



Today's Agenda

- Farm Service Agency Update
 - Randi Sheffer, Guaranteed Loan Branch Chief
 - Jeff King, Loan Servicing
- Observations from Illinois
 - Garrett S. Garner, Bank of Springfield
- Farmer Mac 2
 - Patrick Kerrigan
 - Judy Moye
- Conterra Asset Management
 - Paul Erickson



USDA Guarantee Program Overview

Farm Service Agency

- Farm Ownership
- Operating-Term
- Conservation

Rural Development

- Business & Industry
- Community Facility
- Water & Environmental



Partner with Farmer Mac 2 to:

Preserve existing producer relationships

Attract new customers

Diversify portfolio risk

Generate fee income

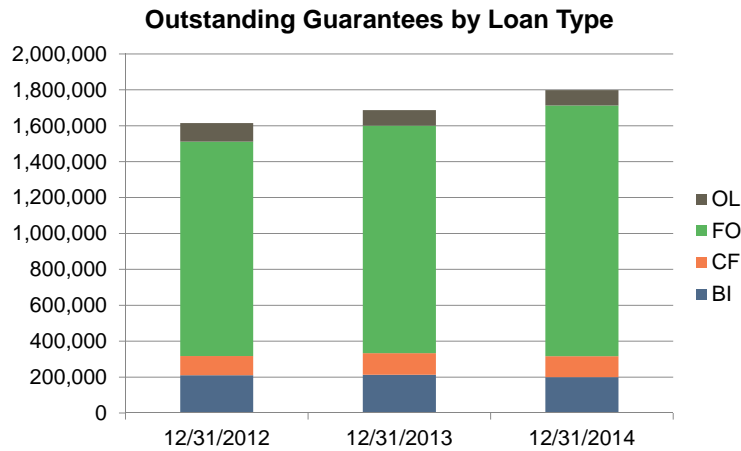
Increase cross sell opportunities

Offer competitive fixed rate products



LOB Focus: USDA Guaranteed

- At December 31, 2014 Farmer Mac had \$1.80 billion total outstanding portfolio of FSA loans



Note: OL = operating line, FO = farm ownership, CF = community facility, BI = business & industry

Location of Active FM2 Sellers



USDA Guaranteed Rates

Product Types	Monthly Pay Cash	Monthly Pay 4-Week Rate Lock	Annual, S.A., & Qrtly Pay Cash	Annual, S.A., & Qrtly Pay 4-Week Rate Lock
Wall Street Journal Prime **	1.75%		1.75%	
Farmer Mac 3-Mo COFI	1.47%		1.47%	
Farmer Mac 5-Yr Reset COFI, 20, 25, 30-Yr Am	2.64%	2.73%	2.74%	2.83%
Farmer Mac 10-Yr Reset COFI, 20, 25, 30-Yr Am	3.34%	3.43%	3.44%	3.53%
Farmer Mac 15-Yr Reset COFI, 20, 25, 30-Yr Am	3.68%	3.77%	3.78%	3.87%
7-Yr Fixed Rate, 7-Yr Am	2.58%	2.67%	2.68%	2.77%
7-Yr Fixed Rate, 15-Yr Am	2.83%	2.92%	2.93%	3.02%
10-Yr Fixed Rate, 10-Yr Am	2.92%	3.01%	3.02%	3.11%
15-Yr Fixed Rate, 15-Yr Am	3.31%	3.40%	3.41%	3.50%
15-Yr Fixed Rate, 25-Yr Am	3.59%	3.68%	3.69%	3.78%
20-Yr Fixed Rate, 20-Yr Am	3.57%	3.66%	3.67%	3.76%



Posted 5/6/2015

Recent FM 2 Transactions - Wisconsin

Transaction Details

- Farm Ownership
- \$1,242,000 Principal Balance
- \$1,117,800 Guarantee, 90%
- \$124,200 Retained Balance
- 15-Yr Reset (30-Yr Term)
- Monthly Payments
- 4.25% Note Rate
- 3.48% Farmer Mac Rate
- 0.77% Servicing Spread

Year 1 Seller Income

\$8,607 Sold Portion Income
 + \$5,278 Retained Portion Income
\$13,885 Year 1 Seller Income

\$13,885 (Year 1 Income)/
 \$124,200 (10% Retained Balance)=
11.18% Gross Rate of Return



Recent FM 2 Transactions - Illinois

Transaction Details

- Farm Ownership
- \$1,365,000 Principal Balance
- \$1,2228,500 Guarantee, 90%
- \$136,500 Retained Balance
- 20-Yr Fixed Rate
- Annual Payments
- 4.20% Note Rate
- 3.74% Farmer Mac Rate
- 0.46% Lender Servicing Fee

