by equity as a percentage of total assets and will be a factor in RUS's evaluation of loan feasibility pursuant to 1710.112, in determining borrower eligibility for advance approval of a lien accommodation pursuant to 7 CFR 1717.854, and in evaluating certain other borrower requests under the mortgage.

Most commentors expressed support for this proposal. One commentor opposed the proposal, arguing that the requirement to prepare and follow an equity development plan better supports borrowers requesting rate increases from state public utility commissions, and better positions borrowers to obtain financing at market rates and replace old plant with new more expensive plant. RUS agrees that reasonable levels of equity are an important component of credit quality. However, as stated in the preamble to the proposed rule, agency experience with equity development plans has demonstrated that such plans are an unnecessary and burdensome means of achieving the desired result.

One commentor requested that those borrowers who have adopted equity development plans as a condition for obtaining an electric loan be permitted to amend these plans pursuant to the new rule. RUS points out that the new rule establishes, in § 1710.112(b)(10), a new loan feasibility criterion addressing the borrower's capitalization. It would not be feasible to revisit each loan that required an equity development plan as a condition of loan approval in the light of the new loan feasibility criterion.

Credit Reform

A policy change mandated by the Federal Credit Reform Act of 1990 (2 U.S.C. 661f), affects loans approved on or after October 1, 1991. The Federal Credit Reform Act requires Federal agencies to match funds obligated, disbursed, and collected with their intended purposes. Therefore, the rule proposed, in § 1710.106(f), that advances of funds from a loan made on or after that date be made only for primary budget purposes included in that particular loan, unless the borrower applies for and RUS approves a budget transfer. Primary budget purposes as listed in RUS Bulletin 26-1, Budgetary Control and Advance of Loan Funds, and on RUS Form 595, Financial Requirement and Expenditure Statement, are (1) Distribution, (2) Transmission, (3) Generation, (4) Headquarters Facilities, (5) Acquisitions, and (6) All Other.

Only one comment addressed this provision. The commentor recognized the requirements of Federal Credit Reform, but hopes that RUS can find a way to be flexible. The rule provides this flexibility by providing that RUS may approve a budget transfer.

Loan Application Documents

Finally, the rule proposed to add new subpart I to part 1710 to set forth a list of the documents and procedures required for a loan application. This list is intended to facilitate the application process for borrowers and supplemental or other lenders. The general requirement to submit each of the documents is set forth in existing part 1710 or in other RUS regulations. The proposed new subpart I is simply a summary list for the convenience of the public. RUS is exploring possibilities for electronic submission of certain documents.

Most commentors expressed support for such a list. Several had specific suggestions for the list. A few commentors suggested a materiality threshold for determining whether the lists of pending actions by third parties and pending regulatory actions (§ 1710.401(a)(1)(iv) and (v), respectively), are required. Another would like a clear definition of a material change to real property (§ 1710.401(a)(7)). RUS believes that the nature of these matters precludes any rule of thumb for determining materiality. This suggestion cannot be accepted.

However, another commentor suggested that the borrower be allowed to combine into a single statement from counsel information on pending litigation and the state regulatory approvals (§§ 1710.401(a)(6) and (15), respectively). RUS has no objection to accepting, in a single statement, information from counsel required by § 1710.401(a)(6), (7), and (15), and clarification has been added to § 1710.401(a)(6).

One commentor requested that the borrower be required to submit the rate disparity and consumer income data needed for certain municipal rate loans subject to the interest rate cap and for some hardship rate loans to RUS prior to submitting the loan application. Language in § 1710.401(a)(8) encourages borrowers to provide this information to the RUS general field representative prior to submitting the application.

One commentor questioned the reference to subpart H of part 1710 in connection with the requirement to submit a Demand Side Management Plan (§ 1710.401(c)(2)(iv)). Subpart H of part 1710, Demand Side Management and Renewable Energy Systems, was published January 4, 1994, at 59 FR 494. Another suggested that RUS establish a threshold level test for determining the

need for RUS approval of security offered to a supplemental lender (§ 1710.405(b)). RUS believes that the right to approve collateral offered to a supplemental lender is necessary for RUS to protect its loan security.

One commentor requested that RUS provide the borrower with written grounds if a loan cannot be approved. Such language has been added to § 1710.406(b). See also §§ 1710.401(d)(3) and (4) and .401(e).

Conforming Amendments to RUS Regulations

The rule published today includes conforming amendments to \$\mathbb{S}\$ 1710.7(d)(1)(vi), 1717.856(d), and 1717.860(e) to reflect the elimination of the requirement to submit an equity development plan.

Other Regulations

On August 27, 1991, at 56 FR 42461, REA published 7 CFR Parts 1712 and 1719 that established pre- and post-loan policies for 90 percent REA guarantees of certain loans from qualified private lenders. This program was authorized under section 314 of the RE Act. The Rural Electrification Loan Restructuring Act of 1993, Pub. L. 103-129, signed by President Clinton on November 1, 1993, amended section 314 of the RE Act to abolish this 90 percent guarantee program. RUS is, therefore, removing 7 CFR parts 1712 and 1719. Regulations affecting loan guarantees under sections 306, 306A, and 311 of the RE Act will be published at a later date.

Other Issuances

Electric Operations Manual, EOM-1 Guide for the Preparation of Electric Distribution Loan Applications is rescinded effective February 21, 1995.

In addition, this rule consolidates, updates, and, in some instances, revises information contained in the following RUS Bulletins:

- 20–5 Extensions of Payments of Principal and Interest
- 20-9 Loan Payments and Statements
 26-1 Budgetary Control and Advance of Electric Loan Funds
- 86–3 Headquarters Facilities for Electric Borrowers

When this regulation and other related rules are effective, these publications will be rescinded, in whole or in part, or revised.

Finally, RUS is rescinding RUS Bulletins 101–3, Business Management for Board Members of Electric Cooperatives, and 103–1, A Practical Approach to Making Policy, effective February 21, 1995. These bulletins were last issued in 1978 and 1959, respectively, and RUS believes the