



*American Bankers Association*

***“Partners on the Line”***

***Competitive Options for  
ABA Ag Bankers***

*December 13, 2016*



Corporation for American Banking, LLC.



## ***Today's Presenters***

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## *Longstanding Partnership with ABA*

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- Beginning in November 2005, ABA bankers started receiving new benefits from Farmer Mac as part of a newly launched Alliance between ABA and Farmer Mac
- These benefits include:
  - Preferred pricing on select loan products
  - ABA member only communication link to answer product and credit questions
  - “On Demand” instructions for ag lending staff
- \$2.30 billion purchased since 2010



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





## ***Press Release – November 9, 2016***

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### **Farmer Mac Reports Third Quarter 2016**

#### **Financial Results**

##### **Record Outstanding Business Volume of \$17.2 Billion**

WASHINGTON, November 9, 2016 — The Federal Agricultural Mortgage Corporation (Farmer Mac; NYSE: AGM and AGM.A) today announced its results for the fiscal quarter ended September 30, 2016, which included \$131 million in net new business volume growth that brought total outstanding business volume to \$17.2 billion as of September 30, 2016. Farmer Mac's net income attributable to common stockholders for third quarter 2016 was \$16.4 million (\$1.54 per diluted common share), compared to \$8.4 million (\$0.74 per diluted common share) in third quarter 2015. Farmer Mac's third

- Financial Highlights:
  - Total portfolio stands at \$17.2 billion
  - Core earnings of \$14.4 million for 3Q 2016
  - \$1.10 billion of new business volume in 3Q 2016
    - Purchased \$282 million of newly originated Farm & Ranch (F&R) loans
    - Purchased \$119 million of USDA guaranteed loans
  - 90 day delinquencies in the F&R portfolio of \$18.4 million (0.31%)





## *Programs*

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- Farm and Ranch Loan Purchase Program
  - Farmer Mac underwritten and third-party servicing
- Farmer Mac 2 Loan Purchase Program
  - Purchase of guaranteed portions of USDA loans
    - Farm Service Agency Farm Ownership and Operating-Term Notes
    - Rural Development
- Purchase Commitments
  - Keep loans in portfolio but with Farmer Mac's credit protection
- AgVantage
  - Wholesale financing





## *Concerns of Ag Bankers*

- Loans are getting so large, we can't handle them in-house
- Lenders are offering terms longer than our bank's products
- Farm Credit and other large ag lenders cherry pick my best customers
- USDA guaranteed loan limits are too small





