

§ 1738.212

7 CFR Ch. XVII (1–1–14 Edition)

(4) Applicants must provide a list of all its outstanding obligations. Copies of existing notes and loan and security agreements must be included in the application.

(5) Applicants must provide a detailed description of working capital requirements and the source of these funds.

(b) Applicants must submit the following documents that demonstrate the proposed project's financial viability and ability to repay the requested loan.

(1) Customer projections for the five-year forecast period that substantiate the projected revenues for each service that is to be provided. The projections must be provided on at least an annual basis and must be developed separately for each service area. These projections must be clearly supported by the information contained in the market survey, unless no market survey is required (see § 1738.209(b)).

(2) Annual financial projections in the form of balance sheets, income statements, and cash flow statements for the five-year forecast period. Prior to the submission of an application, an applicant may request that alternative information related to financial viability be considered when the applicant can for good cause demonstrate why a full five-year forecast cannot be provided. If this request is approved by the Agency, then the applicant can submit the application using the alternative information that was approved.

(i) These projections must use a system of accounts acceptable to the Agency and be supported by a detailed narrative that fully explains the methodology and assumptions used to develop the projections.

(ii) The financial projections submitted by the applicant must demonstrate that their entire operation will be able to meet a minimum TIER requirement equal to 1.25 by the end of the five-year forecast period. Demonstrating that the operation can achieve a projected TIER of 1.25 does not ensure that the Agency will approve the loan.

(iii) If the financial analysis suggests that the operation will not be able to achieve the required TIER ratio, the Agency will not approve the loan with-

out additional capital, additional cash, additional security, and/or a change in the loan terms.

(c) Based on the financial evaluation, the loan documents will specify TIER requirements that must be met throughout the amortization period.

§ 1738.212 Network design.

(a) Applications must include a network design that demonstrates the project's technical feasibility. The network design must fully support the delivery of service at the broadband lending speed, together with any other services to be provided. In measuring speed, the Agency will take into account industry and regulatory standards. The design must demonstrate that the project will be complete within three years from the day the Agency notifies the applicant that loan funds are available and must include the following items:

(1) A detailed description of the proposed technology that will be used to provide service at the broadband lending speed. This description must clearly demonstrate that all households in the funded service area will be offered service at the broadband lending speed;

(2) A detailed description of the existing network. This description should provide a synopsis of the current network infrastructure;

(3) A detailed description of the proposed network. This description should provide a synopsis of the proposed network infrastructure;

(4) A description of measurable service metrics and target service level objectives (SLOs) that will be provided to the customer, and the methods that will be used to measure performance and respond to unmet SLOs;

(5) A description of the approach and methodology for monitoring ongoing service delivery and service quality for the services being deployed;

(6) Estimated project costs detailing all facilities that are required to complete the project. These estimated costs must be broken down to indicate costs associated with each proposed service area and must specify how Agency and non-Agency funds will be used to complete the project;

(7) A construction build-out schedule of the proposed facilities by service

Rural Utilities Service, USDA

§ 1738.252

area on a quarterly basis. The build-out schedule must include:

(i) A description of the work force that will be required to complete the proposed construction;

(ii) A timeline demonstrating project completion within three years from the date the Agency notifies the applicant that loan funds are available;

(iii) Detailed information showing that all households within the funded service area will be offered service at the broadband lending speed when the system is complete; and

(iv) Detailed information showing that construction of the proposed facilities will start within six months from the date the Agency notifies the borrower that loan funds are available.

(8) A depreciation schedule for all facilities financed with loan and non-loan funds;

(9) An environmental report prepared in accordance with 7 CFR part 1794; and

(10) Any other system requirements required by the Administrator through a notice published in the FEDERAL REGISTER.

(b) The network design must be prepared by a registered Professional Engineer with telecommunications experience or by qualified personnel on the applicant's staff. If the network design is prepared by the applicant's staff, the application must clearly demonstrate the staff's qualifications, experience, and ability to complete the network design. To be considered qualified, staff must have at least three years of experience in designing the type of broadband system proposed in the application.

(c) The Administrator may modify the requirements of this section for loans in underserved service areas.

§ 1738.213 Loan determination.

(a) If the application meets all statutory and regulatory requirements and the feasibility study demonstrates that the TIER requirement can be satisfied, the application will be submitted to the Agency's credit committees for consideration. Submission of the application to the Agency's credit committees does not guarantee that a loan will be approved. In making a loan determination, the Administrator shall

consider the recommendations of the credit committees.

(b) The applicant will be notified of the Agency's decision in writing. If the Agency approves the loan, a loan offer will be extended. If the Agency does not approve the loan, a rejection letter will be sent to the applicant, and the application will be returned with an explanation of the reasons for the rejection.

§§ 1738.214–1738.250 [Reserved]

Subpart F—Closing, Servicing, and Reporting

§ 1738.251 Loan offer and loan closing.

The Agency will notify the applicant of the loan offer, in writing, and the applicant will typically have 10 working days to accept the offer. If the applicant accepts the loan offer, a loan contract will be executed and sent to the applicant. The applicant must execute the loan contract and satisfy all conditions precedent to loan closing within the timeframe specified by the Agency which is typically 120 days from the date of the loan contract. If the conditions are not met within this timeframe, the loan offer will be terminated, unless the applicant requests and the Agency approves an extension. The Agency may approve such a request if the applicant has diligently sought to meet the conditions required for loan closing and has been unable to do so for reasons outside its control.

§ 1738.252 Construction.

(a) Construction paid for with broadband loan funds must comply with 7 CFR part 1788, 7 CFR part 1794, RUS Bulletin 1738-2 and any other guidance from the Agency.

(b) Upon notification by the Agency that an applicant has submitted all the required documentation and the application is considered complete for analysis (see § 1738.205), the applicant, at its own risk, may enter into an interim financing agreement with a third-party lender or use its own funds to start construction that is included in the loan application. For this construction to be eligible for reimbursement with loan funds, all construction procedures contained herein must be followed. The