



U.S. Department
of Transportation

**Federal Railroad
Administration**

RAILROAD REHABILITATION & IMPROVEMENT FINANCING

Program Guide

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1 INTRODUCTION TO RRIF

The Railroad Rehabilitation and Improvement Financing (RRIF) Program was established by the Transportation Equity Act for the 21st Century (TEA-21) and amended by the Safe Accountable, Flexible and Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) and by the Rail Safety Improvement Act of 2008. Under this program the Federal Railroad Administration (FRA) is authorized to provide direct loans and loan guarantees up to \$35.0 billion to finance development of railroad infrastructure. Up to \$7.0 billion is reserved for projects benefiting freight railroads other than Class I carriers.

The funding may be used to acquire, improve, or rehabilitate rail-related intermodal (defined as “of or related to the connection between rail service and other modes of transportation”) or rail equipment or facilities, including track, components of track, bridges, yards, buildings and shops; refinance outstanding debt incurred for the purposes previously listed; and, develop or establish new rail-related intermodal or railroad facilities. Direct loans can fund up to 100% of a railroad project with repayment periods of up to 35 years and interest rates equal to the cost of borrowing to the government. However, FRA prefers applicants to provide equity to the project.

Eligible applicants include railroads, state and local governments, government-sponsored authorities and corporations, joint ventures that include at least one railroad and limited option freight shippers who intend to construct a new rail connection.

FRA gives priority to projects that provide public benefits, including benefits to public safety, the environment, economic development, and rail or rail-related intermodal service.

1.1 Purpose

The purpose of the RRIF Program Guide is to describe to potential borrowers how FRA administers the RRIF Program. This Program Guide is organized into 6 major sections plus appendices:

- **Section 1** introduces the Program’s objectives and provides an overview of how it operates
- **Section 2** describes applicant and project eligibility requirements
- **Section 3** details the required terms for the loans and describes how loans are funded
- **Section 4** describes the application and review process the Department of Transportation (DOT) uses to evaluate and approve loans
- **Section 5** outlines the loan evaluation criteria and explains the program fees, costs and expenses
- **Section 6** addresses the ongoing administration and monitoring of RRIF loans
- **Appendices** include a draft and final application checklist

Electronic copies of this Program Guide can be found on the RRIF website located at <https://www.fra.dot.gov/Page/P0128>, along with all application materials and additional information regarding the RRIF Program.

1.2 Program Administration

Within FRA, the Office of Passenger and Freight Programs administers the RRIF Program, including evaluating individual projects, managing and monitoring loans, and handling ongoing loan activities. Contact information for the Office is provided on the RRIF website.

In addition, a 13-member DOT Credit Council provides policy direction and makes recommendations regarding the selection of projects for credit assistance. The DOT Credit Council members include six representatives from the Office of the Secretary of Transportation (OST): the Deputy Secretary of Transportation (as Chair), the Chief Financial Officer and Assistant Secretary for Budget and Programs (as Vice-Chair), the Under Secretary of Transportation for Policy, the General Counsel, the Assistant Secretary for Transportation Policy, and the Director of the Office of Small and Disadvantaged Business Utilization. The Administrators of the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Maritime Administration (MARAD), and FRA also sit on the DOT Credit Council (Deputy Administrators may serve as their designees). Additionally, at-large members to the DOT Credit Council (DOT employees designated by the Secretary) comprise the other three members.

Additional information on the Credit Council is available at: <http://www.dot.gov/budget/credit-council>.

2 ELIGIBILITY INFORMATION

The RRIF statute sets forth eligibility requirements for financial assistance. This section describes the applicants, projects, and costs eligible for RRIF financial assistance.

2.1 Eligible Applicants

Eligible applicants include:

- Railroads
- State and local governments
- Government sponsored authorities and corporations
- Joint ventures that include at least one railroad
- Solely for the purpose of constructing a rail connection between a plant or facility and a second rail carrier, limited option rail freight shippers that own or operate a plant or other facility that is served by no more than a single railroad
- Interstate compacts consented to by Congress under section 410(a) of the Amtrak Reform and Accountability Act of 1997 (49 U.S.C. 24101 note)

2.2 Eligible Projects and Costs

Financial assistance provided through RRIF is available only for eligible purposes, which include the following:

- Acquire, improve, or rehabilitate rail-related intermodal or rail freight or passenger equipment or facilities, including track, components of track, bridges, yards, buildings, and shops
- Refinance outstanding debt incurred for the purposes listed above

- Develop or establish new rail-related intermodal or railroad facilities

In general, preference is given to new construction projects. All projects, including new construction, purchase of new or existing goods, and refinancing of existing debt, are subject to FRA's RRIF Buy America policy. Please refer to the RRIF Buy America section (page 11) for further information.

Financial assistance under this program cannot be used for railroad operating expenses.

3 LOAN TERMS

The RRIF Program's direct loans and loan guarantees may offer longer and more flexible repayment terms and more favorable interest rates compared to other lenders. This chapter summarizes the terms that apply generally to RRIF loans and describes the primary borrower costs.

