



FARMER  AC

*Is Your Borrower Circling
the Drain?*

*Curt Covington
Sr. Vice President
Farmer Mac*

Who's at Risk?

Borrower Risk Characteristics

Youngest

Liquidity Constrained

Undercapitalized

No Risk Management Plan

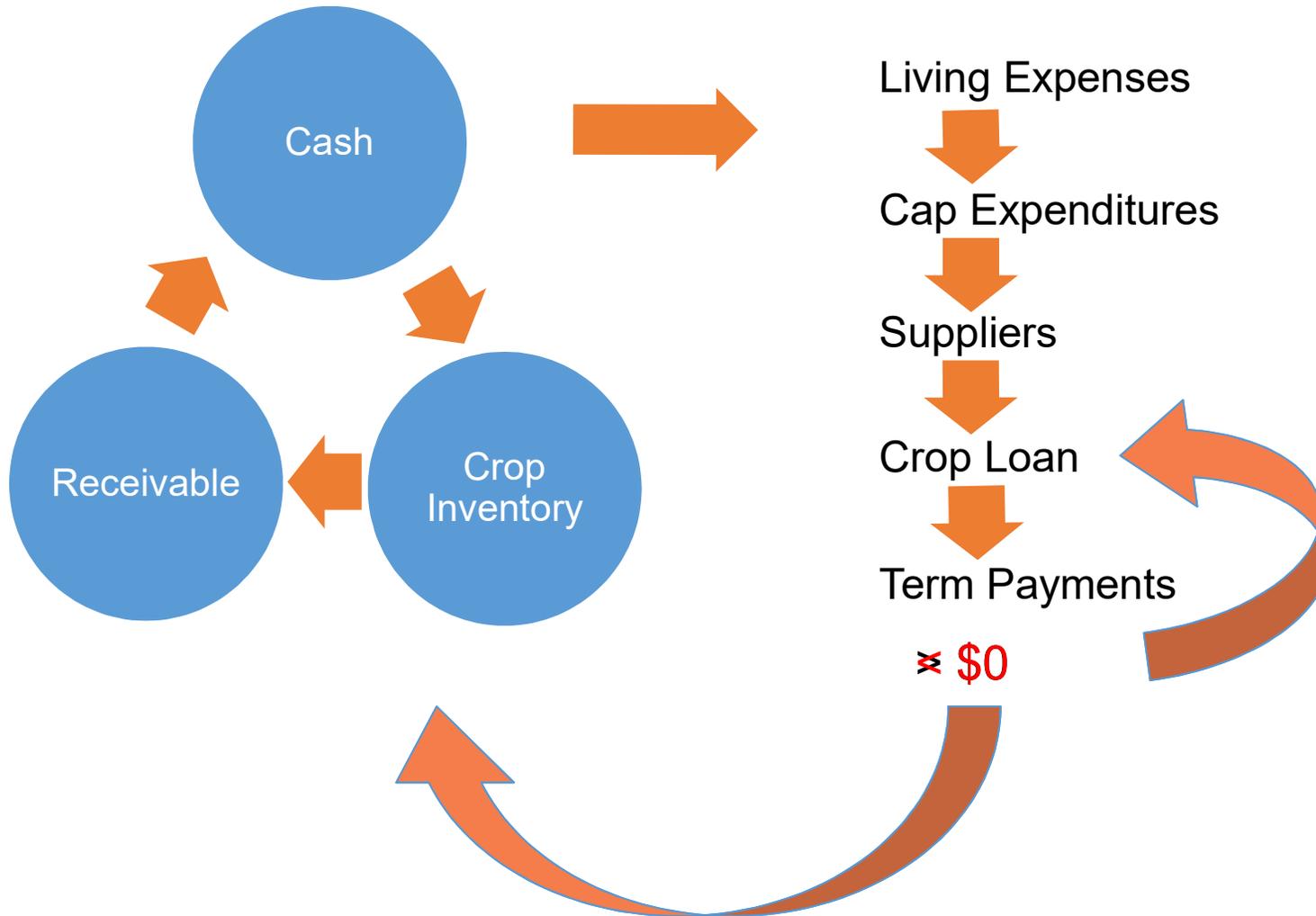
Dependent

Uniformed



Who is Not

The Best Understand the Waterfall



Distressed Borrowers

Signs of Distress



What Are Some Signs of Distress?

