



AgAssist
New Underwriting Option
Farm & Ranch Loans

2015

Introductions

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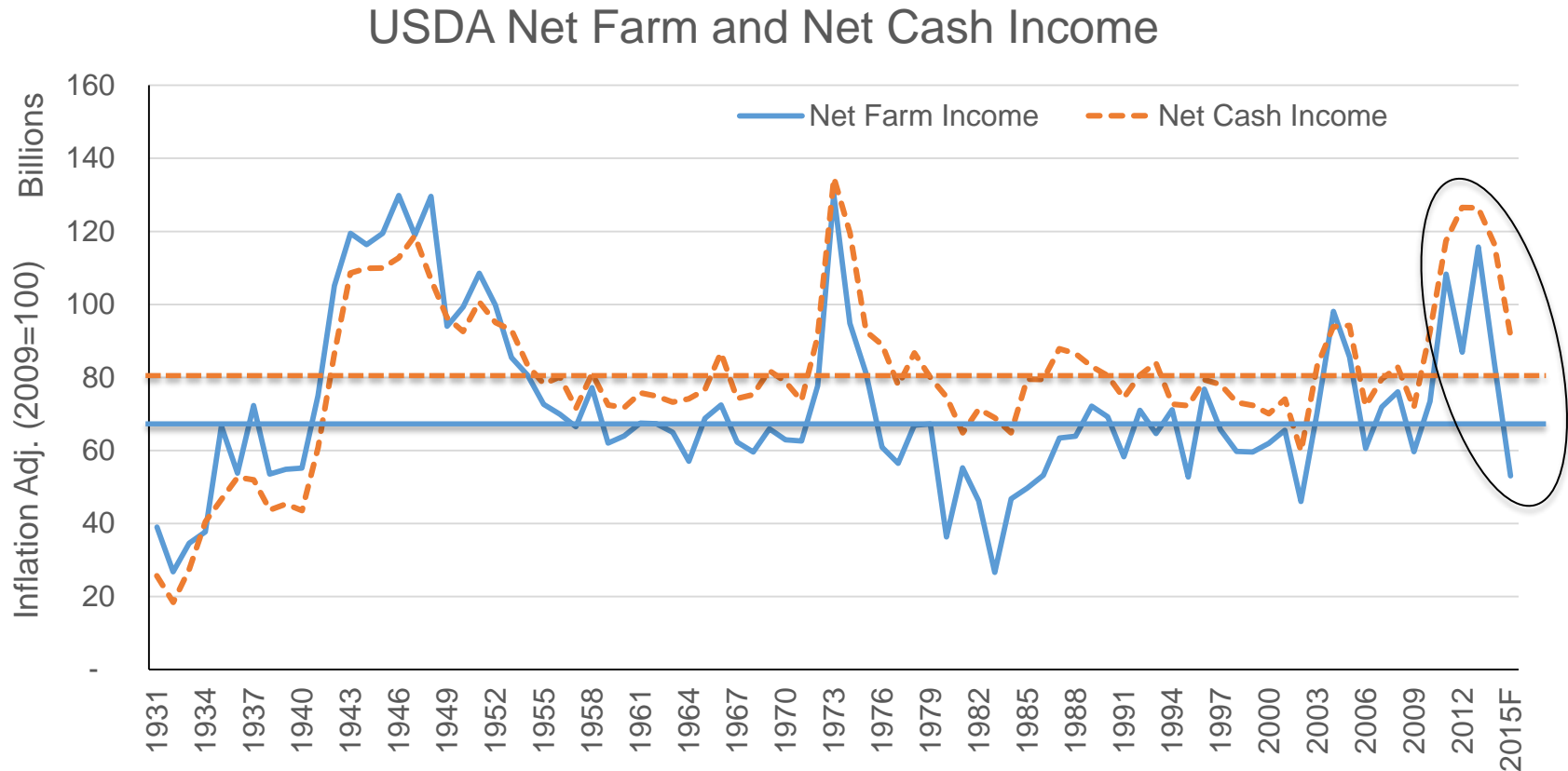




Ag Econ Update

Farm Income

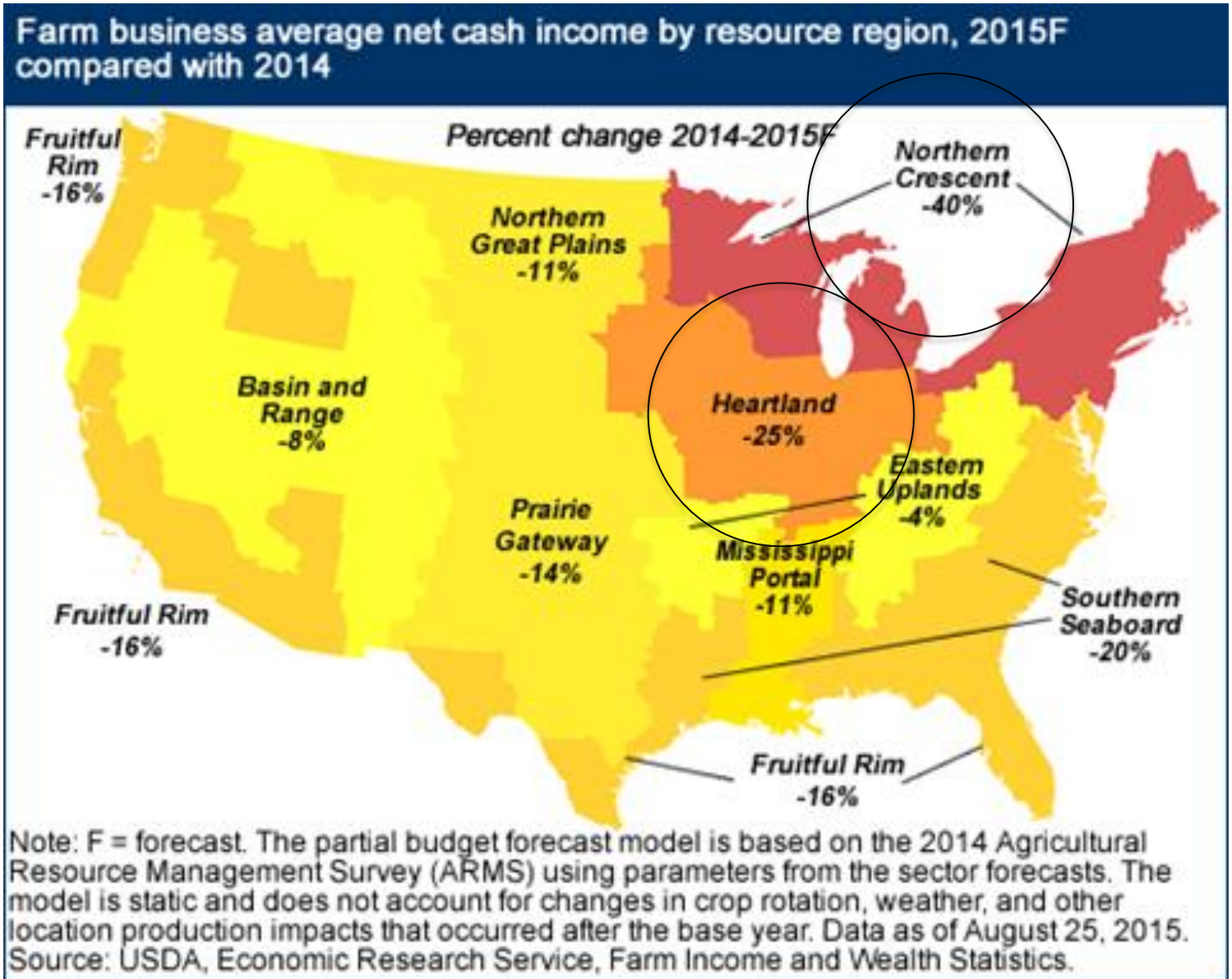
- As expected another sizable drop in farm profitability in 2015
- No sector of the ag economy is spared



