RURAL ELECTRIFICATION ACT OF 1936

[As Amended Through P.L. 113–79, Enacted February 07, 2014]

[Act of May 20, 1936]

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Be it enacted by the Senate, and House of Representatives of the United States of America in Congress assembled,

TITLE I

SECTION 1. [7 U.S.C. 901] SHORT TITLE.

This Act may be cited as the "Rural Electrification Act of 1936".

SEC. 2. [7 U.S.C. 902] GENERAL AUTHORITY OF THE SECRETARY OF AGRICULTURE.

(a) LOANS.—The Secretary of Agriculture (referred to in this Act as the "Secretary") is authorized and empowered to make loans in the several States and Territories of the United States for rural electrification and for the purpose of furnishing and improving electric and telephone service in rural areas, as provided in this Act, and for the purpose of assisting electric borrowers to implement demand side management, energy efficiency and conservation programs, and on-grid and off-grid renewable energy systems.

(b) INVESTIGATIONS AND REPORTS.—The Secretary may make, or cause to be made, studies, investigations, and reports regarding matters, including financial, technological, and regulatory matters, affecting the condition and progress of electric, telecommunications, and economic development in rural areas, and publish and disseminate information with respect to the matters.

SEC. 3. [7 U.S.C. 903] AUTHORIZATION OF APPROPRIATIONS.

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

SEC. 4. [7 U.S.C. 904] (a) The Secretary is authorized and empowered, from the sums hereinbefore authorized, to make loans for rural electrification to persons, corporations, States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts and cooperative, nonprofit, or limited-dividend associations organized under the laws of any State or Territory of the United States, for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing and improving of electric service to persons in rural areas, including by assisting electric borrowers to implement demand side management, energy efficiency and conservation programs, and on-grid and off-grid renewable energy systems, and loans, from funds available under section 3, to cooperative associations and municipalities for the purpose of enabling said cooperative associations, and municipalities to the extent that such indebtedness was incurred with respect to electric transmission and distribution lines or systems or portions thereof serving persons in rural areas, to discharge or refinance long-term debts owned by them to the Tennessee Valley Authority on account of loans made or credit extended under the terms of the Tennessee Valley Authority Act of 1933, as amended: *Provided,* That the Secretary, in making such loans, shall give preference to States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts, and cooperative, nonprofit, or limited-dividend associations, the projects of which comply with the requirements of this Act.

(b) Such loans shall be on such terms and conditions relating to the expenditure of the moneys loaned and the security therefor as the Secretary shall determine and may be made payable in whole or in part out of the income, except that no loan for the construction, operation, or enlargement of any generating plant shall be made unless the consent of the State authority having jurisdiction in the premises is first obtained.

(c) DIRECT LOANS.—

(1) DIRECT HARDSHIP LOANS.—Direct hardship loans under this section shall be for the same purposes and on the same terms and conditions as hardship loans made under section 305(c)(1).

(2) OTHER DIRECT LOANS.—All other direct loans under this section shall bear interest at a rate equal to the then current cost of money to the Government of the United States for loans of similar maturity, plus ⅛ of 1 percent.

(d) Loans under this section shall not be made unless the Secretary finds and certifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed.

SEC. 5. [7 U.S.C. 905] FEES FOR CERTAIN LOAN GUARANTEES.

(a) IN GENERAL.—For electrification baseload generation loan guarantees, the Secretary shall, at the request of the borrower, charge an upfront fee to cover the costs of the loan guarantee.

(b) FEE.—The fee described in subsection (a) for a loan guarantee shall be equal to the costs of the loan guarantee (within the meaning of section 502(5)(C) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a(5)(C))).

(c) LIMITATION.—Funds received from a borrower to pay the fee described in this section shall not be derived from a loan or other debt obligation that is made or guaranteed by the Federal Government.

SEC. 6. [7 U.S.C. 906] For the purpose of administering this Act and for the purpose of making the studies, investigations, publications, and reports herein provided for, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as shall be necessary.

SEC. 7. [7 U.S.C. 907] The Secretary is authorized and empowered to bid for and purchase at any foreclosure or other sale, or otherwise to acquire, property pledged or mortgaged to secure any loan made pursuant to this Act; to pay the purchase price and any costs and expenses incurred in connection therewith from the sums authorized in section 3 of this Act; to accept title to any property so purchased or acquired in the name of the United States of America; to operate or lease such property for such period as may be deemed necessary or advisable to protect the investment therein, but not to exceed five years after the acquisition thereof; and to sell such property so purchased or acquired, upon such terms and for such consideration as the Secretary shall determine to be reasonable.

No borrower of funds under section 4 or section 201 shall, without the approval of the Secretary, sell or dispose of its property, rights, or franchises, acquired under the provisions of this

Act, until any loan obtained from the Rural Electrification Administration, including all interest and charges, shall have been repaid.

[Sec. 8 was repealed by Public Law 104–127, sec. 776, 110 Stat. 1150.]

SEC. 9. [7 U.S.C. 909] This Act shall be administered entirely on a nonpartisan basis, and in the appointment of officials, the selection of employees, and in the promotion of any such officials or employees, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. If the Secretary herein provided for is found by the President of the United States to be guilty of a violation of this section, he shall be removed from office by the President, and any appointee or selection of officials or employees made by the Secretary who is found guilty of a violation of this Act shall be removed by the Secretary.

[Sec. 10 was repealed by Public Law 104–127, sec. 777, 110 Stat. 1150.]

SEC. 11. [7 U.S.C. 911] In order to carry out the provisions of this Act the Secretary may accept and utilize such voluntary and uncompensated services of Federal, State, and local officers and employees as are available, and he may without regard to the provisions of civil-service laws applicable to officers and employees of the United States appoint and fix the compensation of attorneys, engineers, and experts, and he may, subject to the civil-service laws, appoint such other officers and employees as he may find necessary and prescribe their duties. The Secretary is authorized, from sums appropriated pursuant to section 6, to make such expenditures (including expenditures for personal services; supplies and equipment; lawbooks and books of reference; directories and periodicals; travel expenses; rental at the seat of government and elsewhere; the purchase, operation, or maintenance of passenger-carrying vehicles; and printing and binding) as are appropriate and necessary to carry out the provisions of this Act.

[Sec. 11A was repealed by Public Law 103–354, sec. 235(a)(5), 105 Stat. 3221.]

SEC. 12. [7 U.S.C. 912] (a) The Secretary is authorized and empowered to extend the time of payment of interest or principal of any loans made by the Secretary pursuant to this Act, except that, with respect to any loan made under section 4 or section 201, the payment of interest or principal shall not be extended more than five years after such payment shall have become due.

(b)(1) Subject to limitations established in appropriations Acts, the Secretary shall permit any borrower to defer the payment of principal and interest on any insured or direct loan made under this Act under circumstances described in this subsection, notwithstanding any limitation contained in subsection (a), except that such deferment shall not be permitted based on the determination of the Secretary of the financial hardship of the borrower.

(2)(A) In the case of deferments made to enable the borrower to provide financing to local businesses, the deferment shall be repaid in equal installments, without the accrual of interest, over the 60-month period beginning on the date of the deferment, and the

total amount of such payments shall be equal to the amount of the payment deferred.

(B) In the case of deferments made to enable the borrower to provide community development assistance, technical assistance to businesses, and for other community, business, or economic development projects not included under subparagraph (A), the deferment shall be repaid in equal installments, without the accrual of interest, over the 120-month period beginning on the date of the deferment, and the total amount of such payments shall be equal to the amount of the payment deferred.

(3)(A) A borrower may defer its debt service payments only in an amount equal to an investment made by such borrower as described in paragraph (2).

(B) The amount of the deferment shall not exceed 50 percent of the total cost of a community or economic development project for which a deferment is provided under this subsection.

(C) The total amount of deferments under this subsection during each of the fiscal years 1990 through 1993 shall not exceed 3 percent of the total payments due during such fiscal year from all borrowers on direct and insured loans made under this Act and shall not exceed 5 percent of such total payments due in each subsequent fiscal year.

(D) At the time of a deferment, the borrower shall make a payment to a cushion of credit account established and maintained pursuant to section 313 in an amount equal to the amount of the payment deferred. The balance of such account shall not be reduced by the borrower below the level of the unpaid balance of the payment deferred. Subject to limitations established in annual appropriations Acts, such cushion of credit amounts and any other cushion of credit and advance payments of any borrower shall be included in the interest differential calculation under section 313(b)(2)(A).

(4) The Secretary shall undertake all reasonable efforts to permit the full amount of deferments authorized by this subsection during each fiscal year.

(c) DEFERMENT OF PAYMENTS ON LOANS.—

(1) IN GENERAL.—The Secretary shall allow borrowers to defer payment of principal and interest on any direct loan made under this Act to enable the borrower to make loans to residential, commercial, and industrial consumers—

(A) to conduct energy efficiency and use audits; and

(B) to install energy efficient measures or devices that reduce the demand on electric systems.

(2) AMOUNT.—The total amount of a deferment under this subsection shall not exceed the sum of the principal and interest on the loans made to a customer of the borrower, as determined by the Secretary.

(3) TERM.—The term of a deferment under this subsection shall not exceed 60 months.

SEC. 13. [7 U.S.C. 913] DEFINITIONS.

In this Act:

(1) FARM.—The term "farm" means a farm, as defined by the Bureau of the Census.

(2) INDIAN TRIBE.—The term "Indian tribe" has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(3) RURAL AREA.—Except as provided otherwise in this Act, the term "rural area" means the farm and nonfarm population of—

(A) any area described in section 343(a)(13)(C) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1991(a)(13)(C)); and

(B) any area within a service area of a borrower for which a borrower has an outstanding loan made under titles I through V as of the date of enactment of this paragraph.

(4) TERRITORY.—The term "territory" includes any insular possession of the United States.

(5) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

SEC. 14. [7 U.S.C. 914] If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby.

[There is no section 15]

SEC. 16. [7 U.S.C. 916] In order to insure coordination of electric generation and transmission financing under this Act with the national energy policy, the Secretary in making or guaranteeing loans for the construction, operation, or enlargement of generating plants or electric transmission lines or systems, shall consider such general criteria consistent with the provisions of this Act as may be published by the Secretary of Energy.

SEC. 17. [7 U.S.C. 917] PROHIBITION ON RESTRICTING WATER AND WASTE FACILITY SERVICES TO ELECTRIC CUSTOMERS.

(a) PROHIBITION.—Assistance under any rural development program administered by the Secretary or any agency of the Department of Agriculture shall not be conditioned on any requirement that the recipient of the assistance accept or receive electric service from any particular utility, supplier, or cooperative.

(b) ENSURING COMPLIANCE.—The Secretary shall establish, by regulation, adequate safeguards to ensure that assistance under any rural development program is not subject to such a condition. The safeguards shall include periodic certifications and audits, and appropriate measures and sanctions against any person violating, or attempting to violate subsection (a).

(c) DEFINITION OF RURAL DEVELOPMENT PROGRAMS.—In this section, the term "rural development program" means the following:

(1) Sections 304(b), 306, 306A, 306C, 306D, 310B, and 375 and subtitle E of the Consolidated Farm and Rural Development Act (7 U.S.C. 1924(b), 1926, 1926a, 1926c, 1926d, and 1932).

(2) Subtitle G of title XVI and sections 2281, 2333, and 2381 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5901–5908, 5177a, 950aaa–2, and 3125b).

(3) Subtitle C of title IX of the Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (Public Law 102–237; 7 U.S.C. 5930 note).

(4) Section 1323(b) of the Food Security Act of 1985 (Public Law 99–198; 7 U.S.C. 1932 note).

(5) Title V and section 603(c) of the Rural Development Act of 1972 (7 U.S.C. 2661–2669 and 2204a(c)).

(6) Sections 5 and 311 and title IV of this Act (7 U.S.C. 905, 940a, and 941–950b).

(d) REGULATIONS.—Not later than 60 days after the date of enactment of the Federal Agriculture Improvement and Reform Act of 1996, the Secretary shall issue final regulations to ensure compliance with subsection (a).

SEC. 18. [7 U.S.C. 918] GENERAL PROHIBITIONS.

(a) NO CONSIDERATION OF BORROWER'S LEVEL OF GENERAL FUNDS.—The Secretary and the Governor of the telephone bank shall not deny or reduce any loan or loan advance under this Act based on a borrower's level of general funds.

(b) LOAN ORIGINATION FEES.—The Secretary and the Governor of the telephone bank may not charge any fee or charge not expressly provided in this Act in connection with any loan made or guaranteed under this Act.

(c) CONSULTANTS.—

(1) IN GENERAL.—To facilitate timely action on applications by borrowers for financial assistance under this Act and for approvals required of the Rural Electrification Administration pursuant to the terms of outstanding loan or security instruments or otherwise, the Secretary may use consultants funded by the borrower, paid for out of the general funds of the borrower, for financial, legal, engineering, and other technical advice and services in connection with the review of the application by the Rural Electrification Administration.

(2) CONFLICTS OF INTEREST.—The Secretary shall establish procedures for the selection and the provision of technical services by consultants to ensure that the consultants have no financial or other conflicts of interest in the outcome of the application of the borrower.

(3) PAYMENT OF COSTS.—The Secretary may not, without the consent of the borrower, require, as a condition of processing an application for approval, that the borrower agree to pay the costs, fees, and expenses of consultants hired to provide technical or advisory services to the Secretary.

(4) CONTRACTS, GRANTS, AND AGREEMENTS.—The Secretary may enter into such contracts, grants, or cooperative agreements as are necessary to carry out this section.

(5) USE OF CONSULTANTS.—Nothing in this subsection shall limit the authority of the Secretary to retain the services of consultants from funds made available to the Secretary or otherwise.

SEC. 19. [7 U.S.C. 918a] ENERGY GENERATION, TRANSMISSION, AND DISTRIBUTION FACILITIES EFFICIENCY GRANTS AND LOANS IN RURAL COMMUNITIES WITH EXTREMELY HIGH ENERGY COSTS.