Top of the List

Borrower “goes dark”

Change in behavior

Lack of cooperation

Employee turnover

Payroll tax delinquencies

Check or ACH rejects

Management discourse

Marital status

Deteriorating asset conditions

Inconsistent statements



Distressed Borrowers

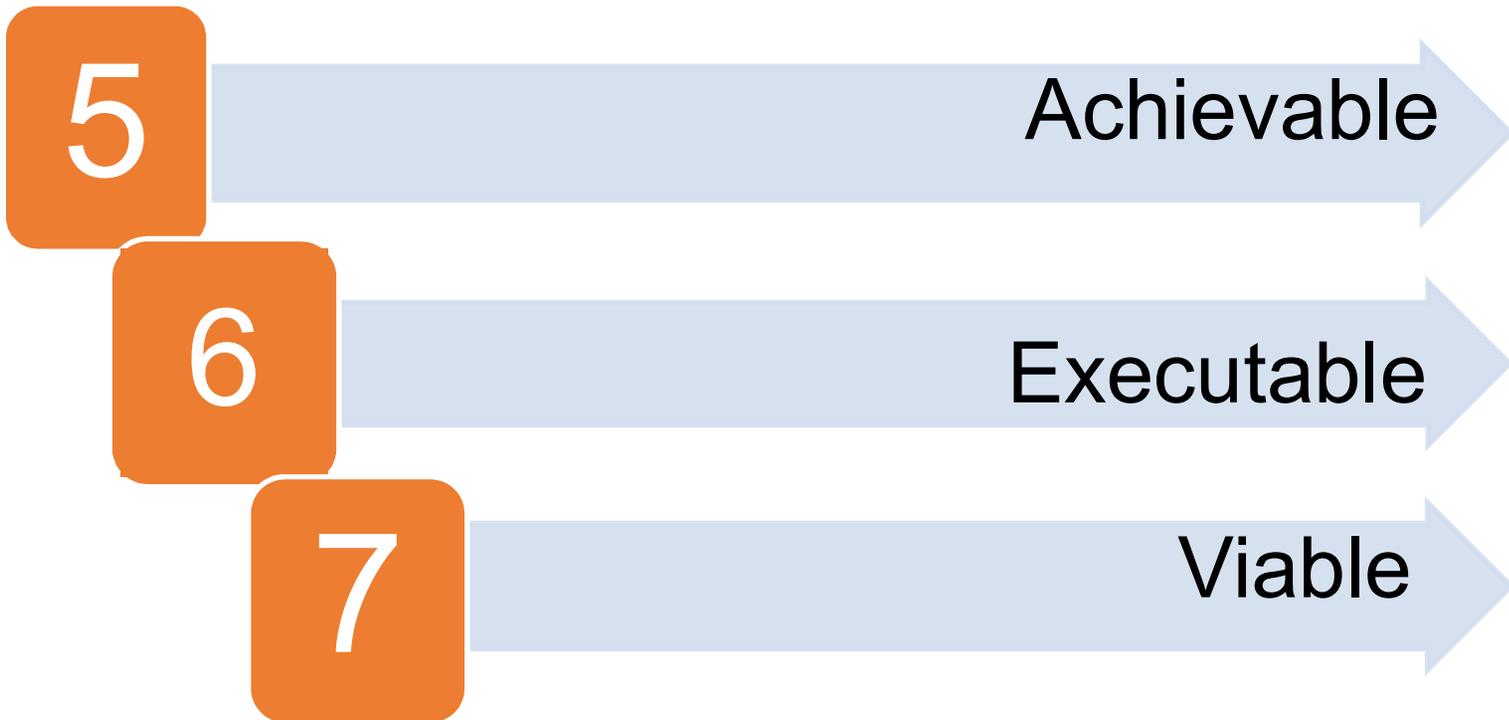
Proactive Distressed Borrowers



A Proactive Distressed Borrower



A Proactive Distressed Borrower



Distressed Borrowers

What's Happening Behind the Curtain?



