



# *Product Changes*

*Enhancements to Farm & Ranch Loan Purchase Solution*

# *Agenda*

- **What's This All About?**

- The Details
- The Reasons

- **What Else?**

- Rate Resets
- New Resources

- **Impacts - FAQ**

- New and Existing Loans
- Looking Forward

- **More Enhancements**

- Updated Rate Sheets
- Pricing Announcement!
- Dates to Know



## *What's This All About?*

### Farmer Mac is replacing specific products within the Farm & Ranch Loan Purchase Solution

- Replacing **LIBOR-based products** and **Treasury-based ARMs** (Adjustable Rate Mortgages) with **VRMs** (Variable Rate Mortgages)
- Key forces driving the need for change
  - ✓ Commitment to delivering competitive and flexible products
  - ✓ Customer satisfaction and loan retention
  - ✓ Dissolution of LIBOR



## *What is a VRM?*

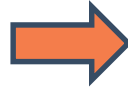
- Farmer Mac's variable rate mortgages (VRMs) are fixed for an initial period, reprice off of a Farmer Mac managed index, and are then fixed for the same period (not to exceed the remaining term of the loan). Repricing continues until loan maturity.
- Examples:
  - 10-year VRM, 25-year amortization and maturity; reprices at year 10 & 20, fixed for the final 5 years
  - 10-year VRM, 30-year amortization and maturity; reprices at year 10 & 20, fixed for the final 10 years
  - 5-year VRM, 20-year amortization and maturity; reprices at year 5, 10, & 15, fixed for the final 5 years
- Payments are fully amortized over the loan term (length of maturity and amortization must be the same)
- Balloon payments are not allowed



## What's Changing?

### BEFORE

- AgEquity (RLOC) 1-month LIBOR\*
- 1-Month LIBOR ARM
- 1-, 3-, and 5-Year ARM\*\*\*
- 5-Year VRM with yield maintenance (i.e., prepayment penalty)



### AFTER

- AgEquity (RLOC) 1-month VRM\*\*
- 1-Month VRM
- 1-, 3-, and 5-Year VRM
- Removed as a product option

\*LIBOR = London Interbank Offered Rate

\*\*VRM = Variable Rate Mortgage

\*\*\*ARM = Adjustable Rate Mortgage



## Noteworthy Enhancements

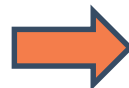
### BEFORE

- *LIBOR & ARMs limited to 15-year maturities with only 15- or 25-year amortizations*
- *LIBOR & ARM rate resets based on a public index plus a fixed reset margin*
- *Central Servicers must contact Farmer Mac to obtain VRM reset rates*



### AFTER

- *VRM terms and amortizations from 15- to 30-years on the 1-month VRM, 1-, 3-, 5-, 10-, and 15-year VRMs*
- *VRM reset rates will be published on [efarmermac.com](http://efarmermac.com) and made available to Central Servicers and Sellers*
- *Central Servicers are equipped to determine reset rates more quickly, with access to original loan terms and reset rates*



## *The Reasons For Change – Our Customers*

- Customer Satisfaction

- Commitment to delivering more competitive products
  - Increased flexibility and more product options (increase to 30-year terms)

- Loan Retention

- Treasury ARMs initially priced based on Farmer Mac's COF plus spread
- At time of rate reset – these products reprice based on applicable treasury rate plus a fixed spread (2.30% or 2.50%)
  - Spread compensates Farmer Mac for a variety of risks
  - Fixed for life of loan and thus exposes Farmer Mac to basis risk between COF and Treasury rates
  - At times, could result in new Treasury ARMs priced much lower than reset rate on existing loans of the same product

	New Product Initial Rate	Reset Rate (Treasury Plus 2.50% margin)	Difference
5-year Treasury ARM	4.92%	5.41%	0.49%
3-year Treasury ARM	4.71%	5.35%	0.64%
1-year Treasury ARM	4.36%	5.13%	0.77%



## *The Reasons For Change - LIBOR*

- LIBOR benchmark rate expected to be discontinued after 2021
- Farmer Mac must take steps to reduce new exposure to LIBOR
- Create market familiarity with new floating rate products
- Regulatorily driven - FCA mandated

*Want to know more about LIBOR? Visit **The Feed** (Fall 2018 Edition, pages 7 & 8)  
(Located at [www.farmermac.com](http://www.farmermac.com) under News & Events)*





## Reset Rate Access

- Log in at [www.efarmermac.com](http://www.efarmermac.com)
- Two new links will appear providing access to 2-day and 45-day lookback reset rates

