

Rural development loans means loans or grants made pursuant to Rural development programs.

Rural development programs means loan or grant programs under the authority of the Administrator pursuant to sections 313, 501, and 502 of the RE Act.

Supplemental lender means a private lender whose loan to the borrower is secured by the RUS mortgage.

Tax exempt financing means borrowing evidenced by bonds, notes and other evidence of indebtedness the income of which is excluded from gross income for the purposes of Chapter 1 of the Internal Revenue Code of 1986 (26 U.S.C. ch. 1).

(b) *Rules of construction.* Unless the context shall otherwise indicate, the terms defined in paragraph (a) of this section include the plural as well as the singular, and the singular as well as the plural.

§ 1786.152 Prepayments of RUS loans.

An electric loan made under the RE Act shall not be sold or prepaid at a value that is less than the outstanding principal balance, except that, on request of a borrower, an electric loan made under the RE 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 prepaid by the borrower at the lesser of the outstanding principal balance of the loan or the discounted present value thereof.

§ 1786.153 Discounted present value.

(a) The discounted present value shall be calculated by summing the present values of all remaining payments on all Qualified Notes to be prepaid according to the following formula and adjusted as provided in paragraph (b) of this section if tax exempt financing is used.

$$\text{Present Value} = \sum_{k=1}^n \frac{P_k}{\prod_{i=1}^k \left[1.0 + \left(\frac{D1_i}{365} + \frac{D2_i}{366} \right) I \right]}$$

Where:

The Greek letter, Sigma (Σ) means the sum of the following terms.

The Greek letter, Pi (Π) means the product of the following terms.

P_k=Total payment, including interest due on the Kth payment date following the prepayment date.

n=Total number of remaining payment dates to final maturity.

D1_i=Number of days in the ith payment period that are in a non-leap year (365-day year).

D2_i=Number of days in the ith payment period that are in a leap year (366-day year).

I=The discount rate applied to each transaction ascertained by using data specified in the "Federal Reserve Statistical Release" (H.15 (519)), which is published each Monday. The availability of this Release will be announced when the information is available by telephone on (202) 452-3206. See adjustment for tax exempt refinancing at paragraph (b) of this section. The specific discount rate will be based on the discount rate(s) specified in the "Treasury Constant Maturities" section of this publication 8 business days prior to the closing and will

be interpolated from that information as follows:

Remaining final maturity of RUS loan:		Treasury constant maturities
At least	But less than	
# years	# years	
0	2	1-year.
2	3	2-year.
3	4	3-year.
4	5	(¹)
5	6	5-year.
6	7	(²)
7	8	7-year.
8	9	(³)
9	10	(³)
10	11	10-year.
11	20	(⁴)
20	21	20-year.
21	30	(⁵)
30	36	30-year.

Notes: ¹The arithmetic mean between the 3-year. and 5-year. Treasury Constant Maturities; i.e., if 3-year. rate is 3.00% and the 5-year. rate is 4.00% then the rate used would be 3.5%.

²The arithmetic mean between the 5-year and 7-year Treasury Constant Maturities computed as above.

³A straight line interpolated rate between the 7-year rate and the 10-year rate. (See formula below)

⁴A straight line interpolated rate between the 10-year note and the 20-year Bond rate. (See formula below)