



Rural Development

December 16, 2016

P.O. Box 1656  
Woodbridge, CA  
95258

Voice (916) 212-5088

County of El Dorado  
Mr. Ron Mikulaco  
Chairman, Board of Supervisors  
330 Fair Lane  
Placerville, CA 95667-4103

Subject: Application for USDA Rural Development's Community Facilities Program to Construct a Public Safety Facility for El Dorado County

Dear Mr. Mikulaco:

This letter, with attachments, establishes conditions that must be understood and agreed to by the applicant before further consideration may be given to their application. Any changes in project cost, source of funds, scope of services or any other significant change in the project or applicant must be reported to and approved by USDA Rural Development by written amendment to this letter. Any change not approved by USDA Rural Development will be cause for discontinuing processing of the application.

This letter is not to be considered as loan approval or as representation to the availability of funds. The application can be processed on the basis of a USDA Rural Development loan not to exceed **\$57,140,000.00**. Funds for this project are provided by the Rural Housing Service (RHS).

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," and Forms RD 1940-1, "Request for Obligation of Funds," within the next ten (10) days, if you desire that we give further consideration to your application. The execution of these and all other documents required by USDA Rural Development must be authorized by appropriate resolutions of the applicant's governing body.

The loan will be considered approved on the date Forms RD 1940-1, "Request for Obligation of Funds," are mailed by USDA Rural Development. This is also the date that the interest rate is established. The interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, whichever is less, unless you choose otherwise.

USDA is an equal opportunity provider and employer.

Enclosed are the following Conditions:

- ❑ Attachment I - Conditions to be Satisfied Prior to Loan Closing or Construction
- ❑ Attachment II - Conditions to be Satisfied During Construction
- ❑ Attachment III - Conditions to be Satisfied After Project Completion

The loan will be repayable over a period not to exceed 40 years from the date of loan closing at the market interest rate. The first combined principal and/or interest payment will be due one (1) year following loan closing. If interim financing is deemed to be at unreasonable rates and terms making the project unfeasible then interim financing will be waived and the principal will be deferred for a period up to 36 months and the principal will be amortized for a period of 37 years.

Based on Standard Form 424, “Application for Federal Assistance,” the project cost and funding will be as follows:

a. <u>Project Cost</u>	<u>Total</u>	<u>USDA</u>	<u>Applicant</u>
Administrative and Legal	\$2,941,313.00	\$2,530,000	\$411,313
Land, Rights-of-Way	\$2,623,654.00		\$2,623,654
Interim Financing Fees and Interest	\$3,151,500.00		\$3,151,500
Architectural Fees	\$1,534,245.00	\$280,000	\$1,254,245
Project Inspection Fees	\$600,000.00	\$600,000	
Permits and Fees	\$1,180,000.00	\$1,180,000	
Equipment	\$2,130,000.00	\$2,130,000	
Off-Site Improvements	\$1,220,000.00	\$1,220,000	
Construction	\$50,000,000.00	\$46,440,000	\$3,560,000
Contingencies	\$2,760,000.00	\$2,760,000	
<b>TOTAL:</b>	<b>\$68,140,712.00</b>	<b>\$57,140,000</b>	<b>\$11,000,712</b>

Source of Funds

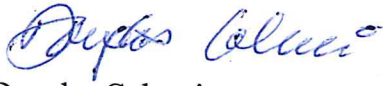
USDA Loans	\$57,140,000.00
Applicant Funds	\$11,000,712.00
<b>TOTAL:</b>	<b>\$68,140,712.00</b>

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the borrower may be necessary.

Section I of the attached conditions (Items 1-15) will be satisfied prior to loan closing or before the start of construction begins, whichever occurs first, in either case not later than one (1) year from the date of this letter. **In the event the project has not advanced to the point of construction within one (1) year, USDA Rural Development reserves the right to discontinue the processing of the application.**

If you have any questions, feel free to contact this office.

Sincerely,



Douglas Colucci  
Area Specialist

cc: Anita Lopez, Community Facilities Director, USDA Rural Development, Davis, CA  
USDA Office of General Counsel, San Francisco, CA  
El Dorado County, Chief Administrative Officer, Don Ashton, Placerville, CA  
El Dorado County, County Counsel, Michael Ciccozzi, Placerville, CA  
Jonaathon Cristy with Kronick, Moskovitz, Tiedman, Girard, Bond Counsel, Sacramento,  
CA  
Architectural Nexus, Inc., Salt Lake City, UT  
Gallina, LLP, Accountant, Roseville, CA

**I. CONDITIONS TO BE SATISFIED PRIOR TO LOAN CLOSING OR BEFORE CONSTRUCTION BEGINS, WHICHEVER OCCURS FIRST**

1. **Reserves** - The applicant will establish a separate debt service reserve account in an amount at least equal to an average annual loan installments. This reserve will be accumulated at the rate of at least one-tenth (1/10) of an average annual loan installments each year until the required level is reached, which is one average annual loan installment for all loans.

