

DEPARTMENT OF AGRICULTURE**Rural Telephone Bank****Determination of the 2001 Fiscal Year Interest Rates on Rural Telephone Bank Loans****AGENCY:** Rural Telephone Bank, USDA.**ACTION:** Notice of 2001 fiscal year interest rates determination.

SUMMARY: In accordance with 7 CFR 1610.10, the Rural Telephone Bank (Bank) fiscal year 2001 cost of money rates have been established as follows: 5.95% and 5.17% for advances from the liquidating account and financing account, respectively (fiscal year is the period beginning October 1 and ending September 30).

Except for loans approved from October 1, 1987, through December 21, 1987, where borrowers elected to remain at interest rates set at loan approval, all loan advances made during fiscal year 2001 under Bank loans approved in fiscal years 1988 through 1991 shall bear interest at the rate of 5.95% (the liquidating account rate). All loan advances made during fiscal year 2001 under Bank loans approved during or after fiscal year 1992 shall bear interest at the rate of 5.17% (the financing account rate).

The calculation of the Bank's cost of money rates for fiscal year 2001 for the liquidating account and the financing account are provided in Tables 1 and 2. Since the calculated rates are greater than the minimum rate (5.00%) allowed under 7 U.S.C. 948(b)(3)(A), the cost of money rates for the liquidating account and financing account are set at 5.95% and 5.17%, respectively. The methodology required to calculate the cost of money rates is established in 7 CFR 1610.10(c).

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SUPPLEMENTARY INFORMATION: The Federal Credit Reform Act of 1990 ("Credit Reform") (2 U.S.C. 661a, *et seq.*) implemented a system to reform the budgetary accounting and management of Federal credit programs. Bank loans approved on or after October

1, 1991, are accounted for in a different manner than Bank loans approved prior to fiscal year 1992. As a result, the Bank must calculate two cost of money rates: (1) The cost of money rate for advances made from the liquidating account (advances made during fiscal year 2001 on loans approved prior to fiscal year 1992) and (2) the cost of money rate for advances made during fiscal year 2001 on loans approved on or after October 1, 1991 (otherwise referred to as loans from the financing account).

The cost of money rate methodology is the same for both accounts. It develops a weighted average rate for the Bank's cost of money considering total fiscal year loan advances; the excess of fiscal year loan advances over amounts received in the fiscal year from the issuance of Class A, B, and C stocks, debentures and other obligations; and the costs to the Bank of obtaining funds from these sources.

During fiscal year 2001, the Bank was authorized to pay the following dividends: the dividend on Class A stock was 2.00% as established in amended section 406(c) of the Rural Electrification Act (RE Act); no dividends were payable on Class B stock as specified in 7 CFR 1610.10(c); and the dividend on Class C stock was established by the Bank at 5.45%.

Sources and Costs of Funds—Liquidating Account

In accordance with Section 406(a) of the RE Act, the Bank did not issue Class A stock in fiscal year 2001. Advances for the purchase of Class B stock and cash purchases for Class B stock were \$256,497. Since there were no rescissions of loan funds advanced for Class B stock, the amount received by the Bank from the issuance of Class B stock, per 7 CFR 1610.10(c), was \$256,497. The amount received by the Bank in fiscal year 2001 from the issuance of Class C stock was \$3,368.

The Bank did not issue debentures or any other obligations related to the liquidating account in fiscal year 2001. Consequently, no cost was incurred related to the issuance of debentures subject to 7 U.S.C. 948(b)(3)(D).

The excess of fiscal year 2001 loan advances from the liquidating account over amounts received from issuance of stocks, debentures, and other obligations amounted to \$6,378,242.

The cost associated with this excess is the historical cost of money rate as defined in 7 U.S.C. 948(b)(3)(D)(v). The calculation of the Bank's historical cost of money rate for advances from the liquidating account is also provided in Table 1. The methodology required to perform this calculation is described in 7 CFR 1610.10(c). The cost for money rates for fiscal years 1974 through 1987 are defined in section 408(b) of the RE Act, as amended by Public Law 100-203, and are listed in 7 CFR 1610.10(c) and Table 1 herein.

Sources and Costs of Funds—Financing Account

In accordance with Section 406(a) of the RE Act, the Bank did not issue Class A stock in fiscal year 2001. Advances for the purchase of Class B stock and cash purchases for Class B stock were \$2,638,376. Since there were no rescissions of loan funds advanced for Class B stock, the amount received by the Bank from the issuance of Class B stock, per 7 CFR 1610.10(c), was \$2,638,376. The Bank did not receive any amounts in fiscal year 2001 from the issuance of Class C stock.

During fiscal year 2001, issuance of debentures or any other obligations related to the financing account were \$63,500,000 at an interest rate of 5.426%. However, only \$52,767,520 is attributable to advances made with borrowed funds. Advances totaling \$2,638,376 were made through collections associated with Class B stock purchases and \$8,094,104 will be carried forward and used for loan transactions in fiscal year 2002. Therefore, there is no excess of funds for fiscal year 2001.

Since there was no excess of fiscal year 2001 loan advances from the financing account over amounts received from issuance of stocks, debentures, and other obligations, no cost was incurred related to advances from the financing account. However, the Bank's cost of money rate for advances from the financing account is provided in Table 2. The methodology required to perform this calculation is described in 7 CFR 1610.10(c).

Dated: December 21, 2001.

Hilda Gay Legg,

Governor, Rural Telephone Bank.

