RURAL ELECTRIFICATION ACT OF 1936
[Chapter 432 of the 74th Congress, Approved May 20, 1936, 49 Stat. 1363]

[As Amended Through P.L. 115–334, Enacted December 20, 2018]

Currency: This publication is a compilation of the text of Chapter 432 of the 74th Congress. It was last amended by the public law listed in the As Amended Through note above and below at the bottom of each page of the pdf version and reflects current law through the date of the enactment of the public law listed at https://www.govinfo.gov/app/collection/comps/]

Note: While this publication does not represent an official version of any Federal statute, substantial efforts have been made to ensure the accuracy of its contents. The official version of Federal law is found in the United States Statutes at Large and in the United States Code. The legal effect to be given to the Statutes at Large and the United States Code is established by statute (1 U.S.C. 112, 204).

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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”.


(a) LOANS.—The Secretary of Agriculture (referred to in this Act as the “Secretary”) is authorized and empowered to make loans, or refinance loans made by the Secretary under this Act, 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.

(c) TECHNICAL ASSISTANCE.—Not later than 180 days after the date of enactment of this subsection, the Secretary shall enter into a memorandum of understanding with the Secretary of Energy under which the Secretary of Energy shall provide technical assistance to the Rural Utilities Service on loans to be made under subsection (a) of this section and section 4(a).

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...
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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 1/8 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. [7 U.S.C. 908] LIMITATIONS ON USE OF ASSISTANCE.

(a) Subject to subsections (b) and (c) of this section, the Secretary may allow a recipient of a grant, loan, or loan guarantee under this title to set aside not more than 10 percent of the amount so received to provide retail broadband service.

(b) A recipient who sets aside funds under subsection (a) of this section may use the funds only in an area that is not being provided with the minimum acceptable level of broadband service established under section 601(c), unless the recipient meets the requirements of section 601(d).

(c) Nothing in this section shall be construed to limit the ability of any borrower to finance or deploy services authorized under this Act.

(d) The Secretary shall not provide funding under subsection (a) if the funding would result in competitive harm to any grant, loan, or loan guarantee referred to in subsection (a).

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. 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. 12. [7 U.S.C. 912] (a) The Secretary is authorized and empowered to extend the time of payment of interest or principal
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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).

(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.


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
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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:


(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 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 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 pro-
provide technical or advisory services to the Secretary.

(4) CONTRACTS, GRANTS, AND AGREEMENTS.—The Secretary
may enter into such contracts, grants, or cooperative agree-
ments 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 oth-

erwise.

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 initia-
tives, make grants and loans to persons, States, political sub-
divisions of States, and other entities organized under the laws
of States to acquire, construct, extend, upgrade, and otherwise
improve energy generation, transmission, or distribution facili-
ties serving communities in which the average residential ex-
penditure for home energy is at least 275 percent of the na-
tional average residential expenditure for home energy (as de-
termined by the Energy Information Agency using the most re-
cent data available);

(2) make grants and loans to the Denali Commission es-
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, trans-
mission, or distribution facilities serving communities de-
scribed 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 pur-
chasing fuel where the fuel cannot be shipped by means of sur-
face 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 EX-
PENSES.—Not more than 4 percent of the amounts made avail-
able under paragraph (1) may be used for planning and admin-
istrative expenses.

TITLE II

SEC. 201. [7 U.S.C. 922] LOANS FOR TELEPHONE SERVICE

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 Sec-
etary 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 mu-
tual 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 tele-
phone service in rural areas: Provided, however, That the Sec-
retary, in making such loans, shall give preference to persons pro-
viding telephone service in rural areas, to public bodies now pro-
viding telephone service in rural areas, and to cooperative, non-
profit, limited dividend, or mutual associations. 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 widest practical number of rural users. When
it is determined by the Secretary to be necessary in order to fur-
nish 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 re-
gard to their geographical location. The Secretary is further author-
ized and empowered to make loans for the purpose of refinancing
outstanding indebtedness of persons furnishing telephone service in
rural areas, including indebtedness of recipients on another tele-
communications loan made under this Act. Loans under this sec-
tion 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 and that no duplica-
tion of lines, facilities, or systems, providing reasonably adequate
services will result therefrom.

be construed to deprive any State commission, board, or other
agency of jurisdiction, under any State law, now or hereafter effec-
tive, to regulate telephone service which is not subject to regulation
by the Federal Communications Commission, under the Commu-
nications 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, sig-
nals, 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 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 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 affili-
ated 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 aggre-
gate of such investments does not exceed 1⁄3 of the net worth 
of the borrower; or 
   (2) require a qualified telephone borrower to obtain the ap-
proval of the Secretary in order to make an investment de-
scribed 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 as-
ets of such person.

