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Vol. 12

A bi-monthly update of
important upcoming events

July 10, 2009

Farmer Mac is the Congressionally-chartered secondary market for agricultural real estate, rural housing and rural utilities loans as well as many USDA guaranteed loans. The Almanac communicates important upcoming events and announcements to agricultural lenders. You can receive answers to your questions about Farmer Mac via opportunities@farmermac.com or by calling 800-879-3276.

Current Headlines:

- [Farmer Mac Events](#)
- [Farmer Mac Targets October 1 to Implement the AgPower® Web-Based Loan Origination System](#)
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- [Additions to Seller/Service Guide Clarify Guidelines for Cattle Loans](#)

Upcoming Farmer Mac events:

- July 23-24: New York Bankers Association; Northeast Agribusiness Seminar; Syracuse, NY. Farmer Mac is a sponsor.
- Aug. 5-8: Community Bankers of Ohio; Annual Convention and Trade Show; Cleveland, OH. Farmer Mac is an exhibitor.
- Aug. 26-27: Illinois Bankers Association; Ag Conference; Springfield, IL. Farmer Mac is a sponsor and exhibitor.

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Farmer Mac Targets October 1 to Implement the AgPower® Web-Based Loan Origination System

Farmer Mac is pleased with the progress during the testing phase of the [AgPower®](#) web-based loan origination system. Success during the testing phase will ensure the likelihood that Farmer Mac will be able to proceed with the plan to use the new web-based system as the data repository for all Farmer Mac Cash Window loans. Farmer Mac is targeting October 1 as the date to begin requiring all Farmer Mac I Farm and Ranch loan submissions be received using AgPower®.

The benefits of the newly developed system, which will join the list of Farmer Mac's specialized customer services listed under the AgPower® trademark, include:

- driving toward ever-faster approval turnaround time;
- efficiencies in the underwriting function;

- data integrity and security;
- enhanced communication between Sellers and Farmer Mac (everyone working from the same secured document);
- Seller access to the loan file from remote locations within its geographic footprint, further improving communication;
- long-term access to historical files for efficient processing of new loans; and
- avoidance of cost and time delays through the ability to attach electronically retained documents to the loan information.

The members of Farmer Mac's Customer Response and Opinion Panel (CROP) have been granted access to the system and are joining Farmer Mac staff during the initial testing process. When this phase is complete, we hope to roll out the new system to high-volume Sellers by late summer for continued real-world testing.

Workshops and webinars will be the primary training tools. Half-day workshops will be conducted in September in several locations; webinars will be held simultaneously for those who are unable to attend a workshop.

The new web-based system uses the logic and structure of Farmer Mac's Single/Multiple Entity Excel programs. Sellers with experience in using the Excel spreadsheets will be pleased to see the improvements in the new system, especially in its ability to handle data for complex operations with multiple entities.

* AgPower® is Farmer Mac's commitment to superior customer services. It includes tools designed specifically to increase the lending power of ag lenders, allowing them to work smarter, use quick and easy loan applications for customers and get faster approvals. Fast Track I and II, 2-day response time for credit decisions and flexible products also fit under the AgPower® umbrella.

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Beginning July 13, Preliminary Loan Approvals Will Be Good for 180 Days

July 13 is the date Farmer Mac will begin implementing a longer credit approval period. Beginning with loans received on and after July 13, 2009, Farmer Mac's preliminary loan approvals will be in effect for 180 days rather than 120 days as currently the case. The longer period will give Sellers additional time to close and deliver loans to Farmer Mac without going through the extra step of requesting an extension of the credit approval from Farmer Mac.

Loans must be closed within the 180 day period or withdrawn. No credit approval extensions will be allowed past 180 days. Sellers should, therefore, note the importance of obtaining a commitment-to-purchase (rate lock) in a timely manner.

To help Sellers understand their rate-lock timeline, newly revised Preliminary Loan Approval Letters will identify the cut-off deadline for Sellers to request the various rate-lock options (1-week, 4-week and 8-week) and still allow the loan closing to fall within the 180-day approval period.

Sellers are encouraged to be diligent in accomplishing their rate locks. Waiting until the rate-lock cut-off date will result in the date of the rate-lock deadline and the credit approval deadline being the same day. Failure to deliver by that date will automatically result in a 1% pair-off fee.