2. **Disbursement of Funds**

a. Interim loan financing during construction may be required. USDA Rural Development funds will not be provided before the execution of a construction contract.

b. The applicant will provide evidence that it has the required application contribution on hand and dedicated for the proposed project.

c. The applicant's contribution of funds toward the project cost shall be considered the first funds expended and must be deposited in its project account before construction is started.

d. Agency funds will not be used to pre-finance funds committed to the project from other sources.

e. The applicant must establish a separate account, to be known and hereafter referred to as the Project Account. All project funds will be deposited into this account. Financial institutions or depositories accepting deposits of public funds and providing other financial agency services to the Federal Government are required to pledge adequate, acceptable securities as collateral. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the project account at any one time. Additional guidance on collateral acceptability and valuation are available at Treasury's Bureau of the public debt website at [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov). Once the funds are deposited into the Project Account, they become your responsibility.

3. **Security Requirements**

a) At loan closing, the applicant will execute the attached Forms RD 1942-47 "Loan Resolution (Public Bodies)". Please note the refinancing provision in paragraph 2. Also, on page 3 there is a certification to be executed at loan closing.

b) The applicant is legally organized under Sections 23000 – 23027, 23109 of Government Code of the State of California and will evidence the loans with "Certificates of Participation" (COP). The COP will be fully registered as to both principal and interest in the name of the United States of America, Acting through the United States Department of Agriculture. The "Certificates of Participation" must be prepared in accordance with RD Instruction 1942 Subpart A, and State law. The assistance and opinion of a recognized bond counsel must be obtained.

The Certificates of Participation and any ordinances or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. In particular there must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983.

4. **Insurance and Fidelity Bonds** - The applicant must provide evidence of adequate Insurance and Fidelity Bond coverage by loan closing or start of construction, whichever occurs first. Adequate coverage, in accordance with USDA Rural Development's regulations, must then be maintained for the life of the loan. It is the responsibility of the applicant and not that of USDA Rural Development to assure that adequate insurance and fidelity bond coverage is maintained. Applicants are encouraged to review coverage amounts and deductible provisions with their attorney, consulting architect, and/or insurance provider(s).
  - a. **Property Insurance** - Fire and extended coverage will be required on all above-ground structures, including applicant-owned equipment and machinery housed therein. The maximum deductible is \$5,000 per the Facilities Lease. Provide USDA Rural Development with proof of coverage and attach Lender's Loss Payable Endorsement (438 BFU or equivalent) naming the UNITED STATES OF AMERICA as lender.
  - b. **Workers' Compensation Insurance** - The applicant will be required to carry workers' compensation insurance for all employees in accordance with California law. Provide USDA Rural Development with proof of coverage.
  - c. **General Liability and Vehicular Insurance** - Coverage must be maintained, provide USDA Rural Development with proof of coverage.
  - d. **Malpractice Insurance** in the amounts recommend by applicant's legal counsel, provide USDA Rural Development with proof of coverage.
  - e. **Rental Abatement Insurance** – County is required to maintain throughout the term of the Facilities Lease and USDA loans, Rental Abatement Insurance to cover the Corporation's loss, total or partial, of Rental Payments resulting from the loss of the use of any part of the Facility as a result of any hazards covered in the casualty insurance required by the Facilities Lease, in an amount equal to Rental Payments for the Facilities in the two year period in which that amount is greatest.
  - f. **Fidelity Bond** - Persons who have access to the funds and custody to any property will be covered by a fidelity bond or an adequate crime policy that protects the applicant from employee crime. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required by USDA Rural Development will be sufficient to cover the total annual debt and reserve service requirements for the loans. The United States of America will be named as co-obligee on the bond. A certified power-of-attorney with effective date will be attached to each bond. Provide USDA Rural Development with a copy of the bond and the power of attorney.

