

Association of Communication Engineers/USDA Rural Development Seminar

Using It: Advance and Loan Security Issues

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Using It: Advance and Loan Security Issues

- **Familiar Procedure**

- After loan funds are released, requisitions can be submitted.
- Financial Requirements Statements (Form 481) are submitted to the Engineering Branch.

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- **Procedure**

- Engineering Branch asks Operations Branch to provide its clearance for advance.
- Operations Branch checks borrower to determine clearance or non-clearance for FRS.
- Without Operations clearance, advance is not made.

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- **Operations Branch Checks for Clearance**
 1. Current financial reports (Operating Report and CPA Audit)
 2. Adverse changes in financial condition
 3. Payments current
 4. Compliance with loan documents

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1. Current financial reports

- Operating Report for Telecommunications Borrowers – 2009 Operating Report due 03/31/2010
- Annual CPA audit – due 120 days after end of fiscal year
- Other reports if required by loan contract

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2. Adverse changes in financial condition

- Net Income/TIER
- DSCR
- Net Worth
- Current Ratio
- Compliance certification
- Allowable distributions
- Plant/Debt Ratio
- Unusual characteristics

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3. Payments current

- Late Payment Report shows all borrowers five or more days past due

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4. Compliance with loan documents

- Special covenants (positive or negative)
- Related party transactions
- Prior approval of new debt

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- **Items to check with Borrower before submission of requisition**
 1. Current financial reports (Operating Report and CPA Audit)
 2. Adverse changes in financial condition
 3. Payments current
 4. Compliance with loan documents