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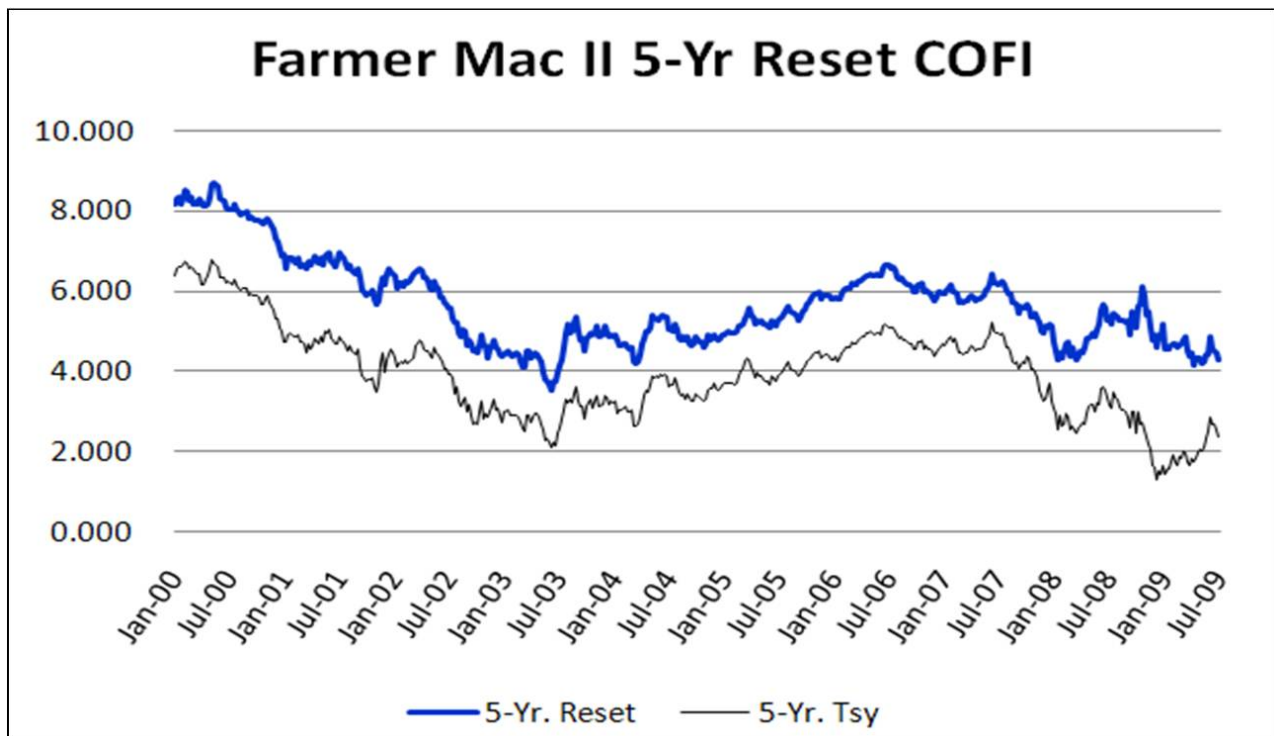
Farmer Mac I Farm and Ranch Loan Amount Increased to \$9.8 Million

Effective immediately, the maximum loan amount for [Farmer Mac I](#) Farm and Ranch Loans has been increased to \$9.8 million (formerly \$9.0 million) if the loan is secured by more than 1,000 acres. The maximum loan size for loans secured by 1,000 acres or less remains at \$15 million.

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A Historical Perspective of a Popular Farmer Mac II Product

Interest rates continue to fluctuate across the board as the bond market reacts to future economic uncertainty. In order to gain some historical perspective on today's interest rates, we have charted one of the most popular products in the [Farmer Mac II](#) program, the 5-Year Reset COFI net yield, against the 5-Year US Treasury Note from January 2000. The results are interesting:



This week, the Farmer Mac II 5-Year Reset COFI net yield is approximately 4.25%, 140 basis points lower than the nine-year average of 5.65% and significantly lower than the high rate of 8.67% for that period. Many borrowers may be tempted to index to a shorter-term variable rate product, such as the Prime Rate, but they should be aware that over the long-term, today's fixed rates and longer-term reset rates remain attractive and can provide a large cushion against future interest rate hikes.

