

**(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 cred-

ited, 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.)

**Editorial Notes**

## 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 shall provide the Secretary with an opinion regarding the validity and authority of a guarantee issued to the lender under this section.

**(e) Authorization of appropriations**

**(1) In general**

There are authorized to be appropriated such sums as are necessary to carry out this section.

**(2) Fees**

To the extent that the amount of funds appropriated for a fiscal year under paragraph (1) are not sufficient to carry out this section, the Secretary may use up to 1/3 of the fees collected under subsection (c) for the cost of providing guarantees of bonds and notes under this section before depositing the remainder of the fees into the rural economic development subaccount required to be maintained by sections 940c(b)(2) and 940c-2(f) of this title.

**(f) Termination**

The authority provided under this section shall terminate on September 30, 2023.

(May 20, 1936, ch. 432, title III, §313A, as added Pub. L. 107-171, title VI, §6101(a), May 13, 2002, 116 Stat. 413; amended Pub. L. 110-234, title VI, §6106(a), May 22, 2008, 122 Stat. 1197; Pub. L. 110-246, §4(a), title VI, §6106(a), June 18, 2008, 122 Stat. 1664, 1958; Pub. L. 113-79, title VI, §6102, Feb. 7, 2014, 128 Stat. 851; Pub. L. 115-334, title VI, §§6504(d), 6505(a), Dec. 20, 2018, 132 Stat. 4774.)

**Editorial Notes**

**CODIFICATION**

The authorities provided by each provision of, and each amendment made by, Pub. L. 110-246, as in effect on Sept. 30, 2012, to continue, and the Secretary of Agriculture to carry out the authorities, until the later of Sept. 30, 2013, or the date specified in the provision of, or amendment made by, Pub. L. 110-246, see section 701(a) of Pub. L. 112-240, set out in a 1-Year Extension of Agricultural Programs note under section 8701 of this title.

Pub. L. 110-234 and Pub. L. 110-246 made identical amendments to this section. The amendments by Pub. L. 110-234 were repealed by section 4(a) of Pub. L. 110-246.

**AMENDMENTS**

2018—Subsec. (a). Pub. L. 115-334, §6505(a)(1), designated existing provisions as par. (1), inserted heading, substituted “basis, if the proceeds of the bonds or notes are used to make utility infrastructure loans, or refi-

nance 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.” for “basis if the proceeds of the bonds or notes are used to make loans for any electrification or telephone purpose eligible for assistance under this chapter, including section 904 or 922 of this title or to refinance bonds or notes issued for such purposes.”, and added par. (2).

Subsec. (b)(1). Pub. L. 115-334, § 6505(a)(2)(A), substituted “purposes described in subsection (a)(1).” for “electrification or telephone purposes consistent with this chapter.”

Subsec. (b)(2). Pub. L. 115-334, § 6505(a)(2)(B), (C), redesignated par. (3) as (2) and struck out former par. (2). Prior to amendment, text of par. (2) read as follows: “The Secretary shall not guarantee payment on a bond or note issued by a lender, the proceeds of which are used for the generation of electricity.”

Subsec. (b)(2)(A). Pub. L. 115-334, § 6505(a)(2)(D)(i), substituted “for eligible purposes described in subsection (a)(1)” for “for electrification or telephone purposes”.

Subsec. (b)(2)(C). Pub. L. 115-334, § 6505(a)(2)(D)(ii), substituted “subsection (a)(1)” for “subsection (a)”.

Subsec. (b)(3), (4). Pub. L. 115-334, § 6505(a)(2)(C), redesignated par. (4) as (3). Former par. (3) redesignated (2).

Subsec. (c)(4)(A). Pub. L. 115-334, § 6504(d)(1)(A), substituted “that shall be maintained as required by sections 940c(b)(2) and 940c-2(f) of this title” for “maintained under section 940c(b)(2)(A) of this title”.

Subsec. (c)(4)(B). Pub. L. 115-334, § 6504(d)(1)(B), substituted “940c(b)(2) of this title” for “940c(b)(2)(B) of this title”.

Subsec. (e)(2). Pub. L. 115-334, § 6504(d)(2), substituted “required to be maintained by sections 940c(b)(2) and 940c-2(f) of this title” for “maintained under section 940c(b)(2)(A) of this title”.

Subsec. (f). Pub. L. 115-334, § 6505(a)(3), substituted “2023” for “2018”.

