Farmer Mac Refresh

New Opportunities with Farmer Mac

April 20, 2016

The Complaints

- Loans are getting so large, we can’t handle them in-house
- Competition cherry picks my customers
- Lenders are offering terms longer than our bank’s products
- If we start to sell loans, soon our whole portfolio will be gone
- Our loan-to-deposit ratio is too low to sell loans
- Too busy, we don’t have the staff or time to dedicate to the process
- My compensation is based on in-portfolio assets
- FSA guaranteed loan limits are too small
**Our Solutions**

- Offer competitive loan products that attract new customers
- Accommodate large loan requests, including agribusiness loans, to grow relationships
- Add to your loan portfolio with cross sales
- Earn origination fees and a continuing stream of fee income
- Decrease credit risk
- Obtain liquidity & leverage capital
- AgAssist Underwriting - NEW

“Proven, easy to use program to keep existing producers satisfied and attract new potential borrowers!”

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**Solutions Bankers Use**

- Farm & Ranch (F&R) Loan Sales
  - Competitive rates
  - Fixed rates
  - Reduce borrower exposure
  - Lucrative fee income
- AgAssist Underwriting - NEW
  - Option to restructure credit
  - Increase rate and amortization options
- Purchase Commitments
  - Keep loans in portfolio but shed 100% credit risk
- AgVantage
- Turn your ag portfolio into cash
- Farmer Mac 2 - FSA Guaranteed Loan Sales
  - Longer amortizing loan structures
  - Attractive fixed rate product menu
2015 Lender Locations

Outstanding Business Volume

12.5% CAGR (1999 – 2016)
Farm & Ranch
Loan Purchase Program

Farm & Ranch Program
Steps to Submit a Loan
**Information to Gather from Applicant**

- **Tax Returns**
  - 3-4 years
  - Subsidiary Entities, if applicable

- **Balance Sheets**
  - Current, market value within 90 days
  - Historical Balance Sheets

- **Copies of Contracts & Agreements**
  - If applicable
    - Land leases
    - Production contracts

- **Verifications of Assets & Liabilities**
  - Current assets
  - Debt balances
  - Verifications need applicant’s name and date

- **Signed Credit Release Authorization**
  - Credit report dated within 60 days

- **Signed Loan Application**
  - Tax returns can be signed at closing
  - Environmental Disclosure

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**Loan Approval Steps**

- Meet with your customer; explain product options
- Package credit using Farmer Mac’s AgPower LOS
- Once submitted, Farmer Mac underwriters review loan request
- Respond to lender within two business days
- Issues preliminary loan approval letter
Loan Approval Steps

- Seller engages appraiser
- Seller orders preliminary title rpt
- Seller reviews/uploads appraisal and title rpt into AgPower
- Central Servicer is assigned to assist lender with closing
- Rate commitments
- Loan closing options
- Post-sale servicing
Eligible Borrowers and Properties

- Eligible Farm & Ranch Loans
  - Types of loans
    - Must be first mortgage farm or ranch real estate loans
    - Revolving lines of credit are available if first mortgage secured
  - Properties
    - Parcels of land capable of producing ag commodities or products
    - May be improved by buildings, fixtures and equipment permanently attached
    - No minimum or maximum acreage requirement
  - Borrowers
    - U.S. citizens, nationals or aliens lawfully admitted for permanent U.S. residence
    - Corporations or partnerships where members, stockholders or partners holding a majority interest in the entity are U.S. citizens (or nationals) or aliens lawfully admitted for permanent U.S. residence. Co-borrowers or a personal guarantee is expected.
    - Trusts are eligible for Farmer Mac financing if there is a personal guarantee

Underwriting Grid

<table>
<thead>
<tr>
<th></th>
<th>Fast Track</th>
<th>Full UW Standard</th>
<th>Full UW Choice Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max Loan Size</td>
<td>$1,000k</td>
<td>$12.6/$50m</td>
<td>$12.6/$50m</td>
</tr>
<tr>
<td>Loan-to-Value Ratio</td>
<td>55%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Debt to Asset Ratio</td>
<td>40%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>1:1</td>
<td>1.25:1</td>
<td>1.50:1</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>1:1</td>
<td>1.25:1</td>
<td>1.50:1</td>
</tr>
<tr>
<td>Credit Scores</td>
<td>720</td>
<td>680</td>
<td>680</td>
</tr>
<tr>
<td>Tax Return</td>
<td>2-Yrs</td>
<td>3-Yrs</td>
<td>3-Yrs</td>
</tr>
</tbody>
</table>

(More detail: http://www.efarmermac.com/Resource/Index.aspx)
### Fast Track

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast Track</td>
<td>≥1.00</td>
<td>≥1.00</td>
<td>≤40%</td>
<td>$1 Million</td>
<td>≤55%</td>
<td>≥720</td>
</tr>
</tbody>
</table>

