

Information on Small Community Planning Loans

Public Act 147 of 2000 provided authorization allowing the Michigan Finance Authority (MFA) to establish a Small Issuer Planning Loan Program to implement the planning loan provisions of Public Act 26 of 1997. This new program allows municipalities serving less than 10,000 people to borrow up to \$100,000 on a short-term basis to pay for eligible planning costs that were incurred for a Drinking Water Revolving Fund (DWRF) loan project.

Key facts about this new program include:

- Only a municipality which is listed on the annual DWRF Project Priority List (PPL) will be eligible to receive a planning loan. A qualifying municipality should check the appropriate box on its *DWRF Project Plan Submittal Form* to indicate its interest in receiving a planning loan and separately submit a completed *Small Community Planning Loan Application*.
- The MFA intends to close on all planning loans during the 1st Quarter of the fiscal year.
- Small Community Planning Loans will have a maturity not to exceed five years.
- The planning loan interest rate will be the same as the interest rate established by the DEQ Director for the DWRF program for the year in which the planning loan is originated.
- Principal and interest payments will be due on October 1st in each subsequent year for the life of the loan.

If a qualifying municipality is confirmed by the DEQ to be a "disadvantaged community" [as defined in MCL§324.5402(c)], its short-term planning loan can be forgiven at the time of loan award for DWRF construction. A grant will be provided from the Act 399 technical assistance set-aside fund. The outstanding principal and accrued interest on the Small Community Planning Loan will then be due and payable 30 days after receipt of the grant.