



Vol. 18

A bi-monthly update of
important upcoming events

July 21, 2010

The Farmer Mac Almanac communicates important upcoming events and announcements to agricultural lenders. You can receive answers to your questions about Farmer Mac by calling 800-879-3276, accessing the Quick-tip Videos through a link on the homepage of the Farmer Mac website (www.farmermac.com) or via opportunities@farmermac.com.

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Upcoming Events for Farmer Mac:

July 25-28: Farm Credit Council Services; The Learning Conference; Chicago, IL.

July 28: "Beat the Heat" Summer Webinar Series: AgPower® LOS (see announcement below)*

Aug. 4: Summer Webinar Series: Farmer Mac II - Product Options*

Aug. 11: Summer Webinar Series: Farmer Mac II - Selling Guarantees*

- Aug. 18: Summer Webinar Series: Long-Term Standby Purchase Commitment Program (LTSPC)*
- Aug. 19-21: Community Bankers Association of Ohio; Annual Convention and Trade Show; Columbus, OH.
- Aug. 25-26: Illinois Bankers Association; Ag Banking Conference; Springfield, IL.
- Aug. 25: Summer Webinar Series: AgVantage Program*
- Sept. 14-15: Missouri Independent Bankers Association; Annual Convention and Exhibition; Lake Ozark, MO.

*For more detail about the webinar series, see the article below.

Farmer Mac Announces Dave Kohl as a Contributing Writer for Farmer Mac Almanac

The Farmer Mac Almanac receives a big boost as it welcomes Dr. David Kohl as its first contributing writer. Dr. Kohl is Professor Emeritus in the Department of Agricultural and Applied Economics at Virginia Tech University in Blacksburg, VA, where he served for 25 years as Professor of Agricultural Finance and Small Business Management and Entrepreneurship.

While logging over 7 million miles of travel throughout his professional career to workshops, seminars and conferences across the U.S., Canada, Mexico, and the world, Dr. Kohl is one of the most well known and respected leaders in the world of ag finance and business management. His opinions and perspectives are sought by a variety of ag groups including bankers, Farm Credit System institutions, FSA and regulators as well as producers and agribusiness leaders.

Referring to the experiences and insights Dr. Kohl has attained through his extensive travel and visits with ag lenders representing diverse geographies and commodities, the bi-monthly articles will fall under the headline of "Dave's GPS." With this special type of global positioning system being added to the Almanac, the goal is for readers to gain valuable insight into how to navigate the world of ag lending in today's volatile economic environment. The next step will be to include updated statistics with each Almanac highlighting key economic indicators affecting the ag lending environment.

View Online: [Dave's GPS](#)

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****Farmer Mac Offers "Beat the Heat" Summer Webinar Series***

As the webinars' invitation advises, crank up the air conditioner and relax in your chair as you tune into Farmer Mac's weekly webinars this summer. Every Wednesday, Farmer Mac is hosting weekly 30-minute webinars to discuss attractive features of both Farmer Mac I and Farmer Mac II.

It is the perfect time to learn about Farmer Mac, either on a first-time basis or as a refresher. The invitation can be viewed and registration completed for individual webinars

by selecting "Calendar of Events" on the Farmer Mac website and then stepping through the brief registration form. The series ends Wednesday, August 25.

Don't fret if you missed a session. Each one is being recorded and available on the Farmer Mac website, www.farmermac.com. Simply visit the Farmer Mac website and click on "Recorded Webinars."

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Learn from a Seller: How to Help Customers Wanting to Hedge Their Bets

When it's the day to lock in a rate, the customer faces a difficult decision: Should I select one of the cheaper ARMs or mitigate long-term interest rate risk by locking in a long-term fixed rate?

"Some of our customers decide to go with both," reports Sarah Torsney Goeden, a credit analyst at Dakota Mac (First Dakota National Bank in Yankton, SD). And Dakota Mac makes it possible. How do they do it?

When customers are having a difficult time deciding, Dakota Mac promotes the "blended rate" concept where the loan is split. "The 'blended rate' allows a customer to hedge their bet and combine two products: typically a longer fixed-rate product (like the 10-year fixed rate or the 10-year VRM) and a product that reprices frequently like the 1-month ARM LIBOR or 1- or 3-year ARM," Sarah continues. "While most of the time each rate will apply to half of the loan, sometimes the structure requested by the borrower will correlate to a certain purchase or portion of the operation." Dakota Mac finds that with current Farmer Mac 1-month ARM LIBOR pricing hovering around 2 percent, and the 10-year VRM around 5 percent, the combined rate can be very attractive.