3.1 Funding Levels

The Secretary of Transportation is authorized to provide direct loans and loan guarantees through the RRIF program totaling up to \$35 billion. Up to \$7 billion is reserved for projects benefiting freight railroads other than Class I carriers. A direct loan can fund up to 100% of the eligible project costs, however, FRA prefers applicants to provide equity to the project. For the current amount of funding remaining available, check the RRIF website (<https://www.fra.dot.gov/Page/P0128>).

3.2 Basic Terms

The maximum repayment period for a RRIF loan is 35 years from the date of execution of the loan agreement. The interest rate on a direct loan will be equal to the rate on Treasury securities of a similar term on the date of execution. In general, the financial assistance provided will be required to be repaid no later than the end of the useful life of the project it is used to fund. Interest will begin accruing on the date of the first disbursement. Principal and interest will be amortized over the life of the loan. Additionally, borrowers can request to defer repayment up to 6 years, from date of the first disbursement. A deferral of loan repayment does not affect the maturity date of a RRIF loan.

3.3 Borrower's Costs

Investigation Fees

Currently, all applications are evaluated by Independent Financial Advisors (IFA) under contract to FRA. A pilot program is being conducted to evaluate the analysis of loan applications of a smaller size internally. Each applicant must pay an IFA fee in order to continue the review process, regardless of whether the loan is ultimately approved. The IFA analysis is solely for FRA's and the Credit Council's internal deliberation and is not shared with the applicant. An applicant may also be required to pay for external counsel fees in order to assist FRA's Office of Chief Counsel on advising of legal risks with the proposed transaction, and assist with the creation, negotiation of terms, and completion of the loan closing documentation. Any fees for external counsel are in addition to the IFA fee. However, the total investigation fees charged may not exceed one half of one percent of the requested loan amount.

Interest Rate

The interest rate on RRIF loans will be set on the day the term sheet is signed and will equal the U.S. Treasury Rate for comparable-term securities. Pursuant to 45 U.S.C §822, the Secretary shall require interest to be paid on a direct loan made under this section at a rate not less than that necessary to recover the cost of making the loan. The Secretary shall not make a loan guarantee under this section if the interest rate for the loan exceeds that which the Secretary determines to be reasonable, taking into consideration the prevailing interest rates and customary fees incurred under similar obligations in the private capital market.

Credit Risk Premium

All federal financial assistance programs must pay for the cost to the government of providing financial assistance. In most cases this is done with appropriations from Congress. Since the RRIF Program does not currently have an appropriation, this cost must be borne by the applicant, or another non-federal entity on behalf of the applicant, through the payment of the Credit Risk Premium.

Prior to any loan closing, the Office of the Secretary's Office of Credit Oversight and Risk Management (CORM) and the Office of Management and Budget (OMB) must review and confirm FRA's credit risk premium calculation for the loan. The main factors influencing the CRP calculation are the financial health of the applicant (credit rating for larger entities) and the value of the collateral being pledged. FRA inputs financial and credit information into a credit risk assessment model program, which has been approved by OMB. The Credit Risk Premium is calculated as part of the output from the model. OMB reviews the results from the credit risk assessment model. OMB either concurs with the amount of the Credit Risk Premium or advises FRA of potential changes to fully capture the estimated cost to the government of providing the financial assistance. The Credit Risk Premium attributable to each drawdown request must be paid on a pro rata basis prior to each disbursement.

4 APPLICATION AND EVALUATION INFORMATION

This chapter describes the process to apply for a RRIF loan. FRA welcomes inquiries from prospective applicants at any time. RRIF loans are awarded based on the merits of the project, the creditworthiness of the potential borrower(s), and priorities set forth in the Federal Register *Notice Regarding Consideration and Processing of Applications for Financial Assistance Under the Railroad Rehabilitation and Improvement Financing (RRIF Program)*, 75 Fed. Reg. 60165, 60166 (September 29, 2010). The Notice is located at: <https://www.fra.dot.gov/eLib/details/L02706>.

4.1 Application and Evaluation Process and Procedures

The application and evaluation process involves FRA's detailed examination of the project, including reviews of the applicant's technical information, business and financial plans, and proposed organizational structure and staffing. FRA is subject to the Freedom of Information Act (FOIA). As such, applicants should mark information confidential and explain how competitive harm would result if the marked information were released pursuant to a FOIA request. Information deemed confidential by the FRA will be withheld from public disclosure to the extent permitted by law.

The application and evaluation process contains seven key steps shown in Figure 1 and is described throughout this section.

Figure 1: RRIF Application Process



During the evaluation of an application, FRA will undertake its due diligence review and underwriting process with the assistance of its IFA and outside counsel, CORM, the Credit Council, and OMB, as deemed appropriate or as required by law or regulation. During the course of this process, it is expected that extensive dialogue between FRA and the applicant will occur regarding every aspect of the proposed project and the applicant’s financial health. FRA, or its contractors, may request additional information to clarify or supplement information submitted by applicants. Requests by FRA for additional information, documentation, or briefings do not signify that an application has been selected for review, underwriting and negotiation, or approved for a loan.

