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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

REA Bulletin 1-3 (Electric)
REA Bulletin 300-2 (Telephone)

245

JUL 28 1932

RURAL ELECTRIFICATION ACT OF 1936
[7 U.S.C. 901-950b]

clearly shown in bold

WITH AMENDMENTS AS APPROVED
THROUGH DEC 22, 1981

ember

Note: Material added after August 4, 1977, shown in italics; stricken material shown lined out.

CHRONOLOGY

- 1935. The Rural Electrification Administration was created by Executive Order 7037 of May 11 under authority of the Emergency Relief Appropriation Act of 1935, approved April 8, 1935 (49 Stat. 115).
- 1936. Statutory provision for the agency was made in the Rural Electrification Act (RE Act) of 1936, approved May 20 (49 Stat. 1363; 7 U.S. Code, Chapter 31).
- 1938. Title IV of the Work Relief and Public Works Appropriation Act of 1938, approved June 21 ("RE Act of 1938," 52 Stat. 818) authorized further borrowing from the Reconstruction Finance Corporation and added a requirement that borrowers from REA agree to use materials and supplies produced in the United States.
- 1939. REA became a part of the Department of Agriculture under Reorganization Plan II, effective July 1.
- 1944. Title V of the Department of Agriculture Organic Act of 1944, approved September 21 (58 Stat. 739) liberalized the terms of REA loans and removed the time limitation from its lending program.
- 1944. On December 23, the Rural Electrification Act was further amended to authorize REA to refinance certain rural electrification obligations owed to the Tennessee Valley Authority (58 Stat. 925).
- 1947. The Department of Agriculture Appropriation Act, 1948, approved July 30, (61 Stat. 546) further amended the Rural Electrification Act

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by transferring from the Reconstruction Finance Corporation to the Secretary of the Treasury the authority to make loans to REA.

1948. On June 29, the Rural Electrification Act was again amended to authorize REA to refinance certain additional rural electrification obligations owed to the Tennessee Valley Authority (62 Stat. 1070).
1949. On October 28, the Rural Electrification Act was further amended to authorize REA to make loans for the purpose of furnishing and improving rural telephone service (63 Stat. 948).
1955. On June 15, the Rural Electrification Act was amended by revising the formula governing the allotment of electrification loan funds (69 Stat. 131).
1962. On October 23, the Rural Electrification Act was amended by broadening the definition of telephone service (76 Stat. 1140).
1971. On May 7, the Rural Electrification Act was amended to establish a Rural Telephone Account and the Rural Telephone Bank [85 Stat. 29; 7 U.S.C. 931-950(b).]
1972. On June 30, the Rural Electrification Act was amended to authorize the Secretary of the Treasury to purchase Telephone Bank debentures [86 Stat. 390; 7 U.S.C. 921(b).]
1973. On May 11, the Rural Electrification Act was amended to establish a revolving fund for insured and guaranteed loans under Title III [87 Stat. 65; 7 U.S.C. 931-940.]
1975. On November 4, the Rural Electrification Act was amended to expressly authorize the assignment of REA guarantees to the extent provided in contract of guarantee, to clarify the incontestability of the Government guarantee, and to specifically require justification of budget estimates. [89 Stat. 677; 7 U.S.C. 936; 938; and 906.]
1976. On April 21, the "Fiscal Year Adjustment Act," amended the Rural Electrification Act to reflect necessary changes in laws because of the October-September fiscal year. [90 Stat. 375; 31 U.S.C. 701 note.]
1976. On October 20, the Rural Electrification Act was amended to correct unintended inequities in the interest rate criteria and to transfer the unobligated balance of the 1973 loan authorizations to the Rural Electrification and Telephone Revolving Fund. [90 Stat. 2701; 7 U.S.C. 931; 935.]

1977. On August 4, the "Department of Energy Organization Act," added section 16 to title I, to require the Administrator, when making or guaranteeing generation or transmission loans, to consider general criteria published by the Secretary of Energy. [91 Stat. 608; 7 U.S.C. 916.]
1981. On August 13, the "Omnibus Budget Reconciliation Act of 1981," amended the Rural Electrification Act (1) to establish a 5 percent interest rate, with certain exceptions, for loans from the revolving fund, and (2) to require the Federal Financing Bank to make a loan under an REA guarantee if requested by a borrower with such a guarantee. [95 Stat. 379; 7 U.S.C. 935, 936.]
1981. On December 22, the "Agriculture and Food Act of 1981," amended the Rural Electrification Act to extend for another 10 years the authorization for Federal stock purchases in the Rural Telephone Bank. [95 Stat. 1347; 7 U.S.C. 946.]

GUIDE TO PROVISIONS OF RURAL ELECTRIFICATION ACT

PROVISIONS RELATING TO ORGANIZATION AND GENERAL FUNCTIONS OF REA - APPLICABLE TO BOTH ELECTRIFICATION AND TELEPHONE OPERATIONS: TITLE I

SEC. 1—establishes REA in the Department of Agriculture; directs that powers of REA be exercised by Administrator.

SEC. 2—authorizes REA Administrator to make rural electrification and telephone loans; and to investigate and publicize condition and progress of rural electrification and telephone service.

SEC. 3—provides for REA electrification and telephone loan funds; and establishes State allotment formula for electrification loan funds (not applicable to telephone loan funds).

SEC. 6—authorizes appropriation of funds for administering electrification and telephone loan programs.

SEC. 7—relates to acquisition and disposition by REA Administrator of property securing loans; prohibits disposition of property acquired by borrowers with REA loan funds, unless REA Administrator approves, until loan is fully repaid.

SEC. 8—makes Rural Electrification Act applicable to certain loans and contracts entered into prior to effective date of Act (May 20, 1936).

SEC. 9—requires administration of Act and selection of employees on nonpartisan, nonpolitical basis.

SEC. 10—requires annual report to Congress.

SEC. 11—authorizes Administrator to appoint officers and employees and to make certain administrative expenditures.

SEC. 12—empowers Administrator to extend payment of loans with certain limitations.

SEC. 13—defines the terms "rural area", "farm", "person" and "Territory".

SEC. 14—technical "saving clause".

SEC. 15—authorizes certain administrative expenditures.

**PROVISIONS RELATING TO RURAL ELECTRIFICATION LOANS
ONLY: TITLE I**

SEC. 4—authorizes Administrator to make loans for rural electrification; specifies eligible borrowers, preferences, purposes, terms and conditions, security and self-liquidation requirements.

SEC. 5—authorizes Administrator to make loans to finance wiring installations and electrical and plumbing appliances and equipment. (Sec. 3(a) prescribes a 5-year maximum maturity for such loans.)

SEC. 16—requires the Administrator when making or guaranteeing generation or transmission loans to consider general criteria published by the Secretary of Energy.

**PROVISIONS RELATING TO RURAL TELEPHONE LOANS ONLY:
TITLE II**

SEC. 201—authorizes Administrator to make loans for furnishing and improving rural telephone service; specifies eligible borrowers, terms and conditions, purposes, preferences generally, preferences during initial year of program, area coverage requirements, security and self-liquidation requirements; authorizes financing of nonrural facilities under certain conditions; authorizes limited refinancing of existing indebtedness; requires applicants to comply with State certification requirements, and, where such requirements are inapplicable, specifies the determination which the Administrator is required to make.

SEC. 202—recognizes jurisdiction of State regulatory bodies.

SEC. 203—defines the terms “telephone service” and “rural area”.

**PROVISIONS RELATING TO RURAL ELECTRIFICATION AND
TELEPHONE REVOLVING FUND ONLY: TITLE III**

SEC. 301—establishes in the U.S. Treasury a “Rural Electrification and Telephone Revolving Fund” and specifies the existing and future assets to be included in the fund.

SEC. 302—sets forth the liabilities of the fund and outlines the exclusive purposes for which the assets of the fund are available.

SEC. 303—requires that moneys in the fund shall remain on deposit in the United States Treasury until required for disbursement.

SEC. 304—sets forth the financial transactions authorized by the fund, including borrowings from the Treasury and the sale of borrowers’ notes or interests in them to the Treasury or the private money market.

SEC. 305—authorizes the Administrator to make insurable loans at 5 percent with loans at a lesser rate, but not less than 2 percent, available only to borrowers in specified circumstances.

SEC. 306—authorizes the Administrator to guarantee loans made by other lending agencies at interest rates agreed on by the borrower and the lender, with or without a concurrent insured loan, and requires the Federal Financing Bank to make a loan under a REA guarantee when requested by a borrower with such a guarantee.

