

**2012**  
**SUPPORTING STATEMENT**  
**0572-0088**

**7 CFR Part 1786, Prepayment of Rural Utilities Service Guaranteed and Insured Loans to  
Electric and Telephone Borrowers**

**A. Justification**

1. Explain the circumstances that make the collection of information necessary.

The Rural Electrification (RE) Act of 1936, as amended, authorizes and empowers the Administrator of Rural Utilities Service (RUS) to make loans in the States and Territories of the United States for rural electrification and furnishing and improving electric and telephone service in rural areas and to assist electric borrowers to implement demand side management, energy conservation programs, and on-grid and off-grid renewable energy systems. The RE Act also authorizes and empowers the Administrator of RUS to provide financial assistance to borrowers for purposes provided in the RE Act by guaranteeing loans made by the National Rural Utilities Cooperative Finance Corporation, the Federal Financing Bank, and other lending agencies.

This information collection package contains the paperwork and reporting burden for 7 CFR Part 1786, subpart E, “Discounted Prepayments on RUS Notes in the Event of a Merger of Certain RUS Electric Borrowers,” subpart F, “Discounted Prepayments on RUS Electric Loans,” and subpart G, “Refinancing and Prepayment of RUS Guaranteed FFB Loans Pursuant to Section 306(C) of the RE Act.” 7 CFR 1786, subparts E and F are authorized by Section 306(B) of the RE Act of 1936, as amended, and subpart G is authorized by Section 306(C) of the RE Act of 1936, as amended.

The overall goal of Subparts E and F is to allow Agency borrowers to prepay their RUS loan and the overall goal of Subpart G is to refinance. Subpart E allows certain electric borrowers to prepay outstanding RUS Notes at the Discounted Present Value of the RUS Notes with private financing. Subpart F allows borrowers to prepay, with private financing or internally generated funds, outstanding RUS Notes evidencing electric loans at the Discounted Present Value of the RUS Note. Subpart G allows the borrower of an electric or telephone loan made by the FFB and guaranteed by RUS to prepay and refinance a loan or an advance on the loan, or any portion of the loan or advance, after meeting certain conditions using the procedures prescribed in the borrower’s note.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection.

The information will be collected from borrowers requesting to prepay their notes to determine that the borrower is qualified to prepay under the authorizing statutes.

The specific reporting burden to be cleared with this information collection package is as follows:

Subpart E, “Discounted Prepayments on RUS Notes in the Event of a Merger of Certain RUS Electric Borrowers.”

Applicants for prepayments of RUS Notes are required to submit the following to the appropriate RUS Regional or Power Supply Director, as appropriate, in order that RUS may determine eligibility and prepare the prepayment agreement. Completion time for this action has been included with each type of prepayment agreement.

1. A board resolution that requests approval of the prepayment of the borrower’s outstanding RUS Notes, states the intent of the borrower to comply with all eligibility criteria as set forth in §1786.99, and identifies the source of financing;
2. A list of all RUS Notes together with the outstanding amount on such Notes;
3. An opinion of counsel as to the effective date of the merger or consolidation; and
4. Such additional information as the Administrator may request. Additional information could possibly include the Administrator requiring that if the borrower is a party to a wholesale power contract with a power supply borrower financed pursuant to the RE Act, the borrower and the power supply borrower enter into a supplement to the outstanding wholesale power contract.

Subpart F, “Discounted Prepayments on RUS Electric Loans.”

Any borrower seeking to prepay Qualified Notes under this subpart should apply to the appropriate RUS Regional Director or the Director of the Power Supply Division. Completion time for this action has been included with each type of prepayment agreement. The application shall provide the following:

1. The borrower’s RUS designation;
2. The borrower’s name and address;
3. A certified copy of a resolution of the board of directors of the borrower indicating that the borrower wishes to enter into a prepayment agreement providing for the prepayment of all or a portion of its Qualified Notes;
4. A listing of each Qualified Note to be prepaid by loan designation, RUS account number, advance date, maturity date, original amount, and outstanding principal balance;
5. Evidence that the borrower has the ability to obtain the financing necessary to prepay its Qualified Notes and identification of the source of financing, and the need, if any, of obtaining a lien accommodation from RUS; and
6. Such additional information as the Administrator may request. Additional information could possibly include the Administrator requiring that if the borrower is a party to a wholesale power contract with a power supply borrower financed pursuant to the RE Act, the borrower and the power supply borrower enter into a supplement to the outstanding wholesale power contract.

