



Be Prepared for the Fall Lending Season  
with Farmer Mac

October 13, 2021



# TODAY'S PRESENTERS

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**Patrick Kerrigan**

*Vice President – Business  
Development*

**Dan Koesters**

*Manager – Farm & Ranch  
Credit and Loan underwriting*

**Mike Schmid**

*Director – Assistant Treasurer*

**Scott Steveson**

*Assistant Manager – Credit &  
Operations*



# FARMER MAC Q2 2021 RESULTS

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- Added \$1.5 billion of gross business volume, resulting in net growth of \$334.6 million
- \$426 million net increase in the Farm & Ranch business line
- 90-delinquencies decreased from \$72 million to \$63 million (0.84% to 0.70% of F&R portfolio)



FINANCING RURAL AMERICA

## **Farmer Mac Reports Second Quarter 2021 Results**

*- Outstanding Business Volume of \$22.2 Billion -*

**WASHINGTON, D.C., August 5, 2021** — The Federal Agricultural Mortgage Corporation (Farmer Mac; NYSE: AGM and AGM.A), the nation's secondary market provider that increases the availability and affordability of credit for the benefit of rural America, today announced its results for the fiscal quarter ended June 30, 2021.



# CORPORATE STRATEGIES AND INITIATIVES

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- Our team continues to execute on several important strategies and initiatives:
  - New Seller login portal
  - New AgXpress platform
  - AgXpress loan limit increase from \$750k to \$1.50mm
  - Borrower retention strategies
  - Expansion of loan servicing capabilities
  - Ag Analytics/AcreValue strategic alliance





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FEBRUARY 2020

The new  
**eFarmerMac.com**  
has arrived!

START PECKING THOSE KEYS AND  
LOG IN TO OUR NEXT-GENERATION  
CUSTOMER PORTAL.



Great Reimagined

MAY 2020



OCTOBER 2020

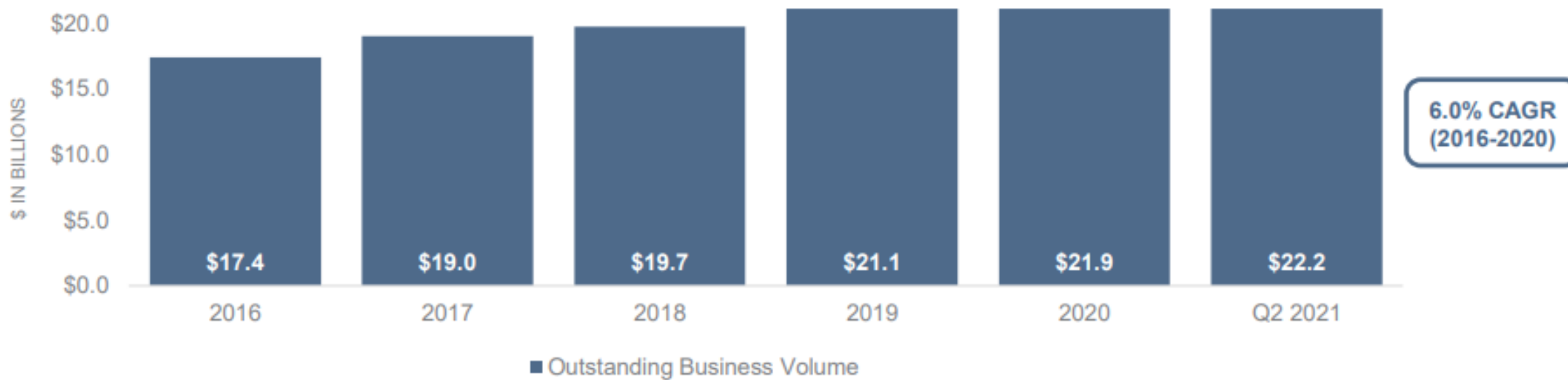


MARCH 2021

FUTURE ENHANCEMENTS!



