

MICHIGAN STATE INFRASTRUCTURE BANK PROGRAM INTEREST RATE POLICY

As stated in the federal Primer on the State Infrastructure Bank (SIB) Program, “SIBs can assist projects through a variety of innovative financing techniques, including a range of loans and credit options that provide flexibility to tailor financial assistance to meet a project’s specific needs. Examples of assistance to be offered by SIBs include low interest flexible term loans, debt service guarantees, lines of credit, and other capital financing support.” The Michigan SIB is relatively small and is only able to offer low interest flexible term loans to meet a project’s specific needs.

Flexibility is achieved by varying one or more of the following loan terms:

- Amount of the loan*
- Length of term*
- Variable repayment schedule
- Rate of interest

** Within the limit established in Michigan Guidance and state and federal law.*

Generally, loans will be made at the rate of interest established by the Administrator in state guidance for the program in order to maintain and increase the amount of funds in the SIB available to be loaned. Recognizing, however, that some important projects that would not be financially feasible without that option, in reviewing loan applications consideration must be given to:

- The importance of the project to regional and local transportation needs.
- The size of the project relative to the annual funding available to the applicant.
- The ability of the applicant to repay the loan in the context of their on-going responsibilities.
- Whether an emergency or natural disaster has precipitated the need for the loan.

Taking these factors into consideration, the Administrator may reduce the interest to between the rate established in guidance and zero on a case by case basis. No more than 25 percent of the loans made by the SIB shall be below the established rate.