



**FARMERMAC**  
*Financing Rural America*

Farmer Mac Refresh:

**Tracking the Tabs to Success**



**Income & Expense and Subsidiary Analysis**



## Today's Presenters:

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# Tracking the Tabs to Success Series

## Getting Started with AgPower

- Farm & Ranch Loan Purchase Process
- Accessing AgPower
- Application Queue
- Application Tab
- Borrower Info Tab
- Communication/Attachment Tab

August 7<sup>th</sup> 2013

## Income & Expense and Subsidiary Analysis

- Income & Expense Tab
- Proforma Income & Expense Tab
- Subsidiary Analysis Tab

August 21<sup>st</sup> 2013

## Balance Sheet and Loan Summary

- Balance Sheet & Schedules
- Consolidated Balance Sheet & Schedules
- Proforma Balance Sheet and Schedules
- Loan Summary Tab

August 14<sup>th</sup> 2013

## Loan Submission and Final Steps

- Submitting the Loan
- Preliminary Loan Approval
- Appraisal Checklist
- PPDocs
- Rate Locking and Rate Lock Info Tab
- Purchase Request & Purchase Info Tab

August 28<sup>th</sup> 2013

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## Income & Expense and Subsidiary Analysis

Today's Webinar will cover the following:

- Income & Expense Tab
- Proforma Income & Expense Tab
- Subsidiary Analysis Tab

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## Income & Expense Tips

- The Income & Expense tab is completed for each entity per their tax returns or accountant prepared review level or audited statements
- Fast Track loans require the most recent 2 years of tax returns to be entered
- Full Underwrites and AgEquity loans require the most recent 3 years of tax returns to be entered
  - Four years of tax returns are required for operations with alternate bearing crops such as Walnuts etc.

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- Fast Track loans require the most recent 2 years of tax returns to be entered
- Full Underwrites and AgEquity loans require the most recent 3 years of tax returns to be entered
  - Four years of tax returns are required for operations with alternate bearing crops such as Walnuts etc.



# Income & Expense Tab

**FARMER MAC**  
Financing Rural America

Application Number: DC-110011  
Borrower: MAC LAND LLP

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Application Queue	Application	Borrower Info	Balance Sheet	BS(a)	Consolidated BS	Consolidated BS(a)	Submit Application
Consolidated BS PROFORMA	Consolidated BS(a) PROFORMA	INC and EXP	Consolidated INC/EXP PROFORMA	Appraisal Clist	Manual / UW Grid		
Subsidiary Analysis	Loan Summary	UW Ratio	Communication/Attach	Appraisal	UW Analysis	Products Option	Instruction Letter

Save Inc and Exp Data    Print Document

**INCOME AND EXPENSE STATEMENT**

Applicants Name: MAC LAND LLP

Multiple Entity: 11

Cash/Accrual: Cash

Last Tax Return Year: 2010

Years: 3

Detail Information

**FARMER MAC**  
Financing Rural America

Application Number: DC-110011  
Borrower: MAC LAND LLP

AgPOWER

Application Queue	Application	Borrower Info	Balance Sheet	BS(a)	Consolidated BS	Consolidated BS(a)	Submit Application
Consolidated BS PROFORMA	Consolidated BS(a) PROFORMA	INC and EXP	Consolidated INC/EXP PROFORMA	Appraisal Clist	Manual / UW Grid		
Subsidiary Analysis	Loan Summary	UW Ratio	Communication/Attach	Appraisal	UW Analysis	Products Option	Instruction Letter

Save

Duplicate Application

Application Num: DC-110011    Application Status: New Application

Application Description: MAC LAND LLP

Number of Entities: 3 (1-15)    Seasoned Loan     UW Type: FTF - Full Underwrite    Most Recent Inc/Exp Year: 2010 (2012)

Individual Completing Application: BERNARD ABBUHL

Feed:	0	0	0	0
Fertilizer:	0	0	0	0
Freight:	0	0	0	0
Gasoline, Fuel:	0	0	0	0
Insurance:	14,200	16,000	19,000	16,207
Interest - Mortgage/Non-Current:	125,676	121,312	116,792	121,227
- Other Interest/Current:	0	0	0	0
- Total Interest:	125,676	121,312	116,792	121,227
Labor:	0	0	0	0

This is the income and expense statement for MAC Land LLP. To change to a different borrower's income and expense tab click the drop down box and toggle a different entity number. Select Cash or Accrual per the tax return and then select the number of years of information. The last tax return year auto fills from the application page. If you need to change the year, change it on the application, click save and the income and expense statement will adjust.

