

# ECONOMIC DEVELOPMENT, TRANSPORTATION, AND NATURAL RESOURCES SUBCOMMITTEE MEETING

Thursday, July 18, 2019

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# AGENDA

## South Carolina House of Representatives



### Legislative Oversight Committee

*Thursday, July 18, 2019*

*10:00 a.m.*

*321 - Blatt Building*

*Pursuant to Committee Rule 6.8, S.C. ETV shall be allowed access for internet streaming whenever technologically feasible.*

### AMENDED AGENDA

- I. **Approval of Minutes**
- II. **Discussion of the study of the Department of Motor Vehicles**
- III. **Discussion of the study of the Rural Infrastructure Authority**
- IV. **Discussion of the study of the Housing Finance and Development Authority**
- V. **Adjournment**

# MINUTES FROM PREVIOUS MEETING

*Chair Wm. Weston J. Newton*

*First Vice-Chair:  
Laurie Slade Funderburk*

## Legislative Oversight Committee



*Micajah P. (Micah) Caskey, IV  
Neal A. Collins  
Patricia Moore (Pat) Henegan  
William M. (Bill) Hixon  
Jeffrey E. (Jeff) Johnson  
Marvin R. Pendarvis  
Tommy M. Stringer  
Bill Taylor  
Robert Q. Williams*

*Gary E. Clary  
Chandra E. Dillard  
Lee Hewitt  
Joseph H. Jefferson, Jr.  
Mandy Powers Norrell  
Robert L. Ridgeway, III  
Edward R. Tallon, Sr.  
John Taliaferro (Jay) West, IV  
Chris Wooten*

## South Carolina House of Representatives

*Jennifer L. Dobson  
Research Director*

**Post Office Box 11867**

**Columbia, South Carolina 29211**

**Telephone: (803) 212-6810 • Fax: (803) 212-6811**

**Room 228 Blatt Building**

*Charles L. Appleby, IV  
Legal Counsel*

*Cathy A. Greer  
Administration Coordinator*

*Carmen J. McCutcheon Simon  
Research Analyst/Auditor*

*Kendra H. Wilkerson  
Fiscal/Research Analyst*

## Economic Development, Transportation, and Natural Resources Subcommittee

Wednesday, June 19, 2019

10:00 a.m.

Blatt Room 427

### Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.8, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly's website (<http://www.scstatehouse.gov>) and clicking on *Committee Postings and Reports*, then under *House Standing Committees* click on *Legislative Oversight*. Then, click on *Video Archives* for a listing of archived videos for the Committee.

### Attendance

- I. The Economic Development, Transportation, and Natural Resources Subcommittee meeting was called to order by Chair William M. (Bill) Hixon on Wednesday, June 19, 2019, in Room 427 of the Blatt Building. The following other members of the Subcommittee were present for either all or a portion of the meeting: Representative Mandy Powers Norrell and Representative Marvin R. Pendarvis.

### Minutes

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings. It is the practice of the Legislative Oversight Committee to provide minutes for its subcommittee meetings.

- II. Representative Pendarvis moves to approve the minutes from the May 1, 2019, meeting. A roll call vote is held, and the motion passes.

Rep. Hewitt's motion to approve the minutes from the May 1, 2019, meeting:	Yea	Nay	Not Voting
Rep. Hewitt			✓ (absent)
Rep. Norrell	✓		
Rep. Pendarvis	✓		
Rep. Hixon	✓		

### Discussion of the Rural Infrastructure Authority (RIA)

- I. Chair Hixon swears in the following RIA representatives:
- a. Bonnie Ammons, RIA Executive Director
  - b. Liz Rosinski, RIA Grant Program Manager and Outreach Coordinator
  - c. Chris Huffman, Chief Financial Officer for SC Department of Commerce and RIA
  - d. Karen Manning, Chief Legal Counsel for SC Department of Commerce and RIA
- II. RIA Director Bonnie Ammons and RIA CFO Chris Huffman present an overview of the agency, including the following topics:
- a. Mission
  - b. Vision
  - c. History
  - d. Leadership
  - e. Organization
  - f. Major programs
  - g. Resources
  - h. Successes, challenges, and emerging issues
  - i. Reviews, records, and reports

Ms. Ammons and Mr. Huffman respond to questions from Subcommittee members during and after the presentation.

- III. Ms. Ammons and Mr. Huffman present an overview of the agency's grants programs, including the following topics:
- a. Organization
  - b. Staff
  - c. Strategic planning
  - d. Funding
  - e. Grant eligibility
  - f. Types of grants
  - g. Application and selection process
  - h. Grant administration
  - i. Performance measures

- j. Customer assistance
- k. Outreach and communication
- l. Funding coordination

Ms. Ammons and Mr. Huffman respond to questions from Subcommittee members during and after the presentation.

#### Discussion of the Department of Motor Vehicles (DMV)

- I. Ms. Trish Blake, DMV Director of Administration, Ms. Kristin Wicker, DMV Deputy Director of Finance, and Mr. John Padgett, DMV Legislative Liaison respond to Subcommittee member questions related to the Subcommittee's recommendation that the Department of Motor Vehicles examine the option of processing checks electronically at the point of sale.
- II. The meeting is adjourned.

# RURAL INFRASTRUCTURE AUTHORITY

## Study Timeline

### Legislative Oversight Committee Actions

- December 5, 2018 - Prioritizes the agency for study at **Meeting 1**
- January 9, 2019 - Provides the agency with notice about the oversight process
- February 27 – April 1, 2019 - Solicits input from the public about the agency in the form of an online survey
- June 25, 2019 - Holds **Meeting 3** with the agency to receive public input

### Economic Development, Transportation, and Natural Resources Subcommittee Actions

- June 19, 2019 - Holds **Meeting 2** with the agency to discuss an overview of its **mission, history, resources, major programs, successes, challenges, and emerging issues** and its **grant and technical assistance programs**
- July 18, 2019 (TODAY) - Holds **Meeting 4** with the agency to discuss its **loan programs**

### Rural Infrastructure Authority Actions

- March 31, 2015- Submits its **Annual Restructuring and Seven-Year Plan Report**
- January 12, 2016- Submits its **2016 Annual Restructuring Report**
- September 2016- Submits its **FY 2015-16 Accountability Report/Annual Restructuring Report**
- September 2017- Submits its **FY 2016-17 Accountability Report/Annual Restructuring Report**
- September 2018- Submits its **FY 2017-18 Accountability Report/Annual Restructuring Report**
- April 23, 2019 - Submits its **Program Evaluation Report**
- June 2019-present- Meets with and **responds to Subcommittee inquiries**

### Public's Actions

- February 27 – April 1, 2019 - Provides input about the agency via an **online public survey**
- Ongoing - **Submits written comments on the Oversight Committee's webpage** on the General Assembly's website ([www.scstatehouse.gov](http://www.scstatehouse.gov))

# Rural Infrastructure Authority

## Agency Mission

To assist in financing qualified infrastructure projects that will protect public health, comply with environmental quality standards, and support economic opportunities.

## Successes

Identified by the agency

### History

The Rural Infrastructure Authority was created in 2010 and began operating in 2012, approving its first grants in 2013. The administration of two loan programs was transferred to RIA from the Budget and Control Board in 2015.

### Organizational Units

Grants • Loans

### Major Deliverables (FY 17-18)

- Awarded \$14M in grants
- Closed \$120M in loans
- Assisted 291 local governments with information

### Resources (FY 17-18)

#### Employees

9 filled FTE positions at the end of the year

#### Funding

\$166,141,450

*Includes appropriations and State Revolving Fund expenditures, which are not appropriated*

- Using available funds to award \$109.6M in grants and close nearly \$350M in loans since the agency's creation

- Helping to resolve health and environmental concerns, create jobs, and lower utility rates

- Training communities to identify financial resources for infrastructure improvements

## Challenges

Identified by the agency

### Current:

- Developing expertise in small communities
- Attaining sustainability with inadequate resources to invest in infrastructure
- Overcoming resistance to regional approaches

### Emerging:

- Planning for future agency leadership
- Identifying funding gaps and coordinating assistance
- Assessing statewide needs

Figure Note: RIA focuses on water infrastructure projects, including water and waste water systems and storm water drainage facilities.

Sources: Agency PER (April 2019), Accountability Report (September 2018), and [website](#).

Chair Wm. Weston J. Newton

First Vice-Chair:  
Laurie Slade Funderburk

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Kendra H. Wilkerson  
Fiscal/Research Analyst

June 21, 2019

Via Email

Ms. Bonnie Ammons, Executive Director  
South Carolina Rural Infrastructure Authority  
1201 Main Street, Suite 1600  
Columbia, SC 29201

RE: Follow-up question from the Subcommittee meeting with the agency on June 19, 2019

Dear Director Ammons:

The Economic Development, Transportation, and Natural Resources Subcommittee appreciates the agency's continued cooperation with the legislative oversight process. As follow-up from the meeting on June 19, 2019, please respond to the following question by Tuesday, July 9:

1. Does the agency have a written policy regarding the handling of loan defaults, should they arise? If so, please provide a copy of that policy.

Please feel free to include any additional information you believe would be helpful to the Subcommittee. If this inquiry would yield a response that is not an accurate reflection of the agency or if additional time is needed to respond, please contact Committee staff. Thank you for your service to the citizens of South Carolina.

Sincerely,

A handwritten signature in blue ink that reads "Bill Hixon".

William M. "Bill" Hixon  
Subcommittee Chair

cc: Economic Development, Transportation, and Natural Resources Subcommittee Members



Robert M. Hitt III  
Chairman



Bonnie Ammons  
Executive Director

South Carolina  
Rural Infrastructure Authority

July 9, 2019

Via Email

The Honorable William M. "Bill" Hixon  
Subcommittee Chair  
Legislative Oversight Committee  
South Carolina House of Representatives  
PO Box 11867  
Columbia, SC 29211

Dear Representative Hixon:

This letter is in response to your request for additional information resulting from the SC Rural Infrastructure Authority's (RIA) hearing on June 19, 2019. RIA is committed to the legislative oversight process and accordingly is pleased to provide clarification regarding the State Revolving Loan Fund (SRF) policies.