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Farmer Mac I Farm and Ranch Loan Products – Making It Easier to See Which One Best Fits Your Customer's Needs

As ag lenders discuss the various [Farmer Mac product options](#) with their customers, they need product information at their fingertips to help them answer questions. What are the differences between the 5-year ARM and the 5-year VRM? Which product would work better, the 10/1 ARM or the 10-year VRM?

Descriptions of all Farmer Mac products are outlined in the Farmer Mac Seller/Service Guide under the tab "Product Descriptions," but, for easier and quicker access, Farmer Mac has added a helpful tool on its website.

A new "Products" box now appears on the initial screen in the password-protected area, assuring quick and instant access to the product descriptions. At the end of the product listings, a conversion grid is included allowing viewers to see exactly which products have convertibility options.

In the near future, when lenders pull up the Farmer Mac I Farm and Ranch Loan rate sheets on the Farmer Mac website, each product will be hot-linked to its appropriate description.

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Sellers Are Encouraged to Answer Customer Satisfaction Surveys

Sellers are reminded to please participate in the brief customer satisfaction surveys that follow loans submitted to Farmer Mac. Following both the underwriting and closing processes, Sellers are asked to rate Farmer Mac's service quality. Individual responses are kept confidential. Farmer Mac receives quarterly summaries of the ratings. To date, Sellers have responded well to the surveys and have given high marks to Farmer Mac. Close to 100% report they either definitely will or probably will submit another loan for purchase.

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Additions to Seller/Service Guide Clarify Guidelines for Cattle Loans

Cattle loans, both for cow/calf operations and cattle feedlots, have always been eligible for the Farmer Mac I

Farm and Ranch Loan Program, approved on a case-by-case basis. Specific underwriting criteria for those loans will now be specified in the Seller/Service Guide. New updates to the Guide addressing these loans are listed below. The updates are also included in the Seller/Service Guide posted in the [password-protected](#) area of the Farmer Mac website.

New Exhibit B to Part 2, Chapter 202, of the Seller/Service Guide

Cow/Calf Ranch Loans

In addition to the general credit standards in the Guide (Chapters 201 and 202), the following additional lending guidelines should be followed for cow/calf ranch loans:

1. The following requirements will be used as underwriting standards for the credit decision process:

Credit Score	≥ 680
D/A Ratio (Proforma)	$\leq 40\%$
Current Ratio (Proforma)	≥ 1.00
TDC (Proforma)	≥ 1.25
LTV	$\leq 55\%$

2. It is recommended that appraisals be completed with a market analysis on an Animal Unit (AU) year-round capacity basis.
3. Federal and State grazing leases that constitute an integral part of the ranching unit may be taken as security and will be required if needed to maintain ranch "carrying capacity" and the value of the leases is included in the appraisal.

New addition to Chapter 205.5 Non Contract Facility Loans, Other Production Facilities, Cattle Feedlot Operations

In addition to the general credit standards in the Guide (Chapters 201 and 202), the following additional lending guidelines should be followed for cattle/feedlot loans:

Qualification as a cattle/feedlot loan:

Cattle/feedlot loans are designed for individuals and entities that feed their own cattle or custom feed cattle for others. The special guidelines apply to operations that meet one of the following two tests:

- Receive 75% or more of the value of farm production from the sale of fed cattle or from custom cattle feeding income; or
- Almost all grain produced is marketed through the cattle feeding operation.

The following requirements will be used as underwriting standards for the credit decision:

Credit Score	≥ 680
D/A Ratio (Proforma)	$\leq 50\%$
Current Ratio (Proforma)	≥ 1.25
TDC (Proforma)	≥ 1.25
LTV maximum	65% for loans up to \$3 million; 60% for loans greater than \$3 million
PDC	$\geq 1.00^*$

* When the improvement value is $\geq 60\%$ of the total value, then PDC must be ≥ 1.25 .

- As the size and complexity of a feedlot increases, Farmer Mac's degree of financial reporting requirements will increase.
- Farmer Mac requires that the Seller be the feedlot's operating lender unless the feedlot is not borrowing operating money.
- Maximum loan maturity is not to exceed 20 years when the improvement value is $\geq 60\%$ of total value; 30 years when the improvement value is $< 60\%$ of total value.

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