Source: USDA ERS Farm Income Database

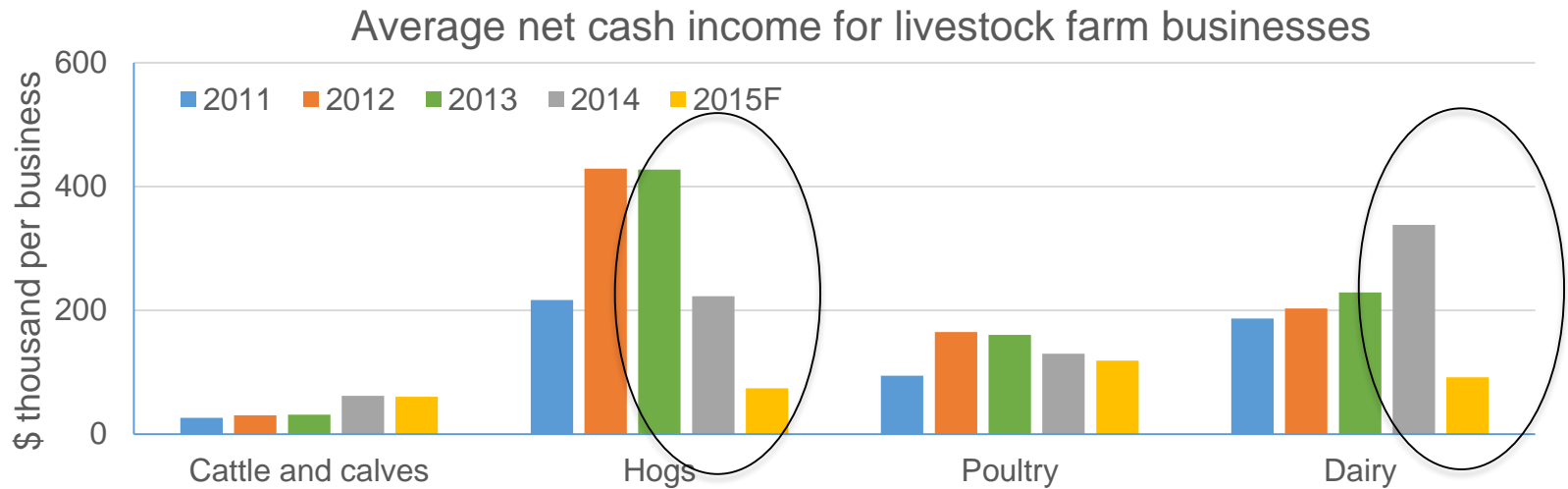
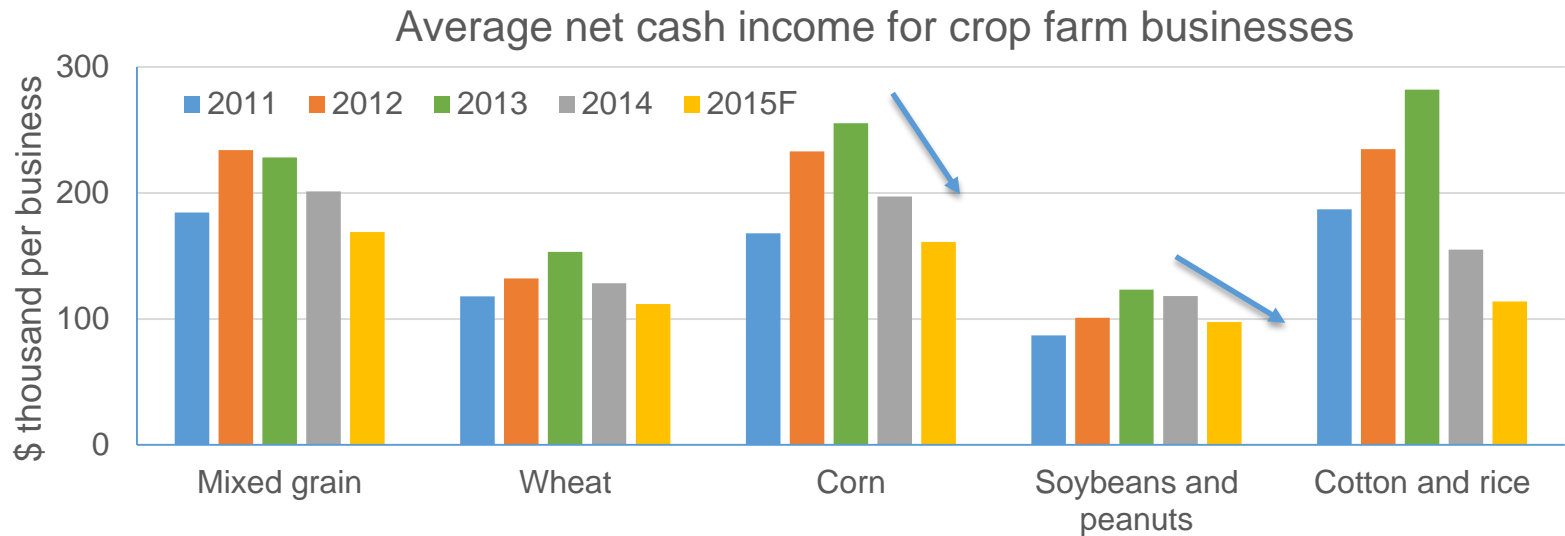