- No cash-out restrictions
- Agricultural improvements cannot exceed 40% of the appraised value
- Automatically qualify for choice pricing
- No exceptions to standards

### Full Underwrite - Standard Pricing

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Underwrite</td>
<td>≥1.25</td>
<td>≥1.25</td>
<td>≤50%</td>
<td>1000 acres; $50M</td>
<td>≥500 acres; $12.6M</td>
<td>≥720</td>
</tr>
</tbody>
</table>

- Loans where cash-out request exceeds 25% of the loan amount, must have an amortization no greater than 15 years and LTV at 60% or less, with compensating strengths
- LTV is limited to 60% for ND, SD, MN, IA, IL, IN, OH, MO, NE, all other states 70% if TDC ≥ 1.50 & no exceptions for CR and D/A.
- Properties with agricultural improvements exceeding 60% of the appraised value will be treated as facility loans
### Full Underwrite - Choice Pricing

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Underwrite Choice</td>
<td>≥1.50</td>
<td>≥1.50</td>
<td>≤40%</td>
<td>≤ 1000 acres; $50M</td>
<td>≤ 60%</td>
<td>≥680</td>
</tr>
<tr>
<td></td>
<td>≥1000 acres; $12.6M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Loans where cash-out request exceeds 25% of the loan amount, must have an amortization no greater than 15 years and LTV at 60% or less, with compensating strengths
- Agricultural improvements cannot exceed 60% of the appraised value
- No exceptions to standards

### AgEquity LOC

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>AgEquity LOC</td>
<td>≥1.35</td>
<td>≥1.25</td>
<td>≤50%</td>
<td>≤ 1000 acres; $50M</td>
<td>≤ 50% bare land value</td>
<td>≥680</td>
</tr>
<tr>
<td></td>
<td>≥1000 acres; $12.6M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Funds are used for agriculture or business purposes
- Customer chooses 5 year or 10 year draw period
- Semi-Annual interest payments due on January 1 and July 1
- Minimum $2,500 draw; unlimited draws
- Improved properties are acceptable but improvements including permanent plantings are not valued when determining LTV
**AgAssist – New Option**

<table>
<thead>
<tr>
<th>Underwriting Option</th>
<th>Total Debt Coverage Ratio</th>
<th>Current Ratio</th>
<th>Debt to Asset Ratio</th>
<th>Maximum Loan Amount</th>
<th>Loan to Value</th>
<th>Credit Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>AgAssist</td>
<td>≥1.10</td>
<td>≥1.00</td>
<td>≤60%</td>
<td>≤ 1000 acres; $50.0M</td>
<td>≤ 45% FAMC</td>
<td>≥680</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>≥ 1000 acres; $12.6M</td>
<td>≤ 85% CLTV</td>
<td></td>
</tr>
</tbody>
</table>

- Standard pricing
- Facility loans eligible on a case by case basis
- Eligible for cash-out
- 2nd mortgage must be guaranteed by a Federal or State agency
- AgAssist max loan size flexes with guaranteed loan amount
  - Guaranteed loan required to be in a 2nd lien position
  - Guaranteed loan ≥ 25% of combined 1st & 2nd loan amount

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**AgPower Loan Origination System**
Farm & Ranch Loan Products
### F&R Product & Pricing Options  4/19/2016

<table>
<thead>
<tr>
<th>Product</th>
<th>Term</th>
<th>Amort.</th>
<th>Reset Margin</th>
<th>Farmer Mac Standard Net Yield</th>
<th>Average Servicing Fee</th>
<th>Sample Note Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>AgEq. LIBOR</td>
<td>20/25/30</td>
<td>Varies</td>
<td>2.20%</td>
<td>2.44%</td>
<td>0.75%</td>
<td>3.19%</td>
</tr>
<tr>
<td>1-Mo LIBOR</td>
<td>15</td>
<td>15/25</td>
<td>1.90%</td>
<td>2.43%</td>
<td>0.75%</td>
<td>3.18%</td>
</tr>
<tr>
<td>5-Yr ARM</td>
<td>15</td>
<td>15/25</td>
<td>2.50%</td>
<td>3.30%</td>
<td>0.75%</td>
<td>4.05%</td>
</tr>
<tr>
<td>10/1 ARM</td>
<td>15</td>
<td>15/25</td>
<td>3.38%</td>
<td>3.64%</td>
<td>0.75%</td>
<td>4.39%</td>
</tr>
<tr>
<td>10-Yr VRM</td>
<td>25/30</td>
<td>25/30</td>
<td>-</td>
<td>4.14%</td>
<td>0.70%</td>
<td>4.84%</td>
</tr>
<tr>
<td>15-Yr VRM</td>
<td>25/30</td>
<td>25/30</td>
<td>-</td>
<td>4.37%</td>
<td>0.75%</td>
<td>5.12%</td>
</tr>
<tr>
<td>15-Yr Fixed</td>
<td>15</td>
<td>15</td>
<td>-</td>
<td>4.04%</td>
<td>0.75%</td>
<td>4.79%</td>
</tr>
<tr>
<td>15-Yr Fixed</td>
<td>15</td>
<td>25</td>
<td>-</td>
<td>4.37%</td>
<td>0.75%</td>
<td>5.12%</td>
</tr>
<tr>
<td>20-Year Fixed</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>4.35%</td>
<td>0.75%</td>
<td>5.10%</td>
</tr>
<tr>
<td>25-Year Fixed</td>
<td>25</td>
<td>25</td>
<td>-</td>
<td>4.48%</td>
<td>0.75%</td>
<td>5.23%</td>
</tr>
<tr>
<td>30-Year Fixed</td>
<td>30</td>
<td>30</td>
<td>-</td>
<td>4.61%</td>
<td>0.75%</td>
<td>5.36%</td>
</tr>
</tbody>
</table>