(a) IN GENERAL.—The Secretary, acting through the Rural Utilities Service, may—

(1) in coordination with State rural development initiatives, make grants and loans to persons, States, political subdivisions of States, and other entities organized under the laws of States to acquire, construct, extend, upgrade, and otherwise improve energy generation, transmission, or distribution facilities serving communities in which the average residential expenditure for home energy is at least 275 percent of the national average residential expenditure for home energy (as determined by the Energy Information Agency using the most recent data available);

(2) make grants and loans to the Denali Commission established by the Denali Commission Act of 1998 (42 U.S.C. 3121 note; Public Law 105–277) to acquire, construct, extend, upgrade, and otherwise improve energy generation, transmission, or distribution facilities serving communities described in paragraph (1); and

(3) make grants to State entities, in existence as of the date of the enactment of this section, to establish and support a revolving fund to provide a more cost-effective means of purchasing fuel where the fuel cannot be shipped by means of surface transportation.

(b) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated to carry out this section $50,000,000 for fiscal year 2001 and such sums as are necessary for each subsequent fiscal year.

(2) LIMITATION ON PLANNING AND ADMINISTRATIVE EXPENSES.—Not more than 4 percent of the amounts made available under paragraph (1) may be used for planning and administrative expenses.

TITLE II

SEC. 201. [7 U.S.C. 922] From such sums as are from time to time made available by the Congress to the Secretary for such purpose, pursuant to section 3 of the Rural Electrification Act of 1936, as amended, the Secretary or is authorized and empowered to make loans to persons now providing or who may hereafter provide telephone service in rural areas, to public bodies now providing telephone service in rural areas and to cooperative, nonprofit, limited dividend, or mutual associations. Except as otherwise provided by this title, such loans shall be made under the same terms and conditions as are provided in section 4 of said Act, for the purpose of financing the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems to furnish and improve telephone service in rural areas: *Provided, however,* That the Secretary, in making such loans, shall give preference to persons providing telephone service in rural areas, to public bodies now providing telephone service in rural areas, and to cooperative, nonprofit, limited dividend, or mutual associations: *And provided*

further, That for a period of one year from and after the effective date of this title applications for loans received by the Secretary from persons who on the effective date of this title are engaged in the operation of existing telephone service in rural areas shall be considered and acted upon before action is taken upon any application received from any other person for any loan to finance the furnishing or improvement of telephone service to substantially the same subscribers. The Secretary in making such loans shall, insofar as possible, obtain assurance that the telephone service to be furnished or improved thereby will be made available to the wildest practical number of rural users. When it is determined by the Secretary to be necessary in order to furnish or improve telephone service in rural areas, such loans may be made for the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems without regard to their geographical location. The Secretary is further authorized and empowered to make loans for the purpose of refinancing outstanding indebtedness of persons furnishing telephone service in rural areas: *Provided,* That such refinancing shall be determined by the Secretary to be necessary in order to furnish and improve telephone service in rural areas: *And provided further,* That such refinancing shall constitute not more than 40 per centum of any loan made under this title. Loans under this section shall not be made unless the Secretary finds and centifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed, nor shall such loan be made in any State which now has or may hereafter have a State regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained. In a State in which there is no such agency or regulatory body legally authorized to issue such certificates to the applicant, no loan shall be made under this section unless the Secretary shall determine (and set forth his reasons therefor in writing) that no duplication of lines, facilities, or systems, providing reasonably adequate services will result therefrom.

SEC. 202. [7 U.S.C. 923] Nothing contained in this Act shall be construed to deprive any State commission, board, or other agency of jurisdiction, under any State law, now or hereafter effective, to regulate telephone service which is not subject to regulation by the Federal Communications Commission, under the Communications Act of 1934, including the rates for such service.

SEC. 203. [7 U.S.C. 924] (a) As used in this title, the term "telephone service" shall be deemed to mean any communication service for the transmission or reception of voice, data, sounds, signals, pictures, writing, or signs of all kinds by wire, fiber, radio, light, or other visual or other visual or electromagnetic means and shall include all telephone lines, facilities, or systems used in the rendition of such service; but shall not be deemed to mean message telegram service or community antenna television system services or facilities other than those intended exclusively for educational purposes, or radio broadcasting services or facilities within the meaning of section 3(o) of the Communications Act of 1934, as amended.

(b) As used in this title, the term "rural area" shall be deemed to mean any area of the United States not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population in excess of 5,000 inhabitants.

SEC. 204. [7 U.S.C. 925] LOAN FEASIBILITY.

The Secretary and the Governor of the telephone bank may not, as a condition of making a telephone loan to an applicant therefor, require the applicant to—

(1) increase the rates charged to the applicant's customers or subscribers; or

(2) increase the applicant's ratio of—

(A) net income or margins before interest; to

(B) the interest requirements on all of the applicant's outstanding and proposed loans.

SEC. 205. [7 U.S.C. 926] CERTAIN RURAL DEVELOPMENT INVESTMENTS BY QUALIFIED TELEPHONE BORROWERS NOT TREATED AS DIVIDENDS OR DISTRIBUTIONS.

(a) IN GENERAL.—The Secretary and the Governor of the telephone bank shall not—

(1) treat any amount invested by any qualified telephone borrower for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee, or advance made to, an affiliated company of the borrower, that is used by such company for such a purpose) as a dividend or distribution of capital to the extent that, immediately after such investment, the aggregate of such investments does not exceed ⅓ of the net worth of the borrower; or

(2) require a qualified telephone borrower to obtain the approval of the Secretary or the Governor of the telephone bank in order to make an investment described in paragraph (1).

(b) QUALIFIED TELEPHONE BORROWER DEFINED.—As used in subsection (a), the term "qualified telephone borrower" means a person—

(1) to whom a telephone loan has been made or guaranteed under this Act; and

(2) whose net worth is at least 20 percent of the total assets of such person.

SEC. 206. [7 U.S.C. 927] GENERAL DUTIES AND PROHIBITIONS.

(a) DUTIES.—The Secretary and the Governor of the telephone bank shall—

(1) notwithstanding section 553(a)(2) of title 5, United States Code, cause to be published in the Federal Register, in accordance with subsections (b) through (e) of section 553 of such title, all rules, regulations, bulletins, and other written policy standards governing the operations of the telephone loan and loan guarantee programs administered under this Act other than those relating to agency management and personnel;

(2) in evaluating the feasibility of a telephone loan to be made to a borrower for telephone services, use—

(A) with respect to items for which the regulatory authority with jurisdiction over the provision of such services

has approved the depreciation rates used by the borrower, such approved rates; and

(B) with respect to other items, the average of the depreciation rates used by borrowers of telephone loans made under this Act;

(3) annually determine and publish the average described in paragraph (2)(B); and

(4) make loans for all purposes for which telephone loans are authorized under section 201 or 408, to the extent of qualifying applications therefor.

(b) PROHIBITIONS.—The Secretary and the Governor of the telephone bank shall not—

(1) rescind an insured telephone loan, or a Rural Telephone Bank loan, made under this Act without the consent of the borrower, unless all of the purposes for which telephone loans have been made to the borrower under this Act have been accomplished with funds provided under this Act;

(2) regulate the order or sequence of advances of funds under telephone loans made under this Act to any borrower who has received any combination of telephone loans from the Secretary, the Rural Telephone Bank, or the Federal Financing Bank; or

(3) deny a loan or advance to, or take any other adverse action against, an applicant for, or a borrower of, a telephone loan under this Act for any reason that is not based on a rule, regulation, bulletin, or other written policy standard that has not been published pursuant to section 553 of title 5, United States Code.

SEC. 207. [7 U.S.C. 928] PROMPT PROCESSING OF TELEPHONE LOANS.

Within ten days after the end of the second and fourth calendar quarters of each year, the Secretary shall submit to the Committee on Agriculture and the Committee on Appropriations of the House of Representatives, and to the Committee on Agriculture, Nutrition, and Forestry and the Committee on Appropriations of the Senate, a report—

(1) identifying each completed application for a telephone loan under section 305, a guarantee of a telephone loan under section 306, or a loan under section 408, that has not been finally acted upon within ninety days after the date the completed application is submitted; and

(2) stating the reasons for the failure to finally act upon the completed applications within such ninety-day period.

TITLE III

SEC. 301. [7 U.S.C. 931] RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND.—There is hereby established in the Treasury of the United States a fund, to be known as the Rural Electrification and Telephone Revolving Fund (hereinafter referred to as the "Fund"), consisting of:

(1) all notes, bonds, obligations, liens, mortgages, and property delivered or assigned to the Secretary pursuant to loans heretofore or hereafter made under sections 4, 5, and 201 of this Act and under this title, as of the effective date of this

title, as revised herein, and all proceeds from the sales hereunder of such notes, bonds, obligations, liens, mortgages, and property, which shall be transferred to and be assets of the fund;

(2) undisbursed balances of electric and telephone loans made under sections 4, 5, and 201, which as of the effective date of this title, as revised herein, shall be transferred to and be assets of the fund;

(3) all collections of principal and interest received on and after July 1, 1972, on notes, bonds, judgments, or other obligations made or held under titles I and II of this Act and under this title, except for net collection proceeds previously appropriated for the purchase of class A stock in the Rural Telephone Bank, which shall be paid into and be assets of the fund;

(4) all appropriations for interest subsidies and losses required under this title which may hereafter be made by the Congress and the unobliged balances of any funds made available for loans under the item "Rural Electrification Administration" in the Department of Agriculture and Agriculture-Environmental and Consumer Protection Appropriations Acts;

(5) moneys borrowed from the Secretary of the Treasury pursuant to section 304(a); and

(6) shares of the capital stock of the Rural Telephone Bank purchased by the United States pursuant to section 406(a) of this Act and moneys received from said bank upon retirement of said shares of stock in accordance with the provisions of title IV of this Act, when said shares and moneys shall be assets of the fund.

SEC. 302. [7 U.S.C. 932] LIABILITIES AND USES OF FUND.—(a) The Notes of the Secretary to the Secretary of the Treasury to obtain funds for loans under sections 4, 5, and 201 of this Act, and all other liabilities against the appropriations or assets in the fund in connection with electrification and telephone loan operations shall be liabilities of the fund, and all other obligations against such appropriations or assets in the fund arising out of electrification and telephone loan operations shall be obligations of the fund.

(b) The assets of the fund shall be available only for the following purposes:

(1) loans which could be insured under this title, and for advances in connection with such loans and loans previously made, as of the effective date of this title, as revised herein, under sections 4, 5 and 201 of this Act;

(2) payment of principal when due (without interest) on outstanding loans to the Secretary from the Secretary of the Treasury for electrification and telephone purposes and payment of principal and interest when due on loans to the Secretary from the Secretary of the Treasury pursuant to section 304(a) of this title;

(3) payment of amounts to which the holder of notes is entitled on insured loans: *Provided,* That payments other than final payments need not be remitted to the holder until due or until the next agreed annual, semiannual, or quarterly remittance date;

(4) payment to the holder of insured notes of any defaulted installment or, upon assignment of the note to the Secretary at his request, the entire balance due on the note;

(5) purchase of notes in accordance with contracts of insurance entered into by the Secretary;

(6) payment in compliance with contracts of guarantee;

(7) payment of taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application, and transmittal of collections or necessary to obtain credit reports on applicants or borrowers, expenses for necessary services, including construction inspections, commercial appraisals, loan servicing consulting business advisory or other commercial and technical services, and other program services, and other expenses and a advances authorized in section 7 of this Act in connection with insured loans. Such items may be paid in connection with guaranteed loans after or in connection with the acquisition of such loans or security thereof after default, to the extent determined to be necessary to protect the interest of the Government, or in connection with any other activity authorized in this Act;

(8) payment of the purchase price and costs and expenses incurred in connection with the purchase, acquisition, or operation of property pursuant to section 7 of this Act.

(c)(1) The Secretary shall maintain two separate accounts within the fund, which shall be known as the electric account and the telephone account, respectively.

(2)(A) The Secretary shall account for the assets, liabilities, income, expenses, and equity of the fund attributable to electrification loan operations in the electric account.

(B) The Secretary shall account for the assets, liabilities, income, expenses, and equity of the fund attributable to telephone loan operations in the telephone account.

(3)(A) The assets accounted for in the electric account shall be available solely for electrification loan operations under this Act.

(B) The assets accounted for in the telephone account shall be available solely for telephone loan operations under this Act (other than under title IV).

SEC. 303. [7 U.S.C. 933] DEPOSIT OF FUND MONEYS.—Moneys in the fund shall remain on deposit in the Treasury of the United States until disbursed.

SEC. 304. [7 U.S.C. 934] FINANCIAL TRANSACTIONS OF FUNDS—(a) The Secretary is authorized to make and issue interim notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations of the fund and for making loans, advances and authorized expenditures out of the fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be agreed upon by the Secretary and the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the notes issued by the Secretary under this section. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary

issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which such securities may be issued under such Act, as amended, are extended to include the purchase of notes issued by the Secretary. All redemptions, purchase, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States: *Provided, however,* That such interim notes to the Secretary of the Treasury shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

(b) The Secretary of the Treasury is authorized and directed to purchase for resale obligations insured through the fund when offered by the Secretary. Such resales shall be upon such terms and conditions as the Secretary of the Treasury shall determine. Purchases and resales by the Secretary of the Treasury hereunder shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

(c) The Secretary may, on an insured basis or otherwise, sell and assign any notes in the fund or sell certificates of beneficial ownership therein to the Secretary of the Treasury or in the private market. Any sale by the Secretary of notes individually or in blocks shall be treated as a sale of assets for the purposes of the Budget and Accounting Act, 1921, notwithstanding the fact that the Secretary, under an agreement with the purchaser or purchasers, holds the debt instruments evidencing the loans and holds or reinvests payments thereon as trustee and custodian for the purchaser or purchasers of the individual note or of the certificate of beneficial ownership in a number of such notes. Security instruments taken by the Secretary in connection with any notes in the fund may constitute liens running to the United States notwithstanding the fact that such notes may be thereafter held by purchasers thereof.

SEC. 305. [7 U.S.C. 935] INSURED LOANS; INTEREST RATES AND LENDING LEVELS.