Farm Income



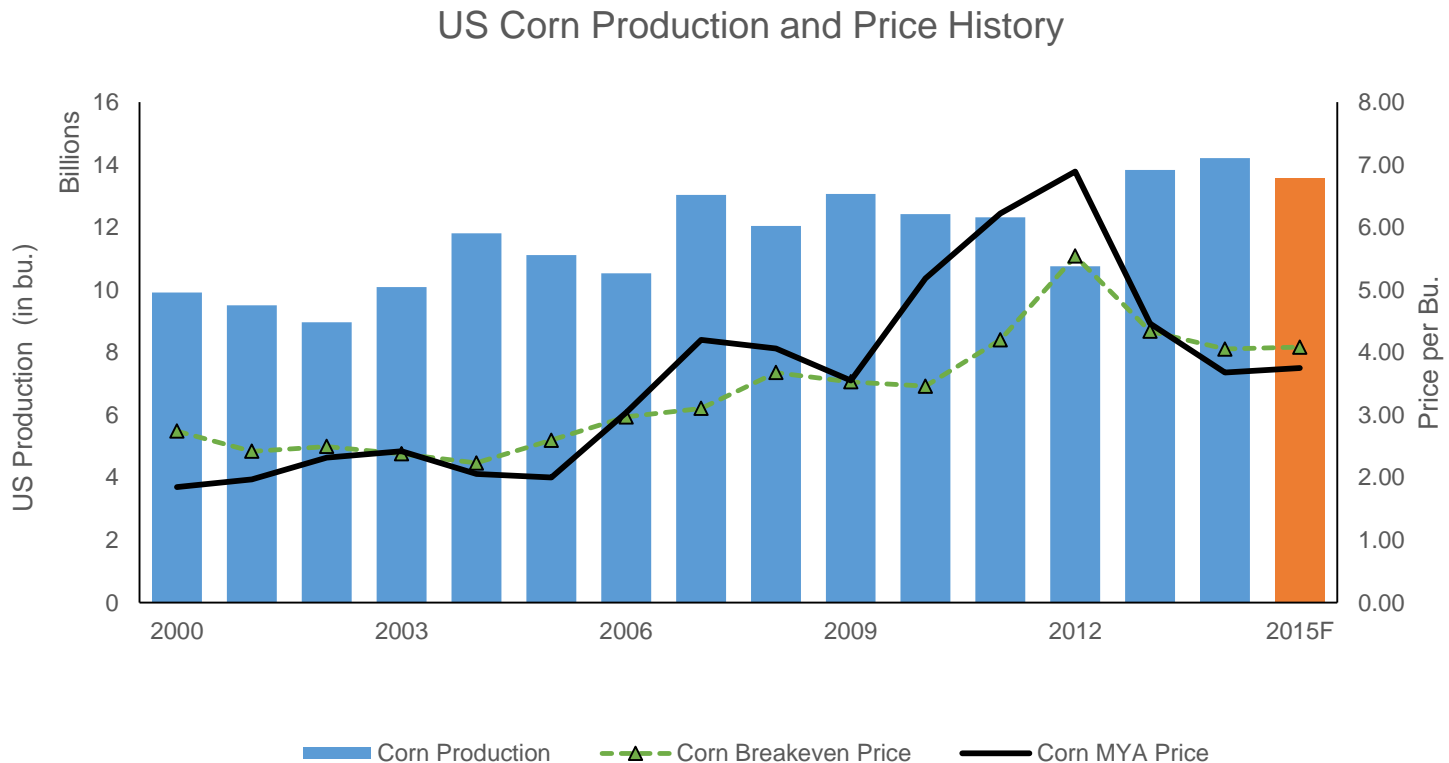
Farm Incomes and Expenses

- Impact on incomes will vary by production type



Market Forces - Commodities

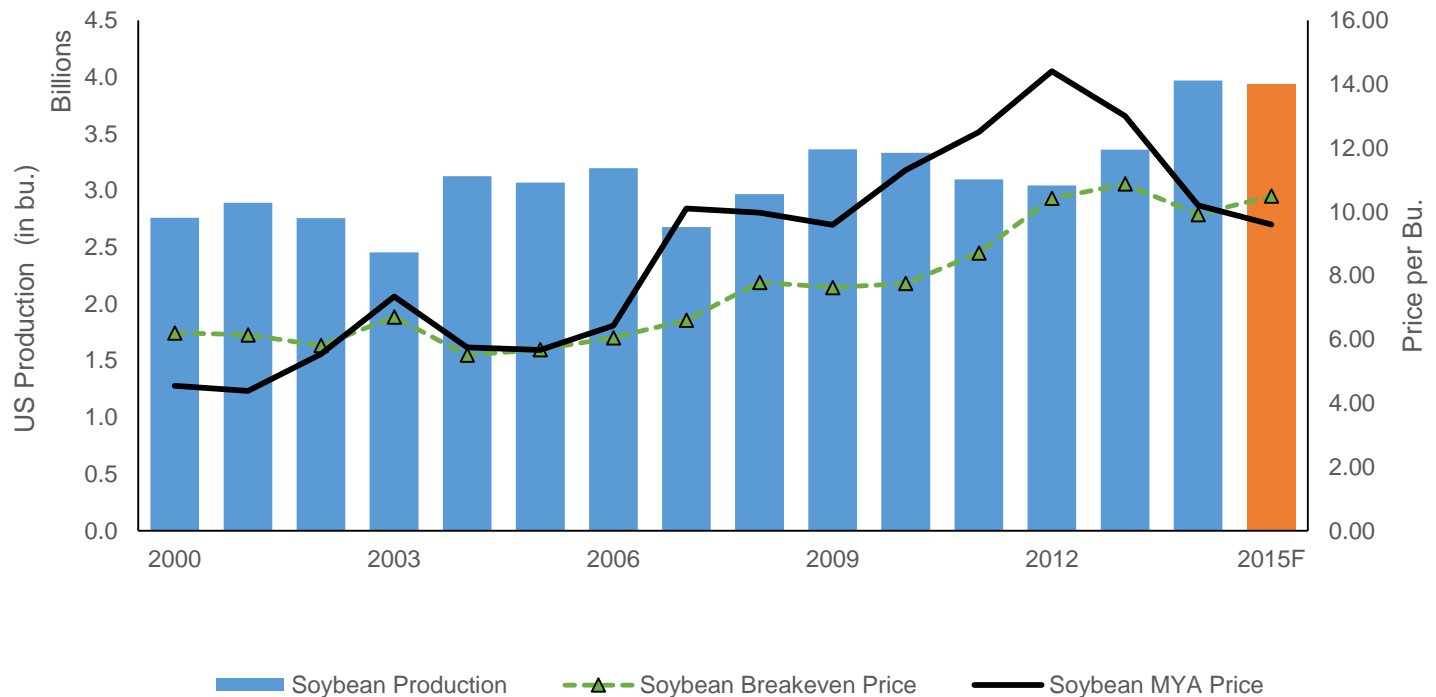
- Corn price is relatively flat in 2015
 - Rebuild of stocks since 2012
 - Trend yields are likely (164-168 bu/acre average)
 - Demand is steady but Japan buying less; global trade off 8% from 2014



