

Rural Utilities Service, USDA

§ 1714.56

elect at the time of loan approval to include a prepayment option (call provision) that will allow the borrower to prepay all, or a portion of, the outstanding balance on any advance on a date other than a rollover maturity date. Interest rates on advances from loans with a prepayment provision will be increased as set forth in §1714.4(a).

(b) *Hardship rate loans.* Loan documents for hardship loans shall provide that the loan may be prepaid at face value at any time without penalty.

§§ 1714.10–1714.49 [Reserved]

Subpart B—Terms of Insured Loans

SOURCE: 60 FR 3734, Jan. 19, 1995, unless otherwise noted.

§§ 1714.50–1714.54 [Reserved]

§ 1714.55 Advance of funds from insured loans.

The borrower shall request advances of funds as needed. Advances are subject to RUS approval and must be requested in writing on RUS Form 595 or an RUS approved equivalent. Funds will not be advanced until the Administrator has received satisfactory evidence that the borrower has met all applicable conditions precedent to the advance of funds, including evidence that the supplemental financing required under 7 CFR part 1710 and any concurrent loan guaranteed by RUS are available to the borrower under terms and conditions satisfactory to RUS.

§ 1714.56 Fund advance period.

(a) For loans approved on or after February 21, 1995, the fund advance period begins on the date of the loan note and is one year longer than the loan period, but not less than 4 years. For example, the fund advance period for a loan with a 2-year loan period terminates automatically 4 years after the date of the loan note; a loan with a 4-year loan period terminates automatically 5 years after the date of the loan note. The Administrator may extend the fund advance period on any loan if the borrower meets the requirements of paragraph (c) of this section. As defined in 7 CFR 1710.2, the loan period begins on the date shown on page 1 of

RUS Form 740c submitted with the loan application.

(b) For loans approved on or after June 1, 1984, and before February 21, 1995, the fund advance period begins on the date of the loan contract, or the most recent amendment thereto, and terminates automatically 4 years from the date of the loan contract, or the most recent amendment thereto, except as provided in paragraph (c) of this section.

(c) The Administrator may agree to an extension of the fund advance period for loans approved on or after June 1, 1984, if the borrower demonstrates to the satisfaction of the Administrator that the loan funds continue to be needed for approved loan purposes (i.e., facilities included in an RUS approved construction work plan). Policies for extension of the fund advance period following certain mergers, consolidations, and transfers of systems substantially in their entirety are set forth in 7 CFR 1717.156.

(1) To apply for an extension, the borrower must send to RUS, at least 120 days before the automatic termination date, the following:

(i) A certified copy of a board resolution requesting an extension of the Government's obligation to advance loan funds;

(ii) Evidence that the unadvanced loan funds continue to be needed for approved loan purposes; and

(iii) Notice of the estimated date for completion of construction.

(2) In the case of financial hardship, as determined by the Administrator, RUS may agree to an extension of the fund advance period even though the borrower has failed to meet the 120-day requirement of paragraph (c)(1) of this section.

(3) If the Administrator approves a request for an extension, RUS will notify the borrower in writing of the extension and the terms and conditions thereof. An extension will be effective only if it is obtained in writing prior to the automatic termination date.

(d) Advances of funds from loans approved before June 1, 1984, are generally made during the first 6 years of the note.

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(e) RUS will rescind the balance of any loan funds not advanced to a borrower as of the final date approved for advancing funds.

[60 FR 3734, Jan. 19, 1995, as amended at 61 FR 66871, Dec. 19, 1996]

§ 1714.57 Sequence of advances.

(a) Except as set forth in paragraph (b) of this section, concurrent loan funds will be advanced in the following order:

- (1) 50 percent of the RUS insured loan funds;
- (2) 100 percent of the supplemental loan funds;
- (3) The remaining amount of the RUS insured loan funds.

(b) At the borrower's request and with RUS approval, all or part of the supplemental loan funds may be advanced before funds in paragraph (a)(1) of this section.

§ 1714.58 Amortization of principal.

(a) For insured loans approved on or after February 21, 1995:

(1) Amortization of funds advanced during the first 2 years after the date of the note shall begin no later than 2 years from the date of the note. Except as set forth in paragraph (a)(2) of this section, amortization of funds advanced 2 years or more after the date of the note shall begin with the scheduled loan payment billed in the month following the month of the advance.

(2) For advances made 2 years or more after the date of the note, the Administrator may authorize deferral of amortization of principal for a period of up to 2 years from the date of the advance if the Administrator determines that failure to authorize such deferral would adversely affect either the Government's financial interest or the achievement of the purposes of the RE Act.

(b) For insured loans approved before February 21, 1995, amortization of principal shall begin 2 years after the date of the note for advances made during the first and second years of the loan, and 4 years after the date of the note for advances made during the third and fourth years.

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§ 1714.59 Rescission of loans.

(a) A borrower may request rescission of a loan with respect to any funds unadvanced by submitting a certified copy of a resolution by the borrower's board of directors.

(b) RUS may rescind loans pursuant to § 1714.56.

(c) Borrowers who prepay RUS loans at a discounted present value pursuant to 7 CFR part 1786, subpart F, are required to rescind the unadvanced balance of all outstanding electric notes pursuant to 7 CFR 1786.158(j).

PART 1717—POST-LOAN POLICIES AND PROCEDURES COMMON TO INSURED AND GUARANTEED ELECTRIC LOANS

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