Total Farm Expenses	0	0	0	0
<b>NET FARM INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NON-FARM INCOME</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
				<b>Average</b>
Salaries:	60,000	60,000	60,000	60,000
Interest Income:	25,195	21,883	28,500	25,193
Dividends:	16,000	16,000	10,285	14,095
Business Inc. (Sch C):	0	0	0	0
Capital Gain/Loss (Sch D):	-15,000	-3,500	21,900	1,133
Other Gains/Loss (4797):	0	0	0	0
Rental Income (Sch E):	-96,010	119,441	93,355	38,729
Other Inc A: IRA DISTRIBUTIONS	9,000	12,000	12,000	11,200
Other Inc B: SOCIAL SECURITY	0	0	10,000	3,333
Other Inc C:	0	0	0	0
Total Non-Farm Income	-815	225,824	236,040	153,683
<b>TOTAL PRE-TAX INCOME</b>	<b>-815</b>	<b>225,824</b>	<b>236,040</b>	<b>153,683</b>
<b>Cash Flow Coverage</b>				
<b>TOTAL PRE-TAX INCOME</b>	<b>-815</b>	<b>225,824</b>	<b>236,040</b>	<b>153,683</b>
<b>Plus Adjustments:</b>				
Farm Depreciation	0	0	0	0
Non-Farm Depreciation:	15,385	87,385	15,385	39,385
Farm Current/Non-Current Int. (F):	0	0	0	0
Non-Farm Non-Curr. Interest (C,E):	36,000	35,000	33,000	34,607
Capital Lease Payments	0	0	0	0
Other Plus Adj:	0	0	0	0
<b>Minus Adjustments:</b>				
Income & FICA taxes:	0	63,000	26,205	29,735
Family Living:	45,000	45,000	45,000	45,000
Non-Recurring:	0	0	0	0
Other Minus Adj:	0	0	0	0
<b>CASH FLOW AVAILABLE:</b>	<b>5,570</b>	<b>240,209</b>	<b>213,820</b>	<b>153,200</b>
Comments:				
<input type="button" value="Save Inc and Exp Data"/> <input type="button" value="Print Document"/>				

Fill out the income and expense information for all entities on their specific income and expense statement. In this example the borrowers only have non-farm income and expense items.

- Enter the salary information from the tax return. The underwriter may request a current paystub to verify current employment and wages
- Capital Gains- determination will need to be made if this income is recurring or not. For example, a one time sale of real estate is considered non-recurring.
- Rental Income or Schedule E income. Note the non farm depreciation and interest from Schedule E can be added back in.
- There are additional lines for other income. The yellow boxes are open for you to describe this income such as Social Security.
- Please remember to complete the tax information from the tax returns.
- Farmer Mac's minimum guidelines for family living are \$15,000 per adult and \$5,000 per child on the tax return.
- If there are items that are non-recurring you would enter the amount here.

AgPower will then automatically calculate the Cash Flow Available for each entity. You can see here the cash flow available for Mac and May Farmer.



# Proforma Income & Expense Tab

**FARMER MAC**  
Financing Rural America

Application Number: DC-110011  
Borrower: MAC LAND LLP

**AgPOWER**  
AgEquity

Application Queue | Application | Borrower Info | Balance Sheet | Consolidated BS(a) | Submit Application  
 Consolidated BS PROFORMA | Consolidated BS(a) PROFORMA | INC and EXP | Consolidated INC/EXP PROFORMA | Appraisal Cklist | Manual / UW Grid  
 Subsidiary Analysis | Loan Summary | UW Ratio | Communication/Attach | Products Option | Instruction Letter