SEC. 307—authorizes the Administrator to request that a borrower obtain other financing, concurrently with an insured loan at the standard rate, under specified conditions.

SEC. 308—provides that any contract of insurance or guarantee made under Title III shall be supported by the full faith and credit of the United States.

SEC. 309—provides that loans made from or insured through the fund under Title III shall be for the same purposes and on the same terms and conditions as those provided for loans under Titles I and II of the Act, except as otherwise provided in sections 303 through 308.

SEC. 310—authorizes the Administrator, at the request of the borrower, to refinance any loans made for rural electric and telephone facilities under the Consolidated Farm and Rural Development Act.

PROVISIONS RELATING TO TELEPHONE BANK ONLY: TITLE IV

SEC. 401—establishes telephone bank as a body corporate, an instrumentality of the United States, to obtain supplemental funds from non-Federal sources and utilize them in making loans, operating on self-sustaining basis to extent practicable.

SEC. 402—sets forth general powers of telephone bank.

SEC. 403—lists special provisions governing telephone bank as United States agency until conversion of ownership, control and operation.

SEC. 404—makes REA Administrator Governor of telephone bank until conversion of ownership, control and operation.

SEC. 405—provides for board of directors of bank and sets forth procedures for its selection.

SEC. 406—provides for capitalization of telephone bank and establishes classes of stock to be issued.

SEC. 407—authorizes and limits borrowing by telephone bank and describes status of debentures.

SEC. 408—authorizes lending by telephone bank and establishes restrictions on telephone bank loans.

SEC. 409—makes any receipts of telephone bank available for all its obligations and expenditures.

SEC. 410—provides for conversion of ownership, control and operation of telephone bank when specified amount of Class A stock has been retired.

SEC. 411—sets forth rights of stockholders on liquidation or dissolution of telephone bank.

SEC. 412—prohibits a SEC. 201 loan to a borrower having net worth in excess of 20% of assets in preceding year, and more than three subscribers per mile unless Administrator finds it cannot obtain the loan from the bank or other reliable sources on reasonable terms.

DEFERRED AMENDMENTS TO THE GOVERNMENT CORPORATION CONTROL ACT

STATEMENTS OF CONGRESSIONAL POLICY

Rural Telephone Loan Legislation, 1949

Rural Telephone Bank Legislation, 1971 and 1972

Rural Electrification and Telephone Revolving Fund Legislation, 1973

Effect of Technical Amendments on Pending Applications, 1976

Effect of Omnibus Budget Reconciliation Act of 1981

PROVISIONS OF DISASTER RELIEF ACT AFFECTING REA

“BUY AMERICAN” PROVISION

RURAL ELECTRIFICATION ACT OF 1936

With Amendments as Approved Through Dec. 22, 1981
[U.S. Code, Title 7, Chap. 31]

AN ACT

To provide for rural electrification, and for other purposes.

TITLE I

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby created and established in the Department of Agriculture an agency of the United States, to be known as the "Rural Electrification Administration", all of the powers of which shall be exercised by an Administrator, under the general direction and supervision of the Secretary of Agriculture, who shall be appointed by the President, by and with the advice and consent of the Senate, for a term of ten years. (See NOTE.) This Act may be cited as the "Rural Electrification Act of 1936". [May 20, 1936, ch. 432, §1, 49 Stat. 1363; Reorg. Plan No. II, §5, eff. July 1, 1939, 4 Fed. Reg. 2732, 53 Stat. 1434; Oct. 15, 1949, ch. 695, §5(a), 63 Stat. 880; Oct. 28, 1949, ch. 776, §2, 63 Stat. 948; July 31, 1956, ch. 804, §106(a), 70 Stat. 737; 7 U.S.C. 901.] (NOTE: Provisions of this section which prescribed the basic annual compensation of the Administrator were omitted to conform to the provisions of the Federal Executive Salary Schedule. See section 2210 et seq. of Title 5, Executive Departments and Government Officers and Employees.)

SEC. 2. The Administrator is authorized and empowered to make loans in the several States and Territories of the United States for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service, and for the purpose of furnishing and improving telephone service in rural areas, as hereinafter provided; to make, or cause to be made, studies, investigations, and reports concerning the condition and progress of the electrification of and the furnishing of adequate telephone service in rural areas in the several States and Territories; and to publish and disseminate information with respect thereto. [May 20, 1936, ch. 432, §2, 49 Stat. 1363; Oct. 28, 1949, ch. 776, §3, 63 Stat. 948; 7 U.S.C. 902.]

SEC. 3.(a) The Secretary of the Treasury is hereby authorized and directed to make loans to the Administrator, upon the request and approval of the Secretary of Agriculture, in such amounts in the aggregate for each fiscal year commencing with the fiscal year ending June 30, 1948, as the Congress may from time to time determine to be necessary, either without interest or at

such rate of interest per annum, not in excess of the rate provided for in sections 4 and 5 of this Act, as the Secretary of the Treasury may determine, upon the security of the obligations of borrowers from the Administrator appointed pursuant to the provisions of this Act or from the Administrator of the Rural Electrification Administration established by Executive Order Numbered 7037. Interest rates on the unpaid balance of any loans made by the Reconstruction Finance Corporation to the Administrator prior to July 1, 1947, shall be adjusted to the interest rate, if any, established for loans made after June 30, 1947, in accordance with the foregoing provision: Provided, That such obligations incurred for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines, or systems and for the purpose of financing the improvement, expansion, construction, acquisition, and operation of facilities to render telephone service shall be fully amortized over a period not to exceed thirty-five years, and that the maturity of such obligations incurred for the purpose of financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment shall not exceed two-thirds of the assured life thereof and not more than five years. The Administrator is hereby authorized to make all such endorsements, to execute all such instruments, and to do all such acts and things as shall be necessary to effect the valid transfer and assignment to the Secretary of the Treasury of all such obligations, and to execute such trust instruments as shall be agreed upon by the Administrator and the Secretary of the Treasury providing for the holding in trust by the Administrator of all such obligations for the Secretary of the Treasury as security for loans to the Administrator heretofore made by the Reconstruction Finance Corporation or made or to be made by the Secretary of the Treasury. All rights, interests, obligations, and duties of the Reconstruction Finance Corporation arising out of loans made or authorized to be made to the Administrator are, as of the close of June 30, 1947, vested in the Secretary of the Treasury; the Reconstruction Finance Corporation is authorized and directed to receive all loans outstanding on that date, plus accrued unpaid interest, theretofore made to the Administrator under the provisions of this Act, and all notes and other evidences thereof and all obligations constituting the security therefor. The Secretary of the Treasury shall cancel notes of the Reconstruction Finance Corporation, and sums due and unpaid upon or in connection with such notes at the time of such cancellation, in an amount equal to the unpaid principal of the loans so transferred, plus accrued unpaid interest through June 30, 1947. Subsequent to June 30, 1947, the Reconstruction Finance Corporation shall make no further loans or advances to the Administrator; and the Secretary of the Treasury is hereby authorized and directed, in lieu of the Reconstruction Finance Corporation, to lend or advance to the Administrator, in accordance with the provisions of this subsection 3 (a), any unobligated or unadvanced

balances of the sums which the Reconstruction Finance Corporation has theretofore been authorized and directed to lend to the Administrator. For the purpose of making loans or advances pursuant to this section, the Secretary of the Treasury is authorized to use as a public debt-transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such loans or advances to the Administrator. Repayments to the Secretary of the Treasury on such loans or advances shall be treated as a public-debt transaction of the United States.

(b) There are hereby authorized to be appropriated such sums as the Congress may from time to time determine to be necessary for the purposes of this Act as hereinafter provided.

(c) Twenty-five per centum of the annual sums herein made available or appropriated for loans for rural electrification pursuant to sections 4 and 5 of this title shall be allotted yearly by the Administrator for loans in the several States in the proportion which the number of their farms not then receiving central station electric service bears to the total number of farms of the United States not then receiving such service: Provided, That if any part of such sums are not loaned or obligated during the first six months of the fiscal year for which they are made available, such part shall thereafter be available for loans by the Administrator without allotment: Provided, however, That not more than 25 per centum of said sums may be employed in any one State or in all of the Territories. The Administrator shall within ninety days after the beginning of each fiscal year determine for each State and for the United States the number of farms not then receiving such service.