As stated during the June 19, 2019 meeting, the State Revolving Loan Fund has not had a loan default in the approximate thirty-year history of the program. While SRF does not have a written policy beyond what is indicated in the requirements of each loan agreement, there are standard procedures that are designed to prevent a default.

SRF staff conducts a thorough credit review and monitors the finances of each system annually within 30 days of receiving the audit. If deterioration of financial condition is detected, the borrower is contacted and if the SRF required debt service coverage is not met, a letter is sent asking for submission of a corrective action plan within a prescribed timeframe to prevent a repeat in the subsequent year. Assistance is provided as needed to improve the fiscal circumstances of the borrower.

Should a default ever occur, there is sufficient procedural documentation. There would be immediate contact with the borrower to assist in finding a way to make the payment prior to the 30-day period. If that failed, we would seek to intercept state appropriated funds from the State Treasurer's Office in an amount sufficient to cover the overdue payment pursuant to S. C. Code § 48-4-170:

*If at any time a project sponsor fails to effect the punctual payment of an amount payable by the project sponsor to the authority pursuant to a loan agreement or other agreement between the project sponsor and the authority, the State Treasurer shall, upon notification by the authority of the failure by the project sponsor to make the payment, and subject to the withholding of amounts pursuant to Article X, Section 14, Paragraph (5) of the Constitution of this State, withhold from the project sponsor sufficient monies from a state appropriation to the project sponsor and apply so much as necessary to the payment of the amount. All appropriations for project sponsors are subject to the provisions of this section.*

This recourse is available regardless of the provisions of a governing bond ordinance/resolution.

Additionally, every loan agreement establishes enforceable covenants, events of default and remedies, each of which is customized to the specific borrower/sponsor. Where there is a local governing bond ordinance/resolution and parity debt outstanding, there will be a trustee to handle defaults and remedies as specified in the governing bond ordinance/resolution document. The provisions vary but the SRF would need to hold a minimum defined percent of outstanding principal to petition the trustee to act on any type of default and it would be up to the trustee to exercise remedies.

The SRF has greater latitude and more direct control in the event of a default by borrowers that do not have a governing bond ordinance or resolution or other parity debt holders. Depending on the circumstances, the SRF would work with the borrower to address the cause of the payment problems and seek to identify an appropriate remedy.

If you have any further questions, please do not hesitate to contact me.

Sincerely,



Bonnie Ammons

Cc: Economic Development, Transportation and Natural Resources Subcommittee Members



**SOUTH CAROLINA  
RURAL INFRASTRUCTURE  
AUTHORITY**

**PROGRAM OVERVIEW**

HOUSE LEGISLATIVE OVERSIGHT COMMITTEE  
Economic Development, Transportation and  
Natural Resources Subcommittee

JULY 18, 2019

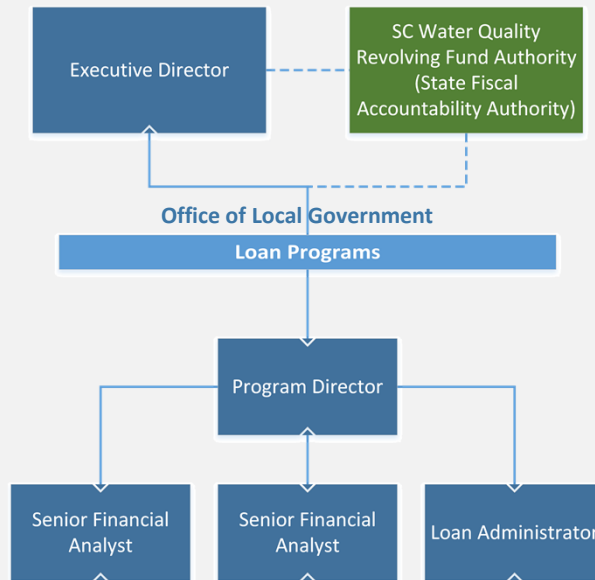
**RIA** South Carolina  
Rural Infrastructure Authority



**LOAN PROGRAMS**

**RIA** South Carolina  
Rural Infrastructure Authority

## Loan Programs Organizational Chart



## Loan Programs Staff



L-R: James Absher, Noel Hebert, Holley Sparkman  
(Not pictured: Trish Comp)

# State Revolving Fund (SRF)

## SRF Loan Program

### **CLEAN WATER PROGRAM**

Federal Water Pollution Control Act, aka Clean Water Act, amendments in 1987

### **DRINKING WATER PROGRAM**

Safe Drinking Water Act, amendments in 1996

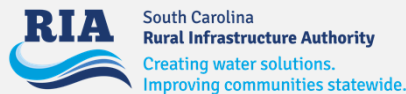


*US EPA administers both programs*

## SRF Program Management

Jointly administered by two state agencies:

- Department of Health and Environmental Control (DHEC) is EPA grantee and manages the technical aspects of the program.
- Rural Infrastructure Authority's (RIA) Office of Local Government handles the financial responsibilities of the program on behalf of the SC Water Quality Revolving Fund Authority (SCWQRFA).
- SCWQRFA issues loan agreements and sets broad loan policies.



## Agency Roles and Responsibilities

DHEC	RIA
<ul style="list-style-type: none"> <li>• Reviews Project Questionnaires and prioritizes projects</li> <li>• Prepares annual Intended Use Plan</li> <li>• Handles project technical reviews (PERs/Plans/Permits)</li> <li>• Monitors compliance with federal requirements</li> <li>• Monitors project implementation</li> <li>• Approves draw requests</li> </ul>	<ul style="list-style-type: none"> <li>• Provides 20% state match to federal capitalization grant</li> <li>• Establishes loan policies</li> <li>• Conducts preliminary credit analyses for loan requests</li> <li>• Reviews loan applications</li> <li>• Issues loan commitments and closes loans</li> <li>• Makes disbursements</li> <li>• Collects loan repayments</li> <li>• Monitors annual audits</li> <li>• Monitors fiscal integrity of the SRF</li> </ul>



## SRF Goals/Priorities

- Comply with federal and state water quality standards
- Protect public health and comply with state drinking standards
- Promote sustainability through consolidation of systems
- Encourage investment in green infrastructure, water and energy efficiency and environmentally innovative projects
- Coordinate water quality funding with additional EPA/DHEC resources and with other infrastructure funders in the state
- Maintain fiscal integrity to ensure perpetuity of the fund

## Clean Water Eligibility

### Public Entities Eligible for Assistance

- Municipalities
- Counties
- Special Purpose Districts
- Joint Regional Entities as established by state law (Title 6, Chapter 25)

### Eligible Activities

- New, Upgrade or Expansion of a Wastewater Treatment Plant
- Sewer Line Rehabilitation or Replacement
- New or Rehabilitated Pump Stations
- New or Improved Collection Systems
- New or Rehabilitated Interceptors
- Reduce Stormwater Impact on Water Quality
- Relocation of Wastewater Lines due to Road Widening Projects

## Drinking Water Eligibility

### Public Entities Eligible for Assistance

- Community Water Systems (e.g., Municipalities, Counties and Special Purpose Districts)
- Non-profit, non-community systems established under state law (Title 33, Chapter 35)

### Eligible Activities

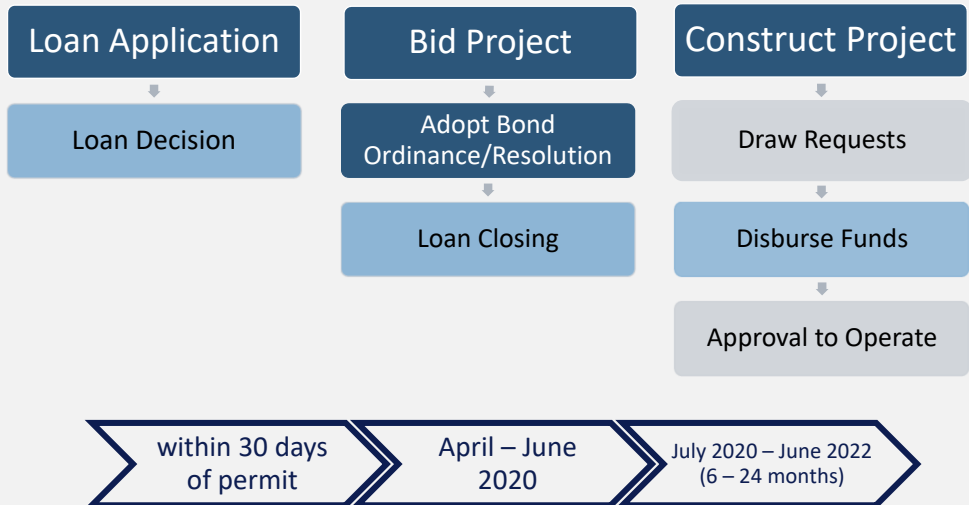
- New, Upgrade or Expansion of a Surface Water Treatment Plant
- Water Storage Facilities
- New or Rehabilitated Water Lines
- Looping of Distribution Lines
- Interconnecting Systems
- New Wells
- Relocation of Water Lines due to Road Widening Projects

## SRF Project Approval Steps





## SRF Project Approval Steps



## FINANCIAL OVERVIEW

## Financial Benefits of the Program



- Below-market interest rates
- Fixed-rate financing
- 100% financing of eligible costs
- Up to 30-year term
- Low closing costs
- Option to capitalize interest
- Payment deferral through estimated construction
- No pre-payment penalties
- Financial advisor not required

## FY2019 Interest Rates

<b>Standard</b> 2.6%		
<b>Small System</b> 2.1%	<b>Non-Point Source</b> 2.1%	<b>Green</b> 2.1%
<b>Takeover</b> 1.6%		<b>Hardship</b> 1.0%

## Interest Rate Cost Savings

SRF vs. Market (based on a \$1M loan)