Market Forces - Commodities

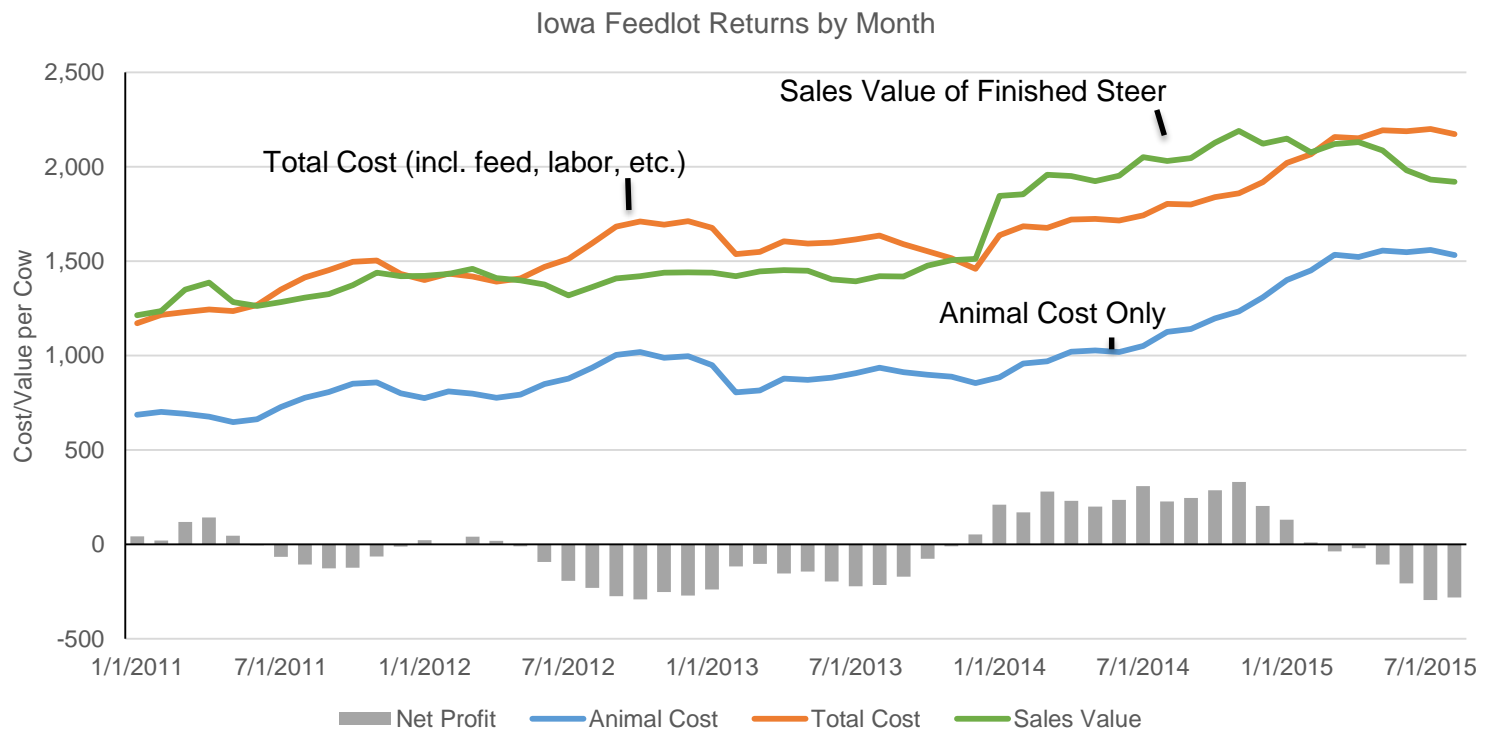
- Soybean price is down significantly
 - Supply and demand driven; China buying much less than 2014
 - Delayed rebuilding of global stocks
 - Trend yields likely (43-45 bu/acre)

US Soybean Production and Price History



Market Forces - Commodities

- Cattle prices holding up in long term
 - Also largely supply driven
 - Herds finally gained ground in July 2015 after declining for almost 9 years
 - Demand hitting ceiling as consumers substitute for lower-priced alternatives



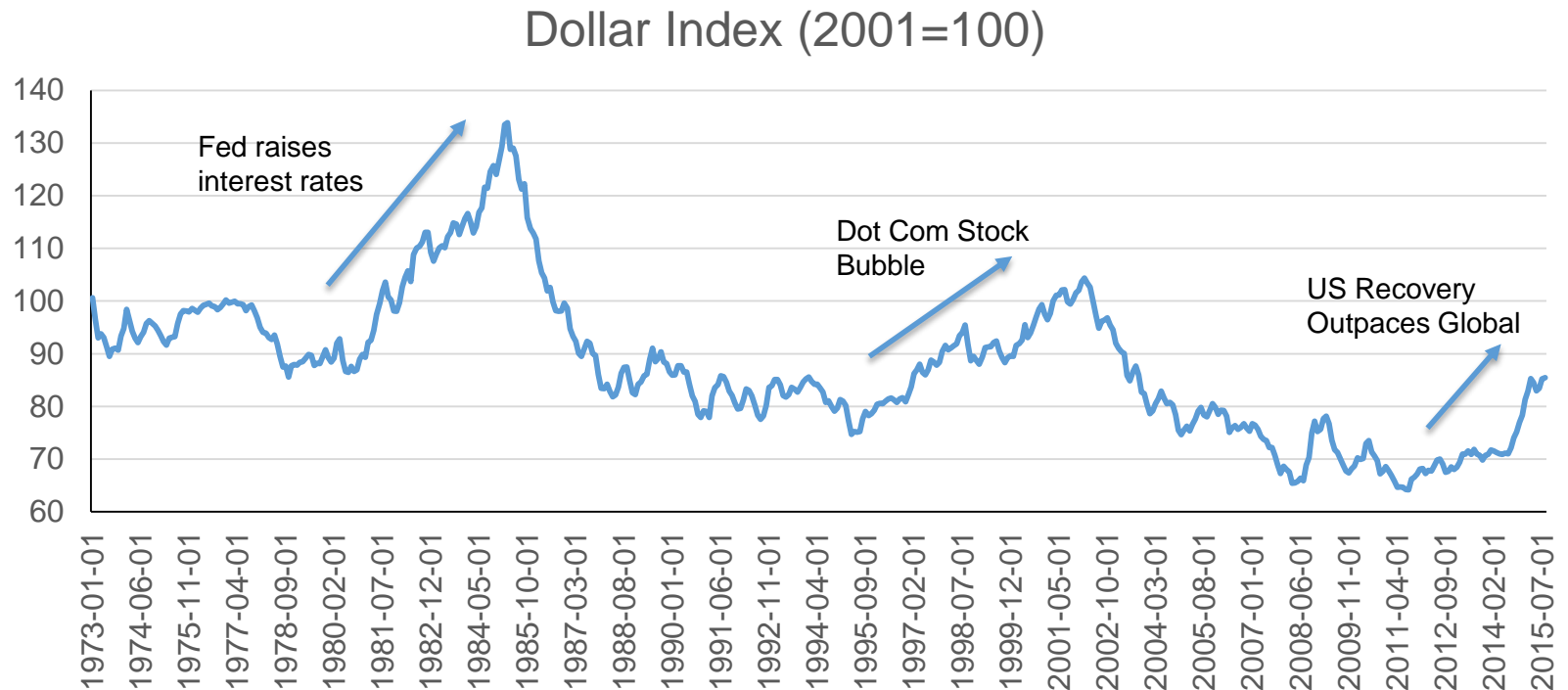
Market Forces - Commodities

- All other protein prices down
 - Hog inventory rebuilds after PEDv epidemic in 2013/14
 - Dairy prices lower on larger supply combined with stiffer demand from European producers
 - Chicken prices lower due to other countries' bans on US poultry from first-half avian influenza outbreak (more available domestically)
- Bright spot in fruits and nuts
 - Tough growing conditions
 - But strong market prices offsetting losses



