

## § 1710.109

service in rural areas. Such priority consideration will also be given in the case of a borrower that has merged or consolidated with an electric system that has not previously received RUS financial assistance, if such system was serving primarily rural residents at the time of the merger or consolidation and such rural residents will continue to be served by the merged or consolidated system. RUS does not make loans for costs incurred in effectuating mergers or consolidations, such as legal expenses or feasibility study costs.

### § 1710.109 Reimbursement of general funds and interim financing.

(a) Borrowers may request that a loan include funds to reimburse general funds and/or replace interim financing used to finance equipment and facilities that were included in an RUS-approved construction work plan, work plan amendment or other RUS-approved plan, and for which loan funds have not been provided by RUS. Such reimbursement and/or replacement of interim financing may include the direct costs of procurement and construction, as well as the related cost of engineering, architectural, environmental and other studies and plans needed to support the project, when such cost is capitalized as part of the cost of the facilities.

(b) If procurement and/or construction of the equipment and facilities was completed prior to the current loan period, reimbursement, including replacement of interim financing, will be limited, except in cases of extreme financial hardship as determined by the Administrator, to the cost of procurement and construction completed during the period immediately preceding the current loan period, as specified in paragraph (c) of this section. As defined in §1710.2, the loan period begins on the date shown on page 1 of RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers.

(c)(1) The period immediately preceding the current loan period for which reimbursement and replacement of interim financing is authorized under paragraph (b) of this section is as follows:

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(i) The number of months agreed to by RUS and the borrower for complete loan applications received by RUS before February 10, 1992;

(ii) 36 months for complete loan applications received from February 10, 1992 through February 10, 1993; or

(iii) 24 months for complete loan applications received after February 10, 1993.

(2) Policies for reimbursement of general funds and interim financing following certain mergers, consolidations, and transfers of systems substantially in their entirety are set forth in 7 CFR 1717.154.

(d) If the reimbursement of general funds and/or replacement of interim financing is for approved expenditures for equipment and facilities whose procurement and/or construction is completed during the current loan period, the time limits of paragraph (c) of this section do not apply.

[57 FR 1053, Jan. 9, 1992, as amended at 58 FR 66265, Dec. 20, 1993; 61 FR 66870, Dec. 19, 1996]

### § 1710.110 Supplemental financing.

(a) Except in the case of financial hardship as determined by the Administrator, and following certain mergers, consolidations, and transfers of systems substantially in their entirety as set forth in 7 CFR 1717.154, applicants for a municipal rate loan will be required to obtain a portion of their loan funds from a supplemental source without an RUS guarantee, in the amounts set forth in paragraph (c) of this section. RUS will normally grant a lien accommodation to the supplemental lender. RUS does not require supplemental financing in conjunction with an RUS guaranteed loan. However, if a borrower elects to obtain supplemental financing in conjunction with a guaranteed loan, the granting of RUS's loan guarantee may be conditioned on the borrower's obtaining supplemental financing.

(b) The terms and conditions of supplemental financing and any security offered to the supplemental lender are subject to RUS approval. Generally, supplemental loans must have the same final maturity and be amortized in the same manner as RUS loans made concurrently. Borrowers may elect to repay the loans either in substantially