



Inside this issue:

Dave's GPS 2

Farmer Mac I Cash Window and Credit Corner 2

Alliance Update 4

Education Center 4

Farmer Mac Financial News 6

Farmer Mac II 6

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 or via opportunities@farmermac.com.

Upcoming Events for Farmer Mac

- Nov. 23: Pre-holiday schedule for rate locks, closing at 12:00 noon
- Nov. 24-25: Farmer Mac closed for Thanksgiving holiday
- Nov. 30: Louisiana Bankers Association Professional Development Workshop, Agriculture Meeting; Baton Rouge, LA
- Dec. 6: Farmer Mac "Refresh" webinar, 12:00 noon Eastern Time
- Dec. 23: Pre-holiday schedule for rate locks, closing at 12:00 noon
- Dec. 26: Farmer Mac closed for Christmas holiday
- Jan. 2: Farmer Mac closed for New Year's Day holiday
- Jan. 11: Farmer Mac "Refresh" webinar, 12:00 noon Eastern Time
- Jan. 16: Farmer Mac closed for Dr. Martin Luther King, Jr. Day
- Feb. 19-22: American Bankers Association National Conference for Community Bankers; Palm Desert, CA
- Mar 11-15: Independent Community Bankers Association National Convention and Techworld; Nashville, TN

Dave's GPS



*Dr. David Kohl: Professor Emeritus
Virginia Tech University*

Keep Up with Dr. David Kohl through Farmer Mac

This month, Dr. Kohl conjures up memories of old TV shows of the wild west as he contemplates the major transitions taking place in today's global economies. The interconnectedness of developed and emerging countries heightens vulnerability and the likelihood that an adverse event in one can quickly spread to others. Dr. Kohl identifies key items that he includes under his watch and reminds us of the importance for ag lenders to have prudent risk management programs in place. He ends this month's "Dave's GPS" with a lender tip regarding the design of sensitivity analysis tests for customers' cash flows, collateral, and liquidity.

A well known and respected leader in the world of agricultural finance, Dr. Kohl is adept at recognizing trends in the world of ag lending. Along with "Dave's GPS," Dr. Kohl also provides a bi-monthly "Dashboard" (Lender and Business Dashboard Economic Indicator Assessment). His ten red, yellow and green signals assigned to key economic indicators provide an easy format to help readers reach their own conclusions about the strength and future of the U.S. economy. One of his ten key indicators moves this month from green to yellow, the third one to weaken since January of this year. Read Dr. Kohl's assessment of this most recent change.

Dr. David Kohl is Professor Emeritus in the Department of Agricultural and Applied Economics at Virginia Tech University in Blacksburg, VA. Prior to his current position at the university, Dr. Kohl served as Professor of Agricultural Finance and Small Business Management and Entrepreneurship for 25 years.

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

Farmer Mac I Cash Window and Credit Corner

Check It Out: A New Tool for Sellers to Screen and Review Appraisals Prior to Submission to Farmer Mac

A new feature in AgPower® LOS makes it easier for Sellers to review and screen appraisals prior to loan submission. The items listed in the review - and now easily accessed in AgPower® LOS - are a duplicate of the items that Farmer Mac reviews on all appraisals before allowing the loan to proceed toward rate lock and purchase.

Incorporating this form into the AgPower® LOS system reflects Farmer Mac's strong recommendation to Sellers that they screen and review appraisals prior to loan submission, allowing deficiencies to be identified and remedied early in the approval process and shortening the time between Preliminary Loan Approval and the purchase of the loan.

AgPower® LOS Loans Are Retrievable Indefinitely

Due to its success, AgPower® LOS has been inundated with loans in the two years the system has been available. Archiving non-submitted or inactive loans keeps the system running smoothly and efficiently. Archived loans are not listed on the active loan queue screen. However, they are easily retrievable by clicking "Archive Status" at the bottom of the AgPower® LOS screen and selecting the appropriate year.

