§§ 1710.402–1710.403 [Reserved]

§ 1710.404 Additional requirements.
Additional requirements for insured electric loans are set forth in 7 CFR part 1714.

§ 1710.405 Supplemental financing documents.
(a) The borrower is responsible for ensuring that the loan documents required for supplemental financing pursuant to §1710.10 are executed in a timely fashion. These documents are subject to RUS approval.
(b) Security. Any security offered by the borrower to a supplemental lender is subject to RUS approval.

§ 1710.406 Loan approval.
(a) A loan is approved when the Administrator signs the administrative findings.
(b) If the loan is not approved, RUS will notify the borrower of the reason.

§ 1710.407 Loan documents.
Following approval of a loan, RUS will forward the loan documents to the borrower for execution, delivery, recording, and filing, as directed by RUS.

PART 1714—PRE-LOAN POLICIES AND PROCEDURES FOR INSURED ELECTRIC LOANS

Subpart A—General

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Authority: 7 U.S.C. 901 et seq.; 1921 et seq.; and 6941 et seq.

§ 1714.1 [Reserved]

§ 1714.2 Definitions.
The definitions set forth in 7 CFR 1710.2 are applicable to this part, unless otherwise stated. References to specific RUS forms and other RUS documents, and to specific sections of such forms and documents, shall include the corresponding forms, documents, sections and lines in any subsequent revisions of these forms and documents.

§ 1714.3 Applicability of provisions.
(a) Insured electric loans approved on or after November 1, 1993. On November 1, 1993, the Rural Electrification Loan Restructuring Act, Pub. L. 103–129, 107 Stat. 1356, (RELRA) amended the Rural Electrification Act of 1936, 7 U.S.C. 901 et seq., (RE Act) to establish a new interest rate structure for insured electric loans. Insured electric loans approved on or after this date, are either municipal rate loans or hardship rate loans. Borrowers meeting the criteria set forth in §1714.8 are eligible for 5 percent hardship rate loans. The interest rate on loans to other borrowers is the municipal interest rate, and borrowers meeting the criteria set forth in §1714.7 are eligible for the interest rate cap on their municipal rate loans. Interest rates for the initial interest rate term and rollover terms (§1714.6) will be determined pursuant to §1714.4. Provisions for prepayment are set forth in §1714.9. The provisions of this subpart apply to loans approved on or after November 1, 1993, unless otherwise stated.
(b) Insured electric loans approved prior to November 1, 1993. These loans have a single interest rate applicable to the entire loan. The rate is generally 5 percent, but, in some cases, may be as low as 2 percent. These loans have a single interest rate term and may be prepaid at face value at any time. Provisions for discounted prepayment of these loans are set forth in 7 CFR part 1786.

§ 1714.4 Interest rates.
(a) Municipal rate loans. Each advance of funds on a municipal rate loan shall
bear interest at a single rate for each interest rate term. All interest rates applicable to municipal rate loans will be increased by one eighth of one percent (0.125 percent), if the borrower elects to include in the loan agreement a prepayment option (call provision), allowing the borrower to prepay all or a portion of an advance on a date other than a rollover maturity date. However, no interest rate for any advances of a loan to a borrower who qualifies for the interest rate cap may exceed 7 percent.

(b) Hardship rate loans. All advances of funds on hardship rate loans shall bear interest at a rate of 5 percent.

(c) Application procedure. The borrower’s board resolution submitted with the loan application must indicate whether the application is for a municipal rate loan, with or without the interest rate cap, or a hardship rate loan. If the application is for a municipal rate loan, the board resolution must also indicate whether the borrower intends to elect the prepayment option.

§ 1714.6 Interest rate term.

(a) Municipal rate loans. Selection of interest rate terms shall be made by the borrower for each advance of funds. The minimum interest rate term shall be one year. RUS will send the borrower written confirmation of each rollover maturity date and the applicable interest rate.

(1) The initial interest rate term will begin on the date of the advance. All rollover interest rate terms will begin on the first day of a month, and except for the last interest rate term to final maturity, shall end on the last day of a month. All terms except for the initial interest rate term on an advance, and the last term to final maturity shall be in yearly increments.

(2) The following limits apply to the number of advances of funds that may be made to the borrower on any municipal rate loan:

(i) If the loan period is 2 years or less, not more than 6 advances;

(ii) If the loan period is more than 2 years, not more than 8 advances.

(3) For the initial interest rate term of an advance, a letter from an authorized official of the borrower indicating