# OUTSTANDING BUSINESSVOLUME



# LINES OF BUSINESS AND PRODUCTS

AS OF JUNE 30, 2021

<i>Product Type</i>	<i>Target Customers</i>	<i>Lines of Business</i>				
		\$ IN BILLIONS AND PERCENTAGE OF TOTAL VOLUME				
<b>LOAN PURCHASES</b>	• Ag Banks	<b>F &amp; R</b>	<b>USDA</b>	<b>RU</b>	<b>IC</b>	<b>Total</b>
	• FCS Institutions	\$6.6	\$2.7	\$2.2	--	\$11.6
	• Insurance Companies	30%	12%	10%		52%
	• Rural Utilities Cooperatives					
<b>WHOLESALE FINANCING</b>	• Ag Banks	--	--	--	\$7.6	\$7.6
	• Ag Investment Funds				34%	34%
	• Insurance Companies					
	• Rural Utilities Cooperatives					
<b>CREDIT PROTECTION</b>	• FCS Institutions	\$2.5	--	\$0.5	--	\$3.0
	• Ag Banks	11%		3%		14%
	• Insurance Companies					
	• Ag Investment Funds					
	• Rural Utilities Cooperatives					
<b>Total</b>		<b>\$9.1</b>	<b>\$2.7</b>	<b>\$2.8</b>	<b>\$7.6</b>	<b>\$22.2</b>

Note: Table may not sum to total due to rounding



# CREDIT & UNDERWRITING UPDATE

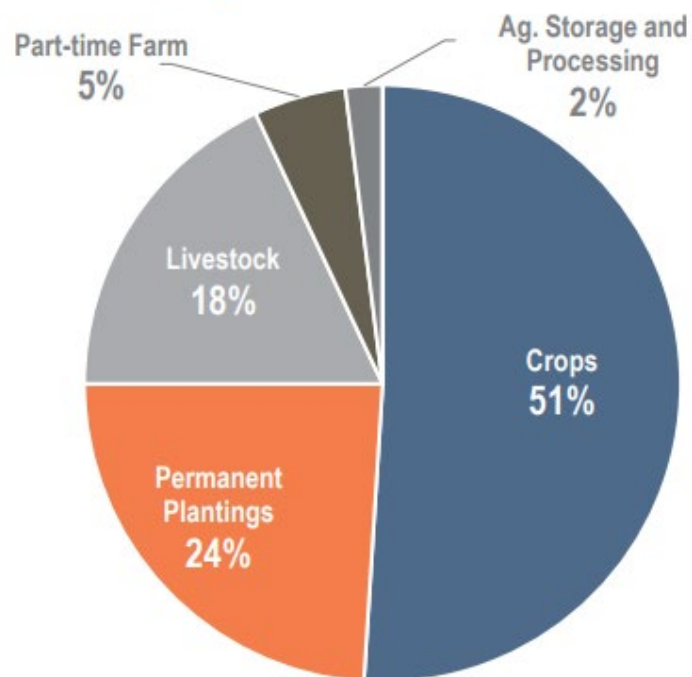




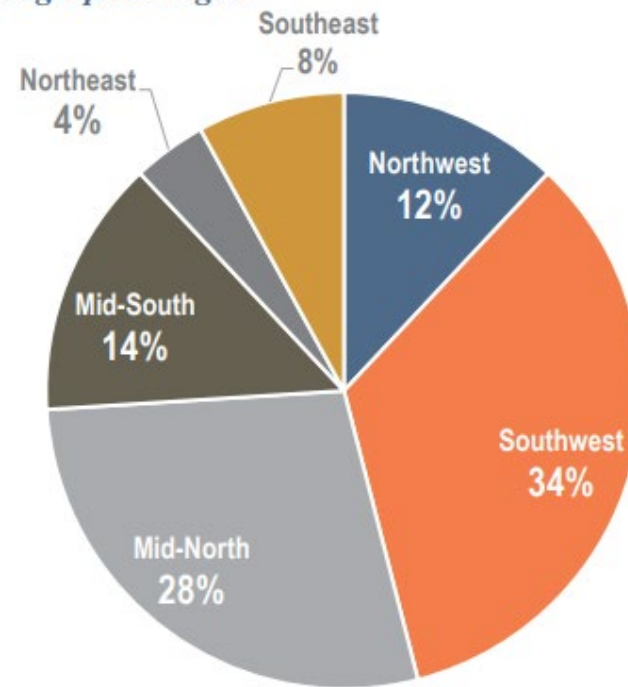
# FARM & RANCH PORTFOLIO DIVERSIFICATION

