



## MONEY — SAVING LIBOR — INDEXED LOANS FROM FARM CREDIT SERVICES

One of the lowest rates available to finance farm operating expenses, livestock, equipment purchases, or a mortgage is our LIBOR-indexed loan.

This variable-rate product is based on a widely traded global index known as the London Interbank Offered Rate (or LIBOR). Producers find it attractive because it routinely prices under N.Y. Prime or other variable-indexed rates. Plus, a LIBOR-indexed loan offers flexibility you need:

- ¥ There's never a prepayment penalty to retire debt early.
- ¥ You have flexibility to convert to another product if you want to lock-in to a fixed rate.
- ¥ And, you can always trace the LIBOR index through the financial press or Internet and know exactly where you stand.

### HOW DOES A LIBOR LOAN WORK?

LIBOR is a 30-day variable product—the rate can move up or down each month based upon what the interest rate markets are doing.

However, your specific loan rate is determined by a pre-established margin over the LIBOR index. This goes into your contract and cannot change. For example, Farm Credit's typical margin is 2.50% over the LIBOR index. If the index is 2%, for example, your rate would be 4.5%. If the index went down to 1.75%, your rate would be 4.25%. Likewise, the index could go up and your rate would go up as well.

### OUR LIBOR PRODUCT OFFERS YOU 2 OPTIONS.

1. You can select a LIBOR rate based upon your margin not changing for a full year. (This would be common for an operating loan.)
2. You can also select a rate that has a 3-year lock on the margin. (This might be very useful for a machinery or mortgage loan where you want more security that the margin cannot change.) A 3-year margin is usually a slightly higher rate than the 1-year.

### TELL ME MORE ABOUT LIBOR.

The London Interbank Offered Rate (LIBOR) is one of the most widely traded and accepted indices in the world. For many, it is a better barometer on the true cost of borrowing. The LIBOR index is traded on the minute and follows global borrowing needs. That's different from U.S. Prime which can lag the market (either up or down). LIBOR rates always reflect the current market.

Loans indexed to LIBOR are common in the United States, offered on everything from larger commercial

loans to credit cards. The Wall Street Journal, and other financial press, daily report LIBOR prices.

### THE ADVANTAGE OF LIBOR PRICING.

A LIBOR-indexed rate can save you money compared to Prime and other variable products.

For example, NY Prime has averaged about 2.5% over one-month LIBOR since 1990. (See chart) If you had a loan priced at one-month LIBOR + 2.5%, your loan rate would have been just about even to Prime Rate. And, for most of the past eight years, your rate would have been quite a bit below Prime Rate.

Compare that borrowing at .50 or 1.0% over Prime rate.

### HOW DO I GET LIBOR — INDEX SAVINGS?

Farm Credit Services offers LIBOR-indexed loans for operating, capital or mortgage financing needs. It is available for seasonal operating loans and multi-year lines of credit. You can also use LIBOR-indexed rates for mortgage loans at any term we offer.

It's just one of many tools we can provide to help you manage your interest expense. Innovative programs like LIBOR pricing, cash management services and automatic payment options are ways we're keeping pace with today's farm and agribusiness demands.

Call us at 1-800-444-FARM to learn more about saving interest expense through LIBOR pricing.



## LIBOR-INDEXED LOANS

Large commercial producers and many ag businesses know that managing interest expense is one of the key factors for maximum profitability.

The cost of borrowing funds must be matched to the operation's needs. Funds have to fit the cash-flow demands. They must be competitive. As a manager, you also want to know exactly where your costs are at any time. Plus, you want a loan structure that is able to accommodate the changing environment of your business.

Farm Credit Services' LIBOR-indexed loans can meet all of these needs. It is a loan product that you will want to consider as an option to either Prime-based or fixed-rate funding. It's flexible. It's market responsive. And its track record shows that it could save you money!



1-800-444-FARM  
[www.e-farmcredit.com](http://www.e-farmcredit.com)

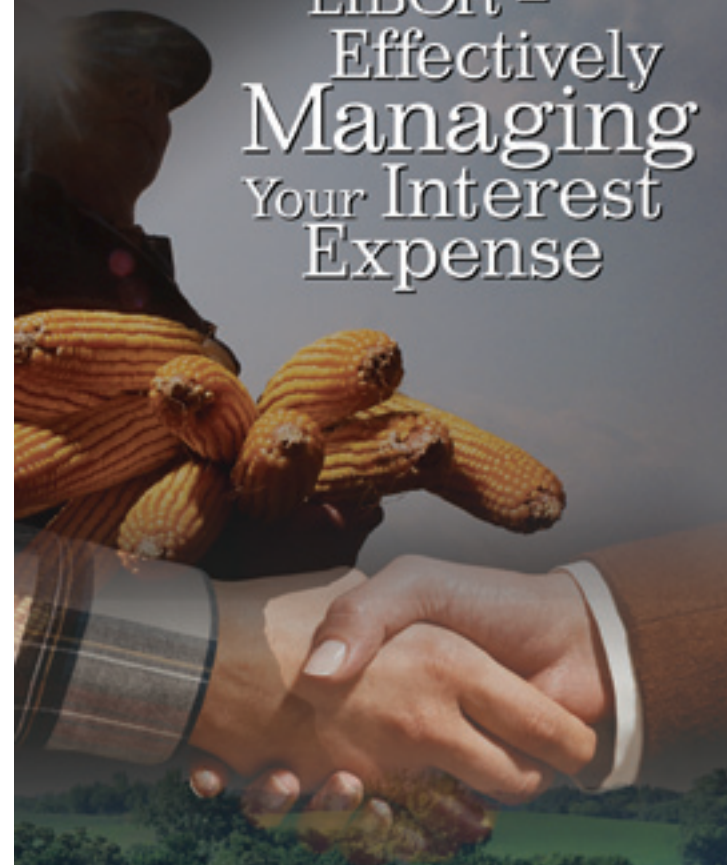


**Farm Credit Services**  
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LIBOR Indexed Loans

LIBOR –  
Effectively  
Managing  
Your Interest  
Expense



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