

**§ 1785.67**

determined by multiplying the outstanding cushion of credit payments made after October 1, 1987, by the difference (converted on a monthly basis) between the average weighted interest rate paid on outstanding certificates of beneficial ownership issued by the Fund and the 5 percent rate of interest provided to borrowers on cushion of credit payments, repayment of loans made pursuant to Section 313 of the Act, and other sources as provided by law. This subaccount shall be used to provide grants or zero interest loans to borrowers under the Act for the purpose of promoting rural economic development.

**§ 1785.67 Definitions.**

*Accumulated (deferred) interest* means interest allowed to accumulate up to, and including, the basis date of RUS notes covering loans approved before June 5, 1957. The accumulated interest is payable in equal periodic installments over the remaining life of the notes.

*Act* means the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et. seq.*).

*Advance payment* means a voluntary unscheduled payment on an RUS note, made prior to October 2, 1987, credited to the advance payment account of a borrower.

*Cushion of Credit Payment* means a voluntary unscheduled payment on an RUS note made after October 1, 1987, credited to the cushion of credit account of a borrower.

*Current interest* means interest payable periodically as it accrues.

*Fund* means the Rural Electrification and Telephone Revolving Fund established pursuant to the Act.

*Interest credit* means interest earned on balances in advance payment or cushion of credit accounts. Since the periodic installments are established by the terms of the notes, the interest credits cannot serve to change the total amount of each installment; therefore, an amount equal to the interest credits is added to the principal installment due. On receipt of the full installments, amounts equal to the interest credits (the principal offsets) are added to the respective advance payment accounts.

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*Prepayment* means a voluntary unscheduled payment which the borrower instructs RUS to apply directly and immediately to the principal of an RUS note.

*RUS notes* means those notes, bonds, or other obligations evidencing indebtedness created by loans made by RUS pursuant to titles I, II, or III of the Act.

*Subaccount* means the *Rural Economic Development Subaccount* established pursuant to the Act as part of the Fund.

**§ 1785.68 Establishing an RUS cushion of credit payment account.**

A cushion of credit account shall be automatically established by RUS for each borrower who makes a payment after October 1, 1987, in excess of amounts then due on an RUS note. Such account will bear interest at a rate of 5 percent per annum. All payments on RUS notes which are in excess of required payments and not otherwise designated shall be deposited in the borrowers' respective cushion of credit accounts. Payments received in the month in which an installment is due will be applied to the installment due. However, if the regular installment payment is received at a later date in the month, the first payment received will be applied retroactively to a cushion of credit account and the second will be applied to the installment due.

**§ 1785.69 Cushion of credit payment account computations.**

(a) *Deposits.* Cushion of credit payments are credited to the borrowers' cushion of credit accounts.

(b) *Interest.* Interest at the rate of 5 percent per annum shall be credited on a quarterly basis to cushion of credit accounts. Interest earned will appear as a reduction in the interest billed on the borrower's RUS notes and will be separately shown on RUS Form 694, "Statement of Interest and Principal Due."

**§ 1785.70 Application of RETRF cushion of credit payments.**

(a) If a maturing installment on an RUS note or a note which has been guaranteed by RUS is not received by