- Open prepayment on any payment date
- ABA & ICBA discounts available

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### Farm & Ranch Loan Purchases

#### 2015

**Record Loan Purchase Volume**

161 sellers sold 958 loans, $748,000,000 and received approval within an average of under 2 business days

**THANK YOU FOR YOUR BUSINESS**
Recent Bank Transaction

Recent Transactions - Indiana (3/21/2016)

Transaction Details

- Fast Track
- Loan Amount: $550,000
- 15-Yr VRM, 20-Yr Term
- Maturity Date: 7/1/2036
- Semi-Annual Payments
- 53% LTV on 160 acres
- Choice Pricing
- 4.82% Note Rate
- 0.75% Field Servicing Fee
- Timeline: 46 calendar days
- Refinance real estate and operating debt

Property Info

- Commodity:
  - Corn & Soybeans

[Map of Indiana]
**Recent Transactions - Iowa (3/21/2016)**

**Transaction Details**
- Full Underwrite
- Loan Amount: $2,000,000
- 15-Yr Fixed Rate
- Maturity Date: 1/1/2031
- Semi-Annual Payments
- 54% LTV on 525 acres
- Standard Pricing
- 4.90% Note Rate
- 0.60% Field Servicing Fee
- Timeline: 195 calendar days
- Purchase & refi land, equip. & operating debt

**Property Info**
- Commodity:
  - Corn & Soybeans

**Recent Transactions - Minnesota (3/24/2016)**

**Transaction Details**
- Fast Track
- Loan Amount: $975,000
- 10/1 ARM
- Maturity Date: 7/1/2031
- Semi-Annual Payments
- 55% LTV on 225 acres
- Choice Pricing
- 3.91% Note Rate
- 0.75% Field Servicing Fee
- Timeline: 69 calendar days
- Refinance real estate and operating debt

**Property Info**
- Commodity:
  - Corn & Soybeans
Recent Transactions - Illinois (3/29/16)

**Transaction Details**
- AgEquity
- Loan Amount: $650,000
- 1-Mo LIBOR, RLOC
- Maturity Date: 7/1/2046
- Semi-Annual Payments
- 53% LTV on 600 acres
- Standard Pricing
- 3.43% Note Rate
- 1.00% Field Servicing Fee
- Timeline: 32 calendar days
- Refi bank LOC, open new RLOC

**Property Info**
- Commodity:
  - Corn & Soybeans

Farm & Ranch Purchase Commitment
**Purchase Commitment Program Benefits**

- Reduce credit risk for loans in the Long-Term Standby Purchase Commitment (LTSPC) pool
  - Manage commodity, geographic and borrower concentrations
- Improve financial results
  - Improve borrower hold limit calculations
  - Repurchase sold participations, improving related profits
  - Reduce reserve requirements for potential loan losses
  - Free up capital through risk-weighting loans in pool at 20% versus 100% for portfolio loans

**How Does LTSPC Work?**

- Two legal documents support the LTSPC
  - LTSPC Agreement
    - Covers loans in the initial pool and subsequent loans
    - Farmer Mac commits to purchase loans in pool if they become 90 days delinquent
    - Lender pays annual fee on a monthly basis
  - Master Servicing Agreement
    - Agreement is dormant until such time as Farmer Mac buys a loan from the LTSPC and the lender begins servicing the loan for Farmer Mac
**LTSPC Pricing**

- Commitment fee is 50 bps for most ag real estate loans
- Processing, storage & marketing loans have negotiated pricing based on risk profile
- Participation alternative
  - Keep more income at the bank

