

NOTE: The President spoke at 1:38 p.m. in Room 450 of the Old Executive Office Building. In his remarks, he referred to Sam Myers, president, National Association for Equal Opportunity in Higher Education; Joyce Payne, director, Office for the Advancement of Public Black Colleges; William H. Gray III, CEO and president, United

Negro College Fund; Art Thomas, former chairman, National Association for Equal Opportunity in Higher Education; and Lt. Gen. Alonzo E. Short, Jr., USA, Director, Defense Information Systems Agency. Following his remarks, the President signed the Executive order, which is listed in Appendix D at the end of this volume.

Statement on Signing the Rural Electrification Loan Restructuring Act of 1993

November 1, 1993

I am pleased to sign into law H.R. 3123, the "Rural Electrification Loan Restructuring Act of 1993." This Act modifies the Rural Electrification Administration (REA) direct loan programs for rural electric and telephone cooperatives. It represents the culmination of many months of long, hard work by the Congress and the Administration in our commitment to revitalize the infrastructure of rural America.

Earlier this year in my State of the Union Address, I announced my intent to reform the REA. H.R. 3123 does just that. It represents an important first step towards reforming the REA loan programs and is a good example of the Government doing more with less. This legislation will enhance our ability to provide affordable electric and telephone services in rural areas and to ensure access to the emerging telecommunications technologies that are essential for the economic strength of rural areas and the Nation as a whole. It also allows the REA for the first time to make loans for energy conservation purposes.

This Act makes much needed program adjustments to minimize budget expenditures and save over \$100 million in 1994 alone. Despite this reduction in Federal assistance, rural electric and telephone consumer bills should not change substantially. By using means tests to target Federal funds and raising the maximum interest rate, H.R. 3123 allows the REA to use scarce resources more effectively. We should no longer hear about wealthy electric and telephone bor-

rowers that receive Government loans at extremely low interest rates.

Although H.R. 3123 clearly represents a major improvement over current law, I have one concern with it. The Act places a 7 percent interest rate cap on certain REA loans, including those refinanced through the Department of the Treasury's Federal Financing Bank. Experience with Federal credit programs indicates that such statutorily fixed interest rate ceilings produce unpredictable and unintended results, including (1) inequities among borrowers using the program at different times; (2) extraordinary demands for loans when market interest rates are high; and (3) increased budget deficits. The "open-ended" character of subsidies resulting from the interest rate cap is inconsistent with the Administration's objective of managing Federal subsidies more effectively. Accordingly, my Administration will work with the Congress to remove this provision.

Nevertheless, H.R. 3123 is, overall, a solid step forward. Today I wish to congratulate the Members of Congress and friends of rural America that helped to enact this first major reform of the REA loan programs.

WILLIAM J. CLINTON

The White House,
November 1, 1993.

NOTE: H.R. 3123, approved November 1, was assigned Public Law No. 103-129.