

(I) A general ledger Account 7320, "Interest Income (Class A Companies)", or Account 7300.2, "Interest Income (Class B Companies)", as appropriate. The Borrower will credit this account with the amount of interest earned on the revolving fund loans.

(2) *Requisition requirements.* Grant funds may be requisitioned by RUS Borrowers in accordance with disbursement requirements in paragraph (e) of this section. Borrowers will be fully reimbursed for funds expended for approved projects funded. For each completed project, the Borrower will submit the following for reimbursement:

(i) Standard Form 270, "Request for Advance of Reimbursement";

(ii) Copies of cancelled checks and other verifiable source records supporting the transactions; and

(iii) Certification and evidence that the project costs to be reimbursed are for a project which has been authorized by RUS and are authorized costs for that project.

(3) *RUS review.* Requisition requests will be evaluated for compliance with loan purposes previously submitted by the Borrower for project authorization in accordance with paragraphs (c)(1) or (e)(2) of this section, compliance with the Borrower's rural development plan, accounting documentation submitted in paragraph (h)(1) of this section, and the cancelled checks and source records submitted.

[59 FR 11708, Mar. 14, 1994, as amended at 59 FR 38341, July 28, 1994; 59 FR 53931, Oct. 27, 1994]

§ 1703.23 Supplemental funds requirements for zero-interest loans and grants.

The Administrator will not select an application unless the project will receive supplemental funds in an amount at least equal to 20 percent of the RUS zero-interest loan and grant to be provided to the project, as determined by the Administrator. Supplemental funds as used in this section may come from the project owner in the form of equity funds, private sources, state and local government sources, other Federal Government sources, the borrower or other sources. Only supplemental funds that will be provided to the project after the date RUS receives the bor-

rower's completed application may be used to satisfy this requirement. Supplemental financing must be verified and committed to the project in form and substance satisfactory to the Administrator before RUS will advance any funds.

§ 1703.24 [Reserved]

§ 1703.25 Significance of RUS financing to the total project cost.

Selection of applications will be based on a preference for applications requesting RUS financing which will be at least equal to 5 percent of the total project costs, as determined by the Administrator. Projects costs will be based on the amount that would be spent over the first 2 years after the first advance of RUS funds for the component or phase of the undertaking for which the borrower is requesting RUS funds, as determined by the Administrator. The Administrator may determine that a component or phase, especially actions necessary to initiate a larger project, constitute a distinct project for the purposes of this section.

§ 1703.26 [Reserved]

§ 1703.27 Owner's equity in the project.

The Administrator may require, as a condition to RUS financing, that the owner(s) of the project invest equity capital if determined to be financially necessary, based on an RUS financial analysis and sound lending practices.

§ 1703.28 Maximum and minimum sizes of a zero-interest loan or grant application.

(a) The maximum size of an application that will be considered for funding under this subpart during a fiscal year will be 3 percent of the projected total amount available for the zero-interest loans or grants under section 313 of the Act during that fiscal year, rounded to the nearest \$10,000. This determination will be made by the Administrator for each fiscal year.

(b) Regardless of the projected total amount that will be available, the maximum size may not be lower than \$200,000.

(c) The projected total amount available during a particular fiscal year is calculated as the sum of the projected

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amount that will be credited to the subaccount during a particular fiscal year from the interest differential calculation based on the RUS borrowers' cushion of credit levels at the time the Administrator makes the determination and any amounts appropriated for that fiscal year for zero-interest loans or grants made under section 313 of the Act.

(d) After the Administrator has determined the maximum size for a fiscal year, a notice of the calculation and amount will be published promptly in the FEDERAL REGISTER. Thereafter, the maximum size will remain in effect until the Administrator has published the maximum size for the next fiscal year.

(e) All unselected applications on file at RUS, including both loan and grant applications, from the same borrower for the same project will be considered to be one application in determining that the maximum size of the application is in accordance with this section.

(f) The minimum size of an application for assistance under this subpart that will be considered for funding is \$10,000.

[57 FR 44317, Sept. 25, 1992, as amended at 59 FR 11711, Mar. 14, 1994]

§ 1703.29 Terms of zero-interest loan repayment.

(a) The Administrator will determine the terms and repayment schedule of the zero-interest loan to the borrower based on the nature of the project and approved purposes. Ordinarily, the total term of the zero-interest loan, including any principal deferment period, will not exceed 10 years. The repayment terms the borrower sets on a pass-through-loan must equal the terms of the loan provided to the borrower unless a written request from the borrower to provide a longer deferment period, shorter total term of the loan, or other benefits is approved by the Administrator.

(b) The Administrator has the discretion to defer the repayment of principal up to two years, based on an analysis of the feasibility of the project. Ordinarily, if the Administrator considers the project to be a business expansion or going concern, the first repayment of principal will not begin

until one year after the date of the RUS note. Ordinarily, if the Administrator considers the project to be a start-up project, the first repayment of principal will not begin until 2 years after the date of the RUS note. Loans must be repaid under terms set forth in RUS's legal documents.

(c) Unless the Administrator has specifically approved otherwise, the borrower will be required to repay the RUS zero-interest loan in full at such time as a pass-through-loan has been fully repaid to the borrower. If the borrower uses the proceeds of the RUS zero-interest loan to provide pass-through-loans to more than one entity, this requirement will only apply to that portion of the zero-interest loan associated with the loan that has been fully repaid to the borrower.

(d) If the Administrator determines that, as a result of state law, court rulings, or regulatory commission decisions, it is necessary to ensure that the borrower will repay the RUS zero-interest loan, the borrower may be required to provide an irrevocable letter of credit, or another form of guarantee satisfactory to the Administrator. The letter of credit or other guarantee is to be made payable to RUS. The letter of credit or other guarantee may not be secured by any assets under a RUS and/or Rural Telephone Bank mortgage and must be in form and substance satisfactory to the Administrator. RUS must receive the letter of credit or other guarantee prior to the advance of any zero-interest loan funds.

§ 1703.30 Approval of agreements.

(a) The Administrator must approve any agreements between the borrower and the owner(s) of the project, those undertaking the project, or any intermediary that will re-lend or transfer the proceeds of the RUS funds, that the Administrator deems necessary.

(b) Borrowers must obtain the Administrator's approval of any loan, grant or security agreement, mortgage or note between the borrower and the owner(s) of the project, those undertaking the project or any intermediary that will re-lend or transfer the proceeds of the RUS funds, prior to the advance of RUS zero-interest loan or