

Purchase Commitments: How Your Bank Can “Participate” Loans with Farmer Mac

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Today from Farmer Mac

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Agenda

1. Farmer Mac I - Products tailored to needs
2. What is a Purchase Commitment?
3. Why use a Purchase Commitment?
4. What loans qualify?
5. What are the fees?
6. Steps to get started

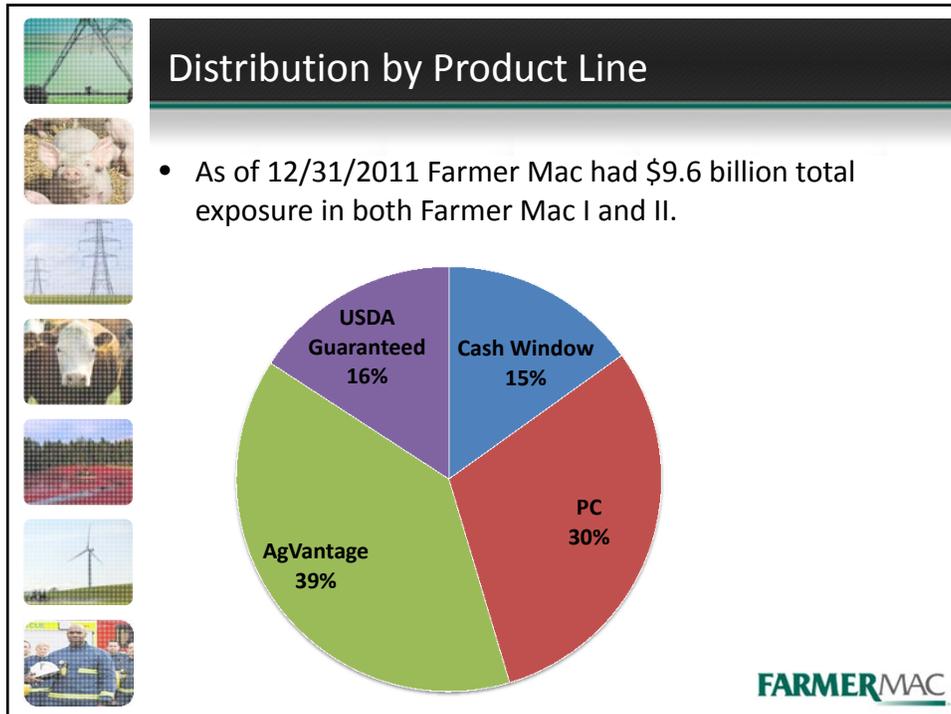
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Products tailored to needs

- Purchase Commitment
 - Retain loans in portfolio while transferring credit risk to Farmer Mac through a “Purchase Commitment”
- AgVantage®
 - Retain loans in portfolio and manage interest rate risk while accessing a stable source of funds
- “Cash Window” Loan Purchases
 - Sell loans to Farmer Mac to transfer credit and interest-rate risk

