

tween the average weighted interest rate paid on outstanding certificates of beneficial ownership issued by the Fund and 5 percent.

(May 20, 1936, ch. 432, title III, §313, as added Pub. L. 100-203, title I, §1403, Dec. 22, 1987, 101 Stat. 1330-21; amended Pub. L. 103-354, title II, §235(a)(13), Oct. 13, 1994, 108 Stat. 3221; Pub. L. 115-334, title VI, §§6503, 6504(b), Dec. 20, 2018, 132 Stat. 4772, 4773.)

#### **Editorial Notes**

##### AMENDMENTS

2018—Subsec. (a)(1). Pub. L. 115-334, §6503(1), designated existing provisions as subpar. (A), inserted heading, and added subpar. (B).

Subsec. (a)(2). Pub. L. 115-334, §6503(2), designated existing provisions as subpar. (A), inserted heading, and added subpar. (B).

Subsec. (a)(3). Pub. L. 115-334, §6503(3), designated existing provisions as subpar. (A), inserted heading, and added subpar. (B).

Subsec. (b)(2). Pub. L. 115-334, §6504(b), struck out subpar. (A) designation and heading before “The Secretary shall”, substituted “5 percent.” for “the 5 percent rate of interest provided to borrowers on cushion of credit payments.”, and struck out subpars. (B) to (E) which related to grants, repayments, proceeds, and number of grants, respectively.

1994—Subsecs. (a)(1), (b)(2)(A) to (C). Pub. L. 103-354 substituted “Secretary” for “Administrator”.

### **§ 940c-1. Guarantees for bonds and notes issued for electrification or telephone purposes**

#### **(a) In general**

##### **(1) Guarantees**

Subject to subsection (b), the Secretary shall guarantee payments on bonds or notes issued by cooperative or other lenders organized on a not-for-profit basis, if the proceeds of the bonds or notes are used to make utility infrastructure loans, or refinance bonds or notes issued for those purposes, to a borrower that has at any time received, or is eligible to receive, a loan under this chapter.

##### **(2) Terms**

A bond or note guaranteed under this section shall, by agreement between the Secretary and the borrower—

- (A) be for a term of 30 years (or another term of years that the Secretary determines is appropriate); and
- (B) be repaid by the borrower—
  - (i) in periodic installments of principal and interest;
  - (ii) in periodic installments of interest and, at the end of the term of the bond or note, as applicable, by the repayment of the outstanding principal; or
  - (iii) through a combination of the methods described in clauses (i) and (ii).

#### **(b) Limitations**

##### **(1) Outstanding loans**

A lender shall not receive a guarantee under this section for a bond or note if, at the time of the guarantee, the total principal amount of such guaranteed bonds or notes outstanding of the lender would exceed the principal amount of outstanding loans of the lender for eligible purposes described in subsection (a)(1).

#### **(2) Qualifications**

The Secretary may deny the request of a lender for the guarantee of a bond or note under this section if the Secretary determines that—

(A) the lender does not have appropriate expertise or experience or is otherwise not qualified to make loans for eligible purposes described in subsection (a)(1);

(B) the bond or note issued by the lender would not be investment grade quality without a guarantee; or

(C) the lender has not provided to the Secretary a list of loan amounts approved by the lender that the lender certifies are for eligible purposes described in subsection (a)(1).

#### **(3) Annual amount**

The total amount of guarantees provided by the Secretary under this section during a fiscal year shall not exceed \$1,000,000,000, subject to the availability of funds under subsection (e).

#### **(c) Fees**

##### **(1) In general**

A lender that receives a guarantee issued under this section on a bond or note shall pay a fee to the Secretary.

##### **(2) Amount**

###### **(A) In general**

The amount of the annual fee paid for the guarantee of a bond or note under this section shall be equal to 30 basis points of the amount of the unpaid principal of the bond or note guaranteed under this section.

###### **(B) Prohibition**

Except as otherwise provided in this subsection and subsection (e)(2), no other fees shall be assessed.

#### **(3) Payment**

##### **(A) In general**

A lender shall pay the fees required under this subsection on a semiannual basis.

##### **(B) Structured schedule**

The Secretary shall, with the consent of the lender, structure the schedule for payment of the fee to ensure that sufficient funds are available to pay the subsidy costs for note or bond guarantees as provided for in subsection (e)(2).

#### **(4) Rural economic development subaccount**

Subject to subsection (e)(2), fees collected under this subsection shall be—

(A) deposited into the rural economic development subaccount that shall be maintained as required by sections 940c(b)(2) and 940c-2(f) of this title, to remain available until expended; and

(B) used for the purposes described in section 940c(b)(2) of this title.

#### **(d) Guarantees**

##### **(1) In general**

A guarantee issued under this section shall—

(A) be for the full amount of a bond or note, including the amount of principal, interest, and call premiums;

- (B) be fully assignable and transferable;
- and
- (C) represent the full faith and credit of the United States.

**(2) Limitation**

To ensure that the Secretary has the resources necessary to properly examine the proposed guarantees, the Secretary may limit the number of guarantees issued under this section to 5 per year.

**(3) Department opinion**

On the timely request of a lender, the General Counsel of the Department of Agriculture shall provide the Secretary with an opinion regarding the validity and authority of a guarantee issued to the lender under this section.