(d) The remaining 75 per centum of such annual sums shall be available for rural electrification loans in the several States and in the Territories, without allotment as hereinabove provided in such amounts for each State and Territory as, in the opinion of the Administrator, may be effectively employed for the purposes of this Act, and to carry out the provisions of section 7: Provided, however, That not more than 25 per centum of said unallotted annual sums may be employed in any one State, or in all of the Territories.

(e) If any part of the annual sums made available for the purposes of this Act are not loaned or obligated during the fiscal year for which they are made available, such unexpended or unobligated sums shall be available for loans by the Administrator in the following year or years without allotment: Provided, however, That not more than 25 per centum of said sums for rural electrification loans may be employed in any one State or in all of the Territories.

[May 20, 1936, ch. 432, §3, 49 Stat. 1364, 1365; Sept. 21, 1944, ch. 412, Title V, §§501, 503, 504, 58 Stat. 739, 740; July 30, 1947, ch. 356, 61 Stat. 546; Oct. 28, 1949, ch. 776, §4 (a) (b) (c) and (d), 63 Stat. 948; June 15, 1955, ch. 139, 69 Stat. 131; May 7, 1971, 85 Stat. 37; May 11, 1973, 87 Stat. 70; 7 U.S.C. 903]

SEC. 4. The Administrator is authorized and empowered, from the sums hereinbefore authorized, to make loans for rural electrification to persons, corporations, States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts and cooperative, nonprofit, or limited-dividend associations organized under the laws of any State or Territory of the United States, for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service, and loans, from funds available under the provisions of sections 3(d) and 3(e) but without regard to the 25 per centum limitation therein contained, to cooperative associations and municipalities for the purpose of enabling said cooperative associations and municipalities to the extent that such indebtedness was incurred with respect to electric transmission and distribution lines or systems or portions thereof serving persons in rural areas, to discharge or refinance long-term debts owed by them to the Tennessee Valley Authority on account of loans made or credit extended under the terms of the Tennessee Valley Authority Act of 1933, as amended: Provided, That the Administrator, in making such loans, shall give preference to States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts, and cooperative nonprofit, or limited-dividend associations, the projects of which comply with the requirements of this Act. Such loans shall be on such terms and conditions relating to the expenditure of the moneys loaned and the security therefor as the Administrator shall determine and may be made payable in whole or in part out of the income: Provided further, That all such loans shall be self-liquidating within a period of not to exceed thirty-five years, and shall bear interest at the rate of 2 per centum per annum; interest rates on the unmatured and unpaid balance of any loans made pursuant to this section prior to September 21, 1944, shall be adjusted to 2 per centum per annum, and the maturity date of any such loans may be readjusted to occur at a date not beyond thirty-five years from the date of such loan: And provided further, That no loan for the construction, operation, or enlargement of any generating plant shall be made unless the consent of the State authority having jurisdiction in the premises is first obtained. Loans under this section and section 5 shall not be made unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed.

[May 20, 1936, ch. 432, §4, 49 Stat. 1365; Sept. 21, 1944, ch. 412, Title V, §§502(a), 503, 58 Stat. 739, 740; Dec. 23, 1944, ch. 725, 58 Stat. 925, 926; June 29, 1948, ch. 703, 62 Stat. 1070; Oct. 28, 1949, ch. 776, §4(e), 63 Stat. 948; June 15, 1955, ch. 139, 69 Stat. 132; 7 U.S.C. 904.]

SEC. 5. The Administrator is authorized and empowered, from the sums hereinbefore authorized, to make loans for the purpose of financing the wiring of the premises of persons in rural areas and the acquisition and

installation of electrical and plumbing appliances and equipment. Such loans may be made to any of the borrowers of funds loaned under the provisions of section 4, or to any person, firm, or corporation supplying or installing the said wiring, appliances or equipment. Such loans shall be for such terms, subject to such conditions, and so secured as reasonably to assure repayment thereof, and shall be at a rate of interest of 2 per centum per annum; interest rates on the unmatured and unpaid balance of any loans made pursuant to this section prior to September 21, 1944, shall be adjusted to 2 per centum per annum.

[May 20, 1936, ch. 432, §5, 49 Stat. 1365; Sept. 21, 1944, ch. 412, Title V, §502(b), 58 Stat. 739; 7 U.S.C. 905.]

SEC. 6. For the purpose of administering this Act and for the purpose of making the studies, investigations, publications, and reports herein provided for, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as shall be necessary. *On or before February 15 of each calendar year beginning with calendar year 1976, or such other date as may be specified by the appropriate committee, the Secretary of Agriculture shall testify before the House Committee on Agriculture and the Senate Committee on Agriculture and Forestry and provide justification in detail of the amount requested in the budget to be appropriated for the next fiscal year for the purpose of administering this Act and for the purpose of making the studies, investigations, publications, and reports herein authorized.*

[May 20, 1936, ch. 432, §6, 49 Stat. 1365; Nov. 20, 1975, Public Law 94-124, 89 Stat. 677; 7 U.S.C. 906.]

SEC. 7. The Administrator is authorized and empowered to bid for and purchase at any foreclosure or other sale, or otherwise to acquire, property pledged or mortgaged to secure any loan made pursuant to this Act; to pay the purchase price and any costs and expenses incurred in connection therewith from the sums authorized in section 3 of this Act; to accept title to any property so purchased or acquired in the name of the United States of America; to operate or lease such property for such period as may be deemed necessary or advisable to protect the investment therein, but not to exceed five years after the acquisition thereof; and to sell such property so purchased or acquired, upon such terms and for such consideration as the Administrator shall determine to be reasonable.

No borrower of funds under section 4 or section 201 shall, without the approval of the Administrator, sell or dispose of its property, rights, or franchises, acquired under the provisions of this Act, until any loan obtained from the Rural Electrification Administration, including all interest and charges, shall have been repaid.

[May 20, 1936, ch. 432, §7, 49 Stat. 1365, 1366; Oct. 28, 1949, ch. 776, §4(f), 63 Stat. 948; 7 U.S.C. 907.]

SEC. 8. The administration of loans and contracts entered into by the Rural Electrification Administration established by Executive Order Numbered 7037, dated May 11, 1935, may be vested by the President in the Administrator authorized to be appointed by this Act; and in such event the provisions of this Act shall apply to said loans and contracts to the extent that said provisions are not inconsistent therewith. The President may transfer to the Rural Electrification Administration created by this Act the jurisdiction and control of the records, property (including office equipment), and personnel used or employed in the exercise and performance of the functions of the Rural Electrification Administration established by such Executive Order.

[May 20, 1936, ch. 432, §8, 49 Stat. 1366; 7 U.S.C. 908.]

SEC. 9. This Act shall be administered entirely on a nonpartisan basis, and in the appointment of officials, the selection of employees, and in the promotion of any such officials, or employees, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. If the Administrator herein provided for is found by the President of the United States to be guilty of a violation of this section, he shall be removed from office by the President, and any appointee or selection of officials or employees made by the Administrator who is found guilty of a violation of this Act shall be removed by the Administrator.

[May 20, 1936, ch. 432, §9, 49 Stat. 1366; 7 U.S.C. 909.]

SEC. 10. The Administrator shall present annually to the Congress not later than the 20th day of April in each year a full report of his activities under this Act.

[May 20, 1936, ch. 432, §10, 49 Stat. 1366; 7 U.S.C. 910; April 21, 1976, Public Law 94-273, 90 Stat. 375; 31 U.S.C. 701 note.]

SEC. 11. In order to carry out the provisions of this Act the Administrator may accept and utilize such voluntary and uncompensated services of Federal, State, and local officers and employees as are available, and he may without regard to the provisions of civil-service laws applicable to officers and employees of the United States appoint and fix the compensation of attorneys, engineers, and experts, and he may, subject to the civil-service laws, appoint such other officers and employees as he may find necessary and prescribe their duties. The Administrator is authorized, from sums appropriated pursuant to section 6, to make such expenditures (including expenditures for personal services; supplies and equipment; lawbooks and books of reference, directories and periodicals; travel expenses; rental at the seat of government and elsewhere; the purchase, operation, or maintenance of passenger-carrying vehicles; and printing and binding) as are appropriate and necessary to carry out the provisions of this Act.

[May 20, 1936, ch. 432, §11, 49 Stat. 1366; 7 U.S.C. 911.]