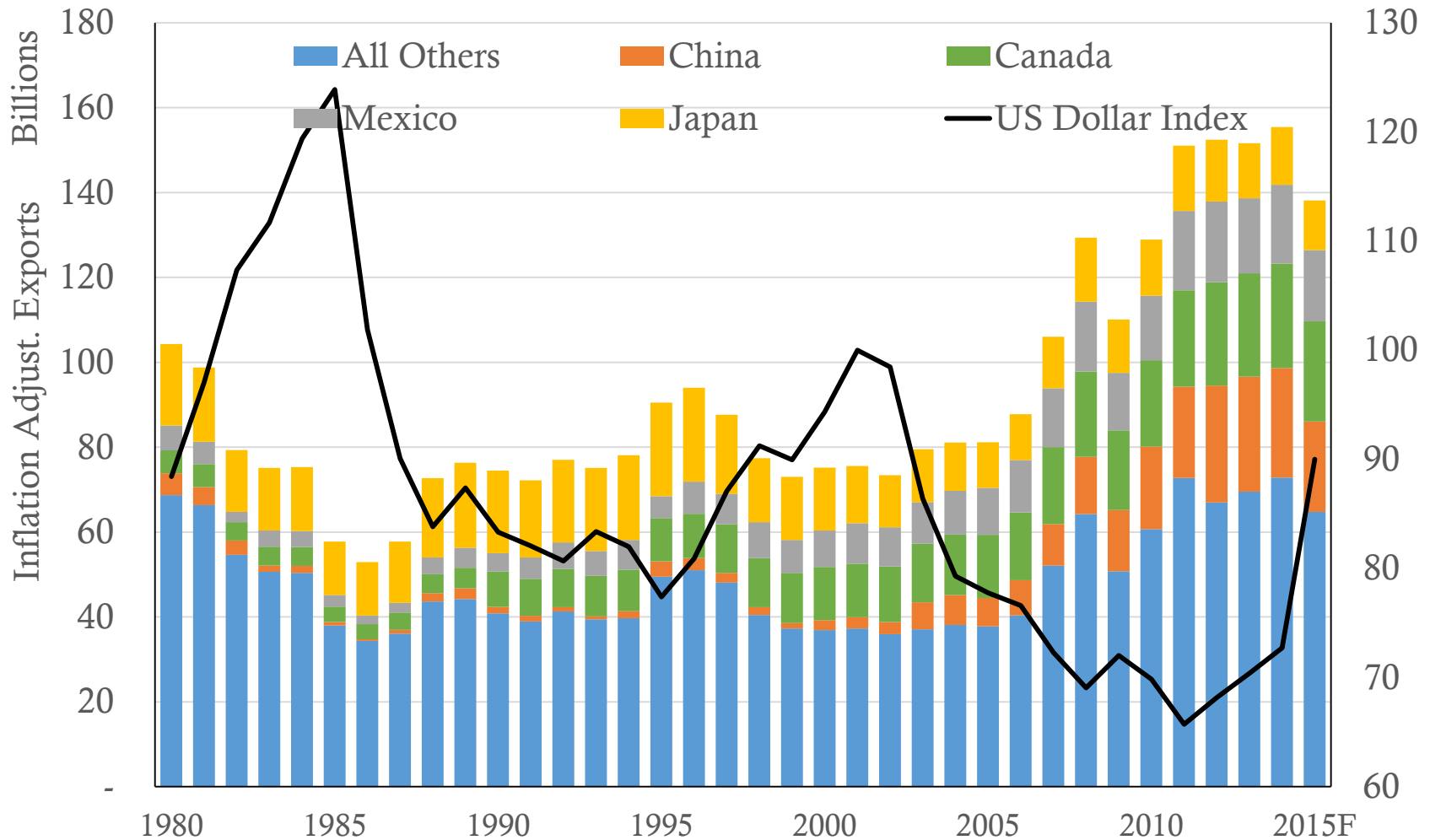
Market Forces – Strong US Dollar

- Slow global economy (the BRICS are sinking!)
- Quantitative easing is contagious
- Turmoil in Chinese markets
- Fed liftoff (?)



Market Forces - Trade

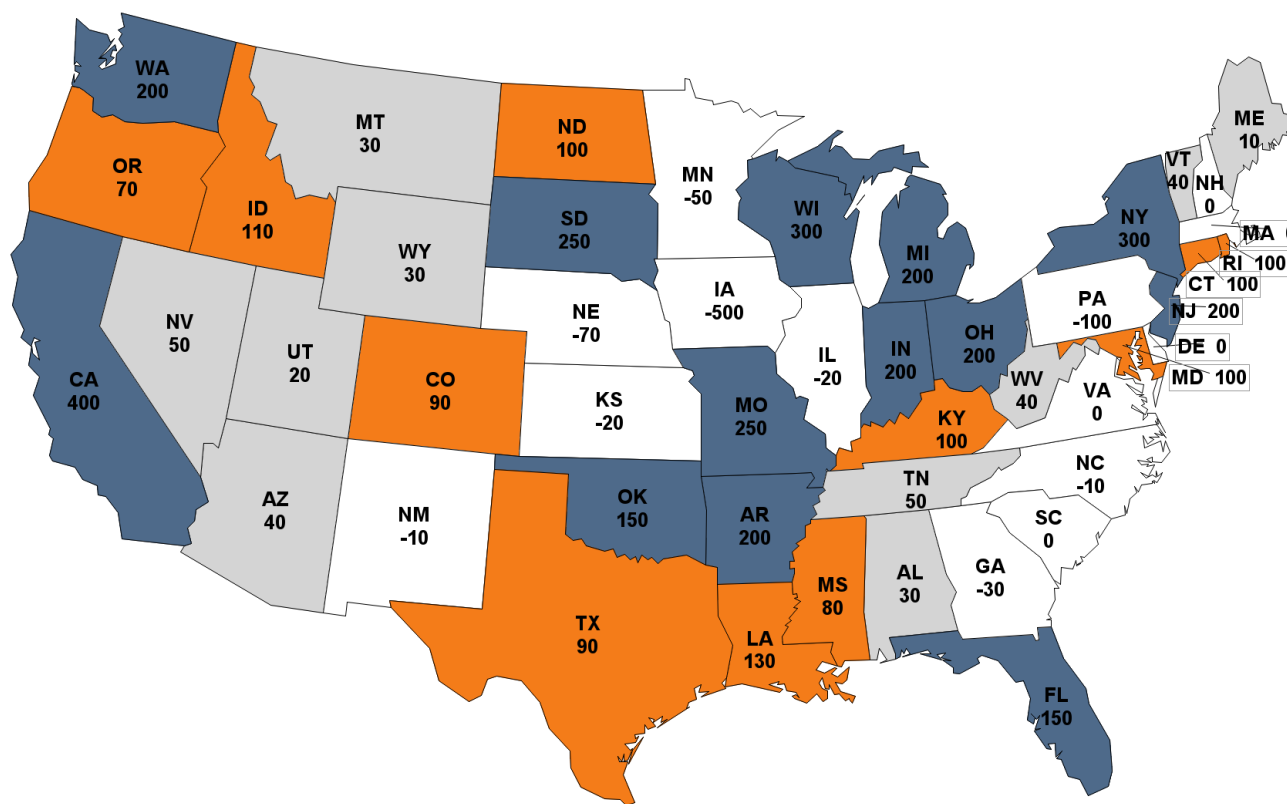
U.S. Agricultural Exports



Land Values - USDA

- USDA Report

- Cropland flat to down (0.7% nationally, -2.3% in Corn Belt)
- Pastureland up (2.3% nationally, 7% in Northern Plains)