**INCOME AND EXPENSE STATEMENT**

Applicants Name: MAC LAND LLP | Multiple Entity: 3 | Last Tax Return Year: 2010 | Save Inc and Exp Data | Print Document

**Detail Information**

	2007	2008	2009	2010	Average	Pro Forma
<b>FARM INCOME</b>						
Net Purchased LS & other:	0	0	0	0		0
Raised Farm Products:	1,614,150	2,031,000	1,810,000	1,810,000	1,818.38	1,850,000
Cooperative Distributions:	0	0	0	0		0
Ag Program Payments:	58,000	58,000	50,000	50,000	54.66	50,000
CCC Loans:	0	0	0	0		0
Crop Insurance:	0	0	0	0		0
Custom Hire:	0	0	0	0		0
Other Income A:	375,000	375,000	400,000	400,000	383.33	0
Other Income B:	0	0	0	0		0
Income From New Property:						250,000
Eliminations on consolidation:	0	0	0	0		0
<b>Gross Farm Income</b>	<b>2,047,150</b>	<b>2,462,000</b>	<b>2,260,000</b>	<b>2,260,000</b>	<b>2,256.383</b>	<b>2,150,000</b>
<b>FARM EXPENSES</b>						
Car & Truck:	16,200	18,000	21,000	21,000	18.40	18,400
Chemicals:	96,000	109,000	121,000	121,000	109.00	126,000
Conservation:	0	0	0	0		0
Custom Hire:	0	0	0	0		0
Depreciation:	241,237	287,389	207,648	207,648	245.42	220,000
Employee Benefit:	0	0	0	0		0
Feed:	12,000	8,900	0	0	6.90	0
Fertilizer:	165,000	192,000	203,000	203,000	186.66	210,000
Freight:	70,596	76,000	81,000	81,000	75.86	82,000
Gasoline, Fuel:	56,000	63,000	79,000	79,000	66.00	80,000
Insurance:	84,700	64,000	75,000	75,000	74.70	75,000
Interest - Mortgage/Non-Current:	125,578	121,312	116,792	116,792	121.22	311,696
- Other Interest/Current:	44,790	50,000	42,694	42,694	45.82	12,500
<b>Total Interest</b>	<b>170,368</b>	<b>171,312</b>	<b>159,486</b>	<b>159,486</b>	<b>167.056</b>	<b>324,196</b>

This is the proforma income and expense statement. In this example there are three entities so it is the consolidated income and expense proforma. Ag Power will automatically consolidate all of the entities information from the separate Income and Expense Tabs into this Consolidated Income and Expense Tab. AgPower also adds a "Proforma" column. The proforma column needs to be completed for Full Underwrite and AgEquity loans. This column should be based on a typical year for the operation or reflect the estimated income and expenses moving forward if there was a new purchase or similar transaction. The proforma projections should be supported by the historical information or sufficient reasoning provided.

Total Farm Expenses	2,099,890	2,234,451	2,136,554	2,156,953	1,990,392
<b>NET FARM INCOME</b>	<b>-52,700</b>	<b>227,549</b>	<b>123,446</b>	<b>99,430</b>	<b>159,608</b>
<b>NON-FARM INCOME</b>					
Salaries:	60,000	60,000	60,000	60,000	0
Interest income:	25,195	21,883	28,500	25,193	30,000
Dividends:	16,000	16,000	10,285	14,095	12,000
Business Inc. (Sch C):	0	0	0	0	0
Capital Gain/Loss (Sch D):	-15,000	-3,500	21,900	1,133	3,000
Other Gains/Loss (4797):	0	85,340	0	28,447	0
Rental Income (Sch E):	-96,610	119,441	93,355	38,729	-10,000
Other Non-Income A:	9,600	12,000	12,000	11,200	12,000
Other Non-Income B:	0	0	10,000	3,333	10,000
Other Non-Income C:	0	0	0	0	0
Eliminations on consolidation:	-31,887	178,116	<b>120,680</b>	88,303	0
				93,827	57,000
				193,257	216,608

Schedule K-1  
2010  
Form 1065

Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1 Ordinary business income (loss) 16 Credits