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TABLE 1

Rural Telephone Bank Cost of Money Rate - Liquidating Account

FY 2001 Source of Bank Funds	(a) Amount	(b) Cost	(c) (a)x(b)	(c) / Advances
Issuance of Class A Stock	\$ -	2.00%	\$ -	0.0000%
Issuance of Class B Stock	\$ 256,497	0.00%	\$ -	0.0000%
Issuance of Class C Stock	\$ 3,368	5.45%	\$ 184	0.0028%
Issuance of Debentures and Other Obligations	\$ -	0.00%	\$ -	0.0000%
Excess of Total Advances Over Issuances	\$ 6,378,242	6.19%	\$ 394,813	5.9477%
Total FY 2001 Advances	\$ 6,638,107	CALCULATED COST OF MONEY RATE =		<u>5.95%</u>
MINIMUM RATE ALLOWABLE =				<u>5.00%</u>

Fiscal Year	(a) Cost of Money	(b) Advances	(c) (a)x(b)	(c) / Total Advances
FY 1974	5.01%	\$ 111,022,574	\$ 5,562,231	0.232%
FY 1975	5.85%	\$ 130,663,197	\$ 7,643,797	0.319%
FY 1976	5.33%	\$ 99,915,066	\$ 5,325,473	0.222%
FY 1977	5.00%	\$ 80,907,425	\$ 4,045,371	0.169%
FY 1978	5.87%	\$ 142,297,190	\$ 8,352,845	0.349%
FY 1979	5.93%	\$ 130,540,067	\$ 7,741,026	0.323%
FY 1980	8.10%	\$ 199,944,235	\$ 16,195,483	0.676%
FY 1981	9.46%	\$ 148,599,372	\$ 14,057,501	0.587%
FY 1982	8.39%	\$ 112,232,127	\$ 9,416,275	0.393%
FY 1983	6.99%	\$ 93,402,836	\$ 6,528,858	0.272%
FY 1984	6.55%	\$ 90,450,549	\$ 5,924,511	0.247%
FY 1985	5.00%	\$ 72,583,394	\$ 3,629,170	0.151%
FY 1986	5.00%	\$ 71,582,383	\$ 3,579,119	0.149%
FY 1987	5.00%	\$ 51,974,938	\$ 2,598,747	0.108%
FY 1988	5.00%	\$ 119,488,367	\$ 5,974,418	0.249%
FY 1989	5.00%	\$ 97,046,947	\$ 4,852,347	0.203%
FY 1990	5.00%	\$ 107,694,991	\$ 5,384,750	0.225%
FY 1991	5.43%	\$ 163,143,075	\$ 8,858,669	0.370%
FY 1992	6.14%	\$ 84,940,822	\$ 5,215,366	0.218%
FY 1993	6.05%	\$ 84,605,366	\$ 5,118,625	0.214%
FY 1994	6.15%	\$ 54,530,897	\$ 3,353,650	0.140%
FY 1995	6.04%	\$ 35,967,133	\$ 2,172,415	0.091%
FY 1996	6.05%	\$ 30,965,187	\$ 1,873,394	0.078%
FY 1997	5.98%	\$ 32,602,587	\$ 1,949,635	0.081%
FY 1998	5.96%	\$ 20,673,798	\$ 1,232,158	0.051%
FY 1999	6.01%	\$ 17,796,518	\$ 1,069,571	0.045%
FY 2000	6.01%	\$ 10,436,622	\$ 627,241	0.026%
TOTAL ADVANCES		\$ <u>2,396,007,663</u>	COST OF MONEY	<u>6.19%</u>

TABLE 2

Rural Telephone Bank Cost of Money Rate - Financing Account

FY 2001 Source of Bank Funds	(a) Amount	(b) Cost	(c) (a)x(b)	(c) / Advances
Issuance of Class A Stock	\$ -	2.000%	\$ -	0.0000%
Issuance of Class B Stock	\$ 2,638,376	0.000%	\$ -	0.0000%
Issuance of Class C Stock	\$ -	5.450%	\$ -	0.0000%
Issuance of Debentures and Other Obligations*	\$ 52,767,520	5.426%	\$ 2,863,166	5.1676%
Excess of Total Advances Over Issuances	\$ -	6.260%	\$ -	0.0000%
Total FY 2001 Advances	\$ 55,405,896	CALCULATED COST OF MONEY RATE =		5.17%
MINIMUM RATE ALLOWABLE =				5.00%

* RTB borrowed \$63,500,000 from the financing account in FY2001, the remaining funds will be used for loan transactions in FY2002.

Rural Telephone Bank Historical Cost of Money Rate - Financing Account

Fiscal Year	(a) Cost of Money	(b) Advances	(c) (a)x(b)	(c) / Total Advances
FY 1992	7.38%	\$ 4,056,250	\$ 299,351	0.098%
FY 1993	6.35%	\$ 23,839,200	\$ 1,513,789	0.496%
FY 1994	6.40%	\$ 56,838,902	\$ 3,637,690	1.191%
FY 1995	6.88%	\$ 37,161,517	\$ 2,556,712	0.837%
FY 1996	6.42%	\$ 44,536,621	\$ 2,859,251	0.936%
FY 1997	6.54%	\$ 34,368,726	\$ 2,247,715	0.736%
FY 1998	5.71%	\$ 34,446,458	\$ 1,966,893	0.644%
FY 1999	5.54%	\$ 38,685,732	\$ 2,143,190	0.702%
FY 2000	6.05%	\$ 31,401,867	\$ 1,899,813	0.622%
TOTAL ADVANCES		\$ 305,335,273	COST OF MONEY	<u>6.26%</u>