

OFFERING CIRCULAR

Federal Agricultural Mortgage Corporation

Medium-Term Notes

Discount Notes

Federal Agricultural Mortgage Corporation ("Farmer Mac") may offer from time to time its unsecured Medium-Term Notes and Discount Notes (collectively, the "Notes"). There is no specific limit on the aggregate principal amount of Notes that may be issued, provided that the Notes may not have an aggregate principal amount (or issue price in the case of Notes issued at a discount) outstanding at any time in excess of \$4,000,000,000 or the equivalent thereof in one or more foreign currencies or currency units. Each Discount Note will mature on a day one year or less from the date of issue, will be sold on a discounted basis and will be paid only at maturity. Medium-Term Notes will have maturities of nine months or more from the date of issue, as specified in the applicable pricing supplement hereto (each, a "Pricing Supplement"), and may be subject to redemption by Farmer Mac or repayment at the option of the holder thereof, in each case, in whole or in part prior to its stated maturity, as set forth herein and specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, Medium-Term Notes will bear interest at fixed rates ("Fixed Rate Notes") or at floating rates ("Floating Rate Notes"). The applicable Pricing Supplement will specify whether a Floating Rate Note is a Regular Floating Rate Note, a Floating Rate/Fixed Rate Note or an Inverse Floating Rate Note and whether the rate of interest thereon is determined by reference to one or more of the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate or the Treasury Rate (each, an "Interest Rate Basis"), or any other interest rate basis or formula, as adjusted by any Spread and/or Spread Multiplier. Interest on each Floating Rate Note will accrue from its date of issue and, unless otherwise specified in the applicable Pricing Supplement, will be payable in arrears monthly, quarterly, semiannually or annually, as specified in the applicable Pricing Supplement, and at maturity. Unless otherwise specified in the applicable Pricing Supplement, the rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually, as specified in the applicable Pricing Supplement. Interest on each Fixed Rate Note will accrue from its date of issue and will be payable in arrears as specified in the applicable Pricing Supplement and at maturity. Medium-Term Notes may also be issued with original issue discount, and such Medium-Term Notes may or may not pay any interest. See "Description of the Notes."

The interest rate, or the formula for the determination of any such interest rate, applicable to each Medium-Term Note and the other variable terms thereof as described herein will be established by Farmer Mac on the date of issue of such Medium-Term Note and will be set forth therein and specified in the applicable Pricing Supplement. Interest rates and interest rate formulae and such other variable terms of Medium-Term Notes are subject to change by Farmer Mac, but no change will affect any Medium-Term Note already issued or as to which an offer to purchase has been accepted by Farmer Mac.

This Offering Circular should be read in conjunction with any applicable Pricing Supplements, with Farmer Mac's current Annual and Quarterly Reports filed with the Securities and Exchange Commission and with each other document incorporated herein by reference. See "Available Information" and "Incorporation of Certain Documents by Reference."

The Notes may not be suitable investments for all investors. See "Risk Factors" on page 3.

The Notes are obligations of Farmer Mac only. The Notes, including any interest thereon, are not guaranteed by and do not constitute debts or obligations of the Farm Credit Administration, the United States or any agency or instrumentality of the United States other than Farmer Mac. Income on the Notes has no exemption under federal law from federal, state or local taxation.

Farmer Mac may sell Medium-Term Notes to one or more agents selected by Farmer Mac (individually, an "Agent" and collectively, the "Agents") acting as principal for its own account for resale to one or more persons either at a fixed public offering price or at varying prices related to market prices prevailing at the time of resale or otherwise as determined by such Agent. Medium-Term Notes also may be offered through Agents on an agency basis from time to time. Farmer Mac will pay the Agent or Agents a specified commission as set forth in the applicable Pricing Supplement. In addition, Farmer Mac has reserved the right to sell Medium-Term Notes directly to investors on its own behalf. Farmer Mac reserves the right to cancel or modify the offer made hereby without notice. Farmer Mac, or an Agent, if it solicits an offer, may reject any offer to purchase Medium-Term Notes in whole or in part. Discount Notes will be offered for sale on a continuous basis to a group of Agents selected by Farmer Mac. Current quotations for Discount Notes of varying maturities can be obtained by contacting any Agent eligible to participate in the sale of Discount Notes. Discount Notes may be offered from time to time by auction, dealer allocation or other methods. See "Plan of Distribution."

This Offering Circular may not be used to consummate sales of Medium-Term Notes unless accompanied by the applicable Pricing Supplement.

The date of this Offering Circular is August 14, 1998.

Certain persons participating, as principal, in an offering of Medium-Term Notes may engage in transactions that

stabilize, maintain or otherwise affect the price of the related Medium-Term Notes. Such transactions may include stabilizing, purchasing Medium-Term Notes to cover short positions and imposing penalty bids. For a description of these activities, see "Plan of Distribution."

No dealer, salesman or other person has been authorized to give any information or to make any representations not contained in this Offering Circular or the information incorporated by reference herein, and, if given or made, such information or representation must not be relied upon as having been authorized by Farmer Mac or any Agent. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. The delivery of this Offering Circular at any time does not imply that the information given herein is correct as of any time subsequent to the date of such information.

This Offering Circular, together with any Pricing Supplement for an issuance of Medium-Term Notes, constitutes an offer to sell only such Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Farmer Mac and any Agent to inform themselves about and to observe any such restrictions.

The Notes offered hereby are not required to be registered under the Securities Act of 1933. Accordingly, no registration statement has been filed with the Securities and Exchange Commission. The Notes have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Offering Circular or any Pricing Supplement hereto. Any representation to the contrary is a criminal offense.

No Note is expected to have an established trading market when issued. No issue of Notes will be listed on any securities exchange. Agents may from time to time purchase and sell Notes in the secondary market or otherwise make a market in the Notes. Agents may discontinue any market-making activity at any time, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops.

TABLE OF CONTENTS

	<u>Page</u>
Risk Factors.....	3
Federal Agricultural Mortgage Corporation	6
Available Information	6
Incorporation of Certain Documents by Reference.....	7
Description of the Notes.....	7
Master Terms Agreement.....	21
Certain United States Federal Income Tax Considerations	23
Use of Proceeds	30
Plan of Distribution	30
Validity of the Notes	31

RISK FACTORS

The following does not describe all of the risks and other ramifications of an investment in the Notes. Prospective investors should consult their own financial and legal advisors about risks associated with investment in a particular issue of Notes and the suitability of investing in such Notes in light of their particular circumstances.

Uncertainties Regarding the Development of the Agricultural Secondary Market

The target markets for Farmer Mac's secondary market operations are traditional agricultural mortgage lenders, such as commercial banks, insurance companies and Farm Credit System institutions, as well as non-traditional lenders, such as mortgage bankers and agricultural equipment companies. To date, however, the Farmer Mac programs have received only limited acceptance among traditional agricultural lenders, although the number of lenders approved to participate in Farmer Mac's programs is growing. Farmer Mac believes that a number of factors have constrained participation in its programs, including: (i) the historical preference of lenders to retain agricultural mortgage loans in their own portfolios; (ii) the excess liquidity and capital of many lenders; (iii) the disinclination of many lenders to offer intermediate-term adjustable rate and long-term fixed rate agricultural mortgage loans as a result of the higher profitability associated with short-term lending; and (iv) the lack of borrower demand for intermediate- and long-term loans due to the lower interest rates generally associated with shorter term loans. Farmer Mac's ability to secure the active participation of agricultural lenders in its programs will depend, to a large extent, on each particular lender's perception of the advantages of selling agricultural mortgage loans into the Farmer Mac secondary market. Non-traditional lenders, particularly mortgage bankers and certain agricultural supply and equipment companies, have expressed interest in Farmer Mac's programs. No assurance can be given that, even if approved as sellers, they will become active participants. Notwithstanding the number of agricultural lenders approved to participate in Farmer Mac's programs and the volume of agricultural mortgage loans purchased under the Farmer Mac I Program since the enactment in February 1996 of the Farm Credit System Reform Act of 1996 (the "1996 Act"), which expanded Farmer Mac's agricultural secondary market authorities, no assurance can be given that lenders will be willing to sell agricultural mortgage loans to Farmer Mac in the future on terms and in sufficient volume to ensure Farmer Mac's long-term success.

Regulatory and Legislative Risks

By statute, the Farm Credit Administration (the "FCA") has general regulatory and supervisory authority over both Farmer Mac and the Farm Credit System. Most of the other traditional agricultural lenders that qualify to participate in Farmer Mac's programs, particularly commercial banks and insurance companies, are also regulated and supervised by federal and, in some cases, state regulatory agencies. While the primary purpose of such agencies is to ensure the safety and soundness of the respective regulated entities, the actions taken by those agencies could adversely affect Farmer Mac or the ability of certain lenders to participate in Farmer Mac's programs or the terms of their participation.

Farmer Mac is also subject to the risk that legislative developments or interpretations of its authorizing legislation could adversely affect it or the ability of certain lenders to participate in its programs or the terms of any such participation. Moreover, from time to time, various agricultural lending groups, including the Farm Credit System and the commercial banking industry, and their respective trade associations, have pursued legislative initiatives that, if successful, could have had an adverse impact on the development and operation of the Farmer Mac secondary market. No assurance can be given that similar legislative initiatives by such groups or associations will not be undertaken in the future or that, if undertaken, such initiatives would not be successful.

Liabilities for Guarantees of Mortgage-backed Securities

Farmer Mac issues guarantees on mortgage-backed securities that are backed by qualified agricultural real estate mortgage loans, including rural housing loans. Repayment of agricultural loans is typically dependent upon the success of the related farming operation, which is, in turn, dependent upon many variables and factors over which farmers may have little or no control, such as weather conditions, economic conditions (both domestic and international) and even political

conditions. If the cash flow from a farming operation is diminished (for example, adverse weather conditions destroy a crop or prevent the planting or harvesting of a crop), the farmer's ability to repay the loan may be impaired. Protracted adverse weather, market or other conditions affecting the particular geographic region and the particular commodities related to the agricultural mortgage loans backing Farmer Mac-guaranteed securities or significant loan payment defaults by farmers for other reasons could necessitate payments under Farmer Mac's guarantees and could have a material adverse effect on Farmer Mac's financial condition and results of operations.

Farmer Mac's obligations under guarantees on mortgage-backed securities are obligations solely of Farmer Mac and are not backed by the full faith and credit of the United States. Sources of funding for the payment of claims, if any, under such guarantees are the fees that Farmer Mac charges for providing such guarantees and Farmer Mac's general assets, which, collectively, are insignificant in relation to its potential exposure to any meaningful level of possible claims under such guarantees. A portion of the guarantee fees received by Farmer Mac is required to be set aside by Farmer Mac in a segregated account as a reserve against losses from its guarantee activities. Currently, Farmer Mac's contingent liabilities in respect of guarantees of outstanding mortgage-backed securities substantially exceed any amounts in such reserve account. Furthermore, although Farmer Mac may borrow up to \$1,500,000,000 from the Treasury, under certain conditions, to meet its guarantee obligations, Farmer Mac anticipates that its future contingent liabilities in respect of its guarantees on mortgage-backed securities will greatly exceed its resources, including amounts in its guarantee reserve account and its limited ability to borrow from the Treasury.

Although Farmer Mac may borrow up to \$1,500,000,000 from the Treasury, subject to certain conditions, to enable it to fulfill its guarantee Obligations, Farmer Mac may not borrow from Treasury to pay debt obligations, such as the Notes, issued by Farmer Mac. The Notes, together with interest thereon, are not guaranteed by and do not constitute debts or obligations of the FCA, the United States or any agency or instrumentality thereof other than Farmer Mac.

