



# WIFIA

PROGRAM

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**LOANS FOR STATE  
INFRASTRUCTURE  
FINANCE AUTHORITIES**

**NOVEMBER 2023**



# MISSION STATEMENT

The Water Infrastructure Finance and Innovation Act (WIFIA) program accelerates investment in our nation's water and wastewater infrastructure by providing long-term, low-cost, supplemental credit assistance under customized terms to creditworthy water and wastewater projects of national and regional significance.



# BACKGROUND

- State Infrastructure Finance Authorities (SRFs) have always been eligible to apply for WIFIA loans
- However, America's Water Infrastructure Act (AWIA) for 2018 made some changes for these borrowers
  - AWIA 2018 also created a new loan program solely for State Infrastructure Finance Authority borrowers
- The WIFIA program has closed 4 loans to SRFs:
  - 2 loans to the Indiana Finance Authority in 2019
  - 2 loans to the New Jersey Infrastructure Bank in 2022



# AVAILABLE WIFIA FUNDING

- FY2023 Notice of Funding Availability announces an estimated \$7.5 billion--\$6.5 billion WIFIA, \$1 billion SWIFIA--available in WIFIA financing
  - This will support \$15 billion in water infrastructure projects
- More information on WIFIA Available Funding available at: [epa.gov/wifia/wifia-available-funding](https://epa.gov/wifia/wifia-available-funding)



# ELIGIBLE BORROWERS

## State infrastructure financing authority

- EPA defines State infrastructure financing authority as the State entity established or designated by the Governor of a State to receive a capitalization grant provided by, or otherwise carry out the requirements of, title VI of the Federal Water Pollution Control Act or section 1452 of the Safe Drinking Water Act





# ELIGIBLE PROJECTS

- A combination of projects, each of which is eligible for assistance under section 603(c) of the Federal Water Pollution Control Act or section 1452(a)(2) of the Safe Drinking Water Act for which a State infrastructure financing authority submits to the Administrator a single application
- The SWIFIA project includes all the SRF-funded projects being included in the request for credit assistance. This includes both the SRF-funded projects that will be financed with the SWIFIA loan (up to 49% of SWIFIA Project costs) and the SRF-funded projects that will be financed by other sources
- Total SWIFIA project costs must be at least \$20 million



# CREDIT TERMS



Interest rate will be equal to or greater than the U.S. Treasury rate of a similar maturity



Maximum final maturity date from first disbursement



Maximum portion of eligible SWIFIA project costs that EPA can fund



Pledged portfolio must be creditworthy



Maximum time that repayment may be deferred after first disbursement



# FLEXIBLE FINANCIAL TERMS

## Disbursements

- Multiple disbursements at no additional cost to the borrower
- May be synchronized with funding needs, reducing the amount of accrued interest

## Customized repayment schedule

- Repayment period is 35 years from first disbursement
- Payments may be deferred up to 5 years after first disbursement
- WIFIA loans can be amortized to complement other debt repayments

## Prepayment

- There is no penalty for prepayment

## Low Interest Rate

- Established at closing and may receive multiple disbursements at the same fixed interest rate





# CREDITWORTHINESS

The pledged portfolio for the SWIFIA loan must be creditworthy and demonstrate a reasonable assurance of repayment over the term of the loan

- EPA will use proxies, such as the underlying bond ratings, to gage the portfolio's credit strength.
- The fact that SRFs may only underwrite loans with dedicated revenue streams is factored into the assessment.



# OPTIONS FOR LEVERAGING WITH WIFIA LOANS

## SWIFIA LOANS

- NOFA
- Simplified SRF-specific Letter of Interest
- Project Selection – First Come, First Serve
- Emphasis of readiness to proceed
- SRF-specific application
- All loans are senior, parity
- Streamlined underwriting process
  - Either EPA accepts existing indenture (subject to statutory requirements and WIFIA policy) or borrower accepts SWIFIA standard terms
- NEPA determination using PEA

## BASE PROGRAM LOANS

- NOFA
- More detailed Letter of Interest
- Project Selection- Scoring
- Emphasis on priorities announced in NOFA
- Loans can be senior or subordinate
- Bespoke underwriting process
- NEPA determination using PEA