### Farmer Mac Rates

- ▷ Farmer Mac Rates Post Schedule
- ▷ Farm and Ranch Loan Purchase Rates
- ▷ Farm and Ranch Loan Purchase - ABA Rates
- ▷ Farm and Ranch Loan Purchase - ICBA Rates
- ▷ AgVantage Rates
- ▷ Farm & Ranch Variable Rate Mortgage (VRM) Reset Rates - Monthly Resets
- ▷ Farm & Ranch Variable Rate Mortgage (VRM) Reset Rates - All Other Resets
- ▷ Farmer Mac 2 Rates
- ▷ Historical Farmer Mac 2 COFI Rates



## Rate Reset Information

- Web pages (i.e., rate tables) posted daily
  - Displays the past 60 days of reset rates
  - Excel version available for download
  - **Important!** These are base rates...not the final rate to the Borrower.
- *VRM Rate Reset Guide* provides detail and reset example
  - Accessible above the tables and in the Resource Library
- Central Servicers will continue to manage rate reset process and documentation

### Farm & Ranch Variable Rate Mortgage (VRM) Reset Rates - Monthly Resets

The rates listed below are to determine rate resets on existing Variable Rate Mortgage (VRM) loans. Please use the daily Farm & Ranch Loan Purchase Solution rate sheet for new loan pricing. For additional information regarding VRM rate resets, please review the [VRM Rate Reset Guide](#) or contact your appointed Central Servicer.

The posted rates in this table are for historical and informational purposes only and are not indicative of, do not imply, and should not be used to assume future results or rate environments.

Determination Date	Effective Date	AgEquity	1-month
May 16, 2019	May 20, 2019	5.18 %	5.09 %
May 15, 2019	May 17, 2019	5.17 %	5.08 %
May 14, 2019	May 16, 2019	5.17 %	5.08 %
May 13, 2019	May 15, 2019	5.16 %	5.07 %
May 10, 2019	May 14, 2019	5.16 %	5.07 %
May 09, 2019	May 13, 2019	5.15 %	5.06 %
May 08, 2019	May 10, 2019	5.15 %	5.06 %
May 07, 2019	May 09, 2019	5.14 %	5.05 %
May 06, 2019	May 08, 2019	5.14 %	5.05 %
May 03, 2019	May 07, 2019	5.13 %	5.04 %
May 02, 2019	May 06, 2019	5.13 %	5.04 %
May 01, 2019	May 03, 2019	5.12 %	5.03 %

### Farm & Ranch Variable Rate Mortgage (VRM) Reset Rates - All Other Resets

The rates listed below are to determine rate resets on existing Variable Rate Mortgage (VRM) loans. Please use the daily Farm & Ranch Loan Purchase Solution rate sheet for new loan pricing. For additional information regarding VRM rate resets, please review the [VRM Rate Reset Guide](#) or contact your appointed Central Servicer.

