United States Department of Agriculture

Rural Development

Presented by:
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Telecom Servicing Act 2.0

2018 ACE School and RUS Symposium
Atlanta, GA
May 15-17, 2018

Objectives

This session has the following objectives:

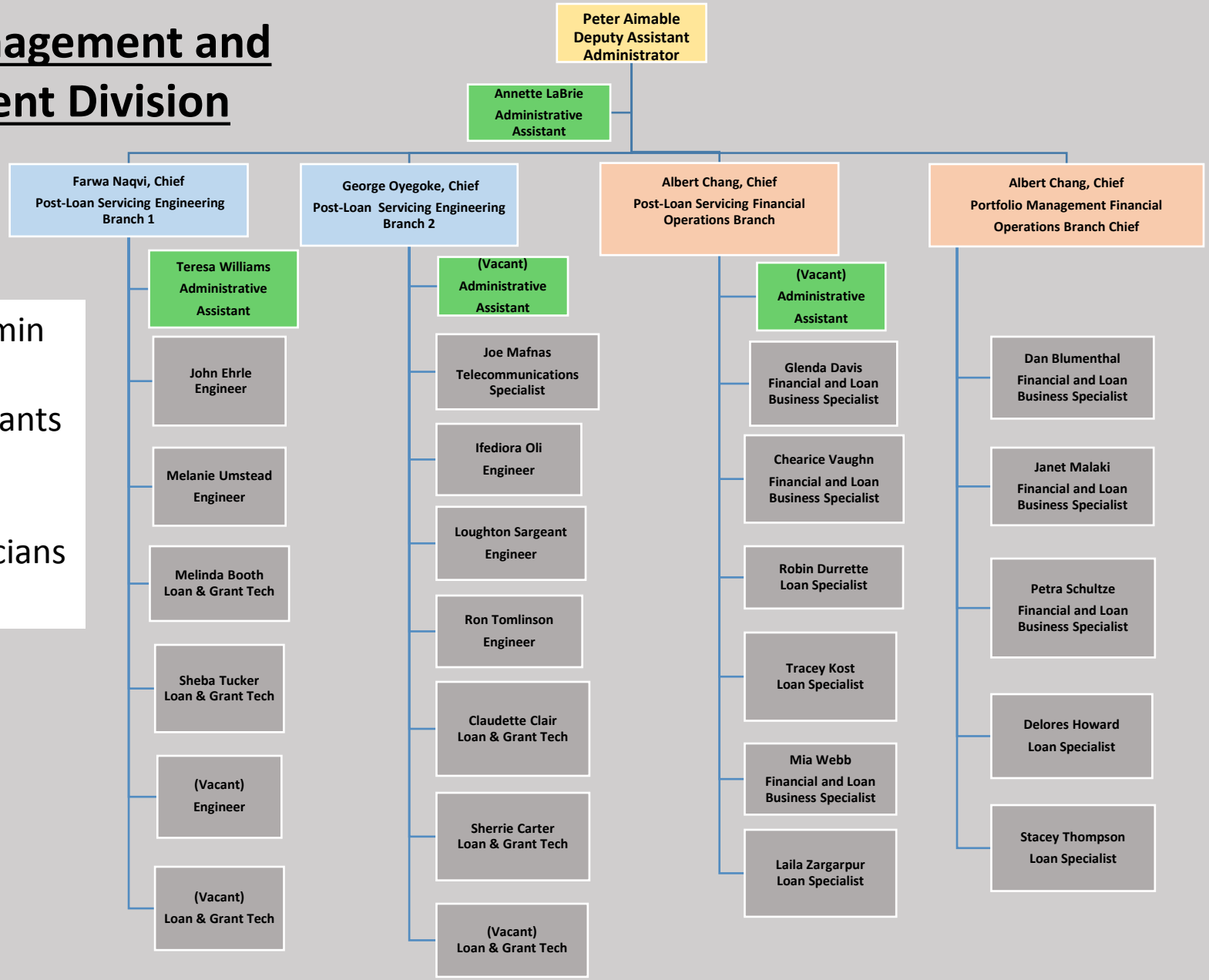
- Provide a better understanding of the processes and procedures in servicing the RUS loans and grants
- Improve relationship between RUS staff, customers and stakeholders
- Continue to improve communications with staff, customers and stakeholders to provide state-of-the-art broadband infrastructure to Rural America

Agenda

- PMRA staff
- Servicing requirements: Loan and grant agreements and regulations
- RUS portfolio
- Servicing activities and accomplishments
- Servicing reminders from engineering and operations perspectives
- Questions

Portfolio Management and Risk Assessment Division

1 Deputy Assistant Admin
3 Branch Chiefs
2 Administrative Assistants
6 Engineers
11 Loan Specialists
4 Loan & Grant Technicians
27 Total Employees



