Market Rate	Variable	Based upon terms of NY Environmental Facilities Corporation (EFC) issued bonds; current rate as of publication 2.44%; some subsidies available; 0% interest available for hardship loans according to policy	Market Rate	Tiered	Rates tiers: short-term subsidized financing, interest-free for half of eligible project costs and market-rate for balance; short-term market-rate financing, MMD AAA scale 1-year plus issuance costs; short/long-term hardship financing, interest free; long-term market-rate financing, market rates based on state Environmental Finance Corporation (EFC) bond rating; long-term subsidized financing, 50% of EFC bond rating

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
North Carolina	Market Rate	Formula	1/2 Bond Buyer's 20-Bond index	Market Rate	Percent	Base CWSRF interest rate one-half of the Bond Buyer's 20-Bond Index; targeted discounts available for DACs down to 0%
North Dakota	Fixed Rate	Fixed	1.5% fixed rate	Fixed Rate	Fixed	Fixed rate of 1.5%
Ohio	Market Rate	Tiered	Standard rate calculated monthly using average of Municipal Market Data (MMD) Index and adding 30 basis points, discounts from standard rate based on tiered system: small systems .5% below standard; DACs 0%; planning/design 0%;	Market Rate	Tiered	Design and Planning loans with term of five years or less, 0% interest; standard rate based on MMD Index; small communities standard rate to 0.5%; hardship community tier 1, 0%; hardship community tier 2, 1%

¹⁸The figures used for unemployment rate comparison are the rates from the previous calendar year as reported by the Pennsylvania Department of Labor and Industry. For projects that serve multiple counties, the highest unemployment rate of the counties involved shall be used. For projects located within municipalities for which unemployment rates exist which would qualify the project for lower interest rates than if the relevant county unemployment rate were used, the unemployment rate of that municipality may be used in determining the interest rate of the loan. If the county unemployment rate exceeds the statewide average unemployment rate by 40% or more, the maximum interest rate allowable for projects in that county is 1% for the first five years of the term, and 25% of the interest rate the Commonwealth must pay for the bonds it has issued to finance the program for the remainder of the term; some supplemental grant available for financially distressed communities.

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Oklahoma	Market Rate	Percent	70% of MMD AAA scale spot rates plus .4-.76% to account for rate risk depending on loan term	Market Rate	Percent	Rate set at 60% of MMD AAA scale, plus 0.4% to 0.76% to account for rate risk for shortest to longest maturities
Oregon	Market Rate	Percent	Base rate = 80% of previous quarterly municipal Bond Buyer 20 Index; DACs eligible for sliding scale rate between base and 1%	Market Rate	Tiered	Rates based on average 20-year municipal bond rate published by Federal Reserve; 30-year terms subject to rate premium based on demographics; shorter terms have lower rates; rates updated quarterly

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Pennsylvania	Market Rate	Formula	Minimum rate 1%, maximum calculated by comparing unemployment rate of applicant's county to statewide average; if county unemployment rate > state average by 40% or more, maximum rate is 1% for first five years of term and 25% of state's rate for bonds issued to finance program for remainder of loan term; if county rate > state average by less than 40%, max rate is 30% of state bond rate for first five years and 60% for remainder of term; if county rate < state average, max rate 60% state bond rate for first five years and 75% for remainder of term	Fixed Rate	Formula	Minimum rate set at 1%; Maximum interest rates are determined by comparing the unemployment rate of the county in which the project is located to the statewide average unemployment rate. ¹⁸
Rhode Island	Market Rate	Percent	1/4 off individual borrower's market rate, determined by financial advisors of applicant and Rhode Island Infrastructure Bank	Market Rate	Percent	Interest is subsidized at 66% (33% below) the state's borrowing rate

