

A photograph of young green plants with trifoliate leaves growing in dark, rich soil. The plants are in the foreground, and the background shows a vast field under a bright, hazy sky with soft clouds. The lighting suggests a sunrise or sunset, creating a warm, golden glow.

Cultivating Customers

**How Ag Banks Are Helping Their Customers Grow
by Partnering With Farmer Mac**



American
Bankers
Association®



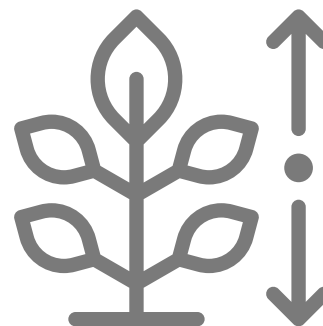
“

For the agricultural economy, uncertainty is not just a fact; it is a lifestyle.”

- JACKSON TAKACH, CHIEF ECONOMIST AND HEAD OF STRATEGY,
RESEARCH AND ANALYTICS, FARMER MAC



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Introduction

The company known as Farmer Mac provides a secondary market for a variety of loans made to borrowers in rural America and is a vital partner for banks in meeting the complex requirements of today's competitive, constantly-evolving agricultural loan market.

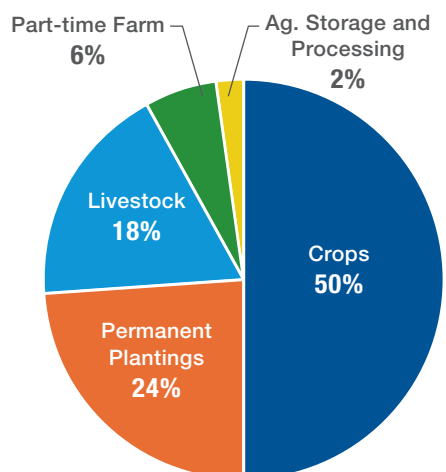
As an innovative provider of agricultural loan products and services, Farmer Mac has focused on increasing the availability and affordability of credit in rural America since 1988. By using Farmer Mac's solutions, bankers can cement existing lending relationships and win new ones. And with access to a secondary market, banks can compete with other banks, the Farm Credit System, insurance companies, specialized lenders, cooperatives and private sources of capital—all while reducing balance sheet risk.

The company reported \$21.9 billion in outstanding business volume as of the end of 2020 and holds a 6.2 percent share of the nation's agricultural real estate balance sheet.¹ The number of lenders participating in Farmer Mac's secondary market is growing steadily, too. In 2020, Farmer Mac's foundational Farm & Ranch Loan Purchase product saw a 51 percent increase in usage from agricultural lenders across the country.

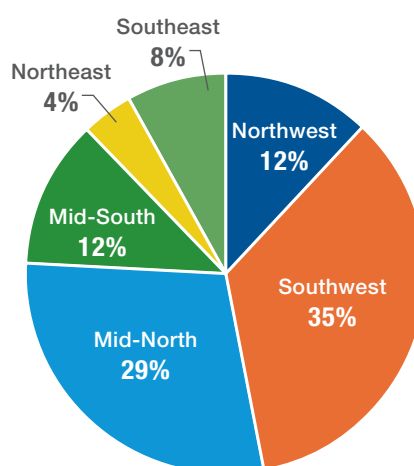
Farmer Mac's Farm & Ranch Loan Portfolio Diversification

AS OF DECEMBER 31, 2020

BY COMMODITY TYPE



BY GEOGRAPHIC REGION

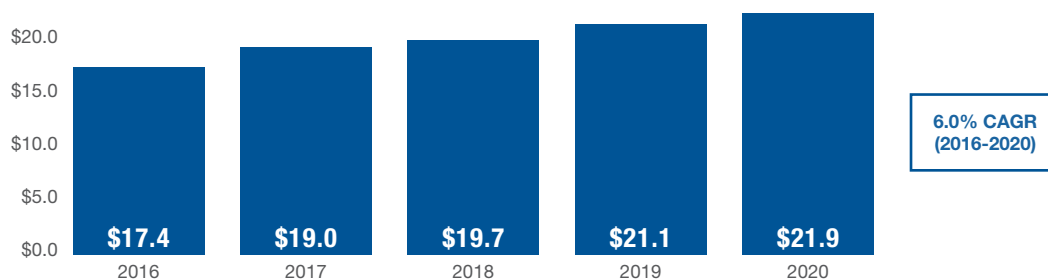


¹ <https://www.farmermac.com/wp-content/uploads/4Q20-Equity-Presentation.pdf>, page 7



