American Bankers Association

“Partners on the Line”

Using the Secondary Market to Compete for Farm Loans

August 9, 2016
Surveying the Landscape

- Loans are getting so large, we can’t handle them in-house
- Lenders are offering terms longer than our bank’s products
- Farm Credit cherry picks my best customers
- USDA guaranteed loan limits are too small
- If we start to sell loans, soon our whole portfolio will be gone
- Our loan-to-deposit ratio is too low to sell loans
- Too busy, we don’t have the staff or time to dedicate to the process
- My compensation is based on in-portfolio assets
Proven Solutions for Your Bank

• Offer competitive loan products that attract new customers
• Accommodate large loan requests that grow relationships
• Add to your loan portfolio with cross sales
• Earn origination fees and a continuing stream of fee income
• Decrease credit risk
• Receive liquidity & capital relief while decreasing credit risk
Longstanding Alliance with ABA

• Alliance formed in November 2005
• Goal is to provide tangible benefits to member banks and to grow bank activity within both organizations
• Currently 350 ABA bankers who are members of the Alliance
• Specific ABA “members only” rate sheet
• Access to “On Demand” training
2015 Lender Locations
Current Events

Farmer Mac Reports Second Quarter 2016
Financial Results
Record Outstanding Business Volume of $17.1 Billion

WASHINGTON, August 9, 2016 — The Federal Agricultural Mortgage Corporation (Farmer Mac; NYSE: AGM and AGMA) today announced its results for the fiscal quarter ended June 30, 2016, which included $901 million in net new business volume growth that brought total outstanding business volume to $17.1 billion as of June 30, 2016. Farmer Mac's net income attributable to common stockholders for

• Financial Highlights:
  – Total portfolio stands at $17.1 billion
  – Core earnings of $13 million for 2Q 2016
  – $1.3 billion of new business volume in 2Q 2016
    • Purchased $241 million of newly originated Farm & Ranch (F&R) loans
    • Purchased $110 million of USDA guaranteed loans
  – 90 day delinquencies in the F&R portfolio of $22.1 million (0.38%)
Interest Rate
& Product Review
**Farm & Ranch Popular Products**  8/8/2016

<table>
<thead>
<tr>
<th>Product</th>
<th>Term</th>
<th>Amort.</th>
<th>Reset Margin</th>
<th>Standard Rate</th>
<th>Choice Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ag Equity LIBOR</td>
<td>20/25/30</td>
<td>varies</td>
<td>2.00%</td>
<td>2.51%</td>
<td>-</td>
</tr>
<tr>
<td>1-Mo ARM LIBOR</td>
<td>15</td>
<td>15/25</td>
<td>1.70%</td>
<td>2.50%</td>
<td>2.30%</td>
</tr>
<tr>
<td>5-Yr ARM</td>
<td>15</td>
<td>15/25</td>
<td>2.30%</td>
<td>3.26%</td>
<td>3.06%</td>
</tr>
<tr>
<td>10/1 ARM*</td>
<td>15</td>
<td>15/25</td>
<td>3.12%</td>
<td>3.56%</td>
<td>3.43%</td>
</tr>
<tr>
<td>10-Yr VRM</td>
<td>15/20</td>
<td>15/20</td>
<td>-</td>
<td>3.88%</td>
<td>3.68%</td>
</tr>
<tr>
<td>10-Yr VRM</td>
<td>25/30</td>
<td>25/30</td>
<td>-</td>
<td>3.96%</td>
<td>3.76%</td>
</tr>
<tr>
<td>10-Yr Fixed*</td>
<td>10</td>
<td>10</td>
<td>-</td>
<td>3.54%</td>
<td>3.34%</td>
</tr>
<tr>
<td>15-Yr Fixed*</td>
<td>15</td>
<td>15</td>
<td>-</td>
<td>3.74%</td>
<td>3.54%</td>
</tr>
<tr>
<td>15-Yr Fixed*</td>
<td>15</td>
<td>25</td>
<td>-</td>
<td>3.99%</td>
<td>3.79%</td>
</tr>
<tr>
<td>20-Year Fixed</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>3.98%</td>
<td>3.83%</td>
</tr>
<tr>
<td>30-Year Fixed</td>
<td>30</td>
<td>30</td>
<td>-</td>
<td>4.23%</td>
<td>4.10%</td>
</tr>
</tbody>
</table>

*ABA Discount Available*
Quoting the Note Rate

- Farmer Mac’s Net Yield (Posted Rate)
- Standard or Choice Pricing
- ABA Member Products
- Payment Schedule Options
- Rate Lock Period
- Field Servicing Fee
Recent Transactions
# Recent Transactions - Iowa (July 2016)

