

103^D CONGRESS
1ST SESSION

S. 1252

To amend the Rural Electrification Act of 1936 to permit the prepayment or repricing of certain loans according to the terms of the applicable loan contract, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 16 (legislative day, JUNE 30), 1993

Mr. LUGAR (for himself and Mr. DOMENICI) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To amend the Rural Electrification Act of 1936 to permit the prepayment or repricing of certain loans according to the terms of the applicable loan contract, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. PREPAYMENT OR REPRICING OF REA LOANS.**

4 Title III of the Rural Electrification Act of 1936 is
5 amended by inserting after section 306B (7 U.S.C. 936b)
6 the following new section:

1 **“SEC. 306C. PREPAYMENT OR REPRICING OF LOANS.**

2 “(a) IN GENERAL.—Notwithstanding any other pro-
3 vision of law, the Secretary of the Treasury and the Ad-
4 ministrator shall, on request of a borrower, allow the pre-
5 payment or repricing of a loan made by the Federal Fi-
6 nancing Bank and guaranteed by the Administrator in ac-
7 cordance with this section and the terms of the applicable
8 loan contract.

9 “(b) TERMS OF REPAYMENT AND REPRICING.—

10 “(1) IN GENERAL.—In the case of a loan made
11 by the Federal Financing Bank and guaranteed by
12 the Administrator that permits prepayment of the
13 loan at any time later than 12 years after the end
14 of the year in which advances were made under the
15 loan on payment of a premium, the borrower of the
16 loan may, at any time prior to the maturity of the
17 loan, prepay or reprice all or any part of the ad-
18 vances made under the loan in accordance with this
19 subsection.

20 “(2) PREPAYMENT.—A borrower of a loan de-
21 scribed in paragraph (1) may prepay the advances
22 by paying the outstanding principal balance of the
23 loan, plus the sum of—

24 “(A) the net present value of the 1-year in-
25 terest prepayment premium, as provided under

1 the terms of the note of the loan of the Federal
2 Financing Bank; and

3 “(B) for the period of time from the date
4 of prepayment until the end of the 12-year pe-
5 riod provided for in the note, the net present
6 value of the difference between—

7 “(i) the income of the note at the ef-
8 fective interest rate; and

9 “(ii) the income of the note at an in-
10 terest rate equal to the then current cost
11 of funds to the Department of the Treas-
12 ury for obligations of comparable maturity
13 to the remaining term of the loan.

14 “(3) REPRICING.—A borrower of a loan de-
15 scribed in paragraph (1) may reprice the loan by
16 paying the sum of—

17 “(A) the net present value of the 1-year in-
18 terest prepayment premium, as provided under
19 the terms of the note of the loan of the Federal
20 Financing Bank; and

21 “(B) for the period of time from the date
22 of repricing until the end of the 12-year period
23 provided for in the note, the net present value
24 of the difference between—

1 “(i) the income of the note at the ef-
2 fective interest rate; and

3 “(ii) the income of the note at an in-
4 terest rate equal to the then current cost
5 of funds to the Department of the Treas-
6 ury for obligations of comparable maturity
7 to the remaining term of the loan.

8 “(4) LIEN ACCOMMODATION.—If a borrower of
9 a loan described in paragraph (1) elects to prepay
10 an advance on the loan and applies for a loan from
11 a private lender in an amount not to exceed the sum
12 of the advance prepaid amount and any premium on
13 the amount paid pursuant to this section, on the re-
14 quest of the borrower, the Administrator shall grant
15 the private lender a lien accommodation on the as-
16 sets of the borrower if the value of the assets subject
17 to the lien will exceed 120 percent of the amount of
18 all of the outstanding loans and guarantees secured
19 under the lien.

20 “(c) FINANCING THE PREMIUMS.—In the case of a
21 loan described in subsection (b)(1) that is prepaid or re-
22 priced in accordance with this section, the Administrator
23 may guarantee a loan made to the borrower in an amount
24 equal to the cost of any prepayment or repricing premium
25 required under subparagraph (A) or (B) of subsection

1 (b)(2) or subparagraph (A) or (B) of subsection (b)(3),
2 as appropriate.

3 “(d) HARDSHIP PREPAYMENT PROGRAM.—

4 “(1) PREPAYMENT.—A borrower of a loan
5 made by the Federal Financing Bank and guaran-
6 teed under section 306 may, at the option of the
7 borrower, prepay the loan or an advance on the loan
8 if the Administrator determines that the borrower is
9 eligible under paragraph (3).

10 “(2) PROHIBITION ON PREPAYMENT PRE-
11 MIUMS.—No sums in addition to the payment of the
12 outstanding principal balance due on the loan may
13 be charged against the borrower, as a result of the
14 prepayment.

15 “(3) ELIGIBILITY.—The Administrator shall
16 allow the repayment of a loan under this subsection
17 if the Administrator determines that the borrower—

18 “(A) has experienced a severe hardship; or

19 “(B) serves a predominantly rural, low-in-
20 come, and high unemployment area for which
21 the electricity rates exceed the Statewide aver-
22 age.

23 “(4) NEW LOANS.—On the prepayment of a
24 loan under this subsection and the request of the
25 borrower, the Federal Financing Bank and the Ad-

1 administrator shall make a new loan to the borrower
2 available at a level that at least equals the principal
3 amount of the prepayment.

4 “(5) AUTHORIZATION OF APPROPRIATIONS.—
5 There are authorized to be appropriated such sums
6 as are necessary to provide for the cost (as defined
7 in section 502(5) of the Congressional Budget Act
8 of 1974 (2 U.S.C. 661a(5)) of the waiver under this
9 subsection of prepayment premiums for loans made
10 by the Federal Financing Bank and guaranteed by
11 the Administrator.”.

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