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**Vol. 8** **A bi-monthly update of important upcoming events** **January 15, 2008**

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](mailto:opportunities@farmermac.com) or by calling 800-879-3276.

***Current Headlines:***

- ICBA and Farmer Mac Announce Special New Program
- How Is Farmer Mac Responding to Continued Volatility in the Ag Sector?
- Sellers are Rewarded for Using Farmer Mac Credit Documentation for Farm and Ranch Loan Submissions
- 2008 Cash Window Loan Purchases Up from 2007
- Farmer Mac Continues High Level Support of ABA Conferences
- USDA Business and Industry (B&I) Loan Program Fills Important Niche for Community Banks
- New Seller Webinar Training Isn't Just for New Sellers!
- Farmer Mac Website Proves Popular with Internet Users

***Upcoming Farmer Mac [events](#), including presentations, conferences, sponsorships, exhibits:***

- Jan. 29-30: Utah Bankers Association; 2009 Ag Outlook; St. George, UT. Farmer Mac sponsors the featured speaker, John Blanchfield, ABA Sr. V.P. Center for Agricultural and Rural Banking.
- Feb. 15-18: American Bankers Association (ABA) National Conference for Community Bankers; Phoenix, AZ. See [aba.com](http://aba.com) (Professional Development/Conferences) for registration information.
- Feb. 24: Farmer Mac presents to South Dakota Agricultural and Rural Leadership Class. Farmer Mac regularly sponsors luncheons for ag leadership groups when they convene in Washington, DC for Congressional visits and meetings with various national agencies and associations.
- Mar. 18-22: 2009 Independent Community Bankers of America (ICBA) National Convention and Techworld; Phoenix, AZ. See [icba.org](http://icba.org) for registration information (Convention).

***ICBA and Farmer Mac Announce Special New Program***

The Independent Community Bankers of America (ICBA) and Farmer Mac have entered into a [new program](#) which brings ICBA members discount pricing for several popular Farmer Mac I Farm and Ranch

products. The program was announced in press releases issued by ICBA and Farmer Mac on January 15, 2009.

All Farmer Mac I Sellers that are ICBA members will be automatically enrolled in the new program, enabling them to lock in discounted rates for the following products:

- 1-month ARM LIBOR
- 10-year VRM with 15/20-year term
- 10-year VRM with 25/30-year term
- 5-year VRM (yield maintenance)

The new program will be the subject of a workshop offered by Farmer Mac at the 2009 ICBA National Convention and Techworld to be held in Phoenix, AZ, in March. The workshop, titled "New ICBA/Farmer Mac Ag Lending Program – Ready, Set, Grow!" will take place on Thursday, March 19, and will review the benefits the program will bring to ICBA members.

The American Bankers Association (ABA), along with Farmer Mac, announced the [ABA/Farmer Mac Alliance](#) in November 2005, with the early success of that program resulting in an extension through 2010. Banks that are members of both organizations will receive the benefits of both programs. Each organization will have its own special rate sheet posted each day on the Farmer Mac website, [www.farmermac.com](http://www.farmermac.com). For ICBA members interested in additional information please e-mail Farmer Mac at [icba@farmermac.com](mailto:icba@farmermac.com).

### ***How Is Farmer Mac Responding to Continued Volatility in the Ag Sector?***

As a secondary market, Farmer Mac works with primary lenders in all ag sectors. Recent feedback from Sellers reflects various reactions resulting from the continued rise in agricultural land values. Many, if not all, are taking a more conservative approach as land values increased and as farm and ranch input costs have continued their parallel rise.

Farmer Mac's reaction to the current environment is to strengthen the underwriting criteria for Farmer Mac I loans that have loan-to-value (LTV) ratios of 60 percent or more. Those loans must now meet all applicable underwriting standards, with only the Property Debt Coverage Ratio (PDCR) being considered for variance. If the PDCR is not met (less than 1:1), the required compensating strength is a Total Debt Service Coverage Ratio of at least 1.50:1. The change goes into effect immediately.

Farmer Mac continues to consider loans to swine and poultry producers as long as the following criteria are met:

- 1) All applicable Farmer Mac underwriting standards are met;
- 2) Sellers provide the operation's current and historical financial information;
- 3) The operation's financial information supports and demonstrates profitability; and
- 4) Multiple integrator options are available for contract finishing operations.

### ***Sellers are Rewarded for Using Farmer Mac Credit Documentation for Farm and Ranch Loan Submissions***

Sellers who use Farmer Mac's credit documentation forms receive faster turn-around times for their loan submissions, reports the Farmer Mac Underwriting Department. Farmer Mac underwriters, who are continually updating the spreadsheets, are knowledgeable about the computations behind the forms, experienced in reading their output, and understand how the borrower's financial information translates into the final ratios. Those advantages translate into greater confidence when seeing a loan submitted in this familiar format. If the forms continue to be widely accepted, Farmer Mac may consider making use of the forms mandatory so that maximum efficiencies result from their use. No changes will be made without seeking the feedback of the Farmer Mac I lenders.