(a) IN GENERAL.—The Secretary is authorized to make insured loans under this title and at the interest rates hereinafter provided to the full extent of the assets available in the fund, subject only to limitations as to amounts authorized for loans and advances as may be from time to time imposed by the Congress of the United States for loans to be made in any one year, which amounts shall remain available until expended: *Provided,* That the Congress in the annual appropriation Act may also authorize the transfer of any excess cash in the fund for deposit into the Treasury as miscellaneous receipts: *And provided further,* That any such loans and advances shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

(b) INSURED LOANS.—Loans made under this section shall be insured by the Secretary when purchased by a lender. As used in this Act, an insured loan is one which is made, held, and serviced by the Secretary, and sold and insured by the Secretary hereunder; such loans shall be sold and insured by the Secretary without undue delay.

(c) INSURED ELECTRIC LOANS.—

(1) HARDSHIP LOANS.—

(A) IN GENERAL.—The Secretary shall make insured electric loans, to the extent of qualifying applications for the loans, at an interest rate of 5 percent per year to any applicant for a loan who meets each of the following requirements:

(i) The average revenue per kilowatt-hour sold by the applicant is not less than 120 percent of the average revenue per kilowatt-hour sold by all utilities in the State in which the applicant provides service.

(ii) The average residential revenue per kilowatt-hour sold by the applicant is not less than 120 percent of the average residential revenue per kilowatt-hour sold by all utilities in the State in which the applicant provides service.

(iii) The average per capita income of the residents receiving electric service from the applicant is less than the average per capita income of the residents of the State in which the applicant provides service, or the median household income of the households receiving electric service from the applicant is less than the median household income of the households in the State.

(B) SEVERE HARDSHIP LOANS.—In addition to hardship loans that are made under subparagraph (A), the Secretary may make an insured electric loan at an interest rate of 5 percent per year to an applicant for a loan if, in the sole discretion of the Secretary, the applicant has experienced a severe hardship.

(C) LIMITATION.—Except as provided in subparagraph (D), the Secretary may not make a loan under this paragraph to an applicant for the purpose of furnishing or improving electric service to a consumer located in an urban area (as defined by the Bureau of the Census) if the average number of consumers per mile of line of the total electric system of the applicant exceeds 17.

(D) EXTREMELY HIGH RATES.—In addition to hardship loans that are made under subparagraphs (A) and (B), the Secretary shall make insured electric loans, to the extent of qualifying applications for the loans, at an interest rate of 5 percent per year to any applicant for a loan whose residential revenue exceeds 15.0 cents per kilowatt-hour sold. A qualifying application from such an applicant for the purpose of furnishing or improving electric service to a consumer located outside of an urbanized area shall not be subject to the conditions or limitation of subparagraph (A) or (C).

(2) MUNICIPAL RATE LOANS.—

(A) IN GENERAL.—The Secretary shall make insured electric loans, to the extent of qualifying applications for the loans, at the interest rate described in subparagraph (B) for the term or terms selected by the applicant pursuant to subparagraph (C).

(B) INTEREST RATE.—

(i) IN GENERAL.—Subject to clause (ii), the interest rate described in this subparagraph on a loan to a qualifying applicant shall be—

(I) the interest rate determined by the Secretary to be equal to the current market yield on outstanding municipal obligations with remaining periods to maturity similar to the term selected by the applicant pursuant to subparagraph (C), but not greater than the rate determined under section 307(a)(3)(A) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1927(a)(3)(A)) that is based on the current market yield on outstanding municipal obligations; plus

(II) if the applicant for the loan makes an election pursuant to subparagraph (D) to include in the loan agreement the right of the applicant to prepay the loan, a rate equal to the amount by which—

(aa) the interest rate on commercial loans for a similar period that afford the borrower such a right; exceeds

(bb) the interest rate on commercial loans for the period that do not afford the borrower such a right.

(ii) MAXIMUM RATE.—The interest rate described in this subparagraph on a loan to an applicant for the loan shall not exceed 7 percent if—

(I) the average number of consumers per mile of line of the total electric system of the applicant is less than 5.50; or

(II)(aa) the average revenue per kilowatt-hour sold by the applicant is more than the average revenue per kilowatt-hour sold by all utilities in the State in which the applicant provides service; and

(bb) the average per capita income of the residents receiving electric service from the applicant is less than the average per capita income of the residents of the State in which the applicant provides service, or the median household income of the households receiving electric service from the applicant is less than the median household income of the households in the State.

(iii) EXCEPTION.—Clause (ii) shall not apply to a loan to be made to an applicant for the purpose of furnishing or improving electric service to consumers located in an urban area (as defined by the Bureau of

the Census) if the average number of consumers per mile of line of the total electric system of the applicant exceeds 17.

(C) LOAN TERM.—

(i) IN GENERAL.—Subject to clause (ii), the applicant for a loan under this paragraph may select the term for which an interest rate shall be determined pursuant to subparagraph (B), and, at the end of the term (and any succeeding term selected by the applicant under this subparagraph), may renew the loan for another term selected by the applicant.

(ii) MAXIMUM TERM.—

(I) APPLICANT.—The applicant may not select a term that ends more than 35 years after the beginning of the first term the applicant selects under clause (i).

(II) SECRETARY.—The Secretary may prohibit an applicant from selecting a term that would result in the total term of the loan being greater than the expected useful life of the assets being financed.

(D) CALL PROVISION.—The Secretary shall offer any applicant for a loan under this paragraph the option to include in the loan agreement the right of the applicant to prepay the loan on terms consistent with similar provisions of commercial loans.

(3) OTHER SOURCE OF CREDIT NOT REQUIRED IN CERTAIN CASES.—The Secretary may not require any applicant for a loan made under this subsection who is eligible for a loan under paragraph (1) to obtain a loan from another source as a condition of approving the application for the loan or advancing any amount under the loan.

(d) INSURED TELEPHONE LOANS.—

(1) HARDSHIP LOANS.—

(A) IN GENERAL.—The Secretary shall make insured telephone loans, to the extent of qualifying applications for the loans, at an interest rate of 5 percent per year, to any applicant who meets each of the following requirements:

(i) The average number of subscribers per mile of line in the service area of the applicant is not more than 4.

(ii) The applicant is capable of producing net income or margins before interest of not less than 100 percent (but not more than 300 percent) of the interest requirements on all of the outstanding and proposed loans of the applicant.

(iii) The Secretary has approved a telecommunications modernization plan for the State under paragraph (3) and, if the plan was developed by telephone borrowers under this title, the applicant is a participant in the plan.

(iv) The average number of subscribers per mile of line in the area included in the proposed loan is not more than 17.

(B) AUTHORITY TO WAIVE TIER REQUIREMENT.—The Secretary may waive the requirement of subparagraph (A)(ii) in any case in which the Secretary determines (and sets forth the reasons for the waiver in writing) that the requirement would prevent emergency restoration of the telephone system of the applicant or result in severe hardship to the applicant.

(C) EFFECT OF LACK OF FUNDS.—On request of any applicant who is eligible for a loan under this paragraph for which funds are not available, the applicant shall be considered to have applied for a loan under title IV.

(2) COST-OF-MONEY LOANS.—

(A) IN GENERAL.—The Secretary may make insured telephone loans for the acquisition, purchase, and installation of telephone lines, systems, and facilities (other than buildings used primarily for administrative purposes, vehicles not used primarily in construction, and customer premise equipment) related to the furnishing, improvement, or extension of rural telecommunications service, at an interest rate equal to the then current cost of money to the Government of the United States for loans of similar maturity, but not more than 7 percent per year, to any applicant for a loan who meets the following requirements:

(i) The average number of subscribers per mile of line in the service area of the applicant is not more than 15, or the applicant is capable of producing net income or margins before interest of not less than 100 percent (but not more than 500 percent) of the interest requirements on all of the outstanding and proposed loans of the applicant.

(ii) The Secretary has approved a telecommunications modernization plan for the State under paragraph (3) and, if the plan was developed by telephone borrowers under this title, the applicant is a participant in the plan.

(B) CONCURRENT LOAN AUTHORITY.—On request of any applicant for a loan under this paragraph during any fiscal year, the Secretary shall—

(i) consider the application to be for a loan under this paragraph and a loan under section 408; and

(ii) if the applicant is eligible for a loan, make a loan to the applicant under this paragraph in an amount equal to the amount that bears the same ratio to the total amount of loans for which the applicant is eligible under this paragraph and under section 408, as the amount made available for loans under this paragraph for the fiscal year bears to the total amount made available for loans under this paragraph and under section 408 for the fiscal year.

(C) EFFECT OF LACK OF FUNDS.—On request of any applicant who is eligible for a loan under this paragraph for which funds are not available, the applicant shall be considered to have applied for a loan guarantee under section 306.

(3) STATE TELECOMMUNICATIONS MODERNIZATION PLANS.—

(A) APPROVAL.—If, not later than 1 year after final regulations are promulgated to carry out this paragraph, any State, either by statute or through the public utility commission of the State, develops a telecommunications modernization plan that meets the requirements of subparagraph (B), the Secretary shall approve the plan for the State. If a State does not develop a plan in accordance with the requirements of the preceding sentence, the Secretary shall approve any telecommunications modernization plan for the State that meets the requirements that is developed by a majority of the borrowers of telephone loans made under this title who are located in the State.

(B) REQUIREMENTS.—For purposes of subparagraph (A), a telecommunications modernization plan must, at a minimum, meet the following objectives:

(i) The plan must provide for the elimination of party line service.

(ii) The plan must provide for the availability of telecommunications services for improved business, educational, and medical services.

(iii) The plan must encourage and improve computer networks and information highways for subscribers in rural areas.

(iv) The plan must provide for—

(I) subscribers in rural areas to be able to receive through telephone lines—

(aa) conference calling;

(bb) video images; and

(cc) data at a rate of at least 1,000,000 bits of information per second; and

(II) the proper routing of information to subscribers.

(v) The plan must provide for uniform deployment schedules to ensure that advanced services are deployed at the same time in rural and nonrural areas.

(vi) The plan must provide for such additional requirements for service standards as may be required by the Secretary.

(C) FINALITY OF APPROVAL.—A telecommunications modernization plan approved under subparagraph (A) may not subsequently be disapproved. Notwithstanding paragraphs (1)(A)(iii) and (2)(A)(iii), and section 408(b)(4)(C), the Secretary and the Governor of the telephone bank may make a loan to a borrower serving a State that does not have a telecommunication modernization plan approved by the Secretary if the loan is made less than 1 year after the Secretary has adopted final regulations implementing this paragraph.

SEC. 306. [7 U.S.C. 936] GUARANTEED LOANS; ACCOMMODATION AND SUBORDINATION OF LIENS.—The Secretary may provide financial assistance to borrowers for purposes provided in the Rural Electrification Act of 1936, as amended, by guaranteeing loans, in the full amount thereof, made by the Rural Telephone Bank, Na-

tional Rural Utilities Cooperative Finance Corporation, and any other legally organized lending agency, or by accommodating or subordinating liens or mortgages in the fund held by the Secretary as owner or as trustee or custodian for purchases of notes from the fund, or by any combination of such guarantee, accommodation, or subordination. The Secretary shall not provide such assistance to any borrower of a telephone loan under this Act unless the borrower specifically applies for such assistance. No fees or charges shall be assessed for any such accommodation or subordination. Guaranteed loans shall bear interest at the rate agreed upon by the borrower and the lender. Guaranteed loans, and accommodation and subordination of liens or mortgages, may be made concurrently with an insured loan. The amount of guaranteed loans shall be subject only to such limitations as to amounts as may be authorized from time to time by the Congress of the United States: *Provided,* That any amounts guaranteed hereunder shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States. As used in this title a guaranteed loan is one which is initially made, held, and serviced by a legally organized lending agency and which is guaranteed by the Secretary hereunder. A guaranteed loan, including the related guarantee, may be assigned to the extent provided in the contract of guarantee executed by the Secretary under this title; the assignability of such loan and guarantee shall be governed exclusively by said contract of guarantee.

SEC. 306A. [7 U.S.C. 936a] PREPAYMENT OF LOANS.

(a) Except as provided in subsection (c), a borrower of a loan made by the Federal Financing Bank and guaranteed under section 306 of this Act 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) 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)(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)(1) The Secretary shall permit, subject to subsection (a), prepayment 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) Any guarantee of a loan prepaid under this section shall be fully assignable under the provisions of section 306 of this Act and transferable. However, the Secretary may require that any such guarantee, if transferred 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.

SEC. 306B. [7 U.S.C. 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 Act 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 Act, 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 assistance under this Act in the same manner as other borrowers, except that—

(i) a borrower that has prepaid a loan, either before or after the date of enactment of this subsection, at a discount rate as provided by paragraph (3), shall not be eligible, except at the discretion of the Secretary, to apply for or receive direct or insured loans under this Act during the 120-month period beginning on the date of the prepayment; and

(ii) a borrower that prepaid a loan before the date of enactment of this subsection at a discount rate greater than that provided by paragraph (3), shall not be eligible—

(I) except at the discretion of the Secretary, to apply for or receive direct or insured loans described in clause (i) during the 180-month period beginning on the date of the prepayment; or

(II) to apply for or receive direct or insured loans described in clause (i) until the borrower has repaid to the Federal Government the sum of—

(aa) the amount (if any) by which the discount the borrower received by reason of the prepayment exceeds the discount the borrower would have received had the discount been based on the cost of funds to the Department of the Treasury at the time of the prepayment; and

(bb) interest on the amount described in item (aa), for the period beginning on the date of the prepayment and ending on the date of the repayment, at a rate equal to the average annual cost of borrowing by the Department of the Treasury.

(B) EFFECT ON EXISTING AGREEMENTS.—If a borrower and the Secretary have entered into an agreement with respect to a prepayment occurring before the date of enactment of this subsection, this paragraph shall supersede any provision in the agreement relating to the restoration of eligibility for loans under this Act.

(C) DISTRIBUTION BORROWERS.—A distribution borrower not in default on the repayment of loans made or insured under this Act shall be eligible for discounted prepayment as provided in this subsection. For the purpose of determining eligibility for discounted prepayment under this subsection or eligibility for assistance under this Act, a default by a borrower from which a distribution borrower purchases wholesale power shall not be considered a default by the distribution borrower.

(6) DEFINITIONS.—As used in this subsection:

(A) DIRECT LOAN.—The term "direct loan" means a loan made under section 4.

(B) INSURED LOAN.—The term "insured loan" means a loan made under section 305.

