AMENDMENTS

1994—Pub. L. 103–354 substituted ''Secretary'' for ''Administrator''.

EFFECTIVE DATE

Section effective May 11, 1973, see section 12 of Pub. L. 93–32, set out as a note under section 930 of this title.

§ 940a. Repealed. Pub. L. 104–127, title VII, § 780, Apr. 4, 1996, 110 Stat. 1151

Section, act May 20, 1936, ch. 432, title III, § 311, as added Oct. 18, 1986, Pub. L. 99–500, § 101(m) [title VI, § 623], 100 Stat. 1783–308, 1783–333, and Oct. 30, 1986, Pub. L. 99–591, § 101(m) [title VI, § 623], 100 Stat. 3341–308, 3341–333; amended Oct. 13, 1994, Pub. L. 103–354, title II, § 235(a)(7), (13), 108 Stat. 3221, related to privatization demonstration program.

§ 940b. Use of funds

A borrower of an insured or guaranteed electric loan under this chapter may, without restriction or prior approval of the Secretary, invest its own funds or make loans or guarantees, not in excess of 15 percent of its total utility plant.

(May 20, 1936, ch. 432, title III, § 312, as added Pub. L. 100–203, title I, § 1402, Dec. 22, 1987, 101 Stat. 1330–21; amended Pub. L. 103–354, title II, § 235(a)(13), Oct. 13, 1994, 108 Stat. 3221.)

AMENDMENTS

1994—Pub. L. 103–354 substituted ''Secretary'' for ''Administrator''.

§ 940c. Cushion of credit payments program

(a) Establishment

(1) In general

(A) Development and promotion of program

The Secretary shall develop and promote a program to encourage borrowers to voluntarily make deposits into cushion of credit accounts established within the Rural Electrification and Telephone Revolving Fund.

(B) Termination

Effective on December 20, 2018, no deposits may be made under subparagraph (A).

(2) Interest

(A) In general

Amounts in each cushion of credit account shall accrue interest to the borrower at a rate of 5 percent per annum.

(B) Reduction

Notwithstanding subparagraph (A), amounts in each cushion of credit account shall accrue interest to the borrower at a rate equal to—

(i) 4 percent per annum in fiscal year 2021; and

(ii) the then applicable 1-year Treasury rate thereafter.

(3) Balance

(A) In general

A borrower may reduce the balance of its cushion of credit account only if the amount obtained from the reduction is used to make scheduled payments on loans made or guaranteed under this chapter.

(B) Prepayment

Notwithstanding subparagraph (A) and subject to subparagraph (C), beginning on December 20, 2018, and ending with September 30, 2020, a borrower may, at the sole discretion of the borrower, reduce the balance of its cushion of credit account if the amount obtained from the reduction is used to prepay loans made or guaranteed under this chapter.

(C) No prepayment premium

Notwithstanding any other provision of this chapter, no prepayment premium shall be imposed or collected with respect to that portion of a loan that is prepaid by a borrower in accordance with subparagraph (B).

(D) Mandatory funding

Notwithstanding section 661c of title 2, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall make available such sums as necessary to cover any loan modification costs as defined in section 661a of title 2.

(b) Uses of cushion of credit payments

(1) In general

(A) Cash balance

Cushion of credit payments shall be held in the Rural Electrification and Telephone Revolving Fund as a cash balance in the cushion of credit accounts of borrowers.

(B) Interest

All cash balance amounts (obtained from cushion of credit payments, loan payments, and other sources) held by the Fund shall bear interest to the Fund at a rate equal to the weighted average rate on outstanding certificates of beneficial ownership issued by the Fund.

(C) Credits

The amount of interest accrued on the cash balances shall be credited to the Fund as an offsetting reduction to the amount of interest paid by the Fund on its certificates of beneficial ownership.

(2) Rural economic development subaccount

The Secretary shall maintain a subaccount within the Rural Electrification and Telephone Revolving Fund to which shall be credited, on a monthly basis, a sum determined by multiplying the outstanding cushion of credit payments made after October 1, 1987, by the difference (converted to a monthly basis) between the average weighted interest rate paid on outstanding certificates of beneficial ownership issued by the Fund and 5 percent.

(May 20, 1936, ch. 432, title III, § 313, as added Pub. L. 100–203, title I, § 1403, Dec. 22, 1987, 101 Stat. 1330–21; amended Pub. L. 103–354, title II, § 235(a)(13), Oct. 13, 1994, 108 Stat. 3221; Pub. L. 115–334, title VI, §§ 6503, 6504(b), Dec. 20, 2018, 132 Stat. 4772, 4773.)