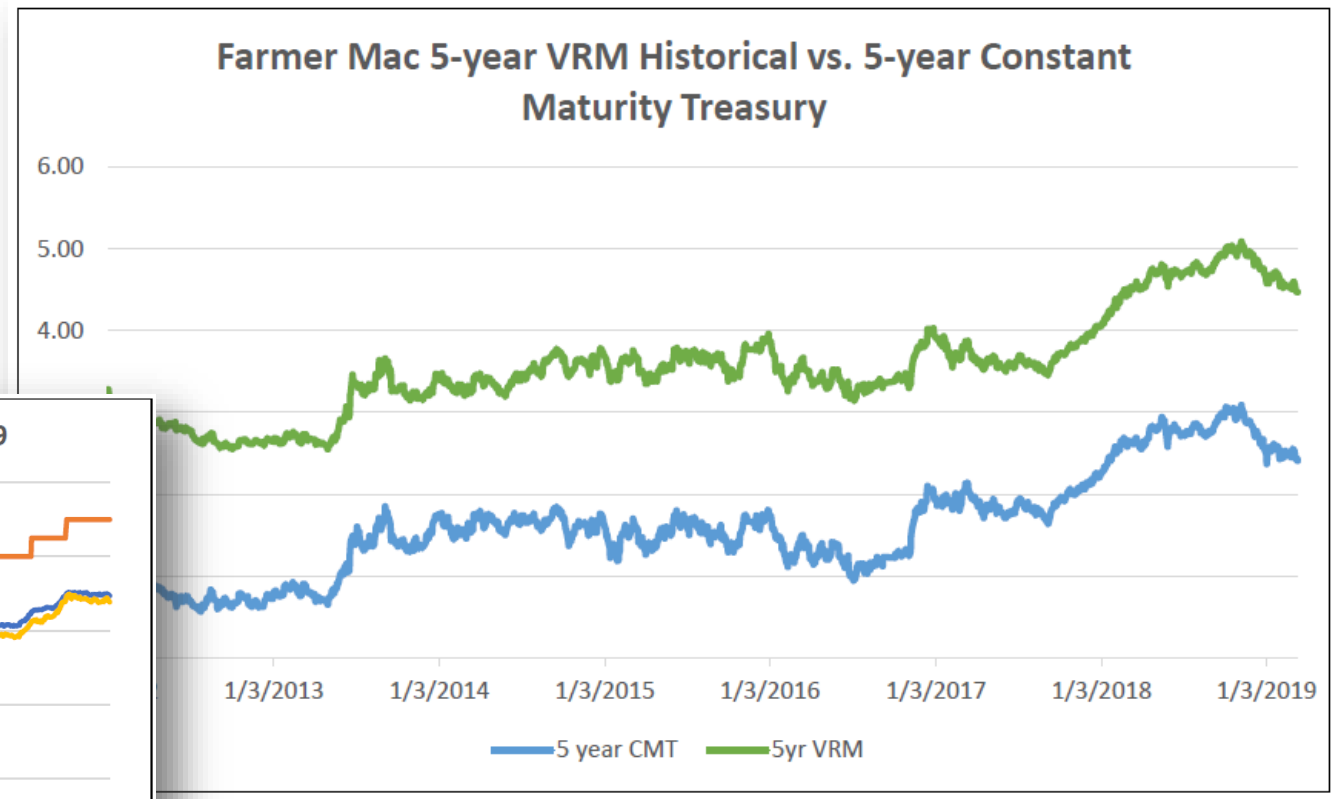
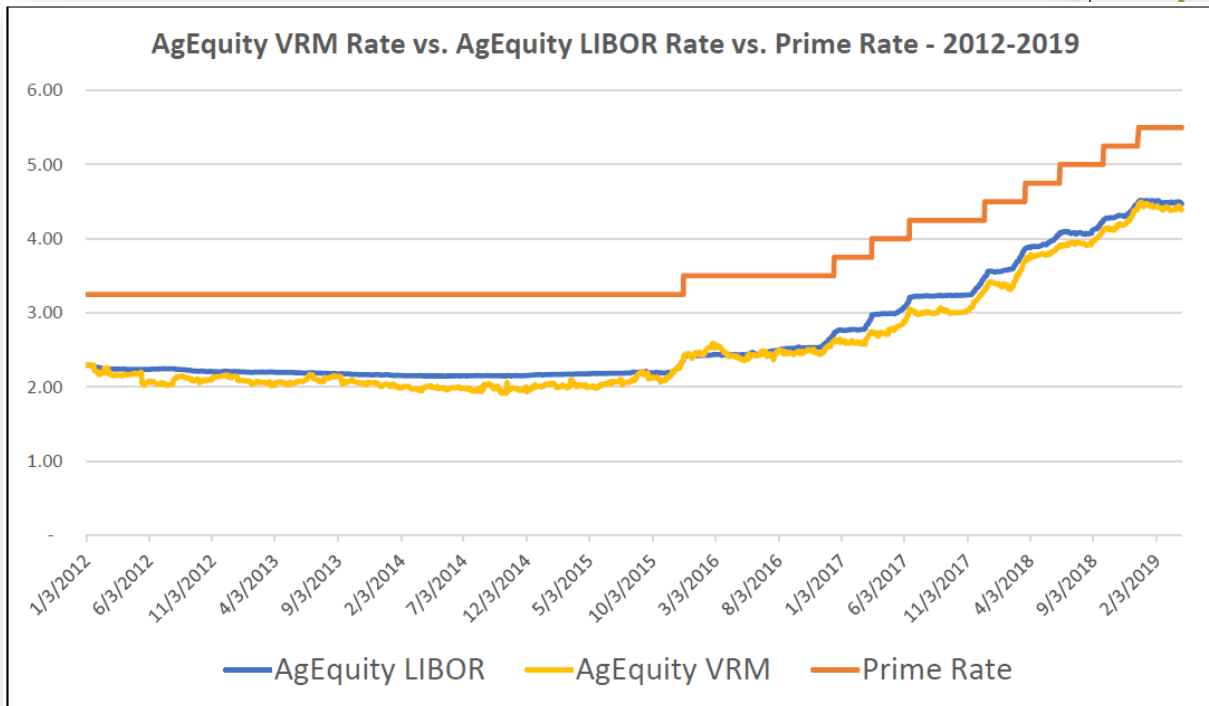
The posted rates in this table are for historical and informational purposes only and are not indicative of, do not imply, and should not be used to assume future results or rate environments.