## *Barriers to the Secondary Market*

- 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

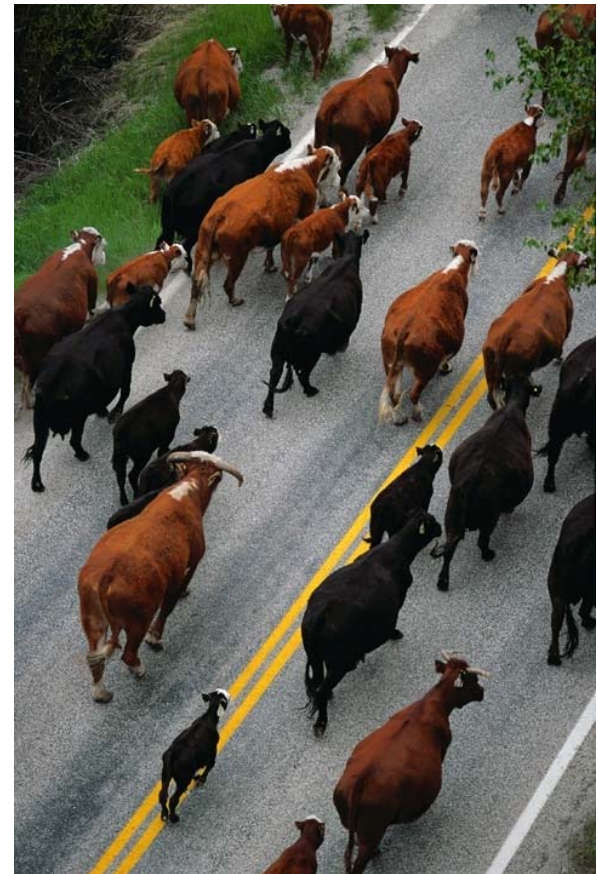




## ***Farmer Mac – Flexible Solutions for Your Bank***

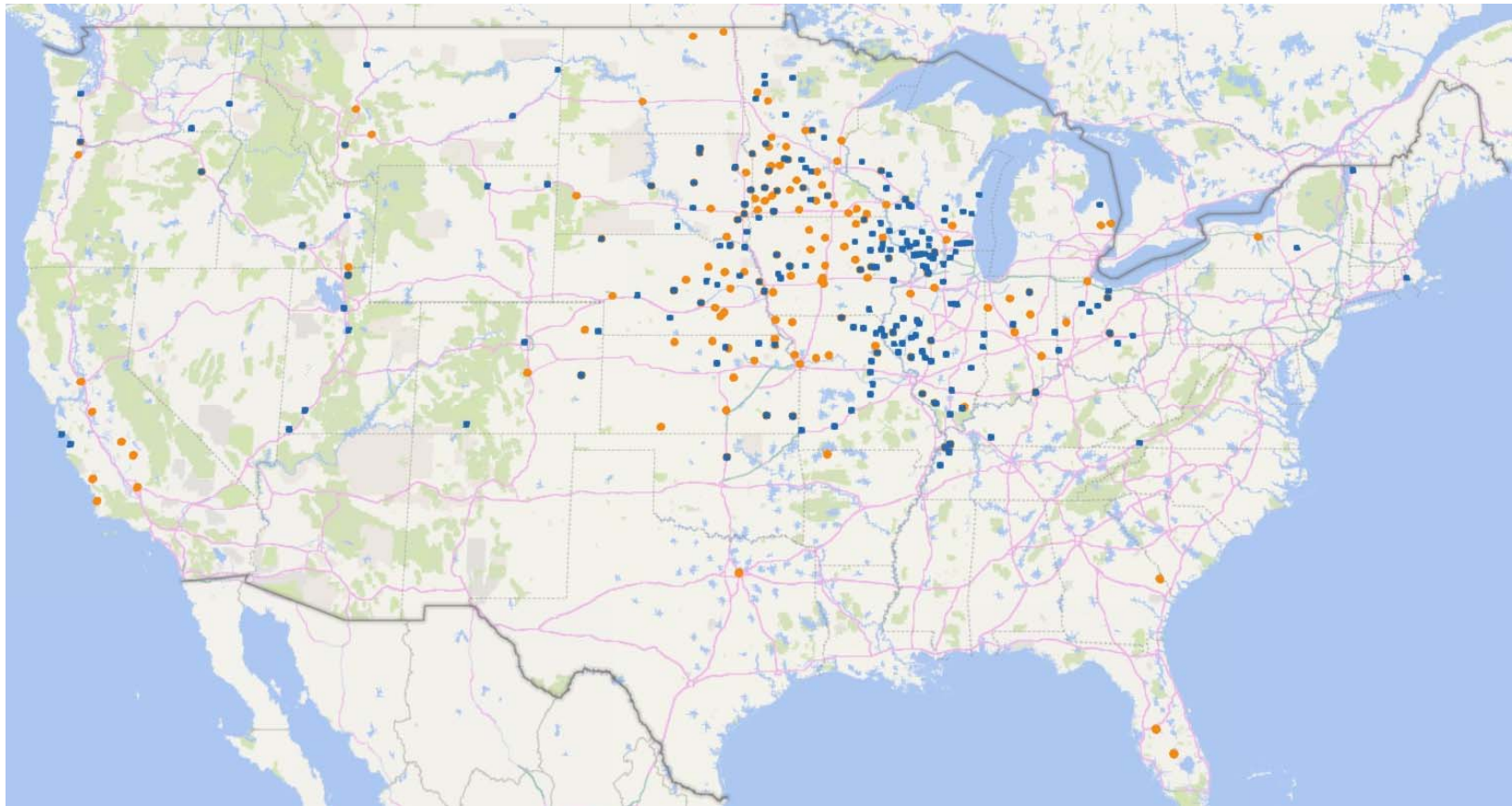
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- Offer competitive loan products that attract new customers
- Accommodate large loan requests that grow relationships
- Add to your loan portfolio with cross sales
- Earn origination fees and a continuing stream of fee income
- Decrease credit risk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





