

(2) Commercial nurseries primarily engaged in the production of ornamental plants and trees and other nursery products such as bulbs, florists' greens, flowers, shrubbery, flower and vegetable seeds, sod, or the growing of vegetables from seed to the transplant stage.

(3) Forestry, which includes establishments primarily engaged in the operation of timber tracts, tree farms, forest nurseries, and related activities such as reforestation.

(4) The growing of mushrooms or hydroponics.

(h) The transfer of ownership unless the loan will keep the business from closing, or prevent the loss of employment opportunities in the area, or provide expanded job opportunities.

(i) Community antenna television services or facilities.

(j) Any illegal activity.

(k) Any project that is in violation of either a Federal, State or local environmental protection law or regulation or an enforceable land use restriction unless the assistance given will result in curing or removing the violation.

(l) Hotels, motels, tourist homes, bed and breakfast establishments, or convention centers.

(m) Lending and investment institutions and insurance companies.

(n) Golf courses, race tracks, or gambling facilities.

§ 1948.111 Loan terms.

(a) No loans to intermediaries shall be extended for a period exceeding 30 years. Interest and principal payments will be scheduled at least annually. The initial principal payment may be deferred (during the period before the facility becomes income producing) by the Agency, but not more than 3 years.

(b) Loans made by an intermediary to an ultimate recipient from the IRP revolving fund will be scheduled for repayment over a term negotiated by the intermediary and ultimate recipient. The term must be reasonable and prudent considering the purpose of the loan, expected repayment ability of the ultimate recipient, and the useful life of collateral, and must be within any limits established by the intermediary's work plan.

§ 1948.112 Interest rates.

(a) Loans made by the Agency pursuant to this subpart shall bear interest at a fixed rate of 1 percent per annum over the term of the loan.

(b) Interest rates charged by intermediaries to ultimate recipients on loans from the IRP revolving fund shall be negotiated by the intermediary and

ultimate recipient. The rate must be within limits established by the intermediary's work plan approved by the Agency. The rate should normally be the lowest rate sufficient to cover the loan's proportional share of the IRP revolving fund's debt service costs, reserve for bad debts, and administrative costs.

§ 1948.113 Security.

(a) *Intermediaries.* Security for all loans to intermediaries must be such that the repayment of the loan is reasonably assured, when considered along with the intermediary's financial condition, work plan, and management ability. It is the responsibility of the intermediary to make loans to ultimate recipients in such a manner that will fully protect the interests of the intermediary and the Government.

(1) Security for such loans may include, but is not limited to:

(i) Any realty, personalty, or intangibles capable of being mortgaged, pledged, or otherwise encumbered by the intermediary in favor of the Agency; and

(ii) Any realty, personalty, or intangibles capable of being mortgaged, pledged, or otherwise encumbered by an ultimate recipient in favor of the Agency.

(2) Security will normally consist of a lien on the IRP revolving fund. The Agency will obtain assignments of security pledged by ultimate recipients including an assignment of the promissory notes given by the ultimate recipients and take possession of the promissory notes.

(i) The assignment documents will not be filed or recorded in the public records unless the intermediary is in default on its IRP loan. They will be held by the Agency and may be filed at the sole discretion of the Agency, after an event of default, if the Agency determines the filing is necessary to protect the Government's interest.

(ii) The perfection of assignments when intermediaries close loans is not required. Assignment documents will be obtained and held to facilitate the perfection of assignments at a later date if the intermediary fails to meet its obligations.

(3) The Agency may require additional security or additional documents needed to perfect liens at any time during the term of a loan to an intermediary if, after review and monitoring, an assessment indicates the need for such security or documentation to protect the Government's interest.

(b) *Ultimate recipients.* Security for a loan from an intermediary's IRP revolving fund to an ultimate recipient

will be negotiated by the intermediary and ultimate recipient, within the general security policies established by the intermediary and approved by the Agency.

§ 1948.114 Loan limits.

(a) *Intermediary.*

(1) No loan to an intermediary will exceed the maximum amount the intermediary can reasonably be expected to relend to eligible ultimate recipients, in an effective and sound manner, within 1 year after loan closing.

(2) The first IRP loan to an intermediary will not exceed \$2 million.

(3) Intermediaries that have received one or more IRP loans may apply for and be considered for subsequent IRP loans provided:

(i) At least 80 percent of the Agency IRP loan funds the intermediary was approved for have been disbursed to eligible ultimate recipients.

(ii) The intermediary is promptly relending all collections from loans made from its IRP revolving fund in excess of what is needed for required debt service, reasonable administrative costs approved by the Agency, and a reasonable reserve for debt service and uncollectible accounts.

(iii) The outstanding loans of the intermediary's IRP revolving fund are generally sound.

(iv) The intermediary is in compliance with all applicable regulations and its loan agreement(s) with the Agency.

(4) Subsequent loans will not exceed \$1 million each and not more than one loan will be approved for an intermediary in any one fiscal year.

(5) Total outstanding IRP indebtedness of an intermediary to Agency will not exceed \$15 million at any time.

(b) *Ultimate recipients.* Loans from intermediaries to ultimate recipients using the IRP revolving fund will not exceed the lessor of:

(1) \$250,000; or

(2) 75% of the total cost of the ultimate recipient's project for which the loan is being made.

(c) *Portfolio.* No more than 25 percent of an IRP loan approved for an intermediary may be used for loans to ultimate recipients that exceed \$150,000. This limit does not apply to revolved funds.

§ 1948.115 Post award requirements.

(a) *Applicability.* Intermediaries receiving loans under this program shall be governed by these regulations, the loan agreement, the approved work plan, security interests, and any other conditions which the Agency may