Farmer Mac's Outstanding Business Volume

\$ IN BILLIONS, AS OF DECEMBER 31, 2020



Created to help ameliorate a financial crisis that hobbled farmers as well as their lending institutions, Farmer Mac is now undeniably hitting its stride. In increasingly innovative ways, it is assisting lenders to deliver the flexible, reliable and competitive funding options that farmers and ranchers need as they grapple with a rapidly evolving marketplace, including the rise of digital technology. Farmer Mac is pursuing a vision of constant improvements in efficiency and customer experience in a project it calls “Great Reimagined.” It has embarked on a journey to elevate the lender experience and usher in a more flexible, intuitive and robust era by reexamining and evolving what they offer, and how they do business. One such example is the AgXpress underwriting scorecard, which allows for rapid approvals—24 hours or less—on a loan of up to \$1.5 million.

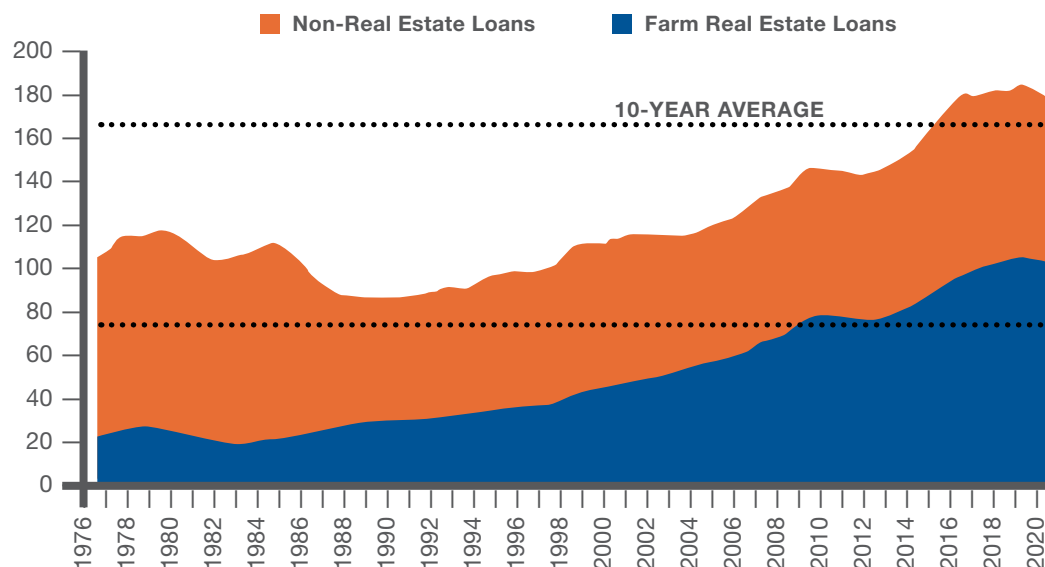
Agricultural lending is, of course, a cornerstone activity of the nation’s community banks. As of December 31, 2020, 1,163 banks—nearly one in four U.S. banks—provided enough credit to agriculture to be considered a farm bank by the Federal Deposit Insurance Corp.² As of December 31, 2020, commercial banks held \$169.7 billion in farm debt, with \$101 billion in real estate and \$68.7 billion in non-real estate loans, according to a recent report by the Federal Reserve Bank of Kansas City.³

² <https://www.fdic.gov/bank/analytical/quarterly/2021-vol15-1/fdic-v15n1-4q2020.pdf> Reports of Condition and Income and Federal Reserve Bank of Kansas City, Table III-A, page 10

³ Reports of Condition and Income and Federal Reserve Bank of Kansas City, March 23, 2021

Farm Debt Outstanding at Commercial Banks

BILLION 2020 \$, FOUR-QUARTER MOVING AVERAGE



Note: Annual changes from September 30, 2019 to June 30, 2020 are adjusted to account for changes due to exclusion of Rabobank, N.A. from commercial bank Call Report data beginning September 30, 2019.

Sources: Reports of Condition and Income and Federal Reserve Board of Governors.

But the agricultural industry, already under stress, has been impacted by the jolts that shook the U.S. economy in 2020. The COVID-19 crisis severely restricted business activity, triggering a sharp economic downturn in the second quarter followed by a rebound in the third quarter.⁴ The U.S. food and agribusiness sectors navigated school and restaurant closures, a sudden decline in gasoline consumption and a murky global economy. As a result, lenders are concerned about farmers' access to working capital, their income and leverage levels and the impact of uncertainty over trade and tariffs.⁵

Against this backdrop, farmers need their lenders to deliver bold solutions. And Farmer Mac is committed to help, working hand in hand with community banks in pursuit of its mission: increasing the availability and affordability of credit to the benefit of farmers, ranchers and rural communities, and the lenders that serve them.

