



Rural Development

Rural Utilities Service

Electric Program for Rural America

Providing reliable, affordable electricity is essential to the economic well-being and quality of life for all of the nation's rural residents. The electric program of USDA's Rural Utilities Service (RUS) provides leadership and capital to upgrade, expand, maintain, and replace America's vast rural electric infrastructure. Under the authority of the Rural Electrification Act of 1936, RUS makes direct loans and loan guarantees to electric utilities to serve customers in rural areas. The federal government, through RUS, is the majority noteholder for nearly 750 electric systems.

Since the start of the program, USDA has approved approximately \$57 billion in debt financing to support electric infrastructure in rural areas. Of these rural systems, about 96 percent are nonprofit cooperatives, owned and operated by the consumers they serve. The remaining 4 percent include municipal systems, Native American tribal utilities, and other entities. These electric systems provide service to more

than 90 percent of the nation's counties identified by the Economic Research Service (ERS) as having persistent poverty, out-migration, and/or other economic hardship.

Most RUS-financed systems have a two-tiered organizational structure. Retail consumers are members of the distribution cooperative that provides electricity directly to their homes and businesses. Most distribution cooperatives, in turn, are members of power supply cooperatives, also called "generation and transmission" or "G&T" cooperatives, which generate and/or procure electricity and transmit it to the distribution member systems.

Rural Electrification Direct and Guaranteed Loans

Hardship Loans: Hardship loans are used to finance electric distribution and sub-transmission facilities. These direct loans are made to applicants that meet rate disparity thresholds and whose consumers fall below average per capita and household income thresholds. They may also be made if the RUS administrator determines that the borrower has suffered a severe, unavoidable hardship, such as a natural disaster.

Municipal Rate Loans: Like hardship loans, municipal rate loans are used to finance electric distribution and subtransmission facilities. The interest rate is based on interest rates available in the municipal bond market for similar maturities. Borrowers are required to seek supplemental financing for 30 percent of their capital requirements under this program. Borrowers may choose from several maturities that will determine the interest rate, which changes quarterly.

Guaranteed Loans: RUS will provide guaranteed loans through the Federal Financing Bank (FFB), Rural Utilities Cooperative Finance Corporation (CFC), and the National Bank for Cooperatives (CoBank). The FFB is an instrument of the Treasury Department, providing funding in the form of loans for various government lending programs, including the RUS guaranteed loan program. FFB loans are guaranteed by RUS and are available to all electric borrowers. The interest rate is the prevailing cost of money to the U.S. Treasury, plus one-eighth of 1 percent. Under this program, the loan comes from FFB and is guaranteed by RUS.

A strong and readily accessible guaranteed loan program is necessary for RUS borrowers to access a much-needed financing option to meet the broad spectrum of capital needs. The restructuring of the electric utility industry will open many doors of opportunity to RUS borrowers.

Applications

Information about the RUS electric loan programs and advice on completing and assembling an application are available from the national office of the Rural Utilities Service. The RUS Electric Program is divided in two regional divisions:

Northern Regional Division, (202) 720-1420;

Southern Regional Division, (202) 720-0848.

Additional information can be obtained from the Rural Utilities Service home page at:

<http://www.usda.gov/rus/>

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