SEC. 206. [7 U.S.C. 927] GENERAL DUTIES AND PROHIBITIONS.
(a) DUTIES.—The Secretary shall— 
   (1) 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 au-
      thority 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 de-
preciation rates used by borrowers of telephone loans 
made under this Act; 
   (2) annually determine and publish the average described 
in paragraph (2)(B); and 
   (3) make loans for all purposes for which telephone loans 
are authorized under section 201, to the extent of qualifying 
applications therefor.
(b) PROHIBITIONS.—The Secretary shall not— 
   (1) rescind an insured telephone 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.
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 or a guarantee of a telephone loan under section 306 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, 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; or

(5) moneys borrowed from the Secretary of the Treasury pursuant to section 304(a).
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. 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 pur-
chasers, 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

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(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

(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, 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 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), the Secretary may make a loan to a borrower serving a State that does not have a telecommunications 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 National 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 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.


(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 preps 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 effective date of regulations issued to carry out the Rural Electrification Loan Restructuring Act of 1993.


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.


(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.

SEC. 310. 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. 312. 7 U.S.C. 940c CUSHION OF CREDIT PAYMENTS PROGRAM.
(a) Establishment.—
(1) In general.—
(A) Development and Promotion of Program.—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. Amounts in each cushion...
of credit account shall accrue interest to the borrower at a rate of 5 percent per annum.

(B) TERMINATION.—Effective on the date of enactment of this subparagraph, no deposits may be made under subparagraph (A).

(2) INTEREST.—

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

(B) REDUCTION.—Notwithstanding subparagraph (A), amounts in each cushion of credit account shall accrue interest to the borrower at a rate equal to—

(i) 4 percent per annum in fiscal year 2021; and

(ii) the then applicable 1-year Treasury rate thereafter.

(3) BALANCE.—

(A) IN GENERAL.—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) PREPAYMENT.—Notwithstanding subparagraph (A) and subject to subparagraph (C), beginning on the date of the enactment of this subparagraph and ending with September 30, 2020, a borrower may, at the sole discretion of the borrower, reduce the balance of its cushion of credit account if the amount obtained from the reduction is used to prepay loans made or guaranteed under this Act.

(C) NO PREPAYMENT PREMIUM.—Notwithstanding any other provision of this Act, no prepayment premium shall be imposed or collected with respect to that portion of a loan that is prepaid by a borrower in accordance with subparagraph (B).

(D) MANDATORY FUNDING.—Notwithstanding section 504 of the Federal Credit Reform Act of 1990, out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall make available such sums as necessary to cover any loan modification costs as defined in section 502 of such 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.—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.

SEC. 313A.2 [7 U.S.C. 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 Act.

(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

2Section 750(a) of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2004 (P.L. 108-199) provides that: "Notwithstanding sections (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."
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(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 313(b)(2) and 313B(f), to remain available until expended; and

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

(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 va-
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lidity 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 required to be maintained by sections 313(b)(2) and 313B(f).

(f) TERMINATION.—The authority provided under this section shall terminate on September 30, 2023.

SEC. 313B. [7 U.S.C. 940c–2] RURAL DEVELOPMENT LOANS AND GRANTS.

(a) IN GENERAL.—The Secretary shall 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.

(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 313(b)(2) and 313B(f).

(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 and 2023, 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 313A(e)(2), the fees described in subsection (c)(4) of such section.

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(f) Maintenance of Account.—The Secretary shall maintain the subaccount described in section 313(b)(2), as in effect in fiscal year 2017, for purposes of carrying out this section.


(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 critical transportation-related 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 2023.


(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 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.

SEC. 319. [7 U.S.C. 940i] CYBERSECURITY AND GRID SECURITY IMPROVEMENTS.

(a) DEFINITION OF CYBERSECURITY AND GRID SECURITY IMPROVEMENTS.—In this section, the term “cybersecurity and grid security improvements” means investment in the development, expansion, and modernization of rural utility infrastructure that addresses known cybersecurity and grid security risks.

(b) LOANS AND LOAN GUARANTEES.—The Secretary may make or guarantee loans under this title and title I for cybersecurity and grid security improvements.

