

FARM CREDIT COMMITS 1.5 BILLION DOLLARS TO TELECOM GIANTS

What happened to the 'farm' in farm credit?

Verizon. AT&T. Frontier Communications. US Cellular.

The Farm Credit System (FCS) has loaned hundreds of millions of dollars to each of these telecom industry giants in recent days, weeks and months, further exposing an alarming lack of oversight for a \$266 billion taxpayer-backed entity that was the recipient of the first-ever bailout from Congress. CoBank, the FCS's largest lender, underwrote each of the loans in an attempt to expand its portfolio while neglecting the young, beginning and small farmers and ranchers it was intended to serve.



Verizon: In one of the most egregious violations of the Farm Credit Act, CoBank loaned \$725 million to Verizon Wireless. The contract enabled Verizon to acquire the remaining 45-percent stake that it did not already own in European cellular company Vodafone. The loan was an instant credit risk as it was just below the FCS's self-imposed loan limit – a ceiling that was later raised to make room for similarly risky allowances [Farm Credit Watch: October 2013].

Frontier Communications: Just months after the Verizon deal, CoBank entered into a \$350 million credit agreement with Frontier Communications Corp. to help Frontier complete a \$2 billion takeover of a major wireline business. At the time of the deal, Frontier had \$16.6 billion in assets and \$4.1 billion of equity capital – sums that are wholly incomparable to those of the average farmer or rancher [Yahoo! Finance, Farm Credit Watch: June 2014].

AT&T, US Cellular: Most recently, CoBank committed \$425 million to AT&T and US Cellular over the course of just two days. \$225 million was dedicated to US Cellular for “general corporate purposes” while \$200 million was allocated to AT&T for equally ambiguous activity. Perhaps aware of the poor optics of its previous agreements, CoBank closed on these deals with little to no public disclosure [PR Newswire, US SEC, Farm Credit Watch: January 2015].

Equally as startling as the loans themselves is the precedent set by the Farm Credit Administration (FCA), CoBank's regulator, in failing to direct CoBank to sell its risky loans made to entities that have little to no stake in rural America. The FCA's stance of either apathy or encouragement – both of which are deeply troubling coming from a government regulator – in the wake of the Verizon deal effectively green-lighted CoBank's expansion into financing stockholder-owned utilities. The insatiable appetite for growth among the FCA and FCS will remain unimpeded until Congress gets serious about meaningful oversight.

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