

■ 9. Section 97.175 is revised to read as follows:

§ 97.175 Fees and charges.

- (a) Filing the application and notifying the public of filing—\$432.00..
- (b) Search or examination—\$3,220.00.
- (c) Submission of new application data, after notice of allowance, prior to issuance of certificate—\$432.00.
- (d) Allowance and issuance of certificate and notifying public of issuance—\$682.00.
- (e) Revive an abandoned application—\$432.00.
- (f) Reproduction of records, drawings, certificates, exhibits, or printed material (copy per page of material)—\$1.50.
- (g) Authentication (each page)—\$1.50.
- (h) Correcting or re-issuance of a certificate—\$432.00
- (i) Recording an assignment, any revision of an assignment, or withdrawal or revocation of an assignment (per certificate or application)—\$38.00.
- (j) Copies of 8 x 10 photographs in color—\$38.00.
- (k) Additional fee for reconsideration—\$432.00.
- (l) Additional fee for late payment—\$38.00.
- (m) Fee for handling replenishment seed sample (applicable only for certificates issued after June 20, 2005)—\$38.00.
- (n) Additional fee for late replenishment of seed—\$38.00.
- (o) Filing a petition for protest proceeding—\$4,118.00.
- (p) Appeal to Secretary (refundable if appeal overturns the Commissioner's decision)—\$4,118.00.
- (q) Granting of extensions for responding to a request—\$74.00.
- (r) Field inspections or other services requiring travel by a representative of the Plant Variety Protection Office, made at the request of the applicant, shall be reimbursable in full (including travel, per diem or subsistence, salary, and administrative costs) in accordance with Standardized Government Travel Regulation.
- (s) Any other service not covered in this section will be charged for at rates prescribed by the Commissioner, but in no event shall they exceed \$89.00 per employee-hour. Charges also will be made for materials, space, and administrative costs.

§§ 97.205–97.222 [Removed]

■ 10. Sections 97.205 through 97.222 are removed.

Dated: May 13, 2005.

Kenneth C. Clayton,

Acting Administrator, Agricultural Marketing Service.

[FR Doc. 05–9963 Filed 5–18–05; 8:45 am]

BILLING CODE 3410–02–P

DEPARTMENT OF AGRICULTURE

Rural Utilities Service

7 CFR Part 1776

RIN 0572–AC00

Household Water Well System Grant Program

AGENCY: Rural Utilities Service, USDA.

ACTION: Final rule.

SUMMARY: The Rural Utilities Service (RUS) issues regulations to establish the Household Water Well System (HWWS) Program. This action establishes a grant program as authorized by Section 306E of the Consolidated Farm and Rural Development Act (CONACT). The HWWS Program will provide grants to private non-profit organizations, which, in turn, will use the funds to set up a loan program, making loans to eligible individuals for household water well systems. Eligible individuals may use the loans to construct, refurbish, and service individual household water well systems that they own or will own in rural areas. Additionally, the rule outlines the process by which applicants can apply for the program and describes how RUS will administer the grant program.

DATES: This rule will become effective June 20, 2005.

FOR FURTHER INFORMATION CONTACT: Cheryl Francis, Loan Specialist, Water Programs Division, Rural Utilities Service, U.S. Department of Agriculture, 1400 Independence Avenue, SW., Room 2239–S, Stop 1570, Washington, DC 20250–1570. Telephone (202) 720–1937. E-mail: *Cheryl.Francis@usda.gov*.

SUPPLEMENTARY INFORMATION:

Executive Order 12866

This final rule has been determined to be not significant under Executive Order 12866, Regulatory Planning and Review. Therefore, it has not been reviewed by the Office of Management and Budget (OMB).

Executive Order 12372

This program is not subject to the requirements of Executive Order 12372, “Intergovernmental Review of Federal Programs,” as implemented under USDA’s regulations at 7 CFR part 3015.

