

**DEPARTMENT OF AGRICULTURE****Rural Telephone Bank****Determination of the 1997 Fiscal Year Interest Rates on Rural Telephone Bank Loans****AGENCY:** Rural Telephone Bank, USDA.**ACTION:** Notice of 1997 fiscal year interest rates determination.

**SUMMARY:** In accordance with 7 CFR 1610.10, the Rural Telephone Bank (Bank) fiscal year 1997 cost of money rates have been established as follows: 5.98% and 6.54% 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 1997 under Bank loans approved in fiscal years 1988 through 1991 shall bear interest at the rate of 5.98% (the liquidating account rate). All loan advances made during fiscal year 1997 under Bank loans approved during or after fiscal year 1992 shall bear interest at the rate of 6.54% (the financing account rate).

The calculation of the Bank's cost of money rates for fiscal year 1997 for the liquidating account and the financing account are provided in Tables 1a and 1b. 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 5.98% and 6.54%, respectively. The methodology required to calculate the cost of money rates is established in 7 CFR 1610.10(c).

**FOR FURTHER INFORMATION CONTACT:** Jonathan P. Claffey, Acting Director, Advanced Telecommunications Services Staff, Rural Utilities Service, room 2919, South Building, U.S. Department of Agriculture, Washington, DC 20250, telephone number (202) 720-0530.

**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 1997 on loans approved prior to fiscal year 1992) and (2) the cost of money rate for advances made during fiscal year 1997 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 1997, 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 7.25%.

**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 1997. Advances for the purchase of Class B stock and cash purchases for Class B stock were \$1,415,341. Rescissions of loan funds advanced for Class B stock amounted to \$229,765. Thus, the amount received by the Bank from the issuance of Class B stock, per 7 CFR 1610.10(c), was \$1,185,576 (\$1,415,341–\$229,765). The amount received by the Bank in fiscal year 1997 from the issuance of Class C stock was \$13,840.

The Bank did not issue debentures or any other obligations related to the liquidating account in fiscal year 1997. 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 1997 loan advances from the liquidating account over amounts received from issuance of stocks, debentures, and other obligations amounted to \$31,403,171. 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 provided in Table 2a. 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 Pub. L. 100–203, and are listed in 7 CFR 1610.10(c) and Table 2a 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 1997. Advances for the purchase of Class B stock and cash purchases for Class B stock were \$1,754,108. 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 \$1,754,108. The amount received by the Bank in fiscal year 1997 from the issuance of Class C stock was \$74.

During fiscal year 1997, issuance of debentures or any other obligations related to the financing account were \$32,575,943 at an interest rate of 6.89%.

The excess of fiscal year 1997 loan advances from the financing account over amounts received from issuance of stocks, debentures, and other obligations amounted to \$38,601. 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 financing account is provided in Table 2b. The methodology required to perform this calculation is described in 7 CFR 1610.10(c).

Dated: October 27, 1997.

**Adam Golodner,**  
*Deputy Governor, Rural Telephone Bank.*

BILLING CODE 3410–15–P

**TABLE 1a – LIQUIDATING ACCOUNT  
RURAL TELEPHONE BANK  
COST OF MONEY RATE**

Source of Bank Funds	Amount	Cost Rate	Amount X Cost Rate	(Amount X Rate) / Advances
FY 1997 Issuance of Class A Stock	\$0	2.00%	\$0	0.0000%
FY 1997 Issuance of Class B Stock	\$1,185,576	0.00%	\$0	0.0000%
FY 1997 Issuance of Class C Stock	\$13,840	7.25%	\$1,003	0.0031%
FY 1997 Issuance of Debentures and Other Obligations	\$0	--	\$0	0.0000%
Excess of Total Advances Over FY 1997 Issuance	\$31,403,171	6.20%	\$1,946,997	5.9719%
Total FY 1997 Advances	\$32,602,587	CALCULATED COST OF MONEY RATE		5.98%
		MINIMUM COST RATE ALLOWABLE		5.00%

