

Farmer Mac Refresh

Top 10 Questions to Ask Your Farm Customer!

July 2012



Today's Presenters

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Preparation Prior to Applicant Interview

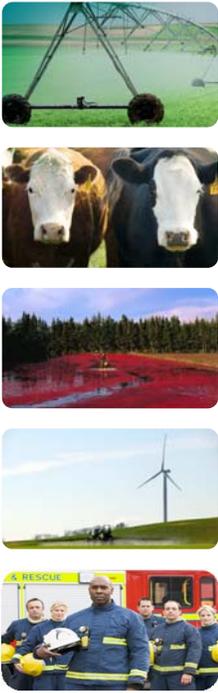
- Request applicant(s) have available
 - Last 3-4 years tax returns, each entity
 - Current balance sheet with schedules
 - Past balance sheets if available
 - Copies of signed contracts (livestock, grape etc.)
 - Copies of signed agreements (rental, purchase)
 - Copies of asset & liability verifications (401k, 1099)
 - Credit report with score if available, each applicant
 - Production history if available



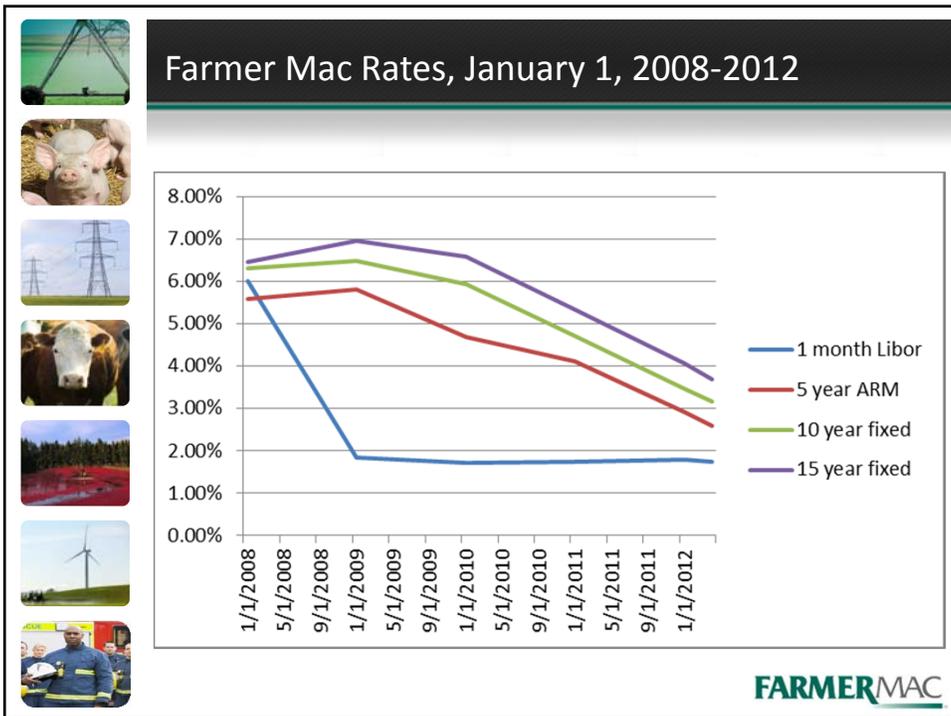

Preparation Prior to Applicant Interview

- Loan Officer Understand Various Farmer Mac Loan Products and Programs and Best Pricing
- Loan Officer Understand Farmer Mac Underwriting Standards and Programs





Loan Products and Competitive Pricing



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Profile

Company Information

Company Name: Federal Agriculture Mortgage Corp.
Company ID: 00-001

My Information

Last Name: [REDACTED]
 Middle Name: [REDACTED]
 First Name: [REDACTED]
 Address: 3400 W. 10th St., Suite 100
 City: [REDACTED]
 State: [REDACTED] Zip: 55120
 Telephone: 612-272-0611
 Cell: 612-850-1075
 Fax: 612-964-0202
 Send me Future Announcements
 I have email and the other Farmer Mac sites

Access Information

User Name: [REDACTED]
 Password: [REDACTED]
 Re-Enter Password: [REDACTED]

[UPDATE]

Farm & Ranch Loan Products

- Full array of options
 - Open prepayment products
 - AgEquity Revolving Line of Credit
 - ARM (Adjustable Rate Mortgage)
 - VRM (Variable Rate Mortgage)
 - Fixed rate
 - Yield maintenance product
 - VRM

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Farm & Ranch Loan Products

- Farmer Mac rates posted every morning
- Sellers have option to receive daily rates via email
- Sellers earn recurring income with field servicing fees (average 70 bps)





Loan Products & Rate

Farmer Mac I: Farm and Ranch Loan Program [View in PDF](#)

Posted on: 7/5/2012 10:05 AM ET

■ Farmer Mac I: Farm and Ranch Program Servicing Released Net Yields
■ Net Yields are based on prevailing market conditions at the time of posting. Actual Net Yields may differ from those indicated.
■ Semi-Annual Rates are posted. Annual and monthly pay options are also available. Other important information is posted below the rates. Please read carefully.

