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**Upcoming Events for Farmer Mac I and II**

Mar. 11-15: Independent Community Bankers Association National Convention and Techworld; Nashville, TN

Mar. 14-15: Kansas Bankers Association Ag Bankers Conference; Manhattan, KS

Mar. 15: Farmer Mac 10-K Filing (Q4 2011 and Year-end Results) with Securities and Exchange Commission

Mar. 16: Farmer Mac Investor Conference Call

Mar. 18-20: Iowa Bankers Association Ag Bankers Conference; Ames, IA

Mar. 22-23: Montana Bankers Association Ag Bankers Conference; Bozeman, MT

Apr. 4-5: Nebraska Bankers Association Spring Agri-Business Conference; Kearney, NE

Apr. 4-6: Texas Bankers Association Agriculture & Rural Affairs Conference; Fredericksburg, TX

Apr. 11-13: South Dakota Bankers Association Agricultural Credit Conference; Pierre, SD

Apr. 19-20: Independent Bankers of Colorado Agricultural & Natural Resources Conference; Denver, CO

Apr. 24-25: Wisconsin Bankers Association Agricultural Bankers Conference; Wisconsin Dells, WI

**Farmer Mac Doubles Quarterly Dividend Rate on Common Stock**

Farmer Mac’s board of directors recently announced that it doubled the quarterly dividend paid on the Corporation’s common stock to $0.10 per share on each of the Corporation’s three classes of common stock – Class A Voting Common Stock, Class B Voting Common Stock, and Class C Non-Voting Common Stock. The quarterly dividend for first quarter 2012 will be payable on March 30, 2012.
In issuing the February 2012 announcement, Farmer Mac’s President and CEO Michael Gerber stated, “Farmer Mac’s financial condition and earnings outlook are strong. The increased quarterly dividend on common stock underscores our confidence in Farmer Mac’s future and our commitment to achieve enhanced returns to shareholders consistent with our financial condition and outlook.”

**Dave’s GPS**

*Keep Up with Dr. David Kohl through Farmer Mac*

This month, Dr. Kohl takes the “hot seat” and focuses on his responses to questions he is frequently asked in today’s volatile ag economy.

- How long can farmland prices stay at their current level? How far could they fall?
- How should I as a lending officer advise producers who want to expand or invest despite the volatility and uncertainty in the economy?
- Is there a template for advising producers wanting to cut costs in a turnaround situation?
- What can commercial lending officers expect if they are asked to take on some ag lending responsibilities?

He ends this month’s “Dave’s GPS” with a lender tip on the importance of examining concentration risk in your institution’s portfolio.

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. With none of his ten key indicators move this month, read why Dr. Kohl’s rates the U.S. economy as a “yellow light.”

Dr. David Kohl is Professor Emeritus in the Department of Agricultural and Applied Economics at Virginia Tech University in Blacksburg, V.A. 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](#)

**Important Product Changes Beginning April 6:**

- Fast Track I and II Become Simply Fast Track
- Farmer Mac III No Longer Available

Effective April 6, one of the Fast Track programs - Fast Track I - will no longer be available. However, Fast Track II will retain all of its current features and standards, including its attractive “Choice” pricing and will be known simply as Fast Track.
Also effective on April 6, Farmer Mac III will no longer be available. While Farmer Mac III underwriting guidelines will not be offered, Sellers will still be able to add a second mortgage behind a Farmer Mac I Farm and Ranch first lien mortgage.

Both of these changes reflect trends in customers’ selections and the vast popularity of the Fast Track II program due to its streamlined submission and full “Choice” pricing.

**Sellers should note:** To be considered for purchase under the umbrella of Fast Track I or Farmer Mac III, loans must have been submitted to the Farmer Mac underwriters by the end of business on April 5.

Updates to the Seller/Servicer Guide and its Collateral Valuation Supplement regarding these changes will be outlined in the May *Almanac*.

**Maximum Loan Size Increased to $10.1 Million**

Effective immediately, the maximum loan amount for Farmer Mac I Farm and Ranch loans has been increased to $10.1 million (formerly $9.8 million) for loans secured by more than 1,000 acres. The maximum loan size for loans secured by 1,000 acres or less remains at $22.5 million.

See the final story in this Almanac to see a list of all updates to the Seller/Servicer Guide and its Collateral Valuation Supplement.

