

will be final. A copy of the Administrator's decision will be furnished promptly to the applicant.

Subpart H—Deferments of RUS Loan Payments for Rural Development Projects

SOURCE: 58 FR 21639, Apr. 23, 1993, unless otherwise noted. Redesignated at 64 FR 14356, Mar. 25, 1999.

§ 1703.300 Purpose.

This subpart E sets forth RUS's policies and procedures for making loan deferments of principal and interest payments on direct loans or insured loans made for electric or telephone purposes, but not for loans made for rural economic development purposes, in accordance with subsection (b) of section 12 of the RE Act. Loan deferments are provided for the purpose of promoting rural development opportunities.

§ 1703.301 Policy.

It is RUS's policy to encourage borrowers to invest in and promote rural development and rural job creation projects that are based on sound economic and financial analyses. Borrowers are encouraged to use this program to promote economic, business and community development projects that will benefit rural areas.

§ 1703.302 Definitions and rules of construction.

(a) *Definitions.* For the purpose of this subpart, the following terms will have the following meanings:¹

Administrator means the Administrator of RUS.

Borrower means any organization which has an outstanding direct loan or insured loan made by RUS for the provision of electric or telephone service.

Cushion of credit payment means a voluntary unscheduled payment on an RUS note made after October 1, 1987, credited to the cushion of credit account of a borrower.

Deferment means a re-amortization of a payment of principal and/or interest on an RUS direct loan or insured loan for over either a 5- or 10 year period,

with the first payment beginning on the date of the deferment.

Direct loan means a loan that is made by the Administrator pursuant to section 4 or section 201 of the RE Act (7 U.S.C. 901 *et seq.*) for the provision of electric or telephone service in rural areas and does not include a loan made to promote economic development in rural areas.

Financially distressed borrower means an RUS-financed borrower determined by the Administrator to be either:

(i) In default or near default on interest or principal payments due on loans made or guaranteed under the RE Act;

(ii) A borrower that was in default or near default, but is currently participating in a workout or debt restructuring plan with RUS; or

(iii) Experiencing a financial hardship.

Insured loan means a loan that is made, held, and serviced by the Administrator, and sold and insured by the Administrator, pursuant to Section 305 of the RE Act (7 U.S.C. 901 *et seq.*) for the provision of electric or telephone service in rural areas and does not include a loan made to promote economic development in rural areas.

Job creation means the creation of jobs in rural areas, or in close enough proximity to rural areas so that it is likely that the majority of the jobs created will be held by residents of rural areas.

Project means a rural development project that a borrower proposes and the Administrator approves as qualifying under this subpart.

RE Act means the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*).

REA means the Rural Electrification Administration formerly an agency of the United States Department of Agriculture and predecessor agency to RUS with respect to administering certain electric and telephone loan programs.

RTB means the Rural Telephone Bank (telephone bank), a body corporate and an instrumentality of the United States, that obtains supplemental funds from non-Federal sources and utilizes them in making loans, operating on a self-sustaining basis to the extent practicable (section 401, RE Act).

§ 1703.303

RUS means the Rural Utilities Service, an agency of the United States Department of Agriculture established pursuant to Section 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178), successor to REA with respect to administering certain electric and telephone programs. See 7 CFR 1700.1.

Technical assistance means market research, product or service improvement, feasibility studies, environmental studies, and similar activities that benefit rural development or rural job creation projects.

(b) *Rules of construction.* Unless the context otherwise indicates; “includes” and “including” are not limiting, and “or” is not exclusive. The terms defined in §1703.302(a) include both the plural and the singular.

[58 FR 21639, Apr. 23, 1993, as amended at 59 FR 66440, Dec. 27, 1994]

§ 1703.303 Eligibility criteria for deferment of loan payments.

The deferment of loan payments may be granted to any borrower that is not financially distressed, delinquent on any Federal debt, or in bankruptcy proceedings. However, the deferment of loan payments will not be granted to a borrower during any period in which the Administrator has determined that no additional financial assistance of any nature should be provided to the borrower pursuant to any provision of the RE Act. The determination to suspend eligibility for the deferment of loan payments under this subpart will be based on:

(a) The borrower’s demonstrated unwillingness to exercise diligence in repaying loans made by RUS or RTB or guaranteed by RUS that results in the Administrator being unable to find that such loans, would be repaid within the time agreed; or

(b) The borrower’s demonstrated unwillingness to meet the requirements in RUS’s or RTB’s legal documents or regulations.

§ 1703.304 Restrictions on the deferment of loan payments.

(a) The deferment must not impair the security of any loans made RUS or

7 CFR Ch. XVII (1–1–01 Edition)

RTB, or guaranteed by RUS, pursuant to the RE Act.

(b) At no point in time may the amount of the debt service payments deferred exceed 50 percent of the total cost of a community, business, or economic development project for which a deferment is provided.

(c) A borrower may defer debt service payments only in an amount equal to the investment made by such borrower in a rural development project. The investment must not be made from:

(1) Proceeds of loans made or guaranteed pursuant to the RE Act, or grants made pursuant to the RE Act or section 2331 through section 2335A of the Rural Economic Development Act of 1990 (7 U.S.C. 950aaa *et seq.*);

(2) Funds necessary to make timely payments of principal and interest on loans made, guaranteed or lien accommodated pursuant to the RE Act;

(3) Insurance proceeds from mortgaged property;

(4) Damage awards and sale proceeds resulting from eminent domain and similar proceedings involving mortgaged property;

(5) Sale proceeds from mortgaged property sales requiring specific Administrator approval; and

(6) Funds which are restricted by RUS or RTB loan instruments to be held in trust for the Government or to be held for any other specific purpose.

(d) Any investment made in a rural development project prior to the date of the application for a deferment based on such project cannot be used to satisfy the requirements of this section.

§ 1703.305 Requirements for deferment of loan payments.

(a) Except as otherwise provided in paragraph (b) of this section, the borrower must make a cushion of credit payment equal to the amount of the payment deferred and subject to the following rules:

(1) Cushion of credit payments made prior to the date that an application for deferral has been approved by RUS cannot be used to satisfy the requirements of this section;

(2) Once a cushion of credit payment has been made to satisfy the requirements of paragraph (a) of this section,