Products	Term	Amort.	Reset Margin	Semi-Annual Pay Standard	Semi-Annual Pay Choice
Open Prepayment Products					
AgEquity LIBOR	20/25/30	Varies	1.70%	1.95%	N/A
1-Mo ARM LIBOR	15	15 25	1.60%	1.94%	1.74%
1-Yr ARM	15	15 25	2.50%	2.21%	2.01%
3-Yr ARM	15	15 25	2.50%	2.29%	2.09%
5-Yr ARM	15	15 25	2.50%	2.64%	2.44%
7/1 ARM	15	15 25		3.90%	3.70%
10/1 ARM	15	15 25		4.02%	3.82%
10-Yr VRM	15/20	15/20		3.58%	3.38%
10-Yr VRM	25/30	25/30		3.76%	3.56%
7-Yr Fixed	7	15 25		3.07%	2.87%
10-Yr Fixed	10	10		3.15%	2.95%
15-Yr Fixed	15	15		3.64%	3.44%
15-Yr Fixed	15	25		4.05%	3.85%
20-Yr Fixed (1)	20	20		4.62%	4.42%
25-Yr Fixed (1)	25	25		4.87%	4.67%
Yield Maintenance Products					
5-Yr VRM	10/15/20/25	10/15/20/25		2.54%	2.34%



ABA Loan Products & Rate

Farmer Mac I: Farm and Ranch Loan Program - ABA [View in PDF](#)

Posted on: 7/5/2012 10:05 AM ET

■ ABA/Farmer Mac Alliance Special Products and Pricing *
 ■ (Annual- and monthly-pay options also available)

Products	Term	Amort.	Reset Margin	Semi-Annual Pay Standard	Semi-Annual Pay Choice
ABA Open Prepayment Products *					
1-Mo ARM PRIME**	15	15 25	-0.60%	2.74%	2.54%
7/1 ARM	15	15 25		3.77%	3.57%
10/1 ARM	15	15 25		3.89%	3.69%
10-Yr Fixed	10	10		3.02%	2.82%
15-Yr Fixed	15	15		3.51%	3.31%
15-Yr Fixed	15	25		3.92%	3.72%

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ICBA Loan Products & Rate

Farmer Mac I: Farm and Ranch Loan Program - ICBA [View in PDF](#)

Posted on: 7/5/2012 10:05 AM ET

■ ICBA/Farmer Mac Program Special Products and Pricing *
 ■ (Annual- and monthly-pay options also available)

Products	Term	Amort.	Reset Margin	Semi-Annual Pay Standard	Semi-Annual Pay Choice
ICBA Open Prepayment Products *					
1-Mo ARM LIBOR	15	15 25	1.50%	1.84%	1.64%
10-Yr VRM	15 20	15 20		3.45%	3.25%
10-Yr VRM	25 30	25 30		3.63%	3.43%
15-Yr VRM	20	20		3.79%	3.59%
15-Yr VRM	25 30	25 30		3.97%	3.77%
ICBA Yield Maintenance Products					
5-Yr VRM	10 15 20 25	10 15 20 25		2.41%	2.21%

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Best Rate

- Will loan qualify for Choice pricing (-20 bps) under Fast Track or Full Underwrite Choice?
- Does the applicant(s) want an ABA or ICBA loan product in which we are a member of? (-13 bps)
- Choice Pricing 20 bps + ABA or ICBA Product 13 bps = 33 bps Savings



Underwriting Farm & Ranch Loans



Loan Purchase Programs

- Farmer Mac I
 - Cash Window Mortgage Loan Purchase Program
 - Qualified Mortgage Loans Purchased Directly From a Seller Who Has Executed a Seller/Service Agreement