## Transaction Details
- Full Underwrite
- Loan Amount: $244,000
- 20-Yr Fixed (20-Yr Am)
- Maturity Date: 8/1/2036
- Payments: Monthly
- LTV: 60% on 58 acres
- Standard Pricing
- Note Rate: 4.83%
- Field Servicing Fee: 0.80%
- Timeline: 128 calendar days
- Purchase 58 acres

## Farm Data
- Commodity: Soybeans
- Region: Mid-North

[Map of Iowa with a marker on the Mid-North region]
Recent Transactions- Minnesota (July 2016)

Transaction Details

• Full Underwrite
• Loan Amount: $1,030,000
• 15-Yr Fixed (25-Yr Am)
• Maturity Date: 7/1/2031
• Payments: Semi-Annual
• LTV: 47% on 503 acres
• Standard Pricing
• Note Rate: 4.65%
• Field Servicing Fee: 0.73%
• Timeline: 13 calendar days
• Refinance Farm Credit

Farm Data

• Commodity:
  – Corn
• Region:
  – Mid-North
Recent Transactions- Illinois (August 2016)

Transaction Details

- Full Underwrite
- Loan Amount: $745,000
- 5-Yr ARM (25-Yr Am)
- Maturity Date: 1/1/2032
- Payments: Semi-Annual
- LTV: 58% on 240 acres
- Standard Pricing
- Note Rate: 3.66%
- Field Servicing Fee: 0.42%
- Timeline: 42 calendar days
- Refinance Farm Credit & equipment debt

Farm Data

- Commodity:
  - Corn
- Region:
  - Mid-North
**Recent Transactions - Illinois (July 2016)**

**Transaction Details**
- Fast Track
- Loan Amount: $500,000
- 10/1 ARM (25-Yr Am)
- Maturity Date: 1/1/2032
- Payments: Semi-Annual
- LTV: 48% on 160 acres
- Choice Pricing
- Note Rate: 4.05%
- **Field Servicing Fee**: 0.68%
- **Timeline**: 42 calendar days
- **Refinance other lender & consolidate debt**

**Farm Data**
- Commodity: Corn
- Region: Mid-North
Eligible Properties & Underwriting Standards
Loan Approval Steps

• Meet with your customer; explain product options

• Package credit using Farmer Mac’s AgPower (Loan Origination System)

• Once submitted, Farmer Mac reviews loan package

• Responds to Seller within two business days

• Issues preliminary loan approval letter
Eligible Borrowers and Properties

- Eligible Farm & Ranch Loans
  - Types of loans
    - Must be first mortgage farm or ranch real estate loans
    - Revolving lines of credit are available if first mortgage secured
  - Properties
    - Parcels of land capable of producing ag commodities or products including agribusiness and crop development
    - May be improved by buildings, fixtures and equipment permanently attached
    - No minimum or maximum acreage requirement
  - Borrowers
    - U.S. citizens, nationals or aliens lawfully admitted for permanent U.S. residence
    - Corporations or partnerships where members, stockholders or partners holding a majority interest in the entity are U.S. citizens (or nationals) or aliens lawfully admitted for permanent U.S. residence. Co-borrowers or a personal guarantee is expected.
    - Trusts are eligible for Farmer Mac financing if there is a personal guarantee
# Underwriting Grid

<table>
<thead>
<tr>
<th></th>
<th>Fast Track</th>
<th>Full UW Standard</th>
<th>Full UW Choice Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Loan Size</td>
<td>$1,000,000</td>
<td>$12.6/$50m</td>
<td>$12.6/$50m</td>
</tr>
<tr>
<td>Loan-to-Value Ratio</td>
<td>55%</td>
<td>70%</td>
<td>60%</td>
</tr>
<tr>
<td>Debt to Asset Ratio</td>
<td>40%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>1:1</td>
<td>1.25:1</td>
<td>1.50:1</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>1:1</td>
<td>1.25:1</td>
<td>1.50:1</td>
</tr>
<tr>
<td>Credit Scores</td>
<td>720</td>
<td>680</td>
<td>680</td>
</tr>
<tr>
<td>Tax Return</td>
<td>2-Yrs</td>
<td>3-Yrs</td>
<td>3-Yrs</td>
</tr>
</tbody>
</table>

(More detail: http://www.efarmermac.com/Resource/Index.aspx)

- Footnote:
  - LTV is limited to 60% for ND, SD, MN, IA, IL, IN, OH, MO, NE, all other states 70%
**Fast Track**

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast Track</td>
<td>≥1.00</td>
<td>≥1.00</td>
<td>≤40%</td>
<td>$1 Million</td>
<td>≤55%</td>
<td>≥720</td>
</tr>
</tbody>
</table>