To structure the transaction, Sarah says that most of the time, the "blended rate" split loan will have multiple promissory notes (one for each product), but only one appraisal, title policy and mortgage or deed of trust. In the end, all notes are tied to the same loan security, something Farmer Mac can accommodate since it considers all liens held by it to be of the same priority as long as one of its mortgages is in first priority and there are no intervening liens.

In all cases where there are multiple loans on the same security, the loans must be cross-collateralized and cross-defaulted.

The loan terms and amortizations of all the loans need not be the same. However, Farmer Mac's loan limits and underwriting criteria apply to the aggregate of all loans to a borrower secured by the same security.

Sarah reports that to get this accomplished in AgPower[®] LOS, one note is tied to the initial application which is entered and uploaded. Then Dakota Mac duplicates that application and changes the terms to correspond to the customer's second product selection. Finally, both loans are submitted for review.

"We've had a few cases where one note is tied to a specific piece of collateral and another note is tied to a different piece of collateral," reports Sarah. "Cross-default and cross-collateralization is required, so technically it is all rolled together. But in the customer's mind, one loan is connected to one purchase and the other loan is connected to other security."

Another case where this approach may be useful is when a borrower has an existing Farmer Mac loan and wants to tap equity in the property.

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How Farmland Loans Can Be Used to Improve a Bank's Risk-Based Capital Ratio

June 22 was a busy day at Farmer Mac as final preparations were in count-down mode for the webinar targeting CFOs of ABA-member banks. John Blanchfield, ABA Senior Vice President of Agricultural and Rural Banking and Steve Bumann, CFO BankWest in Pierre, SD were featured guest speakers. The topic of the day was Farmer Mac's Long-Term Standby Purchase Commitment Program (LTSPC). BankWest uses the program to gain a number of benefits including the ability to increase the bank's risk-based capital ratio by almost 50 bps.

Over the years, the LTSPC program has covered over \$8.7 billion in farm and ranch loans for both Farm Credit associations and banks. Bankers' interest in the program, strengthened by the financial regulatory legislation working its way through Congress, has grown in recent months through greater realization of the potential benefits derived from transferring credit risk on a pool of farmland loans to Farmer Mac.

The 45-minute session was recorded and has been posted on the Farmer Mac website, www.farmermac.com. To view and listen, simply click on Recorded Webinars (see lower right-hand portion of the homepage) and then select "LTSPC: How to Use Your Bank's Farmland Loans to Improve Your Risk-Based Capital Ratio."

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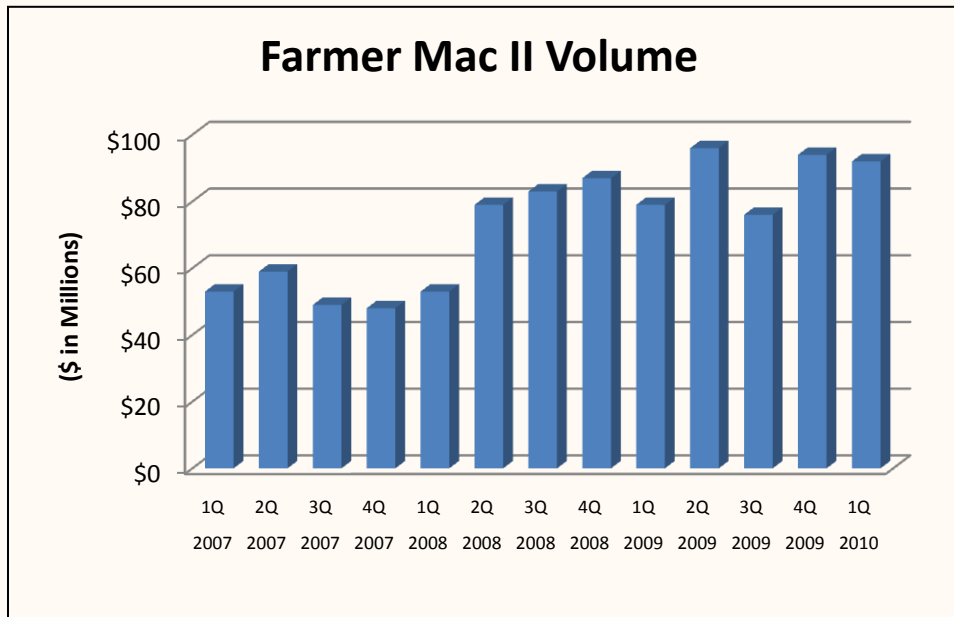
Farmer Mac II Volume Continues to Climb

USDA guaranteed lenders across the country are increasingly using Farmer Mac II to benefit themselves and their borrowers. As of March 31, 2010, new quarterly volume in Farmer Mac II increased 16% to \$92 million, compared to \$79 million during the quarter ended March 31, 2009.