Year 1 Seller Income

\$5,651 Sold Portion Income
 + \$5,733 Retained Portion Income
\$11,384 Year 1 Seller Income

\$11,384 (Year 1 Income)/
\$136,500 (10% Retained Balance)=
8.34% Gross Rate of Return



Recent FM 2 Transactions - Nebraska

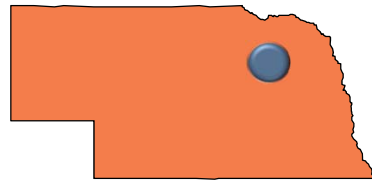
Transaction Details

- Farm Ownership
- \$1,000,000 Principal Balance
- \$900,000 Guarantee, 90%
- \$100,000 Retained Balance
- 3-Month COFI (30-Yr Term)
- Annual Payments
- 2.46% Note Rate
- 1.74% Farmer Mac Rate
- 0.99% Lender Servicing Fee

Year 1 Seller Income

\$8,910 Sold Portion Income
 + \$2,460 Retained Portion Income
\$11,370 Year 1 Seller Income

\$11,370 (Year 1 Income)/
\$100,000 (10% Retained Balance)=
11.37% Gross Rate of Return



Farmer Mac 2 Summary Data - 2014

Guaranteed Portions Purchased - 1/1/14 to 12/31/14

Products	Loans	Servicing Fees Wgt Avg	Servicing Fees Median	Net Yield Wgt Avg	Volume	Volume as % of Total	Avg Loan Size
3-Month COFI	87	2.84%	4.75%	1.41%	\$ 21,400,749	6%	\$ 245,986
Prime	13	2.13%	4.00%	1.54%	\$ 13,176,471	4%	\$ 1,013,575
5-Year COFI	71	1.52%	1.41%	2.76%	\$ 26,800,622	8%	\$ 377,474
Fixed 7-Years	93	1.61%	1.37%	2.78%	\$ 22,878,744	7%	\$ 246,008
10-Year COFI	99	1.01%	1.00%	3.70%	\$ 43,800,336	13%	\$ 442,428
15-Year COFI	168	0.98%	1.00%	4.11%	\$ 67,755,615	20%	\$ 403,307
Fixed 7-20 Years	418	1.19%	1.11%	3.93%	\$ 147,086,300	43%	\$ 351,881
	949	1.32%	1.15%	3.52%	\$ 342,898,835	100%	\$ 361,326



What's New in Farmer Mac 2

- Conterra Asset Management
- Online Loan Application (OLA)
- USDA Program Changes
- Online Servicing Action Module (SAM)



Assignment of Guarantee

- New procedures for execution and delivery



Assignment of Guarantee

- Sample FSA-2242

Certified by MAUREEN MAUSBACH <Maureen.Mausbach@ne.usda.gov>, U.S. Government, certificate issued by: Signature Panel

This form is available electronically. Form Approved - OMB No. 0560-0185
(Use Page 2 for Treasury Act and Departmental Act Statements.)

FSA-2242 (12-02-10) U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency Position 2

ASSIGNMENT OF GUARANTEE

PART A - BACKGROUND INFORMATION	
1. Lender Name and Mailing Address [Redacted]	4. Agency's Home and Mailing Address Farm Service Agency 5125 N. Dulles Rd. Dulles City, VA 20143
2. Holder's Name, Mailing Address and Email Address Fisher, Inc. LLC C/O Conterra Asset Management 2700 SECTION PARK DRIVE NORTH, SUITE 135 West Des Moines, IA 50264	3. Borrower's Name [Redacted]
5. Loan Type <input checked="" type="checkbox"/> Fo <input type="checkbox"/> Ol <input type="checkbox"/> Cl	6. Loan Number A. Loan ID: 32 B. County: 012 C. Borrower's WFAC: [Redacted]
7. Original Loan Number \$ 438,000	8. Title Priority/Title Enclosed 02/25/2010
9. Account of Principal Outstanding \$0.00	10. Date of Issue 04/22/2015

11. The United States of America, acting through the Farm Service Agency (Government), entered into a loan guarantee using FSA-2215PSA-1980-27, or predecessor 8D-449-24 or earlier version of the Agency loan guarantee with the lender. This loan has been issued with (a) _____ % guarantee. The holder agrees to purchase, and the lender agrees (b) _____ % of the guaranteed portion of the loan representing (c) \$ 269,200 of such loan now outstanding according to the conditions in this agreement.