[Title IV was repealed by Public Law 115–334, sec. 6602(a)]

TITLE V—RURAL ECONOMIC DEVELOPMENT


The Secretary shall—

(1) provide advice and guidance to electric borrowers under this Act concerning the effective and prudent use by such borrowers 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.
Title VI—Rural Broadband Access


(a) Purpose.—The purpose of this section is to provide grants, provide loans, and provide 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) in the case of a grant or direct loan, 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) Exclusion of Certain Populations.—Such term does not include any population described in subparagraph (H) or (I) of section 343(a)(13) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1991(a)(13)).

(c) Grants, Loans, and Loan Guarantees.—

(1) In general.—The Secretary shall make grants, shall make loans, and shall 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.—

(A) In general.—In making grants, making loans, and guaranteeing loans under paragraph (1), the Secretary shall—

(i) give the highest priority to applications for projects to provide broadband service to unserved
rural communities that do not have any residential broadband service of at least—

(I) a 10-Mbps downstream transmission capacity; and

(II) a 1-Mbps upstream transmission capacity;

(ii) give priority to applications for projects to provide the maximum level of broadband service to the greatest proportion of rural households in the proposed service area identified in the application;

(iii) provide equal consideration to all eligible entities, including those that have not previously received grants, loans, or loan guarantees under paragraph (1); and

(iv) with respect to 2 or more applications that are given the same priority under clause (i), give priority to an application that requests less grant funding than loan funding.

(B) OTHER.—After giving priority to the applications described in clauses (i) and (ii) of subparagraph (A), the Secretary shall then give priority to applications—

(i) for projects to provide broadband service to rural communities—

(I) with a population of less than 10,000 permanent residents;

(II) that are experiencing outmigration and have adopted a strategic community investment plan under section 379H(d) that includes considerations for improving and expanding broadband service;

(III) with a high percentage of low income families or persons (as defined in section 501(b) of the Housing Act of 1949 (42 U.S.C. 1471(b));

(IV) that are isolated from other significant population centers; or

(V) that provide rapid and expanded deployment of fixed and mobile broadband on cropland and ranchland within a service territory for use in various applications of precision agriculture; and

(ii) that were developed with the participation of, and will receive a substantial portion of the funding for the project from, 2 or more stakeholders, including—

(I) State, local, and tribal governments;

(II) nonprofit institutions;

(III) community anchor institutions, such as—

(aa) public libraries;

(bb) elementary schools and secondary schools (as defined in section 8101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801));

(cc) institutions of higher education; and

(dd) health care facilities;

(IV) private entities;

(V) philanthropic organizations; and

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(VI) cooperatives.

(3) GRANT AMOUNTS.—
(A) DEFINITION OF DEVELOPMENT COSTS.—In this para-
graph, the term “development costs” means costs of—
(i) construction, including labor and materials;
(ii) project applications; and
(iii) other development activities, as determined
by the Secretary.
(B) ELIGIBILITY.—To be eligible for a grant under this
section, in addition to the requirements of subsection (d),
the project that is the subject of the grant shall—
(i) be carried out in a proposed service territory in
which not less than 90 percent of the households are
unserved; and
(ii) not concurrently receive any other broadband
grant administered by the Rural Utilities Service.
(C) MAXIMUM.—Except as provided in subparagraph
(D), the amount of any grant made under this section shall
not exceed—
(i) 75 percent of the total project cost with respect
to an area with a density of fewer than 7 people per
square mile;
(ii) 50 percent of the total project cost with respect
to an area with a density of 7 or more and fewer than
12 people per square mile; and
(iii) 25 percent of the total project cost with re-
spect to an area with a density of 12 or more and 20
or fewer people per square mile.
(D) SECRETARIAL AUTHORITY TO ADJUST.—The Sec-
retary may—
(i) make grants of up to 75 percent of the develop-
ment costs of the project for which the grant is pro-
vided to an eligible entity if the Secretary determines
that the project serves—
(I) an area of rural households described in
paragraph (2)(A)(i); or
(II) a rural community described in any of
subclauses (I) through (IV) of paragraph (2)(B)(i);
and
(ii) make modifications of the density thresholds
described in subparagraph (C), in order to ensure that
funds provided under this section are best utilized to
provide broadband service in communities that are the
most rural in character.
(E) APPLICATIONS.—The Secretary shall establish an
application process for grants under this section that—
(i) permits a single application for a grant and a
loan under title I, II, or this title that is associated
with such grant; and
(ii) provides a single decision to award such grant
and such loan.
(F) DENSITY DETERMINATIONS.—When determining
population density under this section, the Secretary shall
prescribe a calculation method which—
(i) utilizes publicly available data; and
(ii) includes only those areas in which the applicant is able to meet the service requirements under this section, as determined by the Secretary.