(b) MERGERS OF ELECTRIC BORROWERS.—Notwithstanding subsection (a), a direct or insured loan may be prepaid by an electric borrower at the lesser of the outstanding principal balance due

thereon or the present value thereof discounted from the face value at maturity at the rate set by the Secretary if the borrower is an electrical organization which resulted from a merger or consolidation between a borrower and an organization which, prior to October 1, 1987, prepaid its direct or insured loans pursuant to this section. Prepayments by a borrower hereunder shall be made not later than one year after the effective date of the merger, consolidation, or other transaction. The discount rate to be set by the Secretary for direct or insured loans prepayments hereunder shall be based on the current cost of funds to the Department of the Treasury for obligations of comparable maturity to those being prepaid. If a borrower prepays using tax exempt financing, the discount shall be adjusted to make the discount equivalent to 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 which are reasonable and necessary to implement this provision. As used in this section, the term "direct loan" means a loan made under section 4.

SEC. 306C. [7 U.S.C. 936c] REFINANCING AND PREPAYMENT OF FFB LOANS.

(a) IN GENERAL.—A borrower of a loan made by the Federal Financing Bank and guaranteed under section 306 may, at the option of the borrower, refinance or prepay the loan or an advance on the loan, or any portion of the loan or advance.

(b) PENALTY.—

(1) DETERMINATION OF PENALTY.—A penalty shall be assessed against a borrower that refinances or prepays a loan or loan advance, or any portion of a loan or advance, under this section. Except as provided in paragraph (2), the penalty shall be equal to the lesser of—

(A) the difference between the outstanding principal balance of the loan being refinanced and the present value of the loan discounted at a rate equal to the then current cost of funds to the Department of the Treasury for obligations of comparable maturity to the loan being refinanced or prepaid;

(B) 100 percent of the amount of interest for 1 year on the outstanding principal balance of the loan or loan advance, or any portion of the loan or advance, being refinanced, multiplied by the ratio that—

(i) the number of quarterly payment dates between the date of the refinancing or prepayment and the maturity date for the loan advance; bears to

(ii) the number of quarterly payment dates between the first quarterly payment date that occurs 12 years after the end of the year in which the amount being refinanced was advanced and the maturity date of the loan advance; and

(C)(i) the present value of 100 percent of the amount of interest for 1 year on the outstanding principal balance of the loan or loan advance, or any portion of the loan or advance, being refinanced or prepaid; plus

(ii) for the interval between the date of the refinancing or prepayment and the first quarterly payment date that

occurs 12 years after the end of the year in which the amount being refinanced or prepaid was advanced, the present value of the difference between—

(I) each payment scheduled for the interval on the loan amount being refinanced or prepaid; and

(II) the payment amounts that would be required during the interval on the amounts being refinanced or prepaid if the interest rate on the loan were equal to the then current cost of funds to the Department of the Treasury for obligations of comparable maturity to the loan being refinanced or prepaid.

(2) LIMITATION.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the penalty provided by paragraph (1)(A) shall be required for refinancing or prepayment under this section.

(B) EXCEPTION.—In the case of a loan advanced under an agreement that permits the refinancing or prepayment of the loan advance based on the payment of 1 year of interest on the outstanding principal balance of the loan advance, a borrower may, in lieu of the penalty required by paragraph (1)(A), pay a penalty as provided by—

(i) paragraph (1)(B), if the loan advance has reached the 12-year maturity required under the loan agreement for the refinancing or prepayment; or

(ii) paragraph (1)(C), if the loan advance has not reached the 12-year maturity required under the loan agreement for the refinancing or prepayment.

(3) FINANCING OF PENALTY.—

(A) IN GENERAL.—In the case of a refinancing under this section, a borrower may, at the option of the borrower, meet the penalty requirements of paragraph (1) by—

(i) making a payment in the amount of the required penalty at the time of the refinancing; or

(ii) increasing the outstanding principal balance of the loan advance guaranteed by the Secretary that is being refinanced under this section by the amount of the penalty.

(B) INCREASED PRINCIPAL.—If a borrower meets the penalty requirements of paragraph (1) by increasing the outstanding principal balance of the loan advance that is being refinanced, the borrower shall make a payment at the time of the refinancing equal to 2.5 percent of the amount of the penalty that is added to the outstanding principal balance of the loan.

(c) LOAN TERMS AND CONDITIONS AFTER REFINANCING.—

(1) IN GENERAL.—On the payment of a penalty as provided by subsection (b), the loan or loan advance, or any portion of the loan or advance, shall be refinanced at the interest rate described in paragraph (2) for a term selected by the borrower pursuant to paragraph (3), except that this paragraph shall not apply if the loan advance, or any portion of the advance, is prepaid by the borrower.

(2) INTEREST RATE.—The interest rate on a loan refinanced under this section shall be determined to be equal to the then

current cost of funds to the Department of the Treasury for obligations of comparable maturity to a term selected by the borrower pursuant to paragraph (3), except that such rate shall not be greater than 7 percent per year, subject to subsection (d).

(3) LOAN TERM.—Subject to paragraph (4), the borrower of a loan that is refinanced under this section—

(A) shall select the term for which an interest rate shall be determined pursuant to paragraph (2); and

(B) at the end of the term (and any succeeding term selected by the borrower under this paragraph), may renew the loan for another term selected by the borrower.

(4) MAXIMUM TERM.—The borrower may not select a term pursuant to paragraph (3) that ends after the maturity date set for the loan before the refinancing of the loan under this section.

(5) EXISTING LOANS.—In the case of the refinancing of a loan of a borrower pursuant to this section and the inclusion of a penalty in the outstanding principal balance of the refinanced loan pursuant to subsection (b)(3)—

(A) the refinancing and inclusion of the penalty shall not be subject to appropriations or limited by the amount provided during a fiscal year for new loans, loan guarantees, or other credit activity;

(B) the request of the borrower for the refinancing under this section may not be denied or delayed; and

(C) the borrower may not be limited in the selection of any refinancing or prepayment option provided by this section to the borrower.

(d) MAXIMUM RATE OPTION.—

(1) IN GENERAL.—Except as provided in paragraphs (2), (3), and (4), a borrower of a loan or loan advance, or any portion of the loan or advance, that is refinanced under this section shall have the option of ensuring that the interest rate on such loan, loan advance, or portion thereof does not exceed 7 percent per year.

(2) LIMITATION.—A borrower may not exercise the option under paragraph (1) in the case of a loan or loan advance, or portion thereof, if the total amount of such loans for which such option would be exercised exceeds 50 percent of the outstanding principal balance of the loans made to such borrower and guaranteed under section 306.

(3) FEE.—A borrower that exercises the maximum rate option under paragraph (1) shall, at the time of exercising such option, pay a fee equal to 1 percent of the outstanding principal balance of such loan or loan advance, or portion thereof, for which such option is exercised. Such fee shall be in addition to the penalties and other payments required under subsection (b).

(4) SUNSET.—The option provided under paragraph (1) shall not be available in the case of any loan or loan advance, or portion thereof, unless a written request to exercise such option is sent to the Secretary not later than 1 year after the ef-

fective date of regulations issued to carry out the Rural Electrification Loan Restructuring Act of 1993.

SEC. 306D. [7 U.S.C. 936d] ELIGIBILITY OF DISTRIBUTION BORROWERS FOR LOANS, LOAN GUARANTEES, AND LIEN ACCOMMODATIONS.

For the purpose of determining the eligibility of a distribution borrower not in default on the repayment of a loan made or guaranteed under this Act for a loan, loan guarantee, or lien accommodation under this title, a default by a borrower from which the distribution borrower purchases wholesale power shall not—

(1) be considered a default by the distribution borrower;

(2) reduce the eligibility of the distribution borrower for assistance under this Act; or

(3) be the cause, directly or indirectly, of imposing any requirement or restriction on the borrower as a condition of the assistance, except such requirements or restrictions as are necessary to implement a debt restructuring agreed on by the power supply borrower and the Government.

SEC. 306E. [7 U.S.C. 936e] ADMINISTRATIVE PROHIBITIONS APPLICABLE TO CERTAIN ELECTRIC BORROWERS.

(a) IN GENERAL.—For the purpose of relieving borrowers of unnecessary and burdensome requirements, the Secretary, guided by the practices of private lenders with respect to similar credit risks, shall issue regulations, applicable to any electric borrower under this Act whose net worth exceeds 110 percent of the outstanding principal balance on all loans made or guaranteed to the borrower by the Secretary, to minimize those approval rights, requirements, restrictions, and prohibitions that the Secretary otherwise may establish with respect to the operations of such a borrower.

(b) SUBORDINATION OR SHARING OF LIENS.—At the request of a private lender providing financing to such a borrower for a capital investment, the Secretary shall, expeditiously, either offer to share the government's lien on the borrower's system or offer to subordinate the government's lien on that property financed by the private lender.

(c) ISSUANCE OF REGULATIONS.—In issuing regulations implementing this section, the Secretary may establish requirements, guided by the practices of private lenders, to ensure that the security for any loan made or guaranteed under this Act is reasonably adequate.

(d) AUTHORITY OF THE SECRETARY.—Nothing in this section limits the authority of the Secretary to establish terms and conditions with respect to the use by borrowers of the proceeds of loans made or guaranteed under this Act or to take any other action specifically authorized by law.

SEC. 306F. [7 U.S.C. 936f] SUBSTANTIALLY UNDERSERVED TRUST AREAS.

(a) DEFINITIONS.—In this section:

(1) ELIGIBLE PROGRAM.—The term "eligible program" means a program administered by the Rural Utilities Service and authorized in—

(A) this Act; or

(B) paragraph (1), (2), (14), (22), or (24) of section 306(a) or section 306A, 306C, 306D, or 306E of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a), 1926a, 1926c, 1926d, 1926e).

(2) SUBSTANTIALLY UNDERSERVED TRUST AREA.—The term "substantially underserved trust area" means a community in "trust land" (as defined in section 3765 of title 38, United States Code) with respect to which the Secretary determines has a high need for the benefits of an eligible program.

(b) INITIATIVE.—The Secretary, in consultation with local governments and Federal agencies, may implement an initiative to identify and improve the availability of eligible programs in communities in substantially underserved trust areas.

(c) AUTHORITY OF SECRETARY.—In carrying out subsection (b), the Secretary—

(1) may make available from loan or loan guarantee programs administered by the Rural Utilities Service to qualified utilities or applicants financing with an interest rate as low as 2 percent, and with extended repayment terms;

(2) may waive nonduplication restrictions, matching fund requirements, or credit support requirements from any loan or grant program administered by the Rural Utilities Service to facilitate the construction, acquisition, or improvement of infrastructure;

(3) may give the highest funding priority to designated projects in substantially underserved trust areas; and

(4) shall only make loans or loan guarantees that are found to be financially feasible and that provide eligible program benefits to substantially underserved trust areas.

(d) REPORT.—Not later than 1 year after the date of enactment of this section and annually thereafter, the Secretary shall submit to Congress a report that describes—

(1) the progress of the initiative implemented under subsection (b); and

(2) recommendations for any regulatory or legislative changes that would be appropriate to improve services to substantially underserved trust areas.

SEC. 307. [7 U.S.C. 937] OTHER FINANCING.—When it appears to the Secretary that the loan applicant is able to obtain a loan for part of his credit needs from a responsible cooperative or other credit source at reasonable rates and terms consistent with the loan applicant's ability to pay and the achievement of the Act's objectives, he may request the loan applicant to apply for and accept such a loan concurrently with an insured loan, subject, however, to full use being made by the Secretary of the funds made available hereunder for such insured loans under this title. The Secretary may not request any applicant for an electric loan under this Act to apply for and accept a loan in an amount exceeding 30 percent of the credit needs of the applicant.

SEC. 308. [7 U.S.C. 938] FULL FAITH AND CREDIT OF THE UNITED STATES.—Any contract of insurance or guarantee executed by the Secretary under this title shall be an obligation supported by the full faith and credit of the United States and incontestable

except for fraud or misrepresentation of which the holder had actual knowledge at the time it became a holder.

SEC. 309. [7 U.S.C. 939] LOAN TERMS AND CONDITIONS.

Loans made for or insured through the fund shall be for the same purpose and on the same terms and conditions as are provided for loans in titles I and II of this Act except as otherwise provided in sections 303 to 308 inclusive. The preceding sentence shall not be construed to make section 408(b)(2) or 412 applicable to this title.

SEC. 310. [7 U.S.C. 940] REFINANCING OF RURAL DEVELOPMENT ACT LOANS.—At the request of the borrower, the Secretary is authorized and directed to refinance with loans which will be insured under this Act at the interest rates provided in section 305 any loans made for rural electric and telephone facilities under any provision of the Consolidated Farm and Rural Development Act.

[Sec. 311 was repealed by Public Law 104–127, sec. 780, 110 Stat. 1151.]

SEC. 312. [7 U.S.C. 940b] USE OF FUNDS.

A borrower of an insured or guaranteed electric loan under this Act 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.

SEC. 313. [7 U.S.C. 940c] CUSHION OF CREDIT PAYMENTS PROGRAM.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—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.

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

(3) BALANCE.—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 Act.

(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.—

(A) MAINTENANCE OF ACCOUNT.—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 the 5 percent rate of interest provided to borrowers on cushion of credit payments.

(B) GRANTS.—The Secretary is authorized, from the interest differential sums credited this subaccount and from any other funds made available thereto, to provide grants or zero interest loans to borrowers under this Act 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.

(C) REPAYMENTS.—In the case of zero interest loans, the Secretary shall establish such reasonable repayment terms as will ensure borrower participation.

(D) PROCEEDS.—All proceeds from the repayment of such loans shall be returned to the subaccount.

(E) NUMBER OF GRANTS.—Such loans and grants shall be made during each fiscal year to the full extent of the amounts held by the rural economic development subaccount, subject only to limitations as may be from time-to-time imposed by law.

SEC. 313A.[2] [7 U.S.C. 940c–1] GUARANTEES FOR BONDS AND NOTES ISSUED FOR ELECTRIFICATION OR TELEPHONE PURPOSES.

(a) IN GENERAL.—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 loans for any electrification or telephone purpose eligible for assistance under this Act, including section 4 or 201 or to refinance bonds or notes issued for such purposes.

(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 electrification or telephone purposes consistent with this Act.