## *Active Lender Locations*



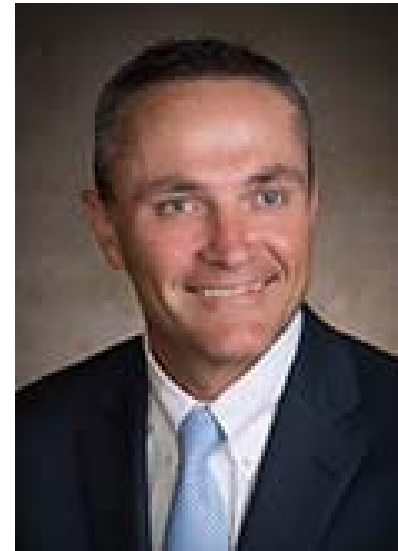


## ***Lenders In Action***

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*“Twenty years ago First Dakota made a decision to have a division that we call Dakota Mac. We felt so passionate about Farmer Mac and offering long-term fixed rates to our customers, the ag customer out there, that we created a separate division just for that.”*

Jeff Wolfgram  
Sr. Vice President  
First Dakota National Bank



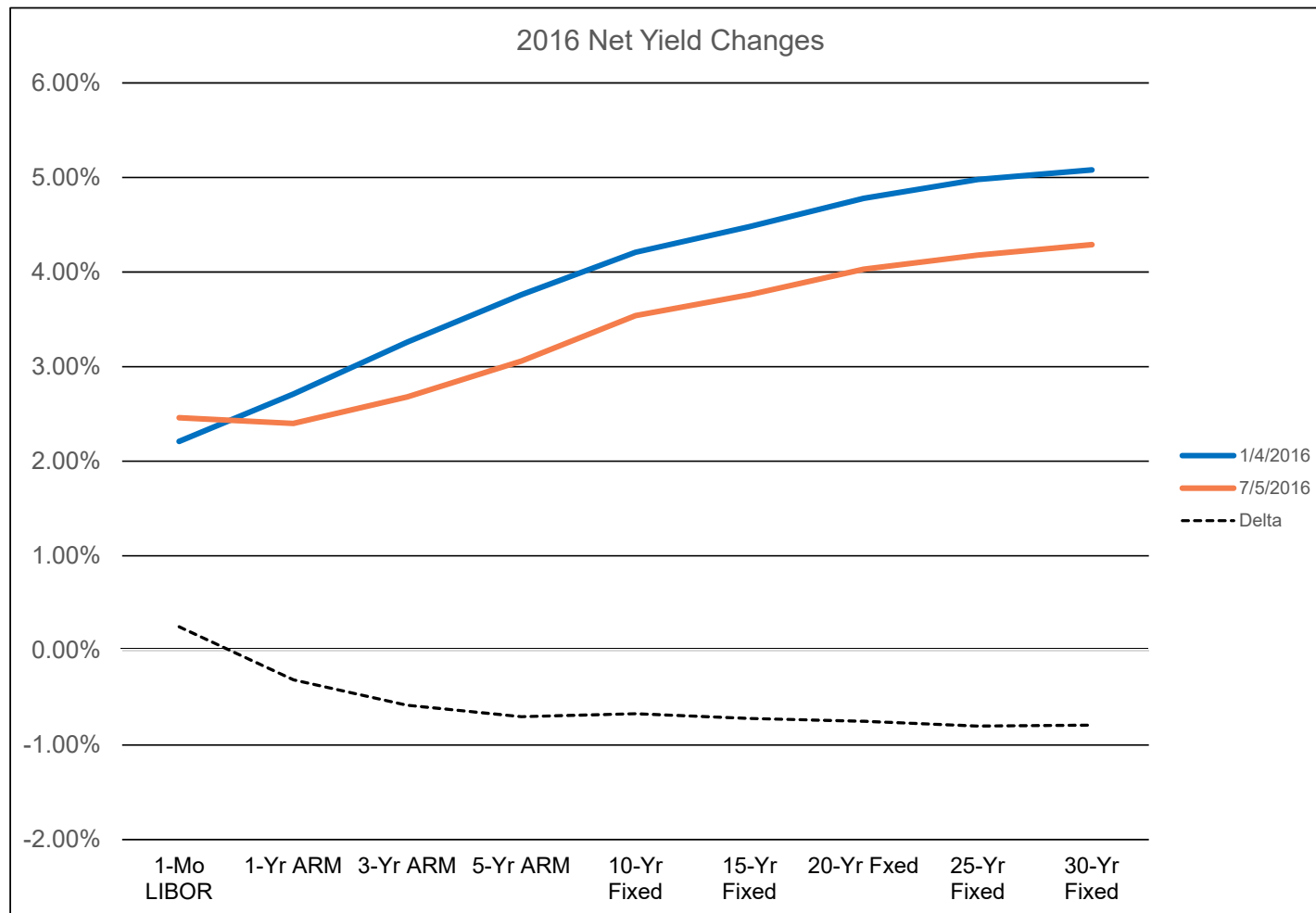




***Interest Rate  
& Product Review***

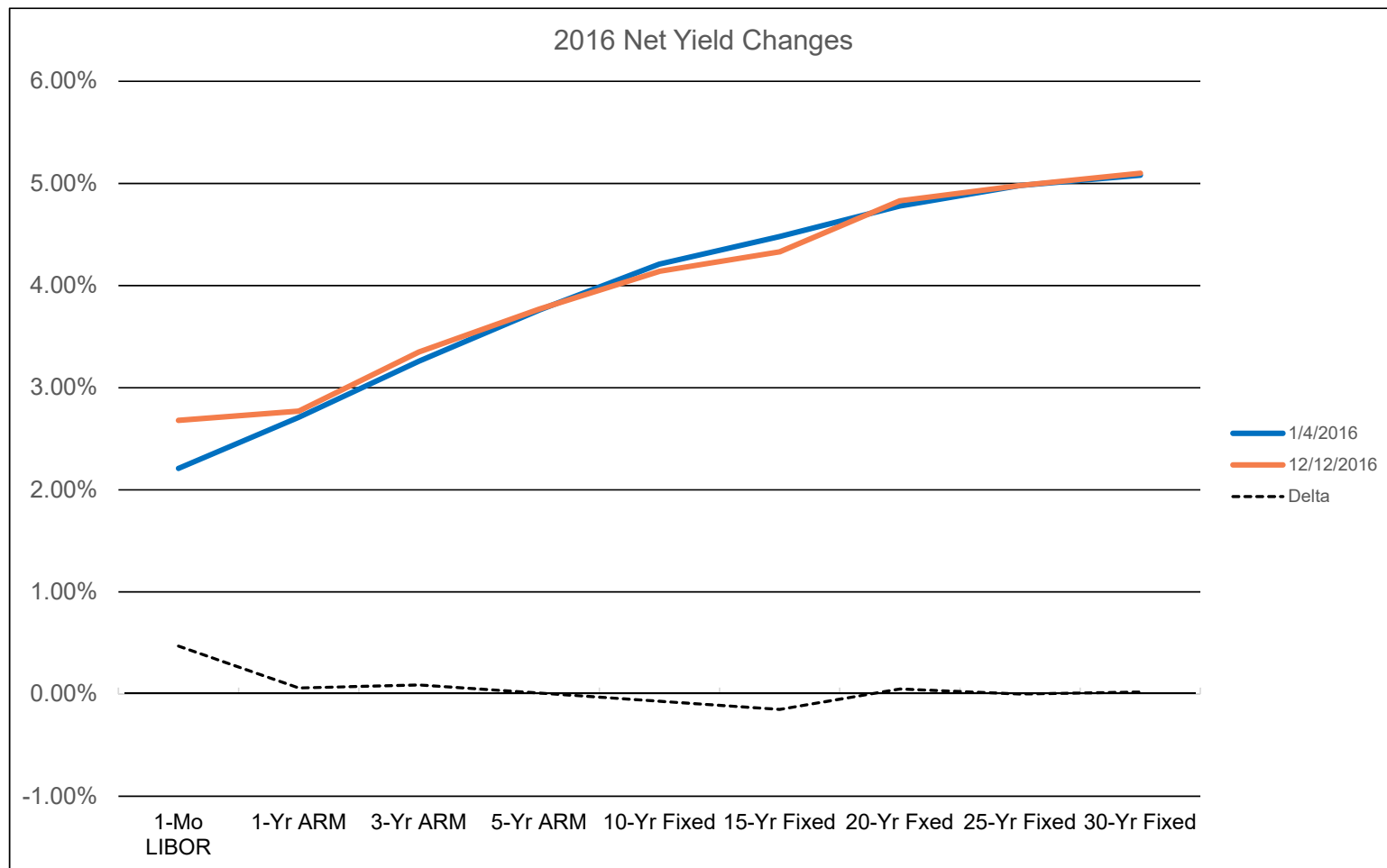


## Farm & Ranch Net Yields





## Farm & Ranch Net Yields





## ***Farm & Ranch Popular Products*** 12/12/2016

<i><b>Product</b></i>	<i><b>Term</b></i>	<i><b>Amort.</b></i>	<i><b>Reset Margin</b></i>	<i><b>Standard Rate</b></i>	<i><b>Choice Rate</b></i>