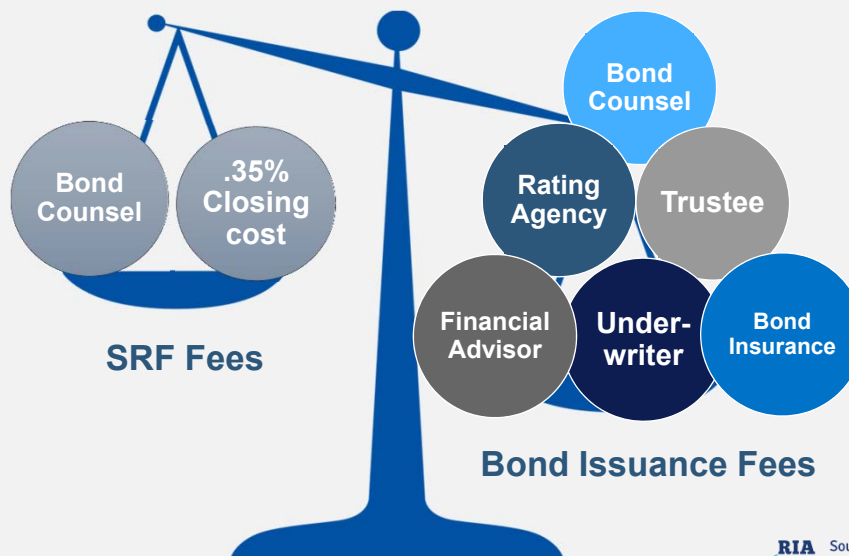
	SRF	Market
Interest Rate	2.60%	4.70%
Term	20 years	30 years
Annual Debt Service	\$64,280	\$62,347
Total Repaid over Life of Loan	\$1,285,600	\$1,870,410

Savings over life of Loan:

**\$584,810**

## Issuance Cost Savings

SRF vs. Bonds



## SRF Loan Policies

- Eligibility
- Interest Rates
- Loan Term
- Loan Fee
- Security Provisions
- Financial Requirements
- Disbursement
- Repayment



## Financial Requirements

- One or more dedicated repayment sources
  - Revenue: user charges or special assessments
  - General Obligation: general taxes
- Sufficient revenues for O/M and to pay debt service over life of loan
- Best lien position on pledged revenue stream – parity
- Minimum 110% of debt secured by system revenues



## Preliminary Financial Review

### NEW APPLICANT



- ✓ Audits (last 4 years)
- ✓ Customer Data Sheet
- ✓ User Charges
- ✓ Level of Effort based on MHI
- ✓ Other information, as needed

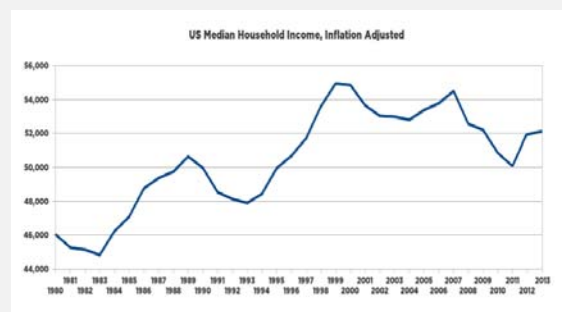
- ✓ Audits (submitted annually)
- ✓ Credit Ratings and Reviews, if applicable
- ✓ Additional information depending on date of last loan

### PREVIOUS APPLICANT



## Key Credit Review Factors for a Loan Application

- Local socio-economic conditions
- Largest customers as a % of total user charges revenue
- Rates compared to MHI
  - recent or planned rate increases
- Debt service coverage
- Cash resources
- System transfers



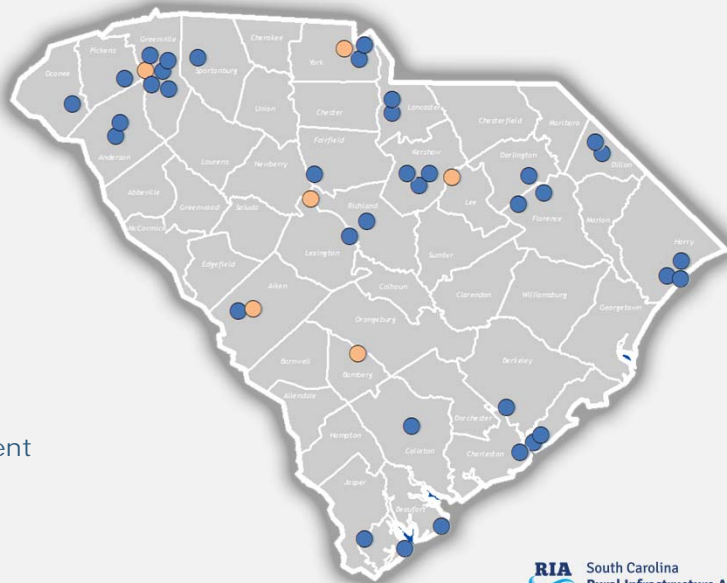
## Loan Closing

- Loan agreement between borrower and SC Water Quality Revolving Fund Authority
- Loan agreement becomes part of the Bond Ordinance/Resolution adopted by the governing body to authorize debt
- Bond and local counsel opinions
- Trustee/custodian agreement
- Additional bonds test of governing Bond Ordinance/Resolution for parity debt
- Title opinion for land, right-of-way (ROW) or easements, if required

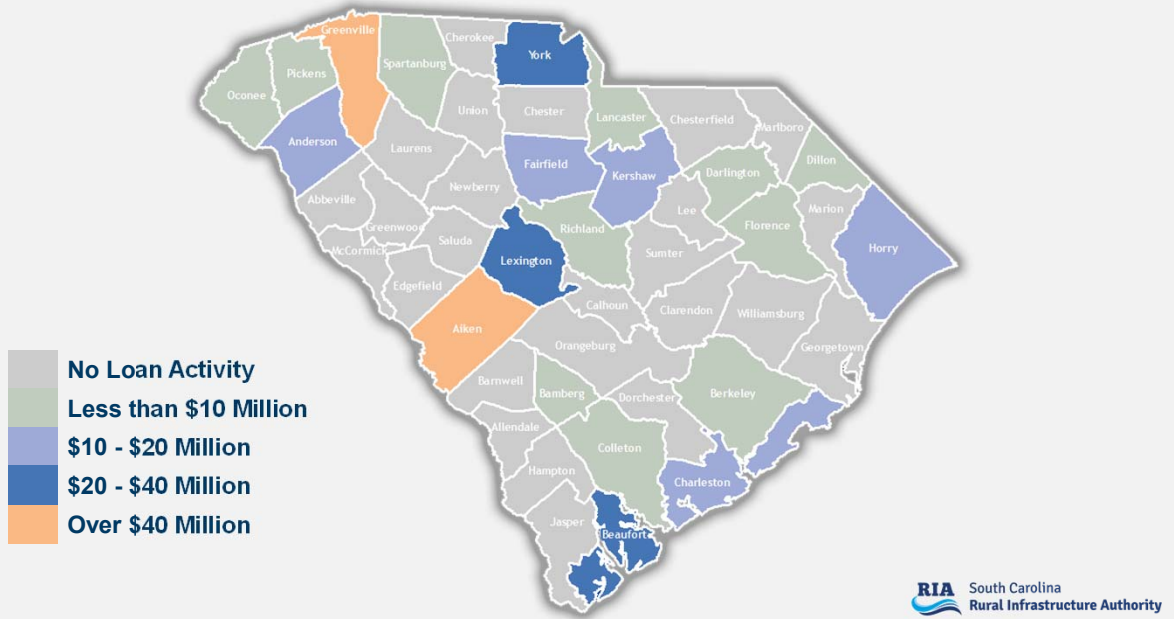
## Loans Closed by Recipient: 2016 - 2018

Loans closed:  
*\$350 million*

- New Loan Recipient
- Loan Recipient

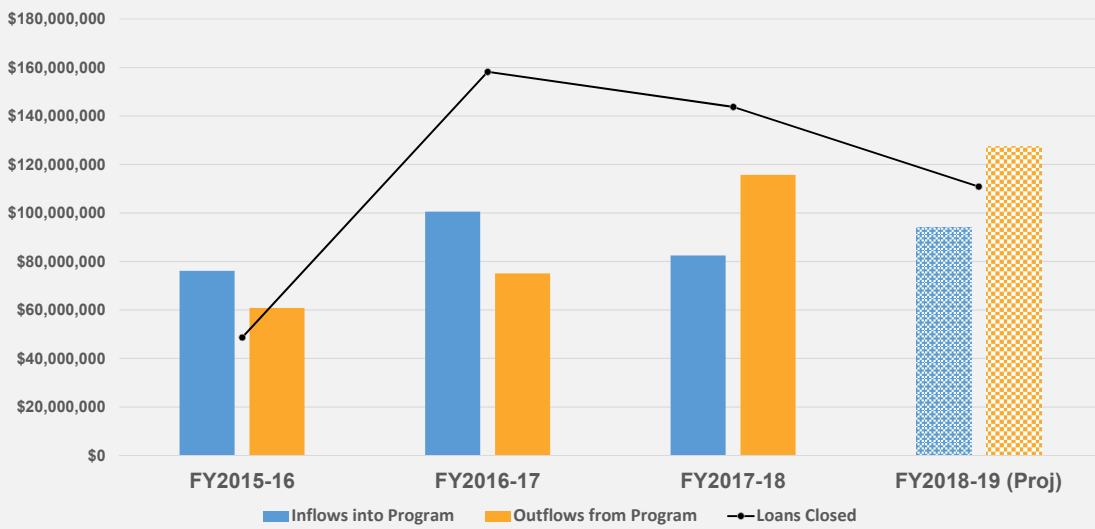


## Loans Closed by County: 2016 - 2018



RIA South Carolina Rural Infrastructure Authority

## Loan Program Activity: 2016 - 2018



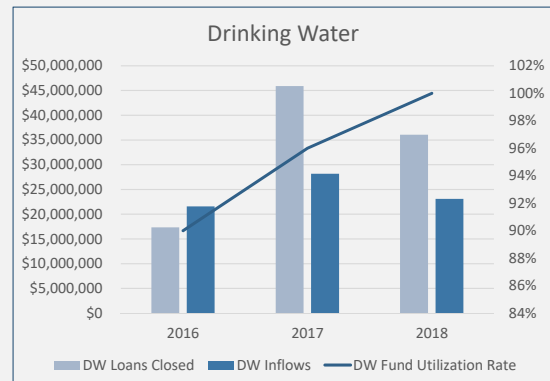
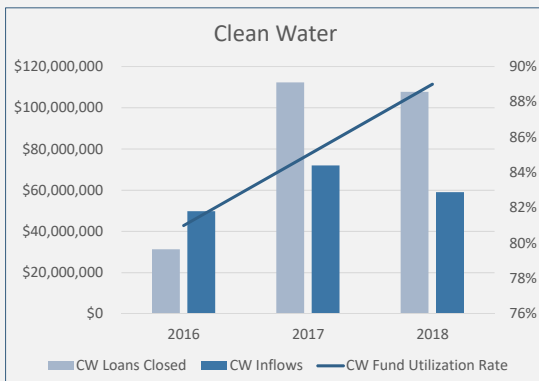
RIA South Carolina Rural Infrastructure Authority

