

by providing a fixed date that is determined as early as possible.

On April 7, 1993, at 58 FR 18043, REA published a proposed amendment to 7 CFR part 1785, where provisions for automatic termination of the insured electric loans were originally published, that would, in effect, redesignate subpart A as 7 CFR 1785 subpart F. Since automatic termination of the fund advance period on insured electric loans is more closely related to the subject matter of part 1714 than of part 1785, RUS has determined that setting out the requirements in detail in part 1714 would better serve the public. Therefore, the rule published today removes subpart A (proposed subpart F) of part 1785.

Supplemental Financing

Another amendment in the proposed rule clarifies policy on supplemental financing requirements. Except in cases of financial hardship, applicants for a municipal rate insured loan are required to obtain a portion of their loan funds from a supplemental source without an RUS guarantee. The method for determining the supplemental financing percentage for each individual loan is set forth in 7 CFR 1710.110(c) (1) and (2). For most borrowers, this percentage is based on the borrower's plant revenue ratio (PRR), as defined in § 1710.2. To clarify the requirement for those borrowers whose PRR changes between the time of the loan application and the time of loan approval, the rule proposed to codify the policy of using the PRR based on the most recent year-end data available on the date of loan approval.

The rule further proposed to clarify policies in cases where termination or rescission of an insured loan, or its associated supplemental loan, substantially affects the overall proportion of RUS and supplemental financing to a borrower. Under longstanding policy, the amount of supplemental financing required on that borrower's next municipal rate loan is adjusted to maintain the overall proportion of RUS to supplemental financing. The rule published today clarifies that the adjustment will only be made following rescission or termination of more than 5 percent of an insured loan subject to supplemental financing. No adjustment will be made based on rescission of a hardship rate loan where no supplemental financing was required. The amendment will also set forth the formula used to compute the adjustment.

Most commentors supported the proposed changes. One commentor suggested an alternative to PRR in determining the amount of

supplemental financing required. RUS is analyzing other possible methods of targeting assistance to needy communities. Changes in the methodology for determining the supplemental financing proportions may be proposed at a later date.

Amortization of Principal

In conjunction with lengthening the allowable loan period, the agency proposed that principal amortization on advances made more than 2 years after the date of the note begin with the loan payment billed in the next full month after the month of the advance. For example, principal amortization on funds advanced any time during the month of June of the third year after the date of the note would begin with the bill sent to the borrower in July of that year. In cases of financial hardship, the Administrator may approve a principal deferment period of up to 2 years for any advances made after the second year of the loan.

Most commentors expressed support for the proposed provisions. One commentor believed that provisions concerning amortization are more restrictive than provisions for deferral of principal permitted by section 12 of the RE Act. Section 12 deferrals of principal are permitted for the specific purposes set forth in the RE Act. Regulatory provisions for amortization, on the other hand, apply uniformly to all loans. RUS believes that the provisions in the proposed rule concerning amortization of principal are appropriate.

Final Maturity

Another amendment makes technical changes in the method used to evaluate final maturity of loans. RUS loans must be repaid with interest within a period, up to 35 years, that approximates the expected useful life of the facilities financed. The old rule based expected useful life on the weighted average of the depreciation rates proposed by the borrower. The amendment provides that final maturity will be based on the weighted average useful life of the facilities financed, instead of depreciation rates.

One commentor objected to the proposed change, stating that the agency should continue to base final maturity on depreciation rates, and that depreciation rates should be modified to more accurately reflect useful life. RUS agrees that depreciation rates should reflect useful life. However, basing loan maturity directly on useful life is a more straightforward approach that RUS believes will reduce administrative costs for both the borrowers and the Government.

To facilitate the determination of the final maturity, RUS is incorporating into the final rule published today, a provision from a proposed rule published by REA on August 20, 1993, at 58 FR 44288. According to this proposed rule, Long-Range Financial Forecasts of Electric Borrowers, for the purpose of determining final loan maturity, the borrower may either (1) Certify that at least 90 percent of the loan funds are for facilities that have a useful life of 33 years or longer, or (2) Submit a schedule showing the costs and useful life of those facilities with a useful life of less than 33 years. Loan maturity will be based on the weighted average of these useful lives.

Since exact useful life is often difficult to predict, RUS may add up to two years to the composite average useful life in order to compute loan maturity. In other words, if the weighted average useful life of the facilities is 33 years, the final maturity for the loan may be up to 35 years.

The comment period on the 1993 proposed rule, as extended by a notice published September 30, 1993, at 58 FR 48800, closed on October 20, 1993. No commentors objected to the proposed method of approximating the useful life of the facilities financed. Accordingly, the rule published today includes this methodology in paragraph 1710.115(b). To set forth the specific loan application document for the information about useful life, a new paragraph 1710.401(a)(3)(ii) is added requiring that Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, include as a note, either a certification that at least 90 percent of the loan funds are for facilities that have a useful life of 33 years or longer, or a schedule showing the costs and useful life of those facilities with a useful life of less than 33 years. The paragraphs designated in the proposed rule as 1710.401(a)(3)(ii) and (iii) are included in the final rule as 1710.401(a)(3)(iii) and (iv), respectively. Language in paragraph 1710.401(c)(1) of the proposed rule requiring a proposed schedule of the useful life of facilities as part of the Long-range financial forecast is removed from this final rule. A final rule on long-range financial forecasts will be published at a later date.

Equity

The rule proposed replacing the requirement that certain borrowers prepare a formal equity development plan with a more general requirement that the borrower's capitalization is adequate to enable the borrower to meet its financial needs and to provide electric service consistent with the RE Act. Capital structure will be measured