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shall be subject to a substantive review, on a competitive basis, by the Board based upon the following evaluation factors, in order of importance:

1. The ability of the Borrower to repay the loan by the date specified in the Loan Document, which shall be no later than December 31, 2010;

2. The adequacy of the proposed provisions to protect the Government, including sufficiency of Security, the priority of the lien position in the Security, and the percentage of Guarantee requested; and

3. Adequacy of the underwriting analysis performed by the Lender in preparing the application and the ability of the Lender to administer the loan in full compliance with the requisite standard of care set forth in § 500.211(b).

(c) Decisions by the Board. Upon completion of the evaluation of the application and as soon as possible after the due date, the Board will approve or deny all eligible applications timely received under this Program. The Board shall notify all Applicants in writing of the approval or denial of the Guarantee applications as soon as possible. Approvals for loan Guarantees shall be conditioned upon compliance with § 500.208.

§ 500.209 Funding for the Program.

The Act provides funding for the costs incurred by the Government as a result of granting Guarantees under the Program. While pursuing the goals of the Act, it is the intent of the Board to minimize the cost of the Program to the Government. The Board will estimate the risk posed by the guaranteed loans to the funds appropriated for the costs of the Guarantees under the Program and operate the Program accordingly.

§ 500.210 Assignment or transfer of loans.

(a) Neither the Loan Documents nor the Guarantee of the Board, or any interest therein, may be modified, assigned, conveyed, sold or otherwise transferred by the Lender, in whole or in part, without the prior written approval of the Board.

(b) Under no circumstances will the Board permit an assignment or transfer of less than 100 percent of a Lender’s interest in the Loan Documents and Guarantee, nor will it permit an assignment or transfer to be made to a party which the Board determines not to be an Eligible Lender pursuant to § 500.201.

(c) The proscription under paragraph (a) of this section shall not apply to:

1. Transfers which occur by operation of law, unless a primary purpose of the transaction leading to such a transfer was to assign, convey or sell the loan note or Guarantee without the
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necessity of securing the Board’s prior written approval; or
(2) An action or agreement by the Lender which has the effect of distributing the risks of the credit among other Lenders if:
   (i) Neither the loan note nor the Guarantee is assigned, conveyed, sold, or transferred in whole or in part;
   (ii) Both the unguaranteed and guaranteed portions of the loan are treated in the same manner;
   (iii) The Lender remains solely responsible for the administration of the loan; and
   (iv) The Board’s ability to assert any and all defenses available to it under the Guarantee and the law is not adversely affected; or
(3) Transfer by a non-Agent Lender of the non-guaranteed portion of the loan after payment under the Guarantee has been made.

§ 500.211 Lender responsibilities.

(a) General. Lender shall comply with all provisions of the Guarantee.

(b) Standard of care. The Lender shall exercise due care and diligence in administering the loan as would be exercised by a reasonable and prudent banking institution when administering a secured loan of such banking institution’s own funds without a Federal guaranty. Such standard shall also apply to any and all approvals, determinations, permissions, acceptances, requirements, or opinion made, given, imposed or reached by Lender.

(c) Representation to the Board. In addition to any other representations required by the Guarantee, the Applicant shall represent to the Board that it has the ability to, and will, administer the loan, as well as to exercise the Applicant’s rights and pursue its remedies, including conducting any liquidation of the Security or additional Security in full compliance with the standard of care, without the need for any advice, opinion, determination, recommendation, approval, disapproval, assistance (financial or other) or participation by the Board, except where the Board’s consent is expressly required by the Guarantee, or where the Board, in its sole discretion and pursuant to the Guarantee, elects to provide same.

(d) Covenants. With respect to any loan guaranteed by the Board pursuant to the Act and this part, the Lender shall require the Loan Documents to contain such affirmative and negative covenants by the Borrower as are required by the terms and conditions of the Guarantee, such as the prohibition on the payment of dividends.

(e) Monitoring. In accordance with the Guarantee the Lender shall monitor Borrower’s performance under the Loan Documents to detect any non-compliance by the Borrower with any provision thereof.

(f) Reporting. With respect to any loan guaranteed by the Board pursuant to the Act and this part the Lender shall provide the Board with the following information, in accordance with the Guarantee:
   (1) Financial statements for the borrower, as provided in the Guarantee;
   (2) Projected balance sheet, income statement, and cash flows for the Borrower for each year remaining on the term of the loan; and
   (3) A completed signed copy of Form “Quarterly Compliance Statement” that includes information on the recent performance of the loan, within 15 days of the end of each calendar quarter.

(g) Notices. All written notices, requests, or demands made to the Board shall be mailed to the Board at the U.S. Department of Commerce, H2500, Washington, DC 20230, except as otherwise specified by the Guarantee or as directed by the Board. Lender shall notify the Board in writing without delay of:
   (1) Deterioration in the internal risk rating of a loan guaranteed under this Program within 5 business days of such action by the Lender;
   (2) The occurrence of each event of default under the Loan Documents or Guarantee promptly, but not later than 5 business days, of the Lender’s learning of such occurrence; and
   (3) Any other notification requirements as provided by law, or by the