SEC. 12. The Administrator is authorized and empowered to extend the time of payment of interest or principal of any loans made by the Administrator pursuant to this Act: Provided, however, That with respect to any loan made under section 4 or section 201, the payment of interest or principal shall not be extended more than five years after such payment shall have become due, and with respect to any loan made under section 5, the payment of principal or interest shall not be extended more than two years after such payment shall have become due: And provided further, That the provisions of this section shall not apply to any obligations or the security therefor which may be held by the Reconstruction Finance Corporation under the provisions of section 3.

[May 20, 1936, ch. 432, §12, 49 Stat. 1366, 1367; Oct. 28, 1949, ch. 776, §4(f), 63 Stat. 948; 7 U.S.C. 912.]

SEC. 13. As used in this Act the term "rural area" shall be deemed to mean any area of the United States not included within the boundaries of any city, village, or borough having a population in excess of fifteen hundred inhabitants, and such term shall be deemed to include both the farm and non-farm population thereof; the term "farm" shall be deemed to mean a farm as defined in the publications of the Bureau of the Census; the term "person" shall be deemed to mean any natural person, firm, corporation, or association; the term "Territory" shall be deemed to include any insular possession of the United States.

[May 20, 1936, ch. 432, §13, 49 Stat. 1367; 7 U.S.C. 913.]

SEC. 14. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby.

[May 20, 1936, ch. 432, §14, 49 Stat. 1367; 7 U.S.C. 914.]

SEC. 15. The Rural Electrification Administration is authorized to purchase such financial and credit reports as may be necessary to carry out its authorized work: Provided, That purchases under this authority shall not be made unless provision is made therefor in the applicable appropriation and the cost thereof is not in excess of limitations prescribed therein.

[Sept. 21, 1944, ch. 412, Title V, §505, 58 Stat. 740; 7 U.S.C. 915.]

SEC. 16. In order to insure coordination of electric generation and transmission financing under this Act with the national energy policy, the Administrator in making or guaranteeing loans for the construction, operations, or enlargement of generating plants or electric transmission lines or systems, shall consider such general criteria consistent with the provisions of this Act as may be published by the Secretary of Energy. [Aug. 4, 1977, Public Law 95-91, 91 Stat. 608; 7 U.S.C. 916.]

TITLE II

SEC. 201. From such sums as are from time to time made available by the

Congress to the Administrator for such purpose, pursuant to section 3 of this Act, the Administrator is authorized and empowered to make loans to persons now providing or who may hereafter provide telephone service in rural areas, to public bodies now providing telephone service in rural areas and to cooperative, nonprofit, limited dividend, or mutual associations. Except as otherwise provided by this title, such loans shall be made under the same terms and conditions as are provided in section 4 of this Act, for the purpose of financing the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities or systems to furnish and improve telephone service in rural areas: Provided, however, That the Administrator, in making such loans, shall give preference to persons providing telephone service in rural areas, to public bodies now providing telephone service in rural areas and to cooperative, nonprofit, limited dividend, or mutual associations: And provided further, That for a period of one year from and after the effective date of this title applications for loans received by the Administrator from persons who on the effective date of this title are engaged in the operation of existing telephone service in rural areas shall be considered and acted upon before action is taken upon any application received from any other person for any loan to finance the furnishing or improvement of telephone service to substantially the same subscribers. The Administrator in making such loans shall, insofar as possible, obtain assurance that the telephone service to be furnished or improved thereby will be made available to the widest practical number of rural users. When it is determined by the Administrator to be necessary in order to furnish or improve telephone service in rural areas, such loans may be made for the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems without regard to their geographical location. The Administrator is further authorized and empowered to make loans for the purpose of refinancing outstanding indebtedness of persons furnishing telephone service in rural areas: Provided, That such refinancing shall be determined by the Administrator to be necessary in order to furnish and improve telephone service in rural areas: And provided further, That such refinancing shall constitute not more than 40 per centum of any loan made under this title. Loans under this section shall not be made unless the Administrator finds and certifies that in his judgement the security therefor is reasonably adequate and such loan will be repaid within the time agreed, nor shall such loan be made in any State which now has or may hereafter have a State regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained. In a State in which there is no such agency or regulatory body legally authorized to issue such certificates to the applicant, no loan shall be made under this section unless the Administrator shall determine (and set forth his reasons therefor in writing) that no duplication of lines, facilities, or systems, providing reasonably adequate services will result therefrom.

[Oct. 28, 1949, ch. 776, §5, 63 Stat. 948; May 7, 1971, 85 Stat. 37; 7 U.S.C. 922.]

SEC. 202. Nothing contained in this Act shall be construed to deprive any State commission, board, or other agency of jurisdiction, under any State law, now or hereafter effective, to regulate telephone service which is not subject to regulation by the Federal Communications Commission, under the Communications Act of 1934, including the rates for such service.
[Oct. 28, 1949, ch. 776, §5, 63 Stat. 948; 7 U.S.C. 923.]

SEC. 203. (a) As used in this title, the term "telephone service" shall be deemed to mean any communication service for the transmission of voice, sounds, signals, pictures, writing, or signs of all kinds through the use of electricity between the transmitting and receiving apparatus, and shall include all telephone lines, facilities, or systems used in the rendition of such service; but shall not be deemed to mean message telegram service or community antenna television system services or facilities other than those intended exclusively for educational purposes, or radio broadcasting services or facilities within the meaning of section 3(o) of the Communications Act of 1934, as amended.

(b) As used in this title, the term "rural area" shall be deemed to mean any area of the United States not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population in excess of one thousand five hundred inhabitants.

[Oct. 28, 1949, ch. 776, §5, 63 Stat. 949; Oct. 23, 1962, Public Law 87-862, 76 Stat. 1140; 7 U.S.C. 924.]

TITLE III

SEC. 301. RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND.—(a) There is hereby established in the Treasury of the United States a fund, to be known as the Rural Electrification and Telephone Revolving Fund (hereinafter referred to as the "fund"), consisting of:

(1) all notes, bonds, obligations, liens, mortgages, and property delivered or assigned to the Administrator pursuant to loans heretofore or hereafter made under sections 4, 5, and 201 of this Act and under this title, as of the effective date of this title, as revised herein, and all proceeds from the sales hereunder of such notes, bonds, obligations, liens, mortgages, and property, which shall be transferred to and be assets of the fund;

(2) undisbursed balances of electric and telephone loans made under sections 4, 5, and 201, which as of the effective date of this title, as revised herein, shall be transferred to and be assets of the fund;

(3) notwithstanding section 3(a) of title I, all collections of principal and interest received on and after July 1, 1972, on notes, bonds, judgments, or other obligations made or held under titles I and II of this Act and under this title, except for net collection proceeds previously appropriated for the purchase of class A stock in the Rural Telephone Bank, which shall be paid into and be assets of the fund;

(4) all appropriations for interest subsidies and losses required under this title which may hereafter be made by the Congress and the unobligated balances of any funds made available for loans under the item "Rural Electrification Administration" in the Department of Agriculture and Agriculture-Environmental and Consumer Protection Appropriations Acts;

(5) moneys borrowed from the Secretary of the Treasury pursuant to section 304(a); and

(6) shares of the capital stock of the Rural Telephone Bank purchased by the United States pursuant to section 406(a) of this Act and moneys received from said bank upon retirement of said shares of stock in accordance with the provisions of title IV of this Act, which said shares and moneys shall be assets of the fund.

[May 11, 1973, Public Law 93-32; 87 Stat. 66; Oct. 20, 1976, Public Law 94-570, 90 Stat. 2701; 7 U.S.C. 931.]

SEC. 302. LIABILITIES AND USES OF FUND.—(a) The notes of the Administrator to the Secretary of the Treasury to obtain funds for loans under sections 4, 5, and 201 of this Act, and all other liabilities against the appropriations or assets in the fund in connection with electrification and telephone loan operations shall be liabilities of the fund, and all other obligations against such appropriations or assets in the fund arising out of electrification and telephone loan operations shall be obligations of the fund.

