

## Reprice RUS Electric Loans at Current Interest Rates

### Key Facts

- Cooperatives use financing from the U.S. Department of Agriculture's RUS Electric Loan program to deliver affordable, reliable electric service to 42 million people in rural America.
- In the long-run, co-ops are well positioned to be leaders in the recovery from COVID-19. However, due to the pandemic and the economic downturn, electric cooperatives face significant financial uncertainty.
- Repricing RUS debt at current interest rates could free up significant capital and provide co-ops the flexibility to manage current financial shortcomings while promoting long-term stability in the rural communities they serve.

### Background

Consumer-owned electric cooperatives maintain nearly half the nation's electric distribution lines, which cover 56 percent of America's land mass while serving one in eight business and residential electric consumers. Cooperatives use Rural Utilities Service (RUS) loans to help meet that challenge and finance infrastructure that provides affordable, reliable electric service. In fiscal year 2019, Congress authorized \$5.5 billion in RUS electric loans. Repayment of these loans in 2019 netted \$219 million to the U.S. Treasury.

RUS loans are different from most other types of debt because they cannot be repaid early or otherwise modified without penalty. A RUS loan cannot be refinanced like a typical home mortgage, with principle paid down and interest forgiven when lower market rates are available. As a result, many electric cooperatives still hold RUS debt with interest rates significantly higher than today's rates, with few options for relief. The RUS Electric Program's total outstanding debt is around \$43 billion.

### Policy Proposal

Congress should take advantage of unprecedented low interest rates to allow co-ops to reprice RUS electric loan debt without penalty. This would increase co-ops' short- and intermediate-term cash flow and help with long-term economic recovery. This policy should adhere to the following principles:

- Lower all RUS Electric Loan debt to current market rates.
- Charge no penalty to the borrower for lost interest income to the government.
- Act as quickly as possible to maximize the near-term cash flow.
- Keep all other terms for current loans the same.
- Ensure that no borrower is worse off as a result of these changes.

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