In this report, we examine how Farmer Mac's presence as the secondary market provider of agricultural credit is reshaping the landscape. In interviews with lenders, economists and Farmer Mac leaders, we provide a glimpse into how banks are delivering benefits to their customers by strategically harnessing what Farmer Mac has to offer.



⁴ <https://www.bea.gov/news/blog/2020-10-29/gross-domestic-product-third-quarter-2020-advance-estimate>

⁵ <https://www.aba.com/-/media/documents/reports-and-surveys/2020-ag-lending-survey-report.pdf?rev=551728b-2f2ee42e099671a7f90e064e5&hash=E49ECE362193EE6CBE996DB39B018C71>



Getting to Know You: Why Farmer Mac?

The story of Farmer Mac begins in 1988, but to understand it, one must go back a bit further. The 1970s were a time of plenty for U.S. agriculture, until harsh reality hit in the 1980s and rural America experienced the worst farm crisis since the Great Depression.

A drawdown of massive stockpiles of grain in the 1970s helped drive up commodity prices at a time when demand for U.S. agricultural products was booming, with wheat prices doubling and corn prices tripling in a span of two years.

“As the 1980s began, U.S. farmland exports exceeded \$40 billion, farm prices had nearly doubled since 1970 and farmland value per acre had increased by 220 percent since 1975. Agricultural lending had also increased by 359 percent since 1970, to a total farm debt level of \$178.8 billion,” the FDIC notes in its history of banking crises in the 1980s.⁶

By 1979, the Federal Reserve had tightened monetary policy to reduce inflation, and the prime rate soared to 21.5 percent in 1981, more than tripling in five years. The impact was widespread, but it hit farms and farm lenders especially hard. An embargo on the sale of grain to the Soviet Union led to a price collapse. Farm income had plummeted by 1984; the cost of debt that farmers took on to pay for land, equipment, seed and other supplies spiked.⁷

The combination of too much debt, slumping commodity prices and fallout from government actions gave way to the 1980s farm crisis and accelerated a long trend of farmers leaving their land. By the middle of the decade, the number of family farms had dropped to 2.2 million from a high of 6.8 million in 1935. While the situation grew more dire for farmers, their lenders also began to come under immense stress. Out of 518 bank failures reported by the FDIC from 1984 to 1987, 205 (or nearly 40 percent) involved agricultural banks, and the Farm Credit System reported a net loss in 1985, 1986 and 1987.⁸

In 1988, as part of legislation that also aimed to help the lending system with an injection of \$4 billion and to help producers with restructuring severely delinquent farm debt, Congress created the Federal Agricultural Mortgage Corporation, which would come to be known by the nickname “Farmer Mac” in the style of other government sponsored enterprises. Its mission was to provide

⁶ <https://www.fdic.gov/bank/historical/managing/chronological/1980.html>

⁷ History drawn from <http://www.iowapbs.org/video/story/5014/agriculture-changes-result-farm-crisis> and other sources

⁸ <https://www.fdic.gov/bank/historical/managing/chronological/1984.html> and subsequent chapters for 1985, 1986 and 1987

a market-based outlet for farm real estate loans within the Farm Credit System.⁹ The *New York Times* editorialized enthusiastically about the promising new player: “This new Government-sponsored market would package illiquid farm loans into blue chip securities tradable around the globe. A secondary market for long-term credit, reinforced by self-financing Government insurance, will strengthen farmers against swings in interest rates. That should save everyone grief, including the taxpayer.”¹⁰

Over time, as the market’s needs came into sharper focus, Farmer Mac’s charter was revised and refined. The continued refinement has gradually increased the scale, scope and capabilities of the company.

A Brief History of Farmer Mac

- 1988** Chartered by Congress under the Agricultural Credit Act of 1987 as an instrumentality of the US
- 1990** Charter revision allows direct purchase of loans and guarantee of securities without retained first loss by loan sellers
- 1996** Charter revision allows purchase of whole loans
- 1997** Assets surpass \$1 billion
- 1999** Listed on the NYSE (Trading symbol: AGM)
- 2008** Charter revision makes rural utilities loans eligible for Farmer Mac’s secondary market
- 2011** Assets surpass \$10 billion
- 2013** Celebrates 25th anniversary
- 2019** Launches AgXpress scorecard
- 2020** Assets surpass \$20 billion



Today, a broad spectrum of the agricultural finance community utilizes Farmer Mac products, including community banks, regional banks, non-bank lenders, agribusinesses, rural utilities cooperative financial institutions and Farm Credit System institutions. Farmer Mac serves this wide customer set with a wide range of products, accessible through four primary solutions:

Farm & Ranch Loan Purchase: Farmer Mac Approved Lenders can offer their borrowers a range of flexible and competitive products, including long-term, fixed and variable rate loans that many banks don’t or can’t offer on their own. This solution enables banks to maintain their customer relationships while preserving capital, managing interest rate risk, minimizing credit risk and generating fee income. Upon origination, Farmer Mac purchases at par loans and loan participations that are secured by first lien mortgages on eligible agricultural real estate and affixed buildings, which include production agriculture and many agribusinesses.