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
South Carolina	Fixed Rate	Tiered	1.4% standard rate, 1.2% small system rate, 1.2% green rate (meeting EPA Green criteria); certain basis point reductions available depending on loan term	Fixed Rate	Tiered	Standard rate of 1.4%; 1.2% small system rate based upon qualifying criteria; 1.2% green infrastructure rate; 50 basis points (0.5%) added for 30-year loan terms; terms below 15 years reduced by 20 to 40 basis points (0.2-0.4%)
South Dakota	Market Rate	Tiered	Base rate of 2.5% to 3% depending on loan term; DAC rate of 1.75%-2.75% for 10- to 30-year term based on MHI; 0% rate available for DACs with MHI less than 60% of state average; market benchmark according to bond rating indexes	Market Rate	Tiered	Rates based on market and tiered based upon loan term and type of financing (interim, base, and nonpoint source incentive); rates from 1.75% to 3%
Tennessee	Market Rate	Formula	Based on applicant's Ability to Pay Index and Market Rate (variable from 40-100% of Bond Buyer Indices and MMD GO Yields	Market Rate	Formula	Rates based on market index assigned using Ability to Pay Index (ATPI); market benchmarks are Bond Buyer and Municipal Market Data GO Yields, generally 40-100% of market after ATPI formula is applied based on income and demographic factors

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Texas	Market Rate	Percent	30-35% reduction (65-70%) of Thomson Reuters Municipal Market Data (MMD) rate applicable to borrower's rating	Market Rate	Percent	Rates set as percentage reduction from the Thomson Reuters Municipal Market Data (MMD); rates set five business days prior to adoption of financing ordinance/ resolution or execution of financial assistance agreement
Utah	Market Rate	Variable	Set upon project priority ranking based upon Revenue Bond Buyer Index (RBBI) as base rate	Market Rate	Variable	Set upon project priority ranking based upon Revenue Bond Buyer Index (RBBI) as base rate
Vermont	Fixed Rate	Fixed	Currently offered at 0% interest	Fixed Rate	Fixed	Currently offered at 0% interest
Virginia	Market Rate	Variable	Ceiling rate - 100 to 150 basis points (1-1.5%) below MMD yield (muni bond rates); for DACs, look at demographics/ income statistics for 0% loans and principal forgiveness	Market Rate	Tiered	Rates based on MMD Yield and tiered by term length; 20-year ceiling rate 1.5% discount from market; 25-year ceiling rates 1.25% discount from market; 30-year ceiling rate 1.0% discount from market

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Washington	Fixed Rate	Formula	Affordability Index formula (MHI, monthly water rate, loan amount, total connections): 1.25-1.75% rate range; loan fee waivers available	Market Rate	Tiered	Rates based on average 11-Bond GO Index rate for 30-180 period prior to new funding cycle at 80%, 60%, or 30% of market; rates tiered based upon loan term; 5-year term, 0.4-0.5%; 20-year term, 0.7-1.1%; 30-year term, 1.1-1.4%; additional rate discounts for financial hardship

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
West Virginia	Market Rate	Variable	Rates based below AAA Municipal Yield Market rates as benchmark; 2.75% for non-disadvantaged systems, .5-1.25% for DACs based upon Affordability Standard of annual water rates	Fixed Rate	Formula	The eligibility criterion for low interest loan consideration will be based upon 3,400 gallons of monthly water usage. The DEP will use this criterion to determine the interest rate on loans. The maximum allowable term of the loans will be determined using the following range of user rates and MHI data: Less than 1.5% MHI: 2.75% interest rate, .25% annual admin fee, 20-year term 1.5% to 1.74% MHI: 1.75% interest rate, .25% annual admin fee, 21 - 30-year term 1.75% to 2.0% MHI: .75% interest rate, .25% annual admin fee, 21 - 30-year term Greater than 2% MHI: 0.25% interest rate, .25% annual admin fee, 31 - 40-year term