(4) FEES.—In the case of loan guarantees issued or modified under this section, the Secretary shall charge and collect from the lender fees in such amounts as to bring down the costs of subsidies for guaranteed loans, except that such fees shall not act as a bar to participation in the programs nor be inconsistent with current practices in the marketplace.

(d) ELIGIBILITY.—

(1) ELIGIBLE ENTITIES.—

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

(i) demonstrate the ability to furnish or improve service in order to meet the broadband buildout requirements established under subsection (e)(4) in all or part of an unserved or underserved rural area;
(ii) submit to the Secretary an 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 infrastructure described in the application by not later than 5 years after the initial date on which assistance under this section is 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 (j) for the fiscal year.

(2) ELIGIBLE PROJECTS.—

(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), assistance 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 of the eligible entity is submitted—

(i) not less than 50 percent (in the case of loans or loan guarantees provided in accordance with subsection (g)(1)(A)) of the households in the proposed service territory are unserved or have service levels below the minimum acceptable level of fixed broadband service, whether terrestrial or wireless, 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 grant, 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) and an Indian tribe shall be eligible for assistance under this section to provide broadband services to a rural area.

(5) Technical Assistance and Training.—

(A) In General.—The Secretary may provide to eligible entities described in paragraph (1) that are applying for assistance under this section for a project described in subsection (c)(2)(A)(i) technical assistance and training—
(i) to prepare reports and surveys necessary to re-
quest grants, loans, and loan guarantees under this
section for broadband deployment;
(ii) to improve management, including financial
management, relating to the proposed broadband de-
ployment;
(iii) to prepare applications for grants, loans, and
loan guarantees under this section; or
(iv) to assist with other areas of need identified by
the Secretary.
(B) FUNDING.—Not less than 3 percent and not more
than 5 percent of amounts appropriated to carry out this
section for a fiscal year shall be used for technical assist-
ance and training under this paragraph.
(e) BROADBAND SERVICE.—
(1) IN GENERAL.—Subject to paragraph (2), for purposes of
this section, the minimum acceptable level of broadband ser-
vice for a rural area shall be at least—
(A) a 25-Mbps downstream transmission capacity; and
(B) a 3-Mbps upstream transmission capacity.
(2) ADJUSTMENTS.—At least once every 2 years, the Sec-
retary shall review, and may adjust through notice published
in the Federal Register, the minimum acceptable level of
broadband service established under paragraph (1) and
broadband buildout requirements under paragraph (4) to en-
sure that high quality, cost-effective broadband service is pro-
vided to rural areas over time.
(3) PROHIBITION.—The Secretary shall not establish re-
quirements for bandwidth or speed that have the effect of pre-
cluding the use of evolving technologies appropriate for rural
areas.
(4) BROADBAND BUILDOUT REQUIREMENTS.—
(A) IN GENERAL.—The term "broadband buildout re-
quirement" means the level of internet service an appli-
cant receiving assistance under this section must agree, at
the time the application is finalized, to provide for the du-
ratio of any project-related agreement between the appli-
cant and the Department.
(B) BROADBAND BUILDOUT REQUIREMENTS FURTHER DE-
FINED.—Subject to subparagraph (C), the Secretary shall
establish broadband buildout requirements for projects
with agreement lengths of—
(i) 5 to 10 years;
(ii) 11 to 15 years;
(iii) 16 to 20 years; and
(iv) more than 20 years.
(C) REQUIREMENTS.—In establishing the broadband buildout requirements under subparagraph (B), the Sec-
retary shall—
(i) utilize the same metrics used to define the min-
imum acceptable level of broadband service under
paragraph (1);
(ii) establish such requirements to reasonably en-
sure—
(I) the repayment of all loans and loan guarantees; and
(II) the financed network is technically capable of providing broadband service for the lifetime of any project-related agreement.

(D) SUBSTITUTE SERVICE STANDARDS FOR UNIQUE SERVICE TERRITORIES.—If an applicant shows that it would be cost prohibitive to meet the broadband buildout requirements established under this paragraph for the entirety of a proposed service territory due to the unique characteristics of the proposed service territory, the Secretary and the applicant may agree to utilize substitute standards for any unserved portion of the project. Any substitute service standards should continue to consider the best technology available to meet the needs of the residents in the unserved area.