The documentation, in the form of Excel spreadsheets, is available in the [password-protected](#) area of the Farmer Mac website (see Credit Forms) under the titles Single and Multiple Entity Spreadsheets. These forms have recently been updated to reflect underwriting changes announced in this publication (see previous topic).

Sellers already using the spreadsheets should replace them immediately with these new versions dated 1/1/2009. All Sellers are encouraged to visit the Farmer Mac website and download the new versions to

use for all future loan submissions. Farmer Mac is currently developing an interactive web-based loan submission process to be rolled out later in 2009.

### ***2008 Cash Window Loan Purchases Up from 2007***

Farmer Mac continues to purchase loans on a daily basis, despite disruptions in the financial markets for many ag lenders.

Farmer Mac I Farm and Ranch 2008 year-on-year volume continues its very positive trend, with the following products being selected the most often: 15-year fixed rate, open prepay; 10/1 ARM and 5-year ARM. The new 10-year VRM with its fully amortizing 30-year term option continues to grow in appeal.

Farmer Mac II 2008 volume was also up from the prior year with the following products being selected the most often: WSJ Prime, 15-year fixed rate, 20-year fixed rate, 7-year fixed rate, 5-year reset.

### ***Farmer Mac Continues High Level Support of ABA Conferences***

Farmer Mac is a Platinum Sponsor at the ABA National Conference for Community Bankers which takes place in Phoenix, AZ, February 15-18. Farmer Mac's will present an Industry Showcase Session, titled "Farmer Mac: A Multi-Purpose Tool to Equip Ag Banks to Thrive in a Volatile Environment," on Tuesday, February 17 from 6:30-7:30 a.m.

John Blanchfield, ABA's SVP Ag and Rural Banking, will join Farmer Mac staff as one of the presenters. Invitations are being mailed to all conference attendees.

### ***USDA Business and Industry (B&I) Loan Program Fills Important Niche for Community Banks***

The USDA B&I loan guarantee program, similar to options offered by the Small Business Administration, was established with a special purpose to improve the economic health of rural communities (communities with populations less than 50,000) through helping business owners create and preserve jobs. Through the B&I program, people who want to buy or invest in property for their business in these communities have more financing options available to them. The B&I program offers financing levels up to 80% on both purchases and refinances.

Many banks which haven't worked with Farmer Mac in the past are surprised to learn that Farmer Mac is a purchaser of the guaranteed portions of B&I loans. The same products apply, whether Farmer Mac purchases the guaranteed portions of B&I loans, FSA farm ownership and term loans, or Community Facility loans.

Not only do these loans fill a void for rural business owners, the terms offered through Farmer Mac II are distinct in the market. Several of the products offer the choice of 20, 25 and 30-year amortization schedules, with the potential to drastically reduce the borrower's cash flow. Fixed rates vary from 7 to 30 years; reset options include 5-year, 10-year and 15-years. A popular selection is indexed to the WSJ Prime Rate.

Lenders can check the USDA website to see if a potential property qualifies as rural by going to <http://eligibility.sc.egov.usda.gov>. Select Business Programs (under Property Eligibility) and enter the project address including zip code.

### ***New Seller Webinar Training Isn't Just for New Sellers!***

New Seller training via webinars is a helpful introduction to Farmer Mac products and processes. The training can be customized to fit each institution's unique needs depending on which topics are included. While the training typically targets new Sellers, it also fits well for institutions requesting "refresher training" for employees who haven't used the program in a while or for new personnel who aren't familiar with the secondary market for farm real estate loans.

Subjects typically profiled in the training include:

- Loan packaging/key underwriting ratios for Farmer Mac I Farm and Ranch loans
- The role of the central servicer
- Seller servicing responsibilities (field servicing)
- Loan approval steps
- Appraisals and evaluations

- Two closing options
- Loan documentation services
- Farmer Mac II/steps to selling a USDA Guaranteed Loan
- Farmer Mac III underwriting option
- Rate sheets/product options

### ***Farmer Mac Website Proves Popular with Internet Users***

The Farmer Mac website continues to remain a popular Internet destination. The top "hits" on the website are for rates (both Farmer Mac I and II), recorded webinars, Farmer Mac Almanac and Quick Tip Videos.

[Recorded webinars](#): Webinars are one of the primary educational tools used by Farmer Mac for person-to-person instruction. Farmer Mac has conducted dozens of sessions, often including multiple attendees at different locations. Most sessions are private, intended for one institution, and are customized to fit the needs of that lender. Open sessions for representatives from multiple institutions may be recorded and posted on the Farmer Mac website to benefit anyone wanting to learn the important aspects of Farmer Mac and how it works.

[Quick Tip Videos](#): Farmer Mac underwriters are an integral part of the educational process to help lenders submit their first loan to Farmer Mac. Those underwriters are the instructors in the Quick Tip videos, which are short 2-3 minute vignettes featuring the underwriters describing an important insight into facilitating the loan submissions and approvals.

While the webinar recordings and Quick Tip videos are both accessible on the Farmer Mac homepage, a more complete listing is offered in the password-protected area where a new "Resources" link has been added. Be on the lookout for other exciting additions to the Farmer Mac website.