(b) The assets of the fund shall be available only for the following purposes:

(1) loans which could be insured under this title, and for advances in connection with such loans and loans previously made, as of the effective date of this title, as revised herein, under sections 4, 5, and 201 of this Act;

(2) payment of principal when due (without interest) on outstanding loans to the Administrator from the Secretary of the Treasury for electrification and telephone purposes pursuant to section 3(a) of this Act and payment of principal and interest when due on loans to the Administrator from the Secretary of the Treasury pursuant to section 304(a) of this title;

(3) payment of amounts to which the holder of notes is entitled on insured loans: Provided, That payments other than final payments need not be remitted to the holder until due or until the next agreed annual, semiannual, or quarterly remittance date;

(4) payment to the holder of insured notes of any defaulted installment or, upon assignment of the note to the Administrator at his request, the entire balance due on the note;

(5) purchase of notes in accordance with contracts of insurance entered into by the Administrator;

(6) payment in compliance with contracts of guarantee;

(7) payment of taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application, and transmittal of collections or necessary to obtain credit reports on applicants or borrowers, expenses for necessary services, including construction inspections, commercial appraisals, loan servicing, consulting business advisory or other commercial and technical services, and other program services, and other expenses and advances authorized in section 7 of this Act in connection with insured loans. Such items may be paid in connection with guaranteed loans after or in connection with the acquisition of such loans or security thereof after default, to the extent determined to be necessary to protect the interest of the Government, or in connection with any other activity authorized in this Act;

(8) payment of the purchase price and any costs and expenses incurred in connection with the purchase, acquisition, or operation of property pursuant to section 7 of this Act.

[May 11, 1973, Public Law 93-32, 87 Stat. 66; 7 U.S.C. 932.]

SEC. 303. DEPOSIT OF FUND MONEYS.—Moneys in the fund shall remain on deposit in the Treasury of the United States until disbursed. [May 11, 1973, Public Law 93-32, 87 Stat. 67; 7 U.S.C. 933]

SEC. 304. FINANCIAL TRANSACTIONS OF THE FUND.—(a) The Administrator is authorized to make and issue interim notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations of the fund and for making loans, advances and authorized expenditures out of the fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be agreed upon by the Administrator and the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the notes issued by the Administrator under this section. The Secretary of the Treasury is authorized and directed to purchase any notes of the Administrator issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which such securities may be issued under such Act, as amended, are extended to include the purchase of notes issued by

(1) *has experienced extreme financial hardship; or*

(2) *cannot, in accordance with generally accepted management and accounting principles and without charging rates to its customers or subscribers so high as to create a substantial disparity between such rates and the rates charged for similar service in the same or nearby areas by other suppliers, provide service consistent with the objectives of this Act.*

(c) Loans made under this section shall be insured by the Administrator when purchased by a lender. As used in this Act, an insured loan is one which is made, held, and serviced by the Administrator, and sold and insured by the Administrator hereunder; such loans shall be sold and insured by the Administrator without undue delay.

[May 11, 1973, Public Law 93-32; 87 Stat. 68; Oct. 20, 1976, Public Law 94-570, 90 Stat. 2701; Aug. 13, 1981, Public Law 97-35, 95 Stat. 379; 7 U.S.C. 935.]

SEC. 306. GUARANTEED LOANS; ACCOMMODATION AND SUBORDINATION OF LIENS.—The Administrator may provide financial assistance to borrowers for purposes provided in the Rural Electrification Act of 1936, as amended, by guaranteeing loans, in the full amount thereof, made by the Rural Telephone Bank, National Rural Utilities Cooperative Finance Corporation, and any other legally organized lending agency, or by accommodating or subordinating liens or mortgages in the fund held by the Administrator as owner or as trustee or custodian for purchases of notes from the fund, or by any combination of such guarantee, accommodation, or subordination. No fees or charges shall be assessed for any such guarantee, accommodation, or subordination. *With respect to guarantees issued by the Administrator under this section, on the request of the borrower of any such loan so guaranteed, the loan shall be made by the Federal Financing Bank and at a rate of interest that is not more than the rate of interest applicable to other similar loans then being made or purchased by the Bank.* Guaranteed loans shall bear interest at the rate agreed upon by the borrower and the lender. Guaranteed loans, and accommodation and subordination of liens or mortgages, may be made concurrently with *an insured loan*. The amount of guaranteed loans shall be subject only to such limitations as to amounts as may be authorized from time to time by the Congress of the United States: Provided, That any amounts guaranteed hereunder shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States. As used in this title, a guaranteed loan is one which is initially made, held, and serviced by a legally organized lending agency and which is guaranteed by the Administrator hereunder. A guaranteed loan, including the related guarantee, may be assigned to the extent provided in the contract of guarantee executed by the Administrator under this title; the assignability of such loan and guarantee shall be governed exclusively by said contract of guarantee.

[May 11, 1973, Public Law 93-32; 87 Stat. 69; Nov. 4, 1975, Public Law 94-124, 89 Stat. 677; Aug. 13, 1981, Public Law 97-35, 95 Stat. 379, 7 U.S.C. 936.]

SEC. 307. OTHER FINANCING.—When it appears to the Administrator that the loan applicant is able to obtain a loan for part of his credit needs from a responsible cooperative or other credit source at reasonable rates and terms consistent with the loan applicant's ability to pay and the achievement of the Act's objectives, he may request the loan applicant to apply for and accept such a loan concurrently with *an insured loan*, subject, however, to full use being made by the Administrator of the funds made available hereunder for such insured loans under this title.

[May 11, 1973, Public Law 93-32, 87 Stat. 70; Aug. 13, 1981, Public Law 97-35, 7 U.S.C. 937.]

SEC. 308. FULL FAITH AND CREDIT OF THE UNITED STATES.—Any contract of insurance or guarantee executed by the Administrator under this title shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder had actual knowledge at the time it became a holder.

[May 11, 1973, Public Law 93-32, 87 Stat. 70; Nov. 4, 1975, Public Law 94-124, 89 Stat. 677; 7 U.S.C. 938.]

SEC. 309. LOAN TERMS AND CONDITIONS.—Loans made from or insured through the fund shall be for the same purposes and on the same terms and conditions as are provided for loans in titles I and II of this Act except as otherwise provided in sections 303 to 308 inclusive.

[May 11, 1973, Public Law 93-32; 87 Stat. 70; 7 U.S.C. 939]

SEC. 310. REFINANCING OF RURAL DEVELOPMENT ACT LOANS.—At the request of the borrower, the Administrator is authorized and directed to refinance with loans which will be insured under this Act, at the interest rates provided in section 305, any loans made for rural electric and telephone facilities under any provision of the Consolidated Farm and Rural Development Act.

[May 11, 1973, Public Law 93-32, 87 Stat. 70; 7 U.S.C. 940]

TITLE IV

SEC. 401. ESTABLISHMENT, GENERAL PURPOSES, AND STATUS OF THE TELEPHONE BANK. (a) There is hereby established a body corporate to be known as the Rural Telephone Bank (hereinafter called the telephone bank).

(b) The general purposes of the telephone bank shall be to obtain an adequate supply of supplemental funds to the extent feasible from non-Federal sources, to utilize said funds in the making of loans under section 408 of this title, and to conduct its operations to the extent practicable on a self-sustaining basis.

(c) The telephone bank shall be deemed to be an instrumentality of the United States, and shall, for the purposes of jurisdiction and venue, be deemed a citizen and resident of the District of Columbia. The telephone bank is authorized to make payments to State, territorial, and local governments in lieu of property taxes upon real property and tangible personal property which was subject to State, territorial, and local taxation before acquisition by the telephone bank. Such payment may be in the amounts, at the times, and upon such terms as the telephone bank deems appropriate but the telephone bank shall be guided by the policy of making payments not in excess of the taxes which would have been payable upon such property in the condition in which it was acquired. [May 7, 1971, Public Law 92-12, 85 Stat. 30; 7 U.S.C. 941.]

SEC. 402. GENERAL POWERS. To carry out the specific powers herein authorized, the telephone bank shall have power to (a) adopt, alter, and use a corporate seal; (b) sue and be sued in its corporate name; (c) make contracts, leases, and cooperative agreements, or enter into other transactions as may be necessary in the conduct of its business, and on such terms as it may deem appropriate; (d) acquire, in any lawful manner, hold, maintain, use, and dispose of property: Provided, That the telephone bank may only acquire property needed in the conduct of its banking operations or pledged or mortgaged to secure loans made hereunder or in temporary operation or maintenance thereof: Provided further, That any such pledged or mortgaged property so acquired shall be disposed of as promptly as is consistent with prudent liquidation practices, but in no event later than five years after such acquisition; (e) accept gifts or donations of services or of property in aid of any of the purposes herein authorized; (f) appoint such officers, attorneys, agents, and employees, vest them with such powers and duties, fix and pay such compensation to them for their services as the telephone bank may determine; (g) determine the character of and the necessity for its obligations and expenditures, and the manner in which they shall be incurred, allowed, and paid; (h) execute, in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its powers; (i) collect or compromise all obligations assigned to or held by it and all legal or equitable rights accruing to it in connection with the payment of such obligations until such time as such obligations may be referred to the Attorney General for suit or collection; and (j) exercise all such other powers as shall be necessary or incidental to carrying out its functions under this title. [May 7, 1971, Public Law 92-12, 85 Stat. 30; 7 U.S.C. 942.]

