

SPARKS Memo to All Borrowers:

Notice to all RUS Borrowers

The just enacted Agriculture Improvement Act of 2018, includes new provisions which affect RUS borrower participation in the Cushion of Credit (CofC) program and adds new prepayment and refinancing options.

Under Sec 6503 of the new law, no new CofC deposits will be accepted as of the date the President signed the bill into law (Dec. 20, 2018).

The law prescribes a new interest rate schedule for existing CofC deposits. The current rate will be paid until the end of fiscal year 2020. In fiscal year 2021 CofC deposits will earn interest at 4% per annum. Thereafter account balances will earn the applicable 1-year Treasury rate.

Between the date of enactment and September 30, 2020, the law allows borrowers at their sole discretion to use their CofC balances to make prepayments on their outstanding loans made or guaranteed under the Rural Electrification Act. The portion of the loan that is prepaid with CofC balances during this period will not be subject to prepayment premiums.

Separately, the new law includes authority for the agency to refinance existing RUS debt.

The RUS will be working diligently to expeditiously implement these and other new provisions of the Agriculture Improvement Act of 2018. If you have any questions about CofC provisions which are effective upon enactment, please do not hesitate to contact the shared mailbox address at rd.nfaoc.tesb@stl.usda.gov or your RUS General Field Representative.

As we implement this new law, we look forward to being able to offer you new and useful financing options to help you deliver excellent affordable utility services to rural America.