Structure Risks

An investment in Notes with principal or interest determined by reference to one or more interest rates, currencies (including exchange rates and swap indices between currencies or currency units), or other indices, either directly or inversely, entails significant risks not associated with an investment in a conventional fixed or floating rate debt security. Such risks include, without limitation, the possibility that such index or indices may be subject to significant changes, that the resulting interest rate will be less than that payable on a conventional fixed or floating rate debt security issued by Farmer Mac at the same time or that no interest will be payable, that the repayment of principal can occur at times other than that expected by the investor, and that the investor could lose all or a substantial portion of the principal of its Note (whether payable at maturity or upon redemption). Such risks depend on a number of interrelated factors, including financial, economic and political events, over which Farmer Mac has no control. In addition, if the formula used to determine the amount of principal or interest payable with respect to a Note contains a multiple or leverage factor, the effect of any change in such index or indices will be magnified. In recent years, certain interest rates and other indices have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular interest rate or other index that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

Any optional redemption feature of the Notes might affect the market value of such Notes. Since Farmer Mac may be expected to redeem Notes when prevailing interest rates are relatively low, an investor generally will not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on such Notes.

The Notes are not expected to have an established trading market when issued. There can be no assurance of a secondary market for the Notes or liquidity of such a market if one develops. See "Plan of Distribution."

The secondary market for the Notes will be affected by a number of factors independent of the creditworthiness of Farmer Mac and the value of any applicable index or indices, which may include the complexity and volatility of such index or indices, the method of calculating the principal or any interest to be paid in respect of such Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any redemption features of such Notes, the

amount of other securities linked to such index or indices and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of the Notes. In addition, certain Notes may be designed for specific investment objectives or strategies and therefore may have a more limited secondary market and experience more price volatility than conventional debt securities. Investors may not be able to sell Notes readily or at prices that will enable investors to realize their anticipated yield. No investor should purchase Notes unless such investor understands and is able to bear the risk that certain Notes may not be readily salable, that the value of Notes will fluctuate over time and that such fluctuations may be significant.

The prices at which instruments issued at a substantial discount from their principal amount payable at maturity trade in the secondary market tend to fluctuate more in relation to general changes in interest rates than do such prices for conventional interest-bearing securities of comparable maturities.

Investors whose investment activities are subject to legal investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Investors should review and consider such restrictions prior to investing in the Notes. In addition, any institution that is subject to the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration or other federal or state agencies with similar authority should review and consider the applicability of rules, guidelines, regulations and policy statements adopted by their respective regulators prior to investing in the Notes.

Exchange Rate Risks and Exchange Controls

As described herein, the principal of or any interest on notes may be payable in, or determined by reference or indexed to, one or more Specified Currencies (as defined under "Description of the Notes - Foreign Currency, Currency Indexed and Other Indexed Notes") (including exchange rates and swap indices between currencies or currency units). For investors whose financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency in which the related Notes are denominated, or where principal or interest in respect of Notes is payable by reference to the value of one or more Specified Currencies other than by referenced solely so the Investor's Currency, an investment in such Notes entails significant risks that are not associated with a similar investment in a debt security denominated and payable in such Investor's Currency. Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the applicable Specified Currency and the Investor's Currency and the possibility of the imposition or modification of exchange controls by authorities with jurisdiction over such Specified Currency or the Investor's Currency. Such risks generally depend on a number of factors, including financial, economic and political events over which Farmer Mac has no control. In addition, if the formula used to determine the amount of principal or interest payable with respect to a Note contains a multiple or leverage factor, the effect of any change in the applicable Specified Currency, index or formula will be magnified. Any secondary market for the Notes that may develop will be affected by a number of factors independent of the creditworthiness of Farmer Mac and the value of the applicable Specified Currency, index or formula, including the volatility of such Specified Currency, index or formula, the method of calculating the principal amount or any interest to be paid in respect of such Notes, the time remaining to maturity of such Notes, the outstanding amount of such Notes, the amount of other securities linked to such Specified Currency, index or formula and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of the Notes. In recent years, rates of exchange have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future. An appreciation in the value of the Investor's Currency relative to the value of the applicable Specified Currency would result in a decrease in the Investor's Currency-equivalent yield on a Note denominated, or the principal or interest of which is payable, in such Specified Currency, in the Investor's Currency-equivalent value of the principal of such Note payable at maturity and generally in the Investor's Currency-equivalent market value of such Note. A depreciation in the value of the Investor's Currency relative to the value of the applicable Specified Currency would have the opposite effect. In addition, depending on the specific terms of a Note denominated in, or the payment of which is determined by reference to the value of, one or more Specified Currencies (other than solely the Investor's Currency), indices (including exchange rates and swap indices between currencies or currency units) or formulas, changes in exchange rates relating to any of the currencies or currency units involved may result in a loss

of all or a substantial portion of the principal of such Note to the Investor.

Government or monetary authorities have imposed from time to time, and may in the future impose, exchange controls that would affect exchange rates, as well as the availability of the Specified Currency for payments of principal or interest ("Specified Payment Currency") at the time of payment of principal or interest in respect of a Note. Even if there are no actual exchange controls, it is possible that the Specified Payment Currency for any particular Note may no longer be used by the government issuing such Specified Payment Currency or used for settlement of transactions by public institutions of or within the international banking community, or that such Specified Payment Currency is not expected to be available for any other reason, when payments on such Note are due. In such cases, Farmer Mac will be entitled to satisfy its obligations in respect of such Note in U.S. dollars. See "Description of the Notes - Foreign Currency, Currency Indexed and Other Indexed Notes."

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

Farmer Mac is a federally chartered instrumentality of the United States created by Congress with the enactment in 1988 of Title VIII of the Farm Credit Act of 1971, as amended (the "Act"). Farmer Mac was created to establish a secondary market for agricultural real estate mortgage loans, including rural housing loans. Farmer Mac provides liquidity to the agricultural mortgage market by: (i) purchasing newly originated agricultural mortgage loans directly from lenders on a continuing basis through its "cash window"; (ii) exchanging agricultural mortgage loans for Farmer Mac-guaranteed securities backed by the same loans through "swap transactions"; (iii) purchasing portfolios of seasoned agricultural mortgage loans on a negotiated basis and (iv) purchasing mortgage-backed bonds ("AgVantage Mortgage-Backed Bonds") secured by Qualified Loans through its "AgVantage" program. Agricultural mortgage loans purchased by Farmer Mac are aggregated into pools that back Farmer Mac-guaranteed securities, which are sold periodically into the capital markets.

Farmer Mac conducts its business through two programs, "Farmer Mac I" and "Farmer Mac II." The Farmer Mac I Program involves the purchase of Qualified Loans, which are not guaranteed by any instrumentality or agency of the United States, or obligations backed by such Qualified Loans or by "guaranteed portions" of loans guaranteed by the U.S. Department of Agriculture and the securitization of such loans or obligations. The Farmer Mac II Program involves the purchase of guaranteed portions and the issuance of securities backed by such guaranteed portions. Farmer Mac's sources of revenue are: (i) fees it receives in connection with the issuance of its guarantees; (ii) gains on the sales of Farmer Mac Guaranteed Securities backed by loans it purchases; and (iii) net interest income earned on its portfolio of Farmer Mac Guaranteed Securities issued under both the Farmer Mac I and Farmer Mac II Programs, investments, loans purchased pending securitization and mortgage-backed bonds purchased under AgVantage.

The Farmer Mac I and Farmer Mac II Programs are described in detail in Farmer Mac's most recent Annual Report on Form 10-K as referred to below. See "Incorporation of Certain Documents by Reference."

The principal office of Farmer Mac is located at 919 18th Street, N.W., Washington, D.C. 20006. Its telephone number is (202) 872-7700.

AVAILABLE INFORMATION

Farmer Mac is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements and other information filed by Farmer Mac with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; Suite 1400, the Citicorp Center, 500 West Madison Street, Chicago, Illinois 60661; and Seven World Trade Center, New York, New York 10048. Copies of such materials can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates or by accessing the Commission's website on the internet at <http://www.sec.gov>. Any of these documents prepared

and made available by Farmer Mac can be obtained by accessing Farmer Mac's website on the internet at <http://www.farmermac.com> or by writing or calling Farmer Mac at its principal office as noted above.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

Pursuant to the requirements of the Exchange Act, Farmer Mac prepares an Annual Report on Form 10-K that describes Farmer Mac, its business and operations and contains Farmer Mac's audited financial statements. On a quarterly basis and also in accordance with such requirements, Farmer Mac prepares Quarterly Reports on Form 10-Q that include unaudited financial data and other information concerning its business and operations. **Investors should purchase Notes only after reading this Offering Circular, any applicable Pricing Supplement, Farmer Mac's current Annual Report on Form 10-K, any subsequent Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.** The current Annual Report on Form 10-K (and any portions of Farmer Mac's definitive proxy statement for an annual meeting of stockholders that are incorporated by reference in the Form 10-K), any subsequent Quarterly Reports on Form 10-Q and any other documents filed by Farmer Mac pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the end of the last fiscal year covered by the current Annual Report on Form 10-K are incorporated herein by reference. Any statement incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained herein or in any other subsequently filed document that also is incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Investors can obtain any of the foregoing documents by writing or calling the Corporate Secretary of Farmer Mac at its principal office as noted above or by accessing the Commission's or Farmer Mac's website at the addresses noted above in "Available Information."

DESCRIPTION OF THE NOTES

The following description will apply to the Notes unless otherwise specified in the Pricing Supplement related to an issue of Medium-Term Notes or in any amendment or supplement hereto. With respect to any particular issue of Medium-Term Notes, the description herein can be superseded or replaced, in whole or in part, by such Pricing Supplement, amendment or supplement. Investors should read such Pricing Supplement, amendment or supplement in conjunction with this Offering Circular.

General

The Notes will be issued pursuant to authority vested in Farmer Mac by Section 8.6(e) of the Act. There is no specific limit on the aggregate principal amount of Notes that may be issued, provided that the Notes may not have an aggregate principal amount (or issue price in the case of Notes issued at a discount) outstanding at any time in excess of \$4,000,000,000. The Notes will be unsecured and will rank pari passu among themselves and with all other unsecured and unsubordinated indebtedness of Farmer Mac from time to time outstanding. The terms of the Notes will be established by Farmer Mac in accordance with the provisions of a Master Terms Agreement and any applicable Supplemental Agreement. Copies of the Master Terms Agreement and any applicable Supplemental Agreement are available by contacting the principal office of Farmer Mac in Washington, D.C. By receiving and accepting a Note, each Holder, financial intermediary and Beneficial Owner thereof agrees to be bound by the terms and conditions of the Master Terms Agreement, as supplemented, modified or amended, pursuant to its terms, from time to time. Certain provisions of the Master Terms Agreement are summarized herein under "Master Terms Agreement."

Although Farmer Mac may borrow up to \$1,500,000,000 from the Treasury, subject to certain conditions, to enable it to fulfill its guarantee Obligations, Farmer Mac may not borrow from Treasury to pay debt obligations, such as the Notes, issued by Farmer Mac. The Notes, together with interest thereon, are not guaranteed by and do not constitute debts or obligations of the FCA, the United States or any agency or instrumentality thereof other than Farmer Mac.

Except in the case of Notes sold directly by Farmer Mac on its own behalf, the purchaser of a Note shall make payment on the applicable settlement date to the appropriate Agent in funds immediately available in The City of New York, of the sale price for such Note, which will be transmitted by such Agent on behalf of the purchaser to Farmer Mac, net of the appropriate Agent's commission, on the same date. Unless otherwise agreed by Farmer Mac and a purchaser or otherwise specified in the applicable Pricing Supplement, settlement of a Note shall occur in The City of New York three (3) Business Days (as defined in "-Business Day Convention") after Farmer Mac's acceptance of an offer.

