Farmer Mac Refresh:

Tracking the Tabs to Success

- Balance Sheet & Loan Summary Tabs
Today’s Presenters:

Ben Lundgren  
Loan Underwriter  
Johnston, Iowa Office  
Ben.Lundgren@farmermac.com  
866-452-2617

Patrick Kerrigan  
Director of Business Development  
Washington, DC Office  
Patrick.Kerrigan@farmermac.com  
202-872-5560
# Tracking the Tabs to Success Series

<table>
<thead>
<tr>
<th>Getting Started with AgPower</th>
<th>Balance Sheet and Loan Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Farm &amp; Ranch Loan Purchase Process</td>
<td>• Balance Sheet &amp; Schedules</td>
</tr>
<tr>
<td>• Accessing AgPower</td>
<td>• Consolidated Balance Sheet &amp; Schedules</td>
</tr>
<tr>
<td>• Application Queue</td>
<td>• Proforma Balance Sheet and Schedules</td>
</tr>
<tr>
<td>• Application Tab</td>
<td>• Loan Summary Tab</td>
</tr>
<tr>
<td>• Borrower Info Tab</td>
<td></td>
</tr>
<tr>
<td>• Communication/Attachment Tab</td>
<td></td>
</tr>
</tbody>
</table>

**August 7th 2013**

<table>
<thead>
<tr>
<th>Income &amp; Expense and Subsidiary Analysis</th>
<th>Loan Submission and Final Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Income &amp; Expense Tab</td>
<td>• Submitting the Loan</td>
</tr>
<tr>
<td>• Proforma Income &amp; Expense Tab</td>
<td>• Preliminary Loan Approval</td>
</tr>
<tr>
<td>• Subsidiary Analysis Tab</td>
<td>• Appraisal Checklist</td>
</tr>
<tr>
<td></td>
<td>• PPDocs</td>
</tr>
<tr>
<td></td>
<td>• Rate Locking and Rate Lock Info Tab</td>
</tr>
<tr>
<td></td>
<td>• Purchase Request &amp; Purchase Info Tab</td>
</tr>
</tbody>
</table>

**August 21st 2013**

| | August 28th 2013 |
| | August 14th 2013 |
| | |
Today’s Webinar will cover the following:

- The Balance Sheet and Balance Sheet Schedules
- The Consolidated Balance Sheet and Schedules
- The Proforma Balance Sheet and Schedules
- The Loan Summary Tab
• Current, Market Value, Balance Sheet within 90 days for all borrowers
  • Separate balance sheets should be entered and AgPower will automatically consolidated for multiple entities
• Any asset or liability that could be categorized to a specific schedule should go on that schedule
• Provide verifications of assets and liabilities if material to the credit
• All debt listed on the credit report should be on the balance sheet, including credit card debt
• Personal interest in an entity should be shown as an intermediate asset
The Balance Sheet and Schedules
It is important to complete an individual Balance Sheet for each of the borrowing entities. Here you can see we are on MAC Farmer’s personal balance sheet. You can change amongst the entity Balance Sheets by clicking this down arrow. The borrowers were assigned an entity number on the Borrower Info tab. Please enter the balance sheet date in this field. Keep in mind, balance sheets should be at market value and within 90 days of submitting the loan request. For inputting purposes it is easier to complete the BS(a) tab first and then come back to the Balance Sheet tab, as items from the schedules flow through to the Balance Sheet tab.
This is the BS(a) tab for MAC Land LLP. As with the Balance Sheet tab, you can change amongst the entities by clicking this down arrow. Let’s go over the Schedule A for this entity. The Schedule A is where all Real Estate and associated debt is listed. To add a new line of real estate you would complete the yellow boxes at the bottom and click save on the same line. To edit or delete a line you have already created, you would select those options on the left of that line. It is important to provide the balance, rate accrued interest, if any, and the annual total principal for any real estate debt. The p,f,e column designates how the interest appears on the borrower’s tax returns. See the explanation below the Schedule A. This information will calculate into the total debt service on the proforma balance sheet.
The total Market Value of the Schedule A and the total Balance will auto-fill to the Balance Sheet tab for you. This slide is showing the Long Term Assets and Liabilities section of Mac Land LLP’s Balance Sheet along with their Schedule A. You can see how the Assets of $9,300,000 and Liabilities of $1,866,831 match and are auto-filled for you.
Further down on the BS(a) tab are the Schedule B and Schedule C. On the Schedule B you would list any chattel debt the borrowers have. This area functions similar to the Schedule A in that you would add items line by line and click save to the left. To edit or delete a line you would click the choice on the left of the line. You will also need to complete the payment information including the balance, rate, accrued interest and total principal.

