American Bankers Association

“Partners on the Line”

Competitive Options for ABA Ag Bankers

December 13, 2016
Today’s Presenters

• Patrick Kerrigan
  – Director of Business Development
  – Washington, DC
  – 800.879.3276 x5560
  – pkerrigan@fartermac.com

• Dan Koesters
  – Senior Loan Underwriter
  – Harlan, IA
  – 866.452.2617
  – dkoesters@fartermac.com
Longstanding Partnership with ABA

• 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
Press Release – November 9, 2016

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 AGMA) 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

• 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

- 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

“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

2016 Net Yield Changes

-2.00%  -1.00%  0.00%  1.00%  2.00%  3.00%  4.00%  5.00%  6.00%

1-Mo LIBOR  1-Yr ARM  3-Yr ARM  5-Yr ARM  10-Yr Fixed  15-Yr Fixed  20-Yr Fixed  25-Yr Fixed  30-Yr Fixed

1/4/2016  7/5/2016  Delta
2016 Net Yield Changes

Farm & Ranch Net Yields
## Farm & Ranch Popular Products  
### 12/12/2016

<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>2.69%</td>
<td>2.69%</td>
</tr>
<tr>
<td>1-Mo ARM LIBOR</td>
<td>15</td>
<td>15/25</td>
<td>1.70%</td>
<td>2.68%</td>
<td>2.48%</td>
</tr>
<tr>
<td>5-Yr ARM</td>
<td>15</td>
<td>15/25</td>
<td>2.30%</td>
<td>3.77%</td>
<td>3.57%</td>
</tr>
<tr>
<td>7/1 ARM*</td>
<td>15/20</td>
<td>15/20</td>
<td>3.12%</td>
<td>3.91%</td>
<td>3.78%</td>
</tr>
<tr>
<td>10/1 ARM*</td>
<td>25/30</td>
<td>25/30</td>
<td>3.12%</td>
<td>4.07%</td>
<td>3.94%</td>
</tr>
<tr>
<td>15-Yr VRM</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>4.41%</td>
<td>4.21%</td>
</tr>
<tr>
<td>15-Yr VRM</td>
<td>25/30</td>
<td>25/30</td>
<td>-</td>
<td>4.67%</td>
<td>4.47%</td>
</tr>
<tr>
<td>15-Yr Fixed*</td>
<td>15</td>
<td>15</td>
<td>-</td>
<td>4.20%</td>
<td>4.00%</td>
</tr>
<tr>
<td>15-Yr Fixed*</td>
<td>15</td>
<td>25</td>
<td>-</td>
<td>4.50%</td>
<td>4.30%</td>
</tr>
<tr>
<td>20-Year Fixed</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>4.83%</td>
<td>4.68%</td>
</tr>
<tr>
<td>25-Year Fixed</td>
<td>25</td>
<td>25</td>
<td>-</td>
<td>4.98%</td>
<td>4.83%</td>
</tr>
<tr>
<td>30-Year Fixed</td>
<td>30</td>
<td>30</td>
<td>-</td>
<td>5.10%</td>
<td>4.97%</td>
</tr>
</tbody>
</table>

*ABA Discount Available*
# Farmer Mac 2 (USDA) Rate Sheet

12/12/2016

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

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Loan 1</th>
<th>Loan 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount:</strong></td>
<td>750,000</td>
<td>250,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Product:</strong></td>
<td>15-Yr Fixed (25-Yr Am)</td>
<td>1-Mo LIBOR ARM (25-Yr Am)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Yield:</strong></td>
<td>4.63%</td>
<td>2.68%</td>
<td>4.14%</td>
</tr>
<tr>
<td><strong>Lender's S. Fee</strong></td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td><strong>Borrower's Rate:</strong></td>
<td>5.13%</td>
<td>3.18%</td>
<td>4.64%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenario 2</th>
<th>Loan 1</th>
<th>Loan 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount:</strong></td>
<td>1,200,000</td>
<td>300,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td><strong>Product:</strong></td>
<td>10/1 ARM (25-Yr Am)</td>
<td>AgEquity RLOC</td>
<td></td>
</tr>
<tr>
<td><strong>Net Yield:</strong></td>
<td>4.20%</td>
<td>2.69%</td>
<td>3.90%</td>
</tr>
<tr>
<td><strong>Lender's S. Fee</strong></td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td><strong>Borrower's Rate:</strong></td>
<td>4.70%</td>
<td>3.19%</td>
<td>4.40%</td>
</tr>
</tbody>
</table>
Recent Transactions
**Recent Transactions – Indiana**

**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 person's ownership portion of the land/operation

**Commodity**
**Recent Transactions – Missouri**

<table>
<thead>
<tr>
<th>Transaction Details</th>
<th>Commodity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Underwrite</td>
<td><img src="commodity.jpg" alt="Image" /></td>
</tr>
<tr>
<td>Loan Amount: $1,546,000</td>
<td><strong>This loan allowed the borrower to consolidate debt for better cash flow coverage and also put them in a better working capital position</strong></td>
</tr>
<tr>
<td>10/1 ARM, 15 Year Term</td>
<td></td>
</tr>
<tr>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>50% LTV on 603 ac.</td>
<td></td>
</tr>
<tr>
<td>3.88% Note Rate</td>
<td></td>
</tr>
<tr>
<td>0.60% Field Servicing Fee</td>
<td></td>
</tr>
<tr>
<td>Restructure refinance of existing RE loans and carryover operating debt</td>
<td></td>
</tr>
</tbody>
</table>
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

**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**

[Image of commodity and livestock]
Eligible Properties & Underwriting Standards
Information to Gather from Applicant

- 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

- 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>$1,500,000</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>


- Footnote:
  - LTV is limited to 60% for ND, SD, MN, IA, IL, IN, OH, MO, NE, all other states 70%
**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>X</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](http://www.efarmermac.com)
- For more information, contact:
  - Patrick Kerrigan, Director of Business Development
  - PKerrigan@farmermac.com
Stay in Touch with Farmer Mac & the Ag Economy

The Feed
Farmer Mac's Quarterly Perspective on Agriculture

Fall 2016

- Register NOW for the December 14th Refresh Webinar