Information Session

An Information Session is **required** for all new applicants who have not previously received a RRIF loan. It is highly encouraged that returning applicants also participate in an Information Session. The goal of the Information Session is to fully inform potential applicants about the RRIF Program and ensure they understand the costs and timing involved prior to preparing a Draft Application.

During the Information Session, FRA will provide important details about the RRIF Program including the program objectives, requirements (e.g., environmental clearance), application process, and next steps. Additionally, if a specific project is already identified by the potential applicant, FRA will discuss the nature of the proposed project within the context of the RRIF Program. FRA will provide feedback regarding applicant eligibility, as well as project eligibility during the Information Session if possible.

To schedule an Information Session, potential applicants must contact Natalie Williford via email (natalie.williford@dot.gov) or phone (202) 493-0279. Information Sessions are typically held via teleconference, however, in-person meetings are possible upon request and feasibility.

Prior to the Information Session, potential applicants should complete the following actions:

- Review the RRIF Program Information Presentation to obtain a basic overview of the program <https://www.fra.dot.gov/eLib/Details/L04913>
- Review the RRIF Federal Register Notice at: <http://www.fra.dot.gov/eLib/details/L02706>
- Consider specific uses of the RRIF funds. FRA cannot answer eligibility questions and advise on meeting program requirements without knowing how the potential applicant intends to use the funds. FRA wants to ensure that there is a likelihood of applicant and project eligibility **prior to** the preparation of a Draft Application.

Draft Application Submittal

Following the Information Session, the applicant prepares a Draft Application, including financial and legal records, and all environmental and engineering documents. FRA is available to provide guidance and technical assistance throughout the Draft Application development phase.

There are four key components to the Draft Application:

- 1) **Draft Application Form** – applicants must state how they intend to spend and repay RRIF funds
- 2) **Financial Documentation** – provide 5-year historical financial statements (Balance Sheet, Income Statement and Statement of Cash Flows, if available) and 5-year pro-forma financials (capital plans for the entity and future revenue projections) to provide a clear picture of the financial health of the entity applying for RRIF funds
- 3) **Environmental Documentation** – provide environmental analysis that complies with the National Environmental Policy Act (NEPA) (**note:** FRA will determine level of analysis needed)
- 4) **Engineering Documentation** – provide engineering drawings sufficient to determine the scope, schedule and cost of the project(s) proposed to be financed (in whole or in part) with RRIF funds

The Application Form must be completed in its entirety. FRA does not accept incomplete applications. Additionally, obtaining financial and legal records, and engineering and environmental documents, is critical to facilitating the required FRA reviews. [Appendix A](#) includes a Draft Application Checklist that provides further guidance on developing the Draft Application.

The applicant **must submit one original and two paper copies** of the complete Draft Application with all supporting exhibits and related documentation. In addition, the applicant must submit an electronic version of the entire application with attachments.

FRA will conduct an initial check of the submitted Draft Application to determine whether it contains all of the required information. Applicants will be notified by FRA if it is determined that their application is incomplete. Once all required materials are submitted, FRA will conduct the following reviews:

- **Eligibility Review:** FRA confirms the entity that applied is an eligible applicant, the proposed project is an eligible project and the application is in accordance with the RRIF statute.
- **Environmental Review:** To comply with NEPA, each proposed RRIF project must be evaluated to determine its impact on the environment. Complete environmental analysis depends upon the concept and design of the proposed project or action. Additional details regarding the environmental review can be found in section 4.2 of this chapter. Environmental analysis must receive a final FRA decision (e.g., signed Categorical Exclusion Worksheet, Finding of No Significant Impact (FONSI), or Record of Decision (ROD)).
- **Engineering Review:** FRA’s engineering team reviews the proposed project to ensure technical eligibility and reasonableness of the project scope, schedule and cost. The team will also confirm the likelihood of proposed public benefits being achieved beyond those identified in the environmental analysis.
- **Safety Review:** FRA’s Office of Safety reviews the proposed project to analyze hazards, ensure compliance with FRA safety regulations, and determine if any FRA approvals or certifications are required.

All requested material must be received by FRA before FRA can proceed with conducting the Draft Application Review Meeting.

Draft Application Review Meeting

Upon submission of a Draft Application and completion of the FRA reviews described above, FRA will schedule a Draft Application Review Meeting with the applicant. FRA will provide feedback during the meeting on the Draft Application and address any gaps, missing information or areas of concern. FRA's environmental staff will discuss the status of the environmental review and approval process. FRA's engineering team will discuss comments on the engineering drawings submitted, schedule, cost, and public benefits. FRA's Office of Safety will provide comments on hazards, compliance with regulations and actions needed, and the timing to obtain required FRA safety approvals and/or certifications (some approvals and certifications may occur after the loan is closed).