## Historical Loan Activity (since 2010)

Year	Total Loans Closed	# of Loans
2010	\$101,842,643	27
2011	\$26,457,542	10
2012	\$57,168,779	9
2013	\$77,347,183	6
2014	\$101,162,498	14
2015	\$64,045,588	16
2016	\$48,672,584	10
2017	\$158,206,854	16
2018	\$143,772,874	17
2019 (Proj)	\$110,908,633	14



## Loan Performance Measures: 2016 – 2018



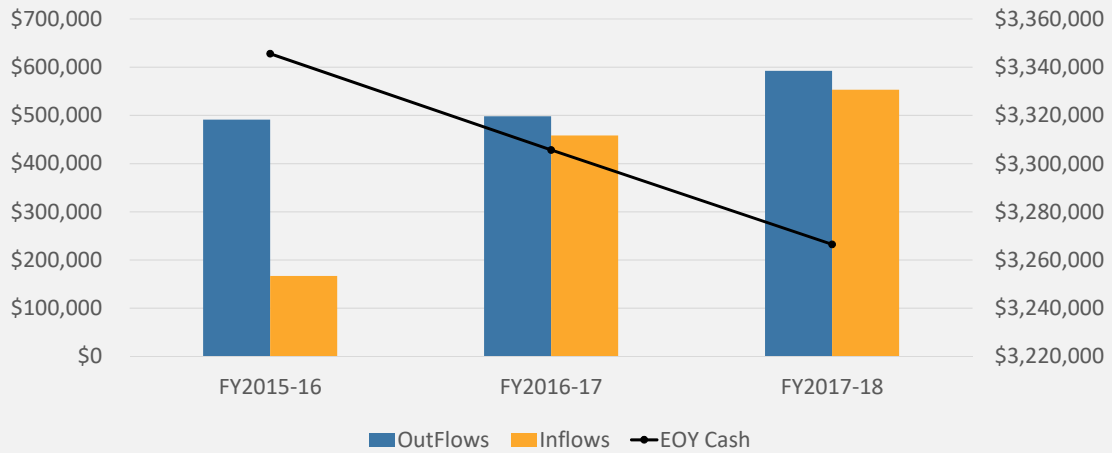


# LOAN ADMINISTRATION

## Loan Administration **Risk Management**

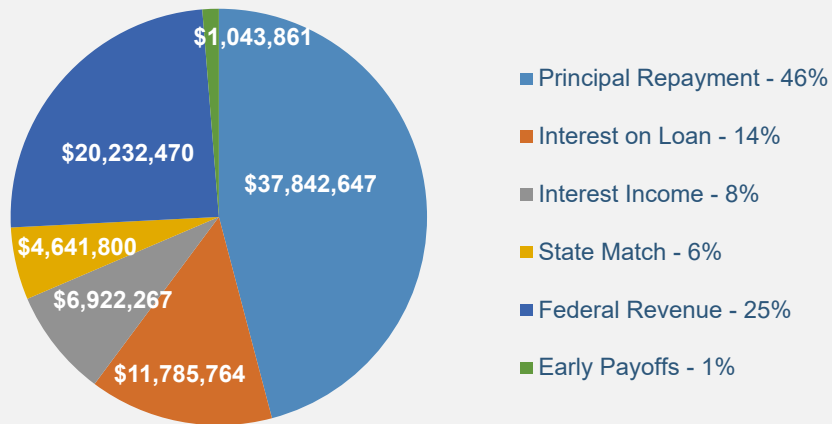
- Process loan disbursements
- Process loan amendments
- Track repayment deadlines
- Track receipt of loan repayments and earnings
- Monitor annual audits of loan recipients for default risk
- Maintain program documents and records
- Monitors the fiscal integrity of the SRF

## Loan Administration Fees

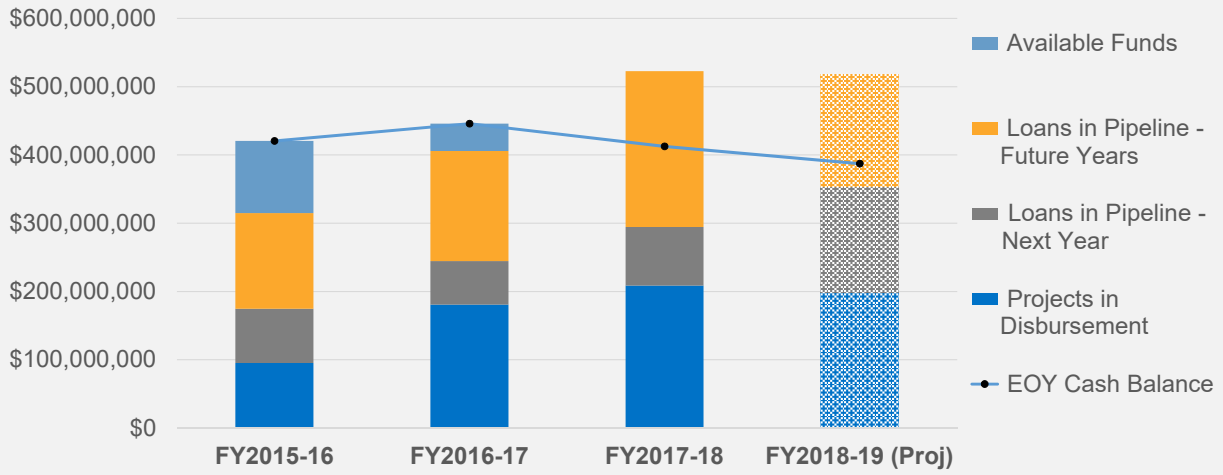


## Loan Resources

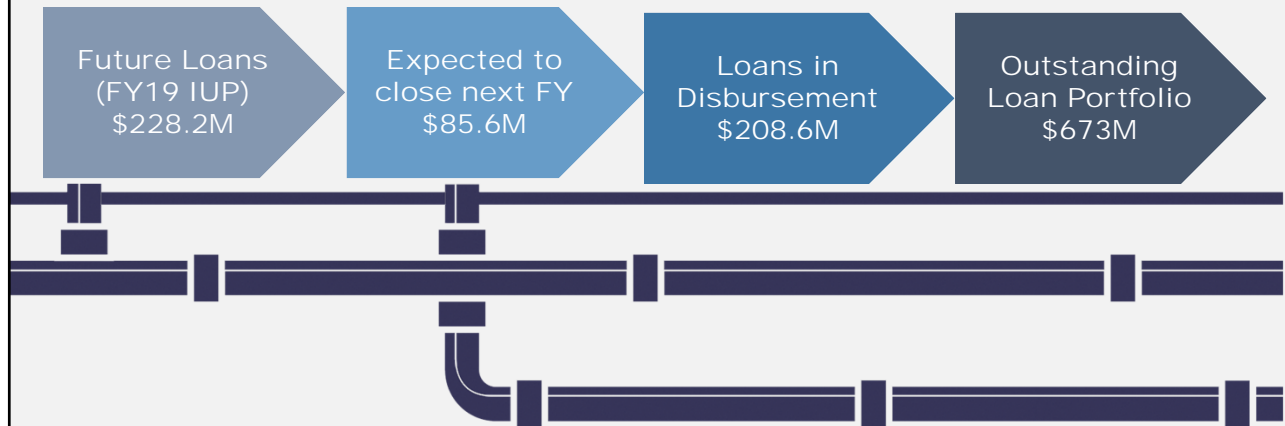
### 2018 Loan Program Inflows: \$82.4 Million



## Cash and Available Funds



## Pipeline for Loan Projects @ June 30, 2018



# State Infrastructure Revolving Fund (SIRF)



## State Infrastructure Revolving Fund

- Enabling:** South Carolina Infrastructure Facilities Authority Act, 1994
- Organization:** SC Infrastructure Facilities Authority transferred to State Fiscal Accountability Authority, 2015
- **RIA's Division of Local Government staffs the Authority**
- Purpose:** Provide financial assistance to local governments for environmental facilities necessary for protection of the environment and economic development with particular focus on communities where access to private financing may not be affordable
- Uses:** Long-term, low interest loans for water and sewer facilities
- **22 total loans - \$22.3 million**
  - **Last loan closed in 2000**
  - **Fund balances used for SRF required state match**



## SIRF Activity: 2013 - 2019

Fiscal Year	Outflows – State Match	End of Year Cash
2012-13	\$916,615	\$17,981,911
2013-14	\$4,205,789	\$14,707,800
2014-15	\$5,176,615	\$10,187,488
2015-16	-	\$14,911,643
2016-17	-	\$15,247,313
2017-18	-	\$15,627,147
2018-19 (Proj)	\$978,600	\$15,098,547