State	DWSRF			CWSRF		
	Rate Benchmark	Rate Type	Rate Structure	Rate Benchmark	Rate Type	Rate Structure
Wisconsin	Market Rate	Percent	Rates at 33-55% of state market rate (rate would have been paid if fixed-rate revenue bond issued at time loan is originated)	Market Rate	Percent	Rate based on 20-year AAA rate from Municipal Market Advisors (MMA) Municipal High Grade GO Index; discount from market based on loan term length
Wyoming	Market Rate	Variable	Current rates from .5-2.5% based upon Range of Yield Curve Scales for 20-year BAA rated bonds; 0% loans available in some instances	Market Rate	Variable	Rates from 0-2.5% based on market indices; generally higher rate for longer terms

Appendix B: Loan Term Lengths under DWSRF and CWSRF by State as of Spring 2024

State	DWSRF		CWSRF	
	Loan Term Length	30-Year Loan Conditions	Loan Term Length	30-Year Loan Conditions
Alabama	20 years	30 years only considered under special circumstances	Generally 20-year term; up to 30-year term available	Loan term cannot exceed useful asset life of project; 30-year terms only under special circumstances
Alaska	<1-year to 30-year	None; variable rate for higher term loan	<1-year to 30-year	None; variable rate for higher term loan
Arizona	Up to 30 years	Loan terms cannot exceed useful asset life of project	Up to 30 years	Loan terms cannot exceed useful asset life of project
Arkansas	10-, 20-, 30-year	1.5% rate for 30 year loans for regionalization, 0% interest for lead (and no fee)	10-, 20-, 30-year	1.5% rate for 30 year loans for regionalization, 0% interest for lead (and no fee)
California	5-10-year terms for planning projects; lesser of 30 years or useful life of asset	Lesser of 40 years or asset useful life for SDAC communities	Up to 30 years	5-10 years for planning loans; lesser of 30 years or useful life of asset for construction
Colorado	Up to 30 years	Lesser of 30 years or useful life of asset	Up to 30 years	Lesser of 30 years or useful life of asset
Connecticut	Up to 20 years generally, 40-year terms for DACs	Qualification as disadvantaged community under Table 1 of IUP; loan terms up to 40 years	Up to 20 years	Not available
Delaware	Up to 30 years	Lesser of 30 years or useful life of asset	Up to 30 years	Lesser of 30 years or useful life of asset

State	DWSRF		CWSRF	
	Loan Term Length	30-Year Loan Conditions	Loan Term Length	30-Year Loan Conditions
Florida	Up to 30 years	Must qualify as "financially disadvantaged community"	Up to 20 years	Not Available
Georgia	Up to 40 years	Lesser of 40 years or useful life of asset; only for communities designated as disadvantaged	Up to 30 years	Lesser of 30 years or useful life of asset
Hawaii	Up to 30 years; DACs eligible for up to 40	Must qualify as DAC to be eligible for greater than 30-year term	Up to 30 years	Projects selected for funding are financed based on no more than the useful life of the project or 30 years, whichever is less.
Idaho	Not to exceed 20 years; 30-year terms for DACs	Must qualify as DAC for 30-year term	Up to 30 years	DACs eligible for 30-year loan terms; term may not exceed asset useful life
Illinois	Generally 20; up to 30 years for DACs	Must qualify as DAC for 30-year term; lesser of 30 years or useful life of asset	Up to 30 years	DACs eligible for 30-year loan terms; term may not exceed asset useful life
Indiana	Generally 20; up to 35 or 40 years for qualifying projects	Must qualify as DAC; special EPA approval of 35-year terms for all Indiana public utilities for aging infrastructure in 2017; small rate increases for loan extensions beyond 20 years	Standard 20-year terms; up to 30 years in discretion of SRF administrator; 35-year terms authorized to correct aging infrastructure; term may not exceed asset useful life	30-year terms in discretion of administrator; up to 35 years authorized for aging infrastructure
Iowa	Generally 20; up to 30-year terms based on useful asset life	Lesser of 30 years or useful life of asset	Standard 20-year terms; up to 30 years available	Available depending on nature of project; loan term may not exceed asset useful life
Kansas	Up to 40 years	None	Standard 20-year terms	Unknown