Final Application Submittal

Following the Draft Application Review Meeting, the applicant develops the Final Application. The applicant must address all feedback received from FRA, including collecting any missing documents and finalizing all application materials. A Final Application will only be considered when all FRA comments are addressed and all FRA reviews described previously are complete. Appendix B includes a Final Application Checklist that provides further guidance on developing the Final Application.

Final Application Acceptance for Review

Upon submission of the Final Application, FRA will notify the applicant whether the application is accepted for review or requires additional information or materials to be complete. Notification that an application is accepted for review does not guarantee approval, which remains subject to evaluation based on all of the RRIF statutory evaluation criteria, and successful negotiation of terms and conditions.

Final Application Review and Approval

If a Final Application is accepted for review, it undergoes a comprehensive financial analysis and legal review by FRA, CORM, recommendation for approval by the DOT Credit Council, approval by the FRA Administrator, concurrence of the CRP calculation by CORM and OMB and final approval by the FRA Administrator.

Independent Financial Advisor (IFA)

The IFA review process begins with FRA engaging an IFA to provide an independent financial analysis. A request to hire an IFA is made to the DOT Credit Council for each loan. The Council's recommendation is required to initiate the IFA procurement process. For projects seeking more than \$1.0 billion in RRIF funding, the Credit Council engages a second IFA to evaluate the findings of the first IFA and make recommendations to the DOT Credit Council. FRA has a pool of IFAs available to ensure the IFA work can begin quickly after receiving Credit Council's recommendation.

90-Day Clock

Within ninety (90) calendar days of FRA accepting a complete loan application and initiating the decision making process for that application, which begins the day FRA provides a summary presentation of the loan application to Credit Council, the FRA Administrator will decide whether or not to accept Credit Council's recommendation. FRA will notify the applicant of the date that the 90-day clock begins in writing. The FRA Administrator's decision will be documented, in the case of approval, by sending a request for concurrence on the CRP calculation to CORM and OMB (see below). The FRA will notify the applicant of the request being sent. If the application is not advanced, a denial letter will be sent to the applicant.

Recommendation and Determination

FRA will prepare a recommendation regarding RRIF financial assistance and present it to the DOT Credit Council. A summary presentation is made to the Council and then a recommendation for action is made at the following Council meeting. The Council meets at least once a month. The DOT Credit Council makes recommendations to the FRA Administrator who will make the final determination regarding awarding RRIF financial assistance.

Following a favorable determination, the next step in the process is confirming FRA's calculation of the Credit Risk Premium. CORM and OMB are responsible for final confirmation of the CRP. Once OMB has confirmed the CRP, FRA will notify the applicant. Once the CRP is finalized, FRA will prepare a term sheet for execution with the applicant. While the term sheet demonstrates that funds have been obligated for the project, the term sheet is subject in all respects to the execution of a credit agreement on acceptable terms and conditions to FRA. The interest rate is locked with the signing of the term sheet.

Loan Closing

Upon receipt of the signed term sheet, the RRIF Analyst works with FRA's Office of Chief Counsel to determine the appropriate closing documents for the transaction, which may include: a financing agreement, promissory note, and if collateral is pledged by the applicant, a mortgage, security agreement and fixture filing, stock pledge agreement, and/or pledge and security agreement. The documents are negotiated and reviewed for approval. The Office of Chief Counsel submits the applicable closing documents to the applicant and then to the FRA Administrator for signature. FRA's Administrator signs the documents and forwards them to the RRIF Program staff for distribution to the applicant. Once the loan documents have been signed, the drawdown process may begin. For each drawdown, the prorated credit risk premium amount must be paid in full prior to the FRA issuing funds to the borrower.

4.2 Additional Information on Application Requirements

NEPA Compliance

NEPA requires federal agencies to consider the potential environmental impacts of their proposed actions. FRA's *Procedures for Considering Environmental Impacts* (65 FR 28545) and FRA's *Update*

to *NEPA Implementing Procedures* (78 FR 2713) require that FRA complete a NEPA review before it may provide financial assistance in the form of a direct loan or loan guarantee. NEPA compliance is integrated into FRA's RRIF Program decision-making procedures to ensure that a project's environmental impacts are properly considered.

Unless an applicant has gone through the NEPA process with FRA in advance, the NEPA review process begins once an applicant has completed the information session and commenced the draft application phase. The applicant, with FRA oversight, is responsible for providing all necessary analysis and documentation to comply with NEPA as outlined further below. **The NEPA review should be completed before a Final Application can be deemed accepted for review.**

The three scenarios for addressing NEPA requirements are outlined as follows:

