

Rural Digital Opportunity Fund Letters of Credit (LOC) Common Errors List

Based on a review of letters of credit (LOCs) for the Rural Digital Opportunity Fund, USAC is posting a list of Common Errors (numbered 1-14) that a bank should address prior to submitting a letter to USAC on behalf of a carrier.

Please see the accompanying [Annotated LOC with Common Errors](#), which maps the below enumerated Common Errors on the FCC's model letter of credit. Additionally, USAC has posted two redacted letters of credit for applicants and banks to reference: (1) a [Fixed End Date LOC](#); and (2) an [Auto Renew LOC](#).

USAC held a webinar, Letters of Credit and Opinions of Counsel: A Webinar for Winning Bidders. A [recording of the webinar](#) and a copy of [the slides](#) are available on the [High Cost Webinars webpage](#).

Common Errors:

1. Submit an original version of the letter of credit (not a copy), signed by an authorized individual of the bank.
2. Include the Study Area Code (SAC) at the top of the letter of credit. Study Area Codes will be assigned in the carrier's FCC Ready to Authorize Public Notice.
3. Under the header "BENEFICIARY," correctly spell out Universal Service Administrative Company and then after the first use, define "USAC" (e.g. Universal Service Administrative Company ("USAC")).
4. Include USAC's mailing address: Rural Digital Opportunity Fund, 700 12th St NW #900, Washington, DC 20005.
5. Remove ALL "notes" from the body of the letter.
6. Remove ALL "brackets" from the body of the letter.
7. Draft the letter of credit with an amount equal to at least the carrier's first year of authorized support found in the carrier's FCC Ready to Authorize Public Notice.
8. In the first paragraph of the letter of credit, reference an "Irrevocable Standby Letter of Credit" (not a "Letter of Credit").

The following common errors 9 through 12, apply to letters of credit that contain an automatic renewal provision:

9. In the first or second paragraph of the letter of credit include annual renewal periods.

10. State that all notices of nonrenewal must be given by a “a nationally recognized overnight delivery service at least sixty (60) days but not more than ninety (90) days prior” to the expiry of the letter of credit.
11. State that a copy of the notice of nonrenewal must be sent to the FCC and include the FCC’s mailing address - 445 12th Street, S.W., Washington, DC, 20554.
12. Provide an acceptable auto-renewal provision. Below is suggested language for the paragraph of a letter of credit that includes an annual auto-renewal provision. This example is illustrative and certain modifications may be acceptable to account for the bank’s usual procedures:

We hereby establish, at the request and for the account of **CARRIER NAME**, in your favor, as required under the Report and Order, adopted on January 30, 2020, issued by the Federal Communications Commission (“FCC”) in the matter of Rural Digital Opportunity Fund, WC Docket 19-126; Connect America Fund, WC Docket 10-90 (the “Order”), our Irrevocable Standby Letter of Credit No. **XXXX** in the amount of **One Million U.S. Dollars and No/100 (\$1,000,000.00)** expiring at the close of banking business at our office described above on **May XX, 2020**, provided that such date will automatically be extended for periods of one year unless **BANK NAME** gives notice of non-renewal to USAC by a nationally recognized overnight delivery service, with a copy to the FCC, 445 12th Street, S.W., Washington, DC 20554, at least sixty (60) days but not more than ninety (90) days prior to the expiry thereof, or such earlier date as the letter of credit is terminated by USAC (the “Expiration Date”). Capitalized terms used herein but not defined herein shall have the meanings accorded such terms in the Order.

13. State that the bank will honor a complying presentation of a Draft and Draw Certificate within one (1) business day.
14. Select *either* “check” or “wire” transfers in both the body of the letter of credit and in Annex A to the letter of credit. Note: The bank’s selection must be the same in both the body of the letter of credit and in Annex A.

In addition to the foregoing, banks should review the Illustrative Form of Letter of Credit at Appendix C of FCC 20-5, available at: <https://www.fcc.gov/document/fcc-launches-20-billion-rural-digital-opportunity-fund-0>

If you submit a letter of credit to USAC, and then determine that the letter contained an error, please do not re-submit a new letter of credit or amendment. Instead, you should wait to receive USAC’s comments on the letter of credit that you first submitted, since USAC may identify additional errors that need to be corrected.

This is not an exhaustive list and there may be other errors USAC asks banks or applicants to correct. USAC reserves the right to request changes not listed above.