



*American Bankers Association*  
***“Partners on the Line”***

***Using the Secondary  
Market to Compete for  
Farm Loans***

*August 9, 2016*

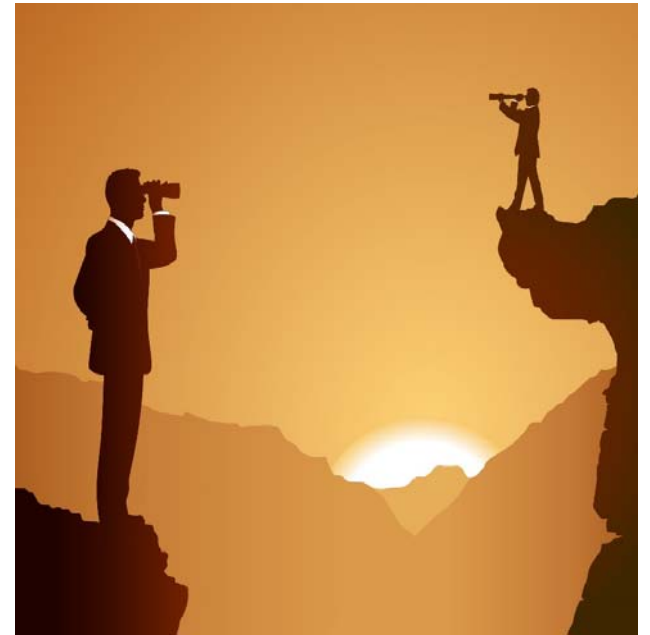


Corporation for American Banking, L.L.C.

## *Surveying the Landscape*

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- 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*

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- 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*

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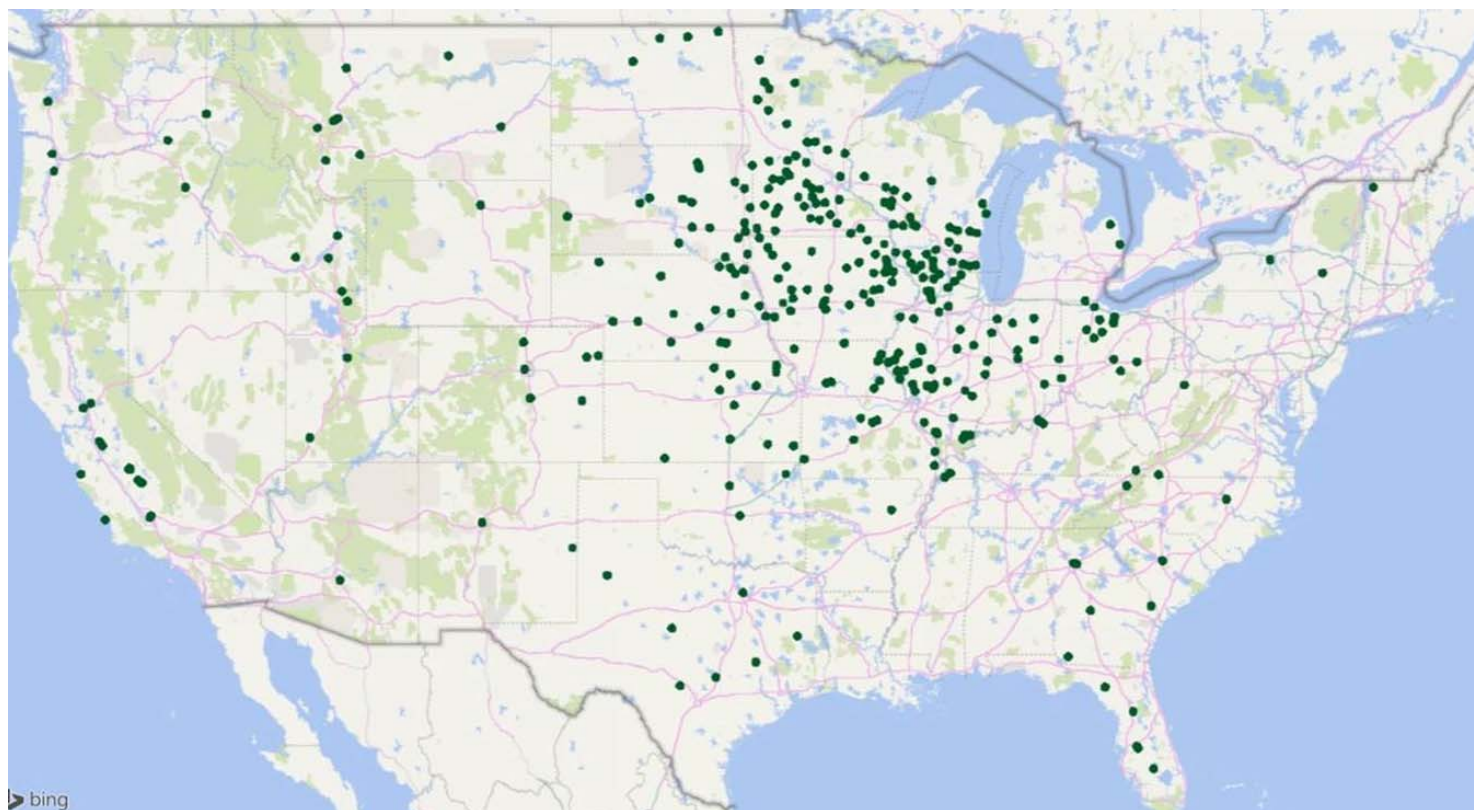
- Alliance formed in November 2005
- Goal is to provide tangible benefits to member banks and to grow bank activity within both organizations
- Currently 350 ABA bankers who are members of the Alliance
- Specific ABA “members only” rate sheet
- Access to “On Demand” training