5. **Civil Rights & Equal Opportunity** – The borrower has received an award of Federal funding and is required to comply with U.S. statutory and public policy requirements, including but not limited to:
- a. **Section 504 of the Rehabilitation Act of 1973** – Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Agency financial assistance.
  - b. **Civil Rights Act of 1964** – All recipients are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*) and 7 CFR 1901, Subpart E, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by Paragraph 1901.202(e) of this Title.
  - c. **The Americans with Disabilities Act (ADA) of 1990** – This Act (42 U.S.C. 12101 *et seq.*) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications.
  - d. **Age Discrimination Act of 1975** – This Act (42 U.S.C. 6101 *et seq.*) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
  - e. **Limited English Proficiency (LEP) under Executive Order 13166** - LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. The recipient must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information the recipient provides. These protections are pursuant to Executive Order 13166 entitled, “Improving Access to Services by Persons with Limited English Proficiency” and further affirmed in the USDA Departmental Regulation 4330-005, “Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.”

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. The recipient must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor the recipient’s compliance with these requirements during regular compliance reviews.

Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

The applicant is subject to a pre-loan closing civil rights compliance review by USDA Rural Development.

As a recipient of Rural Development funding, you are required to post a copy of the Non-Discrimination Statement listed below in your office and include in full, on all materials produced for public information, public education, and public distribution both print and non-print.

Non-Discrimination Statement

“This institution is an equal opportunity provider and employer.”

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program [intake@usda.gov](mailto:intake@usda.gov).”

If the material is too small to permit the full statement to be included, the material at a minimum includes the statement in print size no smaller than the text that “This institution is an equal opportunity provider and employer.”

6. Written Agreements for Professional Services

- a. The bond counsel agreement submitted by “Kronick, Moskovitz, Tiedmann, Girard” is satisfactory to USDA Rural Development.
- b. The legal service agreement submitted by “Kronick, Moskovitz, Tiedmann, Girard” is satisfactory to USDA Rural Development.
- c. Agreements and Amendments for Architectural Service with “Architectural Nexus, Inc.” are subject to approval by USDA Rural Development.

7. Land and Rights-of-Way - The applicant must present satisfactory evidence that they have obtained, or can obtain, any and all lands, rights-of-way, easements, permits and franchises which are required by the engineering and/or architect plans. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation and Real Property Acquisition Act. The following forms, copies of which are attached, may be used for these purposes:

- a) Form RD 442-21, “Right-of-Way Certificate” (with map attached)
- b) Form RD 442-22, “Opinion of Counsel Relative to Rights-of-Way”

8. Permits - All permits involving Federal, State, and local agencies must be obtained and evidence thereof provided to USDA Rural Development prior to bidding.

9. **Environmental Reviews** – The project as proposed has been evaluated to be consistent with the National Environmental Policy Act. Other Federal, State, tribal and local laws, regulations and or permits may apply or be required. During any stage of project development, including construction, should environmental issues develop which require mitigation measures, USDA Rural Development applicants are required to notify USDA Rural Development and comply with such mitigation measures. Failure by an applicant to implement mitigation measures may disqualify the project from Agency funding. Mitigation measures identified or prepared by you as part of the CEQA and NEPA environmental process must be implemented. If the project or any project element deviates from or is modified from the originally-approved project, additional environmental review may be required.

At the conclusion of the proposal's environmental review process, specific actions were determined necessary to avoid or minimize adverse environmental impacts. As outlined in the Environmental Report dated May 2016, the actions covered in **Exhibit A** are required for successful completion of the project and must be adhered to during project design and construction.

10. **Architectural, Engineering and Construction**

- a) The applicant's proposed Design-Build procurement method for construction has been approved by our Agency's National Office.
- b) The applicant must retain a qualified Construction Project Manager who is independent of the Contractor/Design-Build firm. Credentials of the candidate must be submitted to the Agency for evaluation and concurrence prior to executing an agreement.
- c) All development will be completed by contract. The planning, bidding, contracting, and construction must comply with RD Instruction 1942 Subpart A, and any additional requirements of California law and the requirements of other County, State, or Federal agencies.
- d) If approved for the Design-Build procurement method, the applicant's construction budget will be noted in the RFP documents to set parameters for a Guaranteed Maximum Price (GMP) agreement to be awarded through an open and free solicitation process. The final design and GMP will be established at the Design Development stage.
- e) The following must be reviewed and approved by USDA Rural Development in the sequence indicated:
  - i. Preliminary Architectural Report
  - ii. Agreement for Architectural Services (if an Architectural Firm is hired to assist in the Design/Build process)
  - iii. Design-Build Procurement Method
  - iv. Request for Qualifications (RFQ)
  - v. RFQ Short List
  - vi. Request For Proposals
  - vii. Recommendation of Award