The Schedule C is reserved for short term or operating debt. In this area you would list the borrower’s line of credit if any.

If the borrower’s carry an operating line, please complete the average outstanding operating line information as well as the rate. Save this information with the red save button.
To access the remaining schedules you would click on Balance Sheet a Schedule D-K. This screen shot has been edited to reflect only the schedules with assets listed. Any item that could go on a schedule should be listed on that schedule. For the Schedule K, if you want to enter the gross value and then upload a list of the machinery that is acceptable.
This slide is showing the Balance Sheet and Schedules for Mac Operations. You can see the Harvested Crops flows through to the current assets while the Schedule K Machinery and Vehicles flows through to the intermediate assets. The balance of the operating line auto fills to the current liabilities and the Chattel Debt balance auto fills to the Intermediate Liabilities.
As mentioned earlier you can navigate between different entities balance sheets by clicking the down arrow. The name of the balance sheet is listed here. Please enter the balance sheet date in this field. Keep in mind, balance sheets should be at market value and within 90 days of submitting the loan request. If material to the credit please provide verification of cash, savings, retirement accounts, cash value of life insurance etc. When entering information for Marketable Bonds & Securities, consider if the marketable bonds and securities are current assets or retirement accounts. If they are retirement accounts, then they should be listed as other investment under intermediate assets. The save button for information entered in the yellow boxes is here. To save items under other current assets or accounts payable, click the save button on that line.
Under Other Non-Current Assets on the borrower’s personal Balance Sheet you should list the value of all outside entities even if they are a borrower on the request. This value will later be eliminated on the consolidated Balance Sheets. If the outside entity is on the subsidiary analysis instead of being a borrower, the net worth value in the subsidiary analysis should be the same value listed as the asset in the entity on the borrower’s personal Balance Sheet. You can see that the interest Mac and May Farmer have in the additional borrowing entities is listed here.

Other Investments is where you will list the borrower’s retirement accounts and other investments.
The Consolidated Balance Sheet
This is the Consolidated Balance Sheet for Mac Land, Mac Operations and Mac and May Farmer. The consolidated Balance Sheet tabs appear when you have multiple entities. AgPower will automatically consolidate the information for you. You can see that AgPower has also added an additional column to the Balance Sheet for elimination. On this loan we will eliminate the interest in MAC Land LLP and Mac Operations as they are borrowers on the request and the net worth of those entities is already being captured in the consolidated net worth at the bottom of the page. We don’t eliminate M&M Investments in this area because that entity is not a borrowing entity and is listed on the subsidiary analysis tab. At the bottom of the screen you can see the consolidated net worth has dropped by $9,121,945. This is due to eliminating the interest in MAC Land and Mac Operations that was already included in this figure. The correct consolidated net worth or Mac Land, Mac Operations and Mac and May Farmer is $11,400,199.
The Proforma
Balance Sheet and Schedules
The proforma balance sheet is where you will adjust the current balance sheet for the changes from the Farmer Mac loan. For single entity applications, the tab is titled BS Proforma and BS(a) Proforma. For multiple entity applications the tab is called Consolidated BS Proforma and Consolidated BS(a) Proforma.