Per Acre \$ Change from 2014 to 2015

-500 - 0

70 - 130

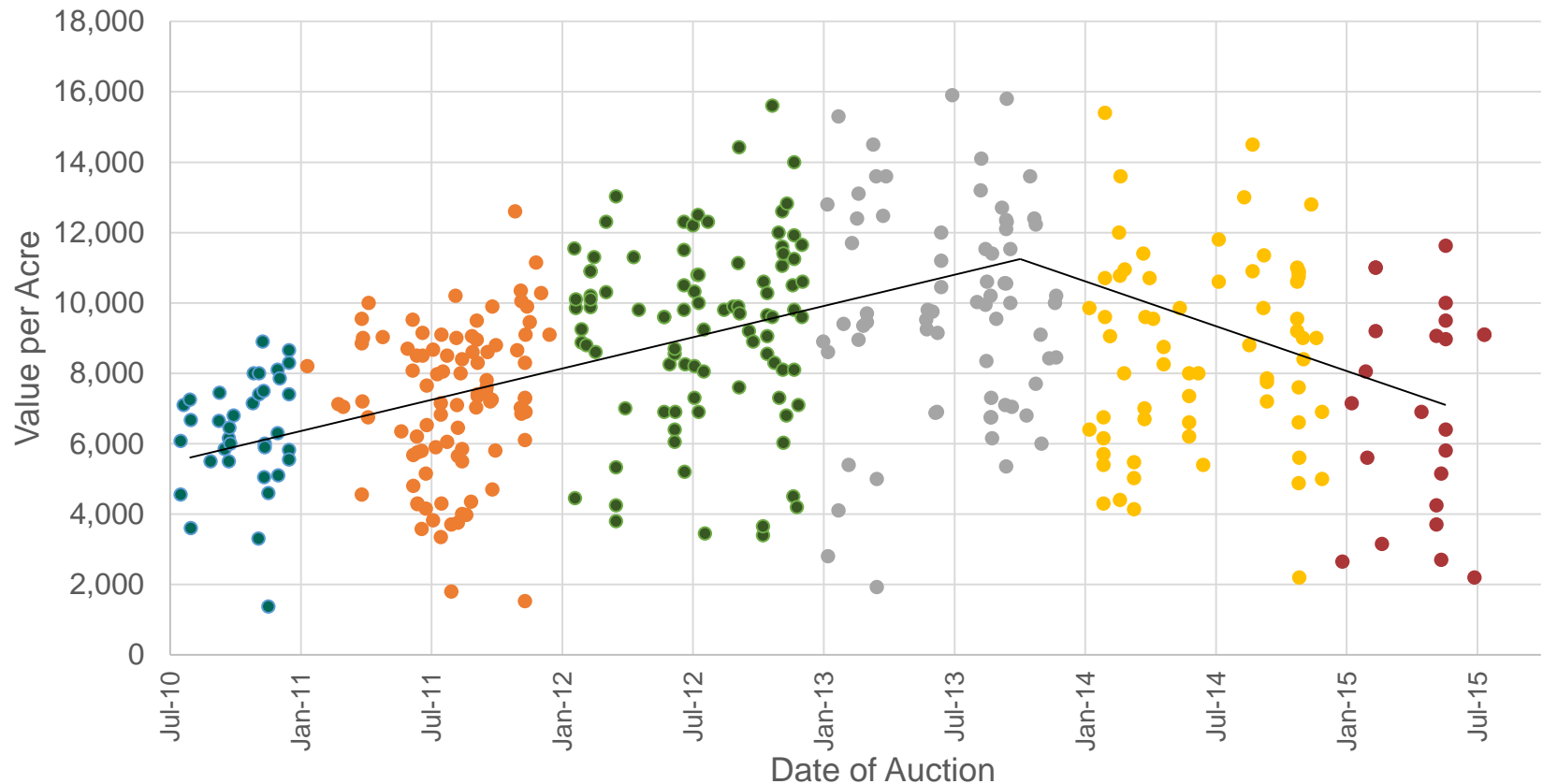
10 - 50

150 - 400



Land Values – Auctions

- Iowa Farm Auctions
 - Same story – results are down from 2013 highs
 - Hertz showing good participation in auctions



Takeaways

- Commodity prices likely to stay low
 - Strong dollar
 - Adequate global supplies
- Liquidity is the name of the game
 - Low incomes mean less incoming cash
 - Loan demand is sky high
- Cost reductions ongoing
 - Less capital spending (watch out for ag-related business credits!)
 - Rental rates are sticky and seed companies aren't budging
- Balance sheets showing strength
- Return of the bird flu
- What will winter bring in the West?





For Questions Contact:

Jackson Takach

Economist

Farmer Mac

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@JacksonTakach



AgAssist

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
 - 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



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	$\leq 60\%$	≤ 1000 acres; \$50.0M ≥ 1000 acres; \$12.3M	$\leq 45\%$ FAMC $\leq 85\%$ CLTV	≥ 680

- 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 $\geq 25\%$ of combined 1st & 2nd loan amount





Steps to Submit a Loan
Farm & Ranch
1st Mortgage

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)





Delivering the capital and commitment rural America deserves.

[VIEW OUR PRODUCTS & SOLUTIONS](#)

Farmer Mac is the stockholder-owned company created to deliver capital and increase lender competition for the benefit of American agriculture and rural communities. For more than a quarter-century, Farmer Mac has been a vital partner helping America's rural lenders meet the evolving needs of

Login

Please enter your user name and password to login to the Farmer Mac Website.

If you have forgotten your password, please click on the forgot password button below to reset your password.

User Name/Email:

test@farmermac.com

Password:

●●●●●●●●

Login

Forgot Password

Log in to secured area by
entering user ID and password

Resource Library


Visit our Resource Library for important documents such as
the Seller/Service Guide and Collateral Valuation
Supplement and many more.



Login

Please enter your user name and password to login to the Farmer Mac Website.

If you have

 eFarmerMac

We have verified your login and password. Now you can click 'ENTER' to access eFarmerMac Applications.

Access Farmer Mac I Applications

Access Farmer Mac II Applications

ENTER

ENTER

Click on "Enter" to Access Farmer Mac I Applications

the Seller/Service Guide and Collateral Valuation Supplement and many more.





FINANCING RURAL AMERICA

Select AgPower

My Profile

AgPower

NRV Analysis

Online Servicing Request

Preferred Appraiser

Rates

LTSPC

Resource Library

Annual Certification

Logout

Farmer Mac Rates

Labor Day Holiday Hours

The Farmer Mac Cash Window will be closed on Monday September 7th. Normal hours will resume Tuesday September 8th at 10:00AM EST.

In addition, the Farmer Mac Cash Window will close at 12:00PM EST on Friday September 4th.