Executive Order 12988

This rule has been reviewed under Executive Order 12988, Civil Justice Reform. RUS has determined that this rule meets the applicable standards provided in section 3 of the Executive Order. In accordance with the Executive Order and the rule: (1) All state and local laws and regulations that are in conflict with this rule will be preempted; (2) no retroactive effect will be given to the rule; and (3) administrative appeal procedures, if any, must be exhausted before litigation against the Department or its agencies may be initiated in accordance with section 212(e) of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6912).

Regulatory Flexibility Act Certification

It has been determined that the Regulatory Flexibility Act is not applicable to this rule since the Rural Utilities Service is not required by 5 U.S.C. 551 *et seq.* or any other provision of the law to publish a notice of final rule making with respect to the subject matter of this rule.

Information Collection and Recordkeeping Requirements

The information collection and recordkeeping requirements contained in this rule have been cleared under OMB control number 0572–0139 in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35).

National Environmental Policy Act Certification

The Administrator of RUS has determined that this rule will not significantly affect the quality of the human environment as defined by the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*). Therefore, this action does not require an environmental impact statement or assessment.

Catalog of Federal Domestic Assistance

The program described by this rule is listed in the Catalog of Federal Domestic Assistance Programs under number 10.862. This catalog is available electronically through the free CFDA website on the Internet at <http://www.cfda.gov>. The print edition may be purchased by calling the Superintendent of Documents at 202–512–1800 or toll free at 866–512–1800, or ordering it online at <http://bookstore.gpo.gov>.

Unfunded Mandates

This rule contains no Federal mandates (under the regulatory

provision of Title II of the Unfunded Mandates Reform Act of 1995) for State, local, and tribal governments or the private sector. Thus, this rule is not subject to the requirements of section 202 and 205 of the Unfunded Mandates Reform Act of 1995.

Executive Order 13132, Federalism

The policies contained in this rule do not have any substantial direct effect on states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. Nor does this rule impose substantial direct compliance costs on state and local governments. Therefore, consultation with states is not required.

Background

On May 13, 2002, the Farm Security and Rural Investment Act of 2002 (Farm Bill) was signed into law as Public Law 107-171. Section 6012 of the Farm Bill amended the CONACT by adding a grant program of which the proceeds would be used to establish a lending program. Under the Household Water Well System Program, the Secretary may make grants to private non-profit organizations to establish a revolving loan program. Loans may be made to eligible individuals to construct, refurbish, and service individual household water well systems that they own or will own in rural areas. The loans will be serviced through the USDA Centralized Servicing Center to enhance standardized servicing and minimize related servicing fees.

The CONACT defines an “eligible individual” to mean “an individual who is a member of a household the members of which have a combined income (for the most recent 12-month

period for which the information is available) that is not more than 100 percent of the median nonmetropolitan household income for the State or territory in which the individual resides, according to the most recent decennial census of the United States.”

This program is authorized to be appropriated \$10,000,000 for each of the fiscal years (FY) 2003 through 2007. There was no funding appropriated in FY 2003, but \$1,000,000 was appropriated in each fiscal year 2004 and 2005. The appropriations were authorized by the Consolidated Appropriations Act, 2004, Public Law 108-199 (Jan. 23, 2004; 118 Stat.3); and the Consolidated Appropriations Act, 2005, Public Law 108-447 (Dec. 8, 2004, 118 Stat. 2809).

To reduce duplicative promulgation of specific rules regarding grants and loans hereunder, RUS has referenced existing USDA rules to the extent practicable, including references to specific regulations and standard forms.

RUS published a notice of inquiry, requesting comments on the grant program, in the **Federal Register** on February 10, 2004 (69 FR 6251). It published regulations for the HWWS Program in a direct final rule on October 6, 2004 (69 FR 59764). The direct final rule would have been effective on November 22, 2004. However, since RUS received written adverse comments by November 5, 2004, the rule was withdrawn. RUS published a notice of withdrawal in the **Federal Register** on November 17, 2004 (69 FR 67263). Based on the parallel proposed rule also published on October 6, 2004 (69 FR 59836), RUS stated that it would publish this final rule and address the adverse comments made. RUS will not institute a second comment period on this action.

The adverse comments primarily challenged the program’s matching or cost sharing requirements and the agency’s position to not permit in-kind contributions to count towards satisfying the requirements. The following paragraphs briefly summarize and respond to the comments received.