**Letters of Interest for both programs may be submitted at any time**





# SWIFIA LOAN PROCESS



# LOAN PROCESS

## Project Selection

- Notice of Funding Availability
- Letter of Interest submission
- Letter of Interest evaluation
- Invitation to apply

## Project Approval

- Application submission
- Application evaluation
- Due diligence
- Loan documentation
- Closing

**Letters of Interest may be submitted at any time!**



# TYPES OF CREDIT ASSISTANCE

**Under the SWIFIA program, EPA is offering senior loans, on parity with a state infrastructure financing authority's other senior capital market debt of the same credit quality.**

- The maximum amount of SWIFIA credit assistance to a project is 49 percent of eligible SWIFIA project (which is the bundle of SRF-funded projects submitted for SWIFIA funding)
- Prospective SWIFIA borrowers may request one the following loan structures:
  - EPA adopts the State infrastructure financing authority's existing indenture (to the extent the terms are permissible under Federal law and regulation and WIFIA program policies); or
  - The State infrastructure financing authority accepts EPA's standard terms



# PROJECT SELECTION





# PROJECT SELECTION

**WIFIA and SWIFIA Letters of Interest (LOI) may be submitted at any time!**

- Prospective borrowers should submit all LOIs electronically via EPA's SharePoint site
  - To be granted access to the SharePoint site, prospective borrowers should contact [wifia@epa.gov](mailto:wifia@epa.gov) and request a link to the SharePoint site, where they can securely upload their LOIs
  - Once the complete LOI is uploaded, prospective borrowers should notify WIFIA by sending an email to [wifia@epa.gov](mailto:wifia@epa.gov)
- There is no fee to submit a letter of interest
- EPA will notify prospective borrowers that their letter of interest has been received via a confirmation email



# LETTER OF INTEREST FORM

- All responses should be entered into the PDF document available at <https://www.epa.gov/wifia/wifia-application-materials>
- Supporting documents may be provided as attachments
  - No limit on length or number of attachments, but should be referenced in form
  - May be preliminary or draft documents
- Signature pages may be signed digitally or submitted as a separate, scanned document



# LETTER OF INTEREST EVALUATION

**Project selection ensures that the SWIFIA borrowers that are invited to apply are:**

- Eligible
- Creditworthy
- Indenture Review
  - The review will focus on identifying any elements that would preclude the WIFIA program from accepting the indenture, such as:
    - Flow of funds and use of excess cash flow
    - Additional bonds test
    - Coverage requirement
    - Security establishment for senior debt protection
    - Defaults and remedies
- Supporting EPA to meet the public policy goals outlined in the WIFIA statute and NOFA



# INVITATION TO APPLY

- The WIFIA program will provide written notification indicating the amount that the for which the prospective borrowers can submit an application



# PROJECT APPROVAL



# PROJECT APPROVAL

Each application review is tailored to reflect the complexity and risk of the proposed project

The review focuses on:

- Creditworthiness
  - Requires submission of a preliminary and final credit rating letter
- Engineering due diligence
- Legal aspects of the proposed project and credit structure
- NEPA determination, use Programmatic Environmental Assessment for SRF programs.





# WIFIA FEES

There is no fee to submit a LOI

## An application fee is due with the application

- This is a down payment on credit processing costs
- This expense can be financed as part of the WIFIA loan
- The amount is \$100,000 for large communities and \$25,000 for small communities

## The credit processing fee reimburses EPA for partial expense of underwriting the loan

- It is limited to external advisory or proportional internal costs if advisors are not retained
- This expense can be financed as part of the WIFIA loan
- Charges are based on actual work on the application and vary based on complexity of transaction and amount of legal negotiation
- This fee typically ranges from \$150,000-\$250,000 but depends on borrower, loan complexity