2014—Subsec. (f). Pub. L. 113-79 substituted “2018” for “2012”.

2008—Subsec. (b)(1). Pub. L. 110-246, § 6106(a)(1)(A), substituted “for eligible electrification or telephone purposes consistent with this chapter” for “for electrification or telephone purposes that have been made concurrently with loans approved for such purposes under this chapter”.

Subsec. (b)(4). Pub. L. 110-246, § 6106(a)(1)(B), added par. (4) and struck out former par. (4) which related to prohibition on use of amounts from reduced funding costs for interest rate reduction except for certain concurrent loans.

Subsec. (c)(2), (3). Pub. L. 110-246, § 6106(a)(2), added pars. (2) and (3) and struck out former pars. (2) and (3) which provided that the amount of an annual fee paid for the guarantee would be equal to 30 basis points of the amount of the unpaid principal and directed payment of fees required under subsec. (c) on a semiannual basis.

Subsec. (f). Pub. L. 110-246, § 6106(a)(3), substituted “2012” for “2007”.

#### Statutory Notes and Related Subsidiaries

##### 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.

##### REGULATIONS AND IMPLEMENTATION

Pub. L. 110-234, title VI, § 6106(b), May 22, 2008, 122 Stat. 1197, and Pub. L. 110-246, § 4(a), title VI, § 6106(b), June 18, 2008, 122 Stat. 1664, 1959, provided that: “The Secretary [of Agriculture] shall continue to carry out section 313A of the Rural Electrification Act of 1936 (7 U.S.C. 940c-1) in the same manner as on the day before the date of enactment of this Act [June 18, 2008], except without regard to the limitations prescribed in sub-

section (b)(1) of that section, until such time as any regulations necessary to carry out the amendments made by this section [amending this section] are fully implemented.”

[Pub. L. 110-234 and Pub. L. 110-246 enacted identical provisions. Pub. L. 110-234 was repealed by section 4(a) of Pub. L. 110-246, set out as a note under section 8701 of this title.]

Pub. L. 108-199, div. A, title VII, § 750(b), Jan. 23, 2004, 118 Stat. 38, provided that: “The Secretary shall publish a proposed rule to carry out section 313A of the Rural Electrification Act of 1936 [7 U.S.C. 940c-1] within 60 days of enactment of this Act [Jan. 23, 2004].”

Pub. L. 107-171, title VI, § 6101(b), May 13, 2002, 116 Stat. 415, provided that:

“(1) REGULATIONS.—Not later than 180 days after the date of enactment of this Act [May 13, 2002], the Secretary of Agriculture shall promulgate regulations to carry out the amendments made by this section [enacting this section].

“(2) IMPLEMENTATION.—Not later than 240 days after the date of enactment of this Act [May 13, 2002], the Secretary shall implement the amendment made by this section [enacting this section].”

##### ADMINISTRATION OF GUARANTEES PRIOR TO IMPLEMENTATION OF REGULATIONS

Pub. L. 115-334, title VI, § 6505(b), Dec. 20, 2018, 132 Stat. 4775, provided that: “Beginning on the date of enactment of the Agriculture Improvement Act of 2018 [Dec. 20, 2018], the Secretary [of Agriculture] shall continue to carry out section 313A of the Rural Electrification Act of 1936 (7 U.S.C. 940c-1) (as amended by subsection (a)) under a Notice of Solicitation of Applications until the date on which any regulations necessary to carry out the amendments made by subsection (a) [amending this section] are fully implemented.”

#### § 940c-2. Rural development loans and grants

##### (a) In general

The Secretary shall provide grants or zero interest loans to borrowers under this chapter for the purpose of promoting rural economic development and job creation projects, including funding for project feasibility studies, start-up costs, incubator projects, and other reasonable expenses for the purpose of fostering rural development.

##### (b) Repayments

In the case of zero interest loans, the Secretary shall establish such reasonable repayment terms as will encourage borrower participation.

##### (c) Proceeds

All proceeds from the repayment of such loans made under this section shall be returned to the subaccount that the Secretary shall maintain in accordance with sections 940c(b)(2) and 940c-2(f) of this title.

##### (d) Number of grants

Loans and grants required under this section shall be made to the full extent of the amounts made available under subsection (e).

##### (e) Funding

###### (1) Discretionary funding

In addition to other funds that are available to carry out this section, there is authorized to be appropriated not more than \$10,000,000 for each of fiscal years 2019 through 2023 to carry out this section, to remain available until expended.