Comment: Either eliminate the requirement that grant applicants must provide matching funds in order to be considered eligible for consideration or modify the requirement.

Response: A matching requirement is in the best interests of the HWWS program. It is an essential support mechanism in establishing the loan program. A cash match combined with the HWWS grant will make more funds available to start up the revolving loan fund so that a greater number of rural residents may benefit from the program. RUS has lowered the minimum eligibility percentage from 26 percent to 10 percent of the total project costs. Any applicant that does not offer at least a 10 percent match will be ineligible for the HWWS Program.

Comment: Eliminate the 26 percent match requirement for eligibility and establish a new scale to award priority points for matching funds as one criterion to consider in selecting grant recipients.

Response: The minimum level of matching funds for which an applicant receives priority points has been revised downward to 10 percent. Compared to the minimum matching levels of other Rural Development programs which range from 5 to 20 percent, the level is reasonable. The smaller percentage will allow small non-profits to compete with large national non-profit organizations. The priority points will be awarded as follows:

Revised regulation		Withdrawn regulation	
Percentages	Points	Percentages	Points
0-9	(¹)	0-24	(¹)
10-25	5	26-30	5
26-30	10	31-50	10
31-50	15	51 or more	20
51 or more	20		

¹Ineligible.

Comment: Permit in-kind contributions to qualify as matching funds and broadly define them.

Response: The RUS water and waste programs that use in-kind contributions to supplement federal funds are technical assistance programs that do not have a revolving loan fund component to them. The thrust of the

HWWS Program is to provide low interest loans to the greatest number of eligible individuals possible, using a grant recipient as an intermediary for the loans. The most effective way to realize that goal is to have a revolving loan fund that is capitalized with as much money as possible. Consequently, RUS is requiring a matching cash

contribution, which may include funds contributed by grant recipients, funds donated from third parties, or other federal grant funds specifically authorized by law to be used to match funds. In-kind contributions will not be considered in satisfying the HWWS Program’s matching requirement. This policy is in line with other Rural

Development programs that feature a re-lending program but do not allow in-kind contributions as a matching requirement.

Comment: Allow the grant recipient discretion in the use of matching funds. The requirement that each loan recipient's project be made up of HWWS grant funds and matching funds should be changed. HWWS grant funds and any matching funds should go into the revolving loan fund and that fund should be used to issue loans and to pay for administrative costs related to the HWWS purpose, without distinction as to whether those payments are from HWWS grant or matching funds.

Response: The grant recipient has discretion in using matching funds the same as federal funds as long as they are for authorized grant purposes. Authorized grant purposes include establishing a loan program for household water well systems, making loans to eligible well owners, and paying for administrative expenses related to operating the loan program. The expenses must be allowable costs in accordance with federal cost principles. There is no requirement that an individual loan recipient's project be made up entirely of HWWS grant funds and matching funds.

Grant funds and matching funds must be placed into the revolving loan fund. The recipient may transfer additional assets into the fund where they would become part of the fund and be available for authorized grant purposes. Loans may be made and the administrative expenses may be paid from the revolving loan fund as authorized grant purposes. As long as any part of the HWWS grant remains available for lending and loans made from the revolving loan fund have an outstanding balance, the grant recipient must use funds in the revolving loan fund for authorized grant purposes.

Comment: Maintain the character of purpose of the revolved funds.

Response: The HWWS regulation places enough controls on the revolved funds so that they are not subject to non-programmatic uses. First, section 1776.17(g) states that the revolved funds are a part of the revolving loan fund. Second, under section 1776.17(h), the revolved funds would be used for authorized purposes before any grant funds that might be in the revolving loan fund would be used. Third, section 1776.17(k), requires that cash in the revolving fund from any source must be available for additional loans if the cash is not required for debt service, approved administrative costs, or reasonable reserves. Since the revolved funds would be repayments of loans and

the loans would have a balance, any funds in the revolving loan fund must be used for programmatic purposes in accordance with the opening paragraph of section 1776.17.

