

the selection of the term shall accompany the request for the advance.

(4) At the end of any interest rate term, the borrower shall pay all accrued interest and principal balance then due, and either prepay the remaining principal of the advance at face value, or roll over the remaining principal for a new term, provided that no interest rate term may end later than the date of the final maturity.

(i) If the borrower elects to prepay all or part of the remaining principal of the advance at face value, it must notify the Director of the appropriate Regional Division or the Power Supply Division in writing not later than 20 days before the rollover maturity date.

(ii) If the borrower wishes to elect a new interest rate term that is different from the term previously selected, it must notify RUS in writing of the new term not later than 20 days before the end of the current term. The election of the new term shall be addressed to the Director, Financial Operations Division, Rural Utilities Service, Washington, DC 20250-1500.

(iii) If the borrower fails to notify RUS within the timeframes set out in this paragraph of its intention to prepay or elect a different interest rate term, RUS will automatically roll over the remaining principal for the shorter of, and at the interest rate applicable to:

(A) A period equal in length to the term that is expiring; or

(B) The remaining period to final maturity.

(b) *Hardship rate loans.* Loans made at the 5 percent hardship rate are made for a single term that cannot exceed the final maturity as set forth in 7 CFR 1710.115. The hardship interest rate applies to the entire amount of the loan.

[58 FR 66260, Dec. 20, 1993, as amended at 60 FR 3734, Jan. 19, 1995]

#### § 1714.7 Interest rate cap.

Except as provided in paragraph (c) of this section, the municipal interest rate may not exceed 7 percent on a loan advance to a borrower primarily engaged in providing retail electric service if the borrower meets, at the time of loan approval, either the consumer density test set forth in paragraph (a) of this section, or both the

rate disparity test for the interest rate cap and the consumer income test set forth in paragraph (b) of this section.

(a) *Low consumer density test.* The borrower meets this test if the average number of consumers per mile of line of its total electric system, based on the most recent data available at the time of loan approval is less than 5.50.

(b)(1) *Rate disparity test for the interest rate cap.* The borrower meets this test if its average revenue per kWh sold is more than the average revenue per kWh sold by all electric utilities in the state in which the borrower provides service. To determine whether a borrower meets this test, RUS will compare the borrower's average total revenue with statewide data in the table of Average Revenue per Kilowatthour for Electric Utilities by Sector, Census Division and State, in the Electric Power Annual issued by the Energy Information Administration of the Department of Energy (DOE), or the successor to this table. The test will be based on the most recent calendar year for which full year DOE data are available at the time of loan approval and borrower data for the same year.

(2) *Consumer income test.* The borrower meets this test if either the average per capita income of the residents receiving electric service from the borrower is less than the average per capita income of residents of the state in which the borrower provides service or the median household income of the households receiving electric service from the borrower is less than the median household income of the households in the state.

(i) To qualify under the consumer income test, the borrower must include in its loan application information about the location of its residential consumers. The borrower must provide to RUS, based on the most recent data available at the time of loan application, either the number of consumers in each county it serves or the number of consumers in each census tract it serves. Using the most recently published decennial census data on income from the Bureau of the Census, RUS will compare, on a weighted average basis, the average per capita and median household income of the counties

or census tracts served by the borrower with state figures.

(ii) In cases where conditions have substantially changed so that the decennial census data no longer accurately describes the economic conditions of the borrower's consumers, the borrower may provide RUS with more current income data from a reliable source such as a State agency. The Administrator has the sole discretion to determine whether such data submitted by the borrower is sufficient to determine whether the borrower qualifies under the consumer income test.

(3) *Borrowers serving 2 or more states.* If a borrower serves consumers in 2 or more states, the rate disparity test and the consumer income test will be determined on a weighted average based on the percentage of the borrower's total consumers that are served in each state.

(c) *High density test.* If the average number of consumers per mile of the borrower's total electric system exceeds 17, the interest rate cap will not apply to funds used for the purpose of furnishing or improving electric service to consumers located in an area that is an urban area at the time of loan approval, notwithstanding that the area must have been deemed a rural area for the purpose of qualifying for a loan under this part. (See the definition of "rural area" in 7 CFR 1710.2.) If the average number of consumers per mile of line of the borrower's total electric system exceeds 17, the borrower must include, as a note on RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, submitted as part of the loan application for a loan subject to the interest rate cap, a breakdown of funds included in the proposed loan to furnish or improve service to consumers located in such urban areas. For such borrowers only funds for those facilities serving consumers located outside an urban area are eligible for the interest rate cap.

#### § 1714.8 Hardship rate loans.

Except as provided in paragraph (d) of this section, the Administrator shall make an insured electric loan for eligible purposes at the 5 percent hardship rate to a borrower primarily engaged in providing retail electric service if

the borrower meets, at the time of loan approval, both the rate disparity test for hardship and the consumer income test described in paragraph (a) of this section; or the extremely high rates test set forth in paragraph (b) of this section. A loan at the 5 percent hardship rate may also be made to any borrower pursuant to paragraph (c) of this section who, in the sole discretion of the Administrator, has experienced a severe hardship. The Administrator may not require a loan from a supplemental source in connection with a hardship rate loan.

(a)(1) *Rate disparity test for hardship.* The borrower meets this test if its average revenue per kWh sold is not less than 120 percent of the average revenue per kWh sold by all electric utilities in the state in which the borrower provides service, and its average residential revenue per kWh is not less than 120 percent of the average residential revenue per kWh sold by all electric utilities in the state in which the borrower provides service. To determine whether a borrower meets this test, RUS will compare the borrower's average total revenue and average residential revenue with statewide data in the table of Average Revenue per Kilowatthour for Electric Utilities by Sector, Census Division and State, in the Electric Power Annual issued by the Energy Information Administration of the Department of Energy (DOE), or the successor to this table. The test will be based on the most recent calendar year for which full year DOE data are available at the time of loan approval and borrower data for the same year.

(2) *Consumer income test.* The borrower meets this test if either the average per capita income of the residents receiving electric service from the borrower is less than the average per capita income of the residents of the state in which the borrower provides service or the median household income of the residents receiving electric service from the borrower is less than the median household income of the households in the state. RUS will determine whether the borrower qualifies under this test according to the procedure set forth in § 1714.7(b)(2).