*AgVantage*
AgVantage – Liquidity Source for Ag Bankers

- Farmer Mac approved Sellers can elect to become an AgVantage Certified Facility (Issuer)
- Credit line is established based on issuer’s capital & assets
- Issuer pledges ag mortgage loans as bond collateral
- AgVantage bond characteristics:
  - Non-amortizing
  - Monthly pay
  - Principal payable at maturity

AgVantage – Pricing

- 30-day: 0.84%
- 90-day: 1.03%
- 1-year: 1.04%
- 3-year: 1.60%
- 5-year: 2.19%
- 10-year: 3.22%
Farmer Mac 2

• Eligible government guaranteed loans
  – USDA Farm Service Agency
    • Farm Ownership loans
    • Operating loans (Term)
    • Conservation loans
  – USDA Rural Development
    • Business & Industry loans
    • Community Facility loans
**Farmer Mac 2 Highlights**

- Real Estate & Term Operating Loans
- No selling group requirements by Farmer Mac
- No Farmer Mac underwriting analysis
- Purchase USDA guaranteed portion only
- Lender receives fee income annuity

**Sale Documents**

- Loan Note Guarantee
- Assignment of Guarantee
- Promissory Note
- Other Documents
# Farmer Mac 2 Rate Sheet

**4/19/2016**

<table>
<thead>
<tr>
<th>Product Types</th>
<th>Monthly Pay Cash</th>
<th>Monthly Pay 4-Week Rate Lock</th>
<th>Annual S.A., &amp; Quarterly Pay Cash</th>
<th>Annual S.A. &amp; Quarterly Pay 4-Week Rate Lock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wall Street Journal Prime**</td>
<td>2.00%</td>
<td></td>
<td>2.00%</td>
<td></td>
</tr>
<tr>
<td>Farmer Mac 3 M/COFI</td>
<td>1.88%</td>
<td></td>
<td>1.88%</td>
<td></td>
</tr>
<tr>
<td>Farmer Mac 5-Yr Reset COFI, 20, 25, 30-Yr Am</td>
<td>2.44%</td>
<td>2.53%</td>
<td>2.71%</td>
<td>2.63%</td>
</tr>
<tr>
<td>Farmer Mac 10-Yr Reset COFI, 20, 25, 30-Yr Am</td>
<td>2.93%</td>
<td>3.02%</td>
<td>3.21%</td>
<td>3.13%</td>
</tr>
<tr>
<td>Farmer Mac 15 Yr Reset COFI, 20, 25, 30 Yr Am</td>
<td>3.41%</td>
<td>3.50%</td>
<td>3.70%</td>
<td>3.63%</td>
</tr>
<tr>
<td>7-Yr Fixed Rate, 7-Yr Am</td>
<td>2.40%</td>
<td>2.48%</td>
<td>2.56%</td>
<td>2.50%</td>
</tr>
<tr>
<td>7-Yr Fixed Rate, 15-Yr Am</td>
<td>2.85%</td>
<td>2.93%</td>
<td>2.71%</td>
<td>2.77%</td>
</tr>
<tr>
<td>10-Yr Fixed Rate, 15-Yr Am</td>
<td>2.61%</td>
<td>2.68%</td>
<td>2.77%</td>
<td>2.80%</td>
</tr>
<tr>
<td>15-Yr Fixed Rate, 15-Yr Am</td>
<td>2.92%</td>
<td>3.01%</td>
<td>3.09%</td>
<td>3.11%</td>
</tr>
<tr>
<td>15-Yr Fixed Rate, 25-Yr Am</td>
<td>3.45%</td>
<td>3.24%</td>
<td>3.23%</td>
<td>3.25%</td>
</tr>
<tr>
<td>20-Yr Fixed Rate, 20 Yr Am</td>
<td>3.19%</td>
<td>3.28%</td>
<td>3.29%</td>
<td>3.36%</td>
</tr>
<tr>
<td>25-Yr Fixed Rate, 25-Yr Am</td>
<td>3.63%</td>
<td></td>
<td>3.57%</td>
<td></td>
</tr>
<tr>
<td>30-Yr Fixed Rate, 30 Yr Am</td>
<td>3.78%</td>
<td></td>
<td>3.88%</td>
<td></td>
</tr>
</tbody>
</table>

* Indications only. Actual Net Yields are determined at time of pricing and may differ from those indicated.
** For 3-, 5-, and 10-year indexed products, fees apply to the index.
*** For other rates and products, please contact Farmer Mac II LLC.
**** For 25- and 30-year fixed rate products: Higher rates may apply for loans $5 million or greater.

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## Stay in Touch with Farmer Mac

**The Feed**

*Farmer Mac’s Quarterly Perspective on Agriculture*

**Spring 2016**

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  – PKerrigan@farmermac.com