**Issue:** Under current Letter-of-Credit rules, the National Rural Utilities Cooperative Finance Corporation along with affiliate Rural Telephone Finance Cooperative (CFC and RTFC), the largest non-governmental lender to rural utilities, is not eligible to issue letters-of-credit for Rural Broadband Experiment winners (and potentially CAF Phase II Competitive Bidding winners) solely because it is not insured by FDIC or FCSIC.

- **Why this is important:** If CFC is not deemed eligible the vast majority of rural utility providers could be unnecessarily forced to find another lender to provide them letters-of-credit for participation in FCC programs.
- **CFC meets two of the three requirements to provide letters-of-credit:**
  - Its size falls within the top 100 U.S. banks (it would be 66th) and is rated A by S&P, A1 by Moody’s and A+ by Fitch, which far exceeds the minimum required BBB-.
  - The only requirement it cannot meet is to be insured by the FDIC or FCSIC since it is not a depository nor a farm credit institution.
- **CFC is extremely stable.**
  - **CFC is the largest non-governmental lender to rural utilities:**
    - $22 billion in loans and $369 million in letters of credit outstanding (at 08/31/15).
    - Approx. 800 electric cooperatives are members of CFC; approx. 500 telcos are members of RTFC; utilized by over 200 co-ops for all financial needs.
    - Nonprofit, exclusively member-owned by not-for-profit rural electric providers.
    - CFC can only loan to its member institutions which must be eligible to borrow from USDA Rural Utilities Service.
  - **Low rate of non-performing loans:** Only 0.02% of CFC/RTFC loans are non-performing as 08/31/15 compared with 2.26% for insured commercial banks.
  - **Conservative credit culture:** No shareholders. Business model as a cost plus provider for its member-owners does not lend itself to taking risky positions in order to maximize profits.
  - **Diversified funding sources:** 50% from capital markets, 31% from federal programs and 19% from member investments.
  - **History of federal relationships:** $4.7 billion in outstanding bonds issued to the Federal Financing Bank (FFB) in the Department of Treasury guaranteed by the Department of Agriculture’s Rural Utilities Service (RUS); RUS periodically audits CFC for compliance with regulatory and contractual requirements.
  - **Deep liquidity:** $4.8 billion revolving note purchase agreements with Farmer Mac; $500 million committed loan facilities from FFB; $3.4 billion revolving syndicated credit facilities from relationship banks including JP Morgan Chase, US Bank, and Royal Bank of Scotland.
- **Multiple public and private entities review CFC financial statements**
  - FFB and RUS (with a Bond Guarantee Agreement).
  - Big four accounting firm: KPMG.
  - Filings with the Securities and Exchange Commission
  - Private lenders, both periodically and when entering new or amending credit facilities.
    - Credit agreements have financial covenants including minimum TIER (times interest earned ratio), and debt to equity requirements.