- viii. Executed Contract Documents
  - ix. Final Plans and Specifications for the Project
- f) A representative of USDA Rural Development will attend all pre-construction conferences in connection with this project. These conferences must be held prior to the issuance of the Notice to Proceed to the contractors. The applicant's consulting architect will conduct the conference and document the discussions and agreements.
11. **Electronic Funds Transfer** - All loan funds will be transferred to borrowers via Electronic Funds Transfer/Automated Clearinghouse Systems (EFT/ACH). Normal transfers will be ACH, with money being placed in Borrower's account two days after the USDA processing office approves the pay request. The applicant must submit the Electronic Funds Transfer Form containing the banking (ACH) information to the USDA Servicing Office at least 45 days prior to the date of loan closing. Failure to do so could delay loan closing.
  12. **Automatic Payments** - The applicant is required to participate in the Pre-Authorized Debit (PAD) payment process for all new and existing indebtedness to USDA Rural Development. It will allow for the applicant's payment to be electronically debited from its account on the date their payment is due. Form RD 3550-28, "Authorization Agreement for Pre-Authorized Payments," is attached. Please fill out and sign your "Individual/Company Information" section, then have your financial institution/bank fill out the bottom portion prior to submitting the form to the USDA Rural Development service office.
  13. **Loan Closing** - The loan will be closed in accordance with USDA Rural Development instructions, the legal requirements of the USDA Office of General Counsel, and this Letter of Conditions. All applicable closing documents, including bond documents, must be submitted to USDA Rural Development at least 45 days prior to the planned closing date. Prior to loan closing, a request for reimbursement must be submitted to USDA with all supporting invoices.
  14. **Operating Budget** - Prior to loan closing, USDA Rural Development must review the applicant's approved operating budget. The budget must balance and include the proposed USDA debt service and reserve obligations. Each year the USDA loan is outstanding, the applicant will adopt an annual budget which provides for the annual debt service and reserve payments.
  15. **Central Contractor Registration and Universal Identifier Requirements**—You as the recipient must maintain the currency of your information in the Central Contractor Registration (CCR) until you submit the final financial report required under this award and all grant/loan funds under this award have been disbursed or de-obligated, whichever is later. This requires that you review and update the information at least annually after the initial registration, and more frequently if required by changes in your information or another award term. Recipients can register on-line at (<https://www.sam.gov>). You as the recipient may not make a sub-award to an entity unless the entity has provided its Data Universal Numbering System (DUNS) number to you. Sub-recipients with sub-awards of \$25,000 or more must also have and maintain a current CCR registration.

- a. Reporting Subawards and Executive Compensation – The recipient and its first-tier contractors are required by 2 CFR Part 170 to report disbursements to subrecipients in accordance with Appendix B of this letter and [www.fsr.gov](http://www.fsr.gov). The local Agency processing office can provide more information.

EXHIBIT A

ENVIRONMENTAL MITIGATION MEASURES

**MM #1**—Prior to issuance of a grading permit for development, a pre-construction nesting bird survey shall be conducted on-site within 30 days prior to site clearing if site clearing associated with the project would commence between March 1<sup>st</sup> and August 15<sup>th</sup> (“the nesting season in northern California”). If disturbance associated with the project would occur outside of the nesting season, no surveys shall be required. The written results of the pre-construction survey shall be submitted to the County Development Services Department. If migratory birds are identified as nesting on the proposal site, a non-disturbance buffer of 75 feet shall be established or as otherwise prescribed by a qualified ornithologist. If raptors are identified as nesting on the proposal site, a non-disturbance buffer of 500 feet shall be established or as otherwise prescribed by a qualified ornithologist. The buffer shall be demarcated with painted orange lath or via the installation of orange construction fencing. Disturbance within the bugger shall be postponed until a qualified ornithologist has determined that the young have attained sufficient flight skills to leave the area or that the nesting cycle has otherwise completed.

**MM #2**—If indicators of potential hazardous materials releases or disposal areas (e.g. soil staining, odors, debris fill material, etc.) are encountered at the proposal site during construction activities, the impacted area(s) shall be isolated from surrounding, non-impacted areas. A qualified environmental professional shall obtain samples of the identified areas for analysis of contaminants of concern in comparison with applicable regulatory screening levels (i.e., Environmental Screening Levels, California Human Health Screening Levels, Regional Screening Levels, etc.). Where the contaminant concentrations exceed the applicable regulatory screening levels, construction safety measures for excavation, storage, and disposal of the contaminated materials shall be incorporated in the project grading plans for impacted areas. All contaminated materials shall be sent off-site to a licensed landfill facility to the satisfaction of the El Dorado County Environmental Management Division.

