WHAT'S YOUR
Risk Appetite?

Change is inevitable, but lately it feels like everything is in a constant state of change – especially interest rates. For the last several years, borrowers have benefited from historically low interest rates for both short-term and long-term debt, but now, rates are on the rise. So, what do you do when your lender asks what loan product you're interested in? Thirty years is a long time to commit to an interest rate. Farm Credit of the Virginia's is here to help you make an informed decision that meets your financial needs. First and foremost, whichever loan term you choose should be based on the type of debt that you are considering and your appetite for risk. Read on to learn about the several loan products available through Farm Credit.

Fixed rates can help you manage risk. Fixed rate means that your interest rate and loan payment is set for the life of your loan. It cannot increase, nor will it decrease with the interest rate market.

An ***adjustable-rate mortgage*** (ARM) has an interest rate that can change during the life of the loan. An ARM rate is fixed for a short period of time — typically 1 to 5 years — then adjusts at the end of that time period based on a market index stated in the Promissory Note. Since the ARM interest rate can adjust throughout the life of the loan, they are historically lower than long term fixed rates. In a high rate environment and with a risk-favorable appetite, borrowers can benefit from an ARM when fixed rates are higher, even paying off their loan quicker, as more of their payment can go towards principal with a lower interest rate.

A ***balloon loan*** is a loan with a short fixed term — let's say 5 years — however, is amortized over a longer term — say 30 years. The payments are calculated on a 30 year term, however the loan balloons and is due in full in 5 years. With a satisfactory financial position, Farm Credit may refinance the remaining principal for you, resulting in a new loan priced according to the current rate environment. This product may be a good fit for someone that plans to sell their property within 5 years, sell timber, or place the farm in a conservation easement and use the tax credits to pay down the loan.

In today's rising interest rate environment, it's important to consider your options. Fixed rates can help manage risk for the long-term, while balloon terms or an ARM may be beneficial if you anticipate cash influx within several years of your purchase. These loan terms would allow you to benefit from a reduced interest rate and payment while you anticipate your cash influx.

There is a benefit to financing with Farm Credit, as we customize the rate product based on your individual appetite for risk, and no matter what rate product you choose, you'll always be part of our patronage dividend program. Farm Credit is a member owned cooperative that returns the majority of our profits to our customer-owners. Since 2001, we've returned over $400 Million to our customer's pockets. . If you are interested in talking more about how best to structure, or restructure, new or existing debt, visit **farmcreditofvirginias.com** to find a branch location near you.