FARMER MAC

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BUILDING STRONG CUSTOMER RELATIONSHIPS IN LENDING

As artificial intelligence (AI) and technology reshape our industry, the human touch becomes even more valuable. There's truth in the saying that "return on relationship (ROR) often equals return on asset (ROA) or return on investment (ROI)." Business writer Tom Peters notes that companies focusing on employee satisfaction typically see higher customer satisfaction scores.

In my lectures, I emphasize that successful lending relationships are built on the "six Cs" of lending. Strong lenders are **conservative** in good times or favorable economic cycles, **courageous** in tough times, and **consistent** always. The other half of the equation comes into play during the delivery of the products and services. They **calculate** the numbers and are proficient in finance regardless of their responsibilities, think **critically** about consequences and, most importantly, **communicate** effectively through every interaction, whether face-to-face or through a text, email, or phone call.

WHAT DAMAGES RELATIONSHIPS

Several common practices can damage valuable customer relationships:

EFFICIENCY OVER SERVICE

When banks merge or consolidate, the culture, vision, mission, and core values can change abruptly. I have observed mergers result in corporate culture shifting toward "checking boxes" and hitting numbers. This can create silos where employees say, "that's not my job," instead of going the extra mile. While this may improve efficiency and control costs, it is at the expense of effectiveness to both the internal (employee) and external (customer) experience.

PROCESS BREAKDOWN

Relationship damage often occurs when something goes wrong between loan application and document signing. Maybe the relationship officer does not get timely information, or the credit analyst understands the numbers but misses the human factors of the person, the business, or the industry. These breakdowns can cost customers.

CULTURAL MISMATCHES

There's an old saying that agricultural lenders adapt to commercial lending better than commercial lenders adapt to agricultural lending. This sometimes holds true when agriculture becomes a smaller portion of an institution's total portfolio. A change of the CEO, board of directors, or key leaders on the management team can quickly alter the culture and direction of the organization, thus impacting their goals and motivation around service to agriculture and rural communities.

OVER-RELYING ON TECHNOLOGY

While technology, credit scoring, and risk rating are useful tools, they can reduce customer contact and create transactional relationships. Removing the human element can damage long-term relationships. Remember: Relationships go up like stairs, but down like an elevator.

FAILING TO LISTEN

Perhaps the most damaging mistake is not taking time to truly listen to customers. When lenders focus solely on products and numbers without understanding what drives their customers—their family dynamics, personal goals, and business aspirations—they miss opportunities to build meaningful connections. Without listening, they're essentially flying blind, making assumptions about what the customer needs rather than discovering what matters to them.

WHAT BUILDS RELATIONSHIPS

Successful relationship builders focus on the "As & Ps" of customer service:

Available - Be there when customers need you.
Amenable - Maintain strong people skills and a positive attitude.
Persistent - Follow through consistently.
Product Knowledge - Know what you're offering.
Polite - "Thank you" is underused but powerful.

Simple gestures matter—handwritten notes, recognizing customer milestones, participating in community events. It's about more than checking boxes. It's about genuine engagement. But what matters most is demonstrating an understanding of what's important to customers beyond just the financial transaction. When customers feel heard and understood, they become partners rather than simply account holders.

THE ART OF LISTENING

Great lenders are great listeners. They ask open-ended questions: "What does success look like for your operation in five years?" "What about your business keeps you up at night?" "How do you envision your family's involvement going forward?" Then they listen, really listen, to the answers.

This isn't just about gathering information for a CRM system. It's about understanding the person behind the numbers. When a lender knows that a customer's daughter is studying agricultural business and plans to return to the farm, that insight can shape how they structure loans and plan for the future. When a lender understands that a business owner's biggest concern is maintaining their reputation within the community, you can tailor your approach accordingly.

MEASURING RELATIONSHIP SUCCESS

There's no single metric for measuring ROR, but several indicators work together:

CUSTOMER RETENTION

What percentage of business comes from existing versus new customers? Strong performers typically see 65-80% from 1existing relationships over five years.

WALLET SHARE
How much of a customer's total financial business is captured? Consider long-term, intermediate, and short-term lending based on an institution's strengths.

RELATED SERVICES
Measure cross-selling success, but only for services the lending institution can deliver well.

CREDIT QUALITY AND PROFITABILITY
Strong relationships typically correlate with better credit quality and long-term profitability.

LIFETIME VALUE
Consider the total relationship value over time. Tom Peters once noted that a car showroom customer represents potentially $250,000 over 13 vehicles, with seven purchased after 50 years of age. Similarly, my first $5,000 agricultural loan grew to $9 million over my lifetime.

KEY TAKEAWAYS

There's no cookie-cutter approach. Give direction but allow room for creativity and spontaneity. Invest in education programs, youth initiatives, and community events.

Remember that while each customer is unique, their families, operations, and goals are different. This is why relationship building is not one-size-fits-all. A lender must take the time to learn what's important to a customer and why. Only then can they be served effectively.

Define metrics but stay flexible and empower the lending team. When lenders are going the extra mile for customers, when they remember personal details, anticipate needs, and genuinely care about their customers' success, that is the ultimate measure of success. The human touch remains irreplaceable, even in our technology-driven world.

LENDER AND BUSINESS DASHBOARD ECONOMIC INDICATOR ASSESSMENT

September 2025

GLOBAL ECONOMY

The agriculture industry depends far more heavily on export markets than the broader economy. While exports account for 10% of net income in the general economy, they represent 20% of agriculture’s net income. Export-dependent commodities like cotton and soybeans are particularly vulnerable to several key variables that deserve close monitoring, as they can directly or indirectly impact export-driven businesses’ performance and profitability.