Comment: Delay application process until the final rule is revised to reflect the above comments, and start a new application process based on the revised rule.

Response: Because the direct final rule was withdrawn, the deadline for the application process was extended until a final rule is published. A new deadline will be set at the time of publication.

List of Subjects in 7 CFR Part 1776

Agriculture, Community development, Community facilities, Credit, Grant programs—housing and community development, Nonprofit organizations, Reporting and recordkeeping requirements, Rural areas, Waste treatment and disposal, Water pollution control, Water resources, Water supply, Watersheds.

■ For reasons set forth in the preamble, RUS amends 7 CFR chapter XVII of Title 7 of the Code of Federal Regulations by adding a new part 1776 to read as follows:

PART 1776—HOUSEHOLD WATER WELL SYSTEM GRANT PROGRAM

Subpart A—General

Sec.

- 1776.1 Purpose.
- 1776.2 Uniform Federal Assistance Provisions.
- 1776.3 Definitions.
- 1776.4 [Reserved]

Subpart B—HWWS Grants

- 1776.5 Eligibility to receive a HWWS grant.
- 1776.6 Notice of availability of funds.
- 1776.7 HWWS grant application process.
- 1776.8 Methods for submitting applications.
- 1776.9 Scoring applications.
- 1776.10 Grant agreement.
- 1776.11 Revolving loan fund.
- 1776.12 Use of HWWS grant proceeds.
- 1776.13 Administrative expenses.

Subpart C—HWWS Loans

- 1776.14 Eligibility to receive a HWWS loan.
- 1776.15 Terms of loans.
- 1776.16 Loan servicing.
- 1776.17 Revolving loan fund maintenance.

Authority: 7 U.S.C. 1926e.

Subpart A—General

§ 1776.1 Purpose.

This part sets forth the policies and procedures for making grants to private, non-profit organizations to finance the construction, refurbishing and servicing of individually-owned household water well systems in rural areas for

individuals with low or moderate income.

§ 1776.2 Uniform Federal Assistance Provisions.

(a) This program is subject to the general provisions that apply to all grants made by USDA and that are set forth in 7 CFR Part 3015—Uniform Federal Assistance Regulations.

(b) This program is subject to the uniform administrative requirements that apply to all grants made by USDA to non-profit organizations and that are set forth in 7 CFR Part 3019—Uniform Administrative Requirements for Grants And Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.

(c) This program is subject to OMB Circular No. A-122 (Revised): Cost Principles for Non-Profit Organizations.

§ 1776.3 Definitions.

Administrative expenses means expenses incurred by a grant recipient that are of the type more particularly described in Section 13 of this part.

Applicant means a private, non-profit organization that applies for a HWWS grant under this part.

Centralized Servicing Center (CSC) means the centralized loan servicing center within the United States Department of Agriculture, Rural Development. CSC provides nationwide services for borrowers that have received financing from Rural Development programs.

Construction means building or assembling a water well system or portion thereof, that is not a water well system or portion thereof being constructed in connection with a new building.

Eligible individual means an individual who is a member of a household the members of which have a combined income (for the most recent 12-month period for which the information is available) that is not more than 100 percent of the median nonmetropolitan household income for the State or territory in which the individual resides, according to the most recent decennial census of the United States.

Grant agreement means the contract between RUS and the grant recipient which sets forth the terms and conditions governing a particular grant awarded under this part.

Grant recipient means an applicant that has been awarded a HWWS grant under this part.

HWWS means household water well system.

HWWS grant means a grant awarded by RUS to a grant recipient under this part.

HWWS loan means a loan made by a grant recipient to a loan recipient using the direct or indirect proceeds of a HWWS grant awarded under this part.

Loan recipient means an eligible individual who has received a HWWS loan.

Refurbishing means to renovate or to restore a water well system or portion thereof to near new condition.

Revolved funds means the cash portion of the revolving loan fund that is not composed of HWWS grant funds, including repayments of revolving HWWS loans, fees, and interest collected on HWWS loans.

Revolving loan fund means the loan fund established by the grant recipient to carry out the purposes of this part, such fund comprising the proceeds of a HWWS grant and other related assets.