- **Categorical Exclusion (CE):** Some projects do not individually or cumulatively affect the environment significantly. These projects are termed CEs, and thus are exempt from the requirement to prepare an Environmental Assessment (EA) or an Environmental Impact Statement (EIS). See [Categorical Exclusion Worksheet](#). The available CE categories are identified in FRA's *Update to NEPA Implementing Procedures*.
- **Environmental Assessment (EA):** An EA is usually prepared for a project that does not qualify as a CE, but it is unclear if a full EIS is necessary. An applicant can prepare an EA with FRA's guidance and direction. Following FRA's approval of the EA, it will be publicly circulated for agency and public comment. The EA may reveal that the project's impacts are not significant, in which case a Finding of No Significant Impact (FONSI) is issued for the project. An EA can also reveal that there will be significant impacts associated with the project, which would necessitate that a full EIS be completed.
- **Environmental Impact Statement (EIS):** Assuming that a project does not qualify for a CE or EA, an EIS will be required. An applicant that is a public agency with statewide jurisdiction can take the lead working closely with the FRA in preparing an EIS. Other applicants are not eligible to prepare an EIS and FRA uses a third party contractor, which is hired by the applicant but which reports directly to FRA. Additional details on the third party contractor process are available from the FRA. The EIS must include an analysis of various alternative solutions and a complete analysis of potential environmental impacts, including any impacts to historical resources. Agencies and the public at large have the opportunity to comment on the published draft EIS. These comments are addressed during the preparation of the final EIS. This second iteration ensures that adequate consideration has been given to public comments and the anticipated effects of the project. FRA would then issue a Record of Decision (ROD) to signify Federal approval of the final EIS.

FRA encourages applicants to coordinate with FRA early in their planning process to ensure full compliance with and satisfaction of all NEPA requirements. Because an EIS typically requires an 12-24 month processing time, this must be completed before a Final Application can be deemed accepted for review, it is critical that the applicant and FRA's environmental staff begin working together as early as possible.

Regardless of any NEPA clearance by other Federal agencies, FRA must issue its own decision for RRIF loans. FRA will not categorically exclude a project that is found to have significant impacts on the

environment, either individually or cumulatively. If significant impacts are possible or known, FRA will require preparation of an EA or EIS, as appropriate.

Once FRA initiates the NEPA review process, applicants should consult with FRA before commencing any work on the project site (beyond preliminary design activities). Such consultation is necessary as certain actions may cause an adverse environmental impact on the project or otherwise adversely affect the NEPA review process to the extent that FRA may discontinue consideration of an application.

RRIF Buy America

As stated in FRA's *Notice Regarding Consideration and Processing of Applications for Financial Assistance under the Railroad Rehabilitation and Improvement Financing (RRIF) Program*, 75 Fed. Reg. 60165 (September 29, 2010), FRA expects recipients of direct loans or loan guarantees under the RRIF Program to agree to use funds provided to them under the RRIF Program to purchase steel, iron and other manufactured goods produced in the United States for the project. As explained in the notice, FRA's RRIF Buy America policy furthers two of the RRIF program's eight priorities described in 45 U.S.C. 822(c): (3) Promote economic development, and (4) Enable U.S. companies to be more competitive in international markets.

RRIF Buy America means that the steel, iron, and manufactured goods used in projects funded by RRIF must be produced in the United States. This requirement includes the purchase of new or existing goods, or the refinance of assets, including rolling stock and railroad infrastructure.

If the applicant's project includes the financing or refinancing of assets not produced in the U.S., then the applicant can submit a waiver request. Waivers may be granted if FRA finds that:

- The steel, iron, and goods produced in the U.S. are not produced in a sufficient and reasonably available amount or are not of a satisfactory quality;
- Rolling stock or power train equipment cannot be bought and delivered in the U.S. within a reasonable time;
- Including domestic material will increase the cost of the overall project by more than 25 percent; and/or
- Applying the RRIF Buy America policy would be inconsistent with the public interest.

For all RRIF waiver requests, FRA will post notice of a waiver request on the RRIF Buy America web page (<https://www.fra.dot.gov/Page/P0694>) and solicit public comments on whether to grant a waiver. After reviewing any public comments, FRA will seek concurrence from the Office of the Secretary of Transportation on its decision and will post notice of its decision to grant a waiver. The effective date of the waiver will follow the public comment period(s).

5 LOAN EVALUATION CRITERIA

This chapter describes the primary criteria and standards used to determine loan approval. FRA may also consider other criteria that it deems relevant in evaluating the merits of a project.

5.1 Criteria and Standards

The evaluation criteria are drawn from the legislation authorizing the RRIF Program ([45 U.S.C. 821, 822, 823](#)), program implementing regulations ([49 CFR part 260](#)), and the *Notice Regarding Consideration and Processing of Applications for the Financial Assistance Under the RRIF Program* (75 Fed. Reg. 60165). Determinations are made based on the following criteria and standards, as more fully set forth in the statute or the regulations, evaluated individually and considered collectively.

- The statutory eligibility of the applicant and the project ([49 CFR 260.3](#)), definition of applicant and ([49 CFR 260.5](#)), eligible purposes
- The creditworthiness of the borrower including the present and probable demand for rail services and a reasonable likelihood that the loan will be repaid on a timely basis ([49 CFR part 260](#), Subpart B-FRA policies and procedures for Evaluating Applications for Financial Assistance)
- The extent to which the project will enhance safety ([49 CFR 260.7\(a\)](#))
- The significance of the project on a local, regional, or national level in terms of generating economic benefits and improving the railroad transportation system ([49 CFR 260.7\(c\)](#))
- The improvement to the environment that is expected to result directly or indirectly by the implementation of the project ([49 CFR 260.7\(b\)](#))
- The improvement in service or capacity in the railroad transportation system or the reduction in service-or capacity-related problems that is expected to result directly or indirectly from the implementation of the project ([45 U.S.C. 822\(c\)](#)).

