Strategies for Marketing Your Farmer Mac Program
April 2014

Presenters

Mark Rickels
202-872-6611
Mark_Rickels@farmermac.com

Mike Juergens
866-452-2617
Michael_Juergens@farmermac.com
Panelists

Keith Knuppe, Vice President, First State Bank of Warner, Warner, S.D., K.Knuppe@fsbwarner.com

Jason Winter, Financial Services Officer, Citizens State Bank, Norwood Young America, Mn., JasonW@csbnya.com

T.J. Wilson, Community President, Union State Bank, Horton, KS., TJWilson@mybankusb.com

Programs Available

Farmer Mac Update - 2013

What Is A Marketing Plan?

Offensive vs. Defensive Tactics

ABA and ICBA Loan Products

Advertising and Marketing Examples

Panelist Questions

Loan Incentive Programs – Farmer Mac
Strategies To Compete

- Sellers are using Farmer Mac to:
  - Preserve existing relationships
  - Attract new high quality clients
  - Grow with your larger producers
  - Generate fee income opportunities
  - Diversify portfolio risk
  - Reduce capital requirements
  - Increase loan, deposit, and other cross sell opportunities
  - Offer competitive fixed rate products

Programs

- Farm and Ranch Loan Purchase Program
  - Farmer Mac underwritten and third-party servicing

- Farmer Mac II
  - Purchase of guaranteed portions of USDA loans
    » Farm Service Agency and Rural Development
Farmer Mac Update

2013 New Business

- New business volume through 12/31/2013

- Farm and Ranch loan purchase activity remains strong, up 44% over 2012
- USDA Guaranteed pace has slowed down in the wake of USDA budget issues
As of December 31, 2013, the portfolio totaled $13.95 billion, a $935 million increase over the $13.01 billion portfolio as of December 31, 2012 – F&R Loan Purchase portfolio increased by $455 million or 27% – F&R AgVantage® portfolio increased by $200 million or 4% – F&R LTSPC portfolio decreased by $39 million or 1% – Farmer Mac II portfolio growth slowed to $71 million or 4% – Rural Utilities portfolio increased by $247 million or 11%
So What Is A Marketing Plan?

- A marketing plan is a written document that spells out
  a. your goals and how to align with your goals
  b. the strategies & tactics to gain and/or maintain a competitive position
  c. the results sought
  d. how you will reach your target audience

Steps to Your Marketing Plan

- **Conduct an Overall Assessment** – Look at your current marketing materials, what is working and not working. How do your customers perceive you?
- **Set Your Goals** – Goals should be specific, attainable and measureable. They should align with your company objectives.
- **Determine Your Target Audience** – Critical to know who they are and how best to reach them.
- **Perform Research** - Surveys, internet, focus groups.
- **Determine Your Strategy** – Your strategy will outline how your product or service will be promoted to your target audience.
- **Define Your Tactics** – Determine which appropriate tactics to utilize to meet your goals. Ads, postcards, radio, etc.. How do you implement it? Why should you use it? What do you expect for an outcome? Can you track and measure it? Does the tactic stay within budget?
- **Evaluate Your Plan** – Is it working? Do you need to adjust it? Give it time to work.
Successful Banks Have A Champion!

- Understand and Know Farmer Mac Programs – Is their new loan request best for the Farm & Ranch program or Farmer Mac II?
- Eyes Are Focused On the Prize – They focus on the goals that have been set.
- Ears Are Wide Open – They listen to what the customer needs and delivers. Sometimes innovative.
- Willing to Adapt and Learn to What Customers Want and Need
- They Lead Other Staff Members by Example and Motivate Others
1. Can handle larger agricultural producers who may be over the seller bank's lending limit. $12 million max., $30 million max..

2. Can offer a variety of long term amortizing loan products to your customers.

3. Can provide long term fixed rate products to customers out to 25 years fixed.

4. Prevents your customers from shopping other lenders. You are able to take care of your customer.

5. Will offer long term loan products only when customer demands it. Not proactive.
Offensive Marketing

1. Proactive marketing to grow your business portfolio.
2.Opens new doors and opportunities for new customers and business.