Rural area means any area other than a city or town that has a population of greater than 50,000 inhabitants; and the urbanized area contiguous and adjacent to such city or town.

RUS means the Rural Utilities Service, a Federal agency delivering the United States Department of Agriculture's Rural Development Utilities Program.

Servicing means making repairs or performing maintenance on a water well system or portion thereof.

USDA means the United States Department of Agriculture.

§ 1776.4 [Reserved]

Subpart B—HWWS Grants

§ 1776.5 Eligibility to receive a HWWS grant.

(a) The applicant must be a private organization.

(b) The applicant must be organized as a non-profit organization.

(c) The applicant must have legal capacity and lawful authority to perform the obligations of a grant recipient under this part. Example 1: If the organization is incorporated as a non-profit corporation, it must have corporate authority under state law and its corporate charter to engage in the practice of making loans to individuals. Example 2: if the organization is an unincorporated association, state law may prevent the organization from entering into binding contracts, such as a grant agreement.

(d) The applicant must have sufficient expertise and experience in lending and in promoting the safe and productive use of individually-owned household water well systems and ground water to assure the likelihood that the objectives of this part can be achieved.

§ 1776.6 Notice of availability of funds.

(a) In Fiscal Year 2005, applications will be accepted for this program from May 19, 2005, until July 18, 2005, at which time the application period will close. An applicant may withdraw, substitute, amend or supplement its application at any time before the application period closes. Once the application period has closed, all applications will be final.

(b) For subsequent fiscal years, if any funds for this program are available, the Secretary will publish a notice to that effect. The notice will establish the period during which applications for such funds may be submitted for consideration.

§ 1776.7 HWWS Grant application process.

(a) The applicant must complete and submit the following standard forms to RUS to apply for a HWWS grant under this part:

(1) Application for Federal Assistance: *Standard Form 424*,

(2) Budget Information—Non-Construction Programs: *Standard Form 424A*, and

(3) Assurances—Non-Construction Programs: *Standard Form 424B*.

(b) The applicant must submit a written work plan that demonstrates the feasibility of the applicant's lending program to meet the objectives of this part.

(c) The applicant should submit a narrative establishing the basis for any claims that it has substantial expertise in promoting the safe and productive use of individually-owned household water well systems. The Secretary will give priority to an applicant that demonstrates it has substantial experience of this type.

(d) The applicant must submit:

(1) A pro forma balance sheet at start-up and projected balance sheets for at least three additional years,

(2) Financial statements for the last three years, or from inception of the operations of the grant recipient if less than three years, and

(3) Projected cash flow and earnings statements for at least three years, supported by a list of assumptions showing the basis for the projections. The projected earnings statement and balance sheets must include one set of projections specific to the revolving loan fund, and a separate set of projections that detail the proposed applicant organization's total operations.

(e) The applicant may submit such additional information as it elects to support and describe its plan for achieving the objectives of this part.

§ 1776.8 Methods for submitting applications.

(a) Applications may be filed in either paper or electronic format. RUS will not accept applications by fax or e-mail.

(b) Paper applications for HWWS grants may be delivered by the U.S. Postal Service (USPS) or courier delivery services. Applications submitted by mail or courier must be postmarked no later than the filing deadline to be considered for the grant period. Applications delivered by mail or courier must be addressed to the attention of the Assistant Administrator, Water and Environmental Programs as follows: ATTN: Assistant Administrator, WEP, Rural Utilities Service, Stop 1548 Room 5145 South, 1400 Independence Ave. SW., Washington, DC 20250-1548.

(c) Electronic applications may be filed through Grants.gov, the official Federal Government Web site at <http://www.grants.gov>. The applicant must be registered with Grants.gov before they can submit a grant applicant. The applicant should refer to instructions found on the Grants.gov Web site for procedures for registering and using this facility. An applicant who is not registered on Grants.gov should allow a sufficient number of business days to complete the process. Applications submitted electronically must be show an electronic date and time stamp on or before the filing deadline to be considered for the grant period.

