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from the borrower is less than the median household income of the households in the state. RUS will determine whether the borrower qualifies under this test according to the procedure set forth in § 1714.7(b)(2).

(3) *Borrowers serving 2 or more states.* If a borrower serves consumers in 2 or more states, the rate disparity test and the consumer income tests will be determined on a weighted average based on the percentage of the borrower's total consumers that are served in each state.

(b) *Extremely high rates test.* Except as provided in this paragraph, the Administrator shall make an insured electric loan at the 5 percent hardship rate to any borrower whose residential revenue exceeds 15.0 cents per kWh sold. Residential revenue shall be calculated for the most recent full calendar year for which data are available and shall include sales to both seasonal and non-seasonal consumers. If, at the time of loan approval, the area to be served is an urbanized area (notwithstanding that the area must be deemed a rural area to qualify for a loan under this part (See the definition of "rural area" in 7 CFR 1710.2)), then the borrower must satisfy the provisions of paragraphs (a) and (d) of this section to qualify to the 5 percent hardship interest rate. If at the time of loan approval, such area is outside an urbanized area, the loan shall not be subject to the conditions and limitations set forth in paragraphs (a) and (d) of this section.

(c) *Administrator's discretion.* The Administrator may make a hardship rate loan if, in the sole discretion of the Administrator, the borrower has experienced a severe hardship. The Administrator shall consider, among other matters, whether factors beyond the control or substantial influence of the borrower have had severe adverse effect on the borrower's ability to provide service consistent with the purposes of the RE Act, and which prudent management could not reasonably anticipate and either prevent or insure against. Among the factors that may be considered are system damage due to unusual weather or other natural disasters or Acts of God, loss of substantial loads, extreme rate disparity

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compared to a contiguous utility, and other factors that cause severe financial hardship. The Administrator will also consider whether a hardship rate loan will provide significant relief to the borrower in dealing with the severe hardship.

(d) *High density test.* Except as provided in paragraph (b) of this section, if the average number of consumers per mile of the borrower's total electric system exceeds 17, the 5 percent hardship rate will not apply to funds used for the purpose of furnishing or improving electric service to consumers located in an area that is an urban area at the time of loan approval, notwithstanding that the area must have been deemed a rural area for the purpose of qualifying for a loan under this part. (See the definition of "rural area" in 7 CFR 1710.2.) If the average number of consumers per mile of line of the borrower's total electric system exceeds 17, the borrower must include, as a note on RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, submitted as part of the loan application for a loan at the 5 percent hardship rate, a breakdown of funds included in the proposed loan to furnish or improve service to consumers located in urban areas. For such borrowers only funds for those facilities serving consumers located outside an urban area are eligible for the 5 percent hardship rate.

(Approved by the Office of Management and Budget under control number 0572-1013)

§ 1714.9 Prepayment of insured loans.

This section sets out provisions for prepayment of insured electric loans at face value. Provisions for discounted prepayment of RUS loans are set out in 7 CFR part 1786.

(a) *Municipal rate loans.* Loan documents for municipal rate loans shall provide for the following:

(1) *Prepayment on a rollover maturity date.* All, or a portion of, the outstanding balance on any advance from a municipal rate loan may be prepaid on any rollover maturity date pursuant to § 1714.6(a)(4).

(2) *Prepayment on a date other than a rollover maturity date.* A borrower may

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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.