AS OF JUNE 30, 2021

*By Commodity Type*



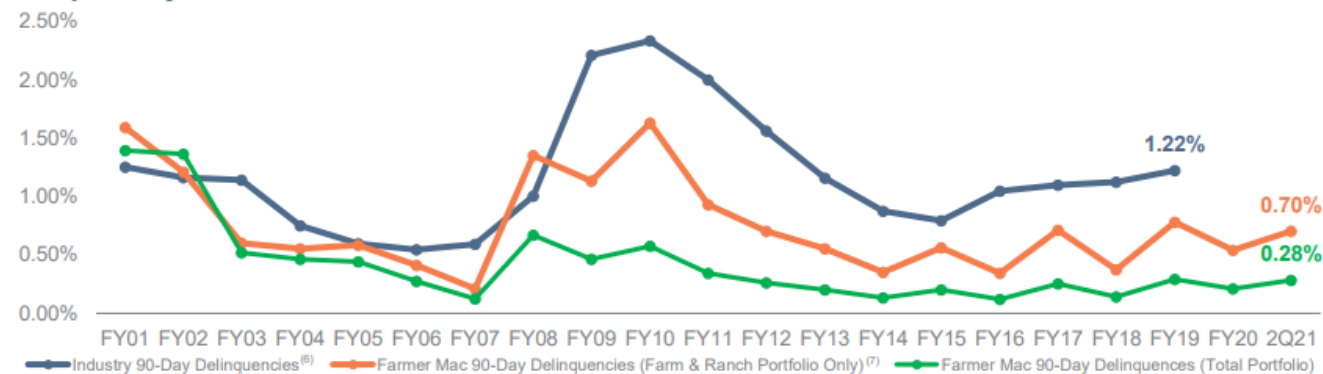
*By Geographic Region*



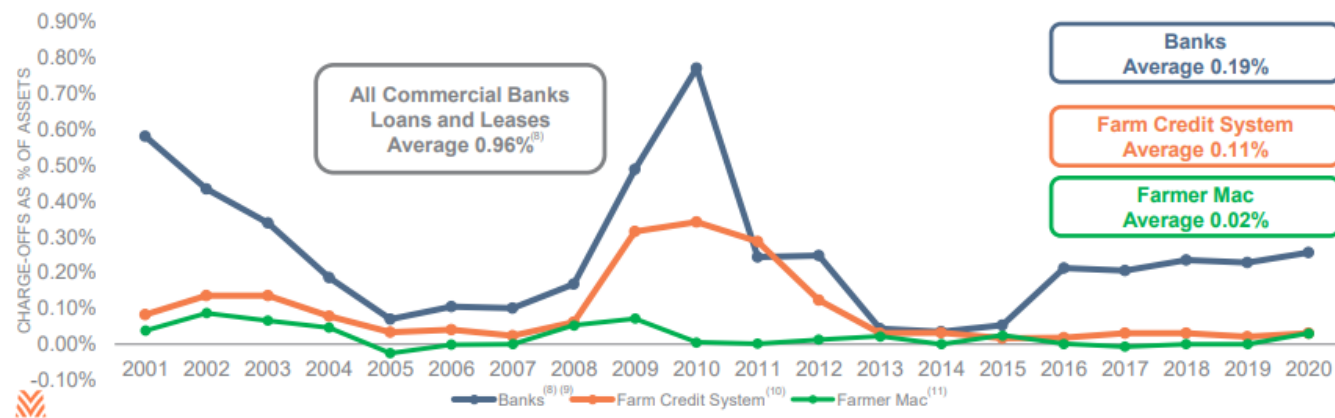


# CREDIT PERFORMANCE

## 90-Day Delinquencies



## Agricultural Lender Charge-off Rates



# ELIGIBLE BORROWERS AND PROPERTIES

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## 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
  - Trusts are eligible for Farmer Mac financing if there is a personal guarantee