(d) The methods of submitting applications may be changed from time to time to reflect changes in addresses and electronic submission procedures. The applicant should refer to the most recent notice of funding availability for notice of any such changes. In the event of any discrepancy, the notice must be followed.

§ 1776.9 Scoring applications.

(a) Applications that are incomplete or ineligible will be returned to the applicant, accompanied by a statement explaining why the application is being returned.

(b) Promptly after an application period closes, all applications that are complete and eligible will be ranked competitively based on the following scoring criteria:

(1) Degree of expertise and experience in promoting the safe and productive use of individually-owned household water well systems and ground water. Up to 30 points

(2) Degree of expertise and successful experience in making and servicing loans to individuals. Up to 20 points

(3) Percentage of applicant contributions. Points allowed under this paragraph will be based on written

evidence of the availability of funds from sources other than the proceeds of a HWWS grant to pay part of the cost of a loan recipient's project. In-kind contributions will not be considered. Funds from other sources as a percentage of the HWWS grant and points corresponding to such percentages are as follows:

- (i) 0 to 9 percent—ineligible;
- (ii) 10 to 25 percent—5 points;
- (iii) 26 to 30 percent—10 points;
- (iv) 31 to 50 percent—15 points; and
- (v) 51 percent or more—20 points

(4) Extent to which the work plan demonstrates a well thought out, comprehensive approach to accomplishing the objectives of this part, clearly defines who will be served by the project, and appears likely to be sustainable. Up to 20 points

(5) Extent to which the goals and objectives are clearly defined, tied to the work plan, and measurable. Up to 10 points

(6) Lowest ratio of projected administrative expenses to loans advanced. 10 points

(7) Administrator's discretion, considering such factors as creative outreach ideas for marketing HWWS loans to rural residents, the amount of funds requested in relation to the amount of needs demonstrated in the work plan, previous experiences demonstrating excellent utilization of a revolving loan fund grant, and optimizing the use of agency resources. Up to 10 points

(c) All qualifying applications under this part will be scored based on the criteria contained in this section. Awards will be made based on the highest ranking applications and the amount of financial assistance available for HWWS grants. All applicants will be notified in writing of the score each application receives.

§ 1776.10 Grant agreement.

RUS and the grant recipient will enter into an agreement setting forth the terms and conditions governing a particular HWWS grant award. RUS will furnish the form of grant agreement. No funds awarded under this part shall be disbursed to the grant recipient before the grant agreement is binding and RUS has received a fully executed counterpart of the grant agreement.

§ 1776.11 Revolving loan fund.

The grant recipient shall establish and maintain a revolving loan fund for the purposes set forth in § 1776.12. All loans made to loan recipients shall be drawn from the revolving loan fund. The loans shall be serviced, and the revolving loan fund shall be maintained, as set forth in § 1776.17.

§ 1776.12 Use of HWWS grant proceeds.

(a) Except as otherwise provided in the next paragraph, HWWS grant proceeds shall be used solely for the purpose of providing loans to eligible individuals for the construction, refurbishing, and servicing of individual household water well systems in rural areas that are or will be owned by the eligible individuals.

(b) A grant recipient may use HWWS grant funds to pay administrative expenses associated with providing the assistance described in the immediately preceding paragraph.

(c) A grant recipient may not use grant funds in any manner inconsistent with the terms of the grant agreement.

§ 1776.13 Administrative expenses.

(a) Subject to the limitations provided in paragraphs (b), (c) and (d) of this section, the grant recipient may use grant funds to pay administrative expenses associated with providing HWWS loans.

(b) Administrative expenses incurred in any calendar year which exceed 10 percent of the HWWS loans made by the grant recipient during that same period do not qualify for reimbursement.

(c) Administrative expenses incurred prior to the execution of the grant agreement by RUS do not qualify for reimbursement.

(d) Allowability of administrative expense costs shall be determined in accordance with 7 CFR 3019.27.

Subpart C—HWWS Loans

§ 1776.14 Eligibility to receive a HWWS loan.

(a) The loan recipient must be an eligible individual.

