

§ 1610.10 Determination of interest rate on Bank loans.

(a) All loan fund advances made on or after December 22, 1987 under Bank loans approved on or after October 1, 1987, shall bear interest at the rate determined as established below, but not less than 5 percent per annum.

(b) The interest rate for the period beginning on the date the advance is made and ending at the close of the fiscal year in which the advance is made shall be the average yield on the date of advance on outstanding marketable obligations of the United States having a final maturity comparable to the final maturity of the advance. The interest rate shall be determined to the nearest 0.01 percent.

(1) For this determination, the Bank will use yields on actively traded Treasury issues adjusted to constant maturities obtained from the *Federal Reserve statistical release* ("Treasury rate"). In accordance with standard Treasury procedures, the rate in effect for any given day is the rate set at the close of business on the preceding day. The 30-year Treasury rate will be applied to all advances with a final maturity of at least 30 years from date of advance. A straight-line interpolation between other Treasury rates will be used to determine the rate applicable for advances with final maturities of less than 30 years.

(2) The Bank will notify the borrower in writing of the interest rate that applies to each advance.

(c) After the fiscal year in which the advance is made, the interest rate applied to the advance will be the sum of the calculations made in paragraphs (c) (1) through (5) of this section. This interest rate determination shall be made by the Governor within 30 days of the end of each fiscal year and shall be determined to the nearest 0.01 percent.

(1) The aggregate of all amounts received by the Bank during the fiscal year from the issuance of Class A stock, multiplied by the rate of return payable by the Bank during the fiscal year as specified in section 406(c) of the Act, which product is divided by the aggregate of the amounts advanced by the Bank during the fiscal year.

(2) The aggregate of all amounts received by the Bank during the fiscal

year from the issuance of Class B stock, multiplied by the rate at which dividends are payable by the Bank during the fiscal year as specified in section 406(d) of the Act, which product is divided by the aggregate of the amounts advanced by the Bank during the fiscal year. Section 406(d) provides that "No dividends shall be payable on Class B stock." The "amounts received by the Bank during the fiscal year from the issuance of Class B stock" means the amount of cash received during the fiscal year for the purchase of Class B stock, plus the amount advanced to borrowers by the Bank during the fiscal year for such purchases, less any Class B stock that is rescinded during the fiscal year.

(3) The aggregate of all amounts received by the Bank during the fiscal year from the issuance of Class C stock, multiplied by the rate at which dividends are payable by the Bank during the fiscal year as specified in section 406(e) of the Act, which product is divided by the aggregate of the amounts advanced by the Bank during the fiscal year.

(4) The amounts received by the Bank during the fiscal year from each issue of telephone debentures and other obligations of the Bank, multiplied, respectively, by the rates at which interest is payable by the Bank during the fiscal year to holders of each issue, each of which product is divided, respectively, by the aggregate of the amounts advanced by the Bank during the fiscal year.

(5) The amount by which the aggregate of the amounts advanced by the Bank during the fiscal year exceeds the aggregate of the amount received by the Bank from the issuance of Class A stock, Class B stock, Class C stock, and telephone debentures and other obligations of the Bank during the fiscal year, multiplied by the historic cost of money rate as of the close of the immediately preceding fiscal year, which product is divided by the aggregate of the amounts advanced by the Bank during the fiscal year.

(6) As used in paragraph (c)(5) of this section, the term "historic cost of money rate as of the close of the immediately preceding fiscal year," means the sums of the results of the following

§ 1610.10

7 CFR Ch. XVI (1-1-05 Edition)

calculations: The amounts advanced by the Bank in each fiscal year during the period beginning with fiscal year 1974 and ending with the immediately preceding fiscal year, multiplied, respectively, by the cost of money rate for the fiscal year (as set forth in Table I for fiscal years 1974 through 1987, and as determined by the Governor in paragraphs (c) (1) through (5) of this section for fiscal years after fiscal year 1987), with each product then divided by the aggregate of the amounts advanced by the Bank from the beginning of fiscal year 1974 through the end of the fiscal year just ended.