# UNDERWRITING MATRIX SNAPSHOT

Most popular programs include:

Loan Program	Fast Track	Full Underwrite	Full Underwrite	AgEquity RLOC
Eligible Pricing Type	Choice	Standard	Choice	Standard
<b>Total Debt Coverage</b> (See Seller/ Servicer Guide, Section 202.3)	$\geq 1.00$ for 2 year average	$\geq 1.25$	$\geq 1.50$	$\geq 1.35$ ; must meet TDC after 3% rate shock
<b>Current Ratio</b>	$\geq 1.00$	$\geq 1.25$	$\geq 1.50$	$\geq 1.25$
<b>Debt to Asset</b>	$\leq 40\%$	$\leq 50\%$	$\leq 40\%$	$\leq 50\%$
<b>Loan-to-Value</b>	$\leq 55\%$	$< 70\%^*$	$\leq 60\%$	$\leq 50\%^{**}$
<b>Credit Score (FICO)</b> (Individual borrowers/guarantors)	$\geq 720$	$\geq 680$		
<b>D&amp;B PAYDEX Score</b> (required if no individual borrowers/guarantors)	N/A	$\geq 70$		



# AGXPRESS SCORECARD

- **Maximum Loan Size: \$1,500,000 per applicant**
  - Max aggregate AgXpress exposure of \$1.5 million
  - Total maximum exposure for an existing FAMC borrower (and affiliates) cannot exceed \$10 MM including AgXpress
- **Maximum LTV: 55% of total combined bare land and permanent plantings**
  - If the property does not include permanent plants, the max LTV of 55% is based off the bare land value only
  - Improvements are allowed, but will not be used in the LTV calculation
- **All title holders must be applicants**
- **No restrictions on commodities or use of funds**
- **No restrictions on loan products (Fixed, VRM)**
- **Monthly or semi-annual payment frequencies**
- **Choice Pricing automatically applies**
- **Recommended minimum credit score of 720 for all applicants**
- **General Farmer Mac Underwriting guidelines apply**



## AGXPRESS<sup>SM</sup> APPLICATION

All fields contained within this application are required, unless otherwise noted.

### Business Applicant or Trust\*

Title Holder: ☐ Yes ☐ No

☐ Borrower ☐ Co-Borrower ☐ Guarantor (List your relationship or check your Organization Type):

Organization Type: ☐ Corporation ☐ Limited Partnership ☐ Limited Liability Corporation ☐ General Partnership ☐ Estate ☐ Trust

Business Name:

Federal Tax ID #:

Business Street Address:

City: State: Zip: County:

Description of Business:

Principal/Officer Name and Title: Date of Birth:

Percent Ownership: % Principal/Officer Home Address:

City: State: Zip: County:

Email: Phone #:

Trustee/Beneficiary Name(s): Trust State: Trust Date:

\*A representative or trustee will need to sign on behalf of the business or trust.

### Individual Applicant

Title Holder: ☐ Yes ☐ No

☐ Borrower ☐ Co-Borrower ☐ Guarantor (Relationship to primary applicant):

Last Name: First Name: Middle Name:

Street Address:

City: State: Zip: County:

Email: Phone #:

Soc. Sec. #: Date of Birth: Years at Current Address:

Marital Status: ☐ Married (or separated) ☐ Single (or divorced, unmarried, widowed)

Are you a U.S. citizen or a permanent U.S. resident alien? ☐ Yes ☐ No



# HELPFUL TIPS – FARM & RANCH UNDERWRITING

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- **Timing**

- Getting the 2020 tax returns for analysis
- BS dated within 90 days of loan submission
- Credit Reports within 90 days

- **Narrative Details**

- Expected production for 2021
  - Several areas are dry around US – speak on expected yields
  - Commodity Prices
  - Risk Management