## De minimus post closing fees for construction monitoring and loan servicing



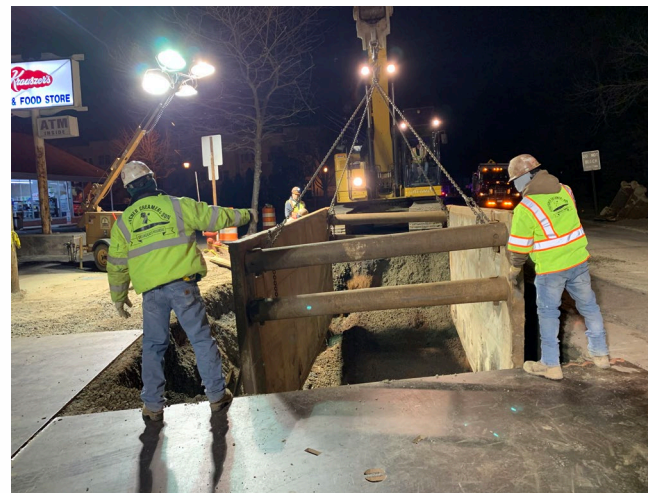


# NEW JERSEY I-BANK SWIFIA LOAN



# NJIB SWIFIA LOAN OVERVIEW

- In December 2022, the New Jersey Infrastructure Bank received a \$500 million SWIFIA loan to help finance 140 water infrastructure projects across the state.
- Projects include lead service line replacement, PFAS filtration system installation, water meter replacement, and water system rehabilitation.
- Over 90 communities, including 36 small and rural communities and 39 disadvantaged communities, will benefit from these projects.
- Saves NJIB approximately \$62.5 million.



# NJ I-BANK SWIFIA GENERAL REQUIREMENTS

- The WIFIA Act requires that all SWIFIA loan recipients covenant that pledged revenues will be sufficient to cover scheduled debt service by at least 1.0x.
- OMB Circular A-129 requires that federal credit programs impose a default rate in the event of payment default. A default rate is included in all WIFIA loan agreements including SWIFIA loan agreements.
- WIFIA incorporates standard default language that protects the U.S. government's interest and bestows certain recourse rights should one or more bankruptcy related events occur.



# NJ I-BANK SWIFIA SPECIFIC FEATURES

- SWIFIA loan financing integrated with NJIB's longstanding program financing indenture. Loan is senior parity with outstanding and future market facing debt obligations
- Disbursements structured to occur in annual increments. Each disbursement is a draw under the SWIFIA Loan and matched with proceeds provided from market facing bond issues and equity
- SWIFIA loan provides option for designated projects and loan recipients to be removed and replaced, and subject to funding availability, to add additional projects and loan recipients. (all federal requirements continue to apply)
- SWIFIA loan amortization schedule may be adjusted post-close subject to a weighted average maturity limit ( Indiana was structured with a yield curve lock). SWIFIA loan amortization follows loan disbursement.





# CONTACT INFORMATION AND RESOURCES



# MEETING WITH WIFIA PROGRAM STAFF

EPA is happy to meet with all prospective borrowers interested in discussing the program prior to submission of a letter of interest

- Send requests to [wifia@epa.gov](mailto:wifia@epa.gov)
- Meetings may be virtual or in-person



# RESOURCES

## General Information

<https://www.epa.gov/wifia/about-wifia>

- What is WIFIA?
- What is SWIFIA?
- WIFIA Benefits
- WIFIA Loan Process
- Laws and Regulations

## Application Materials

<https://www.epa.gov/wifia/wifia-application-materials>

- Letter of Interest form
- Letter of Interest checklist
- Sample Letter of Interest
- Sample financial pro forma

## Program Resources

<https://www.epa.gov/wifia/wifia-program-resources>

- Template Term Sheet
- Federal Compliance Requirements
- Program Handbook
- FAQs

## Learn More

<https://www.epa.gov/wifia/learn-more-about-wifia>

- Annual Report
- Videos
- Presentations and Factsheets



# CONTACT US

Website: [www.epa.gov/wifia](http://www.epa.gov/wifia)

Sign-up to receive announcements  
about the WIFIA program at  
<https://tinyurl.com/wifianews>

Have questions? Want to meet with  
WIFIA staff?

Contact us at [wifia@epa.gov](mailto:wifia@epa.gov)

