

agreements or commitments the borrower proposed in its application.

(b) The Administrator has the discretion to include as an approved purpose the reimbursement of short-term financing and expenditures that were used for costs incurred on the project in accordance with §1703.20(a)(2).

(c) If the borrower fails to submit within one month from the date of the Administrator's selection of an application all of the information that the Administrator determines to be necessary for RUS to prepare legal documents, the Administrator may consider the selection of the application cancelled.

**§ 1703.60 [Reserved]**

**§ 1703.61 Disbursement of zero-interest loan and grant funds.**

(a) RUS will disburse zero-interest loan funds to the borrower which must disburse zero-interest loan proceeds to the project for approved purposes in accordance with the legal documents executed by the Administrator and the borrower and applicable RUS regulations. The borrower must make payments on a zero-interest loan as set forth in the legal documents executed by the Administrator and the borrower. The Borrower or project owner's share in the cost of the project must be utilized in advance of RUS zero-interest loan funds, or upon RUS approval, on a pro-rata distribution basis with loan funds during the disbursement period. The Borrower or project owner will not be permitted to provide its contribution at the end of the loan disbursement period.

(b) RUS will disburse grant funds to the borrower which must disburse grant proceeds to the project for approved purposes in accordance with the provisions of 7 CFR part 3015 and 7 CFR part 3016, as appropriate, the legal documents executed by the Administrator and the borrower, and applicable RUS regulations. Prior to the disbursement of grant funds under this subpart, the Borrower will provide evidence of fidelity bond coverage as required by 7 CFR 3015.17. The grant portion of a pass-through zero-interest loan and grant will be disbursed to the Borrower on a reimbursement basis after all other

project funds have been utilized and evidence is provided that the project has been completed. Grants to Borrowers for establishment of revolving loan funds will be disbursed in accordance with §1703.22 of this subpart.

(c) If the borrower fails to satisfy all conditions, requirements, and terms prerequisite to the advance of zero-interest loan and/or grant funds as set forth in the letter of agreement or other RUS legal documents within 120 days from the date the borrower signs the letter of agreement agreeing and accepting the conditions, requirements, and terms of the RUS zero-interest loan and/or grant, or such later date as the Administrator may approve, the Administrator may rescind the zero-interest loan and/or grant commitment.

(d) During the period between the execution of RUS's legal documents and the disbursement of funds, the borrower must provide the Administrator written notification if the project is no longer viable or the borrower no longer desires a zero-interest loan or grant for the project. After RUS has received the borrower's notification, the Administrator will rescind the commitment.

(e) The borrower must return to RUS all proceeds of the zero-interest loan and/or grant, including any interest earned on the funds being returned, which have not been lent or disbursed by the borrower for approved purposes during the six months following the advance of the loan or grant funds from RUS to the borrower, or such later date as the Administrator may approve. If the project is under the control of the borrower, all proceeds of the zero-interest loan and/or grant must be returned to RUS, including any interest earned on the funds being returned, which have not been expended by the borrower for approved purposes before the first anniversary of the date of the advance of the loan or grant funds from RUS to the borrower, or such later date as the Administrator may approve. Authorization of any extension rests solely within the discretion of the Administrator.

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