USDA Guarantees: Lenders that originate USDA Farm Service Agency and Rural Development guaranteed loans can sell the guaranteed portions of these loans to Farmer Mac at attractive rates. Selling these guaranteed portions helps lenders generate liquidity to support additional lending, as well as offer their borrowers more loan product options at competitive prices. The servicing relationship is retained by the lender.

⁹ <https://www.congress.gov/bill/100th-congress/house-bill/3030>

¹⁰ <https://www.nytimes.com/1987/10/03/opinion/fannie-mae-meet-farmer-mac.html?searchResultPosition=8>



Wholesale Financing (“AgVantage”): Through its Institutional Credit line of business, Farmer Mac provides efficient, low-cost wholesale funding for institutions’ eligible agricultural assets. Lenders borrow from Farmer Mac through the AgVantage facility, pledging eligible loans as collateral. The facility is easy to use, and the cost of funds is competitive.

Farm & Ranch Credit Protection: Farmer Mac offers Approved Lenders two credit enhancement alternatives to increase its liquidity or lending capacity while retaining the cash flow benefits of their loans. First, Agricultural Mortgage Backed Securities (AMBS), are available through each of the Farm & Ranch, USDA Guarantees, Rural Utilities and Institutional Credit lines of business. Meanwhile, its Purchase Commitment product is available through the Farm & Ranch and Rural Utilities lines of business.

For banks that use these programs, the benefits flow directly from their ability to serve their customers’ needs seamlessly while reducing balance sheet risks and meeting loan demand.

DERISKING THE BALANCE SHEET. It is one of the central preoccupations of American banking: While banks must take risks to help their communities to survive and thrive, they must also manage and mitigate risk with tremendous care. All forms of lending present unique risks, but the balancing act is especially tricky in agricultural lending, where ordinary considerations like interest rate movements and credit quality are just a starting point. Adverse weather, natural disasters and disease pose outsized risks in agriculture. Business cycles may exceed a year. Changes in government policies can have dramatic effects. Trade, tariff and taxation issues loom large.

“Farmers have a lot of uncertainty to deal with,” says Patrick Kerrigan, vice president for business development at Farmer Mac. “For the most part, they are price takers, not price setters. Farmers don’t have control over many of their input costs nor their ultimate crop price, so they have to look at what they can control to help maximize their operation’s profitability and minimize risk.”

One thing farmers and ranchers want to control as much as possible is the cost of borrowing. “It benefits banks as well as farmers to leverage land to get more capital for less risk,” Kerrigan says. In the current, ultra-low interest rate environment, landowners have been strongly interested in obtaining long-term financing.

Agriculture is a volatile business, and uncertainty can’t be erased. “‘Right now’ is virtually always the right time to look at your balance sheet and squeeze out every element of risk,” says Jackson Takach, Farmer Mac’s chief economist.

MEETING DEMAND WHILE RESPECTING LOAN LIMITS. As loans grow larger, it becomes more difficult for smaller banks—bumping up against concentration and loan limits—to fund them. Saying “no” to an established customer, or turning away a new one because of loan limits, is not something any banker wants to do unless the credit fundamentals dictate a negative decision. So, finding an efficient way to move these loans off the balance sheet is critical.

“In times of stress, customers need access to capital even more,” says Takach. “If someone needs an extra \$50,000 or \$500,000 and smaller banks don’t have the headroom, the secondary market provides liquidity. Having a relationship with Farmer Mac gives banks the flexibility to say ‘yes’ in more situations.”

In other words, a bank that is already lending to a customer may not be able to meet additional credit demands internally without running afoul of limits. But, with a secondary market partner like Farmer Mac, the funds very often can be provided, and the customer relationship can be retained.

THE COVID FACTOR. Market disruptions around the globe due to the pandemic have compounded the volatility facing U.S. agriculture. “That environment is one we’re going to have to live in for another year at least, while we deal with the hangover from COVID-19,” Takach says. “It will be difficult to see a normal sales environment when the whole world is dealing with a health crisis, economic stress, stretched food systems and heightened uncertainty.” The fallout has included disruptions in the food supply chain, labor availability and a competitive real estate market—all of which potentially impact credit decisions.