(b) The loan recipient must either own and occupy the home being improved with the proceeds of the HWWS loan, or be occupying the home as the purchaser under a legally enforceable land purchase contract which is not in default by either the seller or the purchaser.

(c) The home using the water well system being funded from proceeds of the HWWS loan must be located in a rural area.

(d) The water well system being funded from the proceeds of the HWWS loan may not be associated with the construction of a new dwelling.

(e) The water well system being funded from the proceeds of the HWWS loan may not be used to substitute for water service available from collective water systems. Example: Loan recipient wishes to restore an old well which had been abandoned when the dwelling was connected to a water line belonging to a water district.

(f) A loan recipient must not be suspended or debarred from participation in Federal programs.

§ 1776.15 Terms of loans.

(a) HWWS loans under this part—

(1) Shall have an interest rate of 1 percent;

(2) Shall have a term not to exceed 20 years; and

(3) Shall not exceed \$8,000 for each household water well system.

(b) The grant recipient must set forth the HWWS loan terms in written documentation signed by the loan recipient.

(c) Grant recipients must develop and use HWWS loan documentation that conforms to the terms of this part, the grant agreement, and the laws of the state or states having jurisdiction.

§ 1776.16 Loan servicing.

(a) If RUS determines that HWWS loans may be serviced by CSC, then the grant recipient will enter into an agreement with the Centralized Servicing Center for servicing all HWWS loans made from the revolving loan fund. All HWWS loan payments will be received by and processed at the Centralized Servicing Center. The grant recipient will be charged a fee for this service, and such fee should be included in the projected financial statements and work plan submitted as part of the grant application. This fee may be reimbursed as an administrative expense as provided in § 1776.13.

(b) If RUS determines that CSC is not able to service HWWS loans, then the grant recipient shall be responsible for servicing, or causing to be serviced, all HWWS loans. Servicing will include preparing loan agreements, processing loan payments, reviewing financial statements and debt reserves balances, and other responsibilities such as enforcement of loan terms. Loan servicing will be in accordance with the work plan RUS approved when the grant was awarded. It will continue as long as any loan made in whole or in part with RUS grant funds is outstanding.

§ 1776.17 Revolving loan fund maintenance.

As long as any part of the HWWS grant remains available for lending, and loans made from the revolving loan fund have an outstanding balance due, the grant recipient must maintain the revolving loan fund for the purposes set forth in § 1776.13.

(a) All HWWS grant funds received by a grant recipient must be deposited into the revolving loan fund.

(b) The grant recipient may transfer additional assets into the revolving loan fund.

(c) All cash and other assets of the revolving loan fund shall be deposited in a separate bank account or accounts.

(d) No cash or other assets of any other fund maintained by the grant recipient shall be commingled with the cash and other assets of the revolving loan fund.

(e) All moneys deposited in such bank account or accounts shall be money of the revolving loan fund.

(f) Loans to loan recipients are advanced from the revolving loan fund.

(g) The revolving loan fund will consist of receivables created by making loans, the grant recipient's security interest in collateral pledged by loan recipients, collections on the receivables, interest, fees, and any other income or assets derived from the operation of the revolving loan fund.

(h) The portion of the revolving loan fund that consists of HWWS grant funds, on a last-in-first-out basis, may be used for only those purposes set forth in this part.

(i) The grant recipient must submit an annual budget of proposed administrative costs for RUS approval. The amount removed from the revolving loan fund for administrative costs in any year must be reasonable; must not exceed the actual cost of operating the revolving loan fund, including loan servicing and providing technical assistance; and must not exceed the amount approved by RUS in the grant recipient's annual budget.

(j) A reasonable amount of revolved funds must be used to create a reserve for bad debts. Reserves should be accumulated over a period of years. The total amount should not exceed maximum expected losses, considering the quality of the grant recipient's portfolio of loans. Unless the grant recipient provides loss and delinquency records that, in the opinion of RUS, justifies different amounts, a reserve for bad debts of 6 percent of outstanding loans must be accumulated over three years and then maintained as set forth in the grant agreement.