Ag Equity LIBOR	20/25/30	varies	2.00%	2.69%	2.69%
1-Mo ARM LIBOR	15	15/25	1.70%	2.68%	2.48%
5-Yr ARM	15	15/25	2.30%	3.77%	3.57%
7/1 ARM*	15/20	15/20	3.12%	3.91%	3.78%
10/1 ARM*	25/30	25/30	3.12%	4.07%	3.94%
15-Yr VRM	20	20	-	4.41%	4.21%
15-Yr VRM	25/30	25/30	-	4.67%	4.47%
15-Yr Fixed*	15	15	-	4.20%	4.00%
15-Yr Fixed*	15	25	-	4.50%	4.30%
20-Year Fixed	20	20	-	4.83%	4.68%
25-Year Fixed	25	25	-	4.98%	4.83%
30-Year Fixed	30	30	-	5.10%	4.97%

\*ABA Discount  
Available



Corporation for American Banking, L.L.C.





## Farmer Mac 2 (USDA) Rate Sheet

12/12/2016

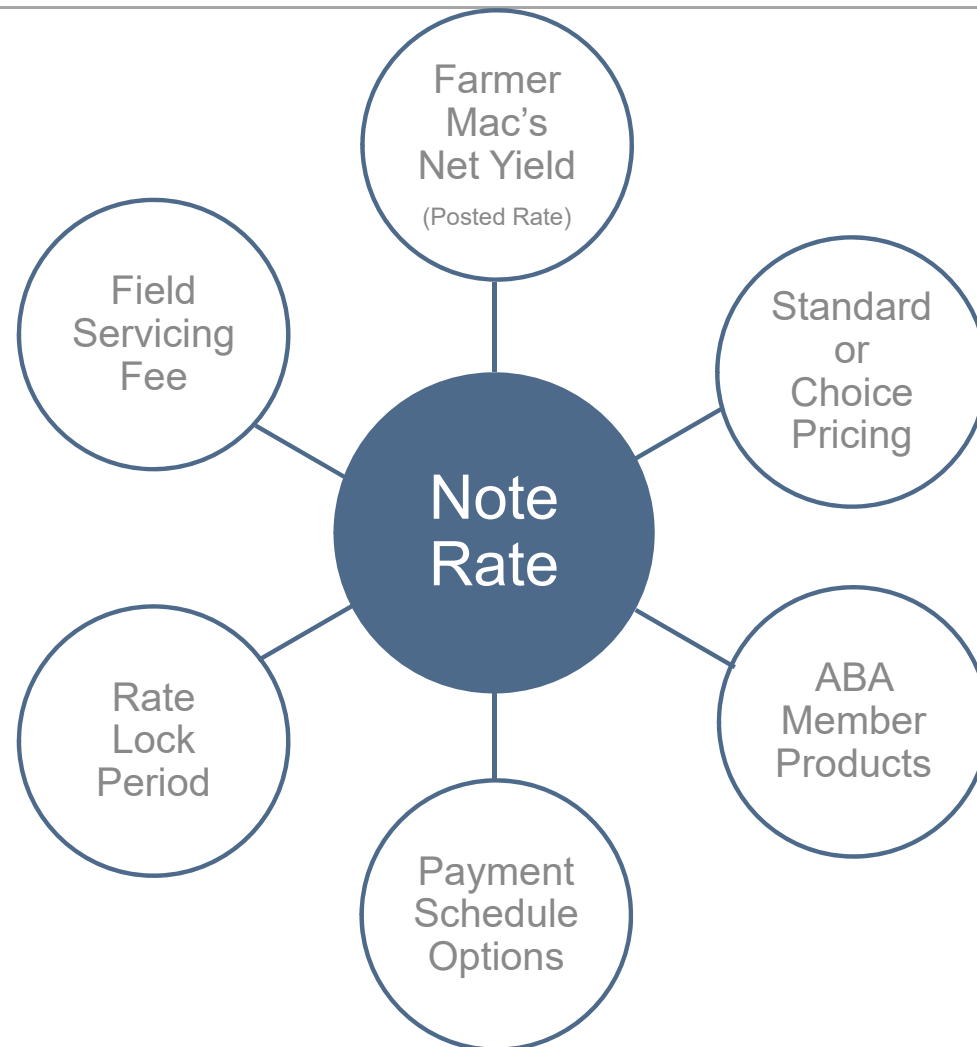