SEC. 403. SPECIAL PROVISIONS GOVERNING TELEPHONE BANK AS AN AGENCY OF THE UNITED STATES UNTIL CONVERSION OF OWNERSHIP, CONTROL, AND OPERATION. Until the ownership, control, and operation of the telephone bank is converted as provided in section 410(a) of this title and not thereafter—

(a) The telephone bank shall be an agency of the United States and shall be subject to the supervision and direction of the Secretary of Agriculture (hereinafter called the Secretary): Provided, however, That the telephone bank shall at no time be entitled to transmission of its mail free of postage, nor shall it have the priority of the United States in the payment of debts out of bankrupt, insolvent, and decedents' estates;

(b) in order to perform its responsibilities under this title, the telephone bank may partially or jointly utilize the facilities and the services of employees of the Rural Electrification Administration or of any other agency of the Department of Agriculture, without cost to the telephone bank;

(c) the telephone bank shall be subject to the provisions of the Government Corporation Control Act, as amended (31 U.S.C. 841, et seq.), in the same manner and to the same extent as if it were included in the definition of "wholly owned Government corporation" as set forth in section 101 of said Act (31 U.S.C. 846);

(d) the telephone bank may without regard to the civil service classification laws appoint and fix the compensation of such officers and employees of the telephone bank as it may deem necessary;

(e) the telephone bank shall be subject to the provisions of sections 517, 519, and 2679 of title 28, United States Code. [May 7, 1971, Public Law 92-12, 85 Stat. 31; 7 U.S.C. 943.]

SEC. 404. GOVERNOR. Subject to the provisions of section 410, the Administrator of the Rural Electrification Administration shall serve as the chief executive officer of the telephone bank (herein called the Governor of the telephone bank). Except as to matters specifically reserved to the Telephone Bank Board in this title, the Governor of the telephone bank shall exercise and perform all functions, powers, and duties of the telephone bank. [May 7, 1971, Public Law 92-12, 85 Stat. 31; 7 U.S.C. 944.]

SEC. 405. BOARD OF DIRECTORS. (a) The management of the telephone bank, within the limitations prescribed by law, shall be vested in a board of directors (herein called the Telephone Bank Board) consisting of thirteen members.

(b) The Administrator of the Rural Electrification Administration and the Governor of the Farm Credit Administration shall be members of the Telephone Bank Board. Five other members of the Telephone Bank Board shall be designated by the President to serve at his pleasure, three of whom shall be officers or employees of the Department of Agriculture but not officers or employees of the Rural Electrification Administration, and two of whom shall be from the general public and not officers or employees of the Federal Government. The Administrator and other officers and employees of the Department of Agriculture and the Governor of the Farm Credit Administration shall serve as members without additional compensation.

(c) As soon as practicable after enactment of this title, the President of the United States shall appoint six additional members of the initial Telephone Bank Board to be selected from the directors, managers, and employees of any entities eligible to borrow from the telephone bank and of organizations controlled by such entities, with due regard to fair representation of the rural telephone systems of the Nation. The six members thus appointed shall serve until their successors shall have been duly elected in accordance with subsection (d).

(d) Within twelve months following the appointment of the six members of the initial Board as provided in subsection (c), the Governor of the telephone bank shall call a meeting of all entities then eligible to borrow from the telephone bank and organizations controlled by such entities for the purpose of electing members of the Telephone Bank Board. Each such entity and organization shall be entitled to notice of and shall have one noncumulative vote at said meeting. Six members of the Telephone Bank Board shall be elected for a two-year term, three from among the directors, managers, and employees of cooperative-type entities eligible to vote and organizations controlled by such entities, and three from among the managers, directors, and employees of commercial-type entities eligible to vote and organizations controlled by such entities. These six members shall be elected by majority vote of the entities and organizations eligible to vote and such entities and organizations may vote by proxy.

(e) Thereafter, the cooperative-type entities and organizations holding class B and class C stock, voting as a separate class, shall elect three directors to represent their class by a majority vote of the stockholders voting in such class; and the commercial-type entities and organizations holding class B and class C stock, voting as a separate class, shall elect three directors to represent their class by a majority vote of the stockholders voting in such class. Limited proxy voting may be permitted, as authorized by the bylaws of the telephone bank. Cumulative voting shall not be permitted.

(f) Any Telephone Bank Board member may continue to serve after the expiration of the term for which he is elected until his successor has been elected and has qualified. Telephone Bank Board members designated from the general public, pursuant to subsection (b), or appointed or elected pursuant to subsections (c), (d), and (e), shall receive \$100 for each day or part thereof, not to exceed one hundred days per year for the first three years after enactment of this title and not to exceed fifty days per year thereafter, spent in the performance of official duties, and shall be reimbursed for travel and other expenses in such manner and subject to such limitations as the Telephone Bank Board may prescribe.

(g) The Telephone Bank Board shall prescribe bylaws, not inconsistent with law, regulating the manner in which the telephone bank's business shall be conducted, its directors and officers elected, its stock issued, held, and

disposed of, its property transferred, its bylaws amended, and the powers and privileges granted to it by law exercised and enjoyed.

(h) The Telephone Bank Board shall meet at such times and places as it may fix and determine, but shall hold at least four regularly scheduled meetings a year, and special meetings may be held on call in the manner specified in the bylaws of the telephone bank.

(i) The Telephone Bank Board shall make an annual report to the Secretary for transmittal to the Congress on the administration of this title IV and any other matters relating to the effectuation of the policies of title IV, including recommendations for legislation. [May 7, 1971, Public Law 92-12, 85 Stat. 32; May 11, 1973, Public Law 93-32, 87 Stat. 70; 7 U.S.C. 945.]

SEC. 406. CAPITALIZATION. (a) The telephone bank's capital shall consist of capital subscribed by the United States, by borrowers from the telephone bank, by corporations and public bodies eligible to become borrowers from the telephone bank, and by organizations controlled by such borrowers, corporations, and public bodies. Beginning with the fiscal year 1971 and for each fiscal year thereafter *but not later than fiscal year 1991*, the United States shall furnish capital for the purchase of class A stock and there are hereby authorized to be appropriated such amounts, not to exceed \$30,000,000 annually, for such purchases until such class A stock shall equal ~~\$300,000,000~~ \$600,000,000, Provided, That on or before July 1, 1975, the Secretary shall make a report to the President for transmittal to the Congress on the status of capitalization of the telephone bank by the United States with appropriate recommendations. As used in this section and section 301, the term "net collection proceeds" shall be deemed to mean payments from and after July 1, 1969, of principal and interest on loans heretofore or hereafter made under section 201 of this Act, less an amount representing interest payable to the Secretary of the Treasury on loans to the Administrator for telephone purposes pursuant to section 3(a) of this Act.

(b) The capital stock of the telephone bank shall consist of three classes, class A, class B, and class C, the rights, powers, privileges, and preferences of the separate classes to be as specified, not inconsistent with law, in the bylaws of the telephone bank. Class B and class C stock shall be voting stock, but no holder of said stock shall be entitled to more than one vote, nor shall class B and class C stockholders, regardless of their number, which are owned or controlled by the same person, group of persons, firm, association, or corporation, be entitled in any event to more than one vote.

(c) Class A stock shall be issued only to the Administrator of the Rural Electrification Administration on behalf of the United States in exchange for capital furnished to the telephone bank pursuant to subsection (a), and such class A stock shall be redeemed and retired by the telephone bank as soon as practicable after ~~September 30, 1985~~, September 30, 1995, but not to the extent that the Telephone Bank Board determines that such retirement will impair the operations of the telephone bank: Provided, That the minimum amount of class A stock that shall be retired each year after said date, ~~and after the amount of class A and class B stock issued totals \$400,000,000~~ shall equal the amount of

class B stock sold by the telephone bank during such year. Class A stock shall be entitled to a return, payable from income, at the rate of 2 per centum per annum on the amounts of said class A stock actually paid into the telephone bank. Such return shall be cumulative and shall be payable annually into miscellaneous receipts of the Treasury.