[2] Section 750(a) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2004 (P.L. 108-199) provides that: "Notwithstanding subsections (c) and (e)(2) of section 313A of the Rural Electrification Act (7 U.S.C. 940c(c) and (e)(2)) in implementing section 313A of that Act, the Secretary shall, with the consent of the lender, structure the schedule for payment of the annual fee, not to exceed an average of 30 basis points per year for the term of the loan, to ensure that sufficient funds are available to pay the subsidy costs for note guarantees under that section.".

(2) GENERATION OF ELECTRICITY.—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.

(3) 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 electrification or telephone purposes;

(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).

(4) 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 maintained under section 313(b)(2)(A), to remain available until expended; and

(B) used for the purposes described in section 313(b)(2)(B).

(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 ⅓ 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 maintained under section 313(b)(2)(A).

(f) TERMINATION.—The authority provided under this section shall terminate on September 30, 2018.

SEC. 314. [7 U.S.C. 940d] LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.

(a) DEFINITION OF ADJUSTMENT PERCENTAGE.—As used in this section, the term "adjustment percentage" means, with respect to a fiscal year, the percentage (if any) by which—

(1) the average of the Consumer Price Index (as defined in section 1(f)(5) of the Internal Revenue Code of 1986) for the 1-year period ending on July 31 of the immediately preceding fiscal year; exceeds

(2) the average of the Consumer Price Index (as so defined) for the 1-year period ending on July 31, 1993.

(b) FISCAL YEARS 1994 THROUGH 1998.—In the case of each of fiscal years 1994 through 1998, there are authorized to be appropriated to the Secretary such sums as may be necessary for the cost of loans in the following amounts, for the following purposes:

(1) ELECTRIC HARDSHIP LOANS.—For loans under section 305(c)(1)—

(A) for fiscal year 1994, $125,000,000; and

(B) for each of fiscal years 1995 through 1998, $125,000,000, increased by the adjustment percentage for the fiscal year.

(2) ELECTRIC MUNICIPAL RATE LOANS.—For loans under section 305(c)(2)—

(A) for fiscal year 1994, $600,000,000; and

(B) for each of fiscal years 1995 through 1998, $600,000,000, increased by the adjustment percentage for the fiscal year.

(3) TELEPHONE HARDSHIP LOANS.—For loans under section 305(d)(1)—

(A) for fiscal year 1994, $125,000,000; and

(B) for each of fiscal years 1995 through 1998, $125,000,000, increased by the adjustment percentage for the fiscal year.

(4) TELEPHONE COST-OF-MONEY LOANS.—For loans under section 305(d)(2)—

(A) for fiscal year 1994, $198,000,000; and

(B) for each of fiscal years 1995 through 1998, $198,000,000, increased by the adjustment percentage for the fiscal year.

(c) FUNDING LEVELS.—The Secretary shall make insured loans under this title for the purposes, in the amounts, and for the periods of time specified in subsection (b), as provided in advance in appropriations Acts.

(d) AVAILABILITY OF FUNDS FOR INSURED LOANS.—Amounts made available for loans under section 305 are authorized to remain available until expended.

SEC. 315. [7 U.S.C. 940e] EXPANSION OF 911 ACCESS.

(a) IN GENERAL.—Subject to subsection (c) and such terms and conditions as the Secretary may prescribe, the Secretary may make loans under this title to entities eligible to borrow from the Rural Utilities Service, State or local governments, Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), or other public entities for facilities and equipment to expand or improve in rural areas—

(1) 911 access;

(2) integrated interoperable emergency communications, including multiuse networks that provide commercial or transportation information services in addition to emergency communications services;

(3) homeland security communications;

(4) transportation safety communications; or

(5) location technologies used outside an urbanized area.

(b) LOAN SECURITY.—Government-imposed fees related to emergency communications (including State or local 911 fees) may be considered to be security for a loan under this section.

(c) EMERGENCY COMMUNICATIONS EQUIPMENT PROVIDERS.—The Secretary may make a loan under this section to an emergency communication equipment provider to expand or improve 911 access or other communications or technologies described in subsection (a) if the local government that has jurisdiction over the project is not allowed to acquire the debt resulting from the loan.

(d) AUTHORIZATION OF APPROPRIATIONS.—The Secretary shall use to make loans under this section any funds otherwise made available for telephone loans for each of fiscal years 2008 through 2018.

SEC. 316. [7 U.S.C. 940f] EXTENSION OF PERIOD OF EXISTING GUARANTEE.—[3](a) IN GENERAL.—Subject to the limitations in this section and the provisions of the Federal Credit Reform Act of 1990, as amended, a borrower of a loan made by the Federal Financing Bank and guaranteed under this Act may request an extension of the final maturity of the outstanding principal balance of such loan or any loan advance thereunder. If the Secretary and

[3] The original law did not have a dash after the period.

the Federal Financing Bank approve such an extension, then the period of the existing guarantee shall also be considered extended.

(b) LIMITATIONS.—

(1) FEASIBILITY AND SECURITY.—Extensions under this section shall not be made unless the Secretary first finds and certifies that, after giving effect to the extension, in his judgment the security for all loans to the borrower made or guaranteed under this Act is reasonably adequate and that all such loans will be repaid within the time agreed.

(2) EXTENSION OF USEFUL LIFE OR COLLATERAL.—Extensions under this section shall not be granted unless the borrower first submits with its request either—

(A) evidence satisfactory to the Secretary that a Federal or State agency with jurisdiction and expertise has made an official determination, such as through a licensing proceeding, extending the useful life of a generating plant or transmission line pledged as collateral to or beyond the new final maturity date being requested by the borrower, or

(B) a certificate from an independent licensed engineer concluding, on the basis of a thorough engineering analysis satisfactory to the Secretary, that the useful life of the generating plant or transmission line pledged as collateral extends to or beyond the new final maturity date being requested by the borrower.

(3) AMOUNT ELIGIBLE FOR EXTENSION.—Extensions under this section shall not be granted if the principal balance extended exceeds the appraised value of the generating plant or transmission line referred to in subsection paragraph (2).

(4) PERIOD OF EXTENSION.—Extensions under this section shall in no case result in a final maturity greater than 55 years from the time of original disbursement and shall in no case result in a final maturity greater than the useful life of the plant.

(5) NUMBER OF EXTENSIONS.—Extensions under this section shall not be granted more than once per loan advance.

(c) FEES.—

(1) IN GENERAL.—A borrower that receives an extension under this section shall pay a fee to the Secretary which shall be credited to the Rural Electrification and Telecommunications Loans Program account. Such fees shall remain available without fiscal year limitation to pay the modification costs for extensions.

(2) AMOUNT.—The amount of the fee paid shall be equal to the modification cost, calculated in accordance with section 502 of the Federal Credit Reform Act of 1990, as amended, of such extension.

(3) PAYMENT.—The borrower shall pay the fee required under this section at the time the existing guarantee is extended by making a payment in the amount of the required fee.

SEC. 317. [7 U.S.C. 940g] ELECTRIC LOANS FOR RENEWABLE ENERGY.

(a) DEFINITION OF RENEWABLE ENERGY SOURCE.—In this section, the term "renewable energy source" means an energy conversion system fueled from a solar, wind, hydropower, biomass, or geothermal source of energy.

(b) LOANS.—In addition to any other funds or authorities otherwise made available under this Act, the Secretary may make electric loans under this title for electric generation from renewable energy resources for resale to rural and nonrural residents.

(c) RATE.—The rate of a loan under this section shall be equal to the average tax-exempt municipal bond rate of similar maturities.

SEC. 318. [7 U.S.C. 940h] BONDING REQUIREMENTS.

The Secretary shall review the bonding requirements for all programs administered by the Rural Utilities Service under this Act to ensure that bonds are not required if—

(1) the interests of the Secretary are adequately protected by product warranties; or

(2) the costs or conditions associated with a bond exceed the benefit of the bond.

TITLE IV

SEC. 401. [7 U.S.C. 941] ESTABLISHMENT, GENERAL PURPOSES, AND STATUS OF THE TELEPHONE BANK.—(a) There is hereby established a body corporate to be known as the Rural Telephone Bank (hereinafter called the telephone bank).

(b) The general purposes of the telephone bank shall be to obtain an adequate supply of supplemental funds to the extent feasible from non-Federal sources, to utilize said funds in the making of loans under section 408 of this title, and to conduct its operations to the extent practicable on a self-sustaining basis.

(c) The telephone bank shall be deemed to be an instrumentality of the United States, and shall, for the purposes of jurisdiction and venue, be deemed a citizen and resident of the District of Columbia. The telephone bank is authorized to make payments to State, territorial, and local governments in lieu of property taxes upon real property and tangible personal property which was subject to State, territorial, and local taxation before acquisition by the telephone bank. Such payment may be in the amounts, at the times, and upon such terms as the telephone bank deems appropriate but the telephone bank shall be guided by the policy of making payments not in excess of the taxes which would have been payable upon such property in the condition in which it was acquired.

SEC. 402. [7 U.S.C. 942] GENERAL POWERS.—To carry out the specific powers herein authorized, the telephone bank shall have power to (a) adopt, alter, and use a corporate seal; (b) sue and be sued in its corporate name; (c) make contracts, leases, and cooperative agreements, or enter into other transactions as may be necessary in the conduct of its business, and on such terms as it may deem appropriate; (d) acquire, in any lawful manner, hold, maintain, use, and dispose of property: *Provided,* That the telephone bank may only acquire property needed in the conduct of its bank-

ing operations or pledged or mortgaged to secure loans made hereunder or in temporary operation or maintenance thereof: *Provided further,* That any such pledged or mortgaged property so acquired shall be disposed of as promptly as is consistent with prudent liquidation practices, but in no event later than five years after such acquisition; (e) accept gifts or donations of services or of property in aid of any of the purposes herein authorized; (f) appoint such officers, attorneys, agents, and employees, vest them with such powers and duties, fix and pay such compensation to them for their services as the telephone bank may determine; (g) determine the character of and the necessity for its obligations and expenditures, and the manner in which they shall be incurred, allowed, and paid; (h) execute, in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its powers; (i) collect or compromise all obligations assigned to or held by it and all legal or equitable rights accruing to it in connection with the payment of such obligations until such time as such obligations may be referred to the Attorney General for suit or collection; and (j) exercise all such other powers as shall be necessary or incidental to carrying out its functions under this title.

SEC. 403. [7 U.S.C. 943] SPECIAL PROVISIONS GOVERNING TELEPHONE BANK AS AN AGENCY OF THE UNITED STATES UNTIL CONVERSION OF OWNERSHIP, CONTROL, AND OPERATION.—Until the ownership, control, and operation of the telephone bank is converted as provided in section 410(a) of this title and not thereafter—

(a) the telephone bank shall be an agency of the United States and shall be subject to the supervision and direction of the Secretary of Agriculture (hereinafter called the Secretary): *Provided, however,* That the telephone bank shall at no time be entitled to transmission of its mail free of postage, nor shall it have the priority of the United States in the payment of debts out of bankrupt, insolvent, and decedents' estates;

(b) in order to perform its responsibilities under this title, the telephone bank may partially or jointly utilize the facilities and the services of employees of the Secretary, without cost to the telephone bank;

(c) the telephone bank shall be subject to the provisions of the Government Corporation Control Act, as amended (31 U.S.C. 841, et seq.), in the same manner and to the same extent as if it were included in the definition of "wholly owned Government corporation" as set forth in section 101 of said Act (31 U.S.C. 486);

(d) the telephone bank may without regard to the civil service classification laws appoint and fix the compensation of such officers and employees of the telephone bank as it may deem necessary;

(e) the telephone bank shall be subject to the provisions of sections 517, 519, and 2679 of title 28, United States Code.

SEC. 404. [7 U.S.C. 944] GOVERNOR.—Subject to the provisions of section 410, the Secretary shall designate an official of the Department of Agriculture who shall serve as the chief executive officer of the telephone bank (herein called the Governor of the telephone bank). Except as to matters specifically reserved to the Tele-

phone Bank Board in this title, the Governor of the telephone bank shall exercise and perform all functions, powers, and duties of the telephone bank.

SEC. 405. [7 U.S.C. 945] BOARD OF DIRECTORS.

(a) IN GENERAL.—The management of the telephone bank, within the limitations prescribed by law, shall be vested in a board of directors (in this title referred to as the "Telephone Bank Board").

(b) MEMBERSHIP.—The Telephone Bank Board shall consist of thirteen individuals, as follows:

(1) PRESIDENTIAL APPOINTEES.—The President shall appoint seven individuals to serve on the Telephone Bank Board who shall serve at the pleasure of the President—

(A) five of whom shall be officers or employees of the Department of Agriculture and not officers or employees of the Secretary; and

(B) two of whom shall be from the general public and not officers or employees of the Federal Government.

(2) COOPERATIVE MEMBERS.—The cooperative-type entities, and organizations controlled by such entities, that hold class B or class C stock shall elect three individuals to serve on the Telephone Bank Board for a term of two years, by a plurality vote of the stockholders voting in the election.

(3) COMMERCIAL MEMBERS.—The commercial-type entities, and the organizations controlled by such entities, that hold class B or class C stock shall elect three individuals to serve on the Telephone Bank Board for a term of two years, by a plurality vote of the stockholders voting in the election.

(c) ELECTIONS.—

(1) VALIDITY.—An election under paragraph (2) or (3) of subsection (b) shall not be considered valid unless a majority of the stockholders eligible to vote in the election have voted in the election.

(2) BALLOTING.—Balloting in an election under paragraph (2) or (3) of subsection (b) shall be conducted by mail pursuant to the procedures authorized in the bylaws of the telephone bank.

(3) NO CUMULATIVE VOTING.—Cumulative voting shall not be permitted in any election under paragraph (2) or (3) of subsection (b).

(d) COMPENSATION.—

(1) IN GENERAL.—Except as provided in paragraph (2), each member of the Telephone Bank Board shall receive $100 per day for each day or part thereof, not to exceed fifty days per year, spent in the performance of their official duties, and shall be reimbursed for travel and other expenses in such manner and subject to such limitations as the Telephone Bank Board may prescribe.

(2) EXCEPTIONS.—The five members of the Telephone Bank Board appointed under subsection (b)(1)(A) shall not receive compensation by reason of their service on the Telephone Bank Board.