# MORE HELPFUL TIPS

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- **Collateral:**
  - Eligible properties
  - Estimated value of improvements
  - Is this the primary residence
  - If above 60% - remember TDC, D/A, CR requirements
- **Other Reminders**
  - Growing Crops
  - Government Payments
  - Operating Lender – previous, current, going forward



# TREASURY UPDATE

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# FEDERAL RESERVE UPDATE: PIVOTING TOWARDS NORMALIZATION

- **Current Overnight Fed Policy Target Rate:** 0% to 0.25%
- **Market Expectations for Fed Policy Rate:** 4 interest rate hikes by Q3 2024
- **Fed Asset Purchases:** Expected to begin phasing out (or “tapering”) purchases of Treasury and mortgage securities as soon as November with purchases ending by mid-2022
- **Fed Governance Update:** The Fed Chair, Jerome Powell, has his term end in February 2022. A decision on renomination, or a new chair, is expected to be announced sometime Q4
- **Developments to Watch:** Inflation gauges, primarily the Personal Consumption Expenditure (“PCE”) and the Consumer Price Index (“CPI”) have increased steadily with price pressures broadening out due to supply chain constraints, labor market mismatches and pent-up demand from consumers following COVID-19 pandemic lockdowns
  - Continued elevated inflation pressures could lead to a faster phase out of the Fed asset purchase program and policy rates to normalize faster than market expectations
  - A faster pace of interest rate normalization is not being priced into the market and could lead to a steady period of rising rates; similar to 2004-2006 period where the Fed raised rates 0.25% at 17-consecutive meetings

The Fed is expected to wind down its securities purchases by mid-2022 and begin increasing its short-term policy rate thereafter. Continued high inflation readings could quicken the pace of interest rate increases