## Loan Program Impacts

## Clean Water SRF



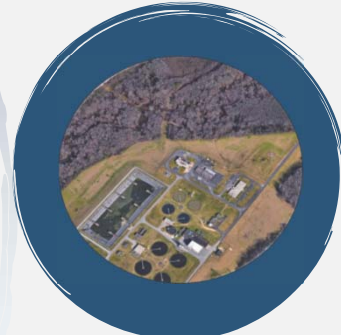
**Lyman**

**\$800K**



**Orangeburg**

**\$25M**



**Aiken**

**\$47.8M**

**RIA** South Carolina  
Rural Infrastructure Authority

## Drinking Water SRF



**Georgetown**

**\$1.6M**



**Anderson Joint  
Regional Water**

**\$12.8M**



**Cayce**

**\$3.6M**

**RIA** South Carolina  
Rural Infrastructure Authority

# HOUSING FINANCE AND DEVELOPMENT AUTHORITY

## *Study Timeline*

### Legislative Oversight Committee Actions

- December 5, 2018 - Prioritizes the agency for study at **Meeting 1**
- January 9, 2019 - Provides the agency with notice about the oversight process
- February 27 – April 1, 2019 - Solicits input from the public about the agency in the form of an online survey

### Economic Development, Transportation, and Natural Resources Subcommittee Actions


- July 18, 2019 (TODAY) - Holds **Meeting 2** with the agency to discuss an overview of its **mission, history, resources, major programs, successes, challenges, and emerging issues**

### Housing Finance and Development Authority Actions

- March 31, 2015- Submits its **Annual Restructuring and Seven-Year Plan Report**
- January 12, 2016- Submits its **2016 Annual Restructuring Report**
- September 2016- Submits its **FY 2015-16 Accountability Report/Annual Restructuring Report**
- September 2017- Submits its **FY 2016-17 Accountability Report/Annual Restructuring Report**
- September 2018- Submits its **FY 2017-18 Accountability Report/Annual Restructuring Report**
- July 2019-present- Meets with and **responds to Subcommittee inquiries**

### Public's Actions

- February 27 – April 1, 2019 - Provides input about the agency via an **online public survey**
- Ongoing - **Submits written comments on the Oversight Committee's webpage** on the General Assembly's website ([www.scstatehouse.gov](http://www.scstatehouse.gov))




SOUTH CAROLINA STATE HOUSING  
FINANCE AND DEVELOPMENT AUTHORITY

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1



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**Agency Overview & Introductions**  
Bonita Shropshire, Executive Director

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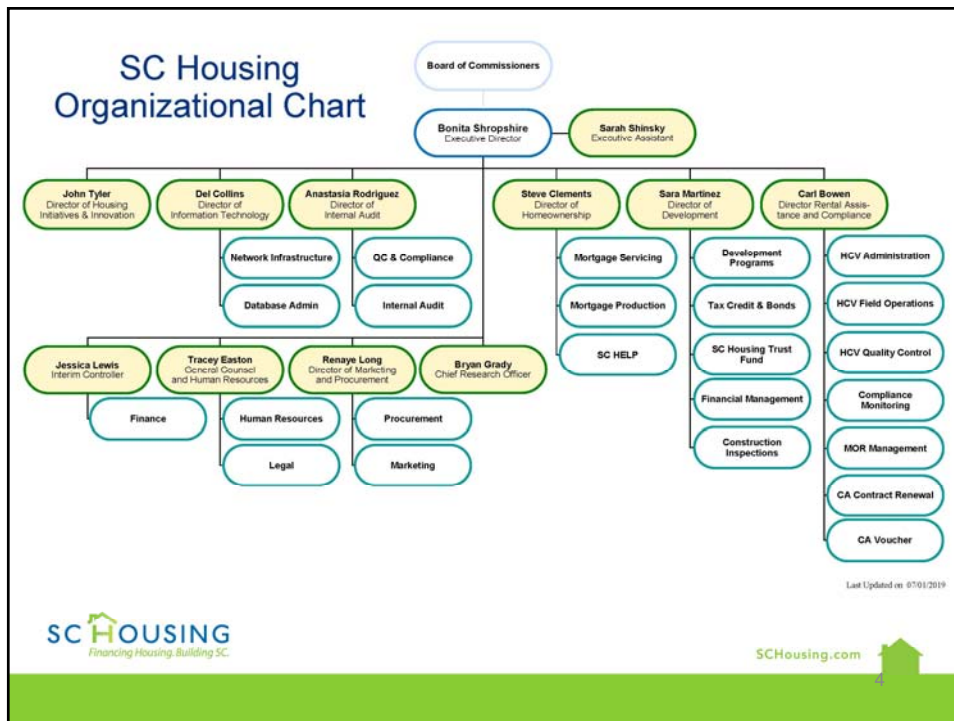
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

2



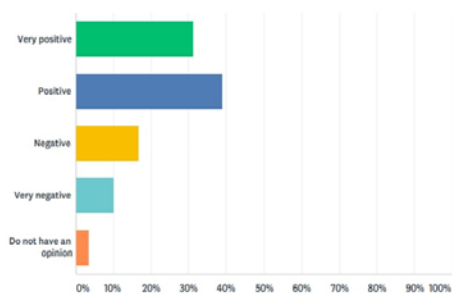
## SC Housing's Vision & Mission

- Vision - That all South Carolinians have the opportunity to live in safe, decent, and affordable housing.
- Mission - Create quality affordable housing opportunities for the citizens of South Carolina.



### Q12 Overall, what is your opinion of the Housing Finance and Development Authority?

Answered: 90 Skipped: 360



ANSWER CHOICES	RESPONSES	
Very positive	31.11%	28
Positive	38.89%	35
Negative	16.67%	15
Very negative	10.00%	9



## Financial Overview

Paul Linhardt

## Agency Background

### SC Housing functions as both a State Agency and Bank

- Founded in 1971, SC Housing administers rental assistance and rental development programs for the US Department of Housing and Urban Development, the US Department of the Treasury and the SC State Treasurer's Office for extremely-low to moderate income South Carolina families.
- Since 1979, SC Housing has issued over \$3 billion in Revenue Bonds to fund 1st-time Homeowner mortgages for low-to-moderate income South Carolinians.



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## Budget Overview

- SC Housing received spending authority for Earmarked, Restricted and Federal funds totaling \$209,064,086 (FY 2019-20).
- \$156 million, or 75% of the total budget, are Federal funds for rental and utility assistance paid for over 19,000 extremely-low and very-low South Carolina households.
- \$32 million, or 15%, are Federal or Restricted funds used to promote homeownership and to develop rental and special needs housing.
- \$13 million, or 6% , are Federal and Earmarked funds for Salaries and Fringe Benefits.
- \$8 million, or 4%, are Federal and Earmarked funds for Administration.
- \$0 State General Funds are appropriated to the Authority.



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## State Budget Information

pg. 123

Sec. 42 HOUSING FINANCE & DEVELOPMENT AUTHORITY

	TOTAL FUNDS	GENERAL FUNDS
TOTAL HOUSING FINANCE & DEVELOPMENT AUTHORITY	209,064,086	(130.00)

Source: South Carolina Appropriations Act, FY 2019-2020



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## Bond Activity Overview

**Since 1979, SC Housing has issued over \$3 billion Revenue Bonds. Currently, \$386 million are outstanding in three Indentures.**

- All Bond issuances are reviewed and approved by the SC State Fiscal Accountability Authority
- All Indentures are rated by Moody's Investor Services as Aaa (highest rating available)
- The Revenue Bonds are repaid by mortgage payments and are not obligations of SC Housing or the State of SC.
- 1998 Single Family Homeownership Purchase Bonds
- 1994 Mortgage Revenue Bonds
- 2009 Homeownership Revenue Bonds



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## Bond Activity Overview

**SC Housing has purchased over 40,000 1st-time homeowner mortgages. Currently, \$550 million in loans and \$99 million in mortgage backed securities funded by bonds are outstanding.**

- The mortgages are originated by local banks and mortgage companies and purchased by SC Housing.
- During FY 2018-19, SC Housing purchased approximately \$140 million in loans making over 1,000 South Carolina families new homeowners.
- SC Housing owns an additional \$100 million in non-bond single-family and multi-family loans.



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## Audits, Reviews, and Reporting

- SC Housing's financial transactions are recorded in SCEIS.
- SC Housing is audited annually by a CPA firm selected and supervised by the SC State Auditor's Office. The audit reports are filed with the SC State Auditor, the SC State Library, on the Authority's website, [www.schousing.com](http://www.schousing.com), and on EMMA, [emma.msrb.org](http://emma.msrb.org), a website covering state and local government debt.
- SC Housing posts Quarterly Financial information to EMMA.
- The financial operations of the various federal programs are periodically reviewed by each program's governing federal agency.
- SC Housing's Internal Audit division audits SC Housing's operations, ensures compliance with laws and regulations, and performs quality control.



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## Single Family Mortgage Programs

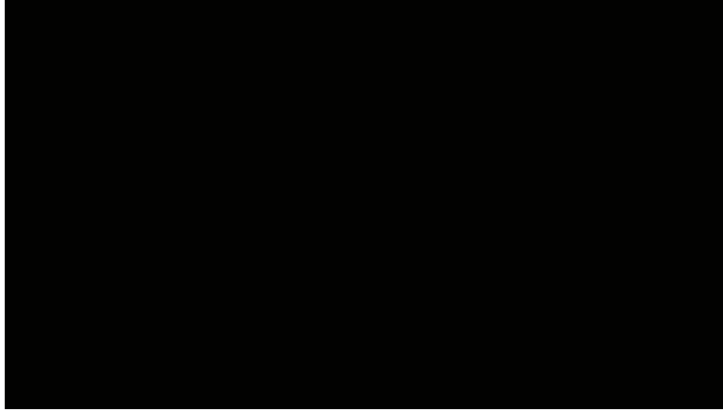
Steve Clements, Director of Homeownership

### Program Overview

SC Housing offers the SC Housing Homebuyer (including Palmetto Heroes), Palmetto Home Advantage, and Mortgage Tax Credit (MCC) Programs

- The **SC Housing Homebuyer** program assists low-to-moderate income borrowers with down payment assistance and Conventional, FHA, VA or USDA **30 year fixed rate mortgages at competitive interest rates**
- **Palmetto Home Advantage** offers first time and move up borrowers Conventional financing with reduced mortgage insurance (18%) with no bond forms and one statewide income limit
- Our **Mortgage Tax Credit (MCC)** program allows homebuyers to reduce their federal tax liability each year by up to 50% of the mortgage interest paid or \$2,000 (whichever is less)

## Video Testimonial



## SC Housing Homebuyer Program

- All SC Housing Homebuyer Program loans are eligible for Forgivable Down Payment Assistance (DPA) based on Income and Sales Price limits by county
- Down Payment Assistance (\$6,000) may be used towards down payment, closing cost and/or prepaid items

**Forgivable DPA** – This is a second mortgage with either a ten (10) year or twenty (20) year term (based on Household income). Borrowers who are at or below 80% AMI receive the 10 year term and borrowers above 80% AMI receive a 20 year term. The interest rate is zero and there are no monthly payments. The borrower must occupy the subject property for the term of the lien for the assistance to be fully forgiven.