For farmers, COVID-related shutdowns had a meaningful impact on production. For example, 44 percent of all cheese is sold through food service channels, and school milk accounts for about seven percent of all liquid milk sales. While some of the demand remained because school feeding programs continued, there were significant declines in production as outlets shut down.¹¹

Farmers do have one advantage, however, that has helped to guide them through the pandemic: They’re generally more accustomed to upheaval than the average businessperson. “In agriculture, you adapt every year, because one year you might have too much rain, and the next year not enough,” says Ed Elfmann, senior vice president for agricultural and rural banking policy at American Bankers Association. “A lot of farmers will be in good shape on the other side of this, as long as they’ve been talking to their bankers throughout the pandemic.”

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– JACKSON TAKACH
CHIEF ECONOMIST, FARMER MAC

¹¹ <https://www.usatoday.com/story/news/factcheck/2020/04/10/fact-check-coronavirus-farmers-dump-milk-demand-shift-bottling-limits/5128191002/>



Teaming Up: How Banks Are Utilizing Farmer Mac

There is no single way that banks work with any secondary market provider. Market demographics, asset mix and risk appetite are some of the factors that banks weigh when determining how to utilize non-portfolio solutions. Following are stories from three banks located in three states, ranging in asset size from \$130 million to \$2.4 billion. Some have assembled an entire team to focus on using Farmer Mac's products and solutions, some manage the relationship with only one person—in one case, the CEO.

IN FROM THE START. “We do a lot of large Farmer Mac loans using the Farm & Ranch Loan Purchase solution,” says Mike Grove about his lending institution, Bank of the Rockies. The bank finds a qualified customer, presents the loan package to Farmer Mac and, although the bank closes the loan, it is assigned to Farmer Mac. “Though the loan is removed from our loan portfolio, we do maintain the relationship with our customer. We also do a lot of USDA Farm Service Agency (FSA) guaranteed loans for our customers, and when we get into liquidity situations, we sell Farmer Mac the guaranteed portions of these loans through their USDA Guaranteed Loan Purchase solution. They're a very important partner for Bank of the Rockies today,” says Grove.

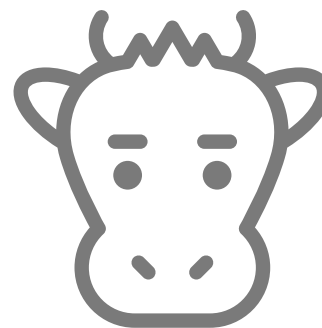
In the cattle ranching country of Montana, real estate loans today are a hot commodity because of the profit and price pressures facing agriculture, says Heather Malcolm, vice president of agricultural lending at Bank of the Rockies, and former chair of the ABA Agricultural and Rural Bankers Committee. Malcolm is seeing more customers seeking long-term fixed, low-interest-rate loans on their real estate. With help from Farmer Mac, “there have been a few loans lately where we have been able to lock in a really attractive fixed, 15-, 20-, or 25-year rate, saving our borrowers anywhere from \$10,000 to \$15,000 a year. With the way agriculture is, the way the economy is right now, every dollar counts,” she says.

“We do a lot of large Farmer Mac loans using the Farm & Ranch Loan Purchase solution ... They're a very important partner for Bank of the Rockies today.”

– MIKE GROVE

PRESIDENT AND CEO, BANK OF THE ROCKIES

Malcolm, also a cattle rancher, says the team at Bank of the Rockies has “the same dirt and mud on our boots as our farming and ranching customers.” The bank serves the entire state of Montana, and its agricultural portfolio is primarily cow and calf producers, with some grain producers and niche markets, such as a sheep dairy. The bank’s offerings include revolving lines of credit, term operating loans for purchasing or refinancing cattle or equipment, and real estate loans. It works with Farmer Mac on long-term, fixed-rate real estate loans.



Local economic conditions are good, but national and global pressures are bearing down on the bank’s customers. “We see pressure from trade talks. The pandemic has affected prices and supply chains and is a big concern for the cattle markets,” says Malcolm. “When processing facility workers were sick with COVID, and feed lots and processing plants slowed down the harvesting of animals, the feedlots were getting backed up,” she says. “Feed lots were slowing down their purchasing of calves again, so our cow and calf producers wondered if they would have a market. Anybody who had calves on hand had a really hard time getting them sold.”

ABA Member Benefits

Because Farmer Mac is an ABA Endorsed Solution provider, member banks have access to specially negotiated pricing along with other exclusive ABA members-only perks.

“The pricing advantage is a big plus, but just as important is the collaborative relationship between ABA and Farmer Mac,” says Ed Elfmann, SVP for agricultural and rural policy at ABA. The ABA Agricultural and Rural Bankers Committee meets two to three times a year with Farmer Mac representatives.