Farmer Mac may require a Holder of a Note, as a condition to the payment of principal or interest on such Note or as a condition to the transfer or exchange of such Note, to present a certificate in the form prescribed by Farmer Mac to enable Farmer Mac to determine the duties and liabilities with respect to any taxes or other charges which may be required to be deducted or withheld under United States law or any reporting or other requirements thereunder.

The Notes will not limit other indebtedness or securities that may be incurred or issued by Farmer Mac and will contain no financial or similar restrictions on Farmer Mac or any restrictions on its ability to secure other indebtedness.

The Notes are exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The Notes will not be issued under an indenture, and no trustee is provided with respect to the Notes.

Except in certain limited circumstances relating to Medium-Term Notes, the Notes will be issued and will clear and settle in book-entry form through the Federal Reserve Banks' book-entry system. The Federal Reserve Banks will act as fiscal agents for the Notes pursuant to the Fiscal Agency Agreement between Farmer Mac and the Federal Reserve Bank of New York acting on behalf of the Federal Reserve Banks. See "-Form of Notes, Holders, Minimum Principal Amounts and Transfers."

Discount Notes

The Discount Notes are unsecured general obligations of Farmer Mac issued pursuant to the Act. The Discount Notes are offered on a continuous basis and have maturities of one year or less. The Discount Notes are issued in principal amounts of \$1,000 and additional integral multiples thereof.

The maturities and purchase prices of Discount Notes are established on a continuous basis by Farmer Mac. Information with respect to the maturities available and current prices can be obtained from the Agents through whom Farmer Mac offers the Discount Notes.

Discount Notes are sold on a discounted basis. The purchase price of a Discount Note will be the difference between the principal amount of the Discount Note and the result derived from the following formula:

$$\begin{array}{rcccl} \text{Principal Amount of Discount} & & & & \text{Number of Days Between} \\ \text{Note} & & \text{Percentage} & & \text{Issue Date and Maturity} \\ & & \text{of Discount} & & \text{Date of Discount Note} \\ & \times & & \times & \\ & & & & \text{360 days} \end{array}$$

Farmer Mac will only offer a Discount Note having a maturity date on a Business Day.

Medium-Term Notes

Medium-Term Notes may be issued, from time to time, with dates of maturity ("Maturity Dates") of nine months or more from the date of issue pursuant to this Offering Circular and the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, interest-bearing Medium-Term Notes will either be Fixed Rate Notes or Floating Rate Notes as specified in the applicable Pricing Supplement. The applicable Pricing Supplement will specify whether a Floating Rate Note is a Regular Floating Rate Note, a Floating Rate/Fixed Rate Note or an Inverse Floating Rate Note and whether the Interest Rate Basis is one or more of the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate or the Treasury Rate or any other interest rate basis or formula, as adjusted by any Spread and/or Spread Multiplier. Interest on each Floating Rate Note will accrue from its date of issue and, unless otherwise specified in the applicable Pricing Supplement, will be payable in arrears monthly, quarterly, semiannually or

annually, as specified in the applicable Pricing Supplement, and at maturity. Unless otherwise specified in the applicable Pricing Supplement, the rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually, as specified in the applicable Pricing Supplement. Interest on each Fixed Rate Note will accrue from its date of issue and will be payable in arrears as specified in the applicable Pricing Supplement and at maturity. The Medium-Term Notes may also be issued with original issue discount, and such Medium-Term Notes may or may not pay any interest.

Farmer Mac may issue Medium-Term Notes with principal and interest payable in U.S. dollars, or with principal or interest, or both, payable in a currency other than U.S. dollars or a composite currency (e.g., European Currency Units) or determined by reference to the exchange rate of the U.S. dollar for one or more foreign or composite currencies or Medium-Term Notes with the principal amount payable at maturity and/or interest thereon to be determined by reference to specified indices. See "-Foreign Currency, Currency Indexed and Other Indexed Notes."

Farmer Mac from time to time will establish issue prices, Maturity Dates, redemption amounts, if any, Optional Redemption Dates or Optional Redemption Periods (as defined below under "-Optional Redemption"), if any, interest rates for Fixed Rate Notes or Amortizing Notes, interest rate formulae and any Maximum or Minimum Interest Rates for Floating Rate Notes, currencies for principal and interest payments, and other terms that may vary. Farmer Mac will make these terms available through any Agent or Agents. Farmer Mac may change the terms of Medium-Term Notes to be issued, but no such change will affect the terms of any already issued Medium Term Note or any Medium-Term Note as to which Farmer Mac has accepted an offer to purchase. At the time Farmer Mac accepts an offer to purchase a Medium-Term Note, Farmer Mac and the purchaser will agree upon certain final terms of the Medium-Term Note, which Farmer Mac will set forth in a Pricing Supplement, and which will be sent to each purchaser of a Medium-Term Note by the Agent from or through which such Medium-Term Note was purchased.

Medium-Term Notes may be issued at a discount from their principal amount and any such Medium-Term Notes may, and Zero Coupon Notes will, be treated as original issue discount Notes (as described in "Certain United States Federal Income Tax Considerations"), and may be subject to special United States Federal income tax considerations, as described herein or in any applicable Pricing Supplement. Special United States Federal income tax considerations or other restrictions applicable to any Foreign Currency Notes will be described in a Pricing Supplement relating thereto. For any Foreign Currency Notes that have principal or interest, or both, payable in a composite currency, a Pricing Supplement relating thereto will describe the component currencies, if any, of such composite currency in which payments of composite currency amounts will be made or the manner in which such component will be chosen. If applicable, a Pricing Supplement relating to such Notes also will describe how equivalent composite and component currency amounts will be determined, how any substitute currency will be determined if the composite currency ceases to be used and how adjustments to such a composite or component currency will affect such Notes.

Fixed Rate Notes

Each Fixed Rate Note will bear interest from the date of issue at the rate per annum stated on the face thereof until the principal amount thereof is paid or made available for payment. Interest on Fixed Rate Notes will be payable in arrears on the Interest Payment Dates specified in the applicable Pricing Supplement to the persons in whose names the Notes are registered at the close of business on the Business Day immediately preceding the applicable Interest Payment Date; provided, however, that interest payable on the Maturity Date (or the Optional Redemption Date, if applicable) will be payable to the person to whom principal shall be payable. Interest is also payable on the Maturity Date (or, if applicable, the Optional Redemption Date). Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes shall be calculated on the basis of a 360-day year of twelve 30-day months.

Floating Rate Notes

Unless otherwise specified in the applicable Pricing Supplement, Floating Rate Notes will be issued as described below. The applicable Pricing Supplement will specify certain terms with respect to which each Floating Rate Note is being delivered, including: whether such Floating Rate Note is a "Regular Floating Rate Note," a "Floating Rate/Fixed Rate Note" or an "Inverse Floating Rate Note," Fixed Rate Commencement Date and Fixed Interest Rate, as applicable, Interest Rate

Basis or Bases, Initial Interest Rate, Interest Reset Period and Dates, Record Dates, Interest Payment Period and Dates, Index Maturity, maximum interest rate and minimum interest rate, if any, and Spread and/or Spread Multiplier, if any, and if one or more of the applicable Interest Rate Bases is LIBOR or the CMT Rate, the Index Currency and the Designated LIBOR Page or the Designated CMT Maturity Index and Designated CMT Telerate Page, respectively,, as described below.

The interest rate borne by the Floating Rate Notes will be determined as follows:

(i) Unless such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note," an "Inverse Floating Rate Note" or as having an Addendum attached, such Floating Rate Note will be designated as a "Regular Floating Rate Note" and, except as described below or in the applicable Pricing Supplement, will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any. Commencing on the first Interest Reset Date, the rate at which interest on such Regular Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period from the date of issue to the first Interest Reset Date will be the Initial Interest Rate.

(ii) If such Floating Rate Note is designated as a "Floating Rate/Fixed Rate Note," then, except as described below or in the applicable Pricing Supplement, such Floating Rate Note will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date, the rate at which interest on such Floating Rate/Fixed Rate Note shall be payable shall be reset as of each Interest Reset Date; provided, however, that (y) the interest rate in effect for the period from the date of issue to the first Interest Reset Date will be the Initial Interest Rate and (z) the interest rate in effect commencing on the Fixed Rate Commencement Date to the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Pricing Supplement or, if no such Fixed Interest Rate is so specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If such Floating Rate Note is designated as an "Inverse Floating Rate Note," then, except as described below or in the applicable Pricing Supplement, such Floating Rate Note will bear interest equal to the Fixed Interest Rate specified in the applicable Pricing Supplement minus the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; provided, however, that, unless otherwise specified in the applicable Pricing Supplement, the interest rate thereon will not be less than zero. Commencing on the first Interest Reset Date, the rate at which interest on such Inverse Floating Rate Note is payable shall be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period from the date of issue to the first Interest Reset Date will be the Initial Interest Rate.

The "Spread" is the number of basis points to be added to or subtracted from the related Interest Rate Basis or Bases to determine the applicable interest rate on such Floating Rate Note. The "Spread Multiplier" means a constant or variable number by which such Interest Rate Basis or Bases will be multiplied to determine the applicable interest rate on such Floating Rate Note. The "Index Maturity" is the period to maturity of the instrument or obligation with respect to which the related Interest Rate Basis or Bases will be calculated. The Spread, Spread Multiplier, Index Maturity and other variable terms of the Floating Rate Notes are subject to change by Farmer Mac from time to time, but no such change will affect any Floating Rate Note previously issued or as to which an offer has been accepted by Farmer Mac.

Notwithstanding the foregoing, if such Floating Rate Note is designated as having an Addendum attached as specified on the face thereof, such Floating Rate Note shall bear interest in accordance with the terms described in such Addendum and the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the interest rate with respect to each Interest Rate Basis will be determined in accordance with the applicable provisions below. Except as set forth above or in the applicable Pricing Supplement, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (ii)

if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

Interest on Floating Rate Notes will be determined by reference to the applicable Interest Rate Basis or Interest Rate Bases, which may, as described below, include: (i) the CD Rate ("CD Rate Notes"), (ii) the CMT Rate ("CMT Rate Notes"), (iii) the Commercial Paper Rate ("Commercial Paper Rate Notes"), (iv) the Federal Funds Rate ("Federal Funds Rate Notes"), (v) LIBOR ("LIBOR Notes") (vi) the Prime Rate ("Prime Rate Notes"), (vii) the Treasury Rate ("Treasury Rate Notes"), or (viii) such other Interest Rate Basis or interest rate formula as may be set forth in the applicable Pricing Supplement; provided, however, that with respect to a Floating Rate/Fixed Rate Note, the interest rate commencing on the Fixed Rate Commencement Date to the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Pricing Supplement or, if no such Fixed Interest Rate is so specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date.

