




**National Rural Utilities  
Cooperative Finance Corporation**

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A Touchstone Energy® Cooperative 

July 17, 2007

Barron's  
200 Liberty Street  
New York, New York 10281

To the Editor:

The July 16 “Trouble in the Heartland?” story provides an inaccurate and incomplete portrayal of National Rural Utilities Cooperative Finance Corporation (CFC).

Despite the fact that CFC’s secured debt has received an A or higher rating from all three SEC-recognized rating agencies since 1972 (and currently has an A+/A1/A+ rating from Standard and Poor’s, Moody’s and Fitch, respectively), the article gives undue credence to a deeply flawed report authored by Egan-Jones, an organization that is not designated by the SEC as a nationally recognized statistical rating organization.

CFC is not a bank that prices loans to achieve a return-on-equity target. As a nonprofit cooperative, our mission is to provide a secured source of capital for rural utilities. Credit risk is moderate because loans are secured by the senior pledge of assets and revenues of CFC's member-borrowers—the rural utility systems. These rural utilities are financially strong, with average equities in excess of 40% for electric distribution cooperatives; they also provide essential electric utility services, usually without competition.

In addition, CFC’s loan portfolio is stable and our loan-loss reserve is five times larger than the total net loan write-offs in our entire 38-year history.

For the past four decades, CFC has provided for the capital needs of rural utilities and has been a catalyst for improving the quality of life for millions of citizens in rural America. As the leading ratings analysts will tell you, CFC’s credit fundamentals are strong and our financial underpinning is rock solid.

Sheldon C. Petersen  
Governor and CEO  
National Rural Utilities Cooperative Finance Corporation