

AMENDMENTS

2018—Pub. L. 115-334 substituted “the National Rural Utilities Cooperative Finance Corporation” for “the Rural Telephone Bank, National Rural Utilities Cooperative Finance Corporation.”

2008—Pub. L. 110-246, §6102(b), substituted “No fees or charges shall be assessed for any such accommodation or subordination.” for “No fees or charges shall be assessed for any such guarantee, accommodation, or subordination. With respect to guarantees issued by the Secretary under this section, on the request of the borrower of any such loan so guaranteed, the loan shall be made by the Federal Financing Bank and at a rate of interest that is not more than the rate of interest applicable to other similar loans then being made or purchased by the Bank.”

1994—Pub. L. 103-354 substituted “Secretary” for “Administrator” wherever appearing.

1990—Pub. L. 101-624 inserted provisions prohibiting Administrator from providing assistance to telephone borrower unless borrower specifically applies therefor.

1981—Pub. L. 97-35 inserted provisions relating to loans made by Federal Financing Bank with respect to guarantees issued under this section, and substituted “an insured loan” for “a loan insured at the standard rate”.

1975—Pub. L. 94-124 authorized assignment of guaranteed loans and their related guarantees and inserted “initially” before “made, held, and serviced” in provision defining guaranteed loans as that term is used in this subchapter.

EFFECTIVE DATE OF 2008 AMENDMENT

Amendment of this section and repeal of Pub. L. 110-234 by Pub. L. 110-246 effective May 22, 2008, the date of enactment of Pub. L. 110-234, see section 4 of Pub. L. 110-246, set out as an Effective Date note under section 8701 of this title.

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.

PREPAYMENT OF LOANS

Pub. L. 99-349, title I, July 2, 1986, 100 Stat. 713, related to the prepayment of loans made by the Federal Financing Bank, and guaranteed by the Administrator of the Rural Electrification Administration, prior to repeal by Pub. L. 99-509, title I, §1011(b), Oct. 21, 1986, 100 Stat. 1876.

§ 936a. Prepayment of loans**(a) Conditions for prepayment**

Except as provided in subsection (c), a borrower of a loan made by the Federal Financing Bank and guaranteed under section 936 of this title may prepay such loan (or any loan advance thereunder) by paying the outstanding principal balance due on the loan (or advance), if—

(1) the loan is outstanding on July 2, 1986;

(2) private capital, with the existing loan guarantee, is used to replace the loan; and

(3) the borrower certifies that any savings from such prepayment will be passed on to its customers or used to improve the financial strength of the borrower in cases of financial hardship.

(b) Charges on prepayment prohibited

No sums in addition to the payment of the outstanding principal balance due on the loan may be charged as the result of such prepayment against the borrower, the fund, or the Secretary.

(c) Disqualification for prepayment on finding of adverse affect on Federal Financing Bank

(1) A borrower will not qualify for prepayment under this section if, in the opinion of the Secretary of the Treasury, to prepay in such borrower's case would adversely affect the operation of the Federal Financing Bank.

(2) Paragraph (1) shall be effective in fiscal year 1987 only for any loan the prepayment of the principal amount of which will cause the cumulative amount of net proceeds from all such prepayments made during such year to exceed \$2,017,500,000.

(d) Amount of permissible prepayments; establishment of eligibility criteria

(1) The Secretary shall permit, subject to subsection (a), prepayments of principal on loans in fiscal year 1987 under this section or Public Law 99-349 in such amounts as to realize net proceeds from all such prepayments in fiscal year 1987 in an amount not less than \$2,017,500,000.

(2) The Secretary shall establish—

(A) eligibility criteria to ensure that any loan prepayment activity required to be carried out under this subsection will be directed to those cooperative borrowers in greatest need of the benefits associated with prepayment, as determined by the Secretary; and

(B) such other eligibility criteria as the Secretary determines are necessary to carry out this subsection.

(e) Assignability and transferability of guarantees of loans

Any guarantee of a loan prepaid under this section shall be fully assignable under the provisions of section 936 of this title and transferable. However, the Secretary may require that any such guarantee, if transferred¹ or assigned, be transferred or assigned to a loan or security that, if sold, will be grouped with nonguaranteed loans or securities and sold in a manner to ensure that such sale will not unreasonably compete with the marketing of obligations of the United States.

(May 20, 1936, ch. 432, title III, §306A, as added Pub. L. 99-509, title I, §1011(a), Oct. 21, 1986, 100 Stat. 1875; amended Pub. L. 103-354, title II, §235(a)(7), (13), Oct. 13, 1994, 108 Stat. 3221.)

REFERENCES IN TEXT

Public Law 99-349, referred to in subsec. (d)(1), is Pub. L. 99-349, July 2, 1986, 100 Stat. 710, known as the Urgent Supplemental Appropriations Act, 1986. Provisions of title I of Pub. L. 99-349 relating to prepayment of loans were set out as a note under section 936 of this title and were repealed by Pub. L. 99-509, title I, §1011(b), Oct. 21, 1986, 100 Stat. 1876. For complete classification of this Act to the Code, see Tables.

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1994—Pub. L. 103-354 substituted “Secretary” for “Rural Electrification Administration” in subsec. (b) and “Secretary” for “Administrator” wherever appearing in subsecs. (d) and (e).

PREPAYMENT OF RURAL ELECTRIFICATION LOANS
DURING FISCAL YEAR 1988

Pub. L. 100-203, title I, §1401, Dec. 22, 1987, 101 Stat. 1330-20, provided that:

¹ So in original. Probably should be “transferred”.

