

Cosponsor H.R. 2244/S. 978 - 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 2021 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. Electric co-ops could realize \$10.1 billion in savings from repricing RUS loans at current market rates.
- This common-sense solution will allow electric cooperatives to finance their debt, without prepayment penalties, like every other American homeowner and business.

The COVID-19 pandemic has presented significant economic challenges for rural communities and electric cooperatives. Through 2022, NRECA projects that electric cooperatives around the country could 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. Unlike a typical home mortgage or business loan, most of these RUS loans cannot be refinanced to take advantage of the current historically low interest rates without paying a penalty. Nearly every American business has been able to take advantage of lower interest rates. This common-sense solution will allow the typical electric cooperative with typical RUS debt to save \$2 million per year in interest.

Congress should enact the Flexible Financing for Rural America Act (H.R. 2244/S. 978). This bipartisan legislation, introduced by Reps. O'Halleran (D-AZ) and Hartzler (R-MO) in the House and Sens. Smith (D-MN), Hoeven (R-ND), Sinema (D-AZ), and Boozman (R-AR) 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, without penalty, the interest rate on RUS and Federal Financing Bank debt to current market rates.
- 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.
- Requests for a rate adjustment must be made within 180 days of passage of this bill.

Contact:

Hill Thomas, NRECA

C: 202-676-6530

hill.thomas@nreca.coop