This is the Consolidated Proforma Balance Sheet, you can see that AgPower has added a “Change” column. This is the area that you will address changes not occurring on the Schedule A, B or C.
The proforma balance sheet schedule A looks the same as it did on the consolidated balance sheet schedules. You have the ability to edit the lines and add new lines. However, the three payment columns have been added. For the purpose of this slide, we have excluded the Schedules B and C but they will appear on the Proforma Balance Sheet Schedules and look similar to the Schedule A. At the bottom of the proforma Balance Sheet schedules, AgPower will calculate the proforma total annual P&I.
In this example the borrowers are requesting a $2,860,000 loan with a 20 year fixed product and will offer 640 acres as collateral. The loan proceeds are to purchase real estate, refinance Farm Loan 2 and closing costs. The next few slides will show how to show these changes on the proforma balance sheet.
The first thing we would do is to add the new Farmer Mac loan to the BS(a) Schedule A. When adding the new Farmer Mac loan, it is helpful if you add a new line to the proforma balance sheet Schedule A instead of editing the existing line of the mortgage to be refinanced is on. To add the new Farmer Mac loan, we would complete the tan boxes at the bottom of the schedule. The “Loan Data” box provides all of the information needed to complete the Farmer Mac line, including the balance, rate and annual principal. Click save to the left to Save the Farmer Mac line. Let’s go through the steps of adding the new line.

1. This land is serving as the Farmer Mac collateral so we would toggle YES under Farmer Mac collateral.
2. Input the Application ID into this field. The application ID will always be at the top of the AgPower Screen.
3. The acres serving as collateral are the newly purchased 320 acres and the existing 320 already on the balance sheet, we would input 640 into this field.
4. The purchase price for the entire collateral is $2,912,000. The new 320 acres is being purchased for $2,240,000 and as you can see on the line with the existing 320 acres, the purchase price was $672,000.
5. Enter the market value for the collateral here. The estimated market value for this property is $3,990,000. On a new purchase, Farmer Mac will always value the property at the lesser of purchase price or appraised value.
6. The payable to should say Farmer Mac. This is why it is important to add a new line for the Farmer Mac loan. If you edit an existing line, the payable to cannot be edited.
7. Enter the information from the Loan Data box into the remaining fields for the Farmer Mac loan.
8. Click Save to the left of the line and the new Farmer Mac loan has been added.
Now we can see the new Farmer Mac loan is listed at the top and the annual payment in the yellow box matches the First Year’s payment in the Loan Data Box. Since we are refinancing the Farm Loan 2, and taking that land as additional security, we will need to show the Farm Loan 2 as being paid off. We will also need to zero out the acres and value for this line as they are already included in the new Farmer Mac loan. Follow along with the slide as we show the existing Farm Loan 2 as being refinanced.