Cash Window Underwriting Programs

- Full Underwrite (Ranch & Row Crop)
- Fast Track
- AgEquity Line of Credit





Farmer Mac I, Cash Window and Farm and Ranch Loans

- First mortgage on ag real estate
- \$10.1 million maximum per loan over 1,000 acres; \$30.0 million under 1,000 acres
- \$30.0 million limit per borrower
- No minimum loan amount or acreage
- 70% LTV up to \$3 million










Full Underwriting Ratios, Farm and Ranch

	Standard*	Choice**
Current Ratio (market)	1.00:1	1.25:1
Total Cash Flow Debt Service Coverage (TDC)	1.25:1	1.50:1
Property Cash Flow Debt Service Coverage (PDC)	1.00:1	1.00:1
Debt-to-Asset Ratio (market)	50%	40%
Loan-to-Value Ratio (LTV) (market)	70%	60%

**** For Choice Loans: All requirements must be met.**
*** For Standard Loans: Compensating strengths are considered except for loans where the LTV is greater than 60%. In those cases, compensating strengths are considered if the only shortcoming is a PDC of less than 1.00:1. If the PDC is less than 1.00:1, the compensating factor must be a TDC of 1.50:1 or greater.**









Rural Housing









- Underwritten as a Full Underwrite
- Security Must Have Agricultural Production
- House Value \geq 30% of Total Appraised Value
- Minimum of 5 acres or \$5,000 Gross Ag. Receipts



Fast Track a Different Approach









- What is Fast Track?
 - Fast Track is an alternative loan packaging option providing a fast process to make smaller, low risk loans (unimproved properties)




Fast Track	
	Fast Track
	Max Loan Size \$1,000k
	Loan-to-Value Ratio 55%
	Debt to Asset Ratio 40%
	Current Ratio 1:1
	Total Debt Service Coverage 1:1
	Property Debt Coverage N/A
	Credit Scores (FICO) 720
	Tax Returns 2-Yrs
	Rate Deduction from Standard Pricing -20 bps

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AqEquity Line of Credit	
	<ul style="list-style-type: none"> • General requirements: <ul style="list-style-type: none"> – Revolving line of credit loan secured by 1st mortgage on ag real estate – Revolving (draw) period of either 5 or 10 years and a total loan term of up to 30 years – Indexed to 1-Month LIBOR (daily adjust) – No annual fee and no minimum usage required – Unlimited number of draws and repayments – At end of draw period, borrower selects an amortizing Farmer Mac product – Semi-annual interest only due on January 1 & July 1

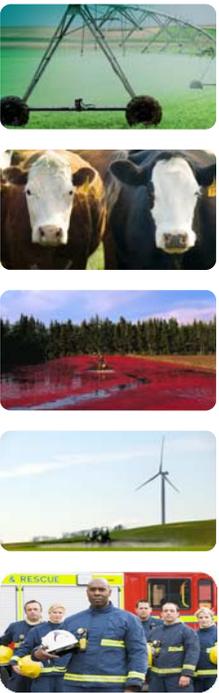
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AgEquity Line of Credit

	*AgEquity LOC
Max Loan Size	\$10.1 m
Loan-to-Value Ratio	≤45%/≤50%
Debt to Asset Ratio	≤50%
Current Ratio	≥1.00
Total Debt Coverage Ratio	≥1.35
Additional Details	\$50 k min. loan 5 or 10 yr. draw periods available
<i>* SEE SELLER SERVICER GUIDE, ADDL. DETAILS</i>	

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Top 10 Questions to Ask Your Farm Customer!



Goals Regarding The Screening/Interview

- Determine needs of the applicant(s)
- Applicant(s) select loan product, determine expected rate
- Security eligible
- Collect all data and information needed by Farmer Mac's Underwriters
- Assess if the loan is qualified
- Applicant sign application and collect origination fee if desired

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Top 10 Questions! – Use of Funds

1. What are the needs of the applicant(s) regarding the use of funds?
 - Use of Funds
 - Land purchase - acres
 - Real estate refinance – lender being refinanced
 - Improvements - description
 - Non-real estate refinance – lender being refinanced
 - Cash-out - details
 - Closing costs
 - Fast Track** – No cash-out limitation
 - Full Underwrite** – Cash-out limited to 25% of loan proceeds unless ≤60% LTV & 15 yr. amortization

Don't forget to mine the current balance sheet for additional loans

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Top 10 Questions! – Loan Products & Rate








2. What is the loan product & expected rate that the applicant(s) desire?

Various Loan Products

- Fixed Rate – 10, 15, 20 & 25 year fixed rates
- ARM's – Libor, 1 year, 3 year, 5 year
- VRM's – 5 year, 10 year
- Hybrid ARM's – 7/1 ARM, 10/1 ARM
- AgEquity LOC

Some loan products can be converted to other loan products for a fee on payment dates

Blended Rate

Max. Int. Rate = Net Yield (FAMC Rate Sheet) + Field Servicing Fee (Bps) + Buffer (Bps)

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Top 10 Questions! – Ownership Structure








3. What is the Current Ownership Structure of the Farm Operation?

- Corporations, LLC's etc.?
- Who is actively involved in the farm operation?
- Current acres farmed (owned and/or rented) , livestock owned
- Non-farm income? Wages, business(s) owned etc.?

