

Name and Address of Applicant

Dear Applicant:

Loan and Grant Approval Conditions for
XXXXXXX System Improvement Project

The following are examples of opening paragraphs that may be used in a Letter of Conditions.

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The (loan and/or grant) will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant, must be reported to and approved by USDA, Rural Development, by written amendment to this letter. If significant changes are made without obtaining such approval, Rural Development may discontinue processing of the application.

This letter does not constitute loan and/or grant approval, nor does it ensure that funds are or will be available for the project.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not want the interest rate changed to the rate at loan closing, you should submit a written request to USDA Rural Development staff at least xxx calendar days before loan closing. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," and Form RD 1940-1, "Request for Obligation of Funds", within the next xxx days if you desire that further consideration be given your application.

Within xxx days of this letter, you must meet all of the conditions set forth which can be met prior to calling for construction bids. If you have not done so, Rural Development reserves the right to discontinue the processing of your application.

The docket may be completed on the basis of the following:

The following is a list of items that may be included in a Letter of Conditions.

- a. RUS funding
- b. Other funding sources and amounts
 - (i) Applicant contribution
 - (ii) State loan or grant
 - (iii) Other Federal funding

- (iv) Written evidence of other funding
- c. Interim financing
- d. RUS repayment schedule
 - (i) Repayment period
 - (ii) Deferment of principal
 - (iii) Interest rate
 - (iv) Pre-Authorized debit
 - (v) Debt service and other reserve accounts
- e. Breakdown of project budget
- f. Required number of new users
- g. Security requirements
- h. Loan Resolution
- i. Land rights
- j. Business operations
 - (i) User charges
 - (ii) Water meters (if applicable)
 - (iii) Connection charges
- k. Insurance & bonding requirements
- l. Obtaining and approval of professional services
- m. Engineering & construction requirements
 - (i) Design
 - (ii) Bid
 - (iii) Architectural barriers
 - (iv) Other project related requirements

- n. Equal Opportunity/Civil Rights/Lobbying requirements
- o. Environmental requirements
- p. Records and audit requirements
- q. Disbursement of RUS funds
- u. Graduation requirements
- r. Closing instructions

Sincerely,

(Signature)
Rural Development Manager/Program Director/State Director