(e) SUCCESSION.—A member of the Telephone Bank Board may serve after the expiration of the term of office of such member until the successor for such member has taken office.

(f) CHAIRPERSON.—The members of the Telephone Bank Board shall elect one of such members to be the Chairperson of the Board, in accordance with the bylaws of the telephone bank. The Chairperson shall preside at all meetings of the Board and may vote on a matter before the Board unless the vote would result in a tie vote on the matter.

(g) BYLAWS.—The Telephone Bank Board shall prescribe bylaws, not inconsistent with law, regulating the manner in which the telephone bank's business shall be conducted, its directors and officers elected, its stock issued, held, and disposed of, its property transferred, its bylaws amended, and the powers and privilages granted to it by law exercised and enjoyed.

(h) MEETINGS.—The Telepehone Bank Board shall meet at such times and places as it may fix and determine, but shall hold at least four regularly scheduled meetings a year, and special meetings may be held on call in the manner specified in the bylaws of the telephone bank.

(i) ANNUAL REPORT.—The Telephone Bank Board shall make an annual report to the Secretary for transmittal to the Congress on the administration of this title IV and any other matters relating to the effectuation of the policies of title IV, including recommendations for legislation.

(j) OPEN MEETINGS.—For purposes of section 552b of title 5, United States Code, the Telephone Bank Board shall be treated as an agency within the meaning of subsection (a)(1) of such section.

SEC. 406. [7 U.S.C. 946] CAPITALIZATION.—(a) The telephone bank's capital shall consist of capital subscribed by the United States, by borrowers from the telephone bank, by corporations and public bodies eligible to become borrowers from the telephone bank, and by organizations controlled by such borrowers, corporations, and public bodies. Beginning with the fiscal year 1971 and for each fiscal year thereafter but not later than fiscal year 1991, the United States shall furnish capital for the purchase of class A stock and there are hereby authorized to be appropriated such amounts, not to exceed $30,000,000 annually, for such purchases until such class A stock shall equal $600,000,000: *Provided,* That on or before July 1, 1975, the Secretary shall make a report to the President for transmittal to the Congress on the status of capitalization of the telephone bank by the United States with appropriate recommendations. As used in this section and section 301, the term "net collection proceeds" shall be deemed to mean payments from and after July 1, 1969, of principal and interest on loans heretofore or hereafter made under section 201 of this Act, less an amount representing interest payable to the Secretary of the Treasury on loans to the Secretary for telephone purposes.

(b) The capital stock of the telephone bank shall consist of three classes, class A, class B, and class C, the rights, powers, privileges, and preferences of the separate classes to be as specified, not inconsistent with law, in the bylaws of the telephone bank. Class B and class C stock shall be voting stock, but no holder of said stock shall be entitled to more than one vote, nor shall class

B and class C stockholders, regardless of their number, which are owned or controlled by the same person, group of persons, firm, association, or corporation, be entitled in any event to more than one vote.

(c) Class A stock shall be issued only to the Secretary on behalf of the United States in exchange for capital furnished to the telephone bank pursuant to subsection (a), and such class A stock shall be redeemed and retired by the telephone bank as soon as practicable after September 30, 1995, but not to the extent that the Telephone Bank Board determines that such retirement will impair the operations of the telephone bank: *Provided,* That the minimum amount of class A stock that shall be retired each year after said date shall equal the amount of class B stock sold by the telephone bank during such year. Class A stock shall be entitled to a return, payable from income, at the rate of 2 per centum per annum on the amounts of said class A stock actually paid into the telephone bank. Such return shall be cumulative and shall be payable annually into miscellaneous receipts of the Treasury.

(d) Class B stock shall be held only by recipients of loans under section 408 of this Act. Borrowers receiving loan funds pursuant to section 408(a)(1) or (2) shall be required to invest in class B stock 5 per centum of the amount of loan funds so provided, by paying an amount equal to 5 per centum of the amount of each loan advance, at the time of such advance. No dividends shall be payable on class B stock. All holders of class B stock shall be entitled to patronage refunds in class B stock under terms and conditions to be specified in the bylaws of the telephone bank.

(e) Class C stock shall be available for purchase and shall be held only by borrowers, or by corporations and public bodies eligible to borrow under section 408 of this Act, or by organizations controlled by such borrowers, corporations and public bodies, and shall be entitled to dividends in the manner specified in the bylaws of the telephone bank. Such dividends shall be payable only from income and, until all class. A stock is retired, shall not exceed the current average rate payable on its telephone debentures.

(f) If a firm, association, corporation, or public body is not authorized under the laws of the jurisdiction in which it is organized to acquire stock of the telephone bank, the telephone bank shall, in lieu thereof, permit such organization to pay into a special fund of the telephone bank a sum equivalent to the amount of stock to be purchased. Each reference in this title to capital stock, or to class B, or class C sock, shall include also the special fund equivalents of such stock, and to the extent permitted under the laws of the jurisdiction in which such organization is organized, a holder of special fund equivalents of class B, or class C stock, shall have the same rights and status as a holder of class B or class C stock, respectively. The rights and obligations of the telephone bank in respect of such special fund equivalent shall be identical to its rights and obligations in respect of class B or class C stock, respectively.

(g) After payment of all operating expenses of the telephone bank, including interest on its telephone debentures, setting aside appropriate funds for the reserve for loan losses, and making payments in lieu of taxes, and returns on class A stock as provided in section 406(c), and on class C stock, the Telephone Bank Board

shall annually set aside the remaining earnings of the telephone bank for patronage refunds in accordance with the bylaws of the telephone bank. The telephone bank may not establish any reserve other than the reserves referred to in this subsection and in subsection (h).

(h) There is hereby established in the telephone bank a reserve for losses due to interest rate fluctuations. Within 30 days after the date of the enactment of this subsection, the Governor of the telephone bank shall transfer to the reserve for losses due to interest rate fluctuations all amounts in the reserve for contingencies as of the date of the enactment of this subsection. All amounts so transferred shall not be transferred, directly or indirectly, to the reserve for contingencies. Amounts in the reserve for interest rate fluctuations may be expended only to cover operating losses of the telephone bank (other than losses attributable to loan defaults) and only after taking into consideration any recommendations made by the General Accounting Office under section 1413(b) of the Omnibus Budget Reconciliation Act of 1987.

(i) The Governor of the telephone bank may invest in obligations of the United States the amounts in the account in the Treasury of the United States numbered 12X8139 (known as the "RTB Equity Fund").

SEC. 407. [7 U.S.C. 947] BORROWING POWER.—(a) The telephone bank is authorized to obtain funds through the public or private sale of its bonds, debentures, notes, and other evidences of indebtedness (herein collectively called telephone debentures). Telephone debentures shall be issued at such times, bear interest at such rates, and contain such other terms and conditions as the Telephone Bank Board shall determine: *Provided, however,* That the amount of the telephone debentures which may be outstanding at any one time pursuant to this section shall not exceed twenty times the paid-in capital and retained earnings of the telephone bank. Telephone debentures shall not be exempt, either as to principal or interest, from any taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State or local taxing authority. Telephone debentures shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof.

(b) The Telephone Bank is also authorized to issue telephone debentures to the Secretary of the Treasury, and the Secretary of the Treasury may in his discretion purchase any such debentures, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act as now or hereafter in force are extended to include such purchases. Each purchase of telephone debentures by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate not less than a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United

States of comparable maturity. The Secretary of the Treasury may sell, upon such terms and conditions and at such price or prices as he shall determine, any of the telephone debentures acquired by him under this subsection. All purchases and sales by the Secretary of the Treasury of such debentures under this subsection shall be treated as public debt transactions of the United States.

(c) Purchases and resales by the Secretary of the Treasury as authorized in subsection (b) of this section shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

SEC. 408. [7 U.S.C. 948] LENDING POWER.—(a) The Governor of the telephone bank shall make loans on behalf of the telephone bank, to the extent that there are qualifying applications therefor, subject only to limitations as to amounts authorized for loans and advances as may be imposed by law enacted by the Congress of the United States for loans to be made in any one year, and in conformance with policies approved by the Telephone Bank Board, to corporations and public bodies which have received a loan or loan commitment pursuant to section 201 of this Act, or which have been certified by the Secretary to be eligible for such a loan or loan commitment, (1) for the same purposes and under the same limitations for which loans may be made under section 201 of this Act, (2) for the acquisition, purchase, and installation of telephone lines, systems, and facilities (other than buildings used primarily for administrative purposes, vehicles not used primarily in construction, and customer premise equipment) related to the furnishing, improvement, or extension of rural telecommunications service, and (3) of the purchase of class B stock required to be purchased under section 406(d) of this Act but not for the purchase of class C stock, subject, as to the purposes set forth in (2) hereof, to the following provisions: That in the case of any such loan for the acquisition of telephone lines, facilities, or systems, the acquisition shall be approved by the Secretary, the location and character thereof shall be such as to improve the efficiency, effectiveness, or financial stability of the telephone system of the borrower, and in respect of exchange facilities for local services, the size of each acquisition shall not be greater than the borrower's existing system at the time it receives its first loan from the telephone bank, taking into account the number of subscribers served, miles or line, and plant investment. Loans and advances made under this section shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

(b) Loans under this section shall be on such terms and conditions as the Governor of the telephone bank shall determine, subject, however, to the following restrictions:

(1) All loans made under this section shall be fully amortized over a period not to exceed fifty years.

(2) Funds to be loaned under this Act to any borrower shall be loaned under this section in preference to section 201 if the borrower is eligible for such a loan and funds are available therefor. Notwithstanding the foregoing or any other pro-

vision of law, all loans made pursuant to this Act for facilities for telephone systems with an average subscriber density of three or fewer per mile shall be made under section 201 of this Act; but this provision shall not preclude the making of such loans from the telephone bank at the election of the borrower.

(3)(A) Loans under this section shall bear interest at the "cost of money rate". The cost of money rate is defined as the average cost of moneys to the telephone bank as determined by the Governor, but not less than 5 per centum per annum.

(B) On and after the date of the enactment of this subparagraph, advances made on or after such date of enactment under loan commitments made on or after October 1, 1987, shall bear interest at the rate determined under subparagraph (C), but in no event at a rate that is less than 5 percent per annum.

(C) The rate determined under this subparagraph shall be—

(i) for the period beginning on the date the advance is made and ending at the close of the fiscal year in which the advance is made, the average yield (on the date of the advance) on outstanding marketable obligations of the United States having a final maturity comparable to the final maturity of the advance; and

(ii) after the fiscal year in which the advance is made, the cost of money rate for such fiscal year, as determined under subparagraph (D).

(D) Within 30 days after the end of each fiscal year, the Governor shall determine to the nearest 0.01 percent the cost of money rate for the fiscal year, by calculating the sum of the results of the following calculations:

(i) The aggregate of all amounts received by the telephone bank during the fiscal year from the issuance of class A stock, multiplied by the rate of return payable by the telephone bank during the fiscal year, as specified in section 406(c), to holders of class A stock, which product is divided by the aggregate of the amounts advanced by the telephone bank during the fiscal year.

(ii) The aggregate of all amounts received by the telephone bank during the fiscal year from the issuance of class B stock, multiplied by the rate at which dividends are payable by the telephone bank during the fiscal year, as specified in section 406(d), to holders of class B stock, which product is divided by the aggregate of the amounts advanced by the telephone bank during the fiscal year. For purposes of the calculation under this subparagrpah, such rate shall be zero.

(iii) The aggregate of all amounts received by the telephone bank during the fiscal year from the issuance of class C stock, multiplied by the rate at which dividends are payable by the telephone bank during the fiscal year, under section 406(e), to holders of class C stock, which product is divided by the aggregate of the amounts advanced by the telephone bank during the fiscal year.

(iv)(I) The sum of the results of the calculations described in subclause (II).

(II) The amounts received by the telephone bank during the fiscal year from each issue of telephone debentures and other obligations of the telephone bank, multiplied, respectively, by the rates at which interest is payable during the fiscal year by the telephone bank to holders of each issue, each of which products is divided, respectively, by the aggregate of the amounts advanced by the telephone bank during the fiscal year.

(v)(I) The amount by which the aggregate of the amounts advanced by the telephone bank during the fiscal year exceeds the aggregate of the amounts received by the telephone bank from the issuance of class A stock, class B stock, class C stock, and telephone debentures and other obligations of the telephone bank during the fiscal year, multiplied by the historic cost of money rate as of the close of the fiscal year immediately preceding the fiscal year, which product is divided by the aggregate of the amounts advanced by the telephone bank during the fiscal year.

(II) For purposes of this clause, the term "historic cost of money rate", with respect to the close of a preceding fiscal year, means the sum of the results of the following calculations: The amounts advanced by the telephone bank in each fiscal year during the period beginning with fiscal year 1974 and ending with the preceding fiscal year, multiplied, respectively, by the cost of money rate for the fiscal year (as set forth in the table in subparagraph (E)) for fiscal years 1974 through 1987, and as determined by the Governor under this subparagraph for fiscal years after fiscal year 1987), each of which products is divided, respectively, by the aggregate of the amounts advanced by the telephone bank during the period.

(E) For purposes of subparagraph (D)(II)[4], the cost of money rate for the fiscal years in which each advance was made shall be as set forth in the following table:

For advances made in—	The cost of money rate shall be—
Fiscal year 1974	5.01 percent
Fiscal year 1975	5.85 percent
Fiscal year 1976	5.33 percent
Fiscal year 1977	5.00 percent
Fiscal year 1978	5.87 percent
Fiscal year 1979	5.93 percent
Fiscal year 1980	8.10 percent
Fiscal year 1981	9.46 percent
Fiscal year 1982	8.39 percent
Fiscal year 1983	6.99 percent
Fiscal year 1984	6.55 percent
Fiscal year 1985	5.00 percent
Fiscal year 1986	5.00 percent
Fiscal year 1987	5.00 percent.

[4] So in law. Probably shoud be "(D)(v)(II)".

For purposes of this paragraph, the term "fiscal year" means the 12-month period ending on September 30 of the designated year.