In exercising discretion to evaluate the merits of proposed loans, the FRA Administrator may consider public policy priorities and federal credit policies as outlined in the OMB Circular A-129, Revised, January 2013. FRA will perform a cost-benefit analysis of each loan or loan guarantee application and examine public benefits derived from the loan relative to the amount of financial assistance committed to achieve those public benefits. Proposals generating public benefits using limited federal financial assistance to achieve policy goals will be viewed more favorably than proposals generating limited public benefits with significant federal RRIF assistance.

5.2 Priority Projects

Project selection falls into eight priorities for RRIF financial assistance as described in [45 U.S.C. 822\(c\)](#). These priorities are restated below with clarifying language (where appropriate) and consistent with DOT's Strategic Plan.

FRA will give priority to projects that—

(1) *Enhance public safety*

This is DOT's highest programmatic priority. FRA will prioritize projects that ensure safe and efficient transportation choices. DOT's goal is to improve public safety by reducing transportation related fatalities and injuries and improving the safety experience for all transportation system users, including passengers, employees, pedestrians and motorists. In determining which projects best enhance public safety, FRA will pay particular attention to projects that do the following: Address specific chronic safety concerns, including those identified during periodic inspections by FRA's Office of Railroad Safety; facilitate

implementation of enhancements of signal and train control systems; reduce or eliminate the potential for accidents at highway-rail at-grade crossings; limit the access to rail infrastructure by trespassers and other unauthorized persons; lead to a sustained improvement in the class of track as defined by FRA's safety regulations; and/or lead to the operation of safer railroad equipment.

(2) *Enhance the environment*

FRA prioritizes projects that promote environmental sustainability of transportation through investments that focus on energy efficiency and environmental quality. DOT pursues transportation policies and investments that reduce carbon emissions and protect the human and natural environment. In determining which projects best further those goals, FRA will give priority to investments that do the following: Reduce the consumption of fossil fuels and otherwise improve energy efficiency of rail operations; reduce air pollutant emissions from rail equipment and facilities, including acquisition of locomotives meeting the U.S. Environmental Protection Agency's locomotive emissions standards; facilitate the development of intercity and commuter rail public transportation alternatives to single occupant motor vehicle transportation; reduce the levels of noise emitted from rail operations, including reductions of noise experienced by on-board personnel; and/or reduce the contribution of pollutants into the Nation's waterways. It is important to note that applications for financial assistance under the RRIF Program will require environmental review in compliance with NEPA.

(3) *Promote economic development, and (4) Enable United States companies to be more competitive in international markets*

FRA will prioritize projects that build a foundation for economic competitiveness. DOT fosters transportation policies and investments that serve the travelling public and freight movement to bring lasting economic and social benefit to the Nation. DOT seeks to encourage the expansion and development of domestic manufacturing of transportation systems and equipment in a manner consistent with law. In determining which projects best promote economic development and enable American companies to be more competitive in international markets, FRA will pay particular attention to projects that do the following: Lead to the construction, reconstruction or improvement of infrastructure or the acquisition of equipment or other capital assets on both freight and passenger (including commuter) rail corridors and related intermodal and multi-modal facilities that address capacity constraints in the Nation's transportation system and deliver integrated transportation system improvements, while spurring domestic employment in both the short-term and long-term; facilitate the development of new industries and businesses' access to the Nation's transportation system; and/ or improve the efficiency and reduce the cost of freight movements of domestic products into global commerce. To further address these priorities, FRA will expect recipients of direct loans or loan guarantees under the RRIF Program to comply with FRA's RRIF Buy America policy.

(5) *Are endorsed by the plans prepared under section 135 of title 23 by the State or States in which they are located*

(6) *Preserve or enhance rail or rail-related intermodal service to small communities or rural areas, and (7) Enhance service and capacity in the national rail system*

FRA will prioritize projects that support the development of interconnected, livable communities. DOT promotes place-based policies that provide transportation choices and improve the quality of life for all Americans. In determining which projects will best preserve or enhance rail or rail-related intermodal service to small communities or rural areas and enhance service and capacity in the national rail system, FRA will pay particular attention to projects that do the following: Preserve access for small communities and rural America to the Nation's rail system; facilitate the development of rail and rail-related intermodal facilities that encourage the reduction of highway freight transportation in urban areas; facilitate the development of rail-related intermodal passenger facilities that improve the operation of and expand the public's access to public transportation; and/or provide investments that expand the access to intercity passenger and commuter rail transportation by persons with disabilities.