12. RESERVING FEES: The lender will retain a servicing fee of: (a) 5% or (b) 1.50 %.

Copies of the following are attached:
- FSA-2215PSA-1980-27, "Loan Guarantee," or predecessor 8D-449-24, "Loan Note Guarantee," or earlier version of the Agency's guaranteed document.
- Priority/Title

PART B - LENDER CERTIFICATION	The Lender certifies or agrees that:
1. Guarantee Fee	It has paid any required guarantee fee to the Government in exchange for the issuance of the loan guarantee.
2. Knowledge of Borrower's Employment	It has no knowledge or information, through the exercise of reasonable diligence, that would indicate the disbursement of or lack of proceeds.
3. Payment Funds	In the event of prepayment, any funds will be either the borrower's own funds, or funds borrowed by the borrower pursuant to a separate transaction, and the prepayment is in accordance with the loan documents.
4. Servicing Responsibility	It will be responsible for servicing the entire loan and will remain involved and secured party of record.

Assignment of Guarantee

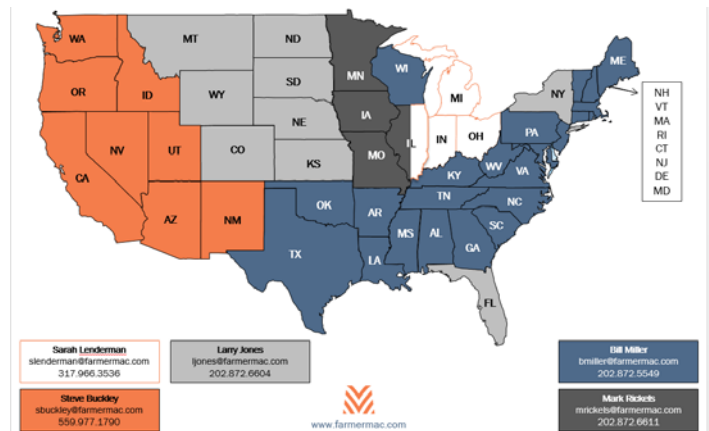
- Sample FSA-2242

PART G - SIGNATURES	
1. Lender's Representative Name (print) HARVIN RABB	2. Title (print) VICE PRESIDENT
3. Lender's Representative Signature <i>[Signature]</i>	4. Date 4/16/2015
5. Agency Official's Name (print) DAVE R. ARD	6. Title (print) FARM LOAN MANAGER
7. Agency Official's Signature DAVID ARD <small>Digitally signed by DAVID ARD DN: cn=Dave R. Ard, o=FarmMac, ou=Department of Agriculture, st=IA, email=D.ARD@FARMMAC.COM, c=US Date: 2015.04.20 15:36:02 -0500</small>	8. Date 04/20/2015
9. Holder's Representative Name (print) Julie A. Bustad	10. Title (print) Program Administrator
11. Holder's Representative Signature <i>[Signature]</i>	11. Date 4/30/15

ESTABLISHED BY: Conterra Holdings LLC By: Conterra Holdings LLC Program Administrator
7715 Plaza Dr. North, Ste. 193, West Des Moines, IA 50266



Relationship Managers






Questions?

Farmer Mac 2

Exploring Farm Service Agency (FSA) Loan Opportunities

May 6, 2015




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FSA Funding

	Guaranteed Farm Ownership	Guaranteed Operating	Guaranteed Conservation
FY 14 Allocated	\$2,350,000,000	\$1,052,172,000	
FY 14 Obligated	\$2,012,782,000*	\$1,000,135,000	
FY 15 Allocated	\$2,000,000,000	\$1,395,897,000	\$150,000,000
FY 15 Obligated **	\$1,112,120,000	\$923,702,000	\$1,355,000
FY 15 Allocation Remaining	\$887,880,000	\$472,195,000	\$148,645,000
FY15 % of FY14 **	-11%	39%	

*Includes \$431,000,000 carry over from FY13
**As of 5/1/15



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Caseload

	# of loans	Loan amount	Unpaid principal
GFO	31,895	\$11,549,464,000	\$9,268,288,000
GOL/LOC	19,314	\$4,647,937,000	\$2,787,793,000
GCL	3	\$1,583,500	\$1,460,550
Total	51,212	\$16,198,948,500	\$12,057,541,550



What's new?