Determination Date	Effective Date	1-year	3-year	5-year	10-year	15-year
May 16, 2019	June 30, 2019	4.05 %	4.10 %	4.26 %	4.88 %	5.02 %
May 15, 2019	June 29, 2019	4.06 %	4.11 %	4.27 %	4.88 %	5.03 %
May 14, 2019	June 28, 2019	4.06 %	4.11 %	4.27 %	4.89 %	5.03 %
May 13, 2019	June 27, 2019	4.07 %	4.12 %	4.28 %	4.89 %	5.04 %
May 10, 2019	June 24, 2019	4.07 %	4.12 %	4.28 %	4.90 %	5.04 %
May 09, 2019	June 23, 2019	4.08 %	4.13 %	4.29 %	4.90 %	5.05 %
May 08, 2019	June 22, 2019	4.08 %	4.13 %	4.29 %	4.91 %	5.05 %
May 07, 2019	June 21, 2019	4.09 %	4.14 %	4.30 %	4.91 %	5.06 %
May 06, 2019	June 20, 2019	4.09 %	4.14 %	4.30 %	4.92 %	5.06 %
May 03, 2019	June 17, 2019	4.10 %	4.15 %	4.31 %	4.92 %	5.07 %



## Historical Rate Resources

- Just in case you need it...
  - 1-month, LIBOR, 1-, 3-, & 5-year comparisons to Prime & CMT
  - Resource Library



## Are You Wondering?

**Q:** How does the removal of ARM and LIBOR products affect existing ARM and LIBOR loans ?

**A:** Existing ARM and LIBOR loans will continue to reprice in accordance with their original Note terms. Conversion options and the discontinuance of LIBOR is addressed in the sections below.

**Q:** What happens to an existing LIBOR loan when LIBOR is discontinued across the industry and is no longer an available index?

**A:** As written in the Note, if an index is no longer available, the Note holder (i.e., Farmer Mac) will choose a new index based on comparable information, and it will be automatically applied to the loan. The Borrower will be notified by the Central Servicer.

**Q:** Does the removal of LIBOR from the rate sheet affect the revolving feature of an AgEquity loan?

**A:** The revolving feature (i.e., 5- or 10-year draw period) will continue in accordance with the original Note terms. If LIBOR becomes universally unavailable during the revolving period, the LIBOR index will be automatically replaced with a comparable index, and the revolving period will continue as normal, per the Note.

**Q:** Why is Farmer Mac removing the LIBOR-based products? What is the replacement?

**A:** The LIBOR benchmark is expected to be universally discontinued after 2021. To reduce continued LIBOR exposure, 1-month VRM and AgEquity VRM replacement products will be offered. An index based on comparable information will be offered once an industry standard is established.



## More Questions Answered

<b>Q:</b> Does Farmer Mac allow existing VRM loans to convert to VRM products?	<b>A:</b> Yes. A Borrower with an existing VRM loan may convert to another VRM product, provided that the maturity date and remaining amortization do not change. Additionally, the Borrower may not convert into the same VRM product (e.g., 10-yr VRM into a 10-yr VRM).
<b>Q:</b> Who does the Borrower contact if he/she desires to convert to another product?	<b>A:</b> Borrowers may contact the originating Lender/Seller or Central Servicer to inquire about conversions.
<b>Q:</b> What is the impact to loans in process that have not yet rate locked?	<b>A:</b> Rate lock requests for the 1-, 3-, 5-year ARMs and LIBOR products will be accepted prior to 7/1/2019, regardless of the closing/purchase date. If a loan is approved but not rate locked prior to 7/1/2019, the Borrower must choose from a list of eligible products as of the day of requested rate lock. All standard rate lock procedures and fees apply as usual.



## Just About Covered It

**Q:** Is there a prepayment penalty on the new VRM products? What about the yield maintenance provision?

**A:** The VRM products permit principal payments on any scheduled payment date (i.e., installment date) or rate reset date, as described in the Seller/Service Guide. The 5-year VRM with yield maintenance is being discontinued.