State	DWSRF		CWSRF	
	Loan Term Length	30-Year Loan Conditions	Loan Term Length	30-Year Loan Conditions
Kentucky	5 years for planning/design; construction generally 20, discretion for up to 30, up to 40 for DACs	Up to 30 at DWSRF Board's discretion; up to 40 for DACs; term cannot exceed useful life of asset	Standard 20-year terms; 30-year terms available	Must qualify as DAC; loan term may not exceed asset useful life
Louisiana	Up to 30 years	Unknown	Standard 20-year terms	Unknown
Maine	Generally 20 years; 30 years for DACs	Qualification as DAC	Maximum term of 30 years	Loan term cannot exceed asset useful life
Maryland	Generally 30; up to 40 for DACs	Must qualify as DAC; loan term cannot exceed asset useful life	Up to 30 years	Not to exceed useful life of asset
Massachusetts	Generally 30; up to 40 for DACs	None	Standard 20-year term	Not Available
Michigan	Up to 40 years	Qualification as DAC	Standard 20-year term; 30-year terms available	Not Available
Minnesota	Generally 20 years; 30 years for loan recipients with cost of project exceeding 1.2% of median household income	Loan recipient must have project cost exceeding 1.2% of median household income; no more than 30 year term	Standard 20-year terms; 30-year terms available based upon community MHI	Up to 30-year terms if average annual residential cost would exceed 1.4% of MHI
Mississippi	30 years; 40 years for DACs	Must qualify as DAC	Standard 20-year terms; 30-year terms available	Loan term may not exceed asset useful life

State	DWSRF		CWSRF	
	Loan Term Length	30-Year Loan Conditions	Loan Term Length	30-Year Loan Conditions
Missouri	20 years	30 years adds 0.25% to interest rate	Standard 20-year terms; 30-year term available	Additional 0.25% interest for 30-year terms; loan term may not exceed asset useful life
Montana	20 years; 30 years for DACs	Must qualify as DAC	Standard 20-year term; extended 30-year term available	Loan term cannot exceed asset useful life
Nebraska	30 years; 40 years for DACs	Must qualify as DAC	Up to 30 years; planning loans up to five years	Loan term cannot exceed asset useful life
Nevada	Generally 20 years; up to 30 years for DACs	Must qualify as DAC; lesser of 30 years or useful life of asset	Standard 20-year terms; 30-year terms available	Project assets must have useful life of 30 years, borrower's financial and managerial capacity can support 30-year term, State Treasurer's Office agrees to the purchase of a 30-year term bond, funds are available for 30-year terms
New Hampshire	Up to 30 years	Must qualify as DAC for 30-year loan term	Standard up to 20-year term; 30-year term available	Useful life of funded asset must be at least 30 years
New Jersey	Up to 30 years	Lesser of 30 years or useful life of asset	Up to 30-year terms generally; up to 45-year terms for Combined Sewer Overflow (CSO) projects	Loan term cannot exceed asset useful life; project must qualify as CSO for 45-year term
New Mexico	Up to 30 years	Up to 30 years for all applicants	Up to 30-year terms	Loan term cannot exceed asset useful life
New York	Up to 30 years	Up to 30 years or useful life of asset, whichever is lesser	Up to 30-year terms	Loan term cannot exceed asset useful life