The most popular interest rate products for Farmer Mac II participants during first quarter 2010 were the 5-year Reset Cost of Funds Index (COFI), which represented 30% of the volume, followed by several shorter-term variable indices that together represented 28% of the volume. The remaining 42% of the purchases were tied to products that fixed the borrower's interest rate for a period greater than 5 years.

Why the increased activity in the program? Awareness is the key. Potential participants are becoming more aware of Farmer Mac II and are seeing for the first time the full extent of the opportunities and benefits available. Participating lenders are broadening the product lines they offer their customers in their efforts to expand their customer base and seek to increase fee income.

Ag and rural lenders who originate USDA guaranteed loans are encouraged to call or email Farmer Mac for more information.



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The Farmer Mac "Authorized Contact" Is the Seller's Gatekeeper to Access the Farmer Mac Website

The "authorized contact" is the person designated by each Seller to perform several important functions on behalf of the Farmer Mac program including:

- 1) Provide access for various employees to the secured area of the Farmer Mac website
- 2) Authorize those individuals who will have the authority to obtain a commitment to purchase (lock in a rate) with Farmer Mac
- 3) Periodically complete and sign the Farmer Mac recertification form which indicates the institution's intention to continue to access the Farmer Mac programs

The process for authorized contacts to designate and maintain secured access for appropriate employees is easy. First, login to the secured area, click on "My Profile" then "Add Users." After entering each person's name, email address and initial password, the authorized contact may select the box providing access to "Farmer Mac I", "Farmer Mac II", or both. Farmer Mac I access ensures a bundle of options will appear for that user including the following:

- Daily rates
- Seller/Service Guide
- Seller Bulletins
- Credit forms
- AgPower® LOS (Farmer Mac's web-based Loan Origination System).

Changing or dropping access for employees is equally as easy. After logging in and selecting "My Profile", the authorized contact simply selects "Show Users" and then clicks on the name of the individual whose access is being changed or dropped.

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Receive Farmer Mac Rates in Your Daily Email

All Seller employees who have been granted access to the secured area of the Farmer Mac website may elect to have Farmer Mac rates emailed to them on a daily basis. To start receiving, simply log into the secured area, click on "My Profile", and then select the box "Please send me daily Farmer Mac rates."

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Lenders Interested in Farmer Mac Can Receive Farmer Mac Rate Line on a Trial Basis

Ag lenders wishing to view Farmer Mac rates can call the Farmer Mac Marketing Department and request to be set up to receive them on a 30-day temporary basis. As soon as the rates are posted, they will be emailed to the lenders requesting this service, a popular way to become familiar with the various Farmer Mac products, their terms and pricing.

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AgPower® LOS Will Automatically Archive Loans after 90 Days if Not Submitted

Once loan data is saved by the AgPower® LOS user, it can be retrieved even if never officially submitted to Farmer Mac. Sellers are reminded that unsubmitted loan information is automatically archived after 90 days and will be saved indefinitely. Retrieval is accomplished by selecting the "archives" option on the AgPower® LOS main screen.

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Sellers Are Reminded 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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Farmer Mac I Farm and Ranch Product Descriptions Are Easy to Access

Lending officers in the process of discussing which Farmer Mac product best suits the needs of each customer are reminded to turn to the Farmer Mac website where product descriptions are easily accessible.

- A "Products" box appears on the initial screen in the secured area, assuring quick and easy access to the Farmer Mac I product descriptions. At the end of the product listings, a conversion grid is included, allowing viewers to see exactly which products have convertibility options.

- Each of the products listed in the Farmer Mac I Farm and Ranch Loan rate sheets posted on the Farmer Mac website is hot-linked to its appropriate description.

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Sellers Are Encouraged to Periodically Download Farmer Mac Forms

Farmer Mac has a number of forms such as the "Underwriting Grid" and "Form 1021 Evaluation Report" which are popular forms providing helpful assistance to Sellers. Sellers are reminded that periodically Farmer Mac makes revisions to these documents. So lenders are encouraged to periodically refresh all forms which have been downloaded from the Farmer Mac website.

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The Seller Is the "Client" in Appraiser Engagement Letter

A frequent question regarding use of the Appraiser Engagement Letter: what institution name should be entered as the "client" in the agreement? The client should always be the Seller of the loan (or the originator if that is not the Seller).

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