



United States  
Department of  
Agriculture

## Rural Development



Presented by Shawn Arner

# Loan Requirements / FCC Order

*RUS Telecommunications Programs*

# Loan Requirements – FCC Order

## Who may be impacted?

- Potential Loan Applicants (Infrastructure and Broadband)
- Existing Portfolio of Borrowers (Infrastructure and Broadband)

## RUS Guidance

- Open Letter to all Telecommunications Loan Applicants and Borrowers
- Loan applicants that currently have an application in DC will also receive a direct letter explaining what is required.

# Requirements for Potential and Existing Loan Applicants

## For Potential and Existing Loan Applicants:

- Impact of the Order needs to be taken into consideration in preparing projections of Network Access Revenues
- Detailed Narrative Discussing the impacts of the order.
- Additional Loan conditions

## Narrative Discussion

- A-CAM
  - Explain if A-CAM appears to be advantageous.
  - Were projections based on model-based support or the legacy approach?
  - If model-based support is proposed to be elected – estimated changes to revenues as a result of this election.

# Requirements for Potential and Existing Loan Applicants

## Narrative Discussion (continued)

- Legacy-Support
  - If remaining on legacy, explain which values for Rate-of-Return were assumed in the revenue projections
  - Explain if any budgetary control scenarios have been considered
- Unsubsidized Competitors
  - Identify any unsubsidized competitors in your service territory.
  - Special focus on any that meet or exceed the 85% overlap threshold in 1 or more census blocks
  - If applicable – discuss expected loss of revenues due to competition (Customer and USF support)

# Requirements for Potential and Existing Loan Applicants

## Narrative Discussion (continued)

- Discuss expected impacts on revenues of Opex and Capex limitations
- Discuss the ways in which the Loan Design addresses the Broadband Deployment Obligations required by the Order
- Other Noteworthy Impacts

## Additional Loan Covenants

- Quarterly Financial Reports will be required for all new loans (already standard practice since 2012)
- All new loans will include a condition allowing RUS to require updates of the financial forecast prior to the expiration date of the loan

# What about our Existing Borrowers with approved loans?

## Existing Borrowers

- RUS will continue to monitor financial status (quarterly and annual reports / audits)
- Non compliance with TIER / Material Adverse Effect
  - Corrective Action Plan / Financial Forecast is required (Current requirement in the loan documents)
  - These Plans and Forecasts will need to address all items required on the previous slides for new loan applicants.
  - Advances of funds may be restricted until an acceptable corrective action plan is approved by RUS.

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## Summary

- Steps outlined will allow RUS to continue our mission
- RUS will continue to Process Applications – There is no suspension of the Program
- RUS will continue to advance funds per our loan agreements





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