MEMORANDUM

Farm Credit System Insurance Corporation

September 13, 2007

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

From: Leland A. Strom
Chairman

Subject: Premium Planning Guidance for 2008

The Farm Credit System Insurance Corporation (Corporation) is issuing guidance on insurance premium rates for next year so that Farm Credit System institutions can budget for 2008. The Board considered the following factors:

- Current level of the Farm Credit Insurance Fund (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.

Continued strong growth in insured obligations has led the Board of Directors to project that the insurance premium assessment rate for accrual loans will likely remain at 15 basis points for 2008. This is the maximum rate we can charge on accrual loans. The Board of Directors also anticipates that it will not change the other rates. Accordingly, premiums are likely to be assessed at 25 basis points for nonaccrual loans and zero basis points on Federal and state government-guaranteed loans, and the Board of Directors will likely make no discretionary adjustment for accrual loans that are GSE-guaranteed. If Congress enacts legislation changing the Corporation's premium authorities, the Board of Directors will provide further guidance.

Growth in insured obligations for the year through July 31, 2007, has been 7.0 percent (an annualized rate of 12.0 percent). As of July 31, 2007, insured debt totaled $143.3 billion, up from $134 billion at yearend. As a result of continued strong growth in insured debt (although at a lower annualized rate than in 2006), the unallocated portion

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of the Insurance Fund has failed to make progress toward achieving the 2 percent secure base amount. The unallocated portion of the Insurance Fund represents the assets for which no specific use has been identified. The unallocated portion of the Insurance Fund as a percent of adjusted insured debt declined slightly from yearend 2006 to 1.721 percent at July 31, 2007. The unallocated portion of the Insurance Fund was $394 million below the secure base amount at July 31, 2007, compared to $364 million below the secure base amount at December 31, 2006. When including the $40 million in the Allocated Insurance Reserves Accounts (AIRAs), the total Insurance Fund was at 1.750 percent of adjusted insured debt outstanding, approximately $354 million below the secure base amount, at July 31, 2007, compared to $324 million below the secure base amount at December 31, 2006.

The Farm Credit Administration's Office of Examination reports that overall System financial condition and performance remain fundamentally sound. 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.

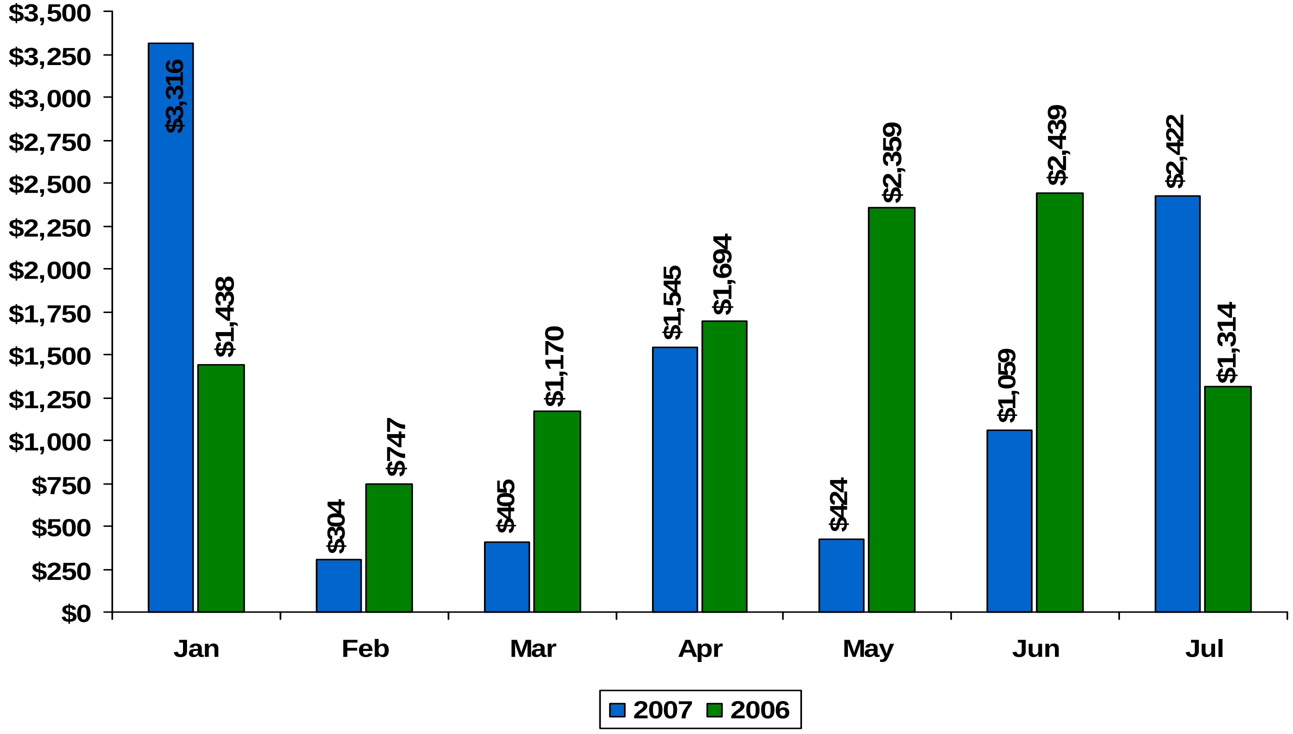
As we did last year, the Board intends to set premium rates for 2008 at its January meeting after yearend results for 2007 become available.