(f) TECHNOLOGICAL NEUTRALITY.—For purposes of determining whether to provide assistance 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) 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) Payment Assistance for Certain Loan and Grant Recipients.—

(1) Use of Grant Funds.—The Secretary may use the funds appropriated for a grant under this title for the cost (as defined by section 502 of the Congressional Budget Act of 1974) of providing assistance under paragraph (2).

(2) Payment Assistance.—When providing a grant under this title, the Secretary, at the sole discretion of the Secretary, may make—

(A) a subsidized loan, which shall bear a reduced interest rate at such a rate as the Secretary determines appropriate to meet the objectives of the program; or

(B) a payment assistance loan, which shall—

(i) require no interest and principal payments while the borrower is—

(I) in material compliance with the loan agreement; and

(II) meeting the milestones and objectives of the project agreed to under paragraph (3); and

(ii) require such nominal periodic payments as the Secretary determines to be appropriate.

(3) Agreement on Milestones and Objectives.—With respect to payment assistance provided under paragraph (2), before entering into the agreement under which the payment assistance will be provided, the applicant and the Secretary shall agree to milestones and objectives of the project.

(4) Amendment of Milestones and Objectives.—The Secretary and the applicant may jointly agree to amend the milestones and objectives agreed to under paragraph (3).

(5) Considerations.—When deciding to utilize the payment assistance authority under paragraph (2) the Secretary shall consider whether or not the payment assistance will—

(A) improve the compliance of the grantee with any commitments made through the grant agreement;

(B) promote the completion of the broadband project;

(C) protect taxpayer resources; and

(D) support the integrity of the broadband programs administered by the Secretary.

(6) Limitations on Payment Assistance.—The Secretary may not make a payment assistance loan under paragraph (2)(B) to an entity receiving a grant under this section that is also the recipient of a loan under title I or II that is associated with such grant.

(j) Funding.—

(1) Authorization of Appropriations.—There is authorized to be appropriated to the Secretary to carry out this section$350,000,000 for each of fiscal years 2019 through 2023, 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.

(k) TERMINATION OF AUTHORITY.—No grant, or loan, or loan guarantee may be made under this section after September 30, 2023.


(a) PURPOSE.—The purpose of this section is to encourage the expansion and extension of middle mile broadband infrastructure to connect underserved rural areas to the backbone of the Internet.

(b) MIDDLE MILE INFRASTRUCTURE.—For the purposes of this section, the term “middle mile infrastructure” means any broadband infrastructure that does not connect directly to end-user locations (including anchor institutions) and may include interoffice transport, backhaul, Internet connectivity, data centers, or special access transport to rural areas.

(c) GRANTS, LOANS, AND LOAN GUARANTEES.—The Secretary shall make grants, loans, and loan guarantees to eligible applicants described in subsection (d) to provide funds for the construction, improvement, or acquisition of middle mile infrastructure to serve rural areas.

(d) ELIGIBILITY.—

(1) ELIGIBLE APPLICANTS.—

(A) IN GENERAL.—To be eligible to obtain assistance under this section, an eligible entity shall—
(i) submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require;
(ii) agree to complete build-out of the middle mile infrastructure described in the application by not later than 5 years after the initial date on which proceeds from the assistance provided under this section are made available; and
(iii) submit to the Secretary a plan to ensure the viability of the project by—
(I) connecting, assisting with connecting, or enabling the connection of retail broadband systems that serve rural areas within the proposed service territory to the middle mile infrastructure project in an affordable and economically competitive manner;

(II) leasing or selling sufficient capacity prior to project approval; and

(III) complying with any other requirements imposed by the Secretary.

(B) ADDITIONAL END USER BROADBAND PROGRAMS.—Entities that receive assistance to construct, improve, or acquire middle mile infrastructure under this section shall be eligible to apply for additional funds under this title to provide for retail broadband service to end users.

(2) ELIGIBLE SERVICE TERRITORIES.—The proceeds of assistance provided under this section may be used to carry out a project in a proposed service territory only if, as of the date the application for assistance under this section is submitted, there is not adequate middle mile infrastructure available to support broadband service for eligible rural communities that would be provided access to the middle mile infrastructure.

(3) ELIGIBLE PROJECTS.—A project shall be eligible for assistance under this section if at the time of the application—

(A) at least 75 percent of the interconnection points serve such eligible rural areas; and

(B) the Secretary determines that the proposed middle mile network will be capable of supporting retail broadband service meeting the maximum broadband build-out requirement established under section 601(e)(4) for the residents within the proposed service territory.

