



## **DEPARTMENT OF AGRICULTURE**

### **Rural Utilities Service**

#### **Announcement of New Cushion of Credit Program Provisions**

**AGENCY:** Rural Utilities Service, USDA.

**ACTION:** Notice

**SUMMARY:** The Rural Utilities Service (RUS), a Rural Development agency of the United States Department of Agriculture, is issuing this notice regarding the new provisions affecting RUS borrower participation in the Cushion of Credit (CoC) program pursuant to the Agriculture Improvement Act of 2018, (the 2018 Farm Bill).

**DATES:** Effective December 20, 2018, all future deposits into CoC accounts have been prohibited; however, withdrawal from these accounts is permitted for prepayment on RUS direct or guaranteed loans, and without penalty.

**FOR FURTHER INFORMATION CONTACT:** If you have other questions or concerns, please send your questions or comments to: [rd.nfaoc.tesb@stl.usda.gov](mailto:rd.nfaoc.tesb@stl.usda.gov), or you can contact Steven Tempia, telephone number: (314) 457-4088. A Rural Development representative will

follow up with a response by email or phone. Additionally, RUS will maintain FAQs on its webpage with respect to CoC prepayments.

**SUPPLEMENTARY INFORMATION:** Effective December 20, 2018, all future deposits into CoC accounts have been prohibited; however, withdrawal from these accounts is permitted for prepayment on RUS direct or guaranteed loans, and without penalty. Pursuant to Section 6503 of the 2018 Farm Bill (H.R. 2 (115th)), no new CoC deposits could be accepted as of December 20, 2018. With respect to existing CoC deposits, Section 6503 altered the prior, fixed interest rate with phased in interest rate reductions over the next two years. The current 5 percent rate will be paid until the end of fiscal year 2020, September 30, 2020. Beginning on October 1, 2020, CoC deposits will earn 4 percent interest until September 30, 2021. Starting on October 1, 2021 and thereafter, account balances will earn the applicable, variable 1-year Treasury rate.

Additionally, pursuant to Section 6503, from December 20, 2018 until September 30, 2020, RUS borrowers, may, at their sole discretion, apply their CoC balances to prepay their outstanding loans made or guaranteed under the Rural Electrification Act, 7 U.S.C. 901 et seq., whether direct RUS loans or Federal Financing Bank guaranteed loans. The principal portion of the loan that is prepaid with CoC balances during this period will not be subject to a prepayment premium. With respect to RUS direct loans that prepay using CoC accounts during the period, all terms and conditions of the loan, or a prepayment agreement, if any, that restrict or qualify such prepayment shall be waived. Prepayments using funds not in CoC accounts will remain subject to existing agreements.

**Instructions:** Unless otherwise directed, borrowers requesting to prepay loan balances with CoC accounts will have the amount specified applied first to outstanding interest and fees, and then to outstanding principal, pursuant to their loan agreements. Borrowers must also indicate which accounts they would like to prepay, otherwise such amounts will be applied to the oldest debt accounts first. If a borrower requests an entire prepayment to outstanding principal but does not provide for an additional payment to cover outstanding interest and fees, such payment will be applied first to interest and fees. At the borrower's request, a prepayment calculation will be provided to confirm the amount due for individual accounts.

Should borrowers choose to supplement additional non-CoC funds to prepay additional loan accounts, or portions thereof, the associated premium will be applied to that portion of the prepayment.

In order that borrower's prepayments are fulfilled as requested, borrowers should submit the following information to: [rd.nfaoc.tesb@stl.usda.gov](mailto:rd.nfaoc.tesb@stl.usda.gov) with the subject line title "CUSHION OF CREDIT PREPAY REQUEST" and the following:

- 1) The dollar amount of the CoC to be applied;
- 2) The specific loan advance accounts to be prepaid;
- 3) The method in which they wish CoC balances to be applied (optional);
- 4) Whether the borrower intends to supplement the prepayment with additional funds and the amount of such supplemental funds; and

- 5) Contact information to coordinate prepayment, and for any necessary correspondence (i.e. notice as to whether any amounts are missing pursuant to their specific request).

All requests will be promptly processed, and the transactions will be reflected on the next Statement of Account and Transactions (Statement) after the prepayment is made. If the Statement does not reflect the correct application, please contact [rd.nfaoc.tesb@stl.usda.gov](mailto:rd.nfaoc.tesb@stl.usda.gov) immediately.

**Chad Rupe,**  
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[FR Doc. 2019-11924 Filed: 6/6/2019 8:45 am; Publication Date: 6/7/2019]