Loan and grant agreements and regulations

- ✓ Infrastructure Loan Program: Loan Agreement, Mortgage, and 7 CFR 1753
- ✓ Farm Bill Broadband Program: Loan Agreement, Mortgage, and RUS Bulletin 1738-2
- ✓ Community Connect Grant Program: Grant Agreement, 2 CFR 200, and 7 CFR 1739
- ✓ Distance Learning and Telemedicine Grant Program: Grant Agreement, 2 CFR 200, and 7 CFR 1734
- ✓ Broadband Initiatives Program (BIP): Loan/Grant and Security Agreement or Grant Only Agreement

Telecom Portfolio

- 392 active borrowers as of 12/31/2017:

  $3 billion in outstanding principal

  $542 million in unadvanced loan funds

- Grant Programs:

  $57 million in unadvanced Community Connect funds

  $40 million in unadvanced DLT funds

Division activities: post-loan and grant servicing

- Construction documents (contracts, amendments, closeouts, etc.)
- Requests for grant and loan funds (clearance associated)
- Release of loan and grant funds
- Mergers and acquisitions
- Sales of property
- Loan payment status monthly
- Lien releases (partial or full)
- Lien accommodations or subordinations
- ULO review and certification
- Rescind funds that are no longer needed
- Other servicing actions: monitor financials, loan compliance, etc.

Telecom Infrastructure Loan FRS Processing

FY 2017

- ✓ 193 Requests Processed
- ✓ 4 Requests Returned
- ✓ $175.2 million advanced
- ✓ Ave. Processing Time: 10 days

FY 2018 YTD (Oct 2017 – March 2018)

- ✓ 76 Requests Processed
- ✓ 1 Request Returned
- ✓ $97.3 million advanced
- ✓ Ave. Processing Time: 10 days

Telecom Infrastructure Loan Contract Processing

FY 2017

- ✓ 458 Contract Documents Approved
- ✓ Value: $526.7 million
- ✓ Ave. Processing Time: 10 days

FY 2018 YTD (Oct 2017 – March 2018)

- ✓ 187 Contract Documents Approved
- ✓ Value: $181.6 million
- ✓ Ave. Processing Time: 10 days

Community Connect Grant Processing

FY 2017

- ✓ 54 Requests Processed
- ✓$11.1 million advanced
- ✓ Ave. Processing Time: 17 days

FY 2018 YTD (Oct 2017 – March 2018)

- ✓ 23 Requests Processed
- ✓$4.9 million advanced
- ✓ Ave. Processing Time: 13 days

DLT Grant Processing

FY 2017

- ✓ 208 Requests Processed
- ✓ 7 Requests Returned
- ✓ $23.6 million advanced
- ✓ Ave. Processing Time: 10 days

FY 2018 YTD (Oct 2017 – March 2018)

- ✓ 65 Requests Processed
- ✓ 5 Requests Returned
- ✓ $5.7 million advanced
- ✓ Ave. Processing Time: 10 days

Telecom Servicing Engineering Items to Note

- Consultation with DC staff required to proceed with bid openings when less than 3 bids are received.
- RUS approval required for major contract negotiations. Request to negotiation should not be treated as a notice for your information.
- Prior RUS approval must be obtained before contract amendments requiring RUS approval are executed.

Telecom Servicing Engineering Items to Note

- Sub-contracts are limited to 50% of the outside plant contract **Labor** cost.
- Materials and equipment financed with RUS loan funds are subject to the Buy American provision (7 U.S.C. 901 *et seq.*) as amended.
- RUS borrowers must obtain written RUS approval when purchasing products that require authorization from RUS. (Bulletin 344-3)

Telecom Servicing Engineering Items to Note

- Minor construction procedures should not be used for major construction projects.

- Contract Closeout Certifications and other final documents must be submitted for all RUS approved contracts (even after remaining loan funds have been rescinded). Funds may be disallowed during RUS field audit.

- All items for RUS approval in DC may be submitted through the RUS General Field Representative for best customer service.

United States Department of Agriculture

Rural Development

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Rural Development | Telecommunications Program
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USDA is an equal opportunity provider, employer and lender.

Telecom Borrowers YE Operating Report received

2017

- ✓ 95%

2018 (as of April 23, 2018)

- ✓ 81%

Lien Releases processed in FY 2018 as of April 23, 2018

Partial Lien Release	23
Full Lien Release	15

Before and After Execution of Loan or Grant Agreement

Things to remember

- Carefully review the Agreement prior to executing. Make sure that your organization can fulfill all of the conditions/covenants prior to accepting the Loan/Grant Offer
- It's a legally binding contract until final pay off or service obligation is met
- Any non-compliance or violation is a default of the agreement
- Retain an original copy until the lien is released from the government

Partial Release of Lien and/or Sale of Property (Form 793)