The applicable Pricing Supplement will specify whether the rate of interest on the related Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually, annually or such other specified period (each, an "Interest Reset Period") and the dates on which such rate of interest will be reset (each, an "Interest Reset Date"). Unless otherwise specified in the applicable Pricing Supplement, the Interest Reset Date will be, in the case of Floating Rate Notes which reset: (i) daily, each Business Day; (ii) weekly, the Wednesday of each week (with the exception of weekly reset Floating Rate Notes as to which the Treasury Rate is an applicable Interest Rate Basis, which will reset the Tuesday of each week, except as described below); (iii) monthly, the third Wednesday of each month; (iv) quarterly, the third Wednesday of the four months specified in the applicable Pricing Supplement; (v) semiannually, the third Wednesday of the two months specified in the applicable Pricing Supplement; and (vi) annually, the third Wednesday of the month specified in the applicable Pricing Supplement; provided however, that, with respect to Floating Rate/Fixed Rate Notes, the fixed rate of interest in effect for the period from the Fixed Rate Commencement Date to the Maturity Date shall be the Fixed Interest Rate or, if no such Fixed Interest Rate is specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date, as specified in the applicable Pricing Supplement. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding day that is a Business Day, except that in the case of a Floating Rate Note as to which LIBOR is an applicable Interest Rate Basis, if such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

The interest rate applicable to each Interest Reset Period commencing on the Interest Reset Date with respect to such Interest Reset Period will be the rate determined as of the applicable Interest Determination Date on or prior to the Calculation Date (as defined below) or, in the case of LIBOR Notes on such date. The "Interest Determination Date" with respect to the CD Rate, the CMT rate, the Commercial Paper Rate, the Federal Funds Rate and the Prime Rate will be the second Business Day immediately preceding the applicable Interest Reset Date; and the "Interest Determination Date" with respect to LIBOR will be the second London Business Day (as defined in "Business Day Convention") immediately preceding the applicable Interest Reset Date. With respect to the Treasury Rate, the "Interest Determination Date" will be the day in the week in which the applicable Interest Reset Date falls on which day Treasury Bills (as defined below) are normally auctioned (Treasury Bills are normally sold at an auction held on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the applicable Interest Reset Date, the Interest Determination Date will be such preceding Friday; and provided, further, that if an auction falls on the applicable Interest Reset Date, then the Interest Reset Date will instead be the first Business Day following such auction. The "Interest Determination Date" pertaining to a Floating Rate Note the interest rate of which is determined by reference to two or more Interest Rate Bases will be the most recent Business day which is at least two Business Days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Interest Rate Basis is determinable. Each Interest Rate Basis will be determined on such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

A Floating Rate Note may also have either or both of the following: (i) a maximum numerical limitation, or ceiling, on the rate at which interest may accrue during any interest period; and (ii) a minimum numerical limitation, or floor, on the rate at which interest may accrue during any interest period. In addition to any maximum interest rate that may be

applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law, the maximum rate of interest, subject to certain exceptions, for any loan in an amount less than \$250,000, is 16%, and for any loan in the amount of \$250,000 or more but less than \$2,500,000, is 25%, per annum on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

Except as provided below or in the applicable Pricing Supplement, interest will be payable, in the case of Floating Rate Notes which reset: (i) daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of the four months specified in the applicable Pricing Supplement; (ii) quarterly, on the third Wednesday of the four months specified in the applicable Pricing Supplement; (iii) semiannually, on the third Wednesday of the two months specified in the applicable Pricing Supplement; and (iv) annually, on the third Wednesday of the month specified in the applicable Pricing Supplement (each, an "Interest Payment Date") and, in each case, on the Maturity Date.

With respect to each Floating Rate Note, accrued interest is calculated by multiplying its principal amount by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. Unless otherwise specified in the applicable Pricing Supplement, the interest factor for each such day will be computed by dividing the interest rate applicable to such day by 360, in the case Notes for which the Interest Rate Basis is the CD Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR or the Prime Rate, or by the actual number of days in the year in the case of Notes for which the Interest Rate Basis is the CMT Rate or the Treasury Rate. Unless otherwise specified in the applicable Pricing Supplement, the interest factor for Notes for which the interest rate is calculated with reference to two or more Interest Rate Bases will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied as specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, Farmer Mac will be the "Calculation Agent." Upon the request of the Holder of any Floating Rate Note, Farmer Mac will provide the interest rate then in effect, and, if determined, the interest rate that will become effective as a result of a determination made for the next Interest Reset Date with respect to such Floating Rate Note. Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date," where applicable, pertaining to any Interest Determination Date will be the earlier of (i) the Business Day preceding the Interest Payment Date or Maturity Date (or Optional Redemption Date), as the case may be or (ii) the tenth calendar day after such Interest Determination Date, or, if any such day is not a Business Day, the next succeeding Business Day.

CD Rate. CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in the CD Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "CD Rate" means, with respect to any Interest Determination Date relating to a CD Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the CD Rate (a "CD Interest Determination Date"), the rate on such date for negotiable certificates of deposit having the Index Maturity specified in the applicable Pricing Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication ("H.15(519)") under the heading "CDs (Secondary Market)," or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such CD Interest Determination Date, the CD Rate will be the rate on such CD Interest Determination Date for negotiable certificates of deposit of the Index Maturity specified in the applicable Pricing Supplement as published by the Federal Reserve Bank of New York in its daily statistical release "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication ("Composite Quotations") under the heading "Certificates of Deposit." If such rate is not yet published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on the Calculation Date, then the CD Rate on such CD Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in New York City (which may include an Agent or its affiliates) selected by such Calculation Agent for negotiable certificates of deposit of major United States money center banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the Index Maturity designated in the Pricing Supplement an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers

selected as aforesaid by such Calculation Agent are not quoting as set forth above, the CD Rate will remain the CD Rate then in effect on such CD Interest Determination Date.

CMT Rate. CMT Rate Notes will bear interest at the interest rates (calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any) specified in the CMT Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "CMT Rate" means, with respect to any Interest Determination Date relating to a CMT Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the CMT Rate (a "CMT Rate Interest Determination Date"), the rate displayed on the Designated CMT Telerate Page (as defined below) under the caption "...Treasury Constant Maturities...Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.," under the column for the Designated CMT Maturity Index (as defined below) for (i) if the Designated CMT Telerate Page is 7055, the rate on such CMT Rate Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, the week or the month, as applicable, ended immediately preceding the week in which the related CMT Rate Interest Determination Date occurs. If such rate is no longer displayed on the relevant page, or if not displayed by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate for such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the CMT Rate Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in the relevant H.15(519). If such information is not provided by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate for the CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Rate Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers (each, a "Reference Dealer") in The City of New York (which may include an Agent or its affiliates) selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent cannot obtain three such Treasury Note quotations, the CMT Rate for such CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Rate Interest Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100 million. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated; provided however, that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as described herein, the CMT Rate will be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two Treasury Notes with an original maturity as described in the third preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

"Designated CMT Telerate Page" means the display on the Dow Jones Markets Limited on the page designated in the applicable Pricing Supplement (or any other page as may replace such page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)) for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no such page is specified in the applicable Pricing Supplement, the Designated CMT Telerate Page shall be 7052, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20, or 30 years) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be

calculated. If no such maturity is specified in the applicable Pricing Supplement, the Designated CMT Maturity Index shall be 2 years.

Commercial Paper Rate. Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in the Commercial Paper Rate Notes and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Interest Determination Date relating to a Commercial Paper Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the Commercial Paper Rate (a "Commercial Paper Interest Determination Date"), the Money Market Yield (calculated as described below) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Supplement, as such rate shall be published in H.15(519) under the heading "Commercial Paper - Nonfinancial" In the event that such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield on such Commercial Paper Interest Determination Date of the rate for commercial paper of the specified Index Maturity as published in Composite Quotations under the heading "Commercial Paper" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on such Calculation Date such rate is not yet published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate for that Commercial Paper Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date of three leading dealers of commercial paper in New York City (which may include an Agent or its affiliates) selected by the Calculation Agent for commercial paper of the Maturity specified in the applicable Pricing Supplement placed for a non-financial entity whose bond rating is "Aa," or the equivalent, from a nationally recognized rating organization; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate with respect to such Commercial Paper Interest Determination Date will remain the Commercial Paper Rate then in effect on such Commercial Paper Interest Determination Date.

"Money Market Yield" will be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and "M" refers to the actual number of days in the interest period for which interest is being calculated.

Federal Funds Rate. Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any) specified in the Federal Funds Rate Notes and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Federal Funds Rate" means, with respect to any Interest Determination Date relating to a Federal Funds Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the Federal Funds Rate (a "Federal Funds Interest Determination Date"), the rate on that day for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Federal Funds Interest Determination Date, the Federal Funds Rate will be the rate on such Federal Funds Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate." If such rate is not yet published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Federal Funds Interest Determination Date, the Federal Funds Rate for such Federal Funds Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by each of three leading dealers of Federal Funds transactions in New York City (which may include an Agent or its affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Interest Determination Date; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting

as mentioned in this sentence, the Federal Funds Rate with respect to such Federal Funds Interest Determination Date will remain the Federal Funds Rate then in effect on such Federal Funds Interest Determination Date.

LIBOR. LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in the LIBOR Notes and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "LIBOR" means the rate determined by the Calculation Agent in accordance with the following provisions:

(i) With respect to an Interest Determination Date relating to a LIBOR Note or any Floating Rate Note for which the interest rate is determined with reference to LIBOR (a "LIBOR Interest Determination Date"), LIBOR will be either: (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency having the Index Maturity designated in the applicable Pricing Supplement, commencing on the second London Business Day (as defined in "-Business Day Convention") immediately following such LIBOR Interest Determination Date that appear on the Designated LIBOR Page specified in the applicable Pricing Supplement as of 11:00 A.M. London time, on such LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified as the method for calculating LIBOR, the rate for deposits in the Index Currency having the Index Maturity designated in the applicable Pricing Supplement, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date that appears on the Designated LIBOR Page specified in the applicable Pricing Supplement as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If fewer than two such offered rates appear, or if no such rate appears, as applicable, LIBOR in respect of the related LIBOR Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the applicable Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity designated in the applicable Pricing Supplement, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center selected by the Calculation Agent for loans in the Index Currency to leading European banks, having the Index Maturity designated in the applicable Pricing Supplement and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Index Currency" means the currency (including composite currencies) specified in the applicable Pricing Supplement as the currency for which LIBOR shall be calculated. If no such currency is specified in the applicable Pricing Supplement, the Index Currency shall be United States dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement,

the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified as the method for calculating LIBOR, the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency.

"Principal Financial Center" will generally be the capital city of the country of the specified Index Currency, except that with respect to United States dollars, Australian dollars, Canadian dollars, Deutsche Marks, Dutch Guilders, Italian Lire, Swiss Francs and ECUs, the Principal Financial Center shall be the City of New York, Sydney, Toronto, Frankfurt, Amsterdam, Milan, Zurich and Luxembourg, respectively.

Prime Rate. Prime Rate Notes will bear interest at the interest rates (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in the Prime Rate Notes and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Prime Rate" means, with respect to any Interest Determination Date relating to a Prime Rate Note or any Floating Rate Note for which the interest rate is determined by reference to the Prime Rate (a "Prime Interest Determination Date"), the rate set forth on such date in H.15(519) under the heading "Bank Prime Loan." In the event that such rate is not published prior to 3:00 P.M., New York City time, on the Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 Page (as defined below) as such bank's prime rate or base lending rate as in effect for that Prime Interest Determination Date. If fewer than four such rates but more than one such rate appear on the Reuters Screen USPRIME1 Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Interest Determination Date by four major money center banks (which may include affiliates of the Agents) in New York City selected by the Calculation Agent. If fewer than four such rates appear on the Reuters Screen USPRIME1 Page, the Prime Rate will be determined by the Calculation Agent on the basis of the rates furnished in New York City by the appropriate number of substitute banks or trust companies (which may include affiliates of the Agents) organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least U.S. \$500,000,000 and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to provide such rate or rates; provided, however, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate will remain the Prime Rate in effect on such Prime Interest Determination Date. "Reuters Screen USPRIME1 Page" means the display designated as page "USPRIME1" on the Reuters Monitor Money Rates Service (or any successor service) on the "USPRIME1" page (or such other page as may replace the USPRIME1 page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Treasury Rate. Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in the Treasury Rate Notes and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Interest Determination Date relating to a Treasury Rate Note or any Floating Rate Note for which the interest rate is determined by reference to the Treasury Rate (a "Treasury Interest Determination Date"), the rate applicable to the most recent auction of direct obligations of the United States ("Treasury bills") having the Index Maturity specified in the applicable Pricing Supplement, as such rate is published in H.15(519) under the heading "Treasury Bills-auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. Treasury bills are usually sold at auction on Monday of each week unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. In the event that the results of the auction of Treasury bills having the specified Index Maturity are not reported as provided above by 3:00 P.M., New York City time, on such Calculation Date, or if no auction is held in a particular week, then the Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent on the basis

of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Interest Determination Date, of three leading primary United States government securities dealers (which may include an Agent or its affiliates) selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the applicable Index Maturity; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate with respect to such Treasury Interest Determination Date will remain the Treasury Rate then in effect on such Treasury Interest Determination Date.