**Corporation for American Banking, L.L.C.**



## *2015 Lender Locations*



## *Current Events*

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### **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 AGM.A) 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

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

\*ABA Discount Available





# Quoting the Note Rate





## ***Recent Transactions***

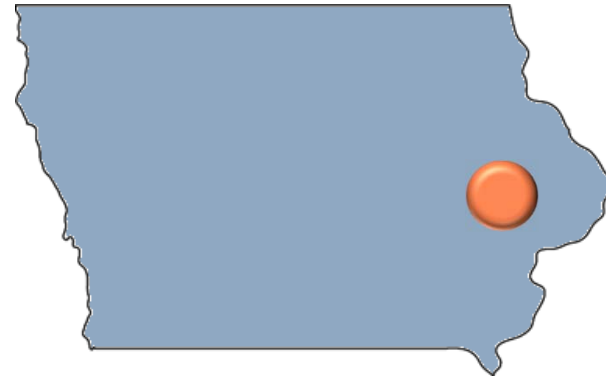
## *Recent Transactions- Iowa (July 2016)*

### **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



## *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



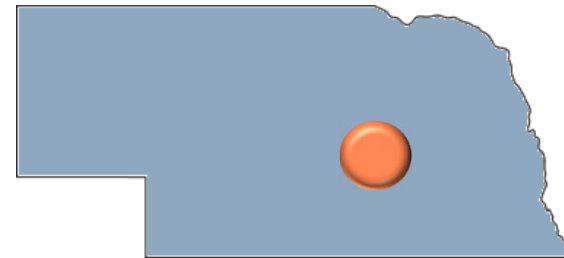
## Recent Transactions- Illinois (July 2016)

### 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*

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- 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

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

(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*

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Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
Fast Track	$\geq 1.00$	$\geq 1.00$	$\leq 40\%$	\$1 Million	$\leq 55\%$	$\geq 720$

- 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

Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
Full Underwrite Standard	$\geq 1.25$	$\geq 1.25$	$\leq 50\%$	$\leq 1000$ acres; \$50M $\geq 1000$ acres; \$12.6M	$\leq$ \$5M; 70% $\geq$ \$5M; 60% <small>* Geographical restrictions apply</small>	$\geq 680$

- 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  $\geq 1.50$  & 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*

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Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
Full Underwrite Choice	≥1.50	≥1.50	≤40%	≤ 1000 acres; \$50M ≥ 1000 acres; \$12.6M	≤ 60%	≥680

- 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

Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
AgEquity LOC	$\geq 1.35$	$\geq 1.25$	$\leq 50\%$	$\leq 1000$ acres; \$50M $\geq 1000$ acres; \$12.6M	$\leq 50\%$ bare land value	$\geq 680$

- 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

Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
AgAssist	≥1.10	≥1.00	≤60%	≤ 1000 acres; \$50.0M ≥ 1000 acres; \$12.6M	≤ 45% FAMC ≤ 85% CLTV	≥680

- Standard pricing
- Facility loans eligible on a case by case basis
- Eligible for cash-out
- 2<sup>nd</sup> 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 2<sup>nd</sup> lien position
  - Guaranteed loan ≥ 25% of combined 1<sup>st</sup> & 2<sup>nd</sup> loan amount





## *Summary*



## *Heading into 2017*

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

	F&R Loan Sales	Purchase Commit	USDA
Liquidity	X		X
Capital Relief	X	X	X
Competitive Loan Products	X		X
Accommodate Large Loans	X	X	
Commodity Concentrations	X	X	X
Increase Fee Income	X		X
Grow Loans w Cross Sell	X	X	X



## *Becoming a Farmer Mac Seller*

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- Farmer Mac Seller requirements
  - Seller application
  - Seller/Service agreement
  - Officers' Certificate
  - Stock ownership

### Consolidated Assets

- Up to \$50 Million
- \$50- \$100 Million
- \$100- \$500 Million
- Over \$500 Million

### Stock Ownership Requirements

- 100 shares of Class A or Class C
- 200 shares of Class A or Class C
- 500 shares of Class A or Class C
- 1000 shares of Class A or Class C

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



## *Conclusion*

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- 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](http://www.efarmermac.com)
- For more information, contact:
  - Patrick Kerrigan, Director of Business Development
  - [PKerrigan@farmermac.com](mailto:PKerrigan@farmermac.com)



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