Offensive Marketing - Mine The Balance Sheet

1. Is the balance sheet properly structured? Use operating line for capital purchases or improvements in the past? Adequate working capital for future needs?
2. Any real estate loans that should be fixed to minimize future risk?
3. Any participation loans that can be pulled back in and help your institution’s bottom line by placing the real estate loan with Farmer Mac?

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>DOLLARS</th>
<th>LIABILITIES</th>
<th>DOLLARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>$1,000</td>
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<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$500</td>
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<tr>
<td>Inventory</td>
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<tr>
<td>Property, Plant &amp; Equip</td>
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<tr>
<td>Other Assets</td>
<td>$500</td>
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<tr>
<td>Total Assets</td>
<td>$3,700</td>
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<tr>
<td>Current Liabilities</td>
<td>$2,000</td>
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<tr>
<td>Long-Term Liabilities</td>
<td>$1,500</td>
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<tr>
<td>Total Liabilities</td>
<td>$3,500</td>
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<td></td>
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<tr>
<td>Net Worth</td>
<td>$200</td>
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</table>

TOTAL CURRENT ASSETS: $3,700
TOTAL CURRENT LIABILITIES: $2,000
NET WORTH: $1,700
1. Are there any outside entities listed on Schedule E of the personal return that you can discuss, fixing rates, restructuring the balance sheet etc.?

Offensive Marketing - Mine Schedule E – Tax Return

1. Mine the mortgages filed of record at the recorders office for new business. Check date and rate. Send letters to prospects.

Offensive Marketing - Mine The Courthouse

1. Mine the mortgages filed of record at the recorders office for new business. Check date and rate. Send letters to prospects.
Offensive Marketing – Cross Sell

- Provide a long term fixed farm real estate loan. Cross-sell your _____________.
  a. Operating loan
  b. Machinery loans
  c. Consumer loans
  d. Financial products

Offensive Marketing Examples
Blended Rate - $1,000,000 Request

- 15 year fixed - $750,000 at 5.00% = $37,500
- 5 year ARM - $250,000 at 3.80% = $ 9,500

$47,000/$1,000,000 = 4.70% average rate
Offensive Marketing Examples
Fast Track - $1,500,000 Request

- Farmer Mac - $1,000,000 - Fast Track – Choice 1st mortgage - 15 yr. fixed

- Seller Bank - $500,000
  2nd mortgage - 5 year ARM or 5 year Balloon

General requirements:
- Revolving line of credit loan secured by 1st mortgage on ag real estate
- Maximum LTV of 50%
- Revolving period of 5 or 10 years / total loan term of up to 30 years
- Indexed to 1-Month LIBOR (monthly adjust)
- No annual fee and no minimum usage required/unlimited draws
- At end of draw period, borrower selects an amortizing Farmer Mac product
- Semi-annual interest only due on January 1 and July 1
- Term Out Option – Partial

Uses:
- Buy farmland
- Construction – house, new facility or expansion, permanent plantings
- Absentee landlords – improvements to property, line of credit if crop-share
- Attract new customers
- Operating line for part-time farmers
ABA & ICBA member banks get 13 basis point discounts from standard rates for their respective products if the customer chooses that product.
### Farmer Mac I Farm & Ranch Rates

**As of 4/4/2014**

#### Farm and Ranch Loan Program

<table>
<thead>
<tr>
<th>Products</th>
<th>Term</th>
<th>Amort.</th>
<th>Reset Margin</th>
<th>Semi Annual Pay Standard</th>
<th>Semi Annual Pay Choice</th>
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<tr>
<td>Open Prepayment Products</td>
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<tr>
<td>ARMS Only</td>
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<tr>
<td>1-Year ARM</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>0.00%</td>
<td>1.75%</td>
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<tr>
<td>3-Year ARM</td>
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<td>2.25%</td>
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<td>5-Year ARM</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>0.00%</td>
<td>3.25%</td>
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<tr>
<td>ARMS Fixed</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-Year ARM</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>0.00%</td>
<td>2.25%</td>
</tr>
<tr>
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**As of 4/4/2014**