Subpart G, “Refinancing and Prepayment of RUS Guaranteed FFB Loans Pursuant to Section 306(C) of the RE Act.”

Any borrower seeking to prepay and refinance an advance from the FFB under this subpart should apply by letter to the appropriate RUS Regional or Power Supply Director, as appropriate. Completion time for this action has been included with each type of prepayment agreement. The application letter shall provide the following:

1. The borrower’s RUS designation;

2. The borrower's name and address;
3. A listing of each Note to be incorporated into a Refinancing Note by loan designation, RUS Note number, RUS account number, advance date, maturity date, original amount, outstanding balance, and date(s) of any substitute FFB Note(s) amending the original FFB Note;
4. A statement of the borrower's intention to finance the premium by an addition to principal balance or to pay the premium in cash or with unsecured debt; and
5. A statement of the maturity options that the borrower wishes to select.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection.

Rural Development is committed to meeting the requirements of the E-Government Act, which requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible. There are no preset forms in this collection. Borrowers submit the necessary information in a letter and any attachments are in formats the borrowers use in their everyday business.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

Some of the information necessary to process these applications may be on file but only the borrower can identify exactly which loan or note is to be prepaid, or in the case of Subpart G, being refinanced, and the amount that it desires to prepay. The information requested is borrower and transaction specific and is not available from any other source.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-I), describe any methods used to minimize burden.

All of the telephone borrowers and all but 10% of the electric borrowers meet the Small Business Administration criteria for a small business. RUS has made every effort to ensure that the burden on the small entities is the minimum necessary to effectively administer the agency programs.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The collection of this information occurs at the time of the prepayment request. The Agency must collect this information in order to determine which loan or advance is being prepaid, or in the case of Subpart G, being refinanced, and to ensure that loan security and RE Act purposes are accomplished.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

a. Requiring respondents to report information more than quarterly. There are no requirements for respondents to report more than quarterly.

b. Requiring written responses in less than 30 days. There are no requirements for written responses in less than 30 days.

c. Requiring more than an original and two copies. There are no requirements for more than an original and two copies.

d. Requiring respondents to retain records for more than 3 years. There are no requirements for respondents to retain records for more than 3 years.

e. That is not designed to produce valid and reliable results that can be generalized to the universe of study. There are no such requirements.

f. Requiring use of statistical sampling which has not been reviewed and approved by OMB. There is no use of statistical sampling in this information collection.

g. Requiring a pledge of confidentiality. No pledge of confidentiality is required.

h. Requiring submission of proprietary trade secrets. There is no requirement for submission of trade secrets.

8. If applicable, identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection. Summarize public comments received and describe actions taken by the agency in response to these comments. Describe efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

Rural Utilities Service published a notice for comments in the Federal Register on May 23, 2012 at 77 FR 30499. No public comments were received.

RUS maintains close contact with borrowers through RUS' general field representatives (GFR), field accountants, and a headquarters' staff. GFRs have direct personal contact with the borrower in connection with the fulfillment of RUS requirements. GFRs pass on any substantive comments to the headquarters staff. Borrowers may consult with RUS' GFRs, field accountants, and the headquarters' staff at any time regarding comments or suggestions on procedures, forms, regulations, etc. Consultations take place on an individual basis, by telephone, e-mail, regular mail, fax, and at various meetings and conferences attended jointly by RUS staff and borrowers. RUS staff is readily available to the Agency's customers.

RUS works closely with lending institutions such as the National Rural Utilities Cooperative Finance Corporation and CoBank, a nation wide network of lending institutions and part of the Farm Credit System, which provides supplemental loan funds to borrowers.

