



United States
Department of
Agriculture

Rural Development



Presented by Ryeon Corsi and Thera Swersky

In the Works: Drafting a Loan Workout Regulation

2016 ACE School and RUS Symposium



**TWO WEEKS
LATER**



SHORTLY THEREAFTER



**TWO MONTHS
LATER**



**MANY MORE
MONTHS LATER**



15 YEARS LATER



Agenda

Current Status of the Workout World

Reasons for a Workout Regulation

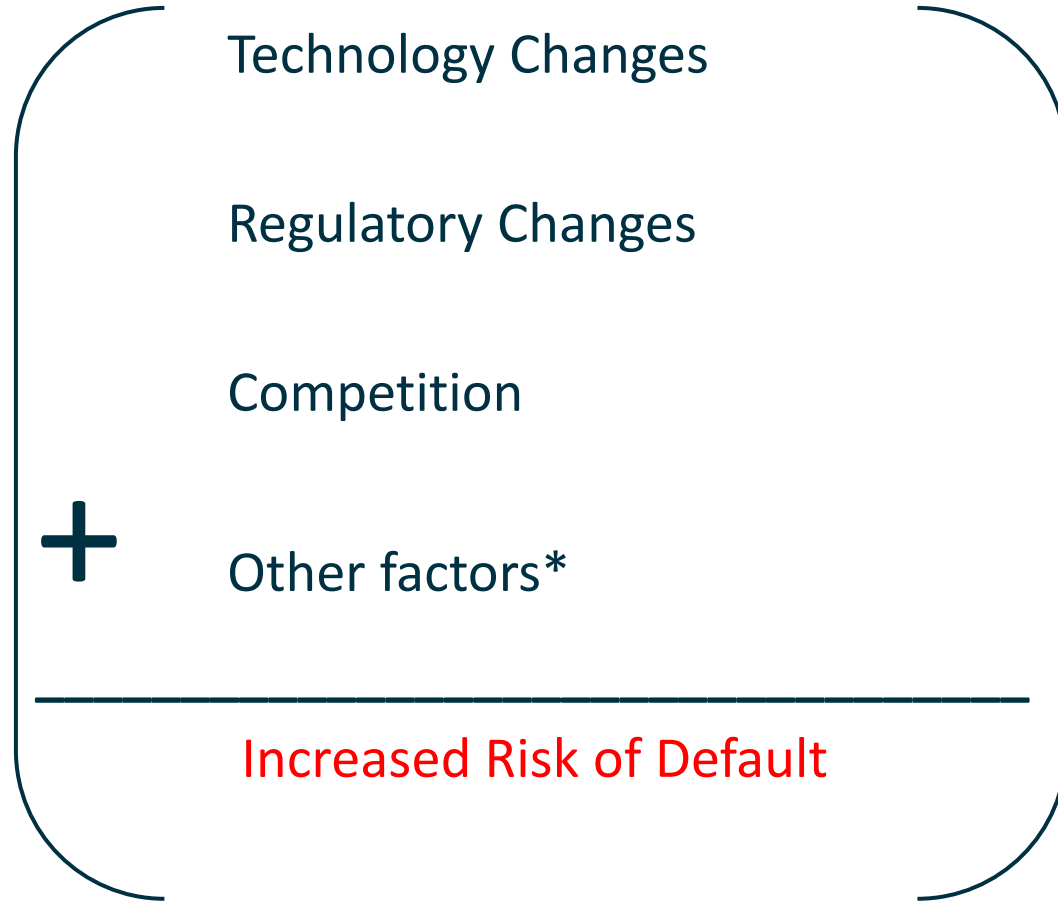
Steps for Regulatory Approval

Contents of the Draft Workout Regulation

- Purpose: What will the regulation cover?
- Audience: To whom will the regulation apply?
- Process: How will the regulation work?
- Goals: What does the regulation intend to accomplish?