Maturity

A Medium-Term Note will mature on the Maturity Date set forth in the Pricing Supplement for such Note unless the Pricing Supplement relating to such Note provides that (i) such Note is subject to redemption prior to maturity as described under "-Optional Redemption" and such Note is so redeemed or (ii) Farmer Mac has the option to extend the Maturity Date of such Note as described under "- Extension of Maturity" and such option is exercised.

Business Day Convention

Unless otherwise specified in the applicable Pricing Supplement, in any case in which an Interest Payment Date or the Maturity Date (or, if applicable, the Optional Redemption Date) is not a Business Day, payment of any interest on or the principal of the Medium-Term Notes will not be made on such date but will be made on the next Business Day as if it were made on the date such payment was due. Unless otherwise specified in the applicable Pricing Supplement, no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or Maturity Date (or Optional Redemption Date), as the case may be, to the date of such payment on the next succeeding Business Day.

"Business Day" means (unless otherwise specified in a Pricing Supplement for an issue of Medium-Term Notes) any day, other than a Saturday or Sunday, that meets each of the following applicable requirements: the day is (i) not a day on which the Federal Reserve Bank of New York is authorized or required by law, regulation or executive order to be closed; (ii) not a day on which the Federal Reserve Bank at which a Holder's account is maintained is authorized or obligated by law, regulation or executive order to be closed; (iii) with respect to a Medium-Term Note denominated in a Specified Currency other than U.S. dollars (a) not a day on which banking institutions are authorized or required by law, regulation or executive order to close in the principal financial center of the country issuing such Specified Currency (which in the case of European Currency Units ("ECUs") shall be Luxembourg and London) and (b) a day on which banking institutions in such financial center are carrying out transactions in such Specified Currency; and (iv) with respect to LIBOR Notes, a London Business Day. "London Business Day" means any day on which dealings in deposits in the Index Currency are transacted in the London interbank market.

Rights of Acceleration

Under the Master Terms Agreement, Holders of not less than fifty percent (50%) of the outstanding principal amount of Medium-Term Notes may accelerate the maturity thereof upon the occurrence of an Event of Default (as defined in the Master Terms Agreement) which remains unremedied. The Master Terms Agreement does not define events of default or specify the remedies available to Holders in the event of default by Farmer Mac with respect to an issue of Discount Notes. See "Master Terms Agreement."

Optional Redemption

If so provided in the applicable Pricing Supplement relating to Medium-Term Notes, Medium-Term Notes may be redeemable in whole or in part at the option of Farmer Mac or, in certain limited circumstances, at the option of the Holders, or at the option of both Farmer Mac and the Holders, on a date prior to maturity (an "Optional Redemption Date") or during a specified time period prior to maturity (an "Optional Redemption Period") and at a redemption amount as set forth in the applicable Pricing Supplement relating to such Notes. If no Optional Redemption Date or Optional Redemption Period for any Medium-Term Note is indicated in the applicable Pricing Supplement, such Note will not be redeemable at the option of Farmer Mac or the Holders prior to the Maturity Date. In order to elect the redemption of a Medium-Term Note redeemable at the option of Farmer Mac, Farmer Mac shall give notice of its intention to redeem such Note to the

Holder not less than five (5) Business Days nor more than sixty (60) days prior to the Optional Redemption Date or any date during the Optional Redemption Period as of which Farmer Mac intends to redeem such Note.

In order to elect the redemption of a Medium-Term Note redeemable at the option of the Holder, the Holder shall, not more than sixty (60) days nor less than five (5) Business Days prior to the Optional Redemption Date or any date during an Optional Redemption Period as of which the Holder desires to have Farmer Mac redeem such Note, provide notice to Farmer Mac as specified in the applicable Pricing Supplement of its intention to have such Note redeemed.

Extension of Maturity

The Pricing Supplement relating to each Medium-Term Note will indicate whether Farmer Mac has the option to extend the Maturity Date of such Note for one or more whole year periods (each, an "Extension Period") up to but not beyond the date (the "Final Maturity Date") set forth in such Pricing Supplement and the basis or formula, if any, for setting the interest rate or the Spread and/or Spread Multiplier, as the case may be, applicable to any such Extension Period. If Farmer Mac has such option, the Pricing Supplement will also indicate any material United States Federal income tax considerations that would be applicable to such extension.

Farmer Mac may exercise such option with respect to a Medium-Term Note by notifying the Holder of such exercise at least forty-five (45) but not more than sixty (60) days prior to the Maturity Date of such Note in effect prior to the exercise of such option (the "Original Maturity Date"). Such notice (the "Extension Notice") relating to such Extension Period shall be sent first class, postage prepaid and shall set forth: (i) the election of Farmer Mac to extend the Maturity Date of such Note, (ii) the new Maturity Date, (iii) in the case of a Fixed Rate Note, the interest rate applicable to the Extension Period or, in the case of a Floating Rate Note, the Spread and/or Spread Multiplier applicable to the Extension Period, and (iv) the provisions, if any, for redemption during the Extension Period, including the Optional Redemption Date or Dates or Optional Redemption Period or Periods and the price or prices at which such redemption may occur during the Extension Period. Upon the mailing of an Extension Notice to the Holder of a Medium-Term Note, the Maturity Date of such Note shall be extended automatically as set forth in the Extension Notice, and, except as modified by the Extension Notice and as described in the next paragraph, the terms of such Note will not be affected by the Extension Notice.

Notwithstanding the foregoing, not later than twenty (20) days prior to the Original Maturity Date for a Medium-Term Note, Farmer Mac may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the Extension Notice and establish a higher interest rate, in the case of a Fixed Rate Note, or a higher Spread and/or greater Spread Multiplier, in the case of a Floating Rate Note, for the Extension Period by mailing a notice of such higher interest rate or higher Spread and/or greater Spread Multiplier, as the case may be, first class, postage prepaid, to the Holder of such Note. Such notice shall be irrevocable. All Notes with respect to which the Maturity Date is extended will bear such higher interest rate, in the case of a Fixed Rate Note, or higher Spread and/or greater Spread Multiplier, in the case of a Floating Rate Note, for the Extension Period.

If Farmer Mac elects to extend the Maturity Date of a Medium-Term Note, the Holder of such Note may, if provided for in the applicable Pricing Supplement, have the option to elect the redemption of such Note by Farmer Mac on the Original Maturity Date at a price equal to the principal amount thereof plus any accrued interest to such date. In order for a Medium-Term Note to be so redeemed on the Original Maturity Date, the Holder thereof must follow the procedures set forth above under "-Optional Redemption," except that the period for delivery of such Note or notification to Farmer Mac shall be at least twenty-five (25) but not more than thirty-five (35) days prior to the Original Maturity Date and except that a Holder who has tendered a Note for redemption pursuant to an Extension Notice may, by written notice to Farmer Mac, revoke any such tender for redemption until the close of business on the fifth day prior to the Original Maturity Date.

Foreign Currency, Currency Indexed and Other Indexed Notes

If any Medium-Term Note is not to be denominated in U.S. dollars, certain provisions with respect thereto will be set forth in the applicable Pricing Supplement, including the currency or currency unit (each, a "Specified Currency"), including composite currencies such as the European Currency Unit, in which the principal, premium, if any, and interest with respect to such Note are to be paid, along with any other terms relating to the non-U.S. dollar denomination. The Pricing Supplement relating to such Note also will describe any material United States Federal income tax considerations

associated with investment in such Note.

The Notes may be issued with the principal amount payable at maturity and/or interest thereon to be determined with reference to the exchange rate of a Specified Currency relative to another currency or composite currency (the "Indexed Currency") or to an index (the "Currency Index"), each as set forth in the applicable Pricing Supplement ("Currency Indexed Notes"). Holders of such Notes may receive a principal amount at maturity (or upon redemption, if applicable) that is greater than or less than the face amount of the Note depending upon the relative value of the Specified Currency compared to the Indexed Currency or Currency Index. Information as to the method for determining the amount of interest payable and the principal amount payable at maturity (or upon redemption, if applicable), the relative value of the Specified Currency compared to the applicable Indexed Currency or Currency Index, any exchange controls applicable to the Specified Currency and any material United States income tax considerations associated with investment in Currency Indexed Notes will be set forth in the applicable Pricing Supplement. See "Risk Factors-Exchange Rate Risks and Exchange Controls."

The Notes also may be issued as Indexed Notes, other than Currency Indexed Notes, as to which the principal amount thereof and/or the interest thereon may be determined by reference to one or more equity or other indices and/or formulae or the price of one or more specified commodities or by such other methods or formulae as may be specified by Farmer Mac in the applicable Pricing Supplement. The Pricing Supplement relating to such Indexed Note will describe, as applicable, the method by which the amount of interest and principal payable in respect of such Indexed Note will be determined, any material United States income tax consequences to Holders of such Indexed Note, certain risks associated with an investment in such Indexed Note and information relating to such Indexed Note.

Payments on Amortizing Notes

Farmer Mac may from time to time offer Amortizing Notes. Payments of principal and interest in respect of Amortizing Notes will be made in equal installments over the term thereof. Unless otherwise specified in the applicable Pricing Supplement, interest on each Amortizing Note will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning additional terms and provisions of Amortizing Notes will be specified in the applicable Pricing Supplement. A table setting forth repayment information in respect of each Amortizing Note will be included in the applicable Pricing Supplement.

Form of Notes, Holders, Minimum Principal Amounts and Transfers

Farmer Mac will issue the Notes (other than certain Medium-Term Notes issued in certificated form and Foreign Currency, Currency Indexed and Other Indexed Notes issued through the Depository Trust Company) only in book-entry form through the Federal Reserve Banks' book-entry system. The Fiscal Agency Agreement between Farmer Mac and the Federal Reserve Bank of New York, acting on behalf of the Federal Reserve Banks as Farmer Mac's fiscal agent for Notes issued in book-entry form, makes generally applicable to the Notes (i) the Farmer Mac book-entry regulations (12 C.F.R. Part 615 Subpart S), (ii) the procedures, insofar as applicable, established from time to time by Treasury Department regulations governing obligations of the United States, as contained in Treasury Department Circular No. 300, and (iii) such other procedures as may be agreed upon from time to time by Farmer Mac and the Federal Reserve Bank of New York. These regulations and procedures relate primarily to the registration, transfer and pledge of Farmer Mac's Notes in book-entry form. A copy of Circular No. 300 may be obtained upon request from any Federal Reserve Bank, the Treasury Department or Farmer Mac.

A Note in book-entry form may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. The accounts of Holders on the Federal Reserve Banks' book-entry system are governed by applicable operating circulars and letters of the Federal Reserve Banks. A Federal Reserve Bank's book-entry records will reflect Holders' aggregate holdings of a Note by account.

A Holder is not necessarily the Beneficial Owner of a Note. Beneficial Owners of book-entry Notes ordinarily will, and Beneficial Owners of certificated Notes may, hold such Notes through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an investor may hold a Note through a brokerage firm which, in turn, holds the Note through an entity eligible to maintain book-entry accounts with a Federal Reserve Bank.