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Top 10 Questions! - Security For This Loan

4. What is the Security For This Loan? Who signs?

- Location, acres, estimated value, legal description, highest & best use, fixtures such as pivots, LTV?
- Who holds title to the security? Capture all titleholders
- If LLC, Corporation etc. holds title, capture it and any entity or person with a $\geq 10\%$ interest

The titleholder will sign the mortgage/deed of trust

The titleholder and others captured will sign the note

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Top 10 Questions! – Current Operating Lender

5. Who is Your Current Operating Lender?

- Do they have a current operating lender?
- Relationship with the current operating lender?
- Maximum dollars available for line of credit?
- Average annual balance of the line of credit?

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Top 10 Questions! – Credit/Payment History

6. What is Applicant(s) Payment History? Any judgments, collections or have claimed bankruptcy?

- Operating Lender
- Intermediate Term Lender(s)
- Real Estate Lender(s)

Get a signed credit release authorization from applicant(s)

Order a credit report with a credit score

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Top 10 Questions! – Inventory Land & Livestock

7. What farm assets did you own and or rent over the last 3-4 years?

- Farmland and/or Permanent Plantings Acres
- Livestock Owned and/or Custom Fed
- Contract Fed Livestock

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Top 10 Questions! – Purchase/Sale Land

8. Did the applicant(s), purchase or sell any real estate over the last 3-4 years?

- Purchase price and date – rented previously?
- Sale price and date if a sale?

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Top 10 Questions! – Farm & Non-Farm Changes

9. Any Farm or Non-Farm Changes to the Operation over the last 3-4 years?

- Acres owned
- Acres rented
- Changes in Permanent Plantings (grapes, almonds etc.)
- Livestock owned
- Livestock custom fed
- Contract livestock fed
- New wages received or lost
- Sale or purchase of business
- Inheritance or gifts received or given
- Drought or other losses

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Top 10 Questions! – Review Tax Returns/Balance Sheet

10. Any Other Questions after Reviewing the Current Balance Sheet and Tax Returns?

- 1040 – Wages, Social Security, Pensions, College Tuition, Alimony, Gambling Losses
- Schedule C – Businesses Owned
- Schedule D – Real Estate Sold, Re-occurring Capital Gains
- Schedule E – Outside Entities Owned
- Schedule F – Increase in Interest Expense, Depreciation, Gross Income, Gross Expenses
- Itemized Statements – Details of Schedules

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Now What? Ask Yourself...

- Did I determine needs of the applicant(s)?
- Did the applicant(s) select a loan product, & determine an expected rate?
- Is the security eligible?
- Did I collect all data and information needed by Farmer Mac's Underwriters?
- Did I assess if the loan is qualified?
- Did the applicant(s) sign the application and I collected a loan origination fee?

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Screen Loan – Underwriting Grid