<i>Product Types</i>	<i>Monthly Pay Cash</i>	<i>Monthly Pay 4-Week Rate Lock</i>	<i>Annual, S.A., &amp; Qrtly Pay Cash</i>	<i>Annual, S.A., &amp; Qrtly Pay 4-Week Rate Lock</i>
Wall Street Journal Prime **	2.00%		2.00%	
Farmer Mac 3-Mo COFI	2.20%		2.20%	
Farmer Mac 5-Yr Reset COFI, 20, 25, 30-Yr Am	3.03%	3.12%	3.13%	3.22%
Farmer Mac 10-Yr Reset COFI, 20, 25, 30-Yr Am	3.59%	3.68%	3.69%	3.78%
Farmer Mac 15-Yr Reset COFI, 20, 25, 30-Yr Am	3.87%	3.96%	3.97%	4.06%
7-Yr Fixed Rate, 7-Yr Am	2.94%	3.03%	3.04%	3.13%
7-Yr Fixed Rate, 15-Yr Am	3.18%	3.27%	3.28%	3.37%
10-Yr Fixed Rate, 10-Yr Am	3.22%	3.31%	3.32%	3.41%
15-Yr Fixed Rate, 15-Yr Am	3.53%	3.62%	3.63%	3.72%
15-Yr Fixed Rate, 25-Yr Am	3.76%	3.85%	3.86%	3.95%
20-Yr Fixed Rate, 20-Yr Am	3.77%	3.86%	3.87%	3.96%
25-Yr Fixed Rate, 25-Yr Am		4.14%		4.24%
30-Yr Fixed Rate, 30-Yr Am		4.27%		4.37%