## SC Housing Palmetto Heroes

Each year, SC Housing offers a program designed to recognize our states first responders and community service personnel (“Palmetto Heroes”). The program follows the same parameters as the SC Housing Homebuyer Program. Borrower’s employed in SC in one of the following occupations are eligible:

Law Enforcement , Fire  
Fighters, EMT’s and Paramedics

Correctional Officers

Teachers

Nurses and Certified Nursing  
Aides (CNA)

SC National Guard Members

Veterans

The 2019 Heroes program opened for reservations on June 3rd 2019. Funding is limited and available on a first-come first-served basis.



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## SC Hardest Hit Fund (HHF)

For a limited time, SC Housing is offering our **Hardest Hit Fund Down Payment Assistance (HHF DPA)**. The HHF DPA offers additional assistance in targeted areas of South Carolina that have been hit by serious delinquency, negative equity, and distressed sales. The program is designed to strengthen demand and stabilize house prices. The HHF DPA is being offered through SC Housing Corp. and provides **\$15,000 of down payment assistance** to qualified homebuyers.

- HHF DPA is a second lien with a 10 year term, zero percent interest rate and no monthly payments
- Only Existing Construction properties are eligible
- Income and Sales Price Limits apply
- Offered in Lexington, Richland and Sumter Counties – specific zip codes

Lexington 29006, 29033, 29053, 29063, 29070, 29073, 29210, 29123, 29160, 29170, 29172

Richland 29016, 29044, 29052, 29061, 29063, 29203, 29204, 29209, 29210

Sumter 29040, 29104, 29128, 29150, 29153, 29154

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## Hardest Hit Fund Down Payment Assistance

Program to date 6/30/19



# 440

Loans  
Approved &  
Closed

## \$6,660,000



### Amount of Assistance

(Represents over \$50M in first mortgage loans financed)

## Palmetto Home Advantage

- Funded by the sale of mortgage-backed securities - not bond funds
- Move up borrowers are eligible
- Down payments as low as 3% - most flexible 97% loan-to-value option
- Cancellable mortgage insurance (18% coverage)
- Conventional loans with reduced 18% MI and forgivable down payment assistance offers borrowers lower all-in monthly payments

## Mortgage Tax Credit Program (MCC)

SC Housing Mortgage Tax Credit Program offers eligible homebuyers a Mortgage Credit Certificate, that allows an annual Federal tax credit. The annual tax liability may be reduced up to an amount equal to 50% of the mortgage interest paid or \$2,000, whichever is less.

A homebuyer is eligible to receive the **tax credit** for as long as they own and live in the home, pay interest on the mortgage and incur a tax liability.

Example of Tax Advantage	
First Mortgage	\$120,000
Interest Rate	3.00%
First Years Interest	\$3,600
MCC Rate	50%
<b>Tax Credit (MCC)</b>	<b>\$1,800</b>
Tax Savings Per Month	\$150

## SC Housing Homebuyer Programs

FY 2019

 **1,278** Homes Financed

**\$169,895,973**



First Mortgage  
Loan Financing Provided

**\$9,664,585**



Total Down  
Payment  
Assistance

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## Development Programs

Tracey Easton, General Counsel

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SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY <sup>23</sup>

## Low Income Housing Tax Credit Program



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## What is the LIHTC Program?

### Low Income Housing Tax Credit (“LIHTC,” pronounced “Lie-tech”)

- The program was created by Congress in 1986 and provides a financial incentive to owners to create affordable housing. It is regulated by the IRS under Section 42 of the Tax Code.
- Each state receives credits, on an annual basis, based on population.
- The annual allocation of credits for SC is approximately \$13.5 million.



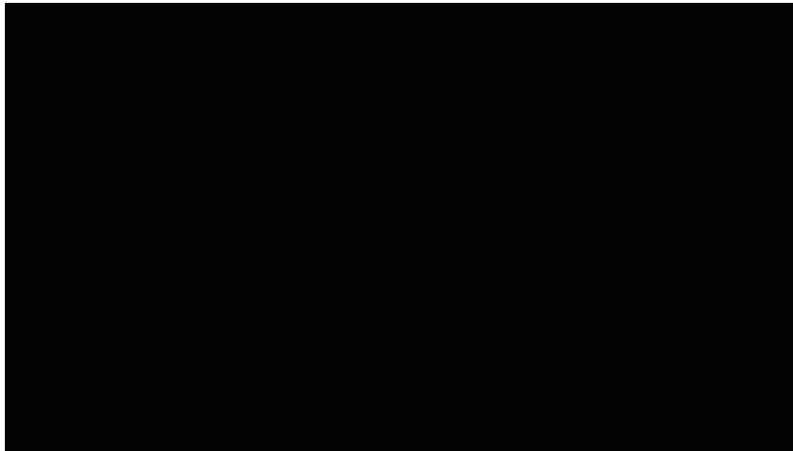
## Types of Low Income Housing Tax Credits

### Low Income Housing Tax Credit (“LIHTC,” pronounced “Lie-tech”)

- Competitive Credit:
  - New Construction or Rehabilitation
  - Acquisition Costs for Rehabilitation
- Non-Competitive Credit:
  - New Construction or Rehabilitation in conjunction with Tax Exempt Bonds



## Video Testimonial



## SC Housing as Administrator of the Tax Credit Program

- SC Housing is responsible for developing guidelines and priorities that best address the need for affordable housing throughout the state.
- SC Housing prepares a Qualified Allocation Plan (QAP) and a Tax Credit Manual that, per Tax Code, is submitted to the Governor for approval.
- The QAP and Tax Credit Manual outline criteria SC Housing will use in evaluating developments applying for an allocation of tax credits.

## 2019 Competitive Threshold Requirements

- Development Experience: Applicants must have experience between 1/1/11 and 2/1/19 in the development of at least one multifamily development containing at least 72 units or 2 developments containing at least 36 units each.
- Financial Capacity: Applicants must demonstrate a net worth of at least \$5,000,000 and minimum unrestricted liquid assets of \$500,000.
- City/County/Legislative Notification: Applicants are required to send a letter notifying the office of the Mayor, State Representative, and State Senator of their intent to apply for a tax credit allocation within the jurisdiction and must detail the type, location, number of units, and tenant targeting.



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## 2019 Competitive Mandatory Requirements

- To ensure quality developments, SC Housing imposes mandatory construction design criteria to include acceptable building characteristics and construction types.
- Additionally the QAP includes mandatory design criteria such as sidewalk access to all parking areas, playground areas for family developments, exercise rooms with workout equipment for older person developments, laundry facilities, etc.



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## 2019 Competitive Program

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- Applications are scored based on, among other items, site characteristics and optional design criteria. These items help differentiate applications from one another.
- Applications are ranked from the highest point score to the lowest point score within five (5) competitive Set-Asides. These Set-Asides are:
  - 1.General
  - 2.Rehabilitation
  - 3.Nonprofit
  - 4.Rural Housing Service (RHS)
  - 5.Large Population Urban



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## Awarding Tax Credits

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- Approximately 45-50 applications are received each year. On average, 20 developments are funded each year creating between 850 and 900 new or rehabilitated affordable rental units.
- Developments awarded credits must be placed-in-service by the end of the 2nd year following the year of allocation.
- For example, developments allocated tax credits in 2019 must be completed and placed-in-service not later than December 31, 2021.



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## How Does a Development Qualify for Tax Credits?

- To qualify for credits, the owners of a development must agree that the property will be subject to:
  - Income Restrictions
  - Rent Restrictions
  - Occupancy Restrictions
- The restrictions are enforced through a recorded Land Use Restrictive Covenant (LURA). The LURA restricts the properties use for a minimum of 15 years with an extended use period of an additional 15 years for those properties not selecting eventual ownership.



## Competitive Program Challenges

- SC Housing strives to meet the needs of all of South Carolina when drafting the QAP and Manual, however, the unique rural and urban mix in South Carolina creates challenges for a statewide program.
- Allocating agencies across the nation are researching new ways to fight rising construction costs and rising property costs.
- Developers often struggle with meeting the needs of South Carolinians due to NIMBY-ism (Not in My Backyard).





## Multifamily Tax-Exempt Bond Financing Program & Non-Competitive Low Income Housing Tax Credits

- Private activity bonds utilizing state bond ceiling (Tax-Exempt Bonds/TEBs) can be used to develop low-income residential housing.
- The program provides a financial incentive to owners to create affordable housing. It is regulated by the IRS under Section 142 of the Tax Code.
- Borrowers under TEBs are eligible for non-competitive low income housing tax credits.