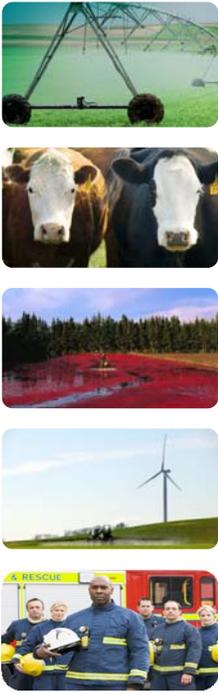

	Non-Facility Loans							Ag Equity Real Estate Line of Credit	Cow/Call Ranch Loans	Cattle Feedlot Loans	PC
	Fast Track	Standard Loans- Ranch & Row Crop	Choice Loans- Ranch & Row Crop	Seasoned Loan							
UDC- Proforma Total Debt Coverage	** See Below	≥175%	≥150%	N/A	≥175%	≥175%	≥175%	≥175%	≥175%	≥175%	2
UDC- Property Debt Coverage	N/A	≥100%	≥100%	N/A	≥100%	≥100%	≥100%	≥100%	≥100%	≥100%	2
CR- Proforma Current Ratio	≥1.00x	≥1.00x	≥1.25x	N/A	≥1.00x	≥1.00x	≥1.00x	≥1.00x	≥1.00x	≥1.00x	2
DA- Leverage- Proforma Debt/Asset	≤40%	≤50%	≤40%	N/A	≤50%	≤50%	≤50%	≤50%	≤50%	≤50%	1/2
Minimum Loan Size	\$1	\$1	\$1	\$1	\$50,000	\$1	\$1	\$1	\$1	\$1	
Loan Size	≤\$1,000,000	≤\$3.0m	≤\$3.0m	≤\$3.0m	≤\$3.0m	≤\$3.0m	≤\$3.0m	≤\$3.0m	≤\$3.0m	≤\$3.0m	
LTV	≤85%	≤70% / 75%	≤80%	≤80%	≤80%	≤80%	≤80%	≤80%	≤80%	≤80%	1/2
LTV- New Facilities					≤80% Standard Pledge		≤80%	≤80%	≤80%	≤80%	1/2
LTV- Existing Facilities											1/2
Credit Score	≥720	≥680	≥680	≥680	≥680	≥680	≥680	≥680	≥680	≥680	2
Aggregate maximum exposure	\$30.0m	\$30.0m	\$30.0m	\$30.0m	\$30.0m	\$30.0m	\$30.0m	\$30.0m	\$30.0m	\$30.0m	1/2
Combined LTV (all property debt/AV)					≤80%		≤80%	≤80%	≤80%	≤80%	1/2
Term in Years	10, 15, 20, 25, 30 years	10, 15, 20, 25, 30 years	10, 15, 20, 25, 30 years	10, 15, 20, 25, 30 years	5 or 10 years	5 or 10 years	5 or 10 years	5 or 10 years	5 or 10 years	5 or 10 years	1/2
Purchase Contract required											
Amortization	10, 15, 20, 25 or 30 yrs	10, 15, 20, 25 or 30 yrs	10, 15, 20, 25 or 30 yrs	10, 15, 20, 25 or 30 yrs	5 or 10 yrs	5 or 10 yrs	5 or 10 yrs	5 or 10 yrs	5 or 10 yrs	5 or 10 yrs	1/2
Cash-on-hand Limitation		≤25%	≤25%	≤25%	≤25%	≤25%	≤25%	≤25%	≤25%	≤25%	1/2



Submitting the Loan?

- Input into AgPower LOS
 - Last 3-4 yrs. tax returns or 2 yrs. if Fast Track
 - Current balance sheet with schedules
 - Past balance sheets if available
 - Credit report with score if available, each applicant
 - Narrative (5 C's)
 - Copies of signed contracts (livestock, grape etc.)
 - Copies of signed agreements (rental, purchase)
 - Copies of asset and liability verifications (401k etc)
 - Paystubs if applicable
 - Environmental Disclosure when available
 - Appraisal Report when available
 - Preliminary Title Report or Title Opinion (IA only) when available





Now That My Loan Has Been Submitted, Now What?



Remaining Loan Approval Steps

- Once submitted, Farmer Mac reviews loan package
- Responds to Seller within two business days
- Issues preliminary loan approval letter or responds with an additional information request or declines the loan





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Loan Interview, Origination & Submission Checklist

PRIOR TO APPOINTMENT WITH APPLICANT(S)
Have the applicant's bring with them;

- a. most recent 4 yrs. tax returns for each entity
- b. current balance sheet with schedules for each entity
- c. past balance sheets with schedules if available
- d. copies of signed contracts (livestock, grape etc.)
- e. copies of signed agreements (rental, purchase)
- f. copies of asset & liability verifications
- g. production history if available

INITIAL SCREENING QUESTIONS & INTERVIEW

- **Funds needed and use of funds?** Land purchase , refinance RE, improvements, non-RE refinance, cashout, closing costs (note, FT has unlimited cashout and if cashout ≥25% of loan proceeds, LTV ≤60% and amortization ≤15 yrs.)
- **Loan product of interest along with rate expectation?** Blended rate? Product selected converts to other available loan products?
- **Ownership structure of the operation, who is involved in this loan transaction, other outside entities?** Corporations, LLC's etc.? Who is actively involved in the farm operation? Current acres owned and rented? Head of livestock owned, Non-farm income? Other businesses owned?
- **What is the security for this loan? Who signs?** Location, highest and best use, acres, estimated appraised value, fixtures such as pivots etc ? LTV? Titleholders?



Questions?