**(e) Authorization of appropriations**

**(1) In general**

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

**(2) Fees**

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

**(f) Termination**

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

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

**Editorial Notes**

**CODIFICATION**

The authorities provided by each provision of, and each amendment made by, Pub. L. 115-334, as in effect on Sept. 30, 2023, to continue, and authorities to be carried out, until the later of Sept. 30, 2024, or the date specified in the provision of, or amendment made by, Pub. L. 115-334, see section 102(a) of Pub. L. 118-22, set out in an Extension of Agricultural Programs note under section 9001 of this title.

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

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

**AMENDMENTS**

2018—Subsec. (a). Pub. L. 115-334, § 6505(a)(1), designated existing provisions as par. (1), inserted heading,

substituted “basis, if the proceeds of the bonds or notes are used to make utility infrastructure loans, or refinance bonds or notes issued for those purposes, to a borrower that has at any time received, or is eligible to receive, a loan under this chapter.” for “basis if the proceeds of the bonds or notes are used to make loans for any electrification or telephone purpose eligible for assistance under this chapter, including section 904 or 922 of this title or to refinance bonds or notes issued for such purposes.”, and added par. (2).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Statutory Notes and Related Subsidiaries**

**EFFECTIVE DATE OF 2008 AMENDMENT**

Amendment of this section and repeal of Pub. L. 110-234 by Pub. L. 110-246 effective May 22, 2008, the date of enactment of Pub. L. 110-234, see section 4 of Pub. L. 110-246, set out as an Effective Date note under section 8701 of this title.

**REGULATIONS AND IMPLEMENTATION**

Pub. L. 110-234, title VI, § 6106(b), May 22, 2008, 122 Stat. 1197, and Pub. L. 110-246, § 4(a), title VI, § 6106(b), June 18, 2008, 122 Stat. 1664, 1959, provided that: “The Secretary [of Agriculture] shall continue to carry out section 313A of the Rural Electrification Act of 1936 (7 U.S.C. 940c-1) in the same manner as on the day before

the date of enactment of this Act [June 18, 2008], except without regard to the limitations prescribed in subsection (b)(1) of that section, until such time as any regulations necessary to carry out the amendments made by this section [amending this section] are fully implemented.”

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

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

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

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

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

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

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

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

#### (a) In general

The Secretary shall provide grants or zero interest loans to borrowers under this chapter for the purpose of promoting rural economic development and job creation projects, including funding for project feasibility studies, start-up costs, incubator projects, and other reasonable expenses for the purpose of fostering rural development.<sup>1</sup>

#### (b) Repayments

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

#### (c) Proceeds

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

#### (d) Number of grants

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

#### (e) Funding

##### (1) Discretionary funding

In addition to other funds that are available to carry out this section, there is authorized

to be appropriated not more than \$10,000,000 for each of fiscal years 2019 through 2023 to carry out this section, to remain available until expended.

#### (2) Mandatory funding

Of the funds of the Commodity Credit Corporation, the Secretary shall credit to the subaccount to use for the cost of grants and loans under this section \$5,000,000 for each of fiscal years 2022 through 2024, to remain available until expended.

#### (3) Other funds

In addition to the funds described in paragraphs (1) and (2), the Secretary shall use, without fiscal year limitation, to provide grants and loans under this section—

(A) the interest differential sums credited to the subaccount described in subsection (c); and

(B) subject to section 940c-1(e)(2) of this title, the fees described in subsection (c)(4) of such section.

#### (f) Maintenance of account

The Secretary shall maintain the subaccount described in section 940c(b)(2) of this title, as in effect in fiscal year 2017, for purposes of carrying out this section.

(May 20, 1936, ch. 432, title III, § 313B, as added Pub. L. 115-334, title VI, § 6504(c), Dec. 20, 2018, 132 Stat. 4773; amended Pub. L. 118-22, div. B, title I, § 102(d)(4), Nov. 17, 2023, 137 Stat. 116.)

#### Editorial Notes

##### AMENDMENTS

2023—Subsec. (e)(2). Pub. L. 118-22 substituted “through 2024” for “and 2023”.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 2023 AMENDMENT

Amendment by Pub. L. 118-22 to be applied and administered as if enacted on Sept. 30, 2023, see section 102(g) of Pub. L. 118-22, set out in an Extension of Agricultural Programs note under section 9001 of this title.

##### ADDITIONAL FUNDING FOR FISCAL YEAR 2024

Pub. L. 118-42, div. B, title VII, § 780, Mar. 9, 2024, 138 Stat. 118, provided that: “Section 313B(a) of the Rural Electrification Act of 1936 (7 U.S.C. 940c-2(a)), shall be applied for fiscal year 2024 and each fiscal year thereafter until the specified funding has been expended as if the following were inserted after the final period: ‘In addition, the Secretary shall use \$9,465,000 of the funds available to carry out this section in fiscal year 2024 for an additional amount for the same purpose and under the same terms and conditions as the Rural Business Development Grants authorized by section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932(c)).’”

#### IMPLEMENTATION OF LOAN AND GRANT PROGRAM

Pub. L. 115-334, title VI, § 6504(e), Dec. 20, 2018, 132 Stat. 4774, provided that:

“(1) Subject to section 313B(e) of the Rural Electrification Act of 1936 (as added by this section) [7 U.S.C. 940c-2(e)], the Secretary of Agriculture shall carry out the loan and grant program required under such section in the same manner as the loan and grant program under section 313(b)(2) of such Act [7 U.S.C. 940c(b)(2)] is carried out on the day before the date of the enactment of this Act [Dec. 20, 2018], until such

<sup>1</sup> See Additional Funding for Fiscal Year 2024 note below.