**Farmer Mac Outlines Procedures When Appraisers Were Engaged by Other Lending Institution**

A recent question to Farmer Mac from a Seller: Can I use an appraisal report that was prepared for another financial institution as long as it has a date of value not more than 365 days prior to Farmer Mac’s purchase of the loan?

The answer is that lenders may use an appraisal report that was prepared for a different financial institution subject to certain conditions being met. Those conditions are outlined in Farmer Mac’s Collateral Valuation Supplement in Chapter CV101.2 E Appraisals from Third Parties. The requirements, recently edited for clarification, reflect regulations set by both FIRREA Title XI and the Farm Credit Administration.

Using an appraisal prepared for a different financial institution works best when the original appraisal report was prepared for use in a secondary mortgage market transaction.

If the original appraisal report was prepared for use by a portfolio lender without knowledge that it would be used in a secondary mortgage market transaction, the report may lack too many things to be acceptable to Farmer Mac.

If the lender decides that obtaining a new appraisal is easier and cleaner than completing the steps necessary to use the original appraisal, the new appraisal may be available at a reduced cost as it can be primarily the prior appraisal with the requirements of Farmer Mac and the new lender added.
See the final story in this Almanac to see a list of all updates to the Seller/Servicer Guide and its Collateral Valuation Supplement.

**AgPower® LOS Now Functions for Rate Lock Confirmations and Loan Purchase Requests**

As announced in the January Farmer Mac Almanac, Farmer Mac’s AgPower® LOS is now functioning as the primary communication tool for two functions adding to the efficiencies and convenience already built into AgPower® LOS:

- **Commitments to Purchase (rate lock confirmations):** Sellers will be notified of rate lock confirmations by emails automatically generated by the AgPower® LOS. The email alerts three parties, two at the Seller level (the ag lending officer who originated the loan and the person requesting the rate lock) and one at the Central Servicer level. The message directs each to log into the AgPower® LOS system where users will find a “Rate Lock Info” box has been added. A click on the box takes users to the document.

- **Purchase Request:** AgPower® LOS will be the sole channel through which Sellers notify Farmer Mac of their intent to sell a rate-locked loan. This means that once a rate lock has been confirmed, a “Purchase Request” tab will appear on the AgPower® LOS user screen. Selecting that tab will allow the Seller to see all of the information on the current Farmer Mac Notice to Purchase Request form (Form 1018). After filling in the required data, the Seller will select the “Submit” button which, in turn, generates emails to both the Central Servicer and to Farmer Mac. The system will allow for modifications to the purchase request should events dictate the need to make changes.

See the final story in this Almanac to see a list of all updates to the Seller/Servicer Guide and its Collateral Valuation Supplement.

**“Appraisal Checklist” Tab Provides Helpful Information for Sellers**

Time is usually of essence when lenders are submitting loans to Farmer Mac for approval. The “Appraisal Checklist” tab within AgPower® LOS is a time-saver, alerting Sellers of potential appraisal deficiencies before they submit the appraisal to Farmer Mac.

Lori Hillison at First National Bank and Trust of Rochelle in Illinois stepped through the checklist during her recent submission for a loan sold to Farmer Mac. Lori reports that the checklist saved her time by alerting her quickly about several items that she needed to address before the appraisal could receive its final approval from Farmer Mac.

Sellers have the option to remedy deficiencies before or after scanning and submitting the appraisal in the AgPower® LOS system. Lori chose the latter, figuring she would keep her loan submission moving as she continued to work on gathering the correct information.
The “Appraisal Checklist” tab links the Seller to the criteria that will be used by Farmer Mac to screen appraisals. After answering a few pieces of key information - such as appraiser name, value used in preliminary loan approval, acres, land value, improvement value, final appraised value - Sellers are asked to answer some “yes” or “no” questions that address the completeness of the appraisal. Finally, Sellers will see the “Appraisal Deficiency List” used by Farmer Mac to alert Sellers of issues that must be remedied prior to purchase.

Sellers that have questions can direct them to Farmer Mac’s underwriting office in Johnston, IA, at 866-452-2617.

--- Credit Tip of the Month ---

Cash out may be requested from borrowers whose operations boast a history of profitability. Farmer Mac defines cash out as any loan proceeds in excess of funds needed to purchase real estate, refinance real estate debt and finance capital improvements on the secured property. Farmer Mac will consider these requests and does not limit cash out for Fast Track loans.

