

On April 3rd, the Department of Environmental Conservation (“DEC”) and Vermont Bond Bank (“Bond Bank”) announced a COVID Relief Program (the “Program”). The intent of the Program is to ensure continuity of service for systems by reducing spending on debt service, which is one of the largest expenses for most systems, in the face of potential challenges to historic revenue collections.

The Program suspends payments on Clean Water and Drinking Water State Revolving Fund Loans that would otherwise be due between June 1st, 2020 and May 1st, 2021 for a one-year period.

Also announced was that no interest or administrative fees will be charged during the interim period. This consists of two components:

- Forgiveness of any interest and administration fees that would have been due between June 1, 2020 and May 1, 2021; and,
- A net decrease in total interest and/or administration fees due over the course of the loan as the forgiveness is not capitalized into the loan balance.

The principal payment otherwise due, however, is not forgiven and will be incorporated into a new amortization schedule for payments due between June 1st, 2021 and May 1st, 2022.

Communities may elect to make principal payments in the deferral period without penalty.

The following is intended to provide generic guidance on the impact of current and future payments given the options communities may elect to exercise.

LIMITATIONS OF COVID RELIEF PROGRAM

The relief program is primarily limited by two constraints mandated by EPA regulations:

1. The final maturity of the loan cannot be extended.
2. Loans in the first year of repayment following project completion are required to pay a nominal amount of principal.

IMPLEMENTATION OF COVID RELIEF PROGRAM

Invoices

Borrowers will continue to receive an invoice from the Bond Bank’s SRF custodian, Peoples United Bank, that will detail the amount of principal that would have otherwise been due. As stated previously, borrowers may elect to make this payment either in whole or in part without penalty. Examples of potential impacts on future payments are displayed below.

First Payment after Project Completion

The exception to principal deferment is for loans that are in the first year of repayment following project completion. A nominal amount of principal must be paid alongside the invoice. This amount will be the amount of \$100.00. The balance of principal otherwise due can be deferred.

New Amortization Schedules

Decisions on whether to pay principal will be determined by systems on the payment due date. As a result, DEC will not be sending new amortization schedules until three months after the payment due date. Schedules will not need to be countersigned but borrowers will receive an electronic copy.

EXAMPLES

The following are potential outcomes for systems depending on the type of loan and system's choice regarding principal payment.

Example	
Interest Rate	1%
Administrative Rate	2%

Period	Payment Date	Pre-Deferral Schedule							Post-Deferral Schedule (No Principal Payment)							Post-Deferral Schedule (Principal Payment Only)								
		BB	PMT	P	I	Admin	Total Rate	EB	BB	PMT	P	I	Admin	Total Rate	EB	BB	PMT	P	I	Admin	Total Rate	EB		
1	10/1/2020	1,000,000	117,231	87,231	10,000	20,000	30,000	912,769	1,000,000	0	0	0	0	0	0	1,000,000	1,000,000	87,231	87,231	0	0	0	0	912,769
2	10/1/2021	912,769	117,231	89,847	9,128	18,255	27,383	822,922	912,769	128,434	98,434	10,000	20,000	30,000	901,566	912,769	117,231	89,847	9,128	18,255	27,383	27,383	822,922	
3	10/1/2022	822,922	117,231	92,543	8,229	16,458	24,688	730,379	901,566	128,434	101,387	9,016	18,031	27,047	800,179	822,922	117,231	92,543	8,229	16,458	24,688	24,688	730,379	
4	10/1/2023	730,379	117,231	95,319	7,304	14,608	21,911	635,060	800,179	128,434	104,428	8,002	16,004	24,005	695,751	730,379	117,231	95,319	7,304	14,608	21,911	21,911	635,060	
5	10/1/2024	635,060	117,231	98,179	6,351	12,701	19,052	536,881	695,751	128,434	107,561	6,958	13,915	20,873	588,189	635,060	117,231	98,179	6,351	12,701	19,052	19,052	536,881	
6	10/1/2025	536,881	117,231	101,124	5,369	10,738	16,106	435,757	588,189	128,434	110,788	5,882	11,764	17,646	477,401	536,881	117,231	101,124	5,369	10,738	16,106	16,106	435,757	
7	10/1/2026	435,757	117,231	104,158	4,358	8,715	13,073	331,600	477,401	128,434	114,112	4,774	9,548	14,322	363,289	435,757	117,231	104,158	4,358	8,715	13,073	13,073	331,600	
8	10/1/2027	331,600	117,231	107,283	3,316	6,632	9,948	224,317	363,289	128,434	117,535	3,633	7,266	10,899	245,754	331,600	117,231	107,283	3,316	6,632	9,948	9,948	224,317	
9	10/1/2028	224,317	117,231	110,501	2,243	4,486	6,730	113,816	245,754	128,434	121,061	2,458	4,915	7,373	124,693	224,317	117,231	110,501	2,243	4,486	6,730	6,730	113,816	
10	10/1/2029	113,816	117,231	113,816	1,138	2,276	3,414	0	124,693	128,434	124,693	1,247	2,494	3,741	0	113,816	117,231	113,816	1,138	2,276	3,414	3,414	0	
Total			1,172,305	1,000,000	57,435	114,870	172,305		1,155,905	1,000,000	51,968	103,936	155,905		1,142,305	1,000,000	47,435	94,870	142,305					