A = The total funds ($) actually advanced from the first loan, including both RUS loan funds and funds from the supplemental loan, plus any unadvanced funds still available to the borrower after the rescission.
B = The total amount ($) for facilities of the new loan request, including both RUS loan funds and funds from supplemental loans.
C = The proportion (%) of supplemental financing required on the loans according to paragraphs (a), (c)(1) and (c)(2) of this section.
D = The amount ($) of supplemental funds actually advanced on the first loan, plus any unadvanced supplemental funds still available to the borrower after the rescission.

(iii) If a borrower's supplemental financing requirement as set forth in paragraphs (a), (c)(1), and (c)(2) of this section has changed between the most recent loan and the loan being considered, then the amount of supplemental financing required for the new loan will be the weighted average of the portions otherwise applicable on the two loans and will be computed as follows:

Supplemental financing amount, new loan = $(A \times C_1)+(B \times C_2)-D$

where:

A = The total funds ($) actually advanced from the first loan, including both RUS loan funds and funds from the supplemental loan, plus any unadvanced funds still available to the borrower after the rescission.
B = The total amount ($) for facilities of the new loan request, including both RUS funds and funds from supplemental loans.
C_1 = The proportion (%) of supplemental financing required on the old loan according to paragraphs (a), (c)(1) and (c)(2) of this section.
C_2 = The proportion (%) of supplemental financing required on the new loan according to paragraphs (a), (c)(1) and (c)(2) of this section.
D = The amount ($) of supplemental funds actually advanced on the first loan, plus any unadvanced supplemental funds still available to the borrower after the rescission.

(d) Supplemental financing will not be required in connection with hardship rate loans. Borrowers that qualify for hardship rate loans but elect to take municipal rate loans instead, will be required to obtain supplemental financing pursuant to this section, unless at the time of loan approval, there are no funds remaining available for hardship loans, in which case supplemental financing will not be required.

[57 FR 1053, Jan. 9, 1992, as amended at 58 FR 66265, Dec. 20, 1993; 60 FR 3730, Jan. 19, 1995; 61 FR 66870, Dec. 19, 1996]

§ 1710.111 Refinancing.

(a) RUS makes loans or loan guarantees to refinance the outstanding indebtedness of borrowers in the following cases:

(1) Loans or loan guarantees to refinance long-term debt owed by borrowers to the Tennessee Valley Authority fpr credit extended under the terms of the Tennessee Valley Authority Act of 1933, as amended.

(2) Loan guarantees made in accordance with the provisions of section 306A of the RE Act to prepay a loan (or any loan advance thereunder) made by the Federal Financing Bank.

(b) In certain circumstances, RUS may make a loan to replace interim financing obtained for the construction of facilities (See § 1710.109).

§ 1710.112 Loan feasibility.

(a) RUS will make a loan only if there is reasonable assurance that the loan, together with all outstanding loans and other obligations of the borrower, will be repaid in full as scheduled, in accordance with the mortgage, notes, and loan contracts. The borrower must provide evidence satisfactory to the Administrator that the loan will be repaid in full as scheduled, and that all other obligations of the borrower will be met.

(b) Based on evidence submitted by the borrower and other information, RUS will use the following criteria to evaluate loan feasibility:

(1) Projections of power requirements, rates, revenues, expenses, margins, and other factors for the present system and proposed additions are based on reasonable assumptions and adequate supporting data and analysis, including analysis of a range of assumptions for the significant variables, when required by § 1710.300(d)(5).

(2) Projected revenues from the rates proposed by the borrower are adequate to meet the required TIER and DSC ratios based on the borrower's total costs, including the projected maximum debt service cost of the new loan.

(3) The economics of the borrower's operations and service area are such that consumers can reasonably be expected to pay the proposed rates required to cover all expenses and meet RUS TIER and DSC requirements, and the borrower can reasonably compete with other utilities and other energy sources to prevent substantial load loss while providing satisfactory service to its consumers.

(4) Risks of possible loss of substantial loads from large consumers or from load concentrations in particular industries will not substantially impair loan feasibility.

(5) Risks of loss of portions of the borrower's service territory from annexation or other causes will not substantially impair loan feasibility. If there appears to be a substantial risk, RUS may require additional information from the borrower, such as a summary and analysis of the risk by the borrower; state, county or local planning reports having information on projected growth or expansion plans of local communities; annexation plans of the municipalities in question; and any other relevant information.

(6) In states where rates or investment decisions are subject to approval by state regulatory authorities, there is reasonable expectation that such approvals will be forthcoming to enable repayment of the loan in full according to its terms.

(7) The experience and performance of the system's management is acceptable.

(8) In the case of joint ventures, the borrower has sufficient management control or other contractual safeguards with respect to the construction and operation of the jointly owned facility to ensure that the borrower's interests are protected and the credit risk is minimized.

(9) The borrower has implemented adequate financial and management controls and there are and have been no significant financial or other irregularities.

(10) The borrower's projected capitalization, measured by its equity as a percentage of total assets, is adequate to enable the borrower to meet its financial needs and to provide service consistent with the RE Act. Among the factors to be considered in reviewing the borrower's projected capitalization are the economic strength of the borrower's service territory, the inherent cost of providing service to the territory, the disparity in rates between the borrower and neighboring utilities, the intensity of competition faced by the borrower from neighboring utilities and other power sources, and the relative amount of new capital investment required to serve existing or new loads.

(c) RUS considers a loan to be feasible only if the borrower's electric system is year 2000 compliant, or if the borrower provides RUS with evidence, satisfactory to RUS, that it is taking measures necessary to ensure that its electric system will be year 2000 compliant on or before December 31, 1999. Year 2000 compliant means that product performance and function are not affected by dates before, during, and a reasonable time after the year 2000.

[57 FR 1053, Jan. 9, 1992; 57 FR 4513, Feb. 5, 1992, as amended at 60 FR 3731, Jan. 19, 1995; 63 FR 51793, Sept. 29, 1998]

§ 1710.113 Loan security.

(a) RUS makes loans only if, in the judgment of the Administrator, the security therefor is reasonably adequate and the loan will be repaid according to its terms within the time agreed.

(b) RUS generally requires that borrowers provide it with a first lien on all of the borrower's real and personal property, including intangible personal property and any property acquired after the date of the loan. This lien shall be in the form of a mortgage by the borrower to the Government or a deed of trust between the borrower and a trustee satisfactory to the Administrator, together with such security documents as RUS may deem necessary in a particular case.

(c)(1) When a borrower is unable by reason of preexisting encumbrances, or otherwise, to furnish a first mortgage lien on its entire system the Administrator may accept other forms of security, such as a pledge of revenues, if he or she determines such security is reasonably adequate and the form and nature thereof is otherwise acceptable.

(2) The Administrator, at his or her discretion, may approve the use of an