(F)(i) Notwithstanding subparagraph (B), if a borrower holds a commitment for a loan under this section made on or after October 1, 1987, and before the date of the enactment of this paragraph, part or all of the proceeds of which have not been advanced as of such date of enactment, the borrower may, until the later of the date the next advance under the loan commitment is made or 90 days after such date of enactment, elect to have the interest rate specified in the loan commitment apply to the unadvanced portion of the loan in lieu of the rate which (but for this clause) would apply to the unadvanced portion under this paragraph. If any borrower makes an election under this clause with respect to a loan, the Governor shall adjust the interest rate which applies to the unadvanced portion of the loan accordingly.

(ii)(I) If the telephone bank, pursuant to section 407(b), issues telephone debentures on any date to refinance telephone debentures or other obligations of the telephone bank, the telephone bank shall, in addition to any interest rate reduction required by any other provision of this paragraph, for the period applicable to the advance, reduce the interest rate charged on each advance made under this section during the fiscal year in which the refinanced debentures or other obligations were originally issued by the amount applicable to the advance.

(II) For purposes of subclause (I), the term "the period applicable to the advance" means the period beginning on the issue date described in subclause (I) and ending on the earlier of the date the advance matures or is completely prepaid.

(III) For purposes of subclause (I), the term "the amount applicable to the advance" means an amount which fully reflects that percentage of the funds saved by the telephone bank as a result of the refinancing which is equal to the percentage representation of the advance in all advances described in subclause (I).

(IV) Within 60 days after any issue date described in subclause (I), the Governor shall amend the loan documentation for each advance described in subclause (I), as necessary, to reflect any interest rate reduction applicable to the advance by reason of this clause, and shall notify each affected borrower of the reduction.

(G) Within 30 days after the publication of any determination made under subparagraph (D), any affected borrower may obtain review of the determination, or any other equitable relief as may be determined appropriate, by the United States court of appeals for the judicial circuit in which the borrower does business by filing a written petition requesting the court to set aside or modify such determination. On receipt of such a petition, the clerk of the court shall transmit a copy of the petition to the Governor. On receipt of a copy of such a petition from the clerk of the court, the Governor shall file with the court the record on which the determination is based. The

court shall have jurisdiction to affirm, set aside, or modify the determination.

(H) Within 5 days after determining the cost of money rate for a fiscal year, the Governor shall—

(i) cause the determination to be published in the Federal Register in accordance with section 552 of title 5, United States Code; and

(ii) furnish a copy of the determination to the Comptroller General of the United States.

(I) The telephone bank shall not sell or otherwise dispose of any loan made under this section, except as provided in this paragraph.

(4) The Governor of the telephone bank may make a loan under this section only to an applicant for the loan who meets the following requirements:

(A) The average number of subscribers per mile of line in the service area of the applicant is not more than 15, or the applicant is capable of producing net income or margins before interest of not less than 100 percent (but not more than 500 percent) of the interest requirements on all of the outstanding and proposed loans of the applicant.

(B) The Secretary has approved, under section 305(d)(3), a telecommunications modernization plan for the State in which the applicant is located and, if the plan was developed by telephone borrowers under title III, the applicant is a participant in the plan.

(5) No loan shall be made in any State which now has or may hereafter have a State regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained. In a State in which there is no such agency or regulatory body legally authorized to issue such certificates to the applicant, no loan shall be made under this section unless the Governor of the telephone bank shall determine (and set forth his reasons therefor in writing) that no duplication of lines, facilities, or systems, providing reasonably adequate services will result therefrom.

(6) As used in this section, the term telephone service shall have the meaning prescribed for this term in section 203(a) of this Act, and the term telephone lines, facilities, or systems shall mean lines, facilities, or systems used in the rendition of such telephone service.

(7) No borrower of funds under section 408 of this Act shall, without approval of the Governor of the telephone bank under rules established by the Telephone Bank Board, sell or dispose of its property, rights, or franchises, acquired under the provisions of this Act, until any loan obtained from the telephone bank, including all interest and charges, shall have been repaid.

(8)(A) A borrower with a loan from the Rural Telephone Bank may prepay such loan (or any part thereof) by paying the face amount thereof without being required to pay the prepayment penalty set forth in the note covering such loan, except for any prepayment penalty provided for in a loan agreement

entered into before the date of enactment of the Rural Electrification Loan Restructuring Act of 1993.

(B) If a borrower prepays part or all of a loan made under this section, then, notwithstanding section 407(b), the Governor of the telephone bank shall—

(i) use the full amount of the prepayment to repay obligations of the telephone bank issued pursuant to section 407(b) before October 1, 1991, to the extent any such obligations are outstanding; and

(ii) in repaying the obligations, first repay the advances bearing the greatest rate of interest.

(9) On request of any applicant for a loan under this section during any fiscal year, the Governor of the telephone bank shall—

(A) consider the application to be for a loan under this section and a loan under section 305(d)(2); and

(B) if the applicant is eligible for a loan, make a loan to the applicant under this section in an amount equal to the amount that bears the same ratio to the total amount of loans for which the applicant is eligible under this section and under section 305(d)(2), as the amount made available for loans under this section for the fiscal year bears to the total amount made available for loans under this section and under section 305(d)(2) for the fiscal year.

(10) On request of any applicant who is eligible for a loan under this section for which funds are not available, the applicant shall be considered to have applied for a loan under section 305(d)(2).

(c) The Governor of the telephone bank is authorized under rules established by the Telephone Bank Board to adjust, on an amortized basis, the schedule of payments of interest or principal of loans made under this section upon his determination that with such readjustment there is reasonable assurance of repayment: *Provided, however,* That no adjustment shall extend the period of such loans beyond fifty years.

(d)(1) Except as provided in paragraph (2), the term of any loan made under this title shall be determined by the borrower at the time the application for the loan is submitted.

(2) The term of any loan made under this title shall not exceed the maximum term for which a loan may be made under section 4.

(e) Loans and advances made under this section on or after November 5, 1990, shall bear interest at a rate determined under this section, taking into account all assets and liabilities of the telephone bank. This subsection shall not apply to loans obligated before the date of enactment of this subsection. Funds are not authorized to be appropriated to carry out this subsection until the funds are appropriated in advance to carry out this subsection.

SEC. 409. [7 U.S.C. 949] TELEPHONE BANK RECEIPTS.—Any receipts from the activities of the telephone bank shall be available for all obligations and expenditures of the telephone bank.

SEC. 410. [7 U.S.C. 950] CONVERSION OF OWNERSHIP, CONTROL AND OPERATION OF TELEPHONE BANK.—(a) Whenever fifth-one per centum of the maximum amount of class A stock issued to

the United States and outstanding at any time after September 30, 1985, has been fully redeemed and retired pursuant to section 406(c) of this title—

(1) the powers and authority of the Governor of the telephone bank granted to the Secretary by this title IV shall vest in the Telephone Bank Board, and may be exercised and performed through the Governor of the telephone bank, to be selected by the Telephone Bank Board, and through such other employees as the Telephone Bank Board shall designate;

(2) the five members of the Telephone Bank Board designated by the President pursuant to section 405(b)(1)(A) shall cease to be members, and the number of Board members shall be accordingly reduced to eight unless other provision is thereafter made in the bylaws of the telephone bank;

(3) the telephone bank shall cease to be an agency of the United States, but shall continue in existence in perpetuity as an instrumentality of the United States and as a banking corporation with all of the powers and limitations conferred or imposed by this title IV except such as shall have lapsed pursuant to the provisions of this title.

(b) When all class A stock has been fully redeemed and retired, loans made by the telephone bank shall not continue to be subject to the restrictions prescribed in the provisions of section 408(a)(2).

(c) Congress reserves the right to review the continued operations of the telephone bank after all class A stock has been fully redeemed and retired.

SEC. 411. [7 U.S.C. 950a] LIQUIDATION OR DISSOLUTION OF THE TELEPHONE BANK.—In the case of liquidation or dissolution of the telephone bank, after the payment or retirement, as the case may be, first, of all liabilities; second, of all class A stock at par; third, of all class B stock at par; fourth, of all class C stock par; then any surpluses and contingency reserves existing on the effective date of liquidation or dissolution of the telephone bank shall be paid to the holders to of class A and class B stock issued and outstanding before the effective date of such liquidation or dissolution, pro rata.

SEC. 412. [7 U.S.C. 950b] BORROWER NET WORTH.—Except as provided in subsection (b)(2) of section 408, notwithstanding any other provision of law, a loan shall not be made under section 201 of this Act to any borrower which during the immediately preceding year had a net worth in excess of 20 per centum of its assets unless the Secretary finds that the borrower cannot obtain such a loan from the telephone bank or from other reliable sources at reasonable rates of interest and terms and conditions.

TITLE V—RURAL ECONOMIC DEVELOPMENT

SEC. 501. [7 U.S.C. 950aa] ADDITIONAL POWERS AND DUTIES.

The Secretary shall—

(1) provide advice and guidance to electric borrowers under this Act concerning the effective and prudent use by such bor-

rowers of the investment authority under section 312 to promote rural development;

(2) provide technical advice, troubleshooting, and guidance concerning the operation of programs or systems that receive assistance under this Act;

(3) establish and administer various pilot projects through electric and telephone borrowers that the Secretary determines are useful or necessary, and recommend specific rural development projects for rural areas;

(4) act as an information clearinghouse and conduit to provide information to electric and telephone borrowers under this Act concerning useful and effective rural development efforts that such borrowers may wish to apply in their areas of operation and concerning State, regional, or local plans for long-term rural economic development;

(5) provide information to electric and telephone borrowers under this Act concerning the eligibility of such borrowers to apply for financial assistance, loans, or grants from other Federal agencies and non-Federal sources to enable such borrowers to expand their rural development efforts; and

(6) promote local partnerships and other coordination between borrowers under this Act and community organizations, States, counties, or other entities, to improve rural development.

[Sec. 502 was repealed by Public Law 104–127, sec. 781(a), 110 Stat. 1151.]

TITLE VI—RURAL BROADBAND ACCESS

SEC. 601. [7 U.S.C. 950bb] ACCESS TO BROADBAND TELECOMMUNICATIONS SERVICES IN RURAL AREAS.

(a) PURPOSE.—The purpose of this section is to provide loans and loan guarantees to provide funds for the costs of the construction, improvement, and acquisition of facilities and equipment for broadband service in rural areas.

(b) DEFINITIONS.—In this section:

(1) BROADBAND SERVICE.—The term "broadband service" means any technology identified by the Secretary as having the capacity to transmit data to enable a subscriber to the service to originate and receive high-quality voice, data, graphics, and video.

(2) INCUMBENT SERVICE PROVIDER.—The term "incumbent service provider", with respect to an application submitted under this section, means an entity that, as of the date of submission of the application, is providing broadband service to not less than 5 percent of the households in the service territory proposed in the application.

(3) RURAL AREA.—

(A) IN GENERAL.—The term "rural area" means any area other than—

(i) an area described in clause (i) or (ii) of section 343(a)(13)(A) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1991(a)(13)(A)); and

(ii) a city, town, or incorporated area that has a population of greater than 20,000 inhabitants.

(B) URBAN AREA GROWTH.—The Secretary may, by regulation only, consider an area described in section 343(a)(13)(F)(i)(I) of that Act to not be a rural area for purposes of this section.

(c) LOANS AND LOAN GUARANTEES.—

(1) IN GENERAL.—The Secretary shall make or guarantee loans to eligible entities described in subsection (d) to provide funds for the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in rural areas.

(2) PRIORITY.—In making loans or loan guarantees under paragraph (1), the Secretary shall—

(A) establish not less than 2 evaluation periods for each fiscal year to compare loan and loan guarantee applications and to prioritize loans and loan guarantees to all or part of rural communities that do not have residential broadband service that meets the minimum acceptable level of broadband service established under subsection (e);

(B) give the highest priority to applicants that offer to provide broadband service to the greatest proportion of unserved households or households that do not have residential broadband service that meets the minimum acceptable level of broadband service established under subsection (e), as—

(i) certified by the affected community, city, county, or designee; or

(ii) demonstrated on—

(I) the broadband map of the affected State if the map contains address-level data; or

(II) the National Broadband Map if address-level data is unavailable; and

(C) provide equal consideration to all qualified applicants, including applicants that have not previously received loans or loan guarantees under paragraph (1); and

(D) give priority to applicants that offer in the applications of the applicants to provide broadband service not predominantly for business service, if at least 25 percent of the customers in the proposed service territory are commercial interests.

(d) ELIGIBILITY.—

(1) ELIGIBLE ENTITIES.—

(A) IN GENERAL.—To be eligible to obtain a loan or loan guarantee under this section, an entity shall—

(i) demonstrate the ability to furnish, improve in order to meet the minimum acceptable level of broadband service established under subsection (e), or extend broadband service to all or part of an unserved rural area or an area below the minimum acceptable level of broadband service established under subsection (e);

(ii) submit to the Secretary a loan application at such time, in such manner, and containing such information as the Secretary may require; and

(iii) agree to complete buildout of the broadband service described in the loan application by not later than 3 years after the initial date on which proceeds from the loan made or guaranteed under this section are made available.

(B) LIMITATION.—An eligible entity that provides telecommunications or broadband service to at least 20 percent of the households in the United States may not receive an amount of funds under this section for a fiscal year in excess of 15 percent of the funds authorized and appropriated under subsection (k) for the fiscal year.

(2) ELIGIBLE PROJECTS.—

(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), the proceeds of a loan made or guaranteed under this section may be used to carry out a project in a proposed service territory only if, as of the date on which the application for the loan or loan guarantee is submitted—

(i) not less than 15 percent of the households in the proposed service territory are unserved or have service levels below the minimum acceptable level of broadband service established under subsection (e); and

(ii) broadband service is not provided in any part of the proposed service territory by 3 or more incumbent service providers.

(B) EXCEPTION TO PERCENT REQUIREMENT.—Subparagraph (A)(i) shall not apply to the proposed service territory of a project if a loan or loan guarantee has been made under this section to the applicant to provide broadband service in the proposed service territory.

(C) EXCEPTION TO INCUMBENT SERVICE PROVIDER REQUIREMENT.—

(i) IN GENERAL.—Except as provided in clause (ii), subparagraph (A)(ii) shall not apply to an incumbent service provider in the portion of a proposed service territory in which the provider is upgrading broadband service to meet the minimum acceptable level of broadband service established under subsection (e) for the existing territory of the incumbent service provider.