**TABLE 1b – FINANCING ACCOUNT  
RURAL TELEPHONE BANK  
COST OF MONEY RATE**

Source of Bank Funds	Amount	Cost Rate	Amount X Cost Rate	(Amount X Rate) / Advances
FY 1997 Issuance of Class A Stock	\$0	2.00%	\$0	0.0000%
FY 1997 Issuance of Class B Stock	\$1,754,108	0.00%	\$0	0.0000%
FY 1997 Issuance of Class C Stock	\$74	7.25%	\$5	0.0000%
FY 1997 Issuance of Debentures and Other Obligations:	\$32,575,943	6.89%	\$2,244,483	6.5306%
Excess of Total Advances Over FY 1997 Issuance	\$38,601	6.53%	\$2,521	0.0073%
Total FY 1997 Advances	\$34,368,726	CALCULATED COST OF MONEY RATE		6.54%
		MINIMUM COST RATE ALLOWABLE		5.00%

**TABLE 2a**  
**RURAL TELEPHONE BANK**  
**HISTORICAL COST OF MONEY**  
**LIQUIDATING ACCOUNT**

<u>Fiscal Year</u>	<u>Bank Cost of Money</u>	<u>Bank Loan Advances</u>	<u>Advances X Cost Rate</u>	<u>(Advances X Cost Rate) / Total Advances</u>
1974	5.01%	\$111,022,574	\$5,562,231	0.240%
1975	5.85%	\$130,663,197	\$7,643,797	0.330%
1976	5.33%	\$99,915,066	\$5,325,473	0.230%
1977	5.00%	\$80,907,425	\$4,045,371	0.175%
1978	5.87%	\$142,297,190	\$8,352,845	0.361%
1979	5.93%	\$130,540,067	\$7,741,026	0.334%
1980	8.10%	\$199,944,235	\$16,195,483	0.700%
1981	9.46%	\$148,599,372	\$14,057,501	0.607%
1982	8.39%	\$112,232,127	\$9,416,275	0.407%
1983	6.99%	\$93,402,836	\$6,528,858	0.282%
1984	6.55%	\$90,450,549	\$5,924,511	0.256%
1985	5.00%	\$72,583,394	\$3,629,170	0.157%
1986	5.00%	\$71,852,383	\$3,592,619	0.155%
1987	5.00%	\$51,974,938	\$2,598,747	0.112%
1988	5.00%	\$119,488,367	\$5,974,418	0.258%
1989	5.00%	\$97,046,947	\$4,852,347	0.210%
1990	5.00%	\$107,694,991	\$5,384,750	0.233%
1991	5.43%	\$163,143,075	\$8,858,669	0.383%
1992	6.14%	\$84,940,822	\$5,215,366	0.225%
1993	6.05%	\$84,605,366	\$5,118,625	0.221%
1994	6.15%	\$54,530,897	\$3,353,650	0.145%
1995	6.04%	\$35,967,133	\$2,172,415	0.094%
1996	6.05%	\$30,965,187	\$1,873,394	0.081%
<b>TOTAL ADVANCES</b>		<u><u>\$2,314,768,138</u></u>	<b>COST OF MONEY RATE</b>	<u><u>6.20%</u></u>

**TABLE 2b**  
**RURAL TELEPHONE BANK**  
**HISTORICAL COST OF MONEY**  
**FINANCING ACCOUNT**

<u>Fiscal Year</u>	<u>Bank Cost of Money</u>	<u>Bank Loan Advances</u>	<u>Advances X Cost Rate</u>	<u>(Advances X Cost Rate) / Total Advances</u>
1992	7.38%	\$4,056,250	\$299,351	0.180%
1993	6.35%	\$23,839,200	\$1,513,789	0.910%
1994	6.40%	\$56,838,902	\$3,637,690	2.186%
1995	6.88%	\$37,161,517	\$2,556,712	1.536%
1996	6.42%	\$44,536,621	\$2,859,251	1.718%
<b>TOTAL ADVANCES</b>		<u><u>\$166,432,490</u></u>	<b>COST OF MONEY RATE</b>	<u><u>6.53%</u></u>