“(a) ELIGIBILITY TO PREPAY.—Notwithstanding subsections (c), (d), and (e) of section 306A of the Rural Electrification Act of 1936 (7 U.S.C. 936a(c), (d), and (e)), during fiscal year 1988, a borrower of a loan made by the Federal Financing Bank and guaranteed under section 306 of such Act (7 U.S.C. 936) may, at the option of the borrower, prepay such loan (or any loan advance thereunder) in accordance with subsections (a) and (b) of section 306A of such Act, except that any prepayment that would cause the total amount of such prepayments during fiscal year 1988 to exceed \$2,000,000,000 shall be subject solely to the approval of the Secretary of the Treasury.

“(b) PRIORITY FOR APPROVAL.—In determining which borrowers shall be permitted to prepay loans under subsection (a):

“(1) The Administrator of the Rural Electrification Administration shall give priority to those 8 borrowers that were determined by the Administrator, prior to the date of the enactment of this Act [Dec. 22, 1987], to be eligible to prepay, or that prepaid, an advance under section 306A of such Act [7 U.S.C. 936a] (as in effect prior to the date of the enactment of this Act), except that to retain such priority a borrower shall—

“(A) notify the Administrator in writing, within 30 days after the issuance of regulations to carry out this section, of the intent of the borrower to prepay; and

“(B) complete such prepayment by disbursing funds to the Federal Financing Bank to prepay loan advances within 120 days after the issuance of such regulations.

“(2) In considering requests for prepayment under subsection (a) by borrowers not described in paragraph (1), the Administrator shall permit prepayment based on the order in which borrowers are prepared to disburse funds to the Federal Financing Bank to complete such prepayments. If more than 1 borrower is so prepared at the same time, and if the combined amount of such prepayments would cause the total amount of prepayments during fiscal year 1988, under this section, to exceed \$2,000,000,000, the Administrator shall—

“(A) base the determination on the date on which prepayment applications have been submitted; or

“(B) permit partial prepayment by two or more borrowers.

“(c) REGULATIONS.—Not later than 30 days after the date of enactment of this Act [Dec. 22, 1987], the Administrator of the Rural Electrification Administration shall issue such regulations as are necessary to carry out this section.

“(d) STUDY.—Not later than January 1, 1989, the Comptroller General of the United States shall—

“(1) study—

“(A) all benefits provided by Federal Financing Bank lending and the procedures and conditions for the prepayment of current Federal Financing Bank loans;

“(B) the benefits and costs to Federal Financing Bank borrowers of making prepayments; and

“(C) alternative conditions and procedures for prepayment of all Federal Financing Bank loans to balance Federal benefits with Federal costs; and

“(2) submit to Congress a report describing the results of such study, together with any appropriate recommendations.”

PREPAYMENT OF GUARANTEED LOANS; RESTRICTIONS

Pub. L. 100-202, §101(k) [title VI, §633], Dec. 22, 1987, 101 Stat. 1329-322, 1329-356, provided that: “Hereafter, notwithstanding section 306A(c), (d), and (e) of the Rural Electrification Act of 1936, as amended [7 U.S.C. 936a(c), (d), (e)], a borrower of a loan made by the Federal Financing Bank and guaranteed under section 306 of such Act (7 U.S.C. 936) may, at the option of the borrower, prepay such loan (or any loan advance thereunder) in accordance with section 306A(a) and (b) of such Act: *Provided*, That any prepayment in excess of

\$2,500,000,000 shall be subject to the approval of the Secretary of the Treasury.”

Pub. L. 100-71, title I, July 11, 1987, 101 Stat. 429, provided in part that: “Hereafter, notwithstanding section 306A(d) of the Rural Electrification Act of 1936 (7 U.S.C. 936a(d)), a borrower of a loan made by the Federal Financing Bank and guaranteed under section 306 of such Act (7 U.S.C. 936) may, at the option of the borrower, prepay such loan (or any loan advance thereunder) in accordance with section 306A of such Act.”

REGULATIONS

Pub. L. 99-509, title I, §1011(c), Oct. 21, 1986, 100 Stat. 1876, provided that: “The Secretary of Agriculture shall issue regulations to implement this section [enacting sections 936a and 936b of this title and repealing provisions set out as a note under section 936 of this title] within 60 days after the date of enactment of this Act [Oct. 21, 1986]. Such regulations—

“(1) shall facilitate prepayment of loans under section 306A of the Rural Electrification Act of 1936 [this section], as added by subsection (a); and

“(2) may not require any rural utility that is a borrower of loans subject to section 306A to make unreasonable reductions in rates to its customers as a condition of such prepayment.”

§ 936b. Sale or prepayment of direct or insured loans

(a) Discounted prepayment by borrowers of electric loans

(1) In general

Except as provided in paragraph (2), a direct or insured loan made under this chapter shall not be sold or prepaid at a value that is less than the outstanding principal balance on the loan.

(2) Exception

On request of the borrower, an electric loan made under this chapter, or a portion of such a loan, that was advanced before May 1, 1992, or has been advanced for not less than 2 years, shall be sold to or prepaid by the borrower at the lesser of—

(A) the outstanding principal balance on the loan; or

(B) the present value of the loan discounted from the face value at maturity at the rate established by the Secretary.

(3) Discount rate

The discount rate applicable to the prepayment under this subsection of a loan or loan advance shall be the then current cost of funds to the Department of the Treasury for obligations of comparable maturity to the remaining term of the loan.

(4) Tax exempt financing

If a borrower prepays a loan under this subsection using tax exempt financing, the discount shall be adjusted to ensure that the borrower receives a benefit that is equal to the benefit the borrower would receive if the borrower used fully taxable financing. The borrower shall certify in writing whether the financing will be tax exempt and shall comply with such other terms and conditions as the Secretary may establish that are reasonable and necessary to carry out this subsection.

(5) Eligibility

(A) In general

A borrower that has prepaid an insured or direct loan shall remain eligible for assist-