State	DWSRF		CWSRF	
	Loan Term Length	30-Year Loan Conditions	Loan Term Length	30-Year Loan Conditions
North Carolina	Set by state statute and federal requirements	General federal guidelines permit up to 40 years or useful life of asset, whichever is lesser	Up to 30-year terms	Loan term cannot exceed asset useful life
North Dakota	Generally 30 years; up to 40 years for DACs	Must qualify as DAC	Up to 30-year terms	Loan term cannot exceed asset useful life
Ohio	Generally 30 years; up to 40 years for DACs	Must qualify as DAC	Maximum five year terms for design and planning loans; up to 45 years for construction loans	Loan term cannot exceed asset useful life
Oklahoma	Generally 30 years; up to 40 years for DACs	Must qualify as DAC	Maximum term of 30 years	Loan term cannot exceed asset useful life
Nebraska	30 years; 40 years for DACs	Must qualify as DAC	Up to 30 years; planning loans up to five years	Loan term cannot exceed asset useful life
Oregon	Up to 30 years	Lesser of 30 years or useful life of asset	Maximum term of 30 years	Loan term cannot exceed asset useful life
Pennsylvania	Generally 20; 30- and 40-year terms in special circumstances	Generally 20 years; up to 30 or 40 years based upon formula (see IUP)	Standard up to 20-year term; 30-year term available	Must qualify as DAC; loan term may not exceed asset useful life
Rhode Island	Up to 20 years	None	20-year terms	None
South Carolina	Up to 30 years	Lesser of 30 years or useful life of asset	Up to 30-year terms	Loan term may not exceed asset useful life; blended amortizations provided for assets with different useful life

State	DWSRF		CWSRF	
	Loan Term Length	30-Year Loan Conditions	Loan Term Length	30-Year Loan Conditions
South Dakota	Up to 30 years	Lesser of 30 years or useful life of asset	Up to five-year terms for interim financing; maximum 30-year terms for other loans	Term cannot exceed useful life of project
Tennessee	Up to 20 years	Not available; 20 years or useful life of asset, whichever is shorter	Maximum term of 30 years	Loan term cannot exceed useful life of project
Texas	Up to 30 years	Qualification as DAC	Maximum term of 30 years	Loan term cannot exceed useful life of project
Utah	Generally 30 years; up to 40 years for DACs	Qualification as DAC for 40-year term (lesser of 40 years or useful asset life)	Loan terms vary but typically do not exceed 20 years, with extended term financing up to 30 years.	The maximum term of the Onsite Wastewater Systems loans will be 10 years; The maximum term of Large Underground Wastewater Disposal System project loan will be twenty years but not beyond a term exceeding the depreciable life of the project; the maximum term of Nonpoint Source project program loans will be twenty years but not beyond a term exceeding the depreciable life of the project.
Vermont	Up to 20 years; up to 40 years for DACs	Qualification as DAC; 40 years or asset useful life, whichever is lesser	Up to 20 years; up to 30 years maximum	The term of the loan shall not exceed 30 years for clean water projects
Virginia	Up to 30 years; up to 40 years for DACs	Lesser of 30 years or useful life of asset; up to 40 years for DACs	Maximum 30-year term	Loan term may not exceed useful life of asset
Washington	Up to 10 years for pre-construction; up to 20 years for construction	30 year terms not available	Maximum 30-year term	Loan term may not exceed useful life of asset

State	DWSRF		CWSRF	
	Loan Term Length	30-Year Loan Conditions	Loan Term Length	30-Year Loan Conditions
West Virginia	20 years non-disadvantaged; up to 30 years for DACs; possible extension to 40-year term	Qualification as DAC; 40 years or asset useful life, whichever is lesser	Maximum 20 years, with final payment of bonds for DACs to not exceed 40 years from completion date	The annual repayment of principal and payment of interest begins not later than one (1) year after project completion and that the final payment date shall not exceed twenty (20) years from said completion date; provided that in the case of a disadvantaged community that the final payment for the bonds shall not exceed the earlier of the useful life of the project or forty (40) years from said completion date
Wisconsin	Generally 20 years; up to 30 years for certain eligible projects	Lesser of 30 years or useful life of asset; asset cost-weighted average design life must be documented	Generally 20 years; up to 30 years available	Loan term may not exceed useful life of asset
Wyoming	Generally 20 years; 30 years available for DACs	Qualify as DAC	Generally 20-years; maximum 30-year repayment term	Loan term may not exceed useful life of asset; green project reserve projects eligible for 0% interest and 30-year financing