## II. LOAN CONDITIONS TO BE SATISFIED DURING CONSTRUCTION

1. **Inspections** - A full-time resident inspector/project manager is required during construction unless a written exception is made by the Agency upon your written request. This service is to be provided by the consulting architect or other arrangements as approved by the Agency. Prior to the pre-construction conference, a resume of qualifications of the resident inspector(s) will be submitted to the owner and Agency for review and approval. The owner will provide a letter of acceptance for all proposed observers to the architect and Agency. The inspection reports must be available to USDA, Rural Development for review at any time. These reports must be kept at the project site or borrower's office, if nearby.
2. **Monthly Reporting** - The applicant must monitor and provide a monthly report to USDA Rural Development on actual performance during construction for each project financed, or to be financed, in whole or in part with USDA Rural Development funds, to include Forms: SF 271, "Outlay Report and Request for Reimbursement for Construction Programs"; SF 272, Federal Cash Transaction Report; RD 1924-18, Contractor's Partial Payment Estimate; RD 1924-7, Contract Change Order; and Project Daily Inspection Reports.
3. **Final Inspection** - A final inspection will be made by USDA Rural Development on the component USDA is financing before final payment is made.
4. **Excess Funds** - Any remaining funds must be utilized for approved purposes within 60 days following the final inspection or the funds will be canceled without further notification from USDA Rural Development.

### III. LOAN CONDITIONS TO BE SATISFIED AFTER PROJECT COMPLETION

1. **Financial Statements** - To be submitted on an annual basis in accordance with the following:
  - a. A borrower that expends \$750,000 or more in federal financial assistance per fiscal year shall submit an audit performed in accordance with the requirements of OMB Circular A-133. As described above, the total federal funds expended from all sources shall be used to determine federal financial assistance expended. For Community Facility Projects in years after the funds are expended, principal and interest balances are not considered as federal funds. Projects financed with interim financing are considered federal expenditures. OMB Circular A-133 audits shall be submitted no later than 9 months after the end of the fiscal year.
  - b. For local governments and Indian tribes, an audit in accordance with State or local law or regulation or regulatory agency requirements must be submitted when you expend less than \$750,000 in Federal financial assistance per fiscal year. These audits shall be submitted to USDA no later than 150 days after the end of the borrower's fiscal year.
  - c. All borrowers exempt from USDA audit requirements and who do not otherwise have annual audits, will within 60 days following the end of the borrower's fiscal year furnish USDA with annual financial statements, consisting of a verification of the organization's balance sheet and statement of income and expenses. The recipient may use Form RD 442-2, "Statement of Budget, Income and Equity," and 442-3, "Balance Sheet," or similar format to provide the financial information.
3. **Quarterly Reports** - A quarterly management report will be required for the first year for new borrowers and for all borrowers experiencing financial or management problems for one year from the date problems were noted. If the borrower's account is current at the end of the year, the processing office may waive the required reports. The recipient may use Form RD 442-2 or similar format to provide this information, and the reports are to be signed by the appropriate borrower official and submitted within 30 days of each quarter's end.
4. **Audit agreement** - If you are required to obtain the services of a licensed Certified Public Accountant (CPA), you must enter into a written audit agreement with the auditor. The audit agreement may include terms and conditions that you and auditor deem appropriate.
5. **Compliance Reviews** - Rural Development will be required to periodically conduct compliance review of this facility and operation. You will need to meet with and provide the local office the statistical information as requested.

The Agency will conduct regular compliance reviews of the borrower and its operation in accordance with 7 CFR Part 1901, Subpart E, and 36 CFR 1191, Americans with Disabilities Act (ADA) Accessibility Guidelines for Buildings and Facilities; Architectural Barriers Act (ABA) Accessibility Guidelines. Compliance reviews will typically be conducted in conjunction with the security inspections described in this letter. If beneficiaries (users) are required to complete an application or screening for the use of the facility or service that the recipient provides, the recipient must request and collect data by race (American Indian or Alaska Native, Asian, Black or African American, White); ethnicity (Hispanic or Latino, Not Hispanic or Latino); and by sex. The Agency will utilize this data as part of the required compliance review.

5. **Security Inspections** - Rural Development is required to conduct an inspection of the facility a minimum of once every three years. The recipient must participate in these inspections and provide the required information.
6. **Graduation** - You may be required to refinance (graduate) the unpaid balance of the RD loan, in whole or in part, if at any time RD determines your entity is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time, the recipient will be requested to refinance. The ability to refinance will be assessed every other year for those loans that are five years old or older.
7. **Prepayment and Extra Payments** - Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

*Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as*