(d) Class B stock shall be held only by recipients of loans under section 408 of this Act. Borrowers receiving loan funds pursuant to section 408(a)(1) or (2) shall be required to invest in class B stock 5 per centum of the amount of loan funds so provided. No dividends shall be payable on class B stock. All holders of class B stock shall be entitled to patronage refunds in class B stock under terms and conditions to be specified in the bylaws of the telephone bank.

(e) Class C stock shall be available for purchase and shall be held only by borrowers, or by corporations and public bodies eligible to borrow under section 408 of this Act, or by organizations controlled by such borrowers, corporations and public bodies, and shall be entitled to dividends in the manner specified in the bylaws of the telephone bank. Such dividends shall be payable only from income and, until all class A stock is retired, shall not exceed the current average rate payable on its telephone debentures.

(f) If a firm, association, corporation, or public body is not authorized under the laws of the jurisdiction in which it is organized to acquire stock of the telephone bank, the telephone bank shall, in lieu thereof, permit such organization to pay into a special fund of the telephone bank a sum equivalent to the amount of stock to be purchased. Each reference in this title to capital stock, or to class B, or class C stock, shall include also the special fund equivalents of such stock, and to the extent permitted under the laws of the jurisdiction in which such organization is organized, a holder of special fund equivalents of class B, or class C stock, shall have the same rights and status as a holder of class B or class C stock, respectively. The rights and obligations of the telephone bank in respect of such special fund equivalent shall be identical to its rights and obligations in respect of class B or class C stock, respectively.

(g) After payment of all operating expenses of the telephone bank, including interest on its telephone debentures, setting aside appropriate funds for reserves for losses, and making payment in lieu of taxes, and returns on class A stock as provided in section 406(c), and on class C stock, the Telephone Bank Board shall annually set aside the remaining earnings of the telephone bank for patronage refunds in accordance with the bylaws of the telephone bank. [May 7, 1971, Public Law 92-12, 85 Stat. 33; May 11, 1973, Public Law 93-32, 87 Stat. 70; April 26, 1976, Public Law 94-273, 90 Stat. 375; 31 U.S.C. 701 note; Dec. 22, 1981, Public Law 97-98, 95 Stat. 1347; 7 U.S.C. 946.]

SEC. 407. BORROWING POWER.— (a) The telephone bank is authorized to obtain funds through the public or private sale of its bonds, debentures, notes, and other evidences of indebtedness (herein collectively called telephone debentures). Telephone debentures shall be issued at such times, bear interest at such rates, and contain such other terms and conditions as the Telephone Bank Board shall determine: Provided, however, That the amount of the telephone debentures which may be outstanding at any one time pursuant to this section shall not exceed twenty times the paid-in capital and retained earnings of the telephone bank. Telephone debentures shall not be exempt, either as to principal or interest, from any taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State or local taxing authority. Telephone debentures shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof.

(b) The Telephone Bank is also authorized to issue telephone debentures to the Secretary of the Treasury, and the Secretary of the Treasury may in his discretion purchase any such debentures, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act as now or hereafter in force are extended to include such purchases. Each purchase of telephone debentures by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate not less than a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturity. The Secretary of Treasury may sell, upon such terms and conditions and at such price or prices as he shall determine, any of the telephone debentures acquired by him under this subsection. All purchases and sales by the Secretary of the Treasury of such debentures under this subsection shall be treated as public debt transactions of the United States.

(c) Purchases and resales by the Secretary of the Treasury as authorized in subsection (b) of this section shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

[May 7, 1971, Public Law 92-12, 85 Stat. 34; June 30, 1972, Public Law 92-324, 86 Stat. 390; May 11, 1973, Public Law 93-32, 87 Stat. 70; 7 U.S.C. 947.]

SEC. 408. LENDING POWER.— (a) The Governor of the telephone bank is authorized on behalf of the telephone bank to make loans, in conformance with policies approved by the Telephone Bank Board, to corporations and public bodies which have received a loan or loan commitment pursuant to section 201 of this Act, or which have been certified by the Administrator to be eligible for such a loan or loan commitment, (1) for the same purposes and under the same limitations for which loans may be made under section 201 of this Act, (2) for the purposes of financing, or refinancing, the construction, improvement, expansion, acquisition, and operation of telephone lines, facilities, or systems, in order to improve the efficiency, effectiveness, or financial stability of borrowers financed under sections 201 and 408 of this Act, and (3) for the purchase of class B stock required to be purchased under Section 406(d) of this Act but not for the purchase of class C stock, subject, as to the purposes set forth in (2) hereof, to the following provisos: That in the case of any such loan for the acquisition of telephone lines, facilities, or systems, the acquisition shall be approved by the Secretary, the location and character thereof shall be such as to improve the efficiency, effectiveness, or financial stability of the telephone system of the borrower, and in respect of exchange facilities for local services, the size of each acquisition shall not be greater than the borrower's existing system at the time it receives its first loan from the telephone bank, taking into account the number of subscribers served, miles of line, and plant investment. Loans and advances made under this section shall not be included in the totals of the budget of the United States Government and shall be exempt from any general limitation imposed by statute on expenditures and net lending (budget outlays) of the United States.

(b) Loans under this section shall be on such terms and conditions as the Governor of the telephone bank shall determine, subject, however, to the following restrictions:

(1) All loans made under this section shall be fully amortized over a period not to exceed fifty years.

(2) Funds to be loaned under this Act to any borrower shall be loaned under this section in preference to section 201 if the borrower is eligible for such a loan and funds are available therefor. Notwithstanding the foregoing or any other provision of law, all loans made pursuant to this Act for facilities for telephone systems with an average subscriber density of three or fewer per mile shall be made under section 201 of this Act; but this provision shall not preclude the making of such loans from the telephone bank at the election of the borrower.

(3) Loans under this section shall bear interest at the "cost of money rate." The cost of money rate is defined as the average cost of moneys to the telephone bank as determined by the Governor, but not less than 5 per centum per annum.

(4) Loans shall not be made under this section unless the Governor of the telephone bank finds and certifies that in his judgment (i) the security therefor is reasonably adequate and such loan will be repaid within the time agreed, and (ii) the borrower has the capability of producing net income or margins before interest at least equal to 150 per centum of the interest requirements on all of its outstanding and proposed loans, or such higher per centum as may be fixed from time to time by the Telephone Bank Board in order to allocate available funds equitably among borrowers or to improve the marketability of the telephone debentures: Provided, however, That the Governor of the telephone bank may waive the requirement of (ii) above in any case if he shall determine (and set forth his reasons therefor in writing) that this requirement would prevent emergency restoration of the borrower's system or otherwise result in severe hardship to the borrower.

(5) No loan shall be made in any State which now has or may hereafter have a State regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained. In a State in which there is no such agency or regulatory body legally authorized to issue such certificates to the applicant, no loan shall be made under this section unless the Governor of the telephone bank shall determine (and set forth his reasons therefor in writing) that no duplication of lines, facilities, or systems, providing reasonably adequate services will result therefrom.

(6) As used in this section, the term telephone service shall have the meaning prescribed for this term in section 203(a) of this Act, and the term telephone lines, facilities, or systems shall mean lines, facilities, or systems used in the rendition of such telephone service.

(7) No borrower of funds under section 408 of this Act shall, without approval of the Governor of the telephone bank under rules established by the Telephone Bank Board, sell or dispose of its property, rights, or franchises, acquired under the provisions of this Act, until any loan obtained from the telephone bank, including all interest and charges, shall have been repaid.

(c) The Governor of the telephone bank is authorized under rules established by the Telephone Bank Board to adjust, on an amortized basis, the schedule of payments of interest or principal of loans made under this section upon his determination that with such readjustment there is reasonable assurance of repayment: Provided, however, That no adjustment shall extend the period of such loans beyond fifty years. [May 7, 1971, Public Law 92-12, 85 Stat. 35; May 11, 1973, Public Law 93-32, 87 Stat. 70; 7 U.S.C. 948.]

SEC. 409. TELEPHONE BANK RECEIPTS. Any receipts from the activities of the telephone bank shall be available for all obligations and expenditures of the telephone bank. [May 7, 1971, Public Law 92-12, 85 Stat. 36; 7 U.S.C. 949.]