- No cash-out restrictions
- Agricultural improvements cannot exceed 40% of the appraised value
- Automatically qualify for choice pricing
- No exceptions to standards
Full Underwrite - Standard Pricing

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Underwrite Standard</td>
<td>≥1.25</td>
<td>≥1.25</td>
<td>≤50%</td>
<td>≤ 1000 acres; $50M</td>
<td>≤ $5M; 70%</td>
<td>≥680</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>≥ 1000 acres; $12.6M</td>
<td>≥ $5M; 60%</td>
<td></td>
</tr>
</tbody>
</table>

* Geographical restrictions apply

• Loans where cash-out request exceeds 25% of the loan amount, must have an amortization no greater than 15 years and LTV at 60% or less, with compensating strengths

• LTV is limited to 60% for ND, SD, MN, IA, IL, IN, OH, MO, NE, all other states 70% if TDC ≥ 1.50 & no exceptions for CR and D/A.

• Properties with agricultural improvements exceeding 60% of the appraised value will be treated as facility loans
## Full Underwrite - Choice Pricing

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Underwrite Choice</td>
<td>≥1.50</td>
<td>≥1.50</td>
<td>≤40%</td>
<td>≤ 1000 acres; $50M</td>
<td>≤ 60%</td>
<td>≥680</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>≥ 1000 acres; $12.6M</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Loans where cash-out request exceeds 25% of the loan amount, must have an amortization no greater than 15 years and LTV at 60% or less, with compensating strengths

- Agricultural improvements cannot exceed 60% of the appraised value

- No exceptions to standards
**AgEquity LOC**

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AgEquity LOC</strong></td>
<td>≥1.35</td>
<td>≥1.25</td>
<td>≤50%</td>
<td>≤ 1000 acres; $50M</td>
<td>≤ 50% bare land value</td>
<td>≥680</td>
</tr>
</tbody>
</table>

- Funds are used for agriculture or business purposes
- Customer chooses 5 year or 10 year draw period
- Semi-Annual interest payments due on January 1 and July 1
- Minimum $2,500 draw; unlimited draws
- Improved properties are acceptable but improvements including permanent plantings are not valued when determining LTV
AgAssist – New Option

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>AgAssist</td>
<td>≥1.10</td>
<td>≥1.00</td>
<td>≤60%</td>
<td>≤ 1000 acres; $50.0M</td>
<td>≤ 45% FAMC</td>
<td>≥680</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>≥ 1000 acres; $12.6M</td>
<td>≤ 85% CLTV</td>
<td></td>
</tr>
</tbody>
</table>

- Standard pricing
- Facility loans eligible on a case by case basis
- Eligible for cash-out
- 2nd mortgage must be guaranteed by a Federal or State agency
- AgAssist max loan size flexes with guaranteed loan amount
  - Guaranteed loan required to be in a 2nd lien position
  - Guaranteed loan ≥ 25% of combined 1st & 2nd loan amount
Summary
### Heading into 2017

- Several sectors of ag will continue to be challenged and Farmer Mac’s products are well-positioned to assist ag lenders with these challenges.

<table>
<thead>
<tr>
<th></th>
<th>F&amp;R Loan Sales</th>
<th>Purchase Commit</th>
<th>USDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Capital Relief</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Competitive Loan Products</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Accommodate Large Loans</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Commodity Concentrations</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Increase Fee Income</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Grow Loans w Cross Sell</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
**Becoming a Farmer Mac Seller**

- **Farmer Mac Seller requirements**
  - Seller application
  - Seller/Servicer agreement
  - Officers’ Certificate
  - Stock ownership

<table>
<thead>
<tr>
<th>Consolidated Assets</th>
<th>Stock Ownership Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Up to $50 Million</td>
<td>100 shares of Class A or Class C</td>
</tr>
<tr>
<td>• $50- $100 Million</td>
<td>200 shares of Class A or Class C</td>
</tr>
<tr>
<td>• $100- $500 Million</td>
<td>500 shares of Class A or Class C</td>
</tr>
<tr>
<td>• Over $500 Million</td>
<td>1000 shares of Class A or Class C</td>
</tr>
</tbody>
</table>

- Seller application and stock purchase not required for Farmer Mac 2
Conclusion

• Farmer Mac is a dependable partner for your bank
• One on one training is available and recommended for all lenders
• Visit our Resource Library at www.efarmermac.com
• For more information, contact:
  – Patrick Kerrigan, Director of Business Development
  – PKerrigan@farmermac.com
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The Feed
Farmer Mac's Quarterly Perspective on Agriculture

Summer 2016

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