investigation fee. The Letter Commitment will state the fee which is based on the formula in paragraph (b) of this section.

(1) The investigation fee covers the cost of the investigation of the project described in the application and the participants in the project, the appraisal of properties offered as security, Vessel inspection during construction, reconstruction, or reconditioning (where applicable) and other administrative expenses.
(2) If, for any reason, we disapprove the application, you shall pay one-half of the investigation fees.

(b) Base Fee. (1) The investigation fee shall be one-half (1⁄2) of one percent on Obligations to be issued up to and including $10,000,000, plus
(2) One-eighth (1⁄8) of one percent on all Obligations to be issued in excess of $10,000,000.
(c) Credit for filing fee. You will receive credit for the $5,000 filing fee that you paid upon filing the original application (described in §298.3) towards the investigation fee.

§ 298.16 Substitution of participants.
(a) You may request our permission to substitute participants to a Mortgage and/or Security Agreement in a financing that is receiving assistance authorized by Title XI of the Act.
(b) A non-refundable fee of $3,000 is due, payable at the time of the request. The fee defrays all costs of processing and reviewing a joint application by a mortgagor and/or Obligor and a proposed transferee of a Vessel or Shipyard Project, which is security for Title XI debt, if the proposed transferee is to assume the Mortgage and/or the Security Agreement.

§ 298.17 Evaluation of applications.
(a) In evaluating project applications, we shall also consider whether the application provides for:
(1) The capability of the Vessel(s) serving as a naval and military auxiliary in time of war or national emergency.
(2) The financing of the Vessel(s) within one year after delivery.
(3) The acquisition of Vessel(s) currently financed under Title XI by assumption of the total obligation(s).
(4) The Guarantees extend for less than the normal term for that class of vessel.
(5) In the case of an Eligible Shipyard, the capability of the shipyard to engage in naval vessel construction in time of war or national emergency.
(6) In the case of Shipyard Project, the Guarantees extend for less than the technological life of the asset.
(b) In determining the amount of equity which you must provide, we will consider, among other things, the following:
(1) Your financial strength;
(2) Adequacy of collateral; and
(3) The term of the Guarantees.

§ 298.18 Financing Shipyard Projects.
(a) Initial criteria. We may issue Guarantees to finance a Shipyard Project at a General Shipyard Facility. We may approve such Guarantees after we consider whether the Guarantees will result in shipyard modernization and support increased productivity.
(b) Detailed statement. You must provide a detailed statement, with the Guarantee application, which will provide the basis for our consideration.
(c) Required conditions. We shall approve your application for loan guarantees under this section if we determine the following:
(1) The term for such Guarantees will not exceed the reasonable economic useful life of the collective assets which comprise this Shipyard Project;
(2) There is sufficient collateral to secure the Guarantee; and
(3) Your application will not prevent us from guaranteeing debt for a Shipyard Project that, in our sole opinion, will serve a more desirable use of appropriated funds. In making this determination, we will consider:
(i) The types of vessels which will be built by the shipyard,
(ii) The productivity increases which will be achieved,
(iii) The geographic location of the shipyard,
(iv) The long-term viability of the shipyard,
(v) The soundness of the financial transaction,
(vi) Any financial impact on other Title XI transactions, and