2 Net rental real estate income (loss) **54,812**

3 Other net rental income (loss) 16 Foreign transactions

4 Guaranteed payments

5 Interest income 1,550

6a Ordinary dividends

6b Qualified dividends

7 Royalties

8 Net short-term capital gain (loss)

9a Net long-term capital gain (loss) 17 Alternative minimum tax (AMT) items

9b Collectibles (28%) gain (loss)

9c Unrecaptured section 1250 gain

10 Net section 1231 gain (loss) 18 Tax exempt income and capital gains

Information About the Partnership

A Partnership's employer identification number 11-2222222

B Partnership's name, address, city, state, and ZIP code  
MAC LAND LLC  
104 SCOTIC LANE  
FARMERVILLE, IA 50111

C IRS Center where partnership filed return  
OGDEN, UT

D Check if this is a publicly traded partnership (PTP)

Information About the Partner

E Partner's identifying number  
MAY FARMER

F Partner's name, address, city, state, and ZIP code  
MAY FARMER  
104 SCOTIC LANE  
FARMERVILLE, IA 50129

MAC Farmer from MAC Operations  
\$11,058

MAC Farmer from MAC Land  
\$54,811

May Farmer from MAC Land  
\$54,811

**= \$120,680**

Also added on this tab are elimination rows. If there is income that needs to be eliminated on the consolidated statement, do so in these rows. For example, income that flows through to the individuals from the Mac Operations and Mac Land via the K-1s would need to be eliminated upon consolidation if these entities are borrowers on the loan request. Here we can see the income coming to Mac Farmer from Mac Operation, the income coming to Mac Farmer from Mac Land and the income coming to May Farmer from Mac Land. This income is already captured under Farm Income from these entities so the total is eliminated.

Cash Flow Coverage						
TOTAL PRE-TAX INCOME		-21,628	382,997	238,806	193,257	180,905
<b>Plus Adjustments:</b>						
Farm Depreciation		241,237	287,389	207,648	245,420	220,000
Non-Farm Depreciation:		15,385	87,385	15,385	39,385	15,385
Farm Current/Non-Current Int. (F)		170,300	171,312	159,480	167,058	324,198
Non-Farm Non-Curr. Interest (C,E):		36,000	35,000	33,000	34,867	32,400
Capital Lease Payments:		0	0	0	0	0
Other Plus Adjustment:		0	0	0	0	0
<b>Minus Adjustments:</b>						
Income & FICA taxes:		0	63,000	26,205	29,735	20,000
Family Living:		45,000	45,000	45,000	45,000	45,000
Non-Recurring:		0	85,340	0	28,447	0
Other Minus Adjustment:		0	0	0	0	0
<b>CASH FLOW AVAILABLE:</b>		<b>396,360</b>	<b>750,343</b>	<b>583,720</b>	<b>576,807</b>	<b>707,895</b>
TOTAL ANNUAL P&I:		465,510	465,510	465,510	465,510	601,213
ANNUAL CAPITAL LEASE PAYMENTS:		0	0	0	0	0

  

Total Annual Principal And Interest Summary					
	Balance	Rate (%)	Accrued Interest	Annual Total Interest	Annual Total Principal
Average Outstanding Op. Line and Rate	250,000	5.00		12,500	
TOTAL FARM NON-CURRENT P&I, ACCRUED INTEREST			18,598	311,695	224,618
TOTAL NON-FARM NON-CURRENT P&I, (excluding tax Schedule A, P&I)				32,400	22,000
TOTAL ANNUAL P&I (REQUIRED CASH FLOW)					601,213

At the bottom of the Consolidated Proforma Income and Expense Tab is the Cash Flow Coverage. This area presents the consolidated Pre-Tax income and has lines for other plus or minus adjustments, resulting in the Cash Flow Available Line.

The Proforma Total Annual P&I autofills from the BS(a) Proforma, in this case the Consolidated BS(a) Proforma.

