

DEFINITION OF TERMS

Treasury Bill - A short-term, non-interest-bearing promissory note sold to investors at a discount by the U.S. government to finance its debt.

Treasury Bond Strip - Treasury bond which has been stripped of its coupons. It pays interest only at maturity.

Federal Agricultural Mortgage (Farmer Mac) – Created by Congress to improve the availability of mortgage credit to America’s farmers, ranchers and rural homeowners, businesses and communities.

Federal Home Loan Mortgage (Freddie Mac) - A shareholder owned government sponsored enterprise established by Congress to provide a continuous flow of funds to mortgage lenders through the purchase of mortgage loans. To finance its mortgage purchase activities, Freddie Mac offers and sells its securities to investors directly and through selected dealers, underwriters and underwriting syndicates.

Federal National Mortgage Assoc. (Fannie Mae) - A shareholder owned corporation that is now regulated by an office within the Department of Housing and Urban Development. Fannie Mae purchases residential mortgage loans from primary lenders, thereby replenishing those institutions’ supply of mortgage funds. To finance its loan purchases, Fannie Mae issues securities which are sold through select dealers and dealer banks.

Federal Home Loan Bank - Is comprised of the 12 Federal Home Loan Banks and the Office of Finance under the supervision of the Federal Housing Finance Board, an independent agency in the executive branch of the U.S. Government. The primary function of the Bank System is to serve the public with the purpose of enhancing the availability of residential mortgage credit by providing a readily available, low cost source of funds to its member institutions.

Farm Credit - Is a nationwide system of lending institutions which provides credit and related services to farmers, ranchers, producers and harvesters of aquatic products, rural homeowners, certain farm-related businesses, agricultural and aquatic cooperatives, rural utilities and to certain foreign or domestic entities in connection with international transactions.

Purchase Price - The amount paid for an investment.

Par Amount - The face value of an investment or the amount that will be paid if the investment is held to maturity.

Book Value - The purchase price of an investment plus interest which has accrued to a certain point in time.

Market Value - The face or par value of an investment multiplied by the premium or discount quoted on the valuation date.