In that case, the investor would be the Beneficial Owner of the Note and the entity that appears as the holder on the records of a Federal Reserve Bank would be the Holder. A Holder that is not the Beneficial Owner of a Note, and each other financial intermediary in the chain between the Holder and the Beneficial Owner, will be responsible for establishing and maintaining accounts for their respective customers. The rights of the Beneficial Owner of a Note in book-entry form with respect to Farmer Mac and a Federal Reserve Bank may be exercised only through the Holder of a Note. Neither Farmer Mac nor any Federal Reserve Bank will have a direct obligation to a Beneficial Owner of a Note that is not also the Holder of the Note. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Note maintained on the Federal Reserve Banks' book-entry system.

Medium-Term Notes in book-entry form will be issued and must be maintained and transferred on the Federal Reserve Banks' book-entry system in minimum original principal (or minimum original notional principal) amounts as provided in the applicable Pricing Supplement. Discount Notes will be issued and must be maintained and transferred on the Federal Reserve Banks' book-entry system in minimum principal amounts of \$1,000 and additional integral multiples thereof. Transfers of Notes will also be subject to any applicable minimum wire transfer requirements of the Federal Reserve Banks.

If so provided in the applicable Pricing Supplement, a Medium-Term Note may be issued in certificated form. Certificated Medium-Term Notes will be transferable and exchangeable at the offices of Farmer Mac or an agent appointed by Farmer Mac, as specified in the applicable Pricing Supplement.

MASTER TERMS AGREEMENT

The following summary describes certain provisions of the Master Terms Agreement not otherwise described in this Offering Circular.

Binding Effect of the Agreement

By receiving and accepting a Note, each Holder, financial intermediary and Beneficial Owner of such Note unconditionally agrees, without any signature or further manifestation of assent, to be bound by the terms and conditions of the Master Terms Agreement, as supplemented, modified or amended from time to time pursuant to its terms (the "Master Terms Agreement").

The Master Terms Agreement will be binding upon and inure to the benefit of any successor to Farmer Mac.

Events of Default

Under the Master Terms Agreement, an "Event of Default" with respect to a specific issue of Medium-Term Notes will consist of (i) any failure by Farmer Mac to pay to Holders of such Medium-Term Notes any required payment that continues unremedied for 30 days; (ii) any failure by Farmer Mac to perform in any material respect any other covenant or agreement in the Master Terms Agreement or any Pricing Supplement, as the case may be, which failure continues unremedied for 60 days after the giving of notice of such failure to Farmer Mac by the Holders of not less than 25% of the outstanding principal amount (or notional principal amount) of such Medium-Term Notes; or (iii) certain events of bankruptcy, insolvency or similar proceedings involving Farmer Mac. The Master Terms Agreement does not define events of default or specify the remedies available to Holders in the event of default by Farmer Mac with respect to an issue of Discount Notes.

Rights Upon Event of Default - Medium-Term Notes

As long as an Event of Default under the Master Terms Agreement remains unremedied, Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of an issue of Medium-Term Notes to which such Event of Default relates may, by written notice to Farmer Mac, accelerate the maturity of such Medium-Term Notes and declare such Notes due and payable.

No Holder has any right under the Master Terms Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, or for the appointment of a receiver or trustee, or for any other remedy, unless (i) such Holder

previously has given to Farmer Mac written notice of the occurrence of an Event of Default and of the continuance thereof; (ii) the Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of an issue of Medium-Terms Notes to which such Event of Default relates have given written notice to Farmer Mac of such Event of Default; and (iii) such Event of Default continues unremedied for a period of 60 days following such notice. No Holder of an issue of Medium-Term Notes has any right in any manner whatsoever by virtue of or by availing itself of any provision of the Master Terms Agreement to affect, disturb or prejudice the rights of any other such Holder, or to obtain or seek to obtain preference or priority over any other such Holder or to enforce any right under the Master Terms Agreement, except in the manner provided in the Master Terms Agreement and for the ratable and common benefit of all such Holders.

Prior to or after the institution of any action or proceeding relating to an issue of Medium-Term Notes, the Holders of not less than 50% of the outstanding principal amount (or notional principal amount) of such Medium-Term Notes may waive an Event of Default, whether or not it has resulted in a declaration of an acceleration of the maturity of such Medium-Term Notes, and may rescind and annul any previously declared acceleration. Whenever in the Master Terms Agreement it is provided that the Holders of a specified percentage in outstanding principal amount (or notional principal amount) of an issue of Medium-Term Notes may take any action (including the making of any demand or request, or the giving of any authorization, notice, consent or waiver), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by a writing, or any number of writings of similar tenor, executed by Holders in person, or by an agent or proxy appointed in writing.

Amendment

Farmer Mac may modify, amend and supplement the Master Terms Agreement or the terms of an issue of Notes without the consent of the Holder or Holders (i) for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision or to make any other provision with respect to matters or questions arising under the Master Terms Agreement or the terms of any Note that are not inconsistent with any other provision of the Master Terms Agreement or such Note, (ii) to add to the covenants of Farmer Mac for the benefit of the Holders or surrender any right or power conferred upon Farmer Mac, (iii) to evidence the succession of another entity to Farmer Mac and its assumption of the covenants of Farmer Mac, (iv) for the purpose of conforming the terms of an issue of Notes to, or curing any ambiguity or discrepancy resulting from any changes in, the Farmer Mac Book-Entry Regulations or any regulation or document that the Farmer Mac Book-Entry Regulations make applicable to book-entry securities of Farmer Mac, (v) for the purpose of increasing the amount of an issue of Notes or (vi) in any manner that Farmer Mac may determine and that will not adversely affect in any material respect the interest of Holders at the time of such modification, amendment or supplement.

In addition, either (a) with the written consent of the Holders of at least a majority of the aggregate then outstanding principal amount of an issue of Notes affected thereby, excluding any such Notes owned by Farmer Mac, or (b) by the adoption of a resolution, at a meeting of Holders at which a quorum is present, by the Holders of at least a majority of the aggregate then outstanding principal amount of an issue of Notes represented at such meeting, excluding any Notes owned by Farmer Mac, Farmer Mac may from time to time and at any time modify, amend or supplement the terms of an issue of Notes for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of such Notes or modifying in any manner the rights of the Holders; provided, however, that no such modification, amendment or supplement may, without the written consent or affirmative vote of each Holder of a Note, (i) subject to the provisions under "Description of the Notes - Extension of Maturity" herein, change the Maturity Date or Interest Payment Date (if any) of such Note, (ii) materially modify the redemption provisions, if any, relating to the redemption price of, or any redemption date or period for, such Note, (iii) in the case of a Discount Note, reduce the principal amount of such Discount Note, or materially modify the percentage of discount at which such Discount Note was issued, (iv) in the case of a Medium-Term Note, reduce the principal amount of, or materially modify the rate of interest or the calculation of the rate of interest on, such Medium-Term Note or (v) reduce the percentage of Holders whose consent or affirmative vote is necessary to modify, amend or supplement the terms of an issue of Notes. A quorum at any meeting of Holders called to adopt a resolution will be Holders entitled to vote a majority of the then aggregate outstanding principal (or notional principal) amount of an issue of such Notes called to such meeting and, at any reconvened meeting adjourned for lack of a quorum, 25% of the then aggregate outstanding principal (or notional principal) amount of such issue of Notes, in both cases excluding any such Notes owned by Farmer Mac. It will not be necessary for the Holders to approve the particular form of any proposed

amendment, but it will be sufficient if such consent or resolution approves the substance of such change.

As provided in the Master Terms Agreement, Farmer Mac may establish a record date for the determination of Holders entitled to vote at any meeting of Holders of Discount Notes or Medium-Term Notes, to grant any consent in respect of Discount Notes or Medium-Term Notes and to notice with respect to any such meeting or consent.

An instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or supplement will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note or any Note issued, directly or indirectly, in exchange or substitution thereof, irrespective of whether or not any notation with respect thereto is made thereon. Any modification, amendment or supplement of the Master Terms Agreement or of the terms of Notes will be conclusive and binding on all Holders of Notes affected thereby, whether or not they have given such consent or were present at any meeting (unless by the terms of the Master Terms Agreement a written consent or an affirmative vote of such Holders is required).

Notes Owned by Farmer Mac

Farmer Mac may, from time to time, repurchase or otherwise acquire all or any portion of an issue of Notes. Any Notes owned by Farmer Mac shall have an equal and proportionate benefit under the provisions of the Master Terms Agreement, without preference, priority or distinction as among such Notes, except in determining whether the Holders of the required percentage of the outstanding principal amount (or notional principal amount) of an issue of Notes have given any required demand, authorization, notice, consent or waiver under the Master Terms Agreement, any Notes owned by Farmer Mac or any person directly or indirectly controlling or controlled by or under direct or indirect common control with Farmer Mac shall be disregarded and deemed not to be outstanding for the purposes of such determination.

Notice

Any notice, demand or other communication which by any provision of the Master Terms Agreement is required or permitted to be given to or served upon any Holder may be given or served in writing by deposit thereof, postage prepaid, in the United States mail, addressed to such Holder as such Holder's name and address appear in the records of Farmer Mac, a Federal Reserve Bank or by transmission to such Holder through the communication system linking the Federal Reserve Banks. Such notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission. Any notice, demand or other communication which by any provision of the Master Terms Agreement is required or permitted to be given to or served upon Farmer Mac shall be given in writing addressed (until another address is published by Farmer Mac) as follows: Federal Agricultural Mortgage Corporation, 919 18th Street, Suite 200, NW, Washington, DC 20006, Attention, Vice President -General Counsel. Such notice, demand or other communication to or upon Farmer Mac shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by Farmer Mac.

Governing Law

The Master Terms Agreement and the rights and obligations of Holders and Farmer Mac with respect to the Notes shall be construed in accordance with and governed by the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate the purposes of the Act or any provision of the Master Terms Agreement or the transactions governed thereby, the local laws of the State of New York shall be deemed reflective of the laws of the United States.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain of the anticipated U.S. Federal income tax consequences of the purchase, ownership and disposition of Notes.

The summary is for general information only and is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), the U.S. Treasury Regulations promulgated or proposed thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive

effect, or to different interpretations.

The tax treatment of a holder of the Notes may vary depending upon the particular situation of the holder. The summary does not consider the tax consequences for any person who is a shareholder, partner or beneficiary of a holder of the Notes. Further, the summary is limited to investors who will hold the Notes as "capital assets" within the meaning of Section 1221 of the Code and does not deal with holders in special tax situations (including, but not limited to, insurance companies, tax-exempt organizations, financial institutions, dealers in securities or currencies, holders whose functional currency is not the U.S. dollar, or holders who will hold Notes as a hedge against currency risks or as part of a straddle, synthetic security, conversion transaction, or other integrated investment comprised of Notes and one or more other investments), who may be subject to special rules not discussed below. The summary is applicable only to purchasers of Notes on original issue at their issue price (as defined below) and does not address other purchasers. The summary does not address the consequences of purchasing, owning or disposing of Notes payments on which are denominated in or determined by reference to the value of more than one Foreign Currency, the consequences of which will be set forth in the applicable pricing supplement, nor does it address the effect of any state, local or foreign tax law on a holder of Notes. As used herein, the term "U.S. Holder" means an individual who is a citizen or resident of the United States, a partnership, corporation or other entity organized in or under the laws of the United States or any state thereof (other than any partnership treated as foreign under U.S. Treasury regulations) and an estate that is subject to U.S. Federal income taxation without regard to the source of its income, or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date, that elect to be treated as United States persons also will be a U.S. Holder. As used herein, the term "non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder.

The summary does not constitute, and should not be considered as, legal or tax advice to prospective holders of Notes. Each prospective holder of Notes should consult a tax advisor as to the particular tax consequences of holding Notes to such holder, including the applicability and effect of any state, local or foreign tax laws.