**Q:** Have the PPDocs (i.e., online documents option) been updated? What if my institution uses its own closing documents?

**A:** PPDocs templates have been updated to reflect Farmer Mac's product changes. ARM and LIBOR-based documents will be available only for loans rate locked prior to 7/1/2019. If your institution does not use PPDocs, your institution must update its closing documents, per the Seller/Service Guide.

**Q:** What existing Farmer Mac materials have been impacted by this product change and where are they located?

**A:** The impacted materials are located within the Resource Library at [www.efarmermac.com](http://www.efarmermac.com). They include:

- Seller/Service Guide
- Farm & Ranch Training Kit
- Product Descriptions
- Conversion Guide
- VRM Rate Reset Guide





## Rate Sheet Updates

- LIBOR and Treasury-based products replaced with VRMs
- Longer terms and amortizations

## Farm & Ranch Loan Purchase Solution

Products	Term	Amortization	Choice Reset Margin	Standard Rates	Choice Rates
AgEquity VRM	25   30	15   20   25		4.50%	N/A
1-month VRM	15   20   25   30	15   20   25   30		4.59%	4.24%
1-year VRM	15   20   25   30	15   20   25   30		3.93%	3.58%
3-year VRM	15   20	15   20		4.02%	3.67%
3-year VRM	25   30	25   30		4.16%	3.81%
5-year VRM	15   20	15   20		4.14%	3.79%
5-year VRM	25   30	25   30		4.16%	3.81%
7/1 ARM	15	15   25	3.25%	4.44%	4.31%
10/1 ARM	15	15   25	3.25%	4.68%	4.55%
10-year VRM	15   20	15   20		4.77%	4.42%
10-year VRM	25   30	25   30		4.83%	4.48%
15-year VRM	20	20		4.87%	4.52%
15-year VRM	25   30	25   30		4.95%	4.60%
7-year Fixed	7	15   25		4.39%	4.04%
10-year Fixed	10	10		4.66%	4.31%
15-year Fixed	15	15		4.70%	4.35%
15-year Fixed	15	25		4.91%	4.56%
20-year Fixed	20	20		4.72%	4.37%
25-year Fixed	25	25		4.78%	4.43%
30-year Fixed	30	30		4.95%	4.60%



## *Wait...There's More!*

- Choice Pricing reduction!
  - 15 basis point reduction\* on the following products
    - 1-month LIBOR
    - 1-, 3-, 5-year ARM
    - 10- & 15-year VRM
    - 7-, 10-, & 15-year Fixed
- Let's keep going!
  - 15 basis point reduction\* on the following products
    - 20, 25, & 30-year Fixed



Coming  
June 3!



Coming  
July 1!

*\* Total difference between standard and choice will be 35 bps!*





## AgPower Enhancements Too!

- AgPower “Application” tab improvements
  - Auto-populated “State” and “County” fields within drop-down menus
    - User may select multiple states and counties
  - Eliminated redundant water questions
  - Replaced with Ag Water Supply Questionnaire (Form 1020) reminder!
  - Product drop-down updated accordingly (with VRM changes)

### Security:

Acres:

500

State:

California

County:

Title is/will be vested in:

Mikey Mouse

Is the property irrigated? ☒ Yes ☐ No

Has the Agricultural Water Supply Questionnaire (FAMC Form 1020) been completed by the Borrower(s)? ☐ Yes ☐ No

The Agricultural Water Supply Questionnaire is required on any irrigated property. The Questionnaire should be completed by the Borrower(s) and provided to the Appraiser prior to the start of the appraisal. Please upload a copy of the Questionnaire to the Communications/Attachments Tab.



## Dates to Know

June 3, 2019!

- Choice Pricing Reduction on most products
  - VRM Rate Reset Guide, FAQ, and historical rate charts available for download (via Resource Library at [www.efarmermac.com](http://www.efarmermac.com))

July 1, 2019!

- LIBOR & U.S. Treasury-based ARMs replaced with VRMs
  - Rate Sheets updated
  - Choice pricing reduction on more products
  - Updated e-Training Kit, Product Descriptions, & Conversion Guide
  - AgPower enhancements (Application Tab)

Coming Soon!

- Updates to Seller/Service Guide
- Newest edition of *The Forward*

Are you receiving Farmer Mac communications? Login to [www.efarmermac.com](http://www.efarmermac.com) and update “My Profile”.

- ☒ Send Me Future Announcements
- ☒ Please email me the daily Farmer Mac rates



## *Contact Us*

### **Business Development**

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866.452.2617





*Thank You!*