Appendix C: DWSRF and CWSRF Fees and Fee Type by State as of Spring 2024

State	DWSRF Fee	Fee Type	CWSRF Fee	Fee Type
Alabama	Not Available	N/A	Annual fee based on outstanding principal; not specifically listed	Annual
Alaska	0.5% of balance	Annual	0.5% of balance	Annual
Arizona	1.5% governmental, 3% non-governmental	Annual	1.5% of balance	Annual
Arkansas	1% 'fee' included in all those loans which is separate from the 4% admin fee cap	Annual	1% 'fee' included in all those loans which is separate from the 4% admin fee cap	Annual
California	NTE 1% of balance	Annual	Not Available	N/A
Colorado	NTE 1.25% of balance	Annual	Up to 0.8% of loan interest	Annual
Connecticut	Fees covered by administrative set-aside for fund	None	Fees covered by administrative set-aside	None
Delaware	NTE 1%; fee waivers possible	Annual	No lower than 1% annual fee	Annual
Florida	2% admin fee assessed in first two repayments	Two-Time	One-time 2% service fee on total principal	One-time

State	DWSRF Fee	Fee Type	CWSRF Fee	Fee Type
Georgia	Not specific; one-time origination fee based on total financing	One-Time	Not specific; one-time origination fee based on total financing	One-time
Hawaii	1.5% for municipal and programmatic financing projects, up to \$1,000 flat fee for private; fees added to interest rates for total annual rate	Annual	Semi-annual fee of 0.5%; fees added to interest rates for total annual rate	Semi-Annual
Idaho	1% of loan balance	Annual	1% of unpaid balance due with regular loan payments	Annual
Illinois	None; administrative costs supported by outside Loan Support Program (LSP)	None	Fee is 50% of the annual interest rate (loan support portion)	Annual
Indiana	Flat \$1,000 fee for loan closing	One-time	Flat \$1,000 closing fee; additional non-specified CWSRF fee	One-time
Iowa	0.5% origination fee; additional .25% servicing fee for construction loans	One-time	0.5% loan origination fee on construction loans (not to exceed \$100,000); 0.25% loan servicing fee assessed on outstanding balance, paid semi-annually on construction loans	One-time and Semi-annual
Kansas	Rolled into gross interest rate: first four years of repayment - interest rate minus .35%; remainder fee .35%	Annual	Loan service fee of .25% included in gross interest rate	Annual
Kentucky	.25% on outstanding loan balance, semi-annual payments	Semi-annual	0.2% of outstanding loan balance paid with each semi-annual loan payment	Semi-annual
Louisiana	.5% of outstanding balance, semi-annual payments	Semi-annual	0.5% on outstanding loan balance	Annual

State	DWSRF Fee	Fee Type	CWSRF Fee	Fee Type
Maine	One-time 1% project management fee on principal, up to 5% administrative fee	Annual and One-time	3.5% administration fee and 1.5% fee charged by state Bond Bank	Annual
Maryland	5% of aggregate debt service divided by number of annual payments; roughly .5% increase for 20-year loan and .35% increase for 30-year	Annual	5% of aggregate debt service divided by loan term, collected annually	Annual
Massachusetts	Origination fee: NTE \$5.50/\$1,000 for cost of bond issuance; .15% of loan principal annual admin fee	Annual and One-time	Annual administrative fee of 0.15% of outstanding loan principal; may also charge amount NTE \$5.50 per \$1,000 as loan origination fee to cover bond issuance expenses	Annual
Michigan	None currently; utilization of 4% set-aside from fed cap grant to cover fees, but currently evaluating	None	Not Available	N/A
Minnesota	Not Available	N/A	Servicing fee of up to 2% of each loan payment	Annual
Mississippi	5% of initial loan principal or total amount of interest due over life of loan, whichever is less	Annual	5% of final loan principal collected with loan repayments	Annual
Missouri	0.5% of balance	Annual	Up to 0.5% of outstanding loan balance due annually	Annual
Montana	Not Available	N/A	0.25% loan loss reserve surcharge and 0.25% administrative surcharge included in base 2.50% rate	Annual
Nebraska	Up to 1% on construction loans; up to .5% on planning loans	Annual	Up to 1% annual fee on construction loans, up to 0.5% on planning loans; billed when principal and interest payments are due	Annual
Nevada	None currently; statutory authority exists to implement	Semi-annual	Loan origination fee of 0.5% of base loan amount	One-time