## *Quoting the Note Rate*

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## Compete with Blended Rates

Scenario 1	Loan 1	Loan 2	Total
Amount:	750,000	250,000	1,000,000
Product:	15-Yr Fixed (25-Yr Am)	1-Mo LIBOR ARM (25-Yr Am)	
	<i>Open Prepay</i>	<i>Open Prepay &amp; Convertible</i>	<i>Blended Rates</i>
Net Yield:	4.63%	2.68%	4.14%
Lender's S. Fee	0.50%	0.50%	0.50%
<b>Borrower's Rate:</b>	<b>5.13%</b>	<b>3.18%</b>	<b>4.64%</b>
Scenario 2	Loan 1	Loan 2	Total
Amount:	1,200,000	300,000	1,500,000
Product:	10/1 ARM (25-Yr Am)	AgEquity RLOC	
	<i>Open Prepay</i>	<i>10-Yr Revolving &amp; Convertible</i>	<i>Blended Rates</i>
Net Yield:	4.20%	2.69%	3.90%
Lender's S. Fee	0.50%	0.50%	0.50%
<b>Borrower's Rate:</b>	<b>4.70%</b>	<b>3.19%</b>	<b>4.40%</b>







## ***Recent Transactions***



## ***Recent Transactions – Indiana***

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### **Transaction Details**

- Full Underwrite
- Loan Amount: \$330,000
- 15 Year Fixed
- Semi-Annual
- 20% LTV on 226 ac.
- 4.75% Note Rate
- *0.74% Field Servicing Fee*
- *Cash out to purchase another persons ownership portion of the land/operation*

### **Commodity**





## ***Recent Transactions – Missouri***

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### **Transaction Details**

- Full Underwrite
- Loan Amount: \$1,546,000
- 10/1 ARM, 15 Year Term
- Monthly
- 50% LTV on 603 ac.
- 3.88% Note Rate
- *0.60% Field Servicing Fee*
- *Restructure/refinance of existing RE loans and carryover operating debt*

### **Commodity**



*This loan allowed the borrower to consolidate debt for better cash flow coverage and also put them in a better working capital position*





