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## **VERMONT BOND BANK LATE PAYMENT POLICY**

Adopted: June 29, 2023

*Scope: This policy covers the payments of pooled loans, flex fund loans, and RESP loans of the Vermont Municipal Bond Bank's ("VMBB's").*

### **Goal**

The purpose of the late payment policy is to deter clerical error related late payment of loans and promote borrowers to pay via ACH or wire.

### **Policy**

Late Payments, within a two-year period, not received in accordance with the loan agreement signed by a Governmental Unit, may be assessed a late payment penalty fee per section seven or section eight of the loan agreement.

Fees may be assessed at the following amounts:

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|--|---------|
| (1) The late penalty fee for the first late payment:             | \$250   |
| (2) The late penalty fee for the second late payment:            | \$500   |
| (3) The late penalty fee for the third late payment:             | \$750   |
| (4) The late penalty fee for the fourth late payment and beyond: | \$1,000 |

Each late payment for multiple bond issues, due on the same date, will count as one occurrence.

### **Collection and Default Procedures**

The Bond Bank works with third-party providers to perform invoicing and loan payment services, as shown below.

- Pooled Loan Program – Trustee – US Bank

Both parties send invoices to borrowers 45 days prior to the payment date on the loan while providing the Bond Bank with updates on the receipt of payment obligations leading up to and after the payment due date.

In the event payment is not received on the due date, the Bond Bank will engage in the following procedures to ensure receipt of funds.

**Pooled Loan Program**

Default procedures on the Pooled Loan Program are in part governed by the Bond Bank’s statutory authority to intercept state aid funds due to the borrower. Procedures related to this agreement are described in the State Intercept Memorandum of Agreement dated January 26<sup>th</sup>, 2017, among the Bond Bank, Commissioner of the Vermont Department of Finance and Management, and the Vermont State Treasurer.

<b>Days After Due Date</b>	<b>Action</b>	<b>Related Parties</b>
'- 10 to 0 business days	Provide borrowers with reminders of pending due date in electronic form	- Bond Bank administrative staff
'+ 0 to 10 business days	Phone calls for payment; escalation to borrower’s senior management	- Bond Bank Executive Director - <b>Late Payment Fee Assessed and Invoiced</b>
'+0 to 30 days	Legal Notice of obligation to pay	- Bond Bank Executive Director - General Counsel to the Bond Bank - Bond Bank Bond Counsel
<b>Exercise State Intercept</b>		
'+ 0 to 10 business days	Notify State Treasurer of nonpayment and request of state funds	- Bond Bank Executive Director - Bond Bank Bond Counsel - Board Notification
'+ 4 to 14 business days	Determine the amount of payments due to a borrower; redirect payment to Treasurer	- Vermont State Treasurer - Commissioner of the Vermont Department of Finance and Management
'+ 6 to 16 business days	State Treasurer directs intercept funds to the Trustee	- State of Vermont Treasurer - Bond Bank Trustee
'+ 30 to 60 days	In-person meeting with governing body	- Bond Bank Executive Director - General Counsel to the Bond Bank - Board Notification
'+ 60 to 90 days	Legal notice of intent to file suit	- Bond Bank Executive Director - General Counsel to the Bond Bank - Board Notification
'+ 90 to 150 days	Formal complaint filed with courts	- Bond Bank Executive Director - General Counsel to the Bond Bank - Board Notification