



RUS and Cushion of Credit

July 2018

Key Messages:

- NWPPA supports the Rural Utilities Service (RUS), which enables building and maintaining electric infrastructure.
- Under current law, cooperatives may maintain interest-bearing accounts to make their loan repayments. The Senate Farm Bill slashes the interest earned and phases out the program that allows interest to be earned on these deposits. The House Farm bill does not make any changes to the Cushion of Credit program.
- We urge preservation of the program in the final Farm bill.

Background:

The mission of RUS is to help build essential electric infrastructure through financing of generating resources, electric transmission and distribution lines, and other facilities needed to furnish affordable and safe electric service.

The Cushion of Credit program is a valuable financing tool for RUS borrowers, allowing eligible utilities to earn interest at a rate of 5% on funds set aside for RUS loan repayment. The Senate Farm bill proposes to reduce the rate of interest earned on those funds to the fluctuating five-year Treasury rate (2.76% as of July 20) and eventually phase out the program completely. The House bill does not make changes to the program.

On June 22, 2018, NWPPA sent a letter to Senate leadership opposing any policy changes that would weaken the program or its ability to meet the financing needs of rural utilities. The House-passed Farm bill does not make any changes to the Cushion of Credit program. The two chambers will need to iron out differences between their bills during the conference process. NWPPA encourages Congress to preserve the Cushion of Credit program in its current form, or, at the very least, allow it to continue with a lower interest rate.