

§ 57.1513

(c) In no case shall a loan repayment period exceed the useful life of the facility to be constructed with the assistance of the loan.

§ 57.1513 Repayment.

Unless otherwise specifically authorized by the Secretary, each loan with respect to which a guarantee is made or interest subsidies are paid shall be repayable in substantially level total annual installments of principal and interest, sufficient to amortize the loan through the final year of the life of the loan.

§ 57.1514 Loan guarantee and interest subsidy agreements.

For each application for a loan guarantee or interest subsidy, or combination thereof, which is approved by the Secretary under this subpart, an offer to guarantee such loan and/or make interest subsidy payments with respect thereto will be sent to the applicant, setting forth the pertinent terms and conditions for the loan guarantee and/or interest subsidy, and will be conditioned upon the fulfillment of such terms and conditions. The accepted offer will constitute the loan guarantee agreement, the interest subsidy agreement, or the loan guarantee and interest subsidy agreement, as the case may be. Each such agreement shall include the applicable provisions set forth below:

(a) *Loan guarantee.* Each agreement pertaining to a loan guarantee shall include the following provisions:

(1) That the loan guarantee evidenced by the agreement shall be incontestable (i) in the hands of the applicant on whose behalf such loan guarantee is made except for fraud or misrepresentation on the part of such applicant, and (ii) as to any person who makes or contracts to make a loan to such applicant in reliance on such guarantee, except for fraud or misrepresentation on the part of such other person.

(2) That the applicant shall be permitted to prepay up to 15 percent of the original principal amount of such loan in any calendar year without additional charge. The applicant and the lender may further agree that the applicant shall be permitted to prepay in excess of 15 percent of the original

amount of the loan in any calendar year without additional charge, but no such payment in excess of 15 percent shall be made without the prior written approval of the Secretary.

(3) That if the applicant shall default in making periodic payment, when due, of the principal and interest on the loan guaranteed under the agreement, the holder of the loan shall promptly give the Secretary written notification of such default. The Secretary shall, immediately upon receipt of such notice, provide the holder with written acknowledgement of such receipt.

(4) That if such default in making periodic payment when due of the principal and interest on the guaranteed loan is not cured within 90 days after receipt by the Secretary of notice of such default, the holder of the loan shall have the right to make demand upon the Secretary, in such form and manner as the Secretary may prescribe, for payment of 90 percent of the amount of the overdue payments of principal and accrued interest, together with such reasonable late charges as are made in accordance with the terms of the credit instrument or security instrument evidencing or securing such loan. The Secretary shall pay such amount from funds available to him for these purposes.

(5) That in the event of exercise by the holder of the loan of any right to accelerate payment of such loan as a result of the applicants default in making periodic payment when due of the principal and interest on the guaranteed loan, the Secretary shall, upon demand by the holder not less than 90 days after receipt by the Secretary of notification of such default, pay to such holder 90 percent of the total amount of principal and of interest on the loan remaining unpaid after the holder has exercised his right to foreclose upon and dispose of the security and has applied the proceeds thereby received to reduce the outstanding balance of the loan, in accordance with applicable law and the terms of the security instrument.

(6) That the Secretary shall not guarantee any funds which are disbursed by a lender following notification by the Secretary to such lender that the Assurance executed by the Applicant