## Recent Transactions – Georgia

### Transaction Details

- Credit Request: \$5,000,000
  - Loan 1: \$3,250,000
    - AgEquity RLOC
  - Loan 2: \$1,750,000
    - 7/1 ARM, 15 Year
- 66% LTV on 1,768 ac.
- 3.44% & 4.75% Note Rate
- *1.00% & 1.50% Field Servicing Fee*
- *Refinance of existing debt and open an AgEquity for operating funds*

### Commodity





## ***Recent Transactions – Florida***

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### **Transaction Details**

- Loan Amount: \$9,000,000
- 10/1 ARM, 15 Year Term
- 31% LTV on 6,600 ac.
- 4.51% Note Rate
- *1.25% Field Servicing Fee*
- *Refinance of existing debt previously held by FCS*

### **Commodity**







***Eligible Properties &  
Underwriting Standards***



## *Information to Gather from Applicant*

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- 3-4 years
- Subsidiary Entities, if applicable

### **Tax Returns**



- Current, market value within 90 days
- Historical Balance Sheets

### **Balance Sheets**



- If applicable
  - Land leases
  - Production contracts

### **Copies of Contracts & Agreements**



- Current assets
- Debt balances
- Verifications need applicant's name and date

### **Verifications of Assets & Liabilities**



- Credit report dated within 60 days

### **Signed Credit Release Authorization**



- Tax returns can be signed at closing
- Environmental Disclosure

### **Signed Loan Application**





## *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

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	Fast Track	Full UW Standard	Full UW Choice Pricing
Max Loan Size	<b>\$1,500,000</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%







## ***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.

	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

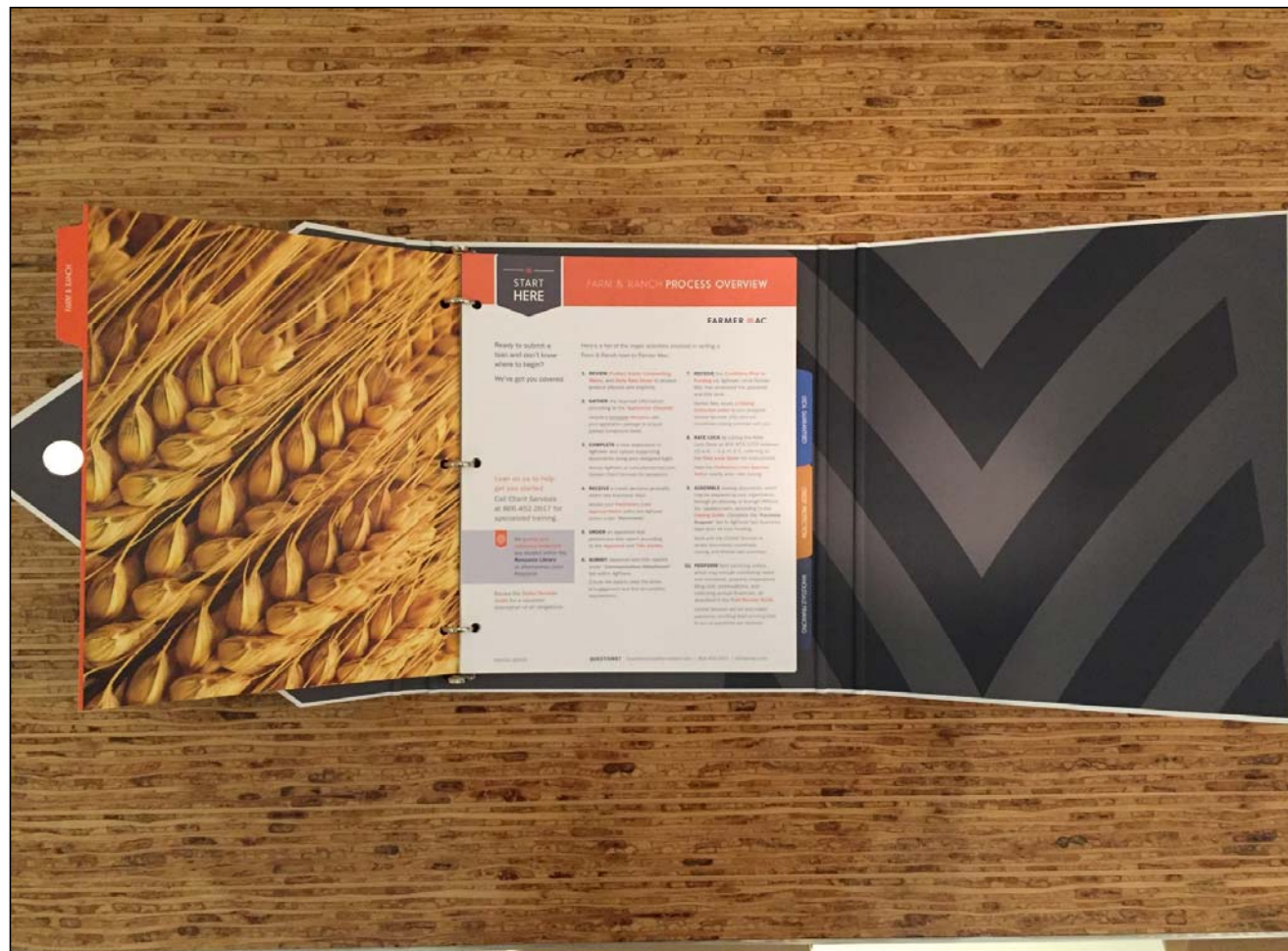
100 shares of Class A or Class C  
200 shares of Class A or Class C  
500 shares of Class A or Class C  
1000 shares of Class A or Class C

