



**Midwest Minnesota
Community Development Corporation**

P.O. Box 623 • Detroit Lakes, MN
56502-0623

June 25, 2008

Gary K. Van Meter, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Sir:

I am writing to comment on the proposed rule for Rural Community Investments. As background our company is a large non-profit lender/investor based in Northwest Minnesota. Our goal is to increase the level of investment in rural areas which in turn will create jobs and wealth for rural areas of Minnesota and beyond.

Central to rural economic development is access to capital. Largely due to a combination of higher risk and lower returns (commonly found in rural areas) external capital is not drawn to these areas. Compounding the problem is that equity capital, which cushions lender's risk, is particularly scarce in low wealth, low income areas.

Authorizing FCS companies to invest in debt securities in rural areas is important because:

1. Rural business borrowers often face constraints due to the size of local financial institutions. Credit needs of successful companies can quickly overwhelm local lending limits.
2. Lenders in isolated areas may find it advantageous to participate with others, such as the Farm Credit System, to avoid concentration of assets.
3. Smaller lenders often lack the expertise to underwrite complex commercial transactions.
4. Most lenders will not be able to offer long term fixed rates to their customers given their dependence on their shorter term deposit structure.

Furthermore, there is a need for lenders, such as the Farm Credit System, to participate in new endeavors such as the New Markets Tax Credit Program. That program often requires large sums of capital not often available to small rural banks. Having FCS as a financing option would be important for certain high impact community development projects.

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If possible we would also like to see FCS authorized to work with community development corporations (CDCs) directly, as a participating lender. Many projects can be structured to fall within the risk tolerance of FCS and still benefit both the CDC and the business being financed.

If you have any questions regarding these comments, please give me a call.

Sincerely,

A handwritten signature in blue ink, appearing to read 'A. Kangas', with a stylized flourish at the end.

Arlen Kangas, Ph.D.
President