**74:05:07:13.  Security.** The funding agreement for a loan must contain specific requirements to secure the loan. The loan may be secured by one or more of the following:

(1)  Full faith and credit of the borrower;

(2)  Pledges of taxes or assessments;

(3)  Pledges of facility revenue; or

(4)  Liens on the interest of the applicant in all real and personal property, easements, rights-of-way, water rights, water purchase contracts, and similar property rights, including leasehold interests, used in connection with the facility, whether owned at the time the loan is approved or acquired with loan funds.

A debt coverage ratio, which is a comparative statistic showing the relationship between the applicant's debt and the security pledged toward repayment, of at least 100 percent must be demonstrated in all funding agreements.

**Source:** 13 SDR 23, effective September 3, 1986; 13 SDR 129, 13 SDR 141, effective July 1, 1987; 19 SDR 202, effective July 4, 1993; 21 SDR 97, effective November 28, 1994.

**General Authority:** SDCL 46A-1-65.

**Law Implemented:** SDCL 46A-1-61, 46A-1-63.1, 46A-1-64.

**Cross-Reference:** Funding agreements, § 74:05:07:20.