	2008	2009	2010	Average	Pro Forma
CASH FLOW AVAILABLE:	396,360	750,343	583,720	576,807	707,885
TOTAL ANNUAL P&I:	465,510	465,510	465,510	465,510	555,510
ANN. CAPITAL LEASE PAYMENTS:	0	0	0	0	0
	0	0	0	0	0
TOTAL CASH FLOW REQUIRED:	465,510	465,510	465,510	465,510	555,510
Excess Cash Available:	-69,150	284,833	118,210	111,297	152,375
Pro Forma Total Debt Coverage:	1.07	1.63	1.65	1.61	1.23
TDC Shock 3%:					1.14
TDC Shock 5%:					1.07
Comments:					

Here we can see the consolidated Cash Flow Available for the previous three years, the three year average and the proforma projections. If the average is significantly less than the proforma then a detailed explanation will be needed to support this difference. In addition if there is significant variability in the cash flow available, this will need to be explained.

As mentioned earlier here is where the debt service is entered. The proforma P&I value is carried back historically on all Fast Track loans. It also is carried back for non-growing operations. This demonstrates whether the operation historically generated enough excess cash flow to service the post-close debt. For growing operations, the historical P&I information can be overwritten with the actual historical figures for those years or with the debt service from the current balance sheet.

Finally we see the Total Debt Coverage Ratio calculations. For Full Underwrite and AgEquity loans the proforma TDC figure is used. For loans with a product of a 3 year ARM or less, the loan must meet TDC after the Rate Shock.



# Subsidiary Analysis Tab



## Subsidiary Analysis Tab

- Needs to be completed for non-obligor subsidiary entities the borrowers have greater than 10% interest in.
- Helps determine if the non-obligor subsidiary entities are viable as a stand alone entities or require financial assistance from the borrowers. Helps give a global picture of the borrowers
- To complete the tab you will need a current balance sheet and the most recent tax return

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- Helps determine if the non-obligor subsidiary entities are viable as a stand alone entities or require financial assistance from the borrowers. Helps give a global picture of the borrowers
- To complete the tab you will need a current balance sheet and the most recent tax return

**FARMER MAC**  
Financing Rural America

Application Number: DC-110011  
Borrower: MAC LAND LLP

**AgPOWER**

Application Queue	Application	Borrower Info	Balance Sheet	BS(a)	Consolidated BS	Consolidated BS(a)	Submit Application
Subsidiary Analysis	Loan Summary	UW Ratio	Communication/Attach	Appraisal	UW Analysis	Products Option	Instruction Letter

**Subsidiary Analysis**

Application ID: DC-110011    Total Number of Subsidiary Entities:

**Entity Names**

Borrower(S): MAC LAND LLP - MAC OPERATIONS INC - MAC FARMER - MAY FARMER -

Entity 1 Name:     Tax ID:

The Subsidiary Analysis tab needs to be completed when the Farmer Mac applicants have at least 10% ownership interest in a non-obligor subsidiary entity. To complete the Subsidiary Analysis tab for the outside entity you will need the most recent tax return including all Schedule K-1 forms, current market value balance statement and the debt service associated with the entity. To get started, select the total number of entities from this drop down menu. AgPower will then automatically add the selected number of columns, you must click Edit at the bottom of the screen before you can type in the fields added. For this loan there is only one subsidiary entity, however AgPower can handle up to 70 subsidiary entities. Enter the entities name in these fields corresponding to the correct column.

**Subsidiary Analysis**  
 Application ID: DC-110011 Total Number of Subsidiary Entities: 1

**Entity Names**  
 Borrower(S): MAC LAND LLP - MAC OPERATION INC - MAC FARMER - MAY FARMER  
 Entity 1 Name: M&M INVESTMENTS

**Balance Sheet** Borrowers Entity 1 by % Ownership Consolidation  
 BS Date: 12/31/2010  
 Ownership(%): 100 80.00  
 Current Assets: 2,635,692  
 Current Liabilities: 492,216  
 Current Ratio: 5.34  
 Total Assets: 18,692,766  
 BS Elim on Con: 27,757  
 Total Liabilities: 5,832,567  
 Net Worth: 12,860,199  
 Debt/Asset Ratio: 0.31  
 Ownership NW of Entity: 12,860,199 27,757