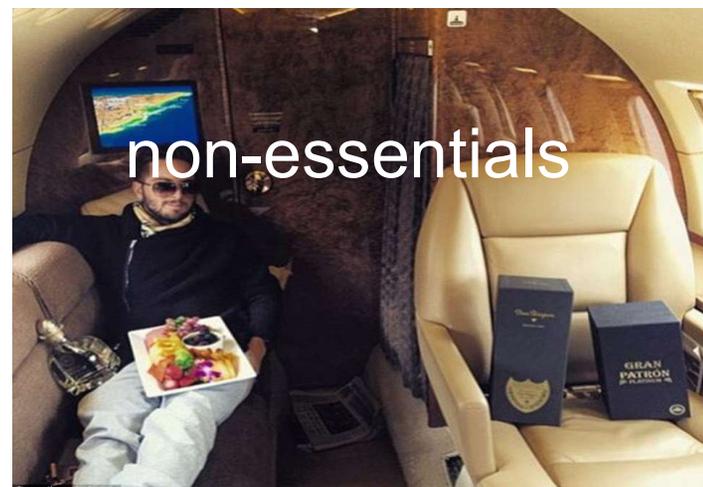
What's Happening Behind the Curtain?

Outside advice your borrower might be getting

but not too much!



eliminate the ...



What's Happening Behind the Curtain?

seek counsel but don't... let the bank know



file before they 

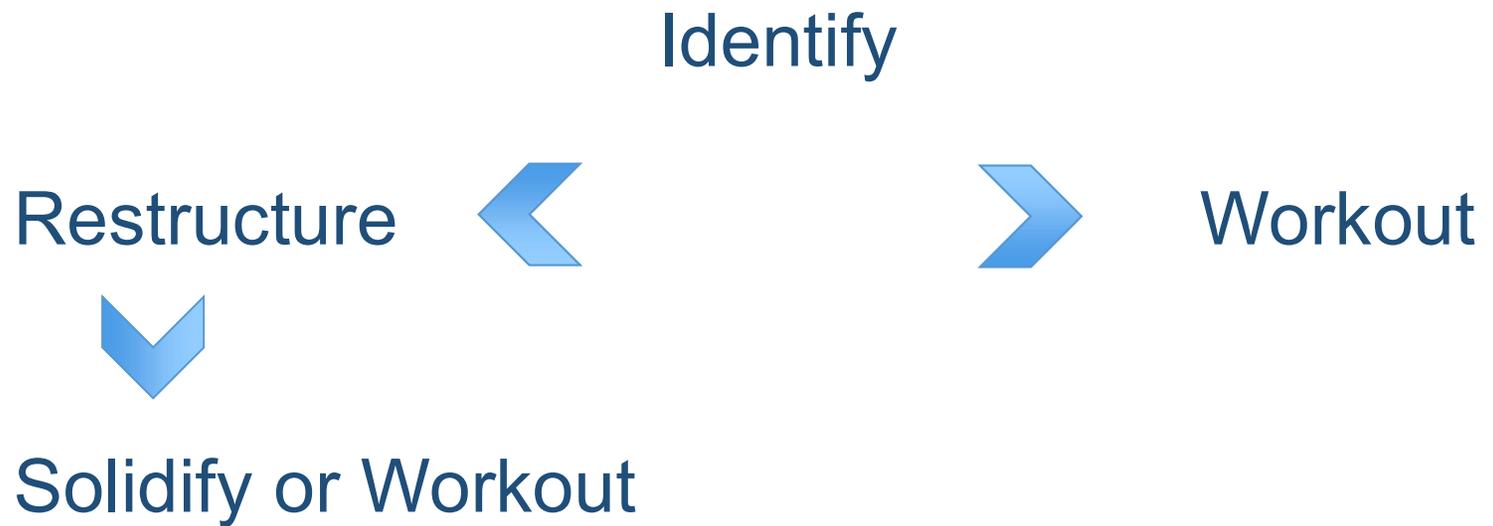


Handling Distressed Relationships

What Is Your Responsibility?