Payments of Interest

Interest on a Note, other than interest on an OID Note (defined below under "Original Issue Discount") that is not a "qualified stated interest" payment (also as defined under "Original Issue Discount"), will be taxable to a U.S. Holder as ordinary interest income at the time it is accrued or is received in accordance with the U.S. Holder's method of accounting for tax purposes. If interest is paid in a Specified Currency other than U.S. dollars ("Foreign Currency"), the amount of interest income realized by a U.S. Holder will be the U.S. dollar value of (a) in the case of a cash basis U.S. Holder, the Foreign Currency received (based on the spot rate in effect on the date of receipt), or (b) in the case of an accrual basis U.S. Holder, the Foreign Currency accrued during an interest accrual period, or partial interest accrual period (based on (i) the average exchange rate in effect during the accrual period, (ii) the spot rate on the last day of the accrual period or (iii) the spot rate on the payment date, if such date is within five business days of the last day of the accrual period), in each case, regardless of whether the payment is in fact converted into U.S. dollars. In the case of an accrual basis U.S. Holder, at the time the interest accrued is received, the U.S. Holder will realize exchange gain or loss, taxable as ordinary income or loss, equal to the difference, if any, between the amount of Foreign Currency received with respect to such accrual period (translated into U.S. dollars at the spot rate in effect on the date the interest is received) and the amount of interest on the Note included in income. The Federal income tax consequences of the disposition of Foreign Currency received as interest are described below under "Exchange of Amounts in Foreign Currency."

Original Issue Discount

General. A Note will be treated as issued at an original issue discount (an "OID Note") if the excess of the "stated redemption price at maturity" of the Note over its issue price (defined as the first price at which a substantial amount of Notes of the same issue is sold to the public) equals or exceeds a de minimis amount (generally 1/4 of 1 percent of the Note's stated redemption price at maturity multiplied by the number of complete years from the issue date to maturity). "Stated redemption price at maturity" is the total of all payments provided by the Note that are not payments of "qualified

stated interest." A "qualified stated interest" payment is a payment of stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of the Note, including short periods, with respect to a Floating Rate Note, at certain specified types of variable rates (as discussed below) or, with respect to a Fixed Rate Note, at a single fixed rate. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the intervals between payments. Stated interest that exceeds qualified stated interest is included in the Note's stated redemption price at maturity.

U.S. Holders of OID Notes having a maturity of more than one year from their date of issue will be required to include original issue discount in income as it accrues, which can result in recognition of income before the receipt of cash attributable to such income. The amount of original issue discount includable in income by the U.S. Holder of such an OID Note is the sum of the daily portions of original issue discount with respect to the OID Note for each day during the taxable year or portion of the taxable year in which it holds such OID Note ("accrued original issue discount"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the original issue discount that accrued in such period (the excess of (a) the product of the OID Note's adjusted issue price at the beginning of the accrual period and its yield to maturity, appropriately adjusted for the length of the period, over (b) the sum of the qualified stated interest payments, if any, payable during the accrual period). The "accrual period" for an OID Note may be of any length and may vary in length over the term of a Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day or the last day of an accrual period. The "adjusted issue price" of an OID Note at the start of any accrual period is the sum of the issue price of the Note plus the accrued original issue discount for each prior accrual period minus any prior payments on the Note that were not qualified stated interest payments. U.S. Holders of Notes with a de minimis amount of original issue discount must include a proportionate amount of each payment of stated principal received in respect of the Notes in income as capital gain.

Floating Rate Notes. If a Floating Rate Note that otherwise qualifies as a "variable rate debt instrument" under the applicable U.S. Treasury Regulations provides for stated interest at a single "qualified floating rate" or a single "objective rate" (each as defined in the U.S. Treasury Regulations) that is unconditionally payable in cash or property (other than debt instruments of the issuer), or that will be constructively received, at least annually, then all payments of stated interest with respect to such Note will be "qualified stated interest." The amount of original issue discount (if any) with which such a Note is issued will be determined under the rules discussed above by assuming that the Floating Rate Note pays stated interest at the appropriate fixed rate substitute (generally, the value, as of the issue date of the Note, of the floating rate, or in the case of certain Floating Rate Notes, a fixed rate that reflects the yield that is reasonably expected for such Notes).

The U.S. Treasury Regulations provide additional rules for Floating Rate Notes that qualify as variable rate debt instruments and that provide for stated interest at more than one floating rate or at a fixed rate for a portion of its term. In certain cases, such Floating Rate Notes that are not issued at a discount may be deemed to bear original issue discount for Federal income tax purposes, with the result that inclusion of original issue discount in gross income for Federal income tax purposes may vary from the cash payments of interest received on such Notes, generally accelerating income for cash method taxpayers. For example, under the U.S. Treasury Regulations, a Floating Rate Note may be an OID Note where (a) it bears interest at a floating rate followed by another floating rate and, as of the Issue Date, the values of the two floating rates differ, or (b) it bears interest at a fixed rate followed by a floating rate (or vice versa) and, as of the Issue Date, the value of the floating rate differs from the fixed rate. The tax treatment of a U.S. Holder of a Floating Rate Note ultimately will depend upon the precise terms of the Notes offered; consequently, the proper tax treatment of such Notes will be more fully described in the applicable Pricing Supplement.

A Floating Rate Note that does not qualify as a variable rate debt instrument under the U.S. Treasury Regulations may be subject to U.S. Treasury Regulations concerning the treatment of "contingent payment debt instruments" (the "contingent payment debt regulations"). For example, a Floating Rate Note will be subject to the contingent payment debt regulations if, among other things, it provides for either a minimum rate of interest or a maximum rate of interest that, in either case, is not fixed throughout its term and is reasonably expected, as of the Issue Date, to cause the yield on the Note to be significantly more or less than the yield determined without regard to the minimum or maximum rate of interest. If a Floating Rate Note is subject to the contingent payment debt regulations, then, inter alia, all gain and (subject to certain limitations) loss recognized by a U.S. Holder with respect to the Note would be ordinary, rather than capital, in nature and

all U.S. Holders, including U.S. Holders using the cash method of tax accounting, would be required to accrue interest income on the Note as original issue discount over the term of the Note based upon a projected payment schedule (subject to later adjustments) provided by Farmer Mac. The tax treatment of a Floating Rate Note that is treated as a contingent payment debt instrument will be more fully described in the applicable Pricing Supplement.

Any determination of the type described above made by Farmer Mac when a Note is issued may be subject to subsequent changes and clarifications of applicable law or to challenge by the U.S. Internal Revenue Service.

Optional Redemption or Repurchase. An unconditional option of Farmer Mac to redeem a Note, or of a Holder to cause a Note to be repurchased, prior to the Maturity Date will be presumed to be exercised if, by utilizing any date on which the Note may be redeemed as its maturity date and the amount payable on that date in accordance with the terms of the Note (the "redemption price") as its stated redemption price at maturity, the yield on the Note is lower than its yield to maturity in the case of an option exercisable by Farmer Mac (or, in the case of an option exercisable by a holder, is greater than its yield to maturity). If such an option is not in fact exercised when presumed to be, solely for purposes of accruing original issue discount, the Note will be treated as if it were redeemed, and a new Note issued, on the presumed exercise date for an amount equal to its adjusted issue price on that date.

Short-Term Notes. A Note that matures one year or less from the date of its issuance (a "Short-Term Note") will be treated as having been issued at an original issue discount equal to the excess of the total principal and interest payments on the Note over its issue price. In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to currently include in income accrued original issue discount for U.S. Federal income tax purposes unless it elects to do so. Accrual basis U.S. Holders and certain other U.S. Holders are required to include in income accrued original issue discount on Short-Term Notes on a straight-line basis unless an irrevocable election is made to include in income accrued original issue discount under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include accrued original issue discount in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the original issue discount accrued on a straight-line basis (or, at the U.S. Holder's irrevocable election, under a constant yield method, based on daily compounding) through the date of sale or retirement. A U.S. Holder who is not required and does not elect to include in income accrued original issue discount on a Short-Term Note will be required to defer deduction of a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or maintained to purchase or carry the Note.

Foreign Currency Denominated OID Notes. In the case of an OID Note denominated in a Foreign Currency, for purposes of calculating original issue discount, a U.S. Holder should: (i) calculate the amount and accrual of original issue discount in respect of the Note in the Foreign Currency; (ii) determine the U.S. dollar amount of original issue discount includable in income for each accrual period by translating the Foreign Currency amounts into U.S. dollars based on the average exchange rate in effect during that accrual period or based on the spot rate (A) on the last day of the relevant accrual period (or partial accrual period) or (B) on the payment date, if such date is within five business days of the last day of the accrual period; and (iii) recognize any Foreign Currency gain or loss when the original issue discount is received to the extent of the difference between the amount determined pursuant to clause (ii) above and the U.S. dollar value of such payment determined by translating the Foreign Currency at the spot rate in effect on the date of payment. The Federal income tax consequences of the disposition of any Foreign Currency received are described below under "-Exchange of Amounts in Foreign Currency." For these purposes, all receipts with respect to a Note will be treated first as the receipt of periodic interest (determined under Section 1273 of the Code and the U.S. Treasury Regulations), second as payments of previously accrued original issue discount (to the extent thereof, with payments treated as made for the earliest accrual periods first), and thereafter as the receipt of principal.

Extension of Maturity of a Note

Under final U.S. Treasury regulations under Section 1001 of the Code, published on June 26, 1996 (the "Section 1001 Regulations"), the exercise of an option provided to Farmer Mac to extend the maturity of a Note will result in a taxable deemed exchange of an old Note for a new Note if such option cannot be unilaterally exercised by Farmer Mac and if such exercise modifies the terms of the Note to a degree that is "economically significant." Generally, an option is not unilaterally exercisable if, under the terms of a debt instrument or under applicable law, a holder's consent is required, a holder can demand repayment, or a holder can put the debt instrument to an affiliate of the issuer. The exercise of an option

that changes the timing of payments under a debt instrument is considered economically significant if there is a "material deferral" of scheduled payments. The Section 1001 Regulations generally provide that a deferral of scheduled payments within a safe-harbor period which begins on the original due date for the first deferred payment and extends for a period not longer than the lesser of five years or 50 percent of the original term of the debt instrument will not be considered a material deferral. Under the Section 1001 Regulations, the exercise of an option that changes the yield on a debt instrument will generally be considered economically significant if it alters the annual yield of the debt instrument by more than the greater of (i) 25 basis points or (ii) 5 percent of the annual yield of the debt instrument prior to modification.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount may elect to treat that excess as "amortizable bond premium," in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. Any such election would apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the U.S. Internal Revenue Service. Amortizable bond premium on a Note denominated in a Foreign Currency will, if a U.S. Holder so elects, reduce the amount of Foreign Currency interest income on the Note. An electing U.S. Holder will recognize exchange gain or loss at the time it offsets the portion of the premium amortized with respect to any period against the interest income for such period, by treating such portion as a return of principal. U.S. Holders should be aware that on December 30, 1997, final Treasury Regulations were promulgated modifying the treatment of amortizable bond premium. The final regulations are proposed to be effective with respect to debt instruments acquired on or after March 2, 1998, or, at a U.S. Holder's election, with respect to debt instruments held on or after the first day of the taxable year that includes that date.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to treat all interest on any Note as original issue discount and calculate the amount includable in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. The election is made for the year in which the U.S. Holder acquired the Note, and may not be revoked without the consent of the U.S. Internal Revenue Service.

Purchase, Sale and Retirement of Notes

A U.S. Holder's tax basis in a Note will be its cost, increased by the amount of any original issue discount included in the U.S. Holder's income with respect to the Note and reduced by the amount of any cash payments on the Note that are not qualified stated interest payments and by the amount of any amortizable bond premium applied to reduce interest on the Note. In the case of a Note denominated, and purchased, in a Foreign Currency, the U.S. Holder's initial tax basis will be the U.S. dollar value of the Foreign Currency on the date of purchase of the Note (or, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder, or an electing accrual basis U.S. Holder, on the settlement date of the purchase).

