

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