China controls over 90% of rare earth minerals, which are essential for modern agricultural technology. If China decides to use these critical metals as leverage in trade negotiations, whether through sanctions, tariffs, or other restrictions, it could significantly impact agricultural operations and trade levels.

While deals have been made with Japan, the United Kington, the European Union, and South Korea, the big three for agriculture remain on the table: Mexico, Canada, and China. These deals could be temporary for both exports and imports, creating volatility in price and cost while adding uncertainty to long-term planning.

FALL WATCH LIST

FUNDING OF TREASURIES AND BONDS

Foreign countries have reduced their funding of U.S. treasuries and bonds from 50% to 30%. This shift could be used as leverage in trade negotiations and regional conflicts. The trend could significantly impact the long-term cost of money.

This fall’s new crop sales to Mexico and China are likely to be critical for agricultural prices. The dollar decline has been favorable for exports and challenging for imports. The fluctuation of other countries’ currencies may also need to be closely monitored.

The race for leadership in AI could impact energy needs throughout the globe. A negative event with the use of AI could slow adoption and require strategic critical thinking of unintended consequences. Will the positives offset the negatives?

DOMESTIC ECONOMY

The U.S. economy needs to zero in on unemployment, consumer sentiment, the status of the housing market, the stock market, and other investments. A closer look at unemployment rates, which are historically low, reveals specific sectors where workers are being laid off and areas that are not hiring. Recent college graduates face a bearish job market. White-collar employment, repetitive work, and data entry jobs are being replaced by AI at an accelerating rate. This is improving profit and loss statements and corporate balance sheets, which is reflected in the stock market. We also see this in the concentration of wealth, particularly among the magnificent seven, a group of seven large-cap technology companies. The question remains: How much longer will this continue, and at what point will it create tension between the C-suite workforce and society, given the rising perception that profits matter more than people?

Consumer sentiment continues to be low, in the 60s range, which is below 75, the level considered a modest yellow light. A smaller segment of the population that has seen considerable paper wealth and appreciation in the stock market and real estate continues to drive spending. Any long-term correction in paper wealth could quickly push this sector, which drives 70% of the U.S. economy, into recession mode.

NOISE IN THE DATA

Many are questioning the validity of data generated by the government and other leading data institutions. Major disruptions such as tariffs, stimulus adjustments, and changes in monetary policy often create standard deviations from the norm in the data. The noise in GDP numbers impacted by imports and exports can provide data points that simply do not make sense. Sometimes, we need to tap the brakes on drawing conclusions from a single data point: a trend is your friend.

LEAD AND LAG ECONOMIC INDICATORS

Observations have already been made in this publication concerning such indicators as unemployment, consumer sentiment, and GDP.

The Leading Economic Index (LEI) and Purchasing Manager Index (PMI) number trends are still sluggish in the general economy, neither robust nor in recession. The PMI has been under 50 for most of the year, and the LEI Diffusion Index suggests that while we are not in recession or going over the edge, we are not in a robust economy.

Housing starts are sluggish. Distressed housing in key states such as Florida, Arizona, Texas, and California bears watching for potential paper wealth declines. Similar to that, follow the "no sales." They are increasing and becoming more prominent in these states and others.

Inflation in the general economy has continued to move toward the Federal Reserve's goal, although it recently has stalled. At the same time, the labor market has slowed. As a result, the Fed initiated a rate cut in September, its first in this cycle, with the possibility of further adjustments through year-end.

A final point on both the U.S. and the global economy moving forward: The impact of tariffs on the economy is usually seen one to three years later. The global economy is reshuffling the deck, forming trading blocks in this de-globalization cycle. Personally, I would prefer a North American bloc that represents 5% of the population and 29% of the world economy as a strategic move.

LENDER AND BUSINESS DASHBOARD ECONOMIC INDICATORS

For the months of August and September

Indicator	Current	Green	Yellow	Red
Leading Economic Index – LEI	98.7		●	
LEI Diffusion Index	65	●		
Purchasing Manager Index – PMI	48		●	
Housing Starts (millions)	1.428		●	
Factory Capacity Utilization	77.5%		●	
Unemployment Rate	4.2%	●		
Core Inflation	3.1%		●	
Headline Inflation	2.7%	●		
Oil Price ($/barrel)	$70.31		●	
Yield Curve	(0.11)			●

LENDER AND BUSINESS DASHBOARD ECONOMIC INDICATOR BENCHMARKS

Indicator	Green	Yellow	Red
The Conference Board Leading Economic Index® – LEI	Increasing	Flat to Decline	Decline 0.3% for 3 consecutive months and >1% over the period
LEI Diffusion[1]	>60%	40% – 60%	<40%
Purchasing Manager Index – PMI	>50	41.7 – 50	<41.7
Housing Starts (millions)	>1.5	1.0 – 1.5	<1.0
Factory Capacity Utilization	>80%	70% – 80%	<70%
Unemployment Rate	<6%	6% – 8%	>8%
Core Inflation	0% – 2%	2% – 4%	>4% or <0%
Headline Inflation[2]	0% – 4%	4% – 5%	>5% or <0%
Oil Price[3] ($/barrel)	<$50	$50 – $100	>$100
Yield Curve[4]	Steep	Flattening	Inverted

[1] Ten indicators make up the LEI – measures % that are increasing
[2] Includes food and energy
[3] Consumer's perspective
[4] 3-Month Treasury Bill rate to 10-Year Bond rate