

### Subpart B—Extensions of Payments of Principal and Interest

SOURCE: 67 FR 485, Jan. 4, 2002, unless otherwise noted.

#### § 1721.100 Purpose.

This subpart contains RUS procedures and conditions under which Borrowers of loans made by RUS may request RUS approval for extensions for the payment of principal and interest.

#### § 1721.101 General.

(a) The procedures in this subpart are intended to provide Borrowers with the flexibility to request an extension of principal and interest as authorized under section 12(a) of the RE Act and section 236 of the Disaster Relief Act of 1970 (Public Law 91-606).

(b) The total amount of interest that has been deferred, including interest on deferred principal, will be added to the principal balance, and the total amount of principal and interest that has been deferred will be reamortized over the remaining life of the applicable note beginning in the first year the deferral period ends.

(c) Payment of principal and interest will not be extended more than 5 years after such payment is due as originally scheduled. However, in cases where the extension is being granted because, at the sole discretion of the Administrator, a severe hardship has been experienced, the Administrator may grant a longer extension provided that the maturity date of any such loan does not extend to a date beyond forty (40) years from the date of the note.

[67 FR 485, Jan. 4, 2002, as amended at 68 FR 37953, June 26, 2003]

#### § 1721.102 Definitions.

The definitions contained in 7 CFR 1710.2 are applicable to this subpart unless otherwise stated.

#### § 1721.103 Policy.

(a) In reviewing requests for extension of payment of principal and interest, consideration shall be given to the effect of such extensions on the security of the Government's loans, and on the ability of the Borrower to achieve program objectives. It is the policy of

RUS to extend the time for payment of principal and interest on the basis of findings that such extension does not impair the security and feasibility of the Government's loans and:

(1) Is essential to the effectiveness of the Borrower's operations in achieving RUS program objectives which include providing reliable, affordable electricity to RE Act beneficiaries;

(2) Is necessary to help a Borrower place its operations on a more stable financial basis and thereby provide assurance of repayment of loans within the time when payments of such loans are due under the terms of the note or notes as extended; or

(3) Is otherwise in the best interest of the Government.

(b) Extensions will be given in the minimum amount to achieve the purpose of the extension.

(c) The maximum interest rate a RUS Borrower can charge on deferments for programs relating to consumer loans, *e.g.*, energy resource conservation (ERC) program, contribution-in-aid of construction (CIAC), etc., will not be more than 300 basis points above the average interest rate on the note(s) being deferred. For example, if the RUS Borrower's average interest rate on the note(s) being deferred is 5 percent, the RUS Borrower can charge a maximum interest rate of 8 percent.

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#### § 1721.104 Eligible purposes.

(a) *Deferments for financial hardship.*

(1) In cases of financial hardship, a Borrower may request that RUS defer principal or interest or both. RUS will consider whether the deferral will help a Borrower place its operations on a more stable financial basis and thereby provide assurance of repayment of loans within the time when payment of such loans are due under the terms of the note or notes as extended.

(2) RUS will determine whether a Borrower qualifies for the deferment on a case-by-case basis, considering such factors as the following:

(i) Substantial unreimbursed or uninsured expenses relating to storm damage;

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(ii) Loss of large power load (as defined in §1710.7(c)(6)(ii) of this chapter, Large retail power contracts); or

(iii) Substantial loss of consumers or load due to hostile annexations and condemnations, without adequate compensation.

(b) *Deferments for energy resource conservation (ERC) loans.*

(1) A Borrower may request that RUS defer principal payments to make funds available to the Borrower's consumers to conserve energy. Amounts deferred under this program can be used to cover the cost of labor and materials for the following energy conservation measures:

- (i) Caulking;
- (ii) Weather-stripping;
- (iii) Heat pump systems (including water source heat pumps);
- (iv) Heat pumps, water heaters, and central heating or central air conditioning system replacements or modifications, which reduce energy consumption;
- (v) Ceiling insulation;
- (vi) Wall insulation;
- (vii) Floor insulation;
- (viii) Duct insulation;
- (ix) Pipe insulation;
- (x) Water heater insulation;
- (xi) Storm windows;
- (xii) Thermal windows;
- (xiii) Storm or thermal doors;
- (xiv) Electric system coordinated customer-owned devices that reduce the maximum kilowatt demand on the electric system;
- (xv) Clock thermostats; or
- (xvi) Attic ventilation fans.

(2) ERC loans will be amortized over not more than 84 months, without penalty for prepayment of principal.

(c) *Deferments for renewable energy projects.* (1) A Borrower may request that RUS defer principal payments to enable the Borrower to finance renewable energy projects. Amounts deferred under this program can be used to cover costs to install all or part of a renewable energy system including, without limitation:

- (i) Energy conversion technology;
- (ii) Electric power system interfaces;
- (iii) Delivery equipment;
- (iv) Control equipment; and
- (v) Energy consuming devices.

(2) A Borrower may request that RUS defer principal payments for the purpose of enabling the Borrower to provide its consumers with loans to install all or part of customer-owned renewable energy systems up to 5kW.

(3) A renewable energy system is defined in §1710.2 of this chapter.

(4) For the purpose of this subpart, a renewable energy project consists of one or more renewable energy systems.

(d) *Deferments for distributed generation projects.*

(1) A Borrower may request that RUS defer principal payments to enable the Borrower to finance distributed generation projects. Amounts deferred under this program can be used to cover costs to install all or part of a distributed generation system that:

- (i) The Borrower will own and operate, or
- (ii) The consumer owns, provided the system owned by the consumer does not exceed 5KW.

(2) A distributed generation project may include one or more individual systems.

(e) *Deferments for contributions-in-aid of construction.*

(1) A Borrower may request RUS to defer principal payments to enable the Borrower to make funds available to new full time residential consumers to assist them in paying their share of the construction costs (contribution-in-aid of construction) needed to connect them to the Borrower's system.

(2) Amounts available for this purpose will be limited to the amount of the construction costs that are in excess of the average cost per residential consumer incurred by the Borrower to connect new full time residential consumers during the last calendar year for which data are available. The average cost per residential consumer is the total cost incurred by the Borrower and will not be reduced by the amounts received as a contribution-in-aid of construction.

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**§ 1721.105 Application documents.**

(a) *Deferments for financial hardship.* A Borrower requesting a section 12 deferment because of financial hardship must submit the following: