

§§ 1710.8–1710.49

approval rights will apply to all applicable subsequent actions of the borrower, including without limitation the amendment of contracts that the borrower entered into while eligible for an exemption under this section.

[60 FR 67401, Dec. 29, 1995, as amended at 62 FR 27930, May 22, 1997; 65 FR 51748, Aug. 25, 2000]

§§ 1710.8–1710.49 [Reserved]

Subpart B—Types of Loans and Loan Guarantees

§ 1710.50 Insured loans.

RUS makes insured loans under section 305 of the RE Act.

(a) *Municipal rate loans.* The standard interest rate on an insured loan made on or after November 1, 1993, is the municipal rate, which is the rate determined by the Administrator to be equal to the current market yield on outstanding municipal obligations with remaining periods to maturity, up to 35 years, similar to the interest rate term selected by the borrower. In certain cases, an interest rate cap of 7 percent may apply. The interest rate term and rollover maturity date for a municipal rate loan will be determined pursuant to 7 CFR part 1714, and the borrower may elect to include in the loan documents a prepayment option (call provision).

(b) *Hardship rate loans.* RUS makes hardship rate loans at the 5 percent hardship rate to qualified borrowers meeting the criteria set forth in 7 CFR 1714.8

[58 FR 66263, Dec. 20, 1993]

§ 1710.51 Loan guarantees.

RUS provides financing through 100 percent loan guarantees made under sections 306 and 306A of the RE Act. RUS also provides 90 percent loan guarantees under section 311 of the RE Act to enable borrowers to secure financing from certain private lenders. The loan guarantees are made for a term of up to 35 years, and the interest rate is established at a rate agreed to by the borrower and the lender, with RUS concurrence. The guarantee applies to

7 CFR Ch. XVII (1–1–01 Edition)

the repayment of both principal and interest.

[58 FR 66264, Dec. 20, 1993]

§§ 1710.52–1710.99 [Reserved]

Subpart C—Loan Purposes and Basic Policies

§ 1710.100 General.

RUS makes loans and loan guarantees to finance the construction of electric distribution, transmission and generation facilities, including system improvements and replacements required to furnish and improve electric service in rural areas, and for demand side management, energy conservation programs, and on grid and off grid renewable energy systems. In some circumstances, RUS may finance selected operating expenses of its borrowers. Loans made or guaranteed by the Administrator of RUS will be made in conformance with the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*), and 7 CFR chapter XVII. RUS provides certain technical assistance to borrowers when necessary to aid the development of rural electric service and to protect loan security.

[58 FR 66264, Dec. 20, 1993]

§ 1710.101 Types of eligible borrowers.

(a) RUS makes loans to corporations, states, territories, and subdivisions and agencies thereof; municipalities; people's utility districts; and cooperative, nonprofit, limited-dividend, or mutual associations that provide or propose to provide:

(1) The retail electric service needs of rural areas, or

(2) The power supply needs of distribution borrowers under the terms of power supply arrangements satisfactory to RUS.

(b) In making loans, RUS gives preference to states, territories, and subdivisions and agencies thereof; municipalities; people's utility districts; and cooperative, nonprofit, or limited-dividend associations. RUS does not make loans to individual consumers.

(c) For the purpose of determining eligibility of a distribution borrower not in default on the repayment of a loan made or guaranteed under the RE

Act for a loan, loan guarantee, or lien accommodation, a default by a borrower from which a distribution borrower purchases wholesale power shall not:

(1) Be considered a default by the distribution borrower;

(2) Reduce the eligibility of the distribution borrower for assistance under the RE Act; or

(3) Be the cause, directly or indirectly, of imposing any requirement or restriction on the borrower as a condition of the assistance, except such requirements or restrictions as are necessary to implement a debt restructuring agreed on by the power supply borrower and RUS.

(d) For the purpose of determining the eligibility of a distribution borrower, RUS will consider whether the distribution borrower is current on its obligations to its wholesale power supplier under the RUS wholesale power contract.

(e) Nothing in paragraph (c) of this section relieves any distribution borrower that is a member of a power supply borrower in default on its obligations to RUS or operating under a debt restructuring agreement, of requirements set forth in RUS regulations, including, without limitation, §1710.112(b)(6), or of any terms and conditions that the Administrator may otherwise impose on any borrower as a condition of obtaining a loan or loan guarantee (including, in appropriate cases, member guarantees).

(f) Except as provided in paragraph (g) of this section, former borrowers that have paid off all outstanding loans may reapply for a loan to serve RE Act beneficiary loads accruing from the time the former borrower's complete loan application is received by RUS. The determination of whether an area is rural will be based on the Census designation of the area at the time of the reapplication for a loan, if the area is not served by electric facilities financed by RUS. If the area is served by electric facilities financed by RUS, it will continue to be considered rural.

(g) Former borrowers that have prepaid all, or portions of outstanding insured and direct loans in accordance with RUS regulations must comply with the provisions of 7 CFR part 1786

before being considered eligible to borrow additional funds from RUS.

[57 FR 1053, Jan. 9, 1992; 57 FR 4513, Feb. 5, 1992. Revised and redesignated at 58 FR 66264, Dec. 20, 1993]

§ 1710.102 Borrower eligibility for different types of loans.

(a) *Insured loans under section 305.* Insured loans are normally reserved for the financing of distribution and subtransmission facilities of both distribution and power supply borrowers, including, under certain circumstances, the implementation of demand side management, energy conservation programs, and on grid and off grid renewable energy systems. In accordance with §1710.110, the Administrator may require the borrower to obtain no more than 30 percent of the total debt financing required for a proposed project by means of a supplemental loan from another lender without an RUS guarantee.

(b) *One hundred percent loan guarantees under section 306.* Both distribution and power supply borrowers are eligible for 100 percent loan guarantees under section 306 of the RE Act for any or all of the purposes set forth in §1710.106, including, under certain circumstances, the implementation of demand side management, energy conservation programs, and on grid and off grid renewable energy systems. (See 7 CFR part 1712). These guarantees are normally used to finance bulk transmission and generation facilities, but they may also be used to finance distribution and subtransmission facilities. If a borrower applies for a section 306 loan guarantee to finance all or a portion of distribution and subtransmission facilities, such request will not affect the borrower's eligibility for an insured loan to finance any remaining portion of said facilities or for any future insured loan to finance other distribution or subtransmission facilities. A section 306 loan guarantee, however, may not be used to guarantee a supplemental loan required by §1710.110.

(c) *One hundred percent loan guarantees under section 306A.* Under section 306A of the RE Act, both distribution and power supply borrowers are eligible