# INFLATION: MARKING TO MARKET PRICE PRESSURES

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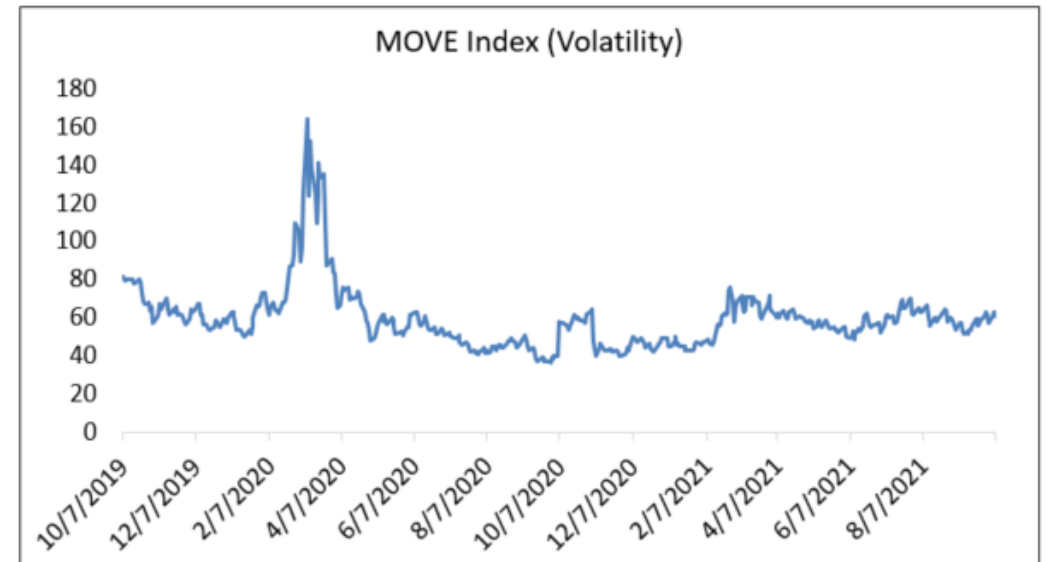
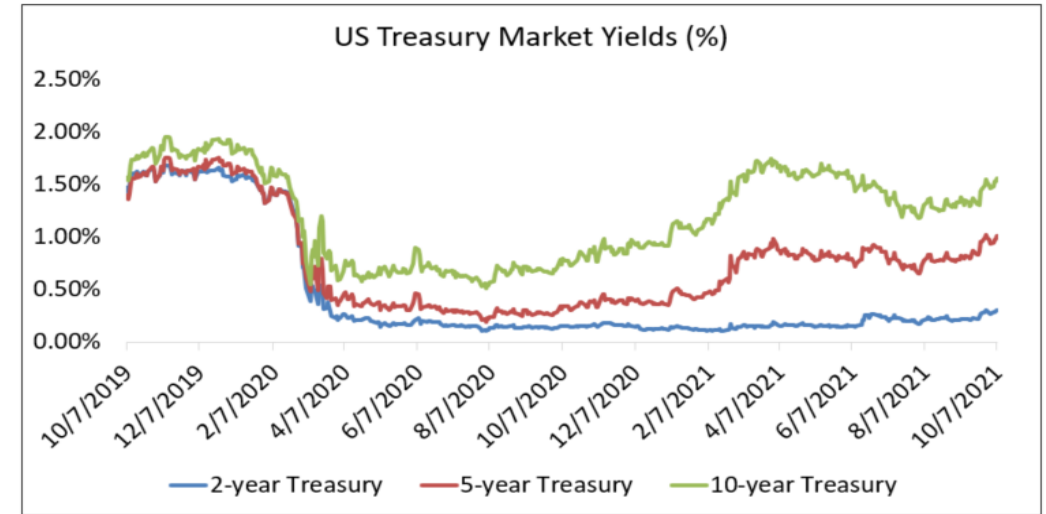
- **Recent Inflation Readings:** Price pressures remain elevated as illustrated by various inflation indices (CPI, PCE) being at highest levels in over a decade
  - **CPI at 5.3% is the highest since July 2008 while core-PCE at 3.6% is highest since March 1991**
- **Drivers of Inflation:** Supply chain disruptions due to COVID-19 globally along with rising energy prices and labor market mismatches are the drivers of price pressures
- **Transitory or Start of Inflationary Cycle:** The critical question is whether the price pressures seen in the last 6-12 months are the start of an inflationary cycle, or they are temporary and should normalize as the economy reopens, supply chains get back on track and the labor market improves
- **Global Issue:** The inflationary pressures seen in the US are happening across the globe with areas that have traditionally struggled with deflation (Europe, Asia) seeing similarly large price increases
  - **Global energy prices, used vehicles, housing, and labor are sectors supplying upward pressure to prices**

Inflation as measured by the CPI or PCE index has increased significantly and near highest levels in 10+ years. Debate remains open over this being temporary or start of a new inflationary environment



# INTEREST RATE MARKET UPDATE

- **Long-term Interest Rate Market Developments:** Intermediate and longer-term interest rates have steadied after increasing in Q1
  - Following a summertime decline, 5-year and 10-year rates have increased 0.40%-0.50%
- **Short-term Interest Rate Market Developments:** Short-term interest rates have remained pinned near historic lows with the 2-year Treasury rate averaging 0.18% in 2021 while the Fed overnight target rate remains at record lows
- **Interest Rate Market Volatility:** Strong liquidity continues in the fixed income market, assisted by the Federal Reserve, has helped keep measure of interest rate volatility low and stable
  - Low interest rate volatility can lower the cost to protect against unforeseen moves in interest rates and help to lower costs to hedge prepayment risk





# F&R RATE SHEET

<i>Products</i>	<i>Term</i>	<i>Amortization</i>	<i>Standard Rates</i>	<i>Choice Rates</i>
AgEquity VRM	25   30	15   20   25	1.83%	N/A
1-month VRM	15   20   25   30	15   20   25   30	1.82%	1.47%
1-year VRM	15   20   25   30	15   20   25   30	2.13%	1.78%
3-year VRM	15   20	15   20	2.77%	2.42%
3-year VRM	25   30	25   30	2.86%	2.51%
5-year VRM	15   20	15   20	3.09%	2.74%
5-year VRM	25   30	25   30	3.18%	2.83%
10-year VRM	15   20	15   20	3.22%	2.87%
10-year VRM	25   30	25   30	3.31%	2.96%
15-year VRM	20	20	3.39%	3.04%
15-year VRM	25   30	25   30	3.56%	3.21%
7-year Fixed	7	15   25	3.09%	2.74%
10-year Fixed	10	10	3.13%	2.78%
15-year Fixed	15	15	3.40%	3.05%
15-year Fixed	15	25	3.49%	3.14%
20-year Fixed	20	20	3.56%	3.21%
25-year Fixed	25	25	3.72%	3.37%
30-year Fixed	30	30	3.82%	3.47%