#### Farm and Ranch Loan Program - ABA

<table>
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<th>Semi Annual Pay Choice</th>
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<tr>
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<tr>
<td>1-Mo ARM</td>
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<tr>
<td>7/1 ARM</td>
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<td>10/1 ARM</td>
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<td>10</td>
<td>10</td>
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<td>4.00%</td>
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<td>10-Yr Fixed</td>
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<td>10</td>
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<td>4.75%</td>
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<tr>
<td>15-Yr Fixed</td>
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<td>15</td>
<td>0.00%</td>
<td>4.75%</td>
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<tr>
<td>15-Yr Fixed</td>
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<td>15</td>
<td>15</td>
<td>0.00%</td>
<td>4.75%</td>
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### Farmer Mac I Farm & Ranch Rates - ICBA

As of 4/4/2014

#### Farm and Ranch Loan Program - ICBA

<table>
<thead>
<tr>
<th>Products</th>
<th>Term</th>
<th>Amort.</th>
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<th>Semi-Annual Pay</th>
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<td>ICBA Open Prepayment Products</td>
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<tr>
<td>1-4 MO ARM LUSOR</td>
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<td>12-20 VBM</td>
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<tr>
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<td>4.61%</td>
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<tr>
<td>15-25 VBM</td>
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<td>20</td>
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<td>4.68%</td>
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<td>ICBA Yield Maintenance Products</td>
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<tr>
<td>5-1Y VBM</td>
<td>10</td>
<td>15</td>
<td>10</td>
<td>15</td>
<td>3.19%</td>
</tr>
</tbody>
</table>

### Advertising and Marketing Examples
Marketing Ads – D. L. Evans Bank

It’s a great time for Farmland!

At D. L. Evans Bank, we maintain a close relationship with Farmer Mac, a government-sponsored secondary market for agricultural lending. Our association with Farmer Mac allows us to offer the right solutions for purchases and refinancings:

- Low, long term fixed rates
- Reduce your risk to rate increases
- Purchase land when you need it.

Marketing Ads – Paragon Bank

Ag Land Owners:
Do you want to reduce your operation’s RISK?

Landowners & Operators
Lenders
Purchase or Refinance

Paragon Bank
Beth Hansen, Loan Officer
190 Sola Road, Walla Walla 509-523-9041
www.paragonbank.com
Paragon Bank is a Farmer Mac Approved Lender
Marketing Ads – First State Bank

Marketing Ads – 1st National Bank of Central Texas
Marketing – Ads – Harvest Bank

Long-term Fixed Rate Financing for Agricultural Real Estate
Harvest Bank is now offering you an 8-25 year fixed rate financing through our relationship with Farmer Mac. This flexible program offers you maximum control over your financing needs, and features a number of financing terms, payment options, appraised property, and for maintenance of production agriculture.

Unprecedented Farmer Mac lending at the doorstep for farmers. Modern farmers, and provide a full range of agricultural financing options to help you achieve your goals. Visit us in person or call one of our locations below.

Harvest Bank
KIAWAH ILL ST. AUGUSTA AYR WATER KANSEYOH
208-359 231-400 974-4861 385-5100
www.harvestbankms.com

Marketing – Ads – Commerce Bank

Proudly Serving Area Farmers for Generations.
At Commerce Bank, we take pride in serving farmers. Whether your needs are business or personal, we’ll work with you to find the best ways to bank, borrow and manage your money.

Advantages for Farmers
- Long-term Fixed rate, adjustable rate and variable rate loans
- In-depth knowledge and experience in your industry
- Customized financing solutions that best fit your needs

Cape Girardeau & Jackson
- 160 S. Broadway
- 1000 Cape LaCoke Rd.
- 2025 E. Jackson

Poplar Bluff
- 100 E. Pine Blvd.
- 2316 N. Westwood

We ask, listen and solve.
commercebank.com
Marketing – Postcards – Center National Bank

Agricultural real estate loans just for you. And we can help you get ‘em!