The Agency also works closely with national and/or statewide associations representing RUS' electric, telecommunications, and water and waste program borrowers such as: National Rural Electric Cooperative Association; National Rural Telecom Association; National Telephone Cooperative Association, United States Telecom Association; Western Telecommunications Alliance; Organization for the Promotion and Advancement of Small Telecommunications Companies; National Rural Water Association; National Association of Development

Organizations; Rural Community Assistance Program; and American Public Power Association, among others.

As well, RUS works closely with various Federal agencies including the National Association of Regulatory Utility Commissions, Federal Energy Regulatory Commission, Department of Energy, U.S. Department of Environmental Protection, Federal Communications Commission, Department of Justice, Treasury Department, and others as appropriate. In addition, RUS works with various State regulatory agencies.

Suggestions and comments are always considered by the Agency and RUS remains committed to pursuing further reductions in both the burdens placed upon our borrowers/customers and the total volume of regulations imposed.

RUS has a website containing general information about the agency, specific information about the three major programs (electric, telecommunications, and water and waste) administered by the Agency; a directory of various program staff and how to communicate with them; many Agency regulations, forms, and bulletins; and, links to other relevant sites.

9. Explain any decision to provide any payment or gift to respondents, other than reenumeration of contractors or grantees.

There has been no decision to provide payments or gifts to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or Agency policy.

No assurances of confidentiality have been provided to respondents.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

This collection contains no questions of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information.

Over the last three years the Agency received “0 applications in 2009; 0 applications in 2010 and 2 applications in 2011 for an average of 1 application (round up) per year. Based on past experience and the last three years, the Agency estimates that it will again receive an average of 1 application for prepayments per year under 7 CFR Part 1786.

The total burden on applicants is estimated as follows:

Respondents	Responses per Respondent	Total Annual Responses	Hours Per Response	Total Hours
1	1.00	1	2	2

The cost to respondents is estimated as follows:

Professional time	1 response	X	12 hours	X	\$48.33	=	\$ 579.96
Clerical time	1 responses	X	4 hours	X	\$15.05	=	\$ 60.20
	Total estimated cost to respondents					=	\$ 640.16

The professional time is attributed to a manager-type position at an electric cooperative or telecommunications company. The clerical time is attributed to secretaries and administrative assistants.

The Department of Labor, Bureau of Labor Statistics, Standard Occupational Classification wage rates were used as the basis for the cost estimates. The hourly earnings for Management Occupations under General and Operations Managers in a non-metropolitan area are \$48.33 and hourly earnings for Office and Administrative Support Occupations for Secretaries and Administrative Assistants in a non-metropolitan area are \$15.05.

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information: (a) Total capital and start-up cost component (annualized over its expected useful life); and (b) Total operation and maintenance and purchase of services component.

There are no capital/start-up or operation/maintenance costs associated with the collection.

14. Provide estimates of annualized cost to the Federal Government.

RUS estimates that the processing of this information uses about 160 hours per year of Agency time. The Agency further estimates that approximately 120 hours is professional time, and the balance of 40 hours is clerical time. Based on past experience with this program, RUS received “0 applications in 2009; 0 applications in 2010 and 2 applications in 2011 for an average of 1 application (round up) per year. Attributing \$48.35 per hour for professional time (GS 13, step 5) and \$20.63 per hour for clerical time (GS 6, step 5), the costs to the Government are as follows:

Professional time	1 responses	X	24 hours	X	\$48.35	= \$1160.40
Clerical time	1 responses	X	8 hours	X	\$20.63	= \$ 165.04
			Total cost to the Federal Government			= \$ 1325.44

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-I.

This is a revision of a currently approved collection. The previous collection of 16 burden hours is decreased in this collection to a new total of 2 burden hours. The total number of respondents for this collection is an average of 1 application (rounded up) per year which is a decrease from 5 respondents in the previous collection. Prepayments are a function of an individual borrower’s financial condition, interest rate differential as well as other economic factors. The impact of the current economy on such entities has been a consideration in the decision of an individual borrower’s board of directors to submit a prepayment request.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

There are no plans for publication.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

The Agency is not seeking such approval.

18. Explain each exception to the certification statement identified in item 19 on OMB Form 83-I.

There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods.

1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.

This collection does not employ statistical methods.