Q & A

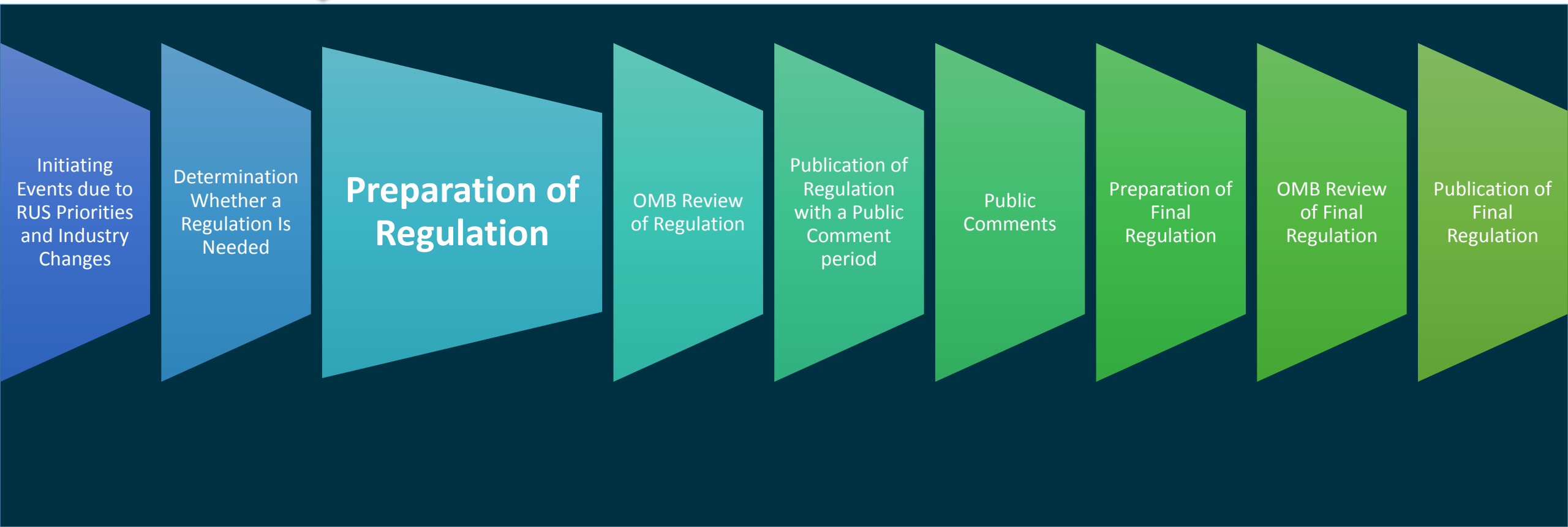
Reasons for a Workout Regulation



*Other factors may include: operational, financial, market, and/or service area changes; natural or manmade disasters; and any other negative changes.

Steps for Regulatory Approval – RUS

We
are
HERE



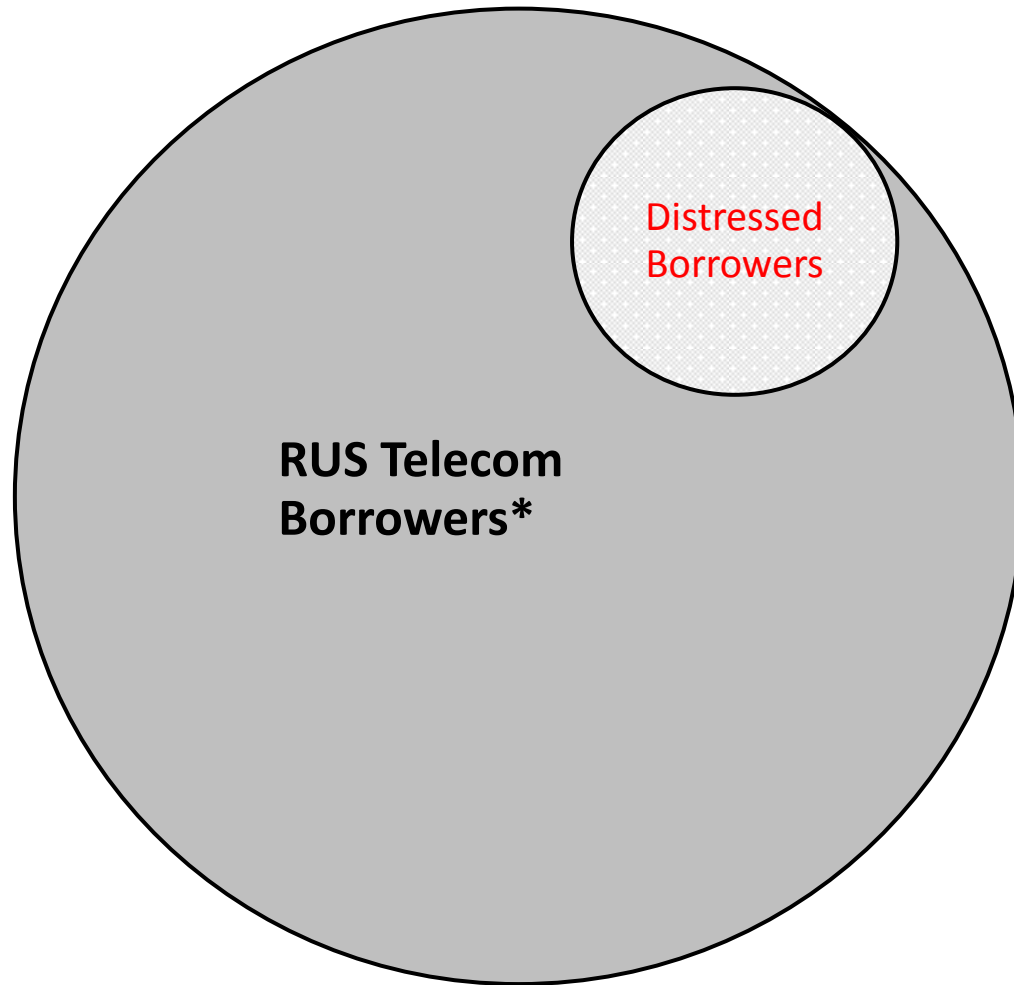
Contents of the Draft Workout Regulation – Purpose