(ii) EXCEPTION.—Clause (i) shall not apply if the applicant is eligible for funding under another title of this Act.

(3) EQUITY AND MARKET SURVEY REQUIREMENTS.—

(A) IN GENERAL.—The Secretary may require an entity to provide a cost share in an amount not to exceed 10 percent of the amount of the loan or loan guarantee requested in the application of the entity, unless the Secretary determines that a higher percentage is required for financial feasibility.

(B) MARKET SURVEY.—

(i) IN GENERAL.—The Secretary may require an entity that proposes to have a subscriber projection of more than 20 percent of the broadband service market in a rural area to submit to the Secretary a market survey.

(ii) LESS THAN 20 PERCENT.—The Secretary may not require an entity that proposes to have a subscriber projection of less than 20 percent of the broadband service market in a rural area to submit to the Secretary a market survey.

(iii) INFORMATION.—Information submitted under this subparagraph shall be—

(I) certified by the affected community, city, county, or designee; or

(II) demonstrated on—

(aa) the broadband map of the affected State if the map contains address-level data; or

(bb) the National Broadband Map if address-level data is unavailable.

(4) STATE AND LOCAL GOVERNMENTS AND INDIAN TRIBES.—Subject to paragraph (1), a State or local government (including any agency, subdivision, or instrumentality thereof (including consortia thereof)) and an Indian tribe shall be eligible for a loan or loan guarantee under this section to provide broadband services to a rural area.

(5) NOTICE REQUIREMENTS.—The Secretary shall promptly provide a fully searchable database on the website of the Rural Utilities Service that contains, at a minimum—

(A) notice of each application for a loan or loan guarantee under this section describing the application, including—

(i) the identity of the applicant;

(ii) a description of each application, including—

(I) each area proposed to be served by the applicant; and

(II) the amount and type of support requested by each applicant;

(iii) the status of each application;

(iv) the estimated number and proportion relative to the service territory of households without terrestrial-based broadband service in those areas; and

(v) a list of the census block groups or proposed service territory, in a manner specified by the Secretary, that the applicant proposes to service;

(B) notice of each entity receiving assistance under this section, including—

(i) the name of the entity;

(ii) the type of assistance being received;

(iii) the purpose for which the entity is receiving the assistance;

(iv) each semiannual report submitted under paragraph (8)(A) (redacted to protect any proprietary information in the report); and

(C) such other information as is sufficient to allow the public to understand assistance provided under this section.

(6) PAPERWORK REDUCTION.—The Secretary shall take steps to reduce, to the maximum extent practicable, the cost and paperwork associated with applying for a loan or loan guarantee under this section by first-time applicants (particularly first-time applicants who are small and start-up broadband service providers), including by providing for a new application that maintains the ability of the Secretary to make an analysis of the risk associated with the loan involved.

(7) PREAPPLICATION PROCESS.—The Secretary shall establish a process under which a prospective applicant may seek a determination of area eligibility prior to preparing a loan application under this section.

(8) REPORTING.—

(A) IN GENERAL.—The Secretary shall require any entity receiving assistance under this section to submit a semiannual report for 3 years after completion of the project, in a format specified by the Secretary, that describes—

(i) the use by the entity of the assistance, including new equipment and capacity enhancements that support high-speed broadband access for educational institutions, health care providers, and public safety service providers (including the estimated number of end users who are currently using or forecasted to use the new or upgraded infrastructure); and

(ii) the progress towards fulfilling the objectives for which the assistance was granted, including—

(I) the number and location of residences and businesses that will receive new broadband service, existing network service improvements, and facility upgrades resulting from the Federal assistance;

(II) the speed of broadband service;

(III) the average price of broadband service in a proposed service area;

(IV) any changes in broadband service adoption rates, including new subscribers generated from demand-side projects; and

(V) any metrics the Secretary determines to be appropriate;

(B) ADDITIONAL REPORTING.—The Secretary may require any additional reporting and information by any recipient of any assistance under this section so as to ensure compliance with this section.

(9) DEFAULT AND DEOBLIGATION.—In addition to other authority under applicable law, the Secretary shall establish written procedures for all broadband programs administered

by the Rural Utilities Service under this or any other Act that, to the maximum extent practicable—

(A) recover funds from loan defaults;

(B) deobligate any awards, less allowable costs that demonstrate an insufficient level of performance (including metrics determined by the Secretary) or fraudulent spending, to the extent funds with respect to the award are available in the account relating to the program established by this section;

(C) award those funds, on a competitive basis, to new or existing applicants consistent with this section; and

(D) minimize overlap among the programs.

(10) SERVICE AREA ASSESSMENT.—The Secretary shall, with respect to an application for assistance under this section—

(A) provide not less than 15 days for broadband service providers to voluntarily submit information concerning the broadband services that the providers offer in the census block groups or tracts described in paragraph (5)(A)(v) so that the Secretary may assess whether the applications submitted meet the eligibility requirements under this section; and

(B) if no broadband service provider submits information under subparagraph (A), consider the number of providers in the census block group or tract to be established by using—

(i) the most current National Broadband Map of the National Telecommunications and Information Administration; or

(ii) any other data regarding the availability of broadband service that the Secretary may collect or obtain through reasonable efforts.

(e) BROADBAND SERVICE.—

(1) IN GENERAL.—Subject to paragraph (2), for purposes of this section, the minimum acceptable level of broadband service for a rural area shall be at least—

(A) a 4-Mbps downstream transmission capacity; and

(B) a 1-Mbps upstream transmission capacity.

(2) ADJUSTMENTS.—

(A) IN GENERAL.—At least once every 2 years, the Secretary shall review, and may adjust through notice published in the Federal Register, the minimum acceptable level of broadband service established under paragraph (1) to ensure that high quality, cost-effective broadband service is provided to rural areas over time.

(B) CONSIDERATIONS.—In making an adjustment to the minimum acceptable level of broadband service under subparagraph (A), the Secretary may consider establishing different transmission rates for fixed broadband service and mobile broadband service.

(3) PROHIBITION.—The Secretary shall not establish requirements for bandwidth or speed that have the effect of precluding the use of evolving technologies appropriate for rural areas.

(f) TECHNOLOGICAL NEUTRALITY.—For purposes of determining whether to make a loan or loan guarantee for a project under this section, the Secretary shall use criteria that are technologically neutral.

(g) TERMS AND CONDITIONS FOR LOANS AND LOAN GUARANTEES.—

(1) IN GENERAL.—Notwithstanding any other provision of law, a loan or loan guarantee under this section shall—

(A) bear interest at an annual rate of, as determined by the Secretary—

(i) in the case of a direct loan, a rate equivalent to—

(I) the cost of borrowing to the Department of the Treasury for obligations of comparable maturity; or

(II) 4 percent; and

(ii) in the case of a guaranteed loan, the current applicable market rate for a loan of comparable maturity; and

(B) have a term of such length, not exceeding 35 years, as the borrower may request, if the Secretary determines that the loan is adequately secured.

(2) TERMS.—In determining the term and conditions of a loan or loan guarantee, the Secretary may—

(A) consider whether the recipient is or would be serving an area that is unserved or has service levels below the minimum acceptable level of broadband service established under subsection (e); and

(B) if the Secretary makes a determination in the affirmative under subparagraph (A), establish a limited initial deferral period or comparable terms necessary to achieve the financial feasibility and long-term sustainability of the project.

(3) RECURRING REVENUE.—The Secretary shall consider the existing recurring revenues of the entity at the time of application in determining an adequate level of credit support.

(h) ADEQUACY OF SECURITY.—

(1) IN GENERAL.—The Secretary shall ensure that the type and amount of, and method of security used to secure, any loan or loan guarantee under this section is commensurate to the risk involved with the loan or loan guarantee, particularly in any case in which the loan or loan guarantee is issued to a financially strong and stable entity, as determined by the Secretary.

(2) DETERMINATION OF AMOUNT AND METHOD OF SECURITY.—In determining the amount of, and method of security used to secure, a loan or loan guarantee under this section, the Secretary shall consider reducing the security in a rural area that does not have broadband service.

(i) USE OF LOAN PROCEEDS TO REFINANCE LOANS FOR DEPLOYMENT OF BROADBAND SERVICE.—Notwithstanding any other provision of this Act, the proceeds of any loan made or guaranteed by the Secretary under this Act may be used by the recipient of the loan for the purpose of refinancing an outstanding obligation of the

recipient on another telecommunications loan made under this Act if the use of the proceeds for that purpose will support the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in rural areas.

(j) REPORTS.—Not later than 1 year after the date of enactment of the Food, Conservation, and Energy Act of 2008, and annually thereafter, the Administrator shall submit to Congress a report that describes the extent of participation in the loan and loan guarantee program under this section for the preceding fiscal year, including a description of —

(1) the number of loans applied for and provided under this section, including any loan terms or conditions for which the Secretary provided additional assistance to unserved areas;

(2)(A) the communities proposed to be served in each loan application submitted for the fiscal year; and

(B) the communities served by projects funded by loans and loan guarantees provided under this section;

(3) the period of time required to approve each loan application under this section;

(4) any outreach activities carried out by the Secretary to encourage entities in rural areas without broadband service to submit applications under this section;

(5) the method by which the Secretary determines that a service enables a subscriber to originate and receive high-quality voice, data, graphics, and video for purposes of subsection (b)(1);

(6) each broadband service, including the type and speed of broadband service, for which assistance was sought, and each broadband service for which assistance was provided, under this section; and

(7) the overall progress towards fulfilling the goal of improving the quality of rural life by expanding rural broadband access, as demonstrated by metrics, including—

(A) the number of residences and businesses receiving new broadband services;

(B) network improvements, including facility upgrades and equipment purchases;

(C) average broadband speeds and prices on a local and statewide basis;

(D) any changes in broadband adoption rates; and

(E) any specific activities that increased high speed broadband access for educational institutions, health care providers, and public safety service providers.

(k) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary to carry out this section $25,000,000 for each of fiscal years 2008 through 2018, to remain available until expended.

(2) ALLOCATION OF FUNDS.—

(A) IN GENERAL.—From amounts made available for each fiscal year under this subsection, the Secretary shall—

(i) establish a national reserve for loans and loan guarantees to eligible entities in States under this section; and

(ii) allocate amounts in the reserve to each State for each fiscal year for loans and loan guarantees to eligible entities in the State.

(B) AMOUNT.—The amount of an allocation made to a State for a fiscal year under subparagraph (A) shall bear the same ratio to the amount of allocations made for all States for the fiscal year as—

(i) the number of communities with a population of 2,500 inhabitants or less in the State; bears to

(ii) the number of communities with a population of 2,500 inhabitants or less in all States.

(C) UNOBLIGATED AMOUNTS.—Any amounts in the reserve established for a State for a fiscal year under subparagraph (B) that are not obligated by April 1 of the fiscal year shall be available to the Secretary to make loans and loan guarantees under this section to eligible entities in any State, as determined by the Secretary.

(l) TERMINATION OF AUTHORITY.—No loan or loan guarantee may be made under this section after September 30, 2018.

SEC. 602. [7 U.S.C. 950bb–1] NATIONAL CENTER FOR RURAL TELECOMMUNICATIONS ASSESSMENT.

(a) DESIGNATION OF CENTER.—The Secretary shall designate an entity to serve as the National Center for Rural Telecommunications Assessment (referred to in this section as the "Center").

(b) CRITERIA.—In designating the Center under subsection (a), the Secretary shall take into consideration the following criteria:

(1) The Center shall be an entity that demonstrates to the Secretary—

(A) a focus on rural policy research; and

(B) a minimum of 5 years of experience relating to rural telecommunications research and assessment.

(2) The Center shall be capable of assessing broadband services in rural areas.

(3) The Center shall have significant experience involving other rural economic development centers and organizations with respect to the assessment of rural policies and the formulation of policy solutions at the Federal, State, and local levels.

(c) BOARD OF DIRECTORS.—The Center shall be managed by a board of directors, which shall be responsible for the duties of the Center described in subsection (d).

(d) DUTIES.—The Center shall—

(1) assess the effectiveness of programs carried out under this title in increasing broadband penetration and purchase in rural areas, especially in rural communities identified by the Secretary as having no broadband service before the provision of a loan or loan guarantee under this title;

(2) work with existing rural development centers selected by the Center to identify policies and initiatives at the Federal, State, and local levels that have increased broadband penetration and purchase in rural areas and provide recommendations to Federal, State, and local policymakers on effective strategies

to bring affordable broadband services to residents of rural areas, particularly residents located outside of the municipal boundaries of a rural city or town; and

(3) develop and publish reports describing the activities carried out by the Center under this section.

(e) REPORTING REQUIREMENTS.—Not later than December 1 of each applicable fiscal year, the board of directors of the Center shall submit to Congress and the Secretary a report describing the activities carried out by the Center during the preceding fiscal year and the results of any research conducted by the Center during that fiscal year, including—

(1) an assessment of each program carried out under this title; and

(2) an assessment of the effects of the policy initiatives identified under subsection (d)(2).

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary to carry out this section $1,000,000 for each of fiscal years 2008 through 2012.

SEC. 603. [7 U.S.C. 950bb-2] RURAL GIGABIT NETWORK PILOT PROGRAM.

(a) DEFINITION OF ULTRA-HIGH SPEED SERVICE.—In this section, the term "ultra-high speed service" means broadband service operating at a 1 gigabit per second downstream transmission capacity.

(b) PILOT PROGRAM.—The Secretary shall establish a pilot program to be known as the "Rural Gigabit Network Pilot Program", under which the Secretary may, at the discretion of the Secretary, provide grants, loans, or loan guarantees to eligible entities.

(c) ELIGIBILITY.—

(1) IN GENERAL.—To be eligible to obtain assistance under this section, an entity shall—

(A) demonstrate to the Secretary the ability to furnish or extend ultra-high speed service to a rural area;

(B) submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require;

(C) not already provide ultra-high speed service to a rural area within any State in the proposed service territory; and

(D) agree to complete buildout of ultra-high speed service by not later than 3 years after the initial date on which assistance under this section is made available.

(2) ELIGIBLE PROJECTS.—Assistance under this section may only be used to carry out a project in a proposed service territory if—

(A) the proposed service territory is a rural area; and

(B) ultra-high speed service is not provided in any part of the proposed service territory.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 2014 through 2018.