- ▶ Farmer Mac Rates Post Schedule
- ▶ Farmer Mac I: Farm and Ranch Loan Program
- ▶ Farmer Mac II LLC Rates
- ▶ Historical Farmer Mac II LLC COFI Rates
- ▶ AgVantage Rates



Loan Application Queue

Add New Application

Quick Search

[Select One] ▼

Go



Manual



Video Tip

Seller ID	Application ID	Loan Number	Status	Documents	Borrower Name	Loan Amount	Approved Date	Submitted Date	UW	Received From	App. Date
DC-001	DC-110011		New Application	Documents	MAC LAND LLP	\$2,880,000			BA	BERNARD ABBUHL	03/04/2018
DC-001	DC-090049	20909501	New Application	Documents	Sample Application for Smith Farms	\$159,000		03/30/2011		David Buman	07/28/2015
DC-001	DC-090049	20909505	New Application	Documents	Sample Application for Joe Jones	\$220,000	01/01/1900	03/30/2011	SS	Mandy Heng	06/05/2015

Select "Add New Application"

Application Number: DC-110011

Borrower: MAC LAND LLP

Application Queue	Application	Borrower Info	Balance Sheet	BS(a)	Consolidated BS	Consolidated BS(a)	Submit Application
Consolidated BS PROFORMA		Consolidated BS(a) PROFORMA		INC and EXP	Consolidated INC/EXP PROFORMA	Appraisal Cklist	Manual / UW Grid
Subsidiary Analysis	Loan Summary	UW Ratio	Communication/Attach	Appraisal	UW Analysis	Products Option	Instruction Letter

Application

Click to watch the quick tip video for Application Tab



Application Num: DC-110011 Application Status: New Application

Application Description: MAC LAND LLP

Number of Entities: 3 (1-15) Seasoned Loan ☐ UW Type: FTF - Full Underwrite Most Recent Inc/Exp Year: 2010 (2014)

Individual Completing Application: BERNARD ABBUHL Application Date: 3/4/2018

The Proceeds Of The Loan Will Be Used As Follows:

Loan Purpose	Description	Amount(\$)	(%)
Purchase RE	PURCHASE S1/2 WANNABE TOWNSHIP	2,240,000	78
Refinance RE	FARM LOAN 2 with Roseville State Bank	600,000	21
Closing fees	FEES AND COSTS	20,000	1
Total:		2,860,000	100

The total loan purpose amount should be Equal to Requested Loan Amount

Seller Information:

Seller ID: DC-001 [Open Seller information in CRM](#)

Name: Federal Agricultural Mortgage Corp.

Address: 8860 Eagle Rock Ln

City: Springfield

State: VA Zip: 22153

Phone: 202-872-5565 Fax: 425-760-4423

Email: sdalke@farmermac.com

Loan Officer Information:

Loan Officer: Bernard Abbuhl ☒ Share this Application?

Address: 1930 K Avenue

City: Red Oak

State: IA Zip: 51566

Phone: 712-623-4207 Alternate Phone: 712-242-5448

Fax: 712-623-4207

Email: BAbbuhl@farmermac.com

Primary Borrower:



Loan Terms:

Loan Product: 15-Yr Fixed ▼

Loan Amount Requested(\$): 1,000,000 Amortization Years: 25 ▼ Maximum Interest Rate(%): 4.90 %

Payment Frequency: Semi-annual ▼ Term of Years: 15 Fixed/ARM/VRM: Fixed Rate

AgAssist Loan? ☒ Federal or State Program Loan Amount(\$) 450,000 Adjustable Frequency(Years): N/A

Security:

Acres: 400 County: Benton State: IA ▼

Title is/will be vested in:

Is the property irrigated? ☐ Yes ☒ No

Legal Description:

See Attached Exhibit A

Additional Security (Include federal & state grazing leases, irrigation equipment, water rights & other equipment necessary to the operation of the security):

None

Description of property and improvements (including leased equipment, i.e. irrigation pivots):

None



Loan Terms:

Loan Product: 15-Yr Fixed ▼

Loan Amount Requested(\$): 1,000,000

Amortization Years: 25 ▼

Maximum Interest Rate(%): 4.90 %

Payment Frequency: Semi-annual ▼

Term of Years: 15

Fixed/ARM/VRM: Fixed Rate

AgAssist Loan? ☒ Federal or State Program Loan Amount(\$) 450,000

Adjustable Frequency(Years): N/A

Security:

Acres: 400

County: Benton

State: IA ▼

Title is/will be vested in:

Is the property irrigated? ☐ Yes ☒ No

Legal Description:

See Attached Exhibit A

Additional Security (Include federal & state grazing leases, irrigation equipment, water rights & other equipment necessary to the operation of the security):

None

Description of property and improvements (including leased equipment, i.e. irrigation pivots):

None



Loan Approval Steps

- Once submitted, Farmer Mac reviews loan package
- Responds to Seller within two business days
- Issues preliminary loan approval letter



Appraisal and Title Steps

- Seller engages an appraiser
 - Must be a state certified general appraiser
- Seller orders preliminary title report
 - Forward original “pdf” version of title report (or title opinion if located in Iowa) to Farmer Mac
- Seller reviews appraisal report to ensure it meets the terms of engagement
- Seller uploads appraisal report and preliminary title report/title opinion into AgPower
- After Farmer Mac’s assessment and approval, these items and the remainder of the file is forwarded to the Central Servicer who assists you with loan closing (instruction letter sent to C.S.)



Farm & Ranch (F&R) Rates

- Seller calls Farmer Mac's rate lock desk (10-3 ET)
- Indicative rates posted daily
- Seller adds Field Servicing Fee
 - 10 bps to 150 bps
 - Typical fee 50-60 bps
 - A Commitment to Purchase is provided via AgPower, by Farmer Mac, outlining the terms to be placed in the note
- Mandatory delivery
 - 1% pair-off fee
 - Extensions allowed



Rob Owens
Manager – Capital Markets



Mike Schmid
Trader – Capital Markets



Farm & Ranch Rate Sheet

10/14/2015

<i>Products</i>	<i>Term</i>	<i>Amortization</i>	<i>Reset Margin</i>	<i>Choice Rates</i>
AgEquity LIBOR	20 25 30	Varies	1.80%	2.00%
1-Mo ARM LIBOR	15	15 25	1.50%	1.79%
1-Yr ARM	15	15 25	2.30%	2.01%
3-Yr ARM	15	15 25	2.30%	2.63%
5-Yr ARM	15	15 25	2.30%	3.15%
7/1 ARM	15	15 25		3.30%
10/1 ARM	15	15 25		3.66%
10-Yr VRM	15 20	15 20		4.04%
10-Yr VRM	25 30	25 30		4.13%
15-Yr VRM	20	20		4.14%
15-Yr VRM	25 30	25 30		4.43%
7-Yr Fixed	7	15 25		3.49%
10-Yr Fixed	10	10		3.72%
15-Yr Fixed	15	15		4.01%
15-Yr Fixed	15	25		4.39%
20-Yr Fixed	20	20		4.43%
25-Yr Fixed	25	25		4.63%



Closing Documents

- Seller works with Central Servicer to prepare the note and other closing documents for the loan product selected using the Rate Lock Information Tab/Screen in AgPower
 - Seller uses in-house loan closing document preparation program
 - Seller uses online web-based closing document preparation service, PiersonPatterson (ppdocs.com)



Loan Closing Options

- **Table Funding** – Loan is closed at title office by title officer or attorney's office doing title opinion (Iowa only)
- **Purchase Closed Loans** – Loan is closed at Seller institution by Seller





FARMER  AC 2

SECONDARY MARKET FOR USDA GUARANTEED LOANS

2nd Mortgage

Farm Service Agency

- Farm Ownership

Rural Development

- Business & Industry



Streamlined Process



No Farmer Mac underwriting analysis



Lender receives fee income over life of the loan



No maximum or minimum loan size



No prepayment penalties



Online Loan Application (OLA)



Borrowers

Loan Data

Documents

Submit

Fields in RED color are required.