Attachments

Outstanding Insured Obligations
2004 to 2007

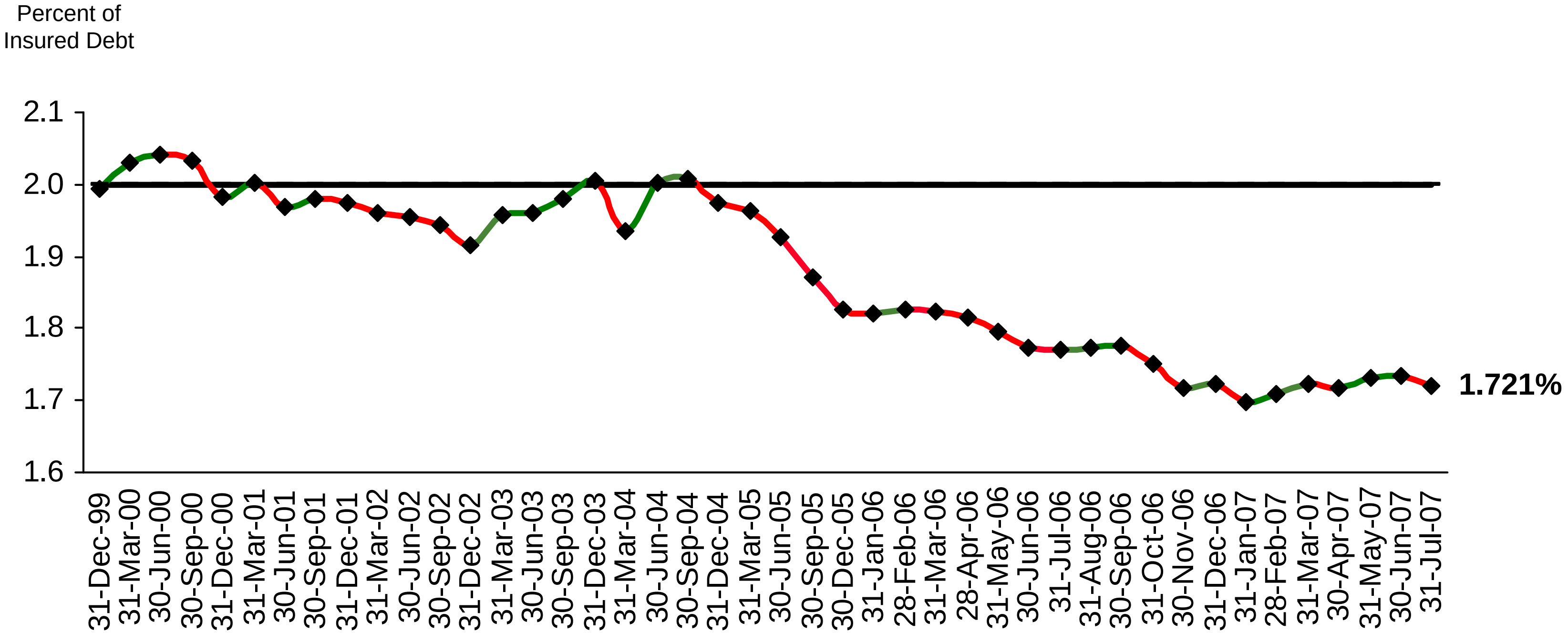
($ in millions)

Comparative Growth	Rate	Annualized	Actual	Total Outstanding
Jan – Jul 07 $ 9,348	7.0%	12.0%	N/A	$143,306
Jan – Jul 06 $11,071	9.8%	16.7%	18.3%	$124,388



Attachment 1

Trend of the Unallocated Insurance Fund Relative to the 2% Secure Base Amount
July 31, 2007



Insurance premiums are assessed with the objective of maintaining the Secure Base Amount (SBA) which is defined in the Farm Credit Act as 2% of aggregate insured obligations. At yearend excess funds above the SBA are transferred to the Allocated Insurance Reserve 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 2