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





# Farmer Mac Client Services





## *Conclusion*

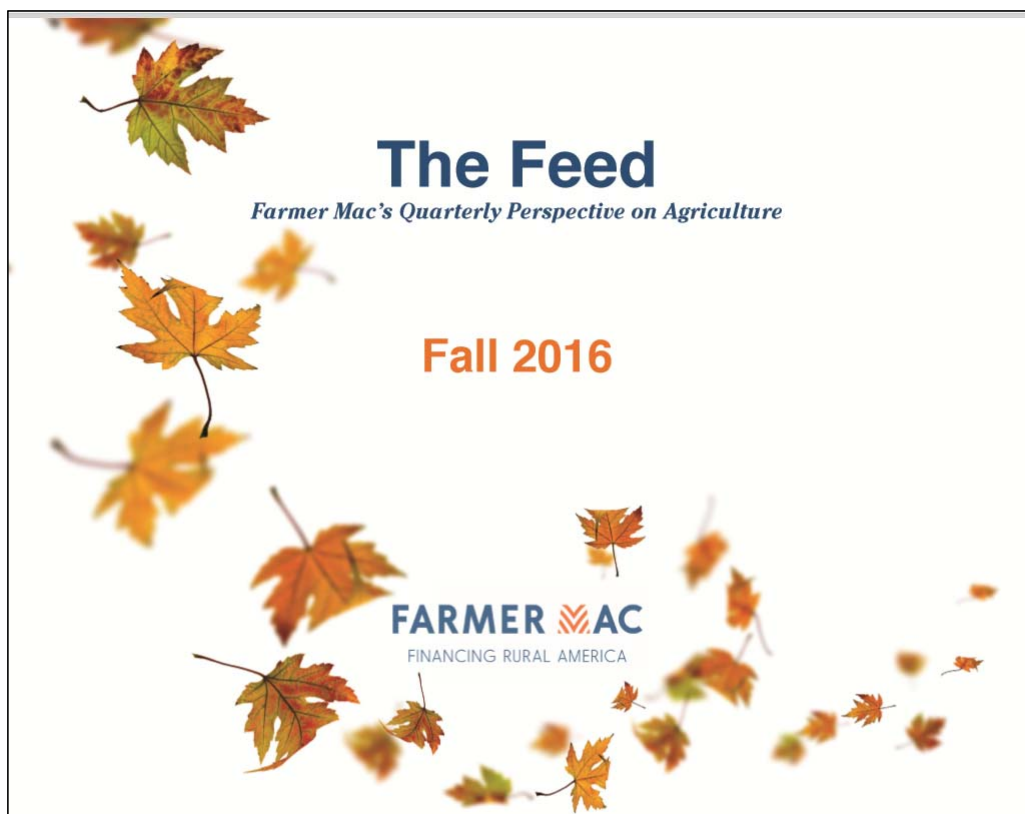
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- Farmer Mac is a dependable partner for your bank
- One on one training is available and recommended for all lenders
- Visit our Resource Library at [www.efarmermac.com](http://www.efarmermac.com)
- For more information, contact:
  - Patrick Kerrigan, Director of Business Development
  - [PKerrigan@farmermac.com](mailto:PKerrigan@farmermac.com)





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