

Rural Utilities Service, USDA

§ 1786.55

providing for loans pursuant to the Act.

RUS Notes means those notes, bonds or other obligations evidencing indebtedness created by loans made pursuant to Titles I, II or III of the Act (7 U.S.C. 901-940).

[51 FR 46999, Dec. 29, 1986. Redesignated at 55 FR 49250, Nov. 27, 1990, as amended at 59 FR 66441, Dec. 27, 1994]

§ 1786.52 Prepayment.

Through September 30, 1987, the Administrator may, pursuant to this sub-

part, permit eligible electric and telephone borrowers to prepay all outstanding RUS Notes issued or assumed by such borrowers and held in the Fund, upon paying the lesser of the outstanding balance or the Discounted Present Value.

§ 1786.53 Discounted present value.

The Discounted Present Value shall be calculated five business days before prepayment is made by summing the present values of all remaining payments by using the following formula:

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

Where:

P_k =Total payment including interest, due on the k^{th} payment date following the prepayment date.

n =Total number of remaining payments dates.

I =The discount rate, in decimals, which shall be the average rate on utility bonds bearing a rating of "Aa" as set forth in that issue of Moody's Public Utility News Reports most recently published prior to the date on which Discounted Present Value is calculated.

$D1_i$ =Number of days in the i^{th} payment period that are in a non-leap year (365 day year).

$D2_i$ =Number of days in the i^{th} payment period that are in a leap year (366 day year).

§ 1786.54 Eligibility criteria.

To be eligible to prepay RUS Notes at the Discounted Present Value a borrower must comply with the following criteria:

(a) The borrower must be current on all payments due on its outstanding RUS Notes and all other payment obligations owed to RUS and the Rural Telephone Bank.

(b) The borrower must agree to prepay all of its outstanding RUS Notes.

(c) The borrower must identify the source of private financing that will be used to refinance its outstanding RUS Notes, which financing may not include obligations the income of which

is exempt from taxation under the Internal Revenue Code of 1986.

(d) The borrower must have expended all funds advanced on account of the RUS Notes for the purposes for which such funds were advanced.

(e) The borrower must agree to a rescission of the unadvanced balance of the RUS Notes.

(f) The borrower must agree that the borrower, its successors or assigns, shall pay to the Government, as a condition of receiving additional loans or loan guarantees pursuant to Titles I, II and III of the Act, an amount equal to the aggregate of the difference with respect to each of the RUS Notes between the amount outstanding on the RUS Note and the Discounted Present Value of the RUS Note upon prepayment with interest accruing quarterly; the interest rates shall be the rates provided in the respective RUS Notes.

(g) If the borrower is a party to a wholesale power contract with a power supplier financed pursuant to the Act, the borrower must provide the Administrator with such assurances as the Administrator may request that it will meet its obligations to the power supplier.

§ 1786.55 Application procedure.

Any borrower seeking to prepay its RUS Notes under this subpart should