

Support HR 7483/S 4152 - The Flexible Financing for Rural America Act

Key Facts

- Members of the Senate and House of Representatives have introduced the Flexible Financing for Rural America Act of 2020 to reprice electric cooperative loans from the U.S. Department of Agriculture's Rural Utilities Service.
- More than 500 electric co-ops in 41 states hold outstanding RUS debt. Repricing these loans without penalty would help electric cooperatives and the communities they serve manage this difficult economic period.
- Electric co-ops could realize \$10.1 billion in net present value (NPV) savings from repricing \$42 billion in RUS loans.

Background

The COVID-19 pandemic presents significant challenges for rural communities and their electric cooperatives. Through 2022, NRECA projects that electric cooperatives around the country will sustain up to \$10 billion in losses due to increases in unpaid bills and reduced electricity demand from industrial and commercial facilities. It's important for Congress to take steps to relieve some of this burden.

Many of America's electric cooperatives use financing from the U.S. Department of Agriculture's Rural Utilities Service (RUS) Electric Loan program to deliver affordable, reliable electric service to 42 million Americans. Roughly 500 electric co-ops currently hold approximately \$43 billion in RUS Electric Loans. Unlike a typical home mortgage, most of these RUS loans cannot be refinanced to take advantage of lower interest rates without penalty. As a result, many electric cooperatives still hold RUS debt with significantly higher interest rates than today's historically low rates, with few options for relief.

Co-ops are calling on Congress to allow RUS electric loans to be refinanced without penalty. This essential step will give co-ops the flexibility to manage financial shortfalls and focus on cooperatives' long-term stability and that of the rural communities they serve. Refinancing to today's low rates could return billions in interest savings back to rural communities in the coming decades. An average electric cooperative with typical RUS debt could save \$2 million per year in interest payments if they were to take advantage of current rates. Giving electric co-ops the flexibility to refinance existing RUS loans will enable them to meet the evolving needs of their consumer-members and continue their work as partners in the community's long-term economic recovery.

Congress should include the Flexible Financing for Rural America Act (H.R. 7483/S. 4152) in the next COVID-19 relief package. This bipartisan legislation introduced by Rep. Hartzler (R-MO) and Rep. O'Halleran (D-AZ) in the House and Sen. Hoeven (R-ND), Sen. Smith (D-MN), Sen. Boozman (R-AR), and Sen. Sinema (D-AZ) in the Senate would provide needed flexibility to rural communities and their electric co-ops.

Bill Summary (House and Senate language are identical)

- At an RUS borrower's request, the Secretary of Agriculture will be required to adjust the interest rate on RUS and Federal Financing Bank Electric and Telecommunications debt, without penalty.
- The interest rate to which a loan may be adjusted is the Treasury rate, as of the date of enactment of the bill, that most closely matches the remaining term on the loan. For example, a loan with 10 years remaining on its original term could be repriced to the current 10-year treasury rate.
- Requests for a rate adjustment must be made within 180 days of passage of this bill.
- USDA must honor the rate adjustment in the first payment period after it is requested.
- At the request of the borrower, and at the Secretary's discretion, the Secretary may modify other loan terms.

This bill will benefit and is supported by RUS Electric (NRECA) and Telecommunications (NTCA) borrowers.

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