

WAC 173-98-400 Loan interest rates. (1) Interest will accrue on each disbursement as it is paid to the recipient. This is "deferred interest." Deferred interest is added to the principal at project completion.

(2) The department bases loan interest rates on the average market interest rate. The average market interest rate is:

(a) Based on the daily market rate published in the bond buyer's index for tax-exempt municipal bonds; and

(b) Taken from the period one hundred eighty to thirty days before the funding application cycle begins.

(3) See WAC 173-98-300 and 173-98-310 for hardship interest rates.

Table 4
Standard Loan Interest Rates

Loan term	Interest rate
One to five years:	Thirty percent of market rate
Six to twenty years:	Sixty percent of market rate
Twenty-one to thirty years:	Eighty percent of market rate

(4) The standard interest rates for water pollution control activities projects are the rates calculated for "moderate" hardship in accordance with Table 1 in WAC 173-98-300. The department may work with stakeholders to develop a program that may further adjust interest rates for the purposes of further encouraging the funding of water pollution control activities projects.

(5) The director may adjust interest rates for the funding application cycle if a financial analysis of the revolving fund demonstrates that the interest rates are not detrimental to the perpetuity of the revolving fund.

(6) Prior to issuing its *Final Offer and Applicant List* the department will examine and may lower interest rates if the rates for tax-exempt municipal bonds are significantly lower than when the funding cycle interest rate was determined in accordance with subsection (2) of this section.

(7) An administration charge will be applied to all loans that enter repayment after the effective date of this section. The following conditions apply to the administration charge.

(a) The administration charge will be applied to the outstanding loan balance at the time of each payment.

(b) The administration charge will be subtracted from the interest rate established in the loan agreement so there is no additional cost to the borrower.

(c) The administration charge will not be applied to loans with interest rates less than the administration charge.

(d) The maximum allowable administration charge is one percent. Initially the administration charge will be set at this level.

(e) Beginning with its 2017-2019 biennial operating budget submittal and each biennium thereafter, the department will compare the projected administration account balance and the projected administration charge income with projected program costs, including an adequate working capital reserve as defined by the office of financial management. In its submittal to the office of financial management, the department may:

(i) Find that the projected administration charge income is inadequate to fund the cost of administering the program, and that the rate of the charge must be increased; however, the administration charge may never exceed one percent;

(ii) Find that the projected administration charge income exceeds what is needed to fund the cost of administering the program, and that the rate of the charge must be decreased;

(iii) Find that there is an excess balance in the administration account, and that the excess must be transferred to the water pollution control revolving fund to be used for loans; or

(iv) Find that there is no need for any rate adjustments or balance transfers.

(f) If the department determines the administration charge should be adjusted, it will increase (up to the maximum of one percent) or decrease the administration charge and apply the new administration charge to loans that enter repayment after the administration charge has been adjusted. Loans already in repayment will not be affected by the adjusted administration charge.

[Statutory Authority: Chapters 90.50A and 70.146 RCW. WSR 17-17-040 (Order 16-04), § 173-98-400, filed 8/9/17, effective 9/9/17. Statutory Authority: Chapter 90.50A RCW. WSR 13-24-005 (Order 13-05), § 173-98-400, filed 11/20/13, effective 12/21/13. Statutory Authority: Chapter 90.50A RCW, RCW 90.48.035, and 43.21A.080. WSR 11-20-036 (Order 10-14), § 173-98-400, filed 9/27/11, effective 10/28/11. Statutory Authority: RCW 90.48.035. WSR 07-14-096 (Order 05-16), § 173-98-400, filed 6/29/07, effective 7/30/07.]