Things to Consider



Things to Consider in Workouts

Top of the List

Get Competent Counsel

Loan Review – Loan Structure and Documents

Search and Update Based on Loan Structure

Look and Correct Defects “If Possible”

Look For And Act on Third Party Claims

Tighten Control of Proceeds

Collateral Inspection, Valuation, Examination

Guarantor (And Asset) Review

Government Guarantee Review

Game Plan – Least Cost Analysis



Things To Consider

Step 1:

a) Unpaid Debt + Interest Accrual Today = _____

b) NRV Sale of Collateral Today = _____

c) Gain or (Loss) on Sale = _____

Step 2:

d) Projected Cash Flow Next X Years = _____

e) Projected Funding + Interest X Years = _____

f) Cash Flow Excess (Shortfall) = _____

g) Present Value of Future Cash Flow = _____

Step 3: Choose the Better Option



Rules to Live By

Rules to Live By



Rule #1: You are a Lender, Not a Speculator

Don't throw good money after bad



Your first loss is your least loss



Rule #2: Require a Financial Roadmap

“Don't tell me what you value, show me your budget, and I'll tell you what you value.”



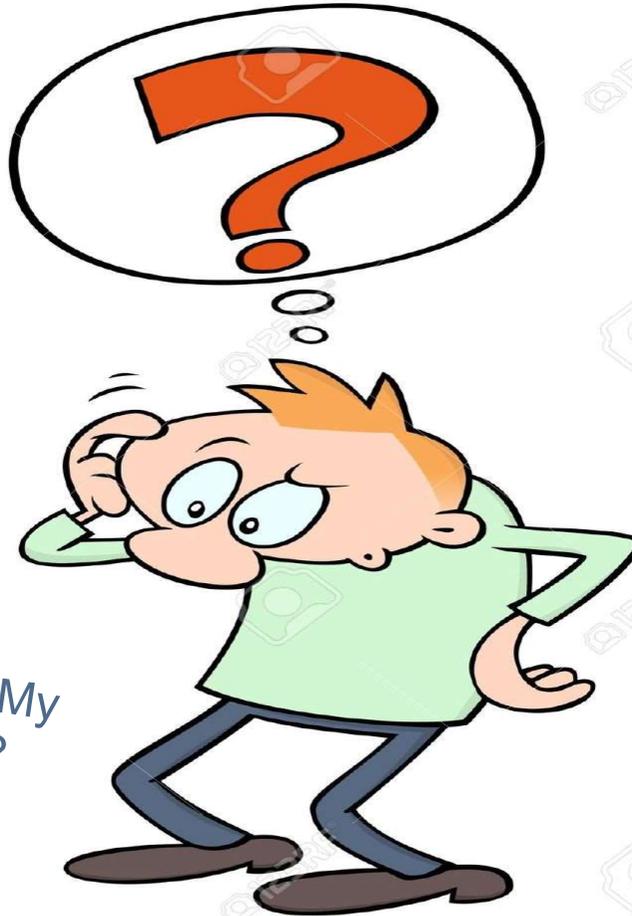
Rule #3: If It Doesn't Feel Right, Don't Do It

Can I Trust Him?

What are the Odds
this Plan Works?

Have I Done My
Homework?

Do We Have the
Bandwidth?



Rule #4: Don't Go It Alone



Losses go with the territory

Zero losses means zero loan growth.



Rules to Live By

Questions?