“ABA members have insider access to be in the room for the conversations,” says Elfmann.

As a “quintessential small community bank,” Malcolm says it’s easy for Bank of the Rockies to bump up against its lending limits—one big reason why its Farmer Mac relationship is so important. Malcolm can offer customers long-term fixed rate loans knowing they won’t have to be kept in portfolio. “We can also attract new customers, such as people who have bought ranches in Montana that might have a price tag over what we can lend internally, and give them a favorable rate through Farmer Mac,” she says.

A little over a year ago, Bank of the Rockies closed a Farmer Mac loan for double the bank’s lending limit. The borrower was a 350-cow/calf operation, a multi-generational family of fourth- or fifth-generation Montana cattle ranchers, with about 5,000 acres of property. “The loan was refinancing an existing real estate debt and turning out some chattel or equipment debt that they had. There would have been no opportunity for Bank of the Rockies to be involved in that transaction if we didn’t have Farmer Mac to help,” says Malcolm.



Bank of the Rockies has also used Farmer Mac's new AgXpress scorecard, and was able to get an approval in a "phenomenal" 24 minutes. "There was another AgXpress deal that we closed earlier this year that saved the customer close to \$15,000 in interest every year," Malcolm says. The underwriting scorecard, designed for high-quality credit transactions, draws on information that already exists in bank records, making the application process simple for the bank and the borrower alike. AgXpress loans also qualify for Farmer Mac's "Choice" discount pricing.

Another customer came to the bank in search of "a very large revolving line of credit. It would have been easily over our lending limit. With the mortgage secured revolving line of credit product that Farmer Mac offers, we were able to take care of the borrower's request and get them a competitive rate," she says.

"This relationship is a huge benefit for the bank. It allows Bank of the Rockies to be a player in the ag real estate lending market. It allows us to be competitive with not only other banks but also the Farm Credit System."

SMALL AND FOCUSED. Agriculture is the dominant business for Heartland Tri-State Bank in Elkhart, Kansas. Direct agricultural lending makes up about 75 percent of the portfolio for the \$130 million-asset bank, which has four branches in the southwest corner of the state, according to president and CEO Shan Hanes.

Hanes, who joined the bank in 1993 as an agricultural loan officer and was named president in 2008, started the bank's relationship with Farmer Mac about five years ago, and has been able to come through for borrowers and hold onto business that could have easily left the bank.

"We're a small bank. We don't have a Farmer Mac department, or even a group of loan officers and support staff that knows Farmer Mac inside and out. It's me, working through the system as well as I can," says Hanes.

"This relationship is a huge benefit for the bank. It allows Bank of the Rockies to be a player in the ag real estate lending market. It allows us to be competitive with not only other banks but also the Farm Credit System."

– HEATHER MALCOLM

VICE PRESIDENT OF AGRICULTURAL LENDING,
BANK OF THE ROCKIES

Hanes is concerned for many of his customers in a market that has endured drought conditions for two years, which has impacted production. “They’re stressed, no kidding,” says Hanes. “They’re paying their bills and their loan payments, but it’s coming at the cost of liquidity.” He worries that when cash is tight, poor short-term decisions can follow.



In this environment, it’s important for the bank to be able to offer creative solutions, and Farmer Mac is part of that process.

Hanes recalls a farming father and son’s business and loan restructuring that required “a couple of million dollars” in financing. The competition for the loan was a large life insurance company. Multiple credits and multiple business entities were involved, and there was an estate planning dimension to the transaction. “I wouldn’t have had an opportunity to keep that relationship if I hadn’t had Farmer Mac,” says Hanes. “I would have lost the relationship from the get-go.”

The loan was actually made up of five distinct pieces. “The father and son each had a farm operation individually, they each had a corporation, and they had a corporation together,” he says. “It’s a large operation, so it legitimately needs to be structured that way.”

Hanes’ proposition to his customers was that he could give them the term and the rates they wanted if they gave him a little time to put the loan together. An overarching goal was to make sure the farmland went to the son if anything happened to the patriarch, while his daughter would receive a long-term settlement.

“We ended up with a loan to all but one of the entities, both of the individuals and two of the three corporations as a result of that work, so it was all very complex, all at the guidance of their estate planner,” says Hanes. “At the end of the day, the borrowers got what they needed. Through all of that, they got a long-term fixed rate and we were able to inject cash back from the corporations to the individuals, which enabled them to buy more land. We met everybody’s goals. That would not have been an option without Farmer Mac.”

