

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matters of

Connect America Fund

WC Docket No. 10-90

ETC Annual Reports and Certifications

WC Docket No. 14-58

Rural Broadband Experiments

WC Docket No. 14-259

REPLY TO OPPOSITIONS

The National Rural Utilities Cooperative Finance Corporation (“CFC”) and its affiliate, the Rural Telephone Finance Cooperative (“RTFC”), urge the Commission to grant expeditiously their requested waiver of the third bank eligibility criterion of the letter-of-credit (“LOC”) requirements for the Rural Broadband Experiments. No one disputes that grant of the waiver will permit at least some Rural Broadband Experiment preliminary selectees to provide a letter of credit backing up their deployment commitments at a lower cost than otherwise available – which facilitates broadband deployment in these hard-to-serve areas. Similarly, no one disputes that CFC has the financial capacity to stand behind its letters of credit for the ten-year period of RBE support. The sole opposition to the requested waiver fails to raise any substantive deficiencies under the Commission’s longstanding standard for waivers and misrepresents the waiver request as an attempt to eliminate the federal insurance criterion ensuring repayment to the Fund in the event of non-compliance by the borrower, rather than demonstrate compliance with the substantive requirements underlying that criterion (which it does).

By permitting CFC to issue LOCs, the Commission will provide more and lower cost options to small carriers while ensuring the Commission's ability to seek full repayment to the Fund in the event of a borrower's non-compliance.¹ Other filers have noted this fact. NTCA notes that "including this worthy institution as an eligible provider of financial services helps to increase the options available to our members and thus, encourages their participation in FCC programs."² The Utilities Telecom Council ("UTC") likewise notes that "the underlying purpose of the rule would not be served by its strict application here.... Given [CFC's] extensive experience and involvement with funding rural electric cooperatives under various different government programs with various different agencies, UTC submits that CFC and RTFC are uniquely situated, such that the requested limited waiver of the LOC requirement is warranted.... This would provide rural electric cooperatives with additional options and flexibility to meet

¹ For example, CFC has assisted its customers that are RBE preliminary selectees in obtaining a commitment letter from a top-100 bank by the February 3, 2015 deadline. Public Notice, *Wireline Competition Bureau Seeks Comment on the Alliance of Rural Broadband Applicants' Petition for Limited Waiver of Certain Rural Broadband Experiment Letter of Credit Requirements; Also Seeks Comment More Generally on Letter of Credit Proposals for Connect America Phase II Competitive Bidding Process*, DA 15-140, WC Docket Nos. 10-90 & 14-259 (rel. Jan. 30, 2015). However, the terms of these commitments create additional administrative burdens while increasing costs and limiting flexibility for the borrower versus CFC providing the credit support directly.

Of course, CFC is limited to issuing LOCs to its and RTFC's members. Thus, though Rural Broadband Services Corporation, Inc. ("RBSC") notes that it was unable to obtain an LOC from CFC, Request for Waiver of Requirement of Letter of Credit of RBSC, WC Docket Nos. 14-259 & 10-90, at 3 n.8 (filed Feb. 3, 2015), that is because RBSC is not a member of either CFC or RTFC nor is it affiliated with one of CFC or RTFC's members. CFC would not require cash collateral for LOCs, provided the member entity has the financial strength to support repayment over time of the amount of the LOC, were it drawn.

² Letter from Michael R. Romano, Senior Vice President – Policy, NTCA – The Rural Broadband Association, to FCC Secretary Marlene H. Dortch, WC Docket Nos. 10-90 & 14-58 (filed Jan. 23, 2015).

their LOC requirements so that they could be able to access RBE funding, which will in turn promote rural broadband access and competition.”³

The opposition of the United States Telecom Association (“USTA”) remains baffling. USTA has framed CFC’s waiver request as a request that the Commission entirely waive one of the qualifying standards for financial institutions issuing LOCs to bidders.⁴ This framing ignores the crux of CFC’s argument—that CFC possesses the financial stability and liquidity to fund its obligations under LOCs issued to provisional bidders, despite its inability to obtain FDIC insurance (because it is not a depository institution) or FCSIC insurance (because it is not an agricultural credit bank).

Indeed, USTA’s argument seems to boil down to “bright line rules are good because bright line rules are good.”⁵ USTA does not argue—and of course, cannot argue—that grant of the waiver request would have any detrimental impact on the RBE program. By allowing CFC to issue LOCs, the Commission would not change disbursements to bidders. The waiver would simply ensure that CFC—a lender with significant resources and a strong history of successful participation in federal programs focused on rural utilities and rural telecommunications providers—could provide the Commission with the necessary guarantee that, in the event of a default, the Fund would be reimbursed. Allowing CFC to issue LOCs would leave small carriers better off, because more of them would be able to participate, and potentially on better terms than are available with other lenders.

³ Letter from Brett Kilbourne, Utilities Telecom Council, to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90 & 14-58, at 2 (filed Feb. 2, 2015).

⁴ Comments of the United States Telecom Association, WC Docket Nos. 10-90 & 14-259, at 3 (filed Feb. 2, 2015).

⁵ *Id.* at 4.

For the reasons stated above and in the original waiver request, CFC and RTFC urge the Commission to grant expeditiously their requested waiver.

Respectfully submitted,



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