



## Farm Credit Facts

### How does Farm Credit compare with commercial banks?

#### **Farm Credit's historic mission and mandate**

Farm Credit believes that U.S. agriculture and rural communities are best served when farmers, ranchers, the farm-related businesses that support them, as well as rural homeowners, can get quality financing for their needs at a competitive rate. This is Farm Credit's historic mission. Farm Credit has never been a "lender of last resort." Farm Credit is a permanent source of competitive financing, cooperatively owned by the farmers, ranchers and cooperatives who borrow from its institutions.

#### **Comparing 'advantages'**

- **Source of capital:** As a GSE (Government Sponsored Enterprise), Farm Credit has access to the financial markets through its own funding agent, which sells bonds to the public. These bonds are the joint and several liability of the Farm Credit Banks and are not obligations of the Federal government. Commercial banks have access to GSE funding from many sources, including Federal Home Loan Banks, Fannie Mae, Freddie Mac, Farmer Mac and the Farm Credit System. Commercial banks also take Federally insured deposits as a source of low-cost funds — something Farm Credit cannot do.
- **Tax status:** Many commercial banks are organized as Subchapter S corporations and therefore pay little or no income tax. Income is passed through to a few owners who pay personal income tax on their share of income. Similarly, Farm Credit associations' income that is passed along to hundreds of thousands of farmer-owners in the form of patronage is taxed as personal income. In fact, Subchapter S commercial banks generated far more untaxed income in 2006 than did Farm Credit — and the banks' tax benefit did not support any specific mission purpose. While Farm Credit institutions pay Federal tax on some earnings and are restricted to whom they can lend, Subchapter S commercial banks pay no tax and are not restricted in their lending activities.
- **Mission focus:** Commercial banks enter and leave the agricultural lending market as it suits their business plans. Farm Credit is dedicated to serving U.S. agriculture and rural America, through good times and bad.

#### **What makes Farm Credit attractive to borrowers?**

Our farmer and rancher customers frequently tell us that Farm Credit's presence as a lender in their area provides competition for the rates offered by other lenders. Farm Credit is a stable, reliable lender, and Farm Credit people understand agriculture and life in rural America. Our customers tell us they place a high value on building a relationship with a lending partner that understands the dynamic needs of rural communities and that is a specialist in rural and agricultural financing. Our customers also enjoy the benefit of cooperative ownership, with our farmer and rancher owners maintaining direct governance control over their Farm Credit institutions.

**For more information, see the Farm Credit Council's website at [www.fccouncil.com](http://www.fccouncil.com).**