MEMORANDUM

Farm Credit System Insurance Corporation

January 15, 2009

To: Chairman, Board of Directors
Chief Executive Officer
Each Farm Credit System Institution

From: Nancy Pellett
Chairman
Nancy C. Pellett

Subject: Premiums for 2009

The Farm Credit System Insurance Corporation (Corporation) is issuing the insurance premium rates for 2009. As indicated in our September premium guidance, strong growth in insured obligations has led the Board of Directors to increase the insurance premium assessment rate on adjusted insured debt to 20 basis points for 2009. This is the maximum rate we can charge. The Board has decided to continue assessing 10 basis points on nonaccrual loans and other-than-temporarily impaired investments.

Based on preliminary results reported by the Federal Farm Credit Banks Funding Corporation through December 31, 2008, insured debt grew approximately $22.3 billion or 14.5 percent to $176.3 billion. The growth in 2008 occurred at all of the banks with four of the banks reporting double-digit growth for the year. The five year growth rate from 2004 through 2008 has averaged 13.5 percent annually.

The Board considered the following factors in setting premiums:

- Current level of the Insurance Fund and projections for growth in insured obligations;
- Likelihood and probable amount of any losses to the Insurance Fund;
- Financial condition of the Farm Credit System banks and associations;
- Health and prospects for the agricultural economy; and,
- Risks in the financial environment that could cause problems, including volatility of interest rates, increased competition, use of sophisticated investment securities and derivatives.

As a result of the continued growth in insured debt, the Insurance Fund has remained below the 2 percent secure base amount. At December 31, 2008 the unallocated Insurance Fund level relative to the SBA was 1.75 percent of insured debt outstanding or $406 million below the SBA. Including the $39.9 million in the Allocated Insurance

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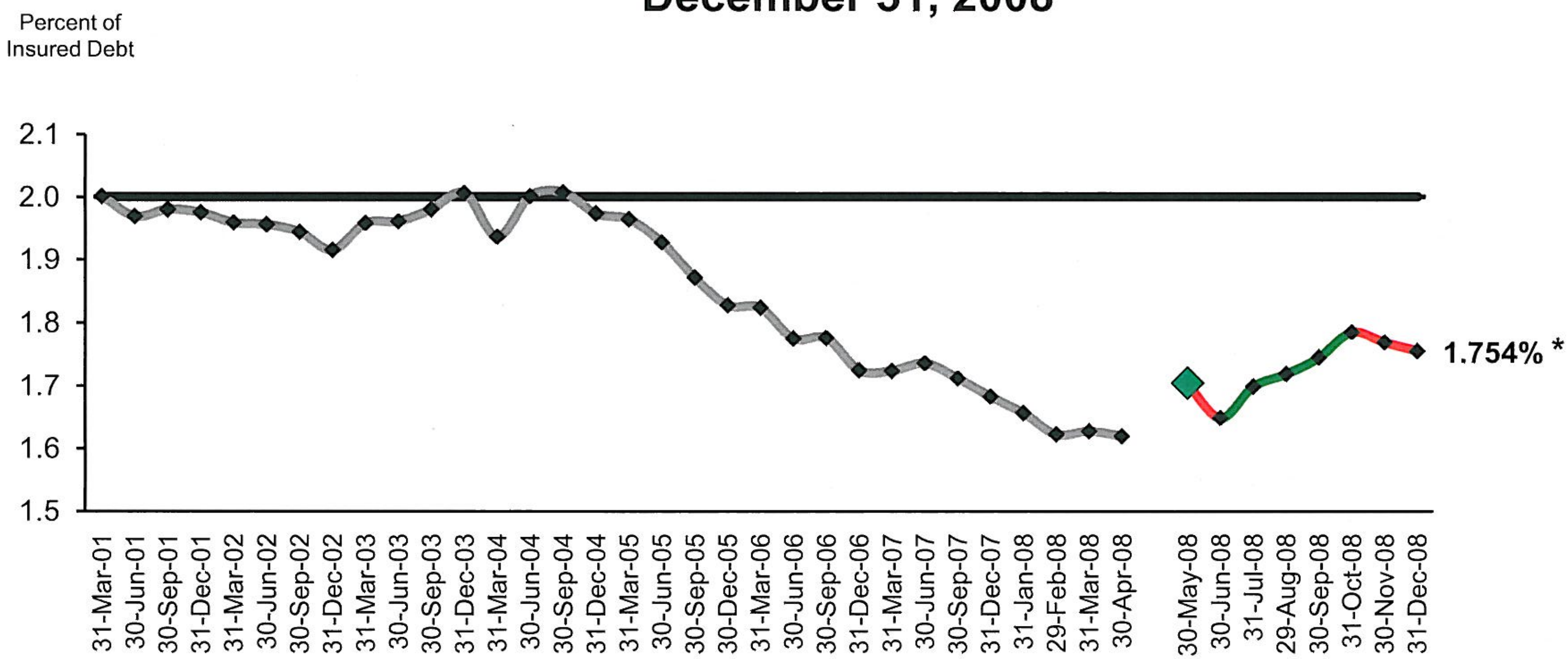
Reserves Accounts (AIRAs) raises the level to 1.78 percent or $366 million below the SBA.

The Farm Credit Administration's Office of Examination reports that the overall System financial condition and performance remain fundamentally sound although their operating environment has become markedly more risky in recent months. Based on the Corporation's most recent allowance for loss review of all banks and associations, the Corporation concluded that no losses to the Insurance Fund were known and the probability of any unknown losses was remote.

The Board will meet again in June 2009 to review premium rates.

Attachment

Trend of the Unallocated Insurance Fund Relative to the 2% Secure Base Amount
December 31, 2008



* A change in the secure base amount (SBA) calculation methodology requested by the Insurance Corporation was included in the Food, Conservation and Energy Act of 2008. The new methodology allows the deduction of Federal and state guaranteed investments from the SBA in a manner similar to that used for Federal and state guaranteed loans.

Insurance premiums are assessed with the objective of maintaining the SBA which is defined in the Farm Credit Act as 2% of adjusted insured obligations. At yearend excess funds above the SBA are transferred to the Allocated Insurance Reserves Accounts (AIRAs). The current $39.89 million AIRAs balance is recorded as part of the Insurance Fund and is available to satisfy insurance obligations until the Corporation disburses payment to the Farm Credit Banks and FAC stockholders.

Attachment