## Multifamily Tax-Exempt Bond Financing Program & Non-Competitive Low Income Housing Tax Credits

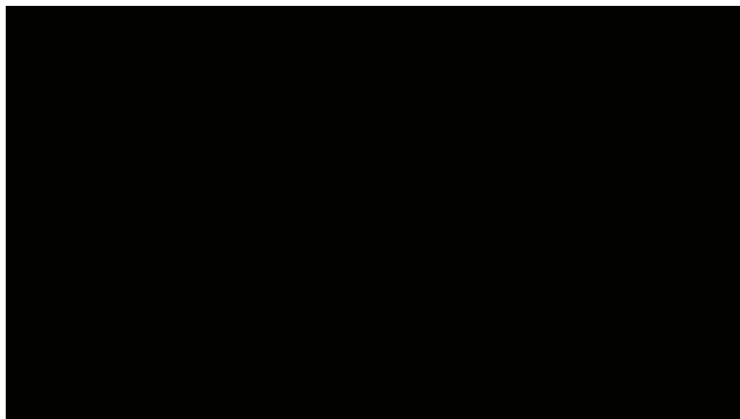
- Eligible projects can be new construction, acquisition with rehabilitation, or rehabilitation of an already owned development.
- SC Housing's TEB Bond Manual outlines the requirements and process for SC Housing to act as issuer of the TEB. There is no requirement that SC Housing act as issuer to be eligible for the non-competitive credits.
- Applications for the non-competitive credits are subject to all mandatory requirements in the Qualified Allocation Plan (QAP) and Tax Credit Manual.



## Multifamily Tax-Exempt Bond Financing Program & Non-Competitive Low Income Housing Tax Credits Challenges

- The TEB program is not as robust as in years past due to low interest rates making tax exempt lending with restrictions not as attractive as conventional lending.
- The non-competitive tax credit is a lower rate credit which often leaves developers with large funding gaps. SC Housing is evaluating its funding sources to determine whether it can help address these funding gaps.

## Video Testimonial



## Other Federally Funded Development Programs

- SC Housing administers two HUD Community Planning & Development Programs at the State Level
  1. HOME Investment Partnerships Program
  2. National Housing Trust Fund Program
- Both programs have similar regulatory requirements
- Funding from both programs is currently combined with State Housing Trust Fund dollars in the **Small Rental Development Program**.

**HOME + NHTF + SC HTF = Small Rental Development Program**

## HOME Program

- Program Inception - 1992
- Regulations Updated - 2013
- Primary use: Development of Rental Properties
- Population Served: 80%, 60%, 50% and below AMI
- 2019 Allocation: \$6.5 Million



## NHTF Program

- Program Inception - 2016
- Primary use: Development of Rental Properties
- Population Served: 30% and below AMI
- 2019 Allocation: \$3 Million



## HOME & National Housing Trust Fund Program Overviews

- Similar Regulations & Cross Cutting Requirements
  - HOME - 24 CFR Part 92
  - NHTF - 24 CFR Parts 91 & 93
- Funding rounds are competitive
- Applicants & Projects must meet certain threshold requirements to compete
- Applications and Programs are updated Annually



## Affordability Periods

HOME – 20 years

NHTF – 30 years

### ***Owner's Responsibilities During Compliance Period***

- Units must meet HUD property standards
- Units must be occupied by income qualified tenants
- Rents including utilities must not exceed allowable HUD limits (*\*Annual approval required*)
- Replacement & operating reserve requirements must be met
- Financial Documents submitted annually for project feasibility reviews

## Common Challenges

- Site Issues
- Environmental Issues
- Procurement/Contractor Issues
- Stalled/Slow Construction
- Construction doesn't meet plan/spec requirements
- Cost Overages



## SC Housing Trust Fund Programs

John Tyler, Director of Housing Initiatives & Innovation



## State Housing Trust Fund Overview

**Since 1992, the Authority has administered the SC Housing Trust Fund for the SC State Treasurer's Office**

- Created in 1992, Sec. 31-13-400, et seq.
- Funded with dollars collected from a dedicated portion of the deed stamp tax (20 cents of every \$500 goes to the Housing Trust Fund).
- Eligible activities include the rehabilitation of owner occupied single-family homes, group homes for the disabled, supportive housing, acquisition and construction of rental housing.
- The Trust Fund is used to "increase the supply of safe, decent and affordable housing for members of the very low and lower income individuals and households."
- The Housing Trust Fund is separate and distinct from the general funds of the state. The State Treasurer is the trustee of the fund and SC Housing administers the fund.



## Emergency Repair (“ER”) Program Overview

- Approved nonprofits may submit applications year round for qualified homeowners to receive funding up to \$8,750 per project (includes \$750 Developer Fee)
- Income, deed, taxes paid, and other requirements
- Conditions must be related to the life, health, and safety of homeowners: ADA accessibility, sewer/septic system, water wells, roofs, HVAC and certain HVAC related items
- Over 4,500 homes have been repaired under this program

## Owner Occupied Repair (“OOR”) Program

- Housing Trust Fund nonprofits that have **successfully completed** Emergency Repair projects may apply for an OOR Block Grant
- OOR allows up to \$25,000 of repairs on a home, while the Emergency Repair program is capped at \$8,000
- OOR Block Grant must be approved by SC Housing Board of Commissioners
- Approximately 3000 homes have been repaired through this program

## Inspection & Approval of Repaired Homes

- SC Housing has a team of inspectors who inspect and review all work performed, ensuring it meets requirements
- Inspectors schedule final inspection – homeowner, sponsor, and SC Housing’s inspector must be present.
- Once final approval is given, the contractor payment and developer fee are mailed to the sponsor.



## Program Challenges

- Not enough qualified nonprofits
- Capacity and Timeliness
- Submission of falsified documents
- Unlicensed contractors
- Kickbacks
- Lack of appropriate insurance





## Group Homes Overview

- A project that provides a combination of services and permanent housing for permanently disabled individuals, including community training homes and residential care facilities operated by the Department of Disabilities and Special Needs.
- The Department of Disabilities and Special Needs and their affiliates are the only eligible sponsor for this activity.
- Group homes proposals are allowed the lesser of \$100,000 or 50% of the total development costs.
- The HTF has contributed to more than 300 housing units for those with disabilities or special needs



## Supportive Housing Overview

- Supportive services for special needs populations, such as people with disabilities and/or people experiencing homelessness, that helps individuals and families live more stable and productive lives.
- Supportive housing proposals are allowed the lesser of \$300,000 or 75% of the total development costs.
- All of these activities are funded on a quarterly basis and are submitted to SC Housing's Board of Commissioners for funding approval



## Rental Assistance & Compliance Monitoring

Carl Bowen, Director of Rental Assistance & Compliance



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## Project-Based Contract Administration

- o The project-based contract administration program is responsible for the administration of most of HUD's rental housing portfolio in South Carolina.
- o Contract administrators work on behalf of HUD with owners and management agents who provide HUD-subsidized apartments in privately-owned complexes.
- o Administration of the program includes reviewing and approving monthly assistance payments, conducting periodic management and occupancy reviews, responding to tenant complaints, processing actions related to subsidy contracts, and reporting and tracking processes required under the contract between SC Housing and HUD.



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## Housing Choice Voucher Program

- The Housing Choice Voucher Program is a federal program for assisting families who have very low incomes, the elderly, and individuals who are disabled .
- The program provides access to decent, safe and sanitary housing in the private market.
- SC Housing administers the program in seven counties (Clarendon, Colleton, Dorchester, Fairfield, Kershaw, Lee, and Lexington) through a contract with HUD.



## WHAT DO WE MONITOR?

- **SC Housing currently monitors a total of 36,681 units in the following programs:**
  - Low-Income Housing Tax Credit (LIHTC)
  - Multifamily Tax-Exempt Revenue Bond (TEB)
  - HOME Investment Partnership (HOME)
  - Housing Trust Fund (HTF)
  - Neighborhood Stabilization Program (NSP)



## COMPLIANCE MONITORING

- **Why do we monitor?**
  - SC State Housing is tasked with ensuring that the various agreements and regulatory requirements associated with each specific program are being satisfied
    - Internal Revenue Service
      - Low-Income Housing Tax Credit Program
      - Multifamily Tax-Exempt Revenue Bond
    - The Department of Housing and Urban Development
      - The HOME Partnership Act Program
      - Neighborhood Stabilization Program

## South Carolina Housing Needs Assessment

Bryan P. Grady, Ph.D., Chief Research Officer

## Overview

- As the Chief Research Officer, I support the work of SC Housing staff and the affordable housing industry
- South Carolina had not commissioned a statewide Housing Needs Assessment (HNA) since 2002
- This initial analysis constitutes a resource supporting creation and implementation of evidence-based policy by SC Housing
- More broadly, the HNA is designed to be a resource to South Carolina and all its affordable housing stakeholders.

## Research Base

- In preparing the initial HNA report, dozens of federal, state, and private sector data sources were consulted
- Demographic, economic, and transportation resources provided context to housing affordability and availability
- While state-level and county-level data are featured, many statistics are available for smaller geographies and legislative districts

## Key Takeaways

- One in four SC renters experiences severe cost burden.
- The average renter cannot afford a basic two-bedroom apartment in 41 of 46 counties statewide.
- We have, by far, the highest eviction rate in the nation.
- There are only enough subsidized rental units to serve one in five low-income renter households.
- Thousands of people experience homelessness nightly.

## Shelter Poverty

- Using my peer-reviewed methodology, it is possible to estimate the overall impact of unaffordable housing.
- Excessively high housing costs cause 32 percent of SC households, including over half of renters, to come up short in meeting their most basic needs (food, fuel, etc.).
- This imposes a cost on the state of **\$8.4 billion** borne by public assistance, private charity, or personal deprivation.
- The scale of this shortfall will only increase as the state's metropolitan and coastal areas continue to grow in size.

# DEPARTMENT OF MOTOR VEHICLES

Chair Wm. Weston J. Newton

First Vice-Chair:  
Laurie Slade Funderburk

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William M. (Bill) Hixon  
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Marvin R. Pendarvis  
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Carmen J. McCutcheon Simon  
Research Analyst/Auditor

Room 228 Blatt Building

Kendra H. Wilkerson  
Fiscal/Research Analyst

June 21, 2019

### Via Email

Col. Kevin A. Shwedo, Executive Director  
South Carolina Department of Motor Vehicles  
Post Office Box 1498  
Blythewood, South Carolina 29016

RE: Follow-up questions from the Subcommittee meeting with the agency on June 19, 2019

Dear Director Shwedo:

The Economic Development, Transportation, and Natural Resources Subcommittee appreciates the information provided by agency representatives at the meeting on June 19, 2019. As follow-up from that meeting, please respond to the following questions by Tuesday, July 9:

1. Does DMV have the authority to cancel/suspend driver licenses or vehicle registrations due to outstanding dishonored check debt? If so:
  - a) Has the agency ever employed that strategy?
  - b) Why does the agency choose not to do this now?
2. For the last three fiscal years, how much of the dishonored check debt recovered by DMV was collected through the Department of Revenue's debt setoff program? Please provide dollar amount and percentage of total.
3. Do you post the consequences of having a check returned (including associated fees and the "No Pay, No Play" policy) in DMV branch offices?
4. Please provide any further details you are able to obtain about the method of check processing used by North Carolina's DMV, which was mentioned in the meeting on June 19, 2019.



