Is Your Borrower Circling the Drain?

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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

Cash

Receivable

Crop Inventory

Living Expenses

Cap Expenditures

Suppliers

Crop Loan

Term Payments

≈ $0
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

1. Communicate
2. Proactive
3. Enlist Help
4. Written Plan
A Proactive Distressed Borrower

5. Achievable
6. Executable
7. Viable
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 …

communicate

non-essentials
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

Identify

Restructure ←

Solidify or Workout

Workout →
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
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?
- Have I Done My Homework?
- What are the Odds this Plan Works?
- 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?