Hanes also enthusiastically endorses AgXpress. A customer came to him seeking a \$340,000 loan, and was also considering borrowing from the Farm Credit System. He needed funds in a matter of days for a down payment on another real estate purchase, and needed to close the loan within 60 days. Hanes knew he could pull it off with minimal fuss with Farmer Mac’s AgXpress scorecard, because the customer’s financial information was already accessible for the loan application. “I just pulled up Farmer Mac’s daily rates ... and said I can use these rates to compete.” Had it not been for the AgXpress scorecard, which is designed to be an extremely fast and easy process, it might have been harder to keep that loan here,” says Hanes.

SLOW SELL. It took about five years for Alan Karcher to say “yes” to Farmer Mac, but since he did so 15 years ago, there’s been no looking back. Karcher, who is regional president for commercial lending at Carrollton Bank headquartered in Carrollton, Illinois, says the \$2.4 billion-

“I wouldn’t have had an opportunity to keep that relationship if I hadn’t had Farmer Mac.”

– SHAN HANES

PRESIDENT AND CEO, HEARTLAND TRI-STATE BANK

asset bank has done about \$100 million in Farmer Mac loans, utilizing its two loan purchase programs, Farm & Ranch and USDA Guarantees. Located 45 miles from downtown St. Louis, the bank is in a grain farming area where the main crops are soybeans, corn and wheat. Some livestock and sod farms are also in the bank's footprint.

Carrollton Bank, established in 1877, is a classic relationship bank, and has a proud history of making loans to struggling farmers during the Great Depression, says Karcher. Customer relationships were so tight that Farmer Mac's offerings initially seemed superfluous to him. But as the market evolved and became more competitive, he became convinced that Farmer Mac could help the bank attract new customers and retain those it already had.

"We've been able to help customers lock in a competitively priced interest rate," says Karcher. "In farming, you can't control the weather and you can't control the commodity prices, so you need to control that interest rate. Because of Farmer Mac, we can offer to them a variety of products, 15-, 20-, 25-, 30-year fixed rates, to meet their needs."

Helping beginning farmers who use Farmer Mac's USDA Guaranteed Loan Purchase solution to finance their startup costs has been particularly satisfying, says Karcher. "We can help that beginning farmer finance 95 to 100 percent of their first land purchase. We make the first mortgage, and the USDA through the Farm Service Agency takes the second mortgage. When we sell the USDA guaranteed portion to Farmer Mac, we can then lock in a long-term interest rate on 95 to 100 percent of that purchase price. When you see that young couple smiling, it's very rewarding that you're seeing that next generation doing what they love to do."

Carrollton Bank has also taken advantage of Farmer Mac's AgXpress scorecard product, and Karcher says customers are happy with it. He describes a recent meeting with a customer who operates a farm with his brothers and wanted to refinance some real estate debt at a fixed rate. They talked on a Wednesday morning and met that afternoon for pizza and ice cream and reviewed options. The farmer came into the bank the next day and laid out some goals, and Karcher told him he could submit him for the AgXpress scorecard; there would be no paperwork—a big plus for a busy farmer—because Karcher already had the necessary financial information. Within 24 hours, the loan was approved. For the loan to close end-to-end, about three to four weeks are required.

"He's going to get what he wanted, a 15-year fixed rate below four percent," says Karcher. "He's nearing retirement age, and he said, 'This will take me to the end.' AgXpress allowed us to retain this customer, and give him something he wanted, a fixed-rate loan at a low interest rate. If we didn't have access to that product, we might have kept the relationship, but we would have lost that several hundred-thousand-dollar deal. He's the kind of customer every bank wants. Good financials, good history."

"In farming, you can't control the weather and you can't control the commodity prices, so you need to control that interest rate. Because of Farmer Mac, we can offer to them a variety of products, 15-, 20-, 25-, 30-year fixed rates, to meet their needs."

— ALAN KARCHER

REGIONAL PRESIDENT FOR COMMERCIAL LENDING,
CARROLLTON BANK



“For lenders that embrace the secondary market, they’re going to attract more business and get more opportunities because they’re offering something new and different, something value-added.”

– PATRICK KERRIGAN

VICE PRESIDENT FOR BUSINESS DEVELOPMENT,
FARMER MAC

A Look Ahead

Farmer Mac is continuing a push to take its programs to the next level by improving the customer experience and delivering greater efficiency. Called Great Reimagined, the effort will mark the beginning of “a more flexible, intuitive and robust era” for Farmer Mac and its customers.

“We want customers to know that we’re committed to truly elevating their experience when transacting with us, and we’re regularly rolling out new features as well as enhancements to our existing platforms. We’re working hard to ensure we can offer a fast, easy and efficient experience to every customer, every time they do business with us. And it’s not just about offering great new online tools—we’re also constantly working to make our offerings even more attractive and competitive,” says Megan Murray-Pelaez, Farmer Mac’s director of marketing and communications.