other obligations were originally issued. The reduction shall be for the period beginning on the issue date of the refinancing debentures and ending on the date the advance matures or is completely prepaid, whichever is earlier. This reduction shall be in addition to any other interest rate reduction required by section 408(b)(3) of the Act. The interest rate shall be reduced by the amount which fully reflects that percentage of the funds saved by the Bank as a result of the refinancing which is equal to the percentage representation of the advance of all advances made during the fiscal year(s) involved. In no case, however, shall the interest rate be reduced to less than 5 percent per annum. The interest rate reduction for each advance shall be determined as follows:

TABLE I

For advances made in fiscal year:	The cost of money rate shall be:
1974	5.01 percent.
1975	5.85 percent.
1976	5.33 percent.
1977	5.00 percent.
1978	5.87 percent.
1979	5.93 percent.
1980	8.10 percent.
1981	9.46 percent.
1982	8.39 percent.
1983	6.99 percent.
1984	6.55 percent.
1985	5.00 percent.
1986	5.00 percent.
1987	5.00 percent.

In this table, "fiscal year" means the 12-month period ending on September 30 of the designated year.

(d) A borrower with a Bank loan approved on or after October 1, 1987, and before December 22, 1987, and with funds not fully advanced as of December 22, 1987, may until the next advance under the loan or March 21, 1988, whichever is later, elect to have the interest rate specified in the loan commitment apply to the unadvanced portion in lieu of the rate which would otherwise apply as set forth in §1610.10(a). A borrower making such an election shall contact, in writing, the applicable Area Office of RUS. The Governor shall then adjust the interest rate that applies to the unadvanced portion of the loan accordingly.

(e) If the Bank, pursuant to section 407(b) of the Act, issues telephone debentures to refinance outstanding telephone debentures or other obligations, the Bank shall reduce the interest rate charged on each advance of Bank loan funds made during the fiscal year(s) in which the refinanced debentures or

(1) The funds saved by the Bank as a result of the refinancing shall be computed.

(2) The advance shall be divided by the total of all advances made during the fiscal year(s) involved, and stated to the nearest .01 percent.

(3) The percentage in paragraph (e)(2) of this section is multiplied by the amount in paragraph (e)(1) of this section to determine the savings for a particular advance. The interest rate on that advance is then reduced to fully reflect the savings over the remaining amortization period of the loan from which the advance was made.

(f) Within 60 days after the issue date described in paragraph (e) of this section, the Governor shall amend the loan documentation for each advance described in paragraph (e) of this section, as necessary, to reflect any interest rate reduction applicable to the advance by reason of paragraph (e) of this section, and shall notify each affected borrower of the reduction.

(g) Within 5 days of determining the cost of money rate for a fiscal year, the Governor shall:

(1) Cause the determination to be published in the FEDERAL REGISTER in accordance with section 552 of title 5, United States Code, and

(2) Furnish a copy of the determination to the Comptroller General of the United States.

(h) A borrower should not wait until the end of the fiscal year to submit a

Rural Telephone Bank, USDA

§ 1610.11

requisition for an advance of loan funds if it wants the advance made in that fiscal year. Borrower requisitions submitted late in the fiscal year may not be processed in that fiscal year because of workload and other factors.

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§ 1610.11 Prepayments.

(a) Bank loans approved before November 1, 1993, may be prepaid in accordance with the terms thereof, including payment of the premium as provided therein.

(b) A borrower may prepay part or all of a Bank loan made on or after November 1, 1993, by paying the outstanding principal and any accrued interest without being required to pay a prepayment premium.

(c) Borrowers that qualify to issue a refunding note or notes in accordance with 7 CFR 1735.43, Payments on loans, shall not be required to pay a prepayment premium on all payments made in accordance with the new payment schedule.

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