- AgEquity, VRM and fixed rate loan products
- Maturities to 30-years
- Standard and Choice Rates
- Lender adds field servicing fee to the Farmer Mac Net Yield



# RECENT SUCCESS STORIES

County	Texas	Washington	Illinois	Minnesota	Montana	Missouri	Oregon	Nebraska	Iowa	Kansas
Commodity	Milk	Hay	Corn	Corn	Wheat	Corn	Cattle	Corn	Corn	Cattle
Program	Full Underwrite	Full Underwrite	Full Underwrite	Full Underwrite	Fast Track	Full Underwrite	Full Underwrite	Full Underwrite	AgXpress	Full Underwrite
Purchase Date	September	September	September	October	October	September	September	October	October	October
Loan (\$)	3,900,000	3,700,000	3,425,000	2,860,000	2,500,000	2,350,000	1,900,000	750,000	510,000	1,900,000
LTV	60%	49%	45%	47%	54%	62%	41%	51%	53%	43%
Loan Product	30-Yr Fixed	25-Yr Fixed	30-Yr Fixed	30-Yr Fixed	30-Yr Fixed	30-Yr Fixed	10-Yr VRM	30-Yr Fixed	10-Yr VRM	30-Yr Fixed
Pay Freq	Monthly	Semi-annual	Semi-annual	Semi-annual	Semi-annual	Annual	Semi-annual	Semi-annual	Semi-annual	Semi-annual
Note Rate	4.00%	3.92%	4.18%	3.92%	4.20%	4.30%	4.05%	4.00%	3.50%	4.25%
Servicing Fee	0.15%	0.60%	0.40%	0.47%	0.71%	0.38%	0.93%	0.50%	0.56%	0.35%
Maturity Date	10/1/2051	1/1/2047	7/1/2051	10/1/2051	1/1/2052	1/1/2052	4/1/2042	1/1/2052	1/1/2042	1/1/2052

- Examples from ten different lenders
- Utilizing Full Underwrite, Fast Track and AgXpress
- LTVs from 41% to 62%
- Products range from 10-Yr VRM to 30-year fixed rate
- Borrower rates from 3.50% to 4.30%



# CULTIVATING CUSTOMERS – WHITE PAPER

- Collaborative effort with American Bankers Association
- Features first-hand accounts of ABA member banks utilizing the secondary market
  - Carrollton Bank
  - Bank of the Rockies
  - Heartland Tri-States Bank
- ABA Ag Bankers Conference, November 14-17, Cincinnati, Ohio







# FARMER MAC ECONOMICS TEAM

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- The Feed, Farmer Mac's perspective on agriculture published quarterly
- Timely updates on farm income, farmland values, labor, farm finances, commodities, etc.

# FARMER MAC ECONOMICS TEAM

## ABOUT THE AUTHORS



**Lead Author** - Jackson Takach, Chief Economist, is a Kentucky native whose strong ties to agriculture began while growing up in the small farming town of Scottsville. He has since dedicated a career to agricultural finance where he can combine his passion for rural America with his natural curiosity of the world and his strong (and perhaps unrealistic) desire to explain how we interact within it. He joined the Farmer Mac team in 2005, and has worked in the research, credit, and underwriting departments. Today, his focus at Farmer Mac currently includes quantitative analysis of credit, interest rate, and other market-based risks, as well as monitoring conditions of the agricultural economy, operational information systems analysis, and statistical programming. He holds a Bachelor's degree in economics from Centre College, a Master's degree in agricultural economics from Purdue University, and a Master's of Business Administration from Indiana University's Kelley School of Business. He has also been a CFA Charterholder since 2012.