For loans that are fully-underwritten, once the cash-out request exceeds 25 percent of the loan amount, two criteria must be met:

- the maximum loan-to-value is limited to 60 percent (50 percent for loans greater than $3.0 million).
- the loan amortization must not exceed 15 years.

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Farmer Mac's Long-Term Standby Purchase Commitment (LTSPC) Draws Interest at the ABA Community Bankers Conference

Farmer Mac’s Early-Bird Breakfast Workshop attracted a number of ABA member bankers attending ABA’s Community Bankers Conference in February. One of those was Greg Walker, Vice President of Marketing and Business Development at United Bank in Atmore, Alabama. United Bank is a Farmer Mac Seller and bank management is intent on learning all they can about the benefits Farmer Mac brings to the bank and their farm customers. United Bank has already made use of the Farmer Mac I Farm and Ranch program; Greg was especially interested in learning more about Farmer Mac’s Long-Term Standby Purchase Commitment Program (LTSPC).

A LTSPC pool of qualified loans allows lenders to retain those loans in portfolio while transferring credit risk to Farmer Mac. This is especially helpful to lenders looking for benefits such as managing borrower concentrations. Participation interests are allowed.

Once a pool is established, lenders commit to sell and Farmer Mac commits to purchase loans out of that pool. In return for the long-term commitment, lenders pay Farmer Mac an ongoing annual commitment fee, paid monthly. Qualified loans are those that meet Farmer Mac’s Farm and Ranch underwriting guidelines and may include both new and seasoned loans.
The minimum initial pool is $1 million of qualified agricultural real estate mortgage loans.

Per-loan LTSPC fees are based on the quality of loans when placed in the program. The fee is paid on the aggregate unpaid principal balance of all loans for the term of the pool.

Annual fees for banks are as follows:

- 40 bps for “choice quality” loans. These loans include those qualifying as new and existing loans under the Fast Track I and Fast Track II criteria as well as all seasoned loans.

- 50 bps for “standard quality” loans. These loans are those qualifying as new and existing loans under all programs except Fast Track I and Fast Track II.

- Special pricing applies to processing, storage and marketing facilities.

Farmer Mac recently developed a customized process for ag lenders wishing to create small LTSPC (Long-Term Standby Purchase Commitment) pools. The web-based program targets new LTSPC pools as well as “flow” loans being added to existing pools.

The rollout of the new system streamlines the submission process, allowing Farmer Mac to reduce the minimum LTSPC pool size for banks from $5 million down to $1 million. The system involves a LTSPC link added to the menu of options located in the secure area of the Farmer Mac website. The link takes Sellers to the data entry screens. To become familiar with the process, Sellers will be required to listen to Farmer Mac training webinar prior to their first submission. The webinar is posted on the Farmer Mac website under the “Webinars” section and is titled “Long Term Standby Purchase Commitment Tutorial Webinar.”

A LTSPC program description appears on the Farmer Mac website under the “Lenders” section (then select “Farmer Mac I” followed by “Portfolio Programs”).

Pre-Conference Webinar Draws Big Crowd of Independent Community Bankers Association (ICBA) Participants

If the pre-conference webinar for ICBA members is any indication of the popularity of the Farmer Mac participation at the ICBA National Convention and Techworld in Nashville, TN March 11-15, it should be a busy time for Farmer Mac staff. The February 16, 2012, webinar, titled “Ready, Set, Grow for ICBA Members” was recorded and is posted on the Farmer Mac website under “Webinars.” The session steps through the Farmer Mac programs and highlights Farmer Mac’s alliance with ICBA.

Education Center

A Wealth of Information on Submitting Loans to Farmer Mac: AgPower® LOS “Nuts and Bolts”

Questions about AgPower® LOS? Needing some direction before submitting your
first loan through the system? You may want to listen to the Farmer Mac Refresh webinar titled “AgPower® LOS Nuts and Bolts.” Recorded February 8, the hour-long webinar describes how to get started, steps to submit your loan and tips to eliminate trial and error and to keep everything flowing smoothly. To listen, go to www.farmermac.com and select “Webinars” on the home page.