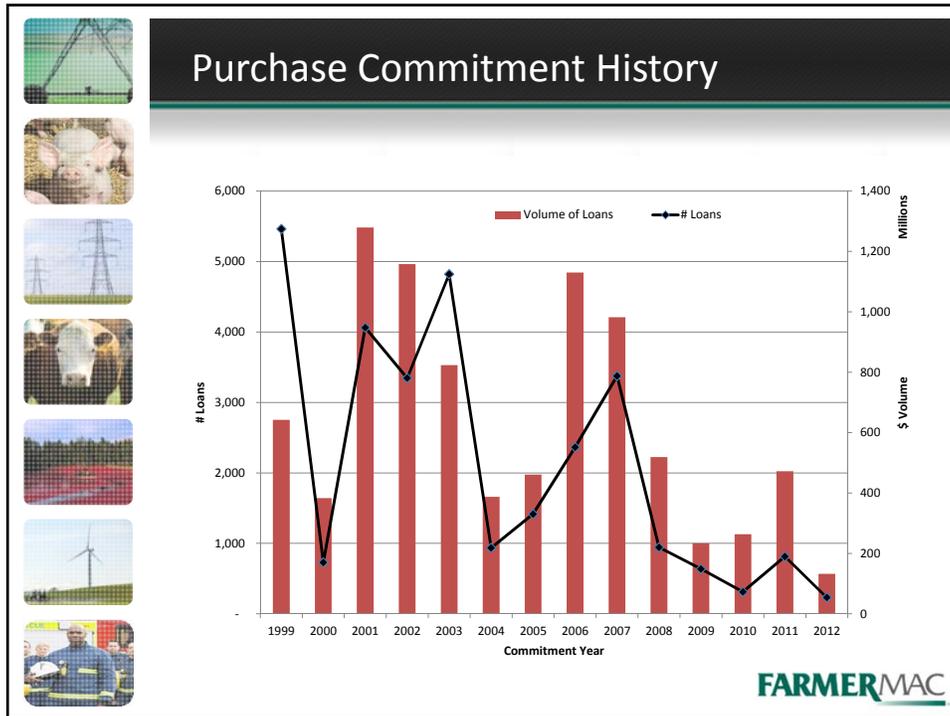
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What is a Purchase Commitment?

- Farmer Mac commits to purchase defaulted loans (90 days delinquent) at par out of a defined pool
 - Loans in the pool must be Farmer Mac qualified loans upon placement, meeting Farmer Mac Farm and Ranch underwriting guidelines
 - Only 1st mortgage farm real estate loans qualify
 - Loan terms do not have to meet those offered in Farmer Mac's Cash Window
 - May include both new and seasoned loans
 - Minimum pool size of \$1 million
 - Loans stay in the pool until paid in full, either through normal amortization or via payoff by the borrower

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Life-to-Date Totals

- Total loans in the program = 29,445
- Total volume = \$8,867,343,241

To be considered well capitalized under Basel, a lender would've had to hold 10% capital on this volume. Placing the loans under the PC resulted in freeing up over \$700 million in capital, sufficient to support an additional \$7 billion in lending!

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Why use a Purchase Commitment?

- Credit risk is transferred to Farmer Mac
 - Manage commodity, geographic and borrower concentrations
 - Exclude loans from lending limit calculations
- Improve financial results
 - Repurchase sold participations...improve profits
 - Risk-weight loans at 20% versus 100% for portfolio loans
 - Improve risk-based capital ratios
 - Reduce reserve requirements for potential loan losses
- Secondary market benefits without selling loans
 - Transaction is transparent to the borrower, as lender retains servicing

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What loans qualify?

- Maximum loan size:
 - \$10.1 million if secured by more than 1,000 acres
 - \$30 million if secured by fewer than 1,000 acres
- Loans must meet Farmer Mac's underwriting guidelines at the time they are placed into the pool
- Participation (partial interests in loans) are allowed
 - Requesting entity must be lead lender
 - Unpaid principal amount *on the gross loan* must fall within the maximum loan size

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What are the fees?

- No set up fee nor minimum use fee
- Per loan commitment fees of 50 bps
- The annual fee (paid monthly) is paid on the unpaid principal balance of each loan for the term of the pool

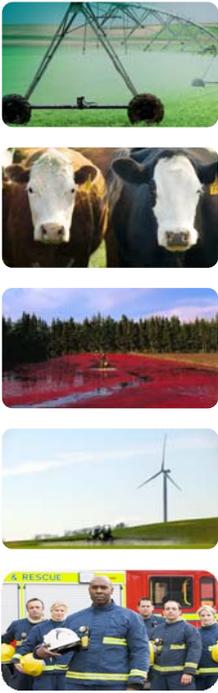
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Steps to get started

- Must be a Farmer Mac I Seller
- Pre-screen loans being considered
- Read and execute PC Agreement
- Read and execute the Master Central Servicing Agreement
- Enter loan information into Farmer Mac's web-based program and receive Farmer Mac approval
- Approved loans are entered into the Qualified Loan Schedule by Farmer Mac
- Review and sign the QLS along with Farmer Mac
- Provide monthly reporting to Farmer Mac

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Questions?