“AgXpress is a hallmark of Great Reimagined and a great example of the kind of exciting enhancements we’re making as part of our journey of process and system improvements,” Murray-Pelaez adds. “Not only did we double the loan limits for this popular underwriting scorecard to \$1.5 million, but we also recently debuted a new online pathway for submitting AgXpress deals. Today, our customers can quickly and easily log on to the Farmer Mac customer portal, submit an AgXpress application, and receive an approval within a day. We’re also putting powerful information at their fingertips, enabling them to compare products side-by-side and lock in a rate for their AgXpress loan online.”

The company expects to see continued growth, including growth in the number of banks participating in its programs. “More and more financial institutions are recognizing the importance of the tools in the toolbox that we offer,” says Takach, Farmer Mac’s chief economist. “We’re gaining market share when the total agricultural debt is rising; that tells me that lenders are taking advantage of the benefits of the secondary market in greater numbers and greater volume.”

Patrick Kerrigan, vice president for business development, says Farmer Mac’s solutions—including competitive rates and long-term fixed commitments—are “helping lenders ensure the vitality of their farming communities. For lenders that embrace the secondary market, they’re going to attract more business and get more opportunities because they’re offering something new and different, something value-added,” he says. Embracing change and looking at new tools signals to clients that a lending institution is open to new ideas, and that’s attractive to customers. “Embracing change on their mortgage can be the start of a beautiful new relationship or it can further develop an existing one,” Kerrigan adds.

AgXpress 101

In October 2019, Farmer Mac unveiled its fastest and easiest loan underwriting option, the AgXpress scorecard. AgXpress delivers faster loan approvals to the agricultural lending community. Decisions are promised within a day; they've been turned around in as little as 10 minutes. It's very simple to apply, since the application is short, drawing on information banks already have about their customers.

Since its debut, AgXpress quickly became Farmer Mac's most popular underwriting option. In response to high demand, Farmer Mac has made a few enhancements to the product, starting with doubling the maximum qualifying loan amount to \$1.5 million in October 2020. In addition, a fully online pathway debuted on its customer portal in spring of 2021. "The move online allows us to add several exciting features to AgXpress. Our customers can now compare products and rates side by side, and lock in a rate online and without the need for a phone call," says Megan Murray-Pelaez, Farmer Mac's director of marketing and communications.

Several bankers mentioned Farmer Mac as a source of quality information that is relevant to borrowers. "They're transforming themselves from a long-term real estate lending source to, really, a voice and an advocate for the industry," says Hanes.

"Price volatility for the last decade has created a need for farmers and ranchers to rebalance their balance sheets, pulling out equity at lower rates for longer periods to weather changes in economic cycles," says Kerrigan.

"After several years of consistently lower prices, it's much more difficult for a smaller operation," says Takach. "Even a larger operation can struggle with an extended period of lower prices. They may have to change something in their production or balance sheet to get back to the profitability level, even with a good year or two of higher commodity prices."

To meet agricultural credit needs in this rapidly tilting landscape, Farmer Mac needs to be allowed to continue to adjust with the times, says Elfmann. "It used to be that a farmer had a land loan and an operating loan. Now we've got farms with vertical integration on these loans, so they can qualify for other programs," he adds. A single farm business might have rural development loans, conservation loans and small business loans, among others.

"We've got to make sure that Farmer Mac has the ability to serve all those areas," says Elfmann. "It can't just be that traditional land loan and that's it, because farmers have so many more bits in the fire across the board. We're helping Farmer Mac expand their authorities to align with what the agricultural banking environment looks like."

"Farmer Mac's relationship with American Bankers Association and with our ABA member banks continues to be strong. I see a bright future for Farmer Mac. The company continues to show its strong dedication to fulfilling its mission and to helping maintain the vitality of rural America's farmers and ranchers, ag banks and communities," says Elfmann.



About Farmer Mac

Farmer Mac is a vital part of the agricultural credit markets and was created to increase access to and reduce the cost of credit for the benefit of American agricultural and rural communities. As the nation's secondary market for agricultural credit, we provide financial solutions to a broad spectrum of the agricultural community, including agricultural lenders, agribusinesses, and other institutions that can benefit from access to flexible, low-cost financing and risk management tools. Farmer Mac's customers benefit from our low cost of funds, low overhead costs, and high operational efficiency. More information about Farmer Mac is available on Farmer Mac's website at www.farmermac.com.

To speak to a Farmer Mac representative about becoming an Approved Lender, please contact Patrick Kerrigan, vice president of business development, pkerrigan@farmermac.com, 202.872.5560.