State	DWSRF Fee	Fee Type	CWSRF Fee	Fee Type
New Hampshire	2% outstanding principal balance	Annual and One-time	2% annual administrative fee	Annual
New Jersey	Fixed 2% fee on total project costs	Annual	Annual administrative fee of up to 0.17% per annum on the total original loan amount	Annual
New Mexico	1% fee built into principal upon closing; .25% add on fee assessed on outstanding principal balance	Annual and One-time	Administrative fee not to exceed 5% of total loan amount; fee is variable and included in annual interest rate payments	Annual
New York	Variable based upon loan type	Unclear	Variable administrative fees depending on financing tier	Annual
North Carolina	2% of principal balance	Annual	2% loan fee	Annual
North Dakota	0.5% annual fee	Annual	0.5% administrative fee paid with loan repayments	Annual
Ohio	1% admin fee from Ohio EPA, .35% admin fee from Ohio Water Development Authority; both fees due at time of loan award and eligible project cost	One-time	0.2% of annual interest rate	Annual
Oklahoma	0.5% annual fee on unpaid loan balance; flat application fee of \$100-\$500 based on loan size	Annual and One-time	0.5% administrative fee on unpaid principal balance	Annual
Oregon	Not Available	N/A	0.5% administrative fee on unpaid principal balance	Annual
Pennsylvania	No Fees	N/A	No Fees	N/A

State	DWSRF Fee	Fee Type	CWSRF Fee	Fee Type
Rhode Island	1% loan origination fee, .3% annual service fee on outstanding principal balance	Annual and One-time	1% loan origination fee on all loans; 0.3% service fee charged by Rhode Island Infrastructure Bank	One-time
South Carolina	Yes; not specifically listed	N/A	0.35% closing fees charged on all loans except for any project receiving principal forgiveness	One-time
South Dakota	0.25% admin fee	Annual	0.25% administrative surcharge rolled into interest rate	Annual
Tennessee	0.08% admin fee	Annual	0.08% loan fee charged on all loans	Annual
Texas	2% origination fee at closing	One-time	Loan origination fee of 1.75% assessed at closing	One-time
Utah	1% loan origination fee	One-time	1% loan origination fee on principal loan amount	One-time
Vermont	0-2.75% administrative fee (1.5% reduction for DACs)	Annual	0-2.75% administrative fee (1.5% reduction for DACs)	Annual
Virginia	Up to 1.5% administrative fee	Annual	Annual 0.2% administrative fee collected with loan payments	Annual
Washington	2% origination fee for pre-construction loans	One-time	None	N/A
West Virginia	0.25% unpaid loan balance paid evenly over life of loan	Annual	0.25% annual administrative fee	Annual

State	DWSRF Fee	Fee Type	CWSRF Fee	Fee Type
Wisconsin	0.25% loan service fee included in interest rate	Annual	0.25% service fee on outstanding loan balance rolled into annual interest rate	Annual
Wyoming	0.5% loan origination fee at closing	One-time	0.5% origination fee at closing	One-time