Bio and Upcoming Information

• Mike Schmid is the Trading Manager in the Capital Markets group at Farmer Mac

• Since joining in 2010 he has been responsible for debt funding, interest rate hedging and the rate lock desk
Federal Reserve Update

• First interest rate hike since 2006
  – The Fed raised the funds rate by 0.25% on Wednesday
  – Expectations remain for a gradual rate increase cycle
    • Fed expects 2016 year-end funds rate at 1.375%

• Market reaction to rate hike was muted
  – Initial reaction to rate hike had Treasury yields mostly unchanged with stock markets rising on the news

• Further rate increases depend on incoming data
  – Inflation and job growth will be key for timing of future interest rate increases
Summary & Market Trends

• Short term interest rates increased in 2015
  – 3-year and shorter yields have jumped 0.25% to 0.50% this year as market priced in the first interest rate hike since 2006
  – Longer term interest rates 5-years and longer have been more stable, rising 0.10% to 0.15% in 2015

• Job growth remains strong with an average 210,000 jobs added each month over the last year
  – The unemployment rate is at 5.0%, the lowest since 2008 and down from 5.7% in January

• 3\textsuperscript{rd} quarter GDP slowed to 1.5%, from 3.9% in 2\textsuperscript{nd} quarter
  – Weakness in the energy sector and the strong dollar weighted on overall economic growth
Interest Rates: Product Impact
Interest Rates: Recent Trends

- Longer-term rates have remained range bound while shorter term rates have been increasing.
- Expectation of Fed rate increase primary driver for short term rates moving higher in 2015.
- Longer term rates remaining somewhat stable due to low inflation and inconsistent growth.
Interest Rates: Product Impact

- Net Yields at highest levels of the year
  - USDA segment seeing strong demand in long term fixed products
  - Farm and Ranch seeing strong demand in hybrid ARMs and LIBOR floating rate products

<table>
<thead>
<tr>
<th>Product</th>
<th>1/30/2015</th>
<th>9/30/2015</th>
<th>12/16/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm and Ranch 15-year Fixed</td>
<td>4.16%</td>
<td>4.47%</td>
<td>4.88%</td>
</tr>
<tr>
<td>Farm and Ranch 5-year ARM</td>
<td>3.10%</td>
<td>3.22%</td>
<td>3.79%</td>
</tr>
<tr>
<td>USDA 20 year Fixed</td>
<td>3.39%</td>
<td>3.74%</td>
<td>3.93%</td>
</tr>
<tr>
<td>USDA 5 year Reset</td>
<td>2.61%</td>
<td>2.76%</td>
<td>3.12%</td>
</tr>
</tbody>
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- LIBOR-based reset product (1-month ARM, AgEquity) remain popular and benefit from low short-term rates
  - These products are much more sensitive to actions by the Federal Reserve than products with initial fixed rate periods greater than 5-years
  - 1-month LIBOR ARMs have the a lot of flexibility regarding conversion options to longer-term fixed rate products
Interest Rate Forecasts
Interest Rate Forecasts

- Economists expect interest rates to rise gradually over the next year
  - Most economists expect rates to rise between 0.75% and 1.25% over the next 12 months
  - Short-term interest rates are expected to increase more than long-term interest rates
  - Low inflation and stronger dollar are key drivers of interest rate increases proceeding at a slower pace
  - The Federal Reserve has characterized the rate hiking cycle as being gradual and data dependent

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</thead>
<tbody>
<tr>
<td>Overnight Fed Rate</td>
<td>0.50%</td>
<td>0.85%</td>
<td>1.05%</td>
<td>1.30%</td>
</tr>
<tr>
<td>3-month LIBOR</td>
<td>0.53%</td>
<td>0.70%</td>
<td>0.92%</td>
<td>1.12%</td>
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<tr>
<td>2-year US Treasury</td>
<td>1.00%</td>
<td>1.14%</td>
<td>1.34%</td>
<td>1.52%</td>
</tr>
<tr>
<td>10-year US Treasury</td>
<td>2.29%</td>
<td>2.45%</td>
<td>2.60%</td>
<td>2.71%</td>
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</tbody>
</table>

*Note: Estimates pulled via Bloomberg consensus forecasts of Economists polled. Surveys include greater than 20 economists estimates however do not include the view of Farmer Mac’s on staff Economist*
Questions?
Additional Thoughts

• New Farmer Mac Website
• eFarmerMac
  – Resource Library
    • New Seller/Servicer Guide
    • Underwriting Grid
• New AgAssist Underwriting Guidelines
• New 25 and 30-Yr Fixed Rate Products
• Subscribe to “The Feed” at “News & Events”
• Next Refresh Webinar: January 11, 2016
  – “Positioning for Success in the Economic Reset” with Dr. Dave Kohl