(e) LIMITATION ON GRANTS.—In making grants under this section, the Secretary shall—

(1) not provide any grant in excess of 20 percent of the total project cost; and

(2) provide grants only to those projects which serve rural areas where population density or geographic characteristics make it infeasible to construct middle mile broadband systems without grant assistance.

(f) TERMS, CONDITIONS, AND ADEQUACY OF SECURITY.—All loans and loan guarantees provided under this section shall be made subject to such terms, conditions, and adequacy of security requirements as may be imposed by the Secretary. If the middle mile infrastructure would not provide adequate security due to long-term leasing arrangements, the Secretary shall require substitute security in such form and substance as are acceptable to the Secretary.

(g) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 2018 through 2023.


(a) IN GENERAL.—The Secretary shall establish a program to be known as the “Innovative Broadband Advancement Program”,
under which the Secretary may provide a grant, a loan, or both to an eligible entity for the purpose of demonstrating innovative broadband technologies or methods of broadband deployment that significantly decrease the cost of broadband deployment, and provide substantially faster broadband speeds than are available, in a rural area.

(b) RURAL AREA.—In this section, the term “rural area” has the meaning provided in section 601(b)(3).

(c) ELIGIBILITY.—To be eligible to obtain assistance under this section for a project, an entity shall—

(1) submit to the Secretary an application—

(A) that describes a project designed to decrease the cost of broadband deployment, and substantially increase broadband speed to not less than the maximum broadband buildout requirements established under section 601(e)(4), in a rural area to be served by the project; and

(B) at such time, in such manner, and containing such other information as the Secretary may require;

(2) demonstrate that the entity is able to carry out the project; and

(3) agree to complete the project build-out within 5 years after the date the assistance is first provided for the project.

(d) PRIORITIZATION.—In awarding assistance under this section, the Secretary shall give priority to proposals for projects that—

(1) involve partnerships between or among multiple entities;

(2) would provide broadband service to the greatest number of rural entities at or above the broadband requirements referred to in subsection (c)(1)(A); and

(3) the Secretary determines could be replicated in rural areas described in paragraph (2).

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 2019 through 2023.


(a) DEFINITIONS.—In this section:

(1) ELIGIBLE BROADBAND SERVICE.—The term “eligible broadband service” means broadband service that has the capability to transmit data at a speed specified by the Secretary, which may not be less than the applicable minimum download and upload speeds established by the Federal Communications Commission in defining the term “advanced telecommunications capability” for purposes of section 706 of the Telecommunications Act of 1996 (47 U.S.C. 1302).

(2) ELIGIBLE SERVICE AREA.—The term “eligible service area” means an area in which broadband service capacity is less than—

(A) a 10-Mbps downstream transmission capacity; and

(B) a 1-Mbps upstream transmission capacity.

(3) ELIGIBLE ENTITY.—

(A) IN GENERAL.—The term “eligible entity” means a legally organized entity that—
(i) is—
   (I) an incorporated organization;
   (II) an Indian Tribe or Tribal organization;
   (III) a State;
   (IV) a unit of local government; or
   (V) any other legal entity, including a cooperative, a private corporation, or a limited liability company, that is organized on a for-profit or a not-for-profit basis; and
(ii) has the legal capacity and authority to enter into a contract, to comply with applicable Federal laws, and to own and operate broadband facilities, as proposed in the application submitted by the entity for a grant under the Program.

(B) EXCLUSIONS.—The term “eligible entity” does not include—
   (i) an individual; or
   (ii) a partnership.

(4) RURAL AREA.—The term “rural area” has the meaning given the term in section 601(b)(3)(A).

(b) ESTABLISHMENT.—The Secretary shall establish a program, to be known as the “Community Connect Grant Program”, to provide grants to eligible entities to finance broadband transmission in rural areas.

(c) ELIGIBLE PROJECTS.—An eligible entity that receives a grant under the Program shall use the grant to carry out a project that—
   (1) provides eligible broadband service to, within the proposed eligible service area described in the application submitted by the eligible entity—
      (A) each essential community facility as defined pursuant to section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)); and
      (B) any required facilities necessary to offer that eligible broadband service to each residential and business customer within such proposed eligible service area; and
   (2) for not less than 2 years—
      (A) furnishes free eligible broadband service to a community center described in subsection (d)(1)(B);
      (B) provides not fewer than 2 computer access points for that free eligible broadband service; and
      (C) covers the cost of bandwidth to provide free eligible broadband service to each essential community facility that requests broadband services within the proposed eligible service area described in the application submitted by the eligible entity.