RUS FORM 793 REV 4-2016
OMB FORM 0572-0041
Exp. Date: 6/30/2019

U. S. DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

REQUEST FOR RELEASE OF LIEN AND/OR APPROVAL OF SALE

INSTRUCTIONS - *Submit three copies to RUS. See RUS Bulletin 415-1 for detailed instructions.*

1. DATE OF THIS REQUEST	2. CLOSING DATE
3. SYSTEM DESIGNATION OF SELLER	4. SYSTEM DESIGNATION OF PURCHASER (*If RUS borrower*)
5. NAME AND ADDRESS OF SELLER	6. NAME AND ADDRESS OF PURCHASER
7. APPROXIMATE ORIGINAL COST	8. SOURCE OF FUNDS (*Original purchase*)
9. DATE BOUGHT OR BUILT	10. PROPOSED SELLING PRICE

11. DESCRIPTION OF PROPERTY TO BE SOLD. (*Identify it adequately and estimate its present value. If real estate, include legal description to be used in deed and release of lien.*) *

12. FORMAL RELEASE OF LIEN ☐ IS ☐ IS NOT REQUIRED BY PURCHASER.

13. REASON FOR SALE*

14. DISPOSITION OF NET PROCEEDS OF SALE. (*Insert estimated amounts in appropriate spaces*):

a. ACCOUNT 113.2 OR 1600.2 "CASH - TRUSTEE RUS CONSTRUCTION FUND" TO BE USED FOR RUS APPROVED PURPOSES .....

b. TO THE RURAL ELECTRIFICATION ADMINISTRATION AS A SPECIAL PAYMENT ON THE MOST RECENT NOTE OF THE RUS LOAN. MAKE CHECKS PAYABLE TO THE RURAL UTILITIES SERVICE MAIL TO U. S. DEPARTMENT OF AGRICULTURE. RUS, WASHINGTON, D.C. 20250-1510 ATTENTION OF: ADMINISTRATIVE & LOAN ACCOUNTING BRANCH, COLLECTIONS & CUSTODIAL SECTION.....

c. OTHER _____

d. SELLERS NOTE(S) TO BE ASSUMED. (*For sale of property by assumption of indebtedness only*)

SYSTEM DESIGNATION	DATE OF NOTE(S)	AMOUNT OF NOTE(S)	AMOUNT TO BE ASSUMED

Partial Release of Lien and/or Sales of Property

Form 793, Line 14. Disposition of Net Proceeds of Sales

- Proceeds to be applied as:
- 1. Deposit to Construction Fund Account, to be used for RUS approved purpose,
- 2. Make a Special Payment on the most recent Note of the RUS Loan, or
- 3. Replacement with similar property.

Form 793, things to remember

- Proceeds of sale cannot be deposited into the General Fund Account. Even if loan funds were not originally used to purchase the property.
- Make sure that all boxes are filled out.
- On Line 3 System Designation of Seller is the borrower Designation. For example IA 690 Good.
- Line 10 Proposed Selling Price. Borrower should fill in the market price of the asset.
- Asset purchase agreement may be required.

Partial Lien Release

Lien Release Document should be prepared by the borrower's counsel

- RUS has a template for your convenience
- Borrowers should submit their request in Word document to RUS with the description of the property that they want released.
- Do not pre-fill the date in the first paragraph as this will be done by RUS on the day of notary.
- RUS does not assume the legal sufficiency of the document

Full Release of Lien

To be processed after PIF is confirmed

- Better coordination to ensure timely release
- Once the Borrower has made the final pay off of the entire outstanding debt, the Borrower must request, in writing, a Full Release of Lien. RUS does not automatically prepare it
- Borrower may contact RUS staff to request template of the Full Release of Lien that is commonly used by RUS Borrowers.

TIER Violation

It is a technical default

- The borrower should:
  - Submit the year-end Operating Report
  - Notify RUS, In writing, that they failed to meet TIER, provide explanation as to why and provide 5 year projections demonstrating how/when the company will return to profitability. RUS will review and make a determination.
  - Based on the information provided, RUS may issue a “no action” letter, so that the auditor can finalize the audit.

Ensuring Compliance –BIP Grant Only

Have you paid off your BIP loan?

If yes, you must keep in mind the following:

- Your loan agreement along with all its legal requirements remains in effect until you sign a grant only agreement with RUS
- The grant only agreement will reduce the filing requirements
- Service obligation will continue until the end of the useful life of the BIP funded assets

Ensuring Loan Compliance (beyond TIER)

Is your organization considering/planning any of the following?

- A merger with another company
- An acquisition of another company
- A change in control of your organization

If you answered yes to any of the above, RUS review is likely required; and RUS approval is not guaranteed!

Tips for timely servicing response

Your request is our command, but please:

- Keep us in the loop, in the beginning of the process
- Establish a working relationship with your counterparts in RUS
- Provide complete documentations as required
- Minor oversight may cause major delay
- Be realistic with the timeframe

Questions & Learning Review

Rural Utilities Service Telecommunications Key Contacts

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