**Income Expense**  
 Ino/Exp Date: 12/31/2010  
 Gross Farm Income: 2,150,000  
 Farm Expense: 2,026,095  
 Net Farm Income: 123,905  
 Non Farm Income: 57,000  
 Depreciation: 235,365  
 Interest: 356,595  
 Leases: 0  
 Income Tax: 20,000  
 Living: 45,000  
 Ino/Exp Elim on Con: -17,441  
 CFA: 707,885  
 Debt Service: 601,213  
 TDC: 1.18

**INTERMEDIATE ASSETS**  
 Livestock - Breeding (H): 0  
 Machinery and Vehicles (K): 1,093,000  
 Other Non-Current Assets:

Entity No	Description	Current	Change	Proforma
3	MAC LAND LLP	0	0	0
3	80 MAC OPERATIONS INC	0	0	0
3	80 M&M INVESTMENTS	27,757	0	27,757

Total Other Machinery/Vehicles: 27,757  
 Total Other Investments: 400,000  
 Notes and Contracts Receivable (E): 0  
 Less Current Portion Receivable (E): 0

Comments:  
 Save Cancel

Lets go into more detail on completing the Subsidiary Analysis tab.

The borrower's column is automatically filled with information in AgPower. This is a consolidation of the three borrowers on the loan, Mac Land, LLP, MAC Operations, Inc. and Mac and May Farmer. The balance sheet numbers are autofilling from the Consolidated Proforma Balance Sheet and the income and expense numbers are autofilling from the Proforma Income and Expense. For a Full Underwrite loan AgPower uses the proforma numbers. For a Fast Track loan AgPower uses the average numbers.

The entity 1 column needs to be completed for the subsidiary entity, in this case M&M Investments. You enter the financial TOTALS and then enter the percentage ownership. Enter the date of the balance sheet.

The subsidiary analysis balance sheet must correspond to a source document. If the source document such as a tax return or separately prepared document. If the source document is cost check this box. Farmer Mac prefers to see market statements.

AgPower will automatically determine the borrowers share of the net worth. This figure must match the amount shown for this entity on the borrower's personal balance sheet.

The consolidated column automatically consolidates the entities based on ownership percentage.

There is a balance sheet elimination in the amount of the borrower's share of the net worth in this entity. This figure is double counted before the elimination as was already included in the borrower's net worth.

There is also an elimination on the income and expense. This elimination is for the K-1 income flowing through to the borrowers from M&M Investments' tax return. This income is already included in the borrowers income and expense.

**Subsidiary Analysis**  
 Application ID: DC-110011 Total Number of Subsidiary Entities: 1

**Entity Names**  
 Borrower(S): MAC LAND LLP - MAC OPERATIONS INC - MAC FARMER - MAY FARMER -  
 Entity 1 Name: MAM INVESTMENTS LLC Tax ID: 06-0323775

Balance Sheet	Borrowers	Entity	Consolidation
		by %	by % Ownership
BS Date:	12/31/2010		
Cost BS:	Market	<input checked="" type="checkbox"/>	
Ownership(%):	100	80.00	
Current Assets:	2,627,009	10,816	2,635,692
Current Liabilities:	492,216		492,216
Current Ratio:	5.34	0	5.35
Total Assets:	18,602,768		18,643,000
BS Elm on Con:			27,757
Total Liabilities:	5,832,567	940,656	6,585,124
Debt:	12,800,199	34,999	12,800,499
Debt/Asset Ratio:	0.31	0.96	0.34
Ownership NW of Entity			
<b>Income Expense</b>			
Ino/Exp Date	12/31/2010		
Gross Farm Income:	2,150,000	0	2,150,000
Farm Expense:	2,026,095	0	2,026,095
Net Farm Income:	123,905	0	123,905
Non Farm Income:	57,000	-21,801	39,559
Depreciation:	235,365	53,103	277,867
Interest:	356,595	54,688	400,353
Leases:	0	0	0
Income Tax:	20,000	0	20,000
Living:	45,000	0	45,000
Ino/Exp Elm on Con:			-17,449
CFA:	707,885	86,000	794,131
Debt Cap:			666,613
TDC:	1.18	1.05	1.19

Comments:

Save Cancel

AgPower also shows the Current Ratio, D/A and TDC for the borrowers, for the subsidiary entity and on a consolidated basis.



Questions?