The Farmer Mac archiving procedures are as follows:

- New applications (loans initiated by Sellers but never submitted to Farmer Mac underwriting) are archived after they have been in the system for 90 days. Sellers will receive email notification 10 days prior to the archiving date.
- Credit-approved loans that have never rate locked will be archived when the approved loan expires 180 days after the approval date. Sellers will receive email notification 10 days prior to the archiving date and are asked to apprise Farmer Mac as to the reason the loan did not close, information that is helpful to Farmer Mac.

Archived loans can be reactivated within AgPower® LOS at any time by selecting the loan and clicking the “Duplicate Loan” button. Selecting that option results in the creation of an identical application with a new application number.

Credit Tip of the Month

Tax returns collected from applicants should include all K-1 forms for other entities in which the applicant is a partner or shareholder. A K-1 is used by non-taxpaying entities such as partnerships or S-corporations as an informational return to report the distributed share of income to the individual.

The Farmer Mac Seller/Servicer Guide and Collateral Valuation Supplement Have Been Updated

The Farmer Mac Seller/Servicer Guide and the Collateral Valuation Supplement have been revised due to the following changes:

- To reflect updated procedural guidelines for Farmer Mac’s Central Servicers in their responsibilities to service delinquent and problem loans. The transfer of certain communications to online platforms has resulted in the elimination of three Farmer Mac forms and revised Guide language.
- To reflect slight variations in the process in which ag lenders apply to become approved Farmer Mac I Sellers.

The complete Farmer Mac Seller/Servicer Guide along with a detailed list of the revisions described above appears on the Farmer Mac website under the “Resources” section. The Collateral Valuation Supplement is in the “Lenders” section.

Alliance Update

Report from the Farmer Mac Workshop at the American Bankers Association (ABA) National Agricultural Bankers Conference

Representatives from three long-time Farmer Mac Sellers – Don Mattern of CGB Agri Financial Services, Rod Avey of Zions Agricultural Finance and Boyd Mignery of First Dakota National Bank (dba Dakota Mac) — were featured at Farmer Mac’s workshop at the ABA National Agricultural Bankers Conference in Indianapolis November 6-9. Following introductory remarks from Mike Gerber, Farmer Mac’s President and CEO, the three panelists discussed their successes with **Patrick Kerrigan, Farmer Mac Director of Business Development.**

The audience benefited not only from hearing the experiences and insights of all three high-volume institutions who sell loans directly to Farmer Mac through the Cash Window, but also by learning about the correspondent support services each company offers to ag lenders wanting to benefit from Farmer Mac on an indirect basis.

“Working through an existing Seller can be a logical option for ag lenders who feel they will just be submitting only one or two loans a year or who want to ‘test the waters before jumping in,’ reports Mr. Kerrigan. “The three companies represented in this panel provide valuable services to the ag lending community through their long affiliation with Farmer Mac and knowledge of the programs.”

The “Farmer Mac Refresh” webinar on December 6th will feature the same panel discussing their experiences and services to ag lenders.

Education Center

Farmer Mac Road Shows Were a Big Hit

Twenty-six cities, fourteen states and more than 500 attendees later, Farmer Mac continues to receive positive feedback for its half-day “Road Shows” that began in Cedar Rapids, Iowa, on September 7 and ended in Jackson, Mississippi on October 27. The states visited spanned the country and included Alabama, California, Georgia, Illinois, Indiana, Kansas, Minnesota, Missouri, Mississippi, Nebraska, Ohio, North Dakota, South Dakota and Wisconsin.

The most popular topics as reported by attendees:

- How to recognize an eligible Farmer Mac borrower/Farmer Mac underwriting
- Loan products and pricing
- The loan submission process

Participants’ new-found knowledge was not limited to Farmer Mac programs, as participants shared stories about crop conditions, land values, the lending environment, interest rates and farmers’ product requests.

Laura Maffei, SVP Senior Loan Office, Community Bank of San Joaquin in Stockton, CA, attended the Road Show in Sacramento, CA. Representing a Farmer

Mac Seller, she reported that the knowledge she gained at the session greatly boosted her confidence to offer Farmer Mac products to her customer base: “By covering the entire process from start to finish, the sessions gave me tips on how to approach customers with insightful questions, which financial information to gather and, finally, the best approach to entering data into AgPower® LOS.”