1. Click Edit to open this line up for changes.
2. Change the Farmer Mac Collateral to No.
3. Delete the acres entry as the acres are already included in the new Farmer Mac loan above.
4. Since the purchase price is already included in the Farmer Mac loan you would delete this entry.
5. The Market Value of the 320 acres is already included in the Market Value entry for the Farmer Mac loan, so we would delete this field.
6. Part of the loan proceeds for the Farmer Mac loan are to refinance this Farm Loan 2, so we would delete the balance, rate, accrued interest and annual total principal.
7. Click Update to the left on this same line to save.
This is a screen shot of the bottom of the proforma balance sheet. You can see the proforma net worth decreases by $20,000. This is due to the closing costs loan proceed. If there are closing costs being financed, the net worth will always decrease by this figure. Please be sure to reconcile the proforma net worth change and detail that information in your narrative. By reconciling your proforma net worth change you will be able to tell if your Use of Funds are accurately listed on the proforma balance sheet.
The Loan Summary Tab
The first page of the Loan Summary Tab needs to be completed for all applications. As you can see there are two pages on the loan summary tab.
In the related loans area of the Loan Summary tab you will see if borrowers have additional exposure with Farmer Mac if the borrowers have multiple loans with Farmer Mac it may be the case where the existing loans are cross collateralized or cross defaulted with the new loan. Generally if two loans are being secured with the same property Farmer Mac will ask they be Cross Defaulted. If there are loans to be crossed, check the “Has Crossed Loan?” box and a new box will appear that allows you to detail the information for the existing loan.
You will need to provide more detailed information regarding the proposed collateral in this area of the Loan Summary Tab. Please provide the tillable acres and irrigated acres if any. The value entered for the collateral in this area should match the collateral value on the proforma balance sheet. Please give the best estimate for the property income. In the commodities grown section please list the two most common commodities grown on the collateral as well as their percent of the collateral. There are numerous commodities to choose from so please be as specific as possible. Don’t forget to click Save to save this information.
Farmer Mac asks that at least 3 years of historical balance sheet be provided for Full Underwrite and Ag Equity loans. You would enter the historical balance sheets in this area on the Peer Data, Balance Sheet and Income Statement Trend Analysis page of the Loan Summary Tab. As you can see the current balance sheet provided and the proforma balance sheet are already provided for you. When entering the balance sheets please keep them in chronological order. You can see the proforma current ratio and proforma D/A ratio here. Make any necessary comments and click save at the bottom of this section.
The Income Statement Trend Analysis is auto filled at the bottom of the screen. This information is also provided on the proforma Income and Expense Tab. This area will show the historical, average and proforma TDC calculations.
After the loan is purchased by Farmer Mac a Peer Data area will be available in the Loan Summary tab on the Peer Data page. It compares the loan you submitted with other similar loans in Farmer Mac’s portfolio. A loan’s peer group is based on the region of the country, commodity group and net farm income. The loan is compared to peer loans approved by Farmer Mac in the past year and since AgPower was developed. This is for reference purposes only and serves as a good benchmarking tool.
Questions?
### Tracking the Tabs to Success Series

<table>
<thead>
<tr>
<th>Getting Started with AgPower</th>
<th>Balance Sheet and Loan Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Farm &amp; Ranch Loan Purchase Process</td>
<td>• Balance Sheet &amp; Schedules</td>
</tr>
<tr>
<td>• Accessing AgPower</td>
<td>• Consolidated Balance Sheet &amp; Schedules</td>
</tr>
<tr>
<td>• Application Queue</td>
<td>• Proforma Balance Sheet and Schedules</td>
</tr>
<tr>
<td>• Application Tab</td>
<td>• Loan Summary Tab</td>
</tr>
<tr>
<td>• Borrower Info Tab</td>
<td></td>
</tr>
<tr>
<td>• Communication/Attachment Tab</td>
<td></td>
</tr>
<tr>
<td><strong>August 7th 2013 – Now Available Online</strong></td>
<td><strong>August 14th 2013</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income &amp; Expense and Subsidiary Analysis</th>
<th>Loan Submission and Final Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Income &amp; Expense Tab</td>
<td>• Submitting the Loan</td>
</tr>
<tr>
<td>• Proforma Income &amp; Expense Tab</td>
<td>• Preliminary Loan Approval</td>
</tr>
<tr>
<td>• Subsidiary Analysis Tab</td>
<td>• Appraisal Checklist</td>
</tr>
<tr>
<td></td>
<td>• PPDocs</td>
</tr>
<tr>
<td></td>
<td>• Rate Locking and Rate Lock Info Tab</td>
</tr>
<tr>
<td></td>
<td>• Purchase Request &amp; Purchase Info Tab</td>
</tr>
<tr>
<td><strong>August 21st 2013</strong></td>
<td><strong>August 28th 2013</strong></td>
</tr>
</tbody>
</table>
Be watching for the Video Tip icon to appear on the Balance Sheet tabs in the upcoming month. If you click on the Video Tip icons in AgPower a detailed interactive video will open that provides information for the tab you are currently working on in AgPower.
Today’s Presenters:

**Ben Lundgren**
Loan Underwriter
Johnston, Iowa Office
Ben.Lundgren@farmermac.com
866-452-2617

**Patrick Kerrigan**
Director of Business Development
Washington, DC Office
Patrick.Kerrigan@farmermac.com
202-872-5560

[Logo: FARMER MAC]