- FO ownership eligibility
- Conservation loans
- Participation with Direct FO
- FSA using digital signatures
- Low commodity prices





 **Questions**

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Farm Service Agency / Farmer Mac II

Garett S. Garner – Bank of Springfield – Loan Officer

2015 Row Crop – Market Conditions – IL/MO

- **Commodity Price (Corn/Soybeans)**
 - Corn – Decreased 50% since 2012.
 - Soybeans – Decreased 30% since 2012.
 - **Input Costs**
 - Remain expensive.
 - **Borrowing Costs**
 - Remain at historic lows.
 - **Section 179 Depreciation**
 - Limit uncertain for 2015.
- What is the result?**
- **Land Prices**
 - Blanket softening in prices; however, still plenty of high sales.
 - **Cash Rents**
 - Lower. Re-Negotiated Contracts.
 - **Profitability Margins diminishing.**

Lender Perspectives – How can lenders assist their borrowers?

- Educate Borrowers
 - Provide borrowers with projected row crop budget sheets provided by major agricultural universities.
 - Provide borrowers with their specific cash flow situation/analysis completed by our institution.
- Long-Term Fixed Interest Financing
 - **FSA Guarantee / Farmer Mac II**
 - Farmer Mac I

FSA Guarantee / Farmer Mac II

- Farm Service Agency – Guarantee Program
 - Lender submits a loan request (up to \$1,392,000) to the Farm Service Agency on behalf of an applicant. (Submissions sent to the FSA office of the county in which the borrower farms.)
 - FSA underwrites the file and corresponds with the lender in answering any questions the FSA may have.
 - File is approved, or denied, for loan guarantee.
- https://www.fsa.usda.gov/Internet/FSA_File/guaranteed_farm_loans.pdf
- http://www.fsa.usda.gov/Internet/FSA_File/begfaranch2014.pdf

FSA Guarantee / Farmer Mac II

- Farmer Mac II
 - Input borrower information into the Farmer Mac II web portal.
 - Rate Lock Borrower based upon product chosen. (Our institution typically does the 4-week rate lock.)
 - Provide Farmer Mac II with the FSA issued loan guarantee, assignment of guarantee, and associated executed promissory note(s).
 - Farmer Mac II reviews the documents so they meet Farmer Mac II funding criterion.
 - Once the documents have been reviewed, and corrected if needed, Farmer Mac II will proceed to fund. (Farmer Mac sets a funding date (Thursdays), money is wired to your institution to match the guaranteed portion.)

Advantages to FSA / Farmer Mac II

- | | |
|---|---|
| <ul style="list-style-type: none"> • Lender <ul style="list-style-type: none"> • Compete with <u>Farm Credit</u> financing. • Servicing Income based upon chosen bank margin. • Reduces interest rate risk. • Increases liquidity. • Increased lending/investing capabilities. – <i>Generally not applied against bank's lending limit.</i> • Farmer Mac II – Painless process, quick turnaround, great customer service. | <ul style="list-style-type: none"> • Borrower <ul style="list-style-type: none"> • Long-Term Fixed Interest Rate Financing. (30-Year Term/Am) • No Prepayment Penalty required. (Lender's discretion.) • Local bank, in which borrower is accustomed, will continue to service the loan. |
|---|---|

Bank of Springfield – What we've seen through discussion with lenders/farmers.

- FSA
 - Retirements
 - Tremendous Loan Activity
 - Debt Carryover
 - High Living Expense
 - Cash Rents Re-Negotiated
- Banks
 - Shutting off operating money, vendors providing. – Example.
 - More stringent underwriting. (Borrowers tend to inflate historical yields in discussions.)
- Planting - Example
 - Our market area is predominately planted ... some have soybeans planted. Corn well out of ground in some areas; 3 inches tall.
- Input Cost - Example
 - Anhydrous in the \$600s
 - Availability of Anhydrous has been an issue. Vendors running out ... minor waits.
 - Vendors stepping up to finance their own sales ... some with John Deere.

Conterra Asset Management

- Based in West Des Moines Iowa
- \$1.8 billion of assets under management
 - Farmer Mac 2 program administrator and fiscal transfer agent
 - Farmer Mac Farm & Ranch Central Servicer
 - Service loans for a variety of institutional investors
- Best in Class Loan Management System and Technology
 - Enables efficient servicing and communication with lenders.
- Joint ownership with Farmer Mac of Contour Valuation Services
 - Agricultural Real Estate Appraisal Firm
www.contourvs.com



Collection and Settlement Process

- Go to www.conterraag.com to view USDA collection and settlement process.
- A downloadable collection report is available on our site for your convenience
- Key points in the process
 - Include your seller ID# on all communications and money transfers
 - Date payment received should be the date the payment is effective on your system



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Collection and Settlement Process

- We are here to help and make your life easier
 - Please call or email with questions
 - Conterra toll free # (855) 381-3451
 - All collection reports and questions can be emailed to farmermac@conterraag.com
- For new loan settlement questions and information please email settlements@conterraag.com



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