Copies of the PowerPoint slides used in the presentation are available by request to the Farmer Mac Marketing Team.

The Farmer Mac Credit Team Offers “Beyond the Basics” Webinars to Address Credit Analysis and Tips on Submitting Loans to Farmer Mac

Farmer Mac Credit Team targeted October to offer webinars featuring answers to questions they regularly receive from Sellers. The extremely popular “Beyond the Basics” sessions included four topics:

- **Breaking Down the Balance Sheet**

Reporting debt on the balance sheet, balance sheet “Schedule A” pro forma, reconciling the balance sheet and pro forma balance sheet

- **Estimating Repayment Capacity Using Tax Returns**

Interest income, capital gains and income and loss, income consolidation

- **Understanding Subsidiary Entities and Consolidations**

Overview of subsidiary analysis, information needed to complete the subsidiary analysis

- **Engaging Appraisers and Reviewing Appraisals**

Requirements for the appraisal, information on title work, steps to closing the loan

The half-hour sessions are designed to save time for lending officers using the AgPower® LOS system and to facilitate loan approval through accurate submissions. All webinars were recorded and are posted on the Farmer Mac website under “Recorded Webinars.”

Citing the fact that the primary reason for loan denial in Farmer Mac’s Farm and Ranch Program is insufficient cash flow (total debt service coverage), **David Buman, Director of Farmer Mac Credit Operations**, noted the session addressing repayment capacity and tax returns should prove especially helpful to Sellers.

Bob Carpio, President of Colorado Community Bank in Yuma, Colorado, reports that he picked up several helpful tips from joining the series and continues: “Mike Juergens and his crew are very knowledgeable and very helpful and are always willing to help in specific situations. All of the Farmer Mac staff are service oriented and are dedicated to helping sellers succeed. It’s a good arrangement and a good process.”

All four webinars are based on a fictitious loan application, MAC Land LLP, application #110011. This loan application appears in the AgPower® LOS loan queue for all Sellers and can be used as a reference.

Farmer Mac Financial News

Update from Farmer Mac's Capital Markets Team

Interest Rates. . . Where Have They Been and Where Are They Going?

Looking back over the months since June, Farmer Mac I rates for fixed-rate products three years or more dipped in the neighborhood of 50-75 bps through August, rebounding slightly in recent weeks.

During the same time period, rates for Farmer Mac's two LIBOR-based products - the AgEquity Revolver and the 1-month ARM - and the Treasury-indexed 1-year ARM product have increased approximately 5 bps, breaking with their recent steady past.

In tracking these movements, Farmer Mac's Capital Markets department notes the main influence has been the eurozone debt crisis and market reaction to various statements, often conflicting, and resulting media coverage. Skepticism as to actual progress is causing some market participants to believe that three-year and longer rates will bounce back to previous lows.

In contrast, the volatility from the eurozone crisis has caused some liquidity problems in the short term markets and short-term LIBOR rates have begun to rise at a very slow, but steady, pace since August. Some believe this trend will continue until a comprehensive and credible plan is in place with the eurozone, driving up short-term LIBOR-based rates moderately, in the 10-15 bps range.

Farmer Mac II

The "Reference Guide" section of the Farmer Mac II LLC Website Provides Valuable Help to Sellers

Lenders report that the "Reference Guide" section of the Farmer Mac II website, www.farmermac2.com, is a treasure trove of help when they have questions about selling the guaranteed portions of USDA-guaranteed loans to Farmer Mac. Sections on how to sell the guarantees, checklists of items to complete, sample settlement documentation and descriptions of remittance procedures and products are all available and easy to access.

Farmer Mac II LLC Tip

In filling out the Assignment of Guarantee (USDA FSA Form 2242 and B&I Form 4279-6), Sellers will save time by correctly identifying the section asking for the Holder's name and address: Farmer Mac II LLC, 1999 K Street, NW, 4th Floor, Washington, DC 20006.