(d) USES OF GRANT FUNDS.—
   (1) IN GENERAL.—An eligible entity that receives a grant under the Program may use the grant for—
      (A) the construction, acquisition, or leasing of facilities (including spectrum), land, or buildings to deploy eligible broadband service; and
      (B) the improvement, expansion, construction, or acquisition of a community center within the proposed eligi-
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ble service area described in the application submitted by
the eligible entity.

(2) INELIGIBLE USES.—An eligible entity that receives a
grant under the Program shall not use the grant for—
(A) the duplication of any existing eligible broadband
service provided by another entity in the eligible service
area; or
(B) operating expenses, except as provided in—
(i) subsection (c)(2)(C) with respect to free eligible
broadband service; and
(ii) paragraph (1)(A) with respect to spectrum.

(3) FREE ACCESS FOR COMMUNITY CENTERS.—Of the
amounts provided to an eligible entity under a grant under the
Program, the eligible entity shall use to carry out paragraph
(1)(B) not greater than the lesser of—
(A) 10 percent; and
(B) $150,000.

(e) MATCHING FUNDS.—

(1) IN GENERAL.—An eligible entity that receives a grant
under the Program shall provide a cash contribution in an
amount that is not less than 15 percent of the amount of the
grant.

(2) REQUIREMENTS.—A cash contribution described in para-
graph (1)—
(A) shall be used solely for the project for which the
eligible entity receives a grant under the Program; and
(B) shall not include any Federal funds, unless a Fed-
eral statute specifically provides that those Federal funds
may be considered to be from a non-Federal source.

(f) APPLICATIONS.—

(1) IN GENERAL.—To be eligible to receive a grant under
the Program, an eligible entity shall submit to the Secretary
an application at such time, in such manner, and containing
such information as the Secretary may require.

(2) REQUIREMENT.—An application submitted by an eligi-
ble entity under paragraph (1) shall include documentation
sufficient to demonstrate the availability of funds to satisfy the
requirement of subsection (e).

(g) AUTHORIZATION OF APPROPRIATIONS.—There is authorized
to be appropriated to carry out this section $50,000,000 for each of
fiscal years 2019 through 2023.


(a) IN GENERAL.—Except as provided in subsection (b), the Sec-
etary shall consider any portion of a service territory that is subject
to an outstanding grant agreement between the Secretary and a
broadband provider to be unserved for the purposes of all
broadband assistance programs under this Act, if the broadband
service in that portion of a service territory is less than 10 Mbps

4Section 6205(a) of Public Law 115–334, added section 605, Section 6205(b) provided “The
amendment made by this section shall not take effect until October 1, 2020.”
(b) EXCEPTION.—The Secretary shall not consider a portion of a service territory described in subsection (a) to be unserved if the broadband service provider has constructed or begun to construct broadband facilities that meet the minimum acceptable level of service established under section 601(e), in that portion of the service territory.


(a) DEFAULT AND DEOBLIGATION.—In addition to other authority under applicable law, the Secretary shall establish written procedures for all broadband programs so that, to the maximum extent practicable, the programs are administered to—

(1) recover funds from loan and grant defaults;
(2) 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 title;
(3) award those funds, on a competitive basis, to new or existing applicants consistent with this title; and
(4) minimize overlap among the programs.

(b) DEFERRAL PERIOD.—In determining the terms and conditions of assistance provided under this title, the Secretary may establish a deferral period of not shorter than the buildout period established for the project involved in order to support the financial feasibility and long-term sustainability of the project.

TITLE VII—GENERAL AND ADMINISTRATIVE PROVISIONS

SEC. 701. [7 U.S.C. 850cc] PUBLIC NOTICE, ASSESSMENTS, AND REPORTING REQUIREMENTS.

(a) NOTICE REQUIREMENTS.—The Secretary shall promptly make available to the public, a fully searchable database on the website of the Rural Utilities Service that contains information on all retail broadband projects provided assistance or for which assistance is sought that are administered by the Secretary, including, at a minimum—

(1) notice of each application for assistance describing the application, including—
(A) the identity of the applicant;
(B) a description of each application, including—
(i) a map of the proposed service area of the applicant; and
(ii) the amount and type of support requested by each applicant;
(C) the status of each application; and
(D) the estimated number and proportion of service points in the proposed service territory without fixed broadband service, whether terrestrial or wireless;
(2) notice of each entity receiving assistance administered by the Secretary, including—
   (A) the name of the entity;
   (B) the type of assistance being received;
   (C) the purpose for which the entity is receiving the assistance; and
   (D) each annual report submitted under subsection (c)
   (redacted to protect any proprietary information in the report); and
   (3) such other information as is sufficient to allow the public to understand assistance provided.