Now is the best time to expand your operation, thanks to Farmer Mac. As a Farmer Mac Approved Lender, we can guide you through the ideal solutions for purchase, new construction and refinances.

FARME RMAC Approved Lender

- Terms up to 25 years
- Rates as low as 2.70% APR
- Lock in lower payments
- All add up to less risk for you!

Call Dawn, Tom or Jim at 320-693-3255
and let us “FarmerMac” it for you!

Call the Center National Bank
Hamilton Banking
800-893-3255 • cnbbmn.com

Marketing – Website – Community Savings Bank

Agricultural Loans

Benefits
- Additional Services Provided
- Farming in the agriculture business, which isn’t like other businesses — not every bank has the experience or the services to help me out. Our Community Savings Bank has been active in agriculture for years. It’s nice to have a relationship with a bank that understands that experience working with me.

Apply Now
Marketing – Website – Pioneer Bank

Marketing – Brochures – Valley Republic Bank
Marketing – Video Screens

Marketing - Billboards
Marketing – Radio Ad – Dakota Mac

Approved Lender Logo
Farmer Mac Relationship Manager Territories

Panelists Questions – Marketing Farmer Mac
Panelist Questions

- Please tell us about your bank. Market area etc..
- How long have you been using Farmer Mac?
- What programs do you use? Farm & Ranch, Farmer Mac II?
- Have you marketed Farmer Mac in the past?
- If so, how? What media and technology?
- Any value to your bank in marketing Farmer Mac? If so, what? New business?
- What about cannibalism in your portfolio?
- Do you use Farmer Mac as an offensive tool or defensive tool?
- Any recent success stories you would like to share?
Marketing – Ad – Union State Bank

Smart Ag Decisions Today Mean Greater Success Tomorrow.

Union State Bank offers smart Ag lending. Fixed-rate and variable loans.
This special program opens the door for expanding facilities or to store
influence a higher margin. With today’s finance, farm operators can
cost savings over 20 years can be significant, and Union State Bank
will use data on long-standing tradition of Ag lending expertise, in-depth
service and comprehensive financial solutions.

Call 713.744.1111. 
For the latest information, visit www.unionstatebank.com.

Loan Incentive Programs – Farmer Mac
Loan Incentive Programs – Farmer Mac

Bank A

• Loan Officer receives a $250 incentive bonus for each Farmer Mac loan closed and purchased

Loan Incentive Programs – Farmer Mac

Bank B

• Encourage upfront fee – Agricultural real estate, Farmer Mac, in-house or commercial real estate loans
• Loan Officer receives 10% of origination fee, negotiated and collected
Loan Incentive Programs – Farmer Mac

Bank C

• Loan Officer has new business goal for year. Farmer Mac loans and in-house loans count toward annual new business goal.
• Farmer Mac loan – 1st year’s origination fee and field servicing dollar amount count toward officer’s annual new business goal.
• Calculated incentive amount varies depending on if new business goal has been met or surpassed.

Loan Incentive Programs – Farmer Mac

Bank D

• Incentive program tied to loan growth and fee income.
• Loan Officer paid incentive bonus on loan growth of portfolio loans. As loans grow quarter to quarter, bonus paid on growth from end of most recent quarter to end of current quarter.
• Loan Officer paid 15% of any origination fees collected above his origination fee annual goal. Both Farmer Mac and portfolio real estate loans are included in the calculation of the origination fee annual goal.
• For example, $75,000 annual fee income goal for loan officer. Since can include Farmer Mac field servicing in calculation of origination fee annual goal. Loan officer can close over time, $15 million of Farmer Mac loans. Field servicing at 50 bps = $75,000 for the 1st year and each year thereafter. Origination fees on this 15 million would also contribute toward meeting or exceeding the $75,000 origination fee annual goal.
Strategies for Marketing Your Farmer Mac Program

QUESTIONS?