

Farm Bill Conference Report – Cushion of Credit Summary

The final Farm Bill contains compromise language modifying the RUS Cushion of Credit program. While these changes do not wholly reflect the preferred outcome advocated by NRECA, the provisions are a significant improvement over changes originally proposed in the Senate version of the Farm Bill. The final compromise includes these changes:

- No new deposits to the program will be allowed after the bill becomes law.
- From the date of enactment of the Farm Bill until September 30, 2020, Cushion of Credit balance holders will be able to transfer money from the Cushion of Credit for purposes of prepaying their RUS/FFB debt without a prepayment penalty. The date of enactment is defined as the day the President signs the bill into law. Electric co-ops taking advantage of this opportunity would be allowed to choose which loans they want to pre-pay. After September 30, 2020, the Cushion of Credit will revert to the current rules, which stipulate that money can be used only to make regular RUS debt service payments.
- Existing balances will continue to earn 5% interest until January 1, 2021, when the interest paid on remaining balances will drop to 4%. Interest paid on fund balances will be fixed at a floating 1-year Treasury rate beginning January 1, 2022.