(8) *Materially alleviate rail capacity problems which degrade the provision of service to shippers and would fulfill a need in the national transportation system*

FRA will prioritize projects promoting a state of good repair for transportation assets to ensure a reliable and safe rail system. In determining which projects best enhance service and capacity in the national rail system, alleviate rail capacity problems which degrade the provision of service to shippers and fulfill a need in the national transportation system, FRA will give priority to projects that do the following: Assure sustained performance of rail and rail-related intermodal infrastructure and equipment in a safe, reliable and efficient manner, including the replacement of capital assets before they reach the end of their economic and useful life; permit rail infrastructure to accommodate safe operation of 286,000 pound rail cars; and/or incorporate into the rail infrastructure innovative design and construction procedures, innovative quality assurance practices, and/or innovative materials to extend the useful life of assets and reduce onsite repairs, rehabilitation and reconstruction.

6 LOAN ADMINISTRATION AND MONITORING

Once the loan is finalized and the closing documents are executed, the applicant becomes the borrower and FRA is ready to receive the Credit Risk Premium payment and begin processing the first draw against the available loan balance. This chapter outlines the various ongoing activities that occur throughout the life of the loan including disbursement, repayment, contract changes, prepayment/closeout, and oversight and monitoring.

6.1 Disbursement and Repayment

Funds are disbursed only to reimburse the borrower for eligible costs previously incurred. For loans involving a single large purchase, such as the acquisition of a fleet of railcars, the entire loan amount may be disbursed in a single large drawdown. For most loans involving track rehabilitation or construction, the loan is disbursed in multiple drawdowns in accordance with the schedule approved by FRA. For each drawdown, the prorated credit risk premium amount must be paid in full prior to the FRA issuing funds to the borrower. Appropriate documentation (such as vendor invoices) must be submitted by the borrower in order to receive funding. A promissory note and corresponding repayment schedule is processed by FRA staff and signed by the borrower for each draw. The borrower is responsible for repayment per each promissory note. After the borrower has made its final disbursement

request, all promissory notes are combined into one consolidated note. The maturity date from the initial disbursement and interest rate remain fixed for all the promissory notes issued for the loan.

The invoices are reviewed by FRA staff before the draw request is processed. This review is to ensure that the expenditures are valid, reasonable, and consistent with the approved work plan. Prior to the first disbursement or as part of the first disbursement process, the borrower is also given: an ACH (Automated Clearing House) Vendor Payment Form, Electronic Funds Transfer Form and Monthly Progress Report Template. Note that although borrowers complete the ACH Vendor Payment Form, RRIF funds are transferred to borrowers via the Fed Wire system.

6.2 Contract Changes and Modifications

FRA will review and may approve contract change requests received from borrowers over the course of the loan term. Depending on the nature of the contract change request, for example whether it is administrative in nature or not, it may be subject to OST and/or OMB review. If the request is non-administrative, FRA will analyze the request to determine if it results in a loan modification, as defined in OMB Circular A-11. A modification is defined as any Government action that alters the estimated cost of an outstanding direct loan (or direct loan obligations) or an outstanding loan guarantee (or loan guarantee commitment) from the current estimate of cash flows.

The modification of any term or condition of a direct loan, loan guarantee, direct loan obligation, or loan guarantee commitment is subject to CORM and OMB's review of the potential impact to the cost of the loan modification to the Government. In addition, if a contract change amounts to a modification under RRIF statute and/or the Federal Credit Reform Act (FCRA), FRA must determine, together with CORM and OMB, whether an appropriation is required. If FRA approves the modification request, FRA must find in writing: (1) The modification is equitable and is in the overall best interests of the United States, and (2) Consent has been obtained from the borrower and, in the case of a loan guarantee or loan guarantee commitment, the holder of the obligation.

6.3 Prepayment/Closeout

When a loan is either pre-paid or closed out in advance of its actual maturity date, the RRIF team will send correspondence indicating the loan has been satisfied after a final site visit has been completed. The site visit is completed by the FRA engineer to ensure the project has been completed in compliance with the financing agreement.

6.4 Oversight and Monitoring

DOT requires certain ongoing, periodic reporting with respect to a project receiving RRIF financial assistance. This periodic review has three purposes: (i) to provide DOT with an oversight tool for ensuring the borrower's compliance with the provisions of the credit agreement; (ii) to monitor the overall status of the project; and, (iii) to assist DOT and OMB in identifying any changes to the credit risk posed to the Federal Government under individual credit agreements. The RRIF financing agreement will specify the scheduled annual and project milestone reporting requirements, as well as any other ad hoc or periodic reporting requirements.

As part of its oversight and monitoring of RRIF projects, FRA will routinely update its information on credit quality, schedules, legal issues, financial projections, and project performance. Accordingly, borrowers will be required to provide progress reports with drawdown requests while the project is being implemented. Once the project is complete, financial statements will continue to be required until the loan is paid off. Documentary evidence that may be requested for each project includes: annual audited financial statements, updated budget and cash flow projections, audit reports, sources and uses of funds, coverage ratios, project schedules, operating data, and management updates. Additionally, each borrower will be required to give notice to DOT of material events, including litigation, which could affect project development or the credit quality of the project.

