

55-Year WIFIA Loan Term Amendment for Long-Lived Projects

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For Borrowers

- **More Affordable Minimum Debt Service:** The extended amortization schedule of a 55-year loan term can facilitate more affordable increases in taxes and water rates for long-lived projects by lowering annual minimum debt service. Under current interest rates, the reduction will be about 20% compared to a 35-year term. If economic conditions improve, borrowers can accelerate amortization or prepayment without penalty.
- **Uniquely Low Interest Rates:** Under current law, WIFIA's 'low' UST-based interest rates are often matched by other federally subsidized sources of finance, especially SRF loans and tax-exempt bonds. But a WIFIA loan with a 55-year term will be priced in a significantly larger proportion of the 'flat forward' part of the US Treasury yield curve than any federally subsidized alternative. That, combined with WIFIA's standard practice of not adding a credit spread, will result in a uniquely low interest rate for long-lived projects.
- **Expanded Scope for Synergies with SRFs and Bonds:** WIFIA loans can be combined with SRF loans and tax-exempt bonds as a 49% share of project capitalization. But the existing duplication of many loan features limits 'win-win' solutions. In contrast, a 55-year loan term expands the scope for cost-saving synergies for long-lived projects, especially in combination with shorter term bonds.

For Federal Taxpayers and Policymakers

- **Low Cost and Low Risk:** A 55-year loan term utilizes intrinsic federal lending strengths. Additional credit subsidy per dollar of loan amount is only about 0.15% above a 35-year term loan -- an immaterial cost, especially relative to WIFIA's \$220 million discretionary funding carryover. Long-lived projects for basic water infrastructure (pipes, sewers, levees, etc.) are low-tech and permanently essential, resulting in a very low credit risk profile for WIFIA loans, even when extended to a 55-year term.
- **Reduced WIFIA Mandatory Spending:** WIFIA 55-year term financing will be primarily utilized as a unique component of project capitalization, a commitment for which borrowers will be reluctant to cancel, regardless of interest rate movement. This will reduce WIFIA's unsustainably high level of mandatory spending for FCRA interest rate re-estimates.
- **Direct Legislative Precedent:** The TIFIA Loan Program, on which WIFIA was modelled, was amended by the IIJA in 2021 to include a 75-year loan term for long-lived transportation projects. Long-lived water projects are directly analogous.