Problem: An increased number of payment defaults in the Telecom loan portfolio would impact the government, the borrowers, and rural economy.

Objective: RUS seeks to minimize the monetary impact of defaulted loans and maximize the recovery of its financial investments.

Other Outcomes: The regulation will provide guidelines, structure, and transparency.

Contents of the Draft Workout Regulation – Audience



Regulation only applies to
Distressed Borrowers

*Most borrowers will be serviced according to Telecom's general policy.

Contents of the Draft Workout Regulation – Audience

This regulation only applies to Distressed Borrowers.

Borrower is in payment default of principal or interest on their loan.

Borrower's financial or operational condition is impaired such that it will adversely impact the Borrower's ability to repay their financial obligations under the Loan Documents.

Contents of the Draft Workout Regulation – Process

RUS determines that a Borrower is distressed and is unable, or has impaired ability, to pay their debts.

Borrower submits an Application for Workout.

- Borrower must agree to the pre-application conditions related to reporting and operations.
- The Application for Workout is similar to a loan application.
- Borrower must describe the problem and suggest possible solutions.
- Borrower must submit financial and operational data including a forecast.

RUS analyzes the Borrower's situation and materials.

- RUS may request additional information and clarification regarding the Borrower's Application for Workout.
- RUS will send a team to conduct a site visit review or Management Analysis Profile (MAP) of the Borrower.

RUS and the Borrower start developing a Workout Plan.

RUS and the Borrower find a solution or go to litigation and enforcement.

Contents of the Draft Workout Regulation – Process

Borrower Goals in a Solution

- Company solvency
- Long-term viability of telecommunications system
- Reduced risk to company owners and investors
- Limited use of company financial resources
- Assistance from RUS

RUS Goals in a Solution

- Borrower solvency
- Long-term viability of telecommunications system
- Reduced risk of loss to government
- Low transaction cost to government (e.g., taxpayers)
- Assistance from Borrower



Mutually agreeable, sustainable solution

Contents of the Draft Workout Regulation – Process

Assistance from Borrower – Borrower and their ownership must invest resources and take measures to contribute to the improvement of the company's position.

Some examples of Borrower Investment are:

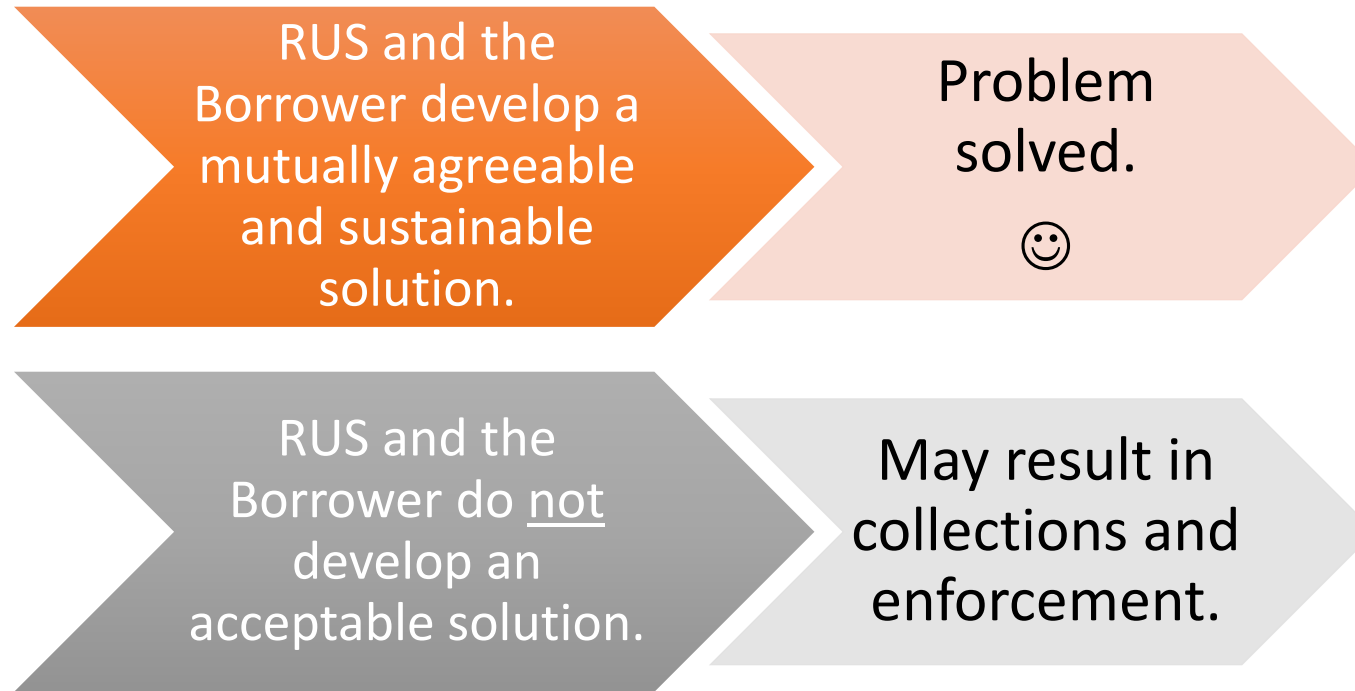
- Cash equity investment in the company
- Cost saving measures
- Additional guarantees, including guarantees from affiliated telecommunications companies
- Additional collateral, subject to RUS valuation