A U.S. Holder will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the U.S. Holder's tax basis in the Note. The amount realized on a sale or retirement for an amount in a Foreign Currency will be the U.S. dollar value of that currency on the date of sale or retirement (or, in the case of Notes traded on an established securities market that are sold by a cash basis U.S. Holder, or an electing accrual basis holder, on the settlement date of the sale).

As a general rule (with the exception, among other things, of amounts attributable to accrued but unpaid interest, amounts attributable to changes in exchange rates, and amounts received with respect to certain Short-Term Notes), gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. With respect to non-corporate U.S. Holders, long-term capital gains are subject to reduced rates of tax, and are subject to further reduced rates in respect of capital assets held for more than eighteen

months. Gain or loss recognized by a U.S. Holder on the sale or retirement of a Note denominated in a Foreign Currency will be treated as ordinary income or loss to the extent such gain or loss is attributable to changes in exchange rates. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction. If U.S. Treasury Regulations proposed on March 17, 1992 are finalized in their current form, certain U.S. Holders will be able to elect to apply mark-to-market treatment to all foreign currency denominated financial transactions they enter into, including the Notes, for purposes of determining the amount and timing of foreign currency gain or loss to be recognized of the Notes. Under these proposed regulations, similar non-elective rules will apply with respect to the determination of foreign currency gain or loss on Notes denominated in certain hyperinflationary currencies.

Exchange of Amounts in Foreign Currency

Foreign Currency received on the sale or retirement of a Note will generally have a tax basis equal to the U.S. dollar value of that currency at the time of such sale or retirement. Foreign currency received as interest on a Note will have a tax basis equal to its U.S. dollar value on the date such interest is received. Foreign Currency which is purchased generally will have a tax basis equal to the U.S. dollar cost of acquisition. Any gain or loss recognized on a sale or other disposition of Foreign Currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be ordinary income or loss. Accordingly, a U.S. Holder that converts U.S. dollars to a Foreign Currency and immediately uses that Foreign Currency to purchase a Note denominated in the same currency normally will not recognize gain or loss in connection with such conversion and purchase. However, a U.S. Holder that purchases a Note with previously owned Foreign Currency may recognize ordinary income or loss in an amount equal to the difference between the U.S. Holder's tax basis in the Foreign Currency and the U.S. dollar value of the Note on the date of purchase.

Non-U.S. Holders

A non-U.S. Holder will not be subject to withholding of U.S. Federal income tax on payments of principal or interest (including original issue discount) on a Note, provided that in the case of interest (1) the non-U.S. Holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of stock of Farmer Mac entitled to vote, (2) the non-U.S. Holder is not (x) a controlled foreign corporation that is related to Farmer Mac through stock ownership, or (y) a bank receiving interest described in Section 881(c)(3)(A) of the Code, and (3) either (A) the beneficial owner of the Notes certifies to Farmer Mac or its agent, under penalties of perjury, that it is not a "United States person" (as defined in the Code) and provides its name and address, or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the Notes on behalf of the beneficial owner certifies to Farmer Mac or its agent under penalties of perjury that such statement has been received from the beneficial owner by it or by the financial institution between it and the beneficial owner and furnishes the payer with a copy thereof.

If a non-U.S. Holder is engaged in a trade or business in the United States and interest on the Note is effectively connected with the conduct of such trade or business (or, if an income tax treaty applies, and the non-U.S. Holder maintains a "permanent establishment" in the United States to which the interest is generally attributable), the non-U.S. Holder, although exempt from the withholding tax discussed in the preceding paragraph (provided that such holder furnishes a properly executed IRS Form 4224 on or before any payment date to claim such exemption), may be subject to U.S. Federal income tax on such interest in the same manner as if it were a U.S. Holder. Generally, a non-U.S. Holder will not be subject to U.S. Federal income tax on gain realized on the sale, exchange, redemption or other disposition of a Note unless (1) such non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, or (2) the gain is effectively connected with a United States trade or business of the holder, or if an income tax treaty applies, is generally attributable to a "permanent establishment" in the United States maintained by the non-U.S. Holder.

A foreign corporation that is a holder of a Note may be subject to branch profits tax with respect to income or gain on a Note.

Final regulations dealing with withholding tax on income paid to foreign persons, backup withholding and related matters (the "New Withholding Regulations") were issued by the Treasury Department on October 6, 1997. The New Withholding Regulations generally attempt to unify certification requirements and modify reliance standards. The New

Withholding Regulations generally will be effective for payments made after December 31, 1998, subject to certain transition rules. Prospective U.S. Holders are strongly urged to consult their own tax advisors with respect to the New Withholding Regulations.

A Note held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. Federal estate tax as a result of the death of the individual death if, at the time of death, the individual does not actually or constructively own 10 percent or more of the total combined voting power of all classes of stock of Farmer Mac entitled to vote and the income on the Notes is not effectively connected with the conduct of a trade or business by the individual in the United States.

Backup Withholding

A Holder of a Note may be subject to backup withholding at a rate of 31% with respect to payments of principal and any premium or interest (including original issue discount) made on a Note, and the proceeds of a sale or exchange of a Note prior to maturity, unless the Holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies that the Holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. Under current U.S. Treasury Regulations, backup withholding will generally not apply to payments made by Farmer Mac or its agent to a non-U.S. Holder of a Note if such holder has provided the required certification that it is not a United States person as set forth in the preceding section, or has otherwise established an exemption, provided that neither the Farmer Mac nor its agent has actual knowledge that the Holder is a United States person.

Payment of the proceeds from the disposition of a Note to or through a foreign office of a broker will not be subject to backup withholding. Payment of the proceeds from a disposition of a Note to or through the U.S. office of a broker is subject to backup withholding unless the Holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from backup withholding.

In addition, prospective Noteholders are strongly urged to consult their own tax advisors with respect to the New Withholding Regulations. See -"Non-U.S. Holders".

A Holder of a Note that does not provide Farmer Mac, or its agent, with a correct taxpayer identification number or an adequate basis for exemption may be subject to penalties imposed by the U.S. Internal Revenue Service. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's U.S. Federal income tax liability, provided the required information is furnished to the U.S. Internal Revenue Service.

State and Local Taxes

Under Title 31, Section 3124 of the United States Code, as amended, "obligations of the United States" are exempt from state, municipal or local taxes, other than estate or inheritance taxes and nondiscriminatory taxes or other nonproperty taxes imposed on corporations. The Notes are not supported by a pledge of the full faith and credit of the United States; thus, the Notes should not be considered "obligations of the United States" for purposes of Section 3124. U.S. Holders are urged to consult their tax advisors to determine whether the laws of their particular states or localities may exempt from otherwise applicable state and local taxes instruments, such as the Notes, that are issued by a federally chartered instrumentality of the United States or an institution of the Farm Credit System such as Farmer Mac.

USE OF PROCEEDS

The proceeds received by Farmer Mac from the sale of Notes will be used to acquire Qualified Loans, AgVantage Mortgage-Backed Bonds and Guaranteed Portions and to maintain reasonable amounts for business operations (including adequate liquidity) relating to such activities. Any portion of the proceeds not used to acquire Qualified Loans, AgVantage Mortgage-Backed Bonds or Guaranteed Portions, as well as proceeds raised for liquidity purposes, will be invested, pending use for business operations, primarily in U.S. Treasury and other U.S. government agency obligations.

PLAN OF DISTRIBUTION

Medium-Term Notes may be sold to an Agent acting as principal, at a discount negotiated with such Agent, for resale to investors at a fixed public offering price or at varying prices related to market prices prevailing at the time of resale as determined by such Agent. Where Medium-Term Notes are sold to an Agent as principal, such Agent will be named in the related Pricing Supplement. In addition, an Agent may sell Medium-Term Notes it has purchased as principal to other dealers at a discount, and such discount may be a portion of the discount to be received by such Agent from Farmer Mac. After the initial public offering of any issue of Medium-Term Notes, the public offering price (in the case of Medium-Term Notes to be resold at a fixed public offering price), the concession and the discount may be changed.

Medium-Term Notes also may be offered through Agents on an agency basis from time to time. Farmer Mac will have the sole right to accept offers to purchase Medium-Term Notes and may reject any proposed purchase of Medium-Term Notes in whole or in part. Each Agent will have the right, in its discretion reasonably exercised, to reject in whole or in part any proposed purchase of Medium-Term Notes through it. Payment of the purchase price of Medium-Term Notes must be made in immediately available funds. Farmer Mac will pay each Agent a commission for sales of Medium-Term Notes as set forth in the applicable Pricing Supplement.

Discount Notes may be offered for sale by Farmer Mac through one or a combination of methods including, but not limited to, auction, allocation to selected Agents in accordance with procedures established by Farmer Mac and re-offering or placement with investors, or direct placement with Agents or investors.

Discount Notes generally are offered on a continuous basis for sale to Agents. The sales may be held on a daily basis and there may be more than one sale on a given day. Current quotations for Discount Notes of varying maturities can be obtained by contacting any Agent for Discount Notes.

Farmer Mac has reserved the right to sell Medium-Term Notes or Discount Notes on its own behalf. No commission will be payable to any Agent on any sale of Medium-Term Notes or Discount Notes made directly by Farmer Mac.

No Medium-Term Note or Discount Note is expected to have an established trading market when issued. No issue of Medium-Term Notes or Discount Notes will be listed on any securities exchange. Agents may from time to time purchase and sell Medium-Term Notes or Discount Notes in the secondary market or otherwise make a market in Medium-Term Notes or Discount Notes. Agents may discontinue any market-making activity at any time, and there can be no assurance that there will be a secondary market for Medium-Term Notes or Discount Notes or liquidity in the secondary market if one develops. Consequently, investors may not be able to sell their Medium-Term Notes or Discount Notes readily or at prices that will enable them to realize their desired yield.

If an Agent agrees to purchase Medium-Term Notes as principal, until the distribution of the related issue is completed, rules of the Commission may limit the ability of the Agent to bid for and purchase the Medium-Term Notes. As an exception to these rules, the Agent would be permitted to engage in certain transactions that stabilize the price of the Medium-Term Notes. Such transactions could consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the related issue of Medium-Term Notes.

If more than one Agent agrees to purchase an issue of Medium-Term Notes as principal and the Agents create a short position in the Medium-Term Notes in connection with the offering thereof, the Agent named as the "representative" in the related Pricing Supplement may reduce that short position by purchasing Medium-Term Notes of the related issue in the open market. Such representative also may impose a penalty bid on certain Agents. This means that if the representative were to purchase Medium-Term Notes in the open market to reduce the Agents' short position or to stabilize the price of the related issue of Medium-Term Notes, the representative could reclaim the amount of the concession from the Agent(s) who sold those Medium-Term Notes as part of the offering.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither Farmer Mac nor any Agent makes any representation or prediction as to the direction or magnitude of any

effect that the transactions described above may have on the price of an issue of Medium-Term Notes as to which the foregoing stabilization transactions are utilized. In addition, neither Farmer Mac nor any Agent makes any representation that a representative, if so named in the related Pricing Supplement, would engage in such transactions or that such transactions, once commenced, would not be discontinued without notice.

In connection with any issuance of Medium-Term Notes or Discount Notes hereunder or in the ordinary course of business, any one or more of the Agents or their affiliates may have engaged in transactions with or arranged transactions for Farmer Mac.

A list of the Agents for Medium-Term Notes and/or Discount Notes can be obtained by writing or calling Farmer Mac at the address or phone number shown on page 6.

VALIDITY OF THE NOTES

The validity of the Notes offered hereby will be passed upon for Farmer Mac by Michael T. Bennett, Esq., Vice President, General Counsel and Secretary of Farmer Mac.

FARMER/MAC