

Public Law 102-428
102d Congress

An Act

To amend the Rural Electrification Act of 1936 to improve the provision of electric and telephone service in rural areas, and for other purposes.

Oct. 21, 1992
[H.R. 5237]

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

Rural
Electrification
Administration
Improvement
Act of 1992.
7 USC 901 note.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Rural Electrification Administration Improvement Act of 1992".

SEC. 2. DISCOUNTED LOAN PREPAYMENT.

(a) **IN GENERAL.**—Subsection (a) of section 306B of the Rural Electrification Act of 1936 (7 U.S.C. 936b(a)) is amended to read as follows:

"(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 Administrator.

"(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 Administrator 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 Administrator, 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 Administrator, 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 Administrator 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) **CONFORMING AMENDMENT.**—Section 306B(b) of such Act (7 U.S.C. 936b(b)) is amended by striking “(b) Notwithstanding” and inserting the following:

“(b) **MERGERS OF ELECTRIC BORROWERS.**—Notwithstanding”.

Approved October 21, 1992.

LEGISLATIVE HISTORY—H.R. 5237 (See S. 1709):

HOUSE REPORTS: No. 102-782 (Comm. on Agriculture).

CONGRESSIONAL RECORD, Vol. 138 (1992):

Aug. 4, 5, considered and passed House.

Oct. 5, considered and passed Senate, amended. House concurred in Senate amendment.