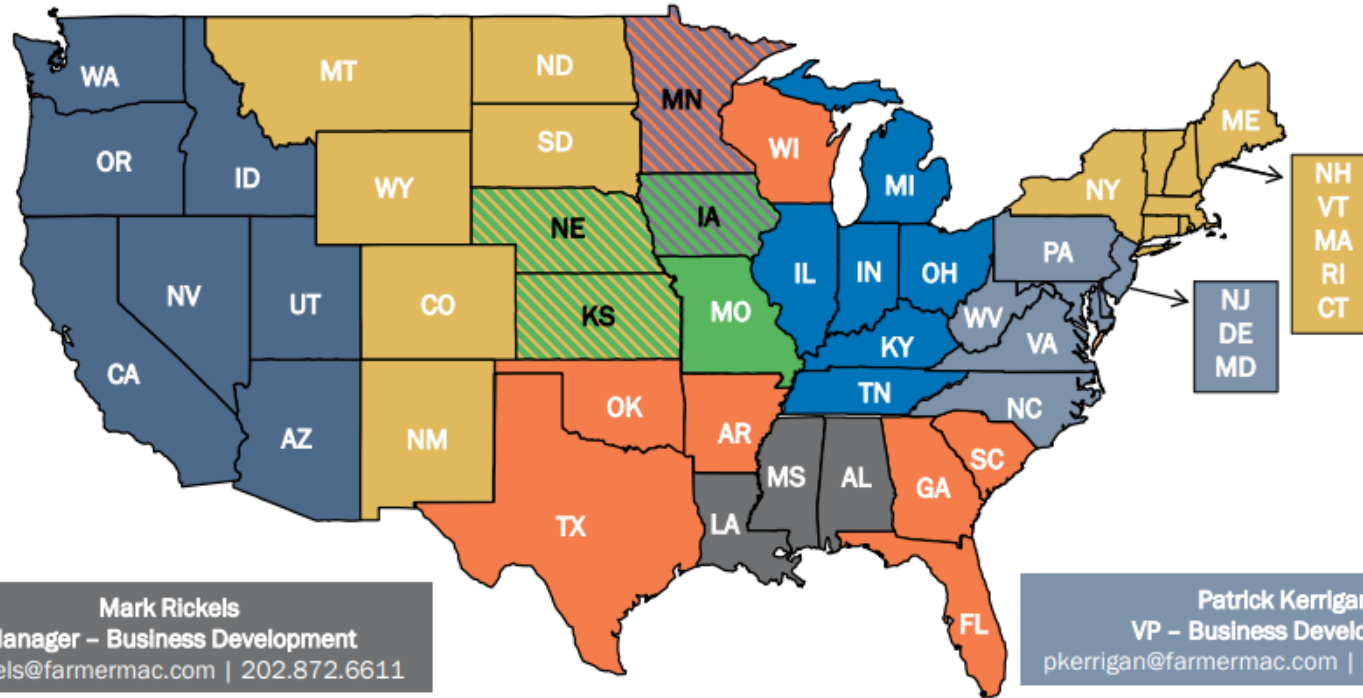
**Lead Author** - Greg Lyons is an economist who joined the Farmer Mac team in 2019. Prior to joining Farmer Mac, Greg was an economist with the USDA, Economic Research Service, where he created estimates of farm sector income and researched topics related to agricultural finance, beginning farmers and farm households. Greg's interest in rural America stems from his time growing up in upstate New York, where he spent many hours on his family's dairy farm. At Farmer Mac, he spends most of his time researching topics related to credit access, land values, and farm financial conditions. Greg has a bachelor's degree in Policy Analysis and Management from Cornell University, and a Master's of Public Policy degree from Georgetown University.

Riley Croghan, Editor-in-Chief  
Betsy Urso, Copy Editor & Design

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- Authors:
  - Jackson Takach
  - Greg Lyons



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