**Farmer Mac II**

**Farmer Mac II USDA and Farmer Mac II LLC Programs Help Manufacturers in Northern Illinois**

Streator is a town of approximately 15,000 people in northern Illinois, 80 miles southwest of Chicago. The countryside surrounding Streator is corn and soybean country. The town’s rural flavor comes alive when one learns it was once home to Clarence E. Mulford who wrote the Hopalong Cassidy series of books based on his youthful experiences. However, if Mr. Mulford were to return to Streator today, he may be surprised to see that the town where he grew up shares its agricultural roots with major businesses including companies like PMW Holdings, Inc. a five-company operation.

Owned by five brothers, four of the companies under the PMW umbrella call Streator their headquarters; the fifth is located in nearby Pontiac. Together, the five businesses - Anthony Liftgates, Streator Dependable Mfg., US Truck Body, Brave Products, Inc. and Mushro Machine & Tool – employ approximately 190 people. Major pieces of equipment roll out of these companies every day including hydraulic lift gates for delivery trucks, industrial bulk containers, steel fabricated products, dry freight van bodies, log splitters and other labor-saving hand tools.

The oldest of the five companies dates back to 1946, started by current owners’

**Update from Farmer Mac’s Capital Markets Team - Interest Rates. . .**

**Where Have They Been and Where Are They Going?**

Core Inflation is now running near the Federal Reserve’s 2.00% target rate and economic data is firming, so the case for Quantitative Easing (QE) is becoming somewhat less urgent. As long as the Fed’s low-rate approach remains in place, short term Treasuries should remain well anchored. It appears U.S. interest rates are likely to remain quite low by historical standards for at least the next few years. Rates over the past few months have been quite range-bound with the 10-year Treasury trading between 1.80 and 2.10%.

Regarding the Fed’s Maturity Extension Program (MEP) – better known as “operation twist”--- it has been in place for more than five months and is now about 60% complete. Under the MEP, the Fed sells short term Treasuries and uses the proceeds to buy longer term bonds. This program has also contributed to keeping longer term rates low. The program is scheduled to end in June of this year at which time about $400 billion of 10-year equivalents will have been removed from the bond markets.

Given the overall state of the markets, fixing intermediate and long term borrowing rates appears attractive for the near future.
grandfather. Today’s management includes fourth-generation family members. The manufactured goods are shipped to destinations throughout the United States, Mexico, Canada, Japan and New Zealand. Customers served include an array of Fortune 500 companies.

Working with their lender, and using a combination of the USDA Rural Development Business and Industry (B&I) Loan Guarantee program and Farmer Mac II LLC, PMW Holdings was able to refinance an Illinois Revenue Bond that originally funded the consolidation of the five business entities to a holding company structure.

David Chestnut, Business Programs Specialist for USDA Rural Development in Illinois, worked with the lender on this project that was funded under the guidelines of the American Reinvestment and Recovery Act (ARRA) for “shovel-ready” projects to stimulate the economy of rural communities. Chestnut reports that the business potential and shared sacrifice during the economic downturn that started in 2008 favored the project’s use of the targeted B&I ARRA funds.

The B&I loan closed in February 2010 and Roger Corrigan, Vice President/Commercial Lending Officer at First Financial Bank (formerly known as Freestar Bank) in Pontiac, IL, used the USDA loan guarantee and Farmer Mac II to structure an interest rate package that has enhanced the cash flow of PMW Holdings. The two programs work hand-in-hand as follows:

- USDA’s B&I program provides loan guarantees to lenders to both help and create employment in rural areas through their loans to private businesses. A rural area is generally defined as those towns with population less than 50,000 and not adjacent to an urbanized area. Loans are limited to a maximum of $10 million per borrower and can be used for business and real estate acquisition, purchase of machinery and equipment, construction and improvements, business start-ups and working capital.

- Farmer Mac II provides lenders an array of product options and competitive pricing for the guaranteed portions of many USDA guaranteed loans.

Guide Updates

Updates for Farmer Mac Seller/Servicer Guide and Collateral Valuation Supplement:

Changes to the Seller/Servicer Guide and its Collateral Valuation Supplement are as follows:

- Chapter 201.1 of the Seller/Servicer Guide titled Credit Standards and Guidelines, Overview, Summary:

  The first paragraph has been updated to state that the maximum loan size for loans secured by more than 1,000 acres is $10,100,000.
• Chapter 202.2 of the Seller/Servicer Guide titled Farm and Ranch Lending/Capital/Balance Sheets and Income Statements:

The first sentence in this chapter was changed to reflect the difficulty of obtaining historical even-dated financial statements for agricultural operations. The first sentence now reads:

The Seller shall obtain from the applicant a minimum of three previous years’ financial statements (unless statements were not prepared) preferably of even date.

• Chapter 209.5 of the Seller/Servicer Guide titled AgEquity Revolving Line of Credit/Loan Servicing:

The first sentence has been changed to state that annual financial information will be requested from AgEquity borrowers only on a case-by-case basis. The sentence now reads:

Borrowers with AgEquity loans may be requested to provide an annual financial statement and tax return for all obligors.

• Chapter 303.1 of the Seller/Servicer Guide titled Obtaining a Commitment to Purchase (Rate Lock):

The first sentence in the second paragraph previously stated:

Farmer Mac will issue by facsimile (fax) its Commitment to Purchase any Qualified Loan for which the foregoing information has been provided and which has been approved by Farmer Mac.

It now reads:

Farmer Mac will issue an email message confirming the rate lock and referring the Seller to the rate lock information in AgPower® LOS.

• Chapter 303.2 of the Seller/Servicer Guide titled Obtaining Commitment Rates:

The last sentence in the fourth paragraph previously stated:

Following the acceptance of the Servicing Released Net Yield or Price by the Seller, Farmer Mac will fax the Seller a Commitment to Purchase.

It now reads:

Following the acceptance of the Servicing Released Net Yield or Price by the Seller, Farmer Mac will email a notification to the Seller and Central Servicer stating that the Commitment to Purchase is available to them in AgPower® LOS.
• Chapter 303.7 of the Seller/Servicer Guide titled Timing of Delivery and Purchase:

The chapter now reads:
Farmer Mac will purchase Qualified Loans any Business Day. Sellers must notify both Farmer Mac and the Central Servicer of the desired Purchase Date through accessing the Notice to Purchase Request in AgPower® LOS no later than two (2) Business Days prior to the desired Purchase Date.

Unless the Seller has requested that Farmer Mac table fund the loan as discussed in Section 303.11, the Final Loan File as described in Section 302.5 and any other documentation required by the underwriter must be received at least two (2) Business Days prior to the desired Purchase Date, except that, if there was no Preliminary Loan Approval of the loan, the Final Loan File and any other documentation required by the underwriter must be received at least six (6) Business Days prior to the desired Purchase Date. For loans which are to be table funded, the Final Loan File and any other documentation required by the Underwriter, excluding the final signed mortgage and the closing statement completed on the HUD-1 Form, must be received by the Central Servicer at least two (2) Business Days prior to the desired Purchase Date.

If all required documents are not received at least two (2) Business Days prior to the desired Purchase Date, a new Notice to Purchase Request Form must be completed by the Seller and forwarded to Farmer Mac and the Central Servicer, revising the desired Purchase Date to a date at least two (2) Business Days after all required documentation is received. Any extension fees will apply if the loan does not close by the Commitment Expiration Date.

• The Glossary has been changed.

The definition of Maximum Loan Size has been changed to reflect the maximum for loans secured by more than 1,000 acres has been increased to $10,100,000.

• Chapter CV101.2E: Collateral Valuation Management and Administration/Appraisals from Third Parties:

The chapter now reads:
Farmer Mac will not accept any appraisal engaged directly by a loan applicant, borrower or any agent of a loan applicant or borrower (accountants, attorneys, real estate brokers, etc.)
However, appraisals for which applicants or borrowers have paid, but have been completed by an appraiser engaged directly by another lending institution may be accepted subject to the guidelines set forth below.

Farmer Mac may, in its sole discretion, accept for loans secured by a Farm and Ranch or Specialized Production Agricultural Facility appraisals completed by appraisers that were engaged by a lending institution other than a Seller or an Originator selling through a Seller.

The Seller (or an Originator selling through a Seller) must provide a statement together with the appraisal report, confirming that the lender has reviewed the appraisal report and verified:

1. The appraisal was not obtained by or performed for the loan applicant or borrower or an agent of those parties;
2. That the report:
   a. States that the intended use of the appraisal is in agricultural property secured lending, and that the lender and Farmer Mac are “intended users” of the appraisal report.
   b. Conforms to the lender’s appraisal policies and the regulations under which the lender operates, as well as Farmer Mac’s collateral valuation standards and guidelines (which include compliance with USPAP).
   c. Has a Date of Value not more than 365 days prior to Farmer Mac’s purchase of the loan.