SEC. 410. CONVERSION OF OWNERSHIP, CONTROL AND OPERATION OF TELEPHONE BANK. (a) Whenever fifty-one per centum of the maximum amount of class A stock issued to the United States and outstanding at any time after September 30, 1985, has been fully redeemed and retired pursuant to section 406(c) of this title—

(1) the powers and authority of the Governor of the telephone bank granted to the Administrator of the Rural Electrification Administration by this title IV shall vest in the Telephone Bank Board, and may be exercised and performed through the Governor of the telephone bank, to be selected by the Telephone Bank Board, and through such other employees as the Telephone Bank Board shall designate;

(2) the five members of the Telephone Bank Board designated by the President pursuant to section 405(b) shall cease to be members, and the number of Board members shall be accordingly reduced to eight unless other provision is thereafter made in the bylaws of the telephone bank;

(3) the telephone bank shall cease to be an agency of the United States, but shall continue in existence in perpetuity as an instrumentality of the United States and as a banking corporation with all of the powers and limitations conferred or imposed by this title IV except such as shall have lapsed pursuant to the provisions of this title.

(b) When all class A stock has been fully redeemed and retired, loans made by the telephone bank shall not continue to be subject to the restrictions prescribed in the provisions to section 408(a)(2).

(c) Congress reserves the right to review the continued operations of the telephone bank after all class A stock has been fully redeemed and retired. [May 7, 1971, Public Law 92-12, 85 Stat. 36; 7 U.S.C. 950; April 21, 1976, Public Law 94-273, 90 Stat. 375; 31 U.S.C. 701 note]

SEC. 411. LIQUIDATION OR DISSOLUTION OF THE TELEPHONE BANK. In the case of liquidation or dissolution of the telephone bank, after the payment or retirement, as the case may be, first, of all liabilities; second, of all class A stock at par; third, of all class B stock at par; fourth, of all class C stock at par; then any surpluses and contingency reserves existing on the effective date of liquidation or dissolution of the telephone bank shall be paid to the holders of class A and class B stock issued and outstanding before the effective date of such liquidation or dissolution, pro rata. [May 7, 1971, Public Law 92-12, 85 Stat. 37; 7 U.S.C. 950a.]

SEC. 412. BORROWER NET WORTH. Except as provided in subsection (b)(2) of section 408, notwithstanding any other provision of law, a loan shall not be made under section 201 of this Act to any borrower which during the immediately preceding year had a net worth in excess of 20 per centum of its assets unless the Administrator finds that the borrower cannot obtain such a loan from the telephone bank or from other reliable sources at reasonable rates of interest and terms and conditions. [May 7, 1971, Public Law 92-12, 85 Stat. 37; 7 U.S.C. 950b.]

DEFERRED AMENDMENTS TO THE GOVERNMENT CORPORATION CONTROL ACT

Sections 4 and 5 of the Act of May 7, 1971 (Public Law 92-12; 85 Stat. 37) establishing the Rural Telephone Bank, included the following deferred amendments to the Government Corporation Control Act:

SEC. 4. Section 201 of the Government Corporation Control Act, as amended (31 U.S.C. 856), is amended, effective when the ownership, control, and operation of the telephone bank is converted as provided in section 410 (a) of the Rural Electrification Act of 1936, as amended, by striking "and" immediately before "(5)" and by inserting, "and (6) the Rural Telephone Bank" immediately before the period at the end.

SEC. 5. The second sentence of subsection (d) of section 303 of the Government Corporation Control Act, as amended (31 U.S.C. 868), is amended, effective when the ownership, control, and operation of the telephone bank is converted as provided in section 410(a) of the Rural Electrification Act of 1936, as amended, by inserting "the Rural Telephone Bank," immediately following the words "shall not be applicable to."

STATEMENTS OF CONGRESSIONAL POLICY

RURAL TELEPHONE LOANS

The rural telephone legislation enacting clause contains the following statement of Congressional policy:

. . . it is hereby declared to be the policy of the Congress that adequate telephone service be made generally available in rural areas through the improvement and expansion of existing telephone facilities and the construction and operation of such additional facilities as are required to assure the availability of adequate telephone service to the widest practicable number of rural users of such service. In order to effectuate this policy, the Rural Electrification Act of 1936 is amended as hereinafter provided. [Oct. 28, 1949, ch. 776, §1, 63 Stat. 948; 7 U.S.C. 921.]

RURAL TELEPHONE BANK

The telephone bank legislation enacting clauses contain the following statement of Congressional policy:

. . . it is hereby declared to be the policy of the Congress that the growing capital needs of the rural telephone systems require the establishment of a rural telephone bank which will furnish assured and viable sources of supplementary financing with the objective that said bank will become an entirely privately owned, operated, and financed corporation. The Congress further finds that many rural telephone systems require financing under the terms and conditions provided in title II of the Rural Electrification Act of 1936, as amended. In order to effectuate this policy, the Rural Electrification Act of 1936, as amended [7 U.S.C. 921-924], is amended as hereinafter provided. [May 7, 1971, Public Law 92-12, 85 Stat. 29; 7 U.S.C. 921(a).]

. . . it is hereby declared to be the policy of the Congress that the Rural Telephone Bank should have the capability of obtaining adequate funds for its supplementary financing program at the lowest possible costs. In order to effectuate this policy, it will be necessary to expand the market for debentures to be issued by the Telephone Bank. The Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b)), is therefore further amended as hereinafter provided. [June 30, 1972, Public Law 92-324, 86 Stat. 390; 7 U.S.C. 921(b).]

RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND

The rural electrification and telephone revolving fund legislation contains the following statements of Congressional policy:

... it is hereby declared to be the policy of the Congress that adequate funds should be made available to rural electric and telephone systems through direct, insured and guaranteed loans at interest rates which will allow them to achieve the objectives of the Rural Electrification Act of 1936, as amended; and that such rural electric and telephone systems should be encouraged and assisted to develop their resources and ability to achieve the financial strength needed to enable them to satisfy their credit needs from their own financial organizations and other sources at reasonable rates and terms consistent with the loan applicant's ability to pay and achievement of the Act's objectives. The Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b)), is therefore further amended as hereinafter provided. [May 11, 1973, Public Law 93-32, 87 Stat. 65; 7 U.S.C. 930.]

... No funds provided under the Rural Electrification Act of 1936, as amended, shall be used outside the United States or any of its territories. [May 11, 1973, Public Law 93-32, 87 Stat. 71]

EFFECT OF TECHNICAL AMENDMENTS ON PENDING APPLICATIONS

The "Rural Electrification Administration Technical Amendments of 1976," provides that insured loans made pursuant to applications for such loans which would otherwise lose eligibility for special rate financing upon enactment of the bill, received by the Rural Electrification Administration and still pending on the date of enactment, shall bear interest as determined under section 305(b) of the Rural Electrification Act of 1936, as amended, before its amendment by the bill. [October 20, 1976, Public Law 94-570, 90 Stat. 2701.]

EFFECT OF OMNIBUS RECONCILIATION ACT AMENDMENTS ON PENDING APPLICATIONS

The "Omnibus Reconciliation Act of 1981," amendments to the RE Act shall apply to loans the applications for which are received by the Rural Electrification Administration after July 24, 1981. [August 13, 1981, Public Law 97-35, 95 Stat. 379; 7 U.S.C. 935 note.]

PROVISIONS OF THE DISASTER RELIEF ACT OF 1970 AFFECTING REA

Section 236(a) of the Disaster Relief Act of 1970 (December 31, 1970, Public Law 91-606, 84 Stat. 1754) expanded the loan extension authority provided in section 12 of the Rural Electrification Act as follows:

In addition to the loan extension authority provided in section 12 of the Rural Electrification Act, the Secretary of Agriculture is authorized to adjust and readjust the schedules for payment of principal and interest on loans to borrowers under programs administered by the Rural Electrification Administration, and to extend the maturity date of any such loan to a date not beyond forty years from the date of such loan where he determines such action is necessary because of the impairment of the economic feasibility of the system, or the loss, destruction, or damage of the property of such borrowers as a result of a major disaster.

"BUY AMERICAN" PROVISION

Rural Electrification Act of 1938 (June 21, 1938, ch. 554, Title IV § 401, 52 Stat. 818) provided in part as follows:

In making loans pursuant to this title and pursuant to the Rural Electrification Act of 1936, the Administrator of the Rural Electrification Administration shall require that, to the extent practicable and the cost of which is not unreasonable, the borrower agree to use in connection with the expenditure of such funds only such unmanufactured articles, materials, and supplies, as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials or supplies mined, produced, or manufactured, as the case may be, in the United States.