AMENDMENTS

2018—Subsec. (a)(1). Pub. L. 115–334, § 6503(1), designated existing provisions as subpar. (A), inserted heading, and added subpar. (B).

Subsec. (a)(2). Pub. L. 115–334, § 6503(2), designated existing provisions as subpar. (A), inserted heading, and added subpar. (B).

Subsec. (a)(3). Pub. L. 115–334, § 6503(3), designated existing provisions as subpar. (A), inserted heading, and added subpar. (B).

Subsec. (b)(2). Pub. L. 115–334, § 6504(b), struck out subpar. (A) designation and heading before "The Secretary shall", substituted "5 percent." for "the 5 percent rate of interest provided to borrowers on cushion of credit payments.", and struck out subpars. (B) to (E) which related to grants, repayments, proceeds, and number of grants, respectively.

1994—Subsecs. (a)(1), (b)(2)(A) to (C). Pub. L. 103–354 substituted "Secretary" for "Administrator".

§ 940c–1. Guarantees for bonds and notes issued for electrification or telephone purposes

(a) In general

(1) Guarantees

Subject to subsection (b), the Secretary shall guarantee payments on bonds or notes issued by cooperative or other lenders organized on a not-for-profit basis, if the proceeds of the bonds or notes are used to make utility infrastructure loans, or refinance bonds or notes issued for those purposes, to a borrower that has at any time received, or is eligible to receive, a loan under this chapter.

(2) Terms

A bond or note guaranteed under this section shall, by agreement between the Secretary and the borrower—

(A) be for a term of 30 years (or another term of years that the Secretary determines is appropriate); and

(B) be repaid by the borrower—

(i) in periodic installments of principal and interest;

(ii) in periodic installments of interest and, at the end of the term of the bond or note, as applicable, by the repayment of the outstanding principal; or

(iii) through a combination of the methods described in clauses (i) and (ii).

(b) Limitations

(1) Outstanding loans

A lender shall not receive a guarantee under this section for a bond or note if, at the time of the guarantee, the total principal amount of such guaranteed bonds or notes outstanding of the lender would exceed the principal amount of outstanding loans of the lender for eligible purposes described in subsection (a)(1).

(2) Qualifications

The Secretary may deny the request of a lender for the guarantee of a bond or note under this section if the Secretary determines that—

(A) the lender does not have appropriate expertise or experience or is otherwise not qualified to make loans for eligible purposes described in subsection (a)(1);

(B) the bond or note issued by the lender would not be investment grade quality without a guarantee; or

(C) the lender has not provided to the Secretary a list of loan amounts approved by the lender that the lender certifies are for eligible purposes described in subsection (a)(1).

(3) Annual amount

The total amount of guarantees provided by the Secretary under this section during a fiscal year shall not exceed $1,000,000,000, subject to the availability of funds under subsection (e).

(c) Fees

(1) In general

A lender that receives a guarantee issued under this section on a bond or note shall pay a fee to the Secretary.

(2) Amount

(A) In general

The amount of the annual fee paid for the guarantee of a bond or note under this section shall be equal to 30 basis points of the amount of the unpaid principal of the bond or note guaranteed under this section.

(B) Prohibition

Except as otherwise provided in this subsection and subsection (e)(2), no other fees shall be assessed.

(3) Payment

(A) In general

A lender shall pay the fees required under this subsection on a semiannual basis.

(B) Structured schedule

The Secretary shall, with the consent of the lender, structure the schedule for payment of the fee to ensure that sufficient funds are available to pay the subsidy costs for note or bond guarantees as provided for in subsection (e)(2).

(4) Rural economic development subaccount

Subject to subsection (e)(2), fees collected under this subsection shall be—

(A) deposited into the rural economic development subaccount that shall be maintained as required by sections 940c(b)(2) and 940c–2(f) of this title, to remain available until expended; and

(B) used for the purposes described in section 940c(b)(2) of this title.

(d) Guarantees

(1) In general

A guarantee issued under this section shall—

(A) be for the full amount of a bond or note, including the amount of principal, interest, and call premiums;

(B) be fully assignable and transferable; and

(C) represent the full faith and credit of the United States.

(2) Limitation

To ensure that the Secretary has the resources necessary to properly examine the proposed guarantees, the Secretary may limit the number of guarantees issued under this section to 5 per year.

(3) Department opinion

On the timely request of a lender, the General Counsel of the Department of Agriculture