

facilities or systems to furnish and improve telephone service in rural areas. The loans bear 2 percent interest and must be repaid within a period not to exceed 35 years.

Telephone loans are made to private companies and cooperatives. REA field representatives work with borrowers to develop sound construction and operating policies, and REA cooperates with manufacturers to develop efficient and economical equipment specifically designed for rural needs. Practically no standards or equipment specifically designed for rural telephone systems were in existence before REA initiated work in this field. REA also works with borrowers on financial and management matters to strengthen their operations and assure loan security.

REA has no field offices. Relations with borrowers are maintained through offices in Washington and the REA field staff.

Funds for making these repayable loans are borrowed from the Secretary of the Treasury.

3. *History*

The Rural Electrification Administration was established by Executive Order 7037 of May 11, 1935, to make loans for extension of central station electric service to unserved rural people. It was continued by the Rural Electrification Act of May 20, 1936, and became part of the Department of Agriculture on July 1, 1939, under Reorganization Plan II. On October 28, 1949, Public Law 423 amended the Act to authorize loans for furnishing and improving rural telephone service.

When the Rural Electrification Act was passed in 1936, only 1 farm in 10 had central station electric service. Today more than 98 percent of America's farms have central station electric service.

REA electric borrowers are serving approximately 150,000 additional rural consumers each year, which requires substantial amounts of capital. Their greatest need for capital, however, is to increase the capacity of their systems, including power supply facilities, to meet the continuously growing power requirements of their existing consumers. REA electric borrowers are serving more than 5 million rural consumers.

In 1950, when the telephone program started, the Census of Agriculture showed 38.2 percent of all farms with telephone service, fewer in both number and percentage than in 1920. Approximately 80 percent of the farms now have telephone service. Cumulative Rural Electrification Administration loans through June 30, 1965, will eventually provide initial or improved service to an estimated 2 million rural subscribers.

4. *Level of operations.* (See table 1.)

5. *Estimated magnitude of program in 1970.* (See table 1.)

Program: Electrification program.

Department or agency, and office or bureau: Department of Agriculture; Rural Electrification Administration.