DOT's oversight and monitoring may also include site visits, annual monitoring meetings with the borrower, and reviews of independent engineer and/or other relevant reports. FRA will coordinate oversight and monitoring activities with the appropriate DOT field offices.

Each financing agreement between DOT and a borrower will specify the types of ongoing documentation required by DOT and the frequency of such information requests. The financing agreement will also authorize DOT to commence increased monitoring and reporting, as may be necessary, to ensure the continued credit quality of the project and minimize the Federal Government's risk.

7 APPENDIX A: DRAFT APPLICATION CHECKLIST

This document provides guidance on the requirements for submitting a Draft Application. The Federal Railroad Administration (FRA) will only review complete applications and may take up to 20 business days to complete the review (unless notified otherwise by FRA). Upon completion, FRA will schedule a Draft Application Review Meeting.

DRAFT APPLICATION CHECKLIST

Part I: Complete Draft Application

All sections of the Draft Application form must be completed. The application form is available at: www.fra.dot.gov/eLib/Details/L02705.

Part II: Financial Documents

The following financial documents must be submitted:

- Applicant-level financial statements, including: current balance sheet, current income statement, and current statement of cash flows plus the previous four years of historical audited financial statements at the applicant level and five years of projected financial statements (including balance sheet, income statement, and statement of cash flows)
- If a co-applicant or guarantor is proposed, provide five years of historical financial statements and five years of projected financial statements (including balance sheet, income statement, and statement of cash flows) for the co-applicant or guarantor
- Business plan
- If applicable, a list of collateral being offered to secure the loan with prior liens and mortgages noted
- If available, any appraisals of the collateral being offered

Part III: Engineering Documentation

Engineering documentation should provide the necessary information to describe the project(s) to be funded by RRIF and how the loan funds are to be spent. Required engineering documentation includes:

- Plans drawn to scale and a map of the project area
- Itemized cost estimates (at a minimum, the cost should be shown for each type of expense or component of work that represents five percent or more of the total base cost – full estimated cost minus contingency)
- For track rehabilitation projects, include a track chart, employee timetable, and the latest general operating bulletin/general order
- For general construction, include preliminary engineering
- Other documents and photographs, as needed, to support project plans and cost estimates

Part IV: Environmental Documentation

The applicant must complete the following in order for the environmental review to be initiated:

- Read and understand FRA's [Guidance for Completing the Categorical Exclusion Worksheet](#)
- Utilizing the *Guidance*, complete the Categorical Exclusion Worksheet (note: failure to sufficiently complete the worksheet in its entirety can delay the review process)
- If during completion of the worksheet the potential for significant environmental impacts is indicated, FRA should be contacted regarding the possible necessity for preparation of an environmental assessment or environmental impact statement

Part V: Safety Documentation

Based on the project, FRA's Office of Safety may require the following:

- Preliminary risk assessment on the identified alternatives during the environmental review process to determine if hazards could be created
- System Safety Plan
- Documentation to support FRA required safety certifications
- Testing Plans for high speed rail, positive train control (PTC) and rolling stock

8 APPENDIX B: FINAL APPLICATION CHECKLIST

This document provides guidance on the requirements for submitting a Final Application. The Federal Railroad Administration (FRA) will only review complete applications.

FINAL APPLICATION CHECKLIST

Part I: Final Eligibility Review

Based on any changes from the Draft Application, FRA must complete a final eligibility review.

Part II: Engineering Review

Based on any changes from the Draft Application, FRA must complete a final engineering review.

Part III: Environmental Review

The required environmental review document must be completed by the applicant and a decision must be issued by FRA. The applicant will be notified when FRA has either signed the Categorical Exclusion, or issued a Finding of No Significant Impact or Record of Decision.

Part V: Safety Review

Based on any changes from the Draft Application, FRA must complete a final safety review. Additional reviews/certifications may be required during project implementation.

Part IV: Complete Final Application

The Final Application is the same form as the Draft Application and must address feedback provided by FRA during the Draft Application Review Meeting. The application form is available at: www.fra.dot.gov/eLib/Details/L02705.

SUBMISSION

Submit four paper copies and one electronic version of the Final Application via overnight mail delivery service, including all supporting documentation and attachments to the assigned FRA financial analyst at the following address:

Federal Railroad Administration
Credit and Financial Analysis Division (RPD-12)
1200 New Jersey Avenue, SE
Washington, DC 20590

FINAL APPLICATION ACCEPTANCE FOR REVIEW

FRA will notify the applicant if the Final Application has been accepted for review or if any additional information is needed to complete the application.

Upon acceptance of the Final Application, FRA will conduct the review process, which includes: financial analysis by an Independent Financial Advisor (IFA), a legal review, recommendation to the FRA by the Department Of Transportation's Credit Council, negotiation of loan agreement and any associated security documents and opinions, confirmation of the Credit Risk Premium by Office of the Secretary's Office of Credit Oversight and Risk Management (CORM) and the Office of Management and Budget (OMB) and final approval by the FRA Administrator.