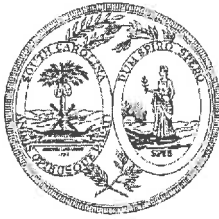
If these inquiries would yield responses that are not an accurate reflection of the agency or if additional time is needed to respond, please contact Committee staff. Thank you for your service to the citizens of South Carolina and for your continued cooperation with the legislative oversight process.

Sincerely,

A handwritten signature in blue ink that reads "Bill Hixon". The signature is written in a cursive, flowing style.

William M. "Bill" Hixon  
Subcommittee Chair

cc: Economic Development, Transportation, and Natural Resources Subcommittee Members



*Henry McMaster*  
Governor

*Kevin A. Shwedo*  
Executive Director

*State of South Carolina*  
*Department of Motor Vehicles*

July 8, 2019

The Honorable William M. "Bill" Hixon  
Post Office Box 11867  
Columbia, South Carolina 29211

Dear Representative Hixon,

Following the June 19, 2019 Economic Development, Transportation, and Natural Resources Subcommittee meeting, you asked the following of the DMV:

1. Does the DMV have the authority to cancel/suspend driver licenses or vehicle registrations due to outstanding dishonored check debt? If so:
  - a. Has the agency ever employed that strategy?
  - b. Why does the agency choose not to do this now?
2. For the last three fiscal years, how much of the dishonored check debt recovered by the DMV was collected through the Department of Revenue's debt setoff program? Please provide dollar amount and percentage of total.
3. Do you post the consequences of having a check returned (including associated fees and the "No Pay, No Play" policy) in DMV branch offices?
4. Please provide any further details you are able to obtain about the method of check processing used by North Carolina's DMV, which was mentioned in the meeting on June 19, 2019.

Please allow this letter to serve as a response to the inquiries above.

**Question 1**

South Carolina Code of Laws §56-1-285 gives the agency the authority to "revoke or refuse to renew the driving privilege of a person for failure to remit a tax or fee administered by the department. Upon payment of all taxes and fees administered by the department, and the payment of any applicable fee, the department may reinstate a person's driving privilege."

Furthermore, §56-3-350 (5) gives the agency the authority to refuse to register a vehicle if "the required fee has not been paid." This statute dates from 1949 and 1969. Looking at the structure of the statute, it appears that the intent was to address initial payment and was not intended to deal with bounced checks. This statute does not clearly state the agency may revoke or suspend a vehicle's registration.

Code of Laws §56-3-870, which was enacted in 1950 and 1951, states, "If an uncertified check is accepted by the Department of Motor Vehicles as payment for the fees due on account of the issuance of license plates and such check is returned to the Department unpaid for any cause whatsoever, the Department may suspend or cancel the registration and license [plate] purchased by check and repossess the registration card, license plates or other documents issued by the

Department, and the applicant-owner shall pay the Department the amount of ten dollars to cover the cost of the repossession and collection if the license and registration are suspended or cancelled.” This statute is in Chapter 3, which deals with vehicles and not driver’s licenses.

- a) Currently, the agency places, what it calls, a “customer level stop” on the record of a person who tries to pay for a DMV service using a bad check. A customer who has this “stop” on his record cannot complete future DMV services (with the exception of a free identification card for voting purposes) until he remits payment for the bad check. Even so, once a customer pays for the service that led to the “customer level stop,” the DMV places an alert for three years on the individual’s record that it will not accept personal checks during this time. If a customer has a “customer level stop” on his or her record, the customer’s driver’s license is still active and is not suspended. So, if a law enforcement officer, for example, stops this customer, the license would still show as valid and active for the officer.
- b) Part of the challenge with suspending a driver’s license or vehicle registration (license plate) without notifying the customer is if a law enforcement officer stops the customer, the customer may be taken to jail for having a suspended license or registration. The DMV must give customers an adequate notice if suspension action is to be taken. For example, under §56-1-240, the agency mails a letter to a customer who need to clear an out-of-state suspension explaining he has 60 days to clear said suspension before action is taken on his South Carolina-issued driver’s license.

In reference to the revocation of a driver’s license as stated in §56-1-285 with the word “revoke,” §56-1-10 (13) defines ““revocation of driver’s license’ means the termination by formal action of the Department of Motor Vehicles of a person’s driver’s license or privilege to operate a motor vehicle on the public highways, which privilege to operate is not subject to renewal or restoration, except that an application for a new license may be presented and acted upon by the department.” The wording of §56-1-285 is a problem when it mentions “revoke.”

**Question 2**

Fiscal Year	DOR Setoff Payment**	Total Yearly Dishonored Check Amount Collected	% of Yearly Dishonored Checks Collected through DOR Setoff**
2017	\$86,918.41	\$421,724.88	21%
2018	\$78,512.94	\$711,607.08	11%
2019*	\$52,066.45	\$458,807.58	11%

\*The total dishonored checks collected for FY19 are estimated. June 2019 revenue has not been finalized.

\*\*This total is cumulative of all checks owed during all previous years. This is not necessarily the amount due solely in FY listed.

### Question 3

As of this response, the consequences of having a check returned are not posted in agency branches throughout the state. However, the agency has found that any increase in signage has diminished the effectiveness of other signage in its offices. The agency does currently have this information on its website: <http://www.scdmvonline.com/Fees>, and it's open to editing this page to more fully explain "No Pay, No Play" if warranted.

### Question 4


The DMV recently initiated an AAMVA (American Association of Motor Vehicle Administrators) survey with the intent of determining the best available options to reduce dishonored check debt. This survey was sent to the North Carolina Division of Motor Vehicles first to better understand its dishonored check policy. Its answers are attached to this letter. The DMV has asked other jurisdictions to answer the following questions by August 1, 2019.

1. Does your agency currently accept payments by check?
2. If yes, what type of check payments does your agency accept?
  - a. Paper checks
  - b. Electronic checks
  - c. Both
3. If electronic check payments are accepted, when are they accepted?
  - a. Point-of-sale locations (face-to-face transactions)
  - b. Online
  - c. Both
4. If you accept electronic check payments at point-of-sale locations, does your agency have the ability to put a "hold" on funds to ensure payment?
5. Is there a minimum and/or maximum of checks you will accept? If yes, what is the minimum and/or maximum amount?
6. If electronic check payments are accepted either at point-of-sale or online, is there a fee associated with the electronic payment?
7. If yes, is the fee assessed to the customer?
8. If a check is returned for non-payment, how are collections handled?
  - a. In-house
  - b. Through a third party collection agency

9. What is your agency's percentage of collections on returned checks?
10. Does your agency collect a fee for checks returned for non-payment? If yes, what is the amount of the fee?
11. Is any action taken against a customer's driver's license or vehicle registration/license plate in regards to the returned check?
12. If a customer has a check returned for non-payment, do you accept future payments by check from the customer?

The SCDMV is willing to share the completed AAMVA survey responses with you if desired.  
The agency is happy to be of further assistance if additional questions arise.

Regards,



Kevin A. Shwedo  
Executive Director, SCDMV

AAMVA Survey Responses from NCDMV

1. Does your agency currently accept payments by check?

Yes.

2. If yes, what type of check payments does your agency accept?
  - a. Paper checks
  - b. Electronic checks
  - c. Both

We accept both.

3. If electronic check payments are accepted, when are they accepted?
  - a. Point-of-sale locations (face-to-face transactions)
  - b. Online
  - c. Both

Online only. The only electronic check payments that we accept come from our dealers, but the money goes through a clearinghouse first (CVR/TRIVIN) and is then sent to DMV.

4. If you accept electronic check payments at point-of-sale locations, does your agency have the ability to put a "hold" on funds to ensure payment?

N/A

5. Is there a minimum and/or maximum of checks you will accept? If yes, what is the minimum and/or maximum amount?

No

6. If electronic check payments are accepted either at point-of-sale or online, is there a fee associated with the electronic payment?

DMV doesn't, but the clearinghouse charges the dealers for providing this service.

7. If yes, is the fee assessed to the customer?

N/A

8. If a check is returned for non-payment, how are collections handled?
  - a. In-house
  - b. Through a third party collection agency

Collections are handled in house

9. What is your agency's percentage of collections on returned checks?

Within the first year I would say we collect about 60% of our money back. Two to three years, I would estimate 75%-80% we collect. The block that's on their account doesn't give them a choice. They have to pay us if they want to receive services.

10. Does your agency collect a fee for checks returned for non-payment? If yes, what is the amount of the fee?

Yes, the penalty is 10% of what the check was written for. If the check is less than \$100, the penalty is a flat \$10. Some returned checks don't receive penalties. Depends on why they were returned. NSF, account closed, unknown, holding funds/frozen account, refer to maker, and chargebacks all receive penalties when billed. If the debt isn't paid within 30 days, interest will be applied every 30 days (not sure of the percentage for interest).

11. Is any action taken against a customer's driver's license or vehicle registration/license plate in regards to the returned check?

Once we bill the customer for a bad check, a block is put on their DMV account and they cannot receive any services from DMV until it is paid in full. If the check paid [is] for a DL service, the customer's DL will be suspended if they don't pay the bad debt within the allotted time given. Once we receive payment, their DL is restored. If the check paid [is] for vehicle service, their plates stay active.

12. If a customer has a check returned for non-payment, do you accept future payments by check from the customer?

Yes, if they pay for the returned check within the first 30 days. If we receive payment after 30 days, they are put in a cash only status and cannot write checks or do any online business with us for five years.