Lender Information

FAMC Lender ID: **DC-013**
Authorized Contact: **Contact, Primary**
Email Address: **primary_contact@demobank.com**

FAMC Lender Name: **Demo Bank**
Phone Number: **123-456-7890**

USDA Information

Government ID:(##-##-#####)

USDA Loan Type: [Select Type] ▼

Guarantee Percent: 0.000%

Original Principal Amount: 0

Current Principal Balance: 0

% of Guarantee to be Sold: 100.00%

Servicing Fee: 0.000%

Original Guaranteed Portion: 0

Guaranteed Portion Balance: 0

Guaranteed Portion to be Sold: 0

% Interest Assistance: 0

Promissory Note & Modification

Promissory Note Number:

Index Type: [Select Index Type] ▼

Note Date:

Maturity Date:

Interest Payment Frequency: [Select] ▼

Interest Payment Due Date: ▼

Interest Payment Due Date:

Principal Payment Type: Level Payment ▼

Principal & Interest Payment:

Interest Paid-to Date:

Note Type: [Select Note Type] ▼

Interest Accrual Basis: [Select Accrual Basis] ▼

Note Rate:

Amortization Date:

Principal Payment Frequency: [Select] ▼

Principal Payment Due Date: ▼

Principal Payment Due Date:

Interest Payment Type: Adjustable ▼

Fixed Principal Payment:

SAVE & EXIT

CONTINUE



Loan Note
Guarantee



Assignment
of Guarantee



Promissory
Note



Other
Documents



Farmer Mac 2 Rate Sheet

10/14/2015

<i>Product Types</i>	<i>Monthly Pay Cash</i>	<i>Monthly Pay 4-Week Rate Lock</i>	<i>Annual, S.A., & Qrtly Pay Cash</i>	<i>Annual, S.A., & Qrtly Pay 4-Week Rate Lock</i>
Wall Street Journal Prime **	1.75%		1.75%	
Farmer Mac 3-Mo COFI	1.51%		1.51%	
Farmer Mac 5-Yr Reset COFI, 20, 25, 30-Yr Am	2.50%	2.59%	2.60%	2.69%
Farmer Mac 10-Yr Reset COFI, 20, 25, 30-Yr Am	3.15%	3.24%	3.25%	3.34%
Farmer Mac 15-Yr Reset COFI, 20, 25, 30-Yr Am	3.54%	3.63%	3.64%	3.73%
7-Yr Fixed Rate, 7-Yr Am	2.44%	2.53%	2.54%	2.63%
7-Yr Fixed Rate, 15-Yr Am	2.66%	2.75%	2.76%	2.85%
10-Yr Fixed Rate, 10-Yr Am	2.76%	2.85%	2.86%	2.95%
15-Yr Fixed Rate, 15-Yr Am	3.14%	3.23%	3.24%	3.33%
15-Yr Fixed Rate, 25-Yr Am	3.48%	3.57%	3.58%	3.67%
20-Yr Fixed Rate, 20-Yr Am	3.46%	3.55%	3.56%	3.65%





Case Studies

Case Study #1

- Applicants are Robert and Rita Peterson. The Peterson's currently farm in Holgate, Ohio
- Due to very wet weather, the applicants need to improve their working capital position and restructure their machinery loans that are with Farmers and Merchants Bank (ABA member bank).
- Want to reduce their line of credit by \$800,000 and refinance their machinery loans that total \$1,000,000. They would like to amortize all of this out on their farmland.
- Applicants like the 15 year fixed rate Farm & Ranch Farmer Mac product with a 25 year amortization, 4.95% rate.



Case Study #1 (cont'd)

- FSA has approved a farm ownership land loan of up to their limit of \$1,399,000 on a fixed rate product
- Farmer Mac offers a 15 year COFI with a 30 year amortization with a rate today of 4.76% through the Farmer Mac 2 program
- Security for these mortgages is a clear 320 ac. parcel with an appraised value of \$2,300,000
- Proforma ratios after the closing a proforma debt to asset ratio of 59%, current ratio 1.08, proforma TDC of 1.14
- Credit scores of 692 and 710
- What is important to the Peterson's is to get as much as possible on a 30 year amortization and locking the interest rate in



Answer – Case Study #1

- AgAssist first mortgage loan with a FSA/Farmer Mac 2 second mortgage on the same land.
- Applicants want as much as possible on a 30 year amortization and fixed rates.
- Suggest a first mortgage of \$401,000 using the Farmer Mac 15 year fixed product (ABA 13 bps discount) and a second mortgage of \$1,399,000 using the FSA guarantee with the 15 year VRM with a 30 year amortization.
- This structure and their financial information meets all of the Farmer Mac Farm and Ranch and AgAssist requirements.
- Can do 100% cash-out with AgAssist. Customer gets a better interest rate using the Farmer Mac 2 loan product and more money is on a 30 year amortization.



Case Study #2

- Applicants are Robert and Rita Peterson. The Peterson's currently farm in Holgate, Ohio
- Due to very wet weather, the applicants need to improve their working capital position and restructure their machinery loans that are with Farmers and Merchants Bank (ABA member bank).
- Want to reduce their line of credit by \$800,000 and refinance their machinery loans that total \$1,000,000. They would like to amortize all of this out on their farmland.
- Applicants like the 15 year fixed rate Farm & Ranch Farmer Mac product with a 25 year amortization, 4.95% rate.



Case Study #2 (cont'd)

- FSA has approved a farm ownership land loan of up to their limit of \$1,399,000 on a fixed rate product
- Farmer Mac offers a 15 year COFI with a 30 year amortization with a rate today of 4.76% through the Farmer Mac 2 program
- Security for these mortgages is a clear 320 ac. parcel with an appraised value of \$2,300,000
- Proforma ratios after the closing a proforma debt to asset ratio of 59%, current ratio 1.08, proforma TDC of 1.14
- Credit scores of 692 and 710
- What is important to the Peterson's is to put this debt on their farmland and get it amortized, but use as little of the FSA guarantee so that they have an additional amount on the guarantee to draw upon in the future.



Answer – Case Study #2

- AgAssist first mortgage loan with a FSA/Farmer Mac 2 second mortgage on the same land.
- Applicants want to keep as much of the remaining guaranteed amount with FSA available for the future.
- Suggest a first mortgage of \$1,035,000 using the Farmer Mac 15 year fixed product (ABA 13 bps discount) and a second mortgage of \$765,000 using the FSA guarantee with the 15 year VRM with a 30 year amortization.
- Customer still has \$634,000 of guarantee to access from FSA in the future.
- This structure and their financial information meets all of the Farmer Mac Farm and Ranch and AgAssist requirements.





Thank You

Contact Us: www.farmermac.com

*Corporate Headquarters (DC): **800-879-3276***

*Underwriting Office (IA): **866-452-2617***