§ 298.16 Investigation fee. The Letter Commit-
ment 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 app-
raisal of properties offered as secu-
rities; Vessel inspection during construc-
tion, reconstruction, or reconditioning
(where applicable) and other adminis-
trative 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 in-
cluding $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 re-
ceive credit for the $5,000 filing fee that
you paid upon filing the original appli-
cation (described in § 298.3) towards the
investigation fee.

§ 298.16 Substitution of participants.
(a) You may request our permission
to substitute participants to a Mort-
gage and/or Security Agreement in a fi-
nancing that is receiving assistance au-
thorized 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 pro-
posed transferee of a Vessel or Ship-
yard Project, which is security for
Title XI debt, if the proposed trans-
feree is to assume the Mortgage and/or
the Security Agreement.

§ 298.17 Evaluation of applications.
(a) In evaluating project applica-
tions, 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 emer-
gency.
(2) The financing of the Vessel(s)
within one year after delivery.
(3) The acquisition of Vessel(s) cur-
rently financed under Title XI by as-
sumption 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 Ship-
yard, 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 eq-
uity which you must provide, we will
consider, among other things, the fol-
lowing:
(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 Guar-
antees to finance a Shipyard Project at
a General Shipyard Facility. We may
approve such Guarantees after we con-
sider whether the Guarantees will re-
sult in shipyard modernization and
support increased productivity.
(b) Detailed statement. You must pro-
vide a detailed statement, with the
Guarantee application, which will pro-
vide the basis for our consideration.
(c) Required conditions. We shall ap-
prove your application for loan guaran-
tees 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 Ship-
yard Project that, in our sole opinion,
will serve a more desirable use of ap-
propriated funds. In making this deter-
mination, 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,
Maritime Administration, DOT

§ 298.21 Limits.

(a) Actual Cost basis. We will issue a guarantee on an amount of the Obligation satisfactory to us based on the

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Subpart C—Guarantees

§ 298.20 Term, redemptions, and interest rate.

(a) In general. The maturity date of the Obligations must be satisfactory to us and must not exceed the anticipated physical and economic life of the Vessel or Vessels or Shipyard Project, and may be less than but no more than:

(1) Twenty-five years from the date of delivery from the shipbuilder of a single new Vessel which is to be security for Guarantees;

(2) Twenty-five years from the date of delivery from the shipyard of the last of multiple Vessels which are to be security for the Guarantees but that the amount of the Guarantees will relate to the amount of the depreciated actual cost of the multiple Vessels as of the Closing;

(3) The later of twenty-five years from the date of original delivery of a reconstructed, or reconditioned Vessel which is to be security for the Guarantees, or at the expiration of the remaining useful life of the Vessel, as we determine; or

(4) The technological life of the Shipyard Project.

(b) Required redemptions. Where multiple Vessels or multiple Shipyard Project assets are to be used as security for the Guarantees, as set forth in paragraph (a) of this section, we may require payments of principal prior to maturity (redemptions) regarding all related Obligations, as we may deem necessary to maintain adequate security for the Guarantees.

(c) Interest rate. We will make a determination as to the reasonableness of the interest rate of each Obligation, taking into account the range of interest rates prevailing in the private market for similar loans and the risks that we assume.

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