(k) Any cash in the revolving loan fund from any source that is not needed for debt service, approved administrative costs, or reasonable reserves must be available for additional loans to loan recipients.

(l) All reserves and other cash in the revolving loan fund not immediately needed for loans to loan recipients or other authorized uses must be deposited in accounts in banks or other financial institutions. Such accounts must be fully covered by Federal deposit

insurance or fully collateralized with U.S. Government obligations, and must be interest bearing. Any interest earned thereon remains a part of the revolving loan fund.

Dated: May 12, 2005.

Curtis M. Anderson,

Acting Administrator, Rural Utilities Service.

[FR Doc. 05-10003 Filed 5-18-05; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA-2005-21155; Directorate Identifier 2005-NE-14-AD; Amendment 39-14099; AD 2005-09-51]

RIN 2120-AA64

Airworthiness Directives; Turbomeca Arrius 2F Turboshaft Engines

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule; request for comments.

SUMMARY: This document publishes in the *Federal Register* an amendment adopting emergency airworthiness directive (AD) 2005-09-51 that we sent previously to all known U.S. owners and operators of certain Turbomeca Arrius 2F turboshaft engines. This AD requires before further flight, replacing the Module 2 on certain engines listed by serial number (SN) in this AD. This AD results from a report of the failure of a high pressure turbine (HPT) blade and damage to two other HPT blades in a Turbomeca Arrius 2F turboshaft engine. We are issuing this AD to prevent failure of the engine and subsequent loss of power.

DATES: This AD becomes effective June 3, 2005 to all persons except those persons to whom it was made immediately effective by emergency AD 2005-09-51, issued on April 28, 2005, which contained the requirements of this amendment.

We must receive any comments on this AD by July 18, 2005.

ADDRESSES: Use one of the following addresses to comment on this AD.

- DOT Docket Web site: Go to <http://dms.dot.gov> and follow the instructions for sending your comments electronically.

- Government-wide rulemaking Web site: Go to <http://www.regulations.gov> and follow the instructions for sending your comments electronically.

- Mail: Docket Management Facility; U.S. Department of Transportation, 400

Seventh Street, SW., Nassif Building, Room PL-401, Washington, DC 20590-0001.

- Fax: (202) 493-2251.

- Hand Delivery: Room PL-401 on the plaza level of the Nassif Building, 400 Seventh Street, SW., Washington, DC, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT:

Christopher Spinney, Aerospace Engineer, Engine Certification Office, FAA, Engine and Propeller Directorate, 12 New England Executive Park, Burlington, MA 01803-2599, telephone (781) 238-7175; fax (781) 238-7199.

SUPPLEMENTARY INFORMATION: The Direction General De L'Aviation Civile (DGAC), which is the airworthiness authority for France, recently notified us that an unsafe condition might exist on certain Turbomeca Arrius 2F turboshaft engines. The DGAC advises that on March 31, 2005, the failure of an HPT blade and damage to two other HPT blades in a Turbomeca Arrius 2F turboshaft engine caused an in-flight engine shutdown (IFSD). That IFSD resulted in loss of the helicopter and fatalities and injuries to the occupants. A preliminary investigation of the engine found that a ferrule started a disturbance that reduced the cooling effect of the secondary air system. The secondary air system cools the HPT. Turbomeca identified 38 engines that might contain a configuration similar to the engine involved in the accident. This condition, if not corrected, could result in failure of the engine and subsequent loss of power. On April 28, 2005, we issued emergency AD 2005-09-51 that applies to certain Turbomeca Arrius 2F turboshaft engines. That AD requires before further flight, replacing the Module 2 on certain engines listed by SN in that AD.

Bilateral Airworthiness Agreement

This Turbomeca Arrius 2F turboshaft engine model is manufactured in France and is type certificated for operation in the United States under the provisions of section 21.29 of the Federal Aviation Regulations (14 CFR 21.29) and the applicable bilateral airworthiness agreement. Under this bilateral airworthiness agreement, the DGAC kept the FAA informed of the situation described above. We have examined the findings of the DGAC, reviewed all available information, and determined that AD action is necessary for products of this type design that are certificated for operation in the United States.