Contents of the Draft Workout Regulation – Process

RUS may consider the following changes to the loan structure:

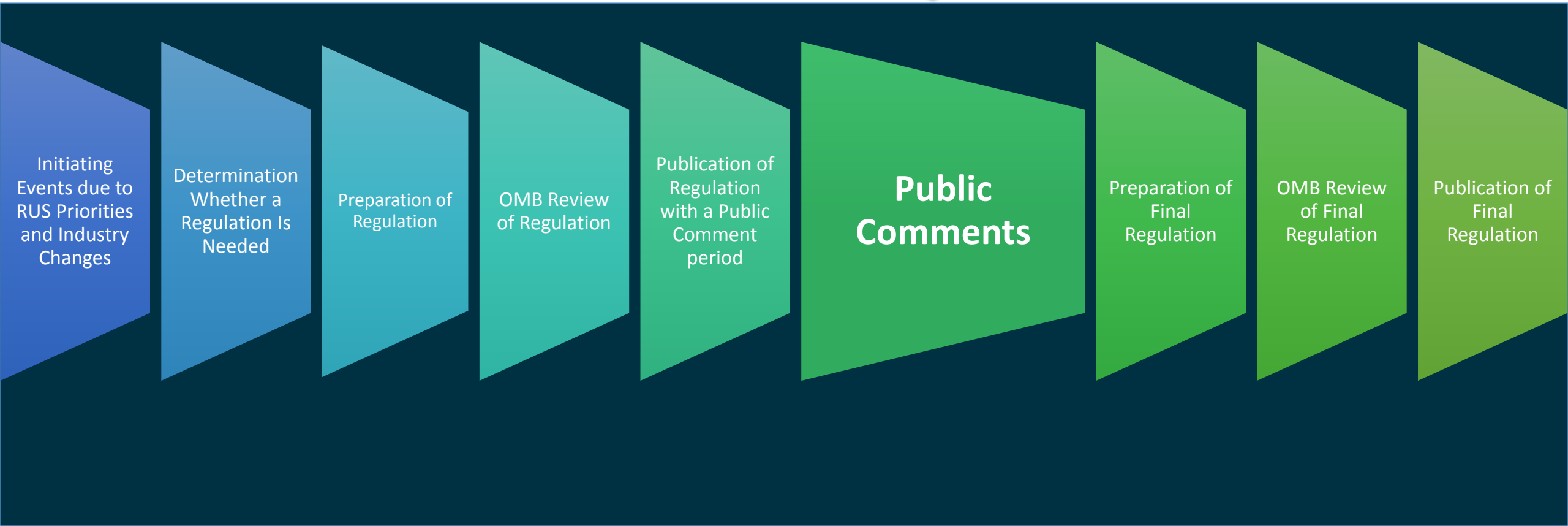
Time – Payment Schedule of the Loan	Money – Financial Terms of the Loan
Principal and/or interest deferral	Interest rate reduction
Reamortization and extension of maturity date	Other limited actions
Specialized repayment schedule	

Contents of the Draft Workout Regulation – Goals





Steps for Regulatory Approval – the Public



Questions?



United States
Department of
Agriculture

Rural Development



Ryeon Corsi & Thera Swersky
Rural Development
Rural Utilities Service Telecom
Ryeon.Corsi@wdc.usda.gov
Thera.Swersky@wdc.usda.gov

USDA Rural Development is committed to the future of rural communities.

Office: 202-690-4673
www.rd.usda.gov