(b) SERVICE AREA ASSESSMENT.—

(1) IN GENERAL.—The Secretary shall, with respect to a retail broadband application for assistance, which is outside an area in which the applicant receives Federal universal service support—
   (A) after giving notice required by subsection (a)(1), afford service providers not less than 45 days to voluntarily submit information required by the Secretary onto the agency’s online mapping tool with respect to areas that are coterminous with the proposed service area of the application (or any parts thereof), such that the Secretary may assess whether the application submitted meets the eligibility requirements under this title; and
   (B) if no broadband service provider submits information under paragraph (1), consider the number of providers in the proposed service area to be established by using any other data regarding the availability of broadband service that the Secretary may collect or obtain through reasonable efforts.

(2) ASSESSMENT OF UNSERVED COMMUNITIES.—In the case of an application given the highest priority under section 601(c)(2)(A)(i), the Secretary shall confirm that each unserved rural community identified in the application is eligible for funding by—
   (A) conferring with, and obtaining data from, the Chair of the Federal Communications Commission and the Administrator of the National Telecommunications and Information Administration with respect to the service level in the service area proposed in the application;
   (B) reviewing any other source that is relevant to service data validation, as determined by the Secretary; and
   (C) performing site-specific testing to verify the unavailability of any retail broadband service.

(3) FOIA EXEMPTION.—For purposes of section 552 of title 5, United States Code, information received by the Secretary pursuant to paragraph (1)(A) of this subsection shall be exempt from disclosure pursuant to subsection (b)(2)(B) of such section 552.

(c) REPORTING BROADBAND IMPROVEMENTS TO USDA.—

(1) IN GENERAL.—The Secretary shall require any entity receiving assistance for a project which provides retail broadband service to submit an annual report for 3 years after
completion of the project, in a format specified by the Secretary, that describes—

(A) 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

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

(i) the number of service points 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 the most subscribed tier of broadband service in a proposed service area;

(iv) new subscribers generated from the project; and

(v) any metrics the Secretary determines to be appropriate.

(2) ADDITIONAL REPORTING.—

(A) BROADBAND BUILDOUT DATA.—As a condition of receiving assistance under section 601, a recipient of assistance shall provide to the Secretary complete, reliable, and precise geolocation information that indicates the location of new broadband service that is being provided or upgraded within the service territory supported by the grant, loan, or loan guarantee not later than 30 days after the earlier of—

(i) the date of completion of any project milestone established by the Secretary; or

(ii) the date of completion of the project.

(B) REPORTING FOR MIDDLE MILE PROJECTS.—The Secretary shall require any entity receiving assistance under section 602 to submit a semiannual report for 5 years after completion of the project, in a format specified by the Secretary, that describes—

(i) the use by the entity of the assistance to construct, improve, or acquire middle mile infrastructure;

(ii) the progress towards meeting the end-user connection plan submitted under section 602(d)(1)(A)(iii); and

(iii) any additional metrics the Secretary determines to be appropriate.

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

(d) ANNUAL REPORT ON BROADBAND PROJECTS AND SERVICE TO CONGRESS.—Each year, the Secretary shall submit to the Congress a report that describes the extent of participation in the broadband
assistance programs administered by the Secretary for the preceding fiscal year, including a description of—

(1) the number of applications received and accepted, including any special loan terms or conditions for which the Secretary provided additional assistance to unserved areas;

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

(B) the communities served by projects funded by broadband assistance programs;

(3) the period of time required to approve each loan application under broadband programs;

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

(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 providing broadband service under this Act;

(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 Act; 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.

(e) LIMITATIONS ON RESERVATION OF FUNDS.— Not less than 3 but not more than 5 percent of program level amounts available pursuant to amounts appropriated to carry out title VI shall be set aside to be used for—

(1) conducting oversight under such title;

(2) implementing accountability measures and related activities authorized under such title; and

(3) carrying out this section.

SEC. 702. [7 U.S.C. 950cc-1] ENVIRONMENTAL REVIEWS.

The Secretary may obligate, but not disperse, funds under this Act before the completion of otherwise required environmental, historical, or other types of reviews if the Secretary determines that a subsequent site-specific review shall be adequate and easily accomplished for the location of towers, poles, or other broadband facilities in the service area of the borrower without compromising the project or the required reviews.
SEC. 703. [7 U.S.C. 950cc-2] 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, or on any other loan if that loan would have been for an eligible telecommunications purpose under this Act.