

# Farmer Mac Almanac

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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](http://www.farmermac.com)) or via [opportunities@farmermac.com](mailto:opportunities@farmermac.com).

## Upcoming Events and News Updates

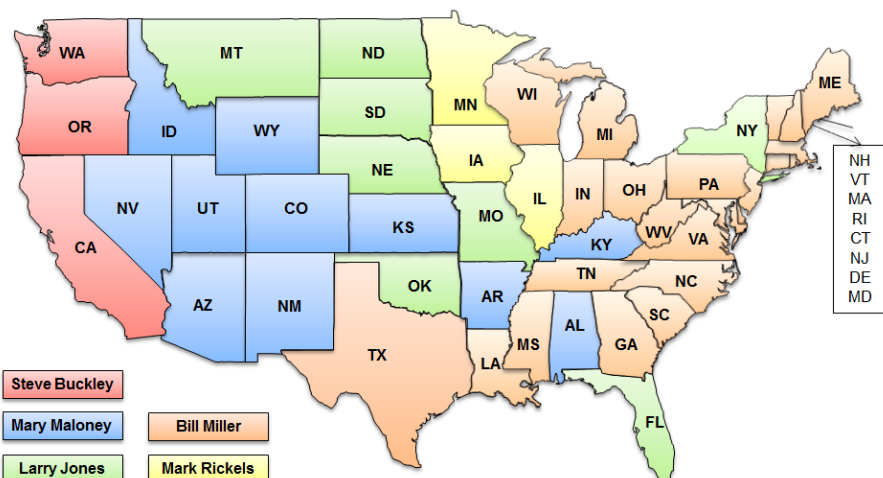
- Nov. 10-13: American Bankers Association National Agricultural Bankers Conference; Minneapolis, MN
- Dec. 2-5: Indiana Bankers Association Ag Clinic; West Lafayette, IN
- Dec. 3: Louisiana Bankers Association Agriculture Meeting; Baton Rouge, LA

## New Map Outlines Territories for Farmer Mac Relationship Managers

Farmer Mac Relationship Managers interact with current and prospective customers to facilitate and synchronize marketing communications, customer service and technical support for assigned territories. The map below includes realignment which took place following the recent additions of Steve Buckley and Bill Miller. Contact information for each Relationship Manager is listed below:

Steve Buckley	559-977-1790	<a href="mailto:steve_buckley@farmermac.com">steve_buckley@farmermac.com</a>
Larry Jones	202-872-6604	<a href="mailto:larry_jones@farmermac.com">larry_jones@farmermac.com</a>
Bill Miller	202-872-5549	<a href="mailto:bill_miller@farmermac.com">bill_miller@farmermac.com</a>
Mark Rickels	202-872-6611	<a href="mailto:mark_rickels@farmermac.com">mark_rickels@farmermac.com</a>
Mary Maloney	202-872-6682	<a href="mailto:mary_maloney@farmermac.com">mary_maloney@farmermac.com</a>

Other Farmer Mac Marketing Team members are Patrick Kerrigan, Director of Business Development, and Betsy Urso, Marketing Assistant.



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## Reflections from Farmer Mac's First 25 Years: How We Got to Where We Are and Where Do We Go from Here?

### *Longtime Participants Look at Farmer Mac's Past to Explain Its Present Success*



**Tom Stenson**  
EVP and COO



**Patrick Kerrigan**  
Director of  
Business Development

Farmer Mac began its year-long “25th Anniversary Celebration” this past January with an announcement from its President and CEO Tim Buzby recognizing the significance of the occasion and referencing Farmer Mac employees who are “extremely proud of the role they have played in serving agriculture and rural America over the past 25 years.”

Those words were especially meaningful to two of the company's long-term staff, Tom Stenson, EVP and COO, and Patrick Kerrigan, Director of Business Development, whose combined tenure at Farmer Mac totals nearly 40 years.

Each remembers the early days of Farmer Mac and the challenges the company faced in achieving its mission to develop and promote the secondary market for the availability of long-term credit at stable interest rates for American farmers and ranchers.

Patrick joined Farmer Mac in 1993 subsequent to Congress' granting to Farmer Mac in 1991 the power to purchase certain USDA-guaranteed loans. Having worked at Colson Services in his home state of New York, he brought knowledge of the process of how those guaranteed portions are sold, but buying them at Farmer Mac was a true start-up operation.

Tom came to Farmer Mac in 1996, shortly after Congress streamlined Farmer Mac's original operating structure, bringing with him extensive management experience and credit knowledge fully appropriate for a company newly able to directly target all ag lenders.

Patrick and Tom look back on those years and the challenges the company faced. “In many ways, we were starting from scratch,” reports Tom, “because our tasks included not only conceptualizing and designing products and processes and standardizing their implementation, but also communicating the benefits of those designs to a sometimes skeptical audience.”

The successes are noteworthy. In Farmer Mac's 25-year history, over 1,300 lenders have used Farmer Mac's secondary market for more than 58,000 loans. Nearly 29,000 farmers and ranchers have benefited from competitively-priced Farmer Mac loan products, including 20,000 family farmers, with over half utilizing Farmer Mac's long term fixed rates. Farmer Mac's innovation in building products for the USDA-guaranteed market has helped to level the playing field for farmers and ranchers that work through USDA.

Farmer Mac's record of success was noted and resulted in an expansion of its authorities in 2008 to serve the rural utilities industry. Farmer Mac stepped prudently into this new opportunity with a premier rural utilities lender, National Rural Utilities Cooperative Finance Corporation, and to date has loaned over \$1.2 billion to rural electric cooperatives.

Now that the milestone year is nearing its completion, Farmer Mac is committed more than ever to continue to fulfill its mission. Looking into the future and its next 25 years, Farmer Mac's Board of Directors and management have undertaken a formal process to reflect on the company's guiding principles and to renovate and reinforce as warranted. “Key to our success has been our active efforts to listen to our customers and prospective customers to design programs and

products they need for their farm borrowers,” Tom states. “We want to provide a terrific value proposition for each and every lender, and to do that requires knowing what they want to best serve their customers.”

## Dave’s GPS



### Keeping Up with Dr. David Kohl through Farmer Mac

In his article this month, titled “**Major Credit Risks in Agriculture**,” Dr. Kohl identifies five important credit risks ag lenders need to address as they embark on the loan renewal season.

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 Dave reporting his ten key indicators in the same position as two months ago, read about Dr. Kohl’s insights into both global and domestic economics and what he sees in the road ahead.

*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 Credit Corner

### Avoid the Year-End Rush: Submit Loans as Early as Possible

While Farmer Mac underwriters are kept busy year around, the fourth quarter is exceptionally hectic. Sellers with customers whose loan requests must be closed prior to year-end are encouraged to start the process now to assure all is completed in the expected time frame!

### 15-year VRM Product Now Available for All Sellers

The 15-year VRM product is now listed on the Farm & Ranch rate sheet, available for all Sellers. The rate on the product will change after 15 years to the then current Farmer Mac 15-year VRM Servicing Released Net Yield for eight-week delivery adjusted for appropriate credit quality and initial term to maturity, plus initial field servicing fee.

### AgEquity Revolving Line of Credit Has Attractive New Feature

Customers wishing to “term-out” a portion of their current AgEquity loan amount (keeping the remainder on the revolving portion) may now do so following the implementation of the new feature. The minimum loan amount for the new termed-out portion is pegged at \$50,000.

Once the termed-out option is completed at a customer's request, the maximum new draw amount is determined by subtracting the termed-out portion from the original AgEquity pre-approved credit limit. Paying off the termed-out portion in subsequent months does not restore the revolving line to its original pre-approved credit limit.

Sellers wishing to implement the option for an AgEquity customer should contact the loan's Central Servicer to start the process. The customer may choose from selected Farmer Mac products for the termed-out portion; the rate on the newly selected product cannot be fixed for a period of time greater than the remaining term of the loan.

## Changes Are Made to the Seller/Servicer Guide

Sellers should take note of the recent changes to the Farmer Mac Seller/Servicer Guide:

- Chapter 202 Farm & Ranch Lending:

New wording has been added to address documentation requirements for water rights and other assets that contribute materially to a mortgaged property's value.

*(See change in Chapter 202.2.6, Part 2-9 – Farm & Ranch Lending, Capital, Financial Analysis and also Chapter 206.3, Part-45 – Loan Documentation, Mortgage Terms and Provisions)*

All references to the size of underground storage tanks (above and below 1100 gallons) have been removed meaning all underground storage tanks, regardless of size, must be treated the same in terms of taking care of environmental hazards.

*(See change in Chapter 202.5.10, Part 2-17 – Farm & Ranch Lending, Conditions, Loan Conditions.)*

- Chapter 207 Fast Track Loan Documentation:

In the section "Items Not Required" for Fast Track loans, reference to interest rate stress tests for customers selecting ARM products was deleted because Fast Track loans are stress-tested within AgPower®, just as all loans. Using the "maximum interest rate" field as a base, the stress test is 500 basis points for customers selecting both the 1-month LIBOR and the 1-year ARM, and 300 basis points for the 3-year ARM. Loans must meet the minimum total debt coverage ratio (TDC) based on the "shocked" calculations. See more about stress tests in the January *Farmer Mac Almanac*.

*(See change in Chapter 207.4, Part 2-51 – Fast Track Loan Documentation, Credit Documentation and Qualification Requirements, Items Not Required)*

- Chapter 401 General Servicing Responsibilities:

New wording has been added under a section titled "Release of Hazard Insurance" noting that once certain conditions are met, Central Servicers have the authority to remove insurance assignment requirements.

*(See change in Chapter 401.4, Part 4-6 – General Servicing Responsibilities, Duties of the Field Servicer, Monitoring Hazard Insurance. The addition of this new section resulted in repagination revisions to page numbered Part 4-5 with the section titled “Covered Losses” moving from Part 4-6 to Part 4-5.)*

All updates to the Seller/Servicer Guide and its Collateral Valuation Supplement are posted on the Farmer Mac website. See “Resources” and then scroll down to “Seller/Servicer Guide” and then “Read More.”

## Farm & Ranch Rate-Locked Loans Cannot Be Amended or Revised

Revisions cause extra work and undue delays for loans that have been submitted to Farmer Mac Underwriting. Sellers are strongly encouraged to closely review all aspects of the loan prior to submission. If a subsequent revision does become necessary, Sellers will be asked to confirm all important aspects including the loan amount, use of proceeds, maximum rate, product selected by the customer, the loan terms and amortization. Once a loan is rate locked, it may not be amended or revised.

## Product Selection for Loan Conversions To Be Outlined for Sellers

Do you have a customer interested in converting a Farmer Mac loan into another product? Perhaps the borrower selected a 1-month ARM and wants to convert into a long-term fixed rate option. Depending on terms of the current loan, convertibility options may be limited.

To help Sellers discuss specific convertibility options with requesting borrowers, Farmer Mac is implementing a tool embedded within AgPower®. The service will be rolled out in December of this year, in time for the January 1 payment date on which conversions are completed. To access the tool, a tab named “Conversion Req” will display within AgPower® only for convertible loans. Sellers should contact the loan’s Central Servicer to complete the conversion request.

## Seller Reminder: Changes in UCC Filing Procedures

Sellers’ field servicing requirements include maintaining Farmer Mac’s security position throughout the life of the loan with respect to any personal property collateral, filing all necessary UCC Continuation Statements as required by applicable law.

Since state laws vary as to minimum requirements, Sellers are reminded to check their local state UCC filing laws, especially in light of changes that have taken place in the past few months. All states have adopted new guidelines, but with slightly different variations. For instance, in most states, the procedures for the name selection on the UCC search will be to match the individual’s name on his/her current driver’s license. However, in a few states, the driver’s license match is one of three alternatives that may be used. UCC amendments must now be filed within four months for name changes on drivers’ licenses.

Other changes that may pertain are procedures for handling individual moves from state to state and how to handle names on trusts, LLCs, corporations, limited partnerships, general partnerships, etc.

Farmer Mac requires Central Servicers to certify annually by June 1 of each year that all required UCC Continuation Statements and any applicable UCC Amendment statements have been completed as required.

## AgPower® Tips, Advice and Announcements:

- **Income and Expense Pro Forma:**

Sellers are asked to pay close attention to any variances in the applicant's "cash flow available", both year-to-year variances as well as variances between the average and the pro forma amount. All variances should be explained in detail in the loan narrative, helping underwriters understand changes in the operation or factors influencing such differences.

- **Subsidiary Analysis:**

When the applicant owns more than 10% of a non-obligor subsidiary entity, the Subsidiary Analysis tab in AgPower® needs to be completed. The Seller should check that the applicant's interest in the subsidiary as shown in the Subsidiary Analysis matches the entity's net worth on the applicant's personal balance sheet. The amount is entered in the Balance Sheet as an intermediate term asset.

In the event that the subsidiary entity is also an obligor on the loan, Sellers should make sure that the applicant's ownership in the subsidiary is not duplicated in the consolidated balance sheet. Double counting is avoided by eliminating the ownership interest in the appropriate tan colored box.

- **BS(a):**

When completing AgPower®'s Schedule K in the BS(a) tab, Sellers can save time by listing only the gross value of all machinery and then scanning and uploading the "machinery, equipment and vehicle" list into the Communications tab.

- **Access to Appraisal Forms Now Available at the Beginning of the Loan Submission**

Appraisal forms are now available to Sellers in AgPower® immediately upon beginning a new loan application. Prior to this change, the personalized forms did not appear in the loan origination system until the loan had been approved by Farmer Mac underwriters. Having quick and early access to the forms will help Sellers engage appraisers in a timely manner. The forms appear by clicking on "Documents" and then "Open Documents" on the "Loan Application Queue."

- **Irrigated properties and the loan narrative:**

When irrigated acres compose all or part of a loan's security, loan narratives should include a detailed description of water sources (surface water and/or groundwater, water rights, etc.) with references to both water quantity and quality factors. AgPower®'s Application tab will soon require water irrigation information as well.

- **AgPower® "Connect" Video Instructions Expanded to New Tabs**

"Connect" videos within AgPower® provide quick answers to users entering loan data into the Farm & Ranch web-based loan origination system. Users control the format in which answers are received – written or video – and the ability to return to data entry screens at any time. Eight AgPower® tabs now include the "Connect" videos which can also be accessed in the Manual/Underwriting Grid tab.

## Alliance Update

### Farmer Mac Will Play an Active Role at American Bankers Association (ABA) National Agricultural Bankers Conference

Representatives from three Farmer Mac Sellers – Alan Forristall of Midland States Bank of Princeton, IL; Marvin Kimm of Pioneer Bank in Mapleton, MN; Bill Medley, Agrifinancial Services, Louisville, KY – will be featured at Farmer Mac’s workshop at the ABA National Agricultural Bankers Conference in Minneapolis November 10-13. Following introductory remarks from Tim Buzby, Farmer Mac’s President and CEO, the three panelists will discuss their successes in using Farmer Mac with Patrick Kerrigan, Farmer Mac Director of Business Development.

The conference brings together industry leaders for presentations and discussions. In conjunction with Farmer Mac’s Alliance with ABA, Farmer Mac is a sponsor and exhibitor at the event. Benefits of the Alliance for ABA-member institutions will be highlighted.

## Knowledge Center

### Farmer Mac Road Shows: Another Successful Year

Over 350 ag lenders attended one of the Road Shows conducted by Farmer Mac staff in late August and September across nine states: IA, IL, IN, KY, MN, MO, NE, OH, TX. The four-hour sessions included presentations by Farmer Mac staff, two special video messages from Dr. David Kohl and discussion among participants. Evaluations showed 74% of attendees found the sessions “extremely valuable.” The most popular sections were “Ten Questions to Ask Your Customer” covered by a Farmer Mac underwriter and the product/pricing review.

## Financial News

### Update from Farmer Mac’s Capital Markets Team—Interest Rates... Where Have They Been and Where Are They Going?

Every move that the Federal Reserve (Fed) makes continues to dominate the financial markets. This time, the Fed surprised the markets by reversing its tapering course and maintaining its monthly \$85 billion purchasing of mortgage and treasury securities. This reversal, combined with Congress extending the debt ceiling deadline to February and President Obama nominating Janet Yellen, a major proponent of the purchasing operations, to replace Ben Bernanke as Fed Chairman, have caused markets to believe that the Fed will not begin tapering until spring 2014 and will continue to be accommodative for the foreseeable future. As expected, these assumptions caused a major rally in stock and bond markets, with the S&P (Standard and Poor’s) up 8.2 percent and the 10-year Treasury yield down 27 basis points to 2.50 percent since August 28 of this year.

The Fed still maintains that the timing of its tapering is economic and employment-data dependent, so if we see stronger employment figures and inflation creeping higher, then we could see tapering earlier than the spring and long term rates would likely start to increase. The Fed continues to state that it does not plan to raise short term rates in the near future and that discontinuing the monthly purchase program has no effect on short-term rate decisions. Therefore, we can reasonably expect short-term rates to remain at current levels for at least the next one to two years.

## Farmer Mac II LLC

### New Farm Service Agency (FSA) Limit is Announced

Effective October 1, 2013, the loan limit for FSA guaranteed loans was increased to \$1,355,000. The loan limit is adjusted annually based on the "Prices Paid to Farmers Index" compiled by the National Agricultural Statistics Services, U.S. Department of Agriculture.



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Farmer Mac was chartered by Congress in 1987 and has seen its charter expanded three times, as recently as 2008. Farmer Mac is regulated by the Farm Credit Administration and has always been subject to the regulations of the Securities and Exchange Commission, including those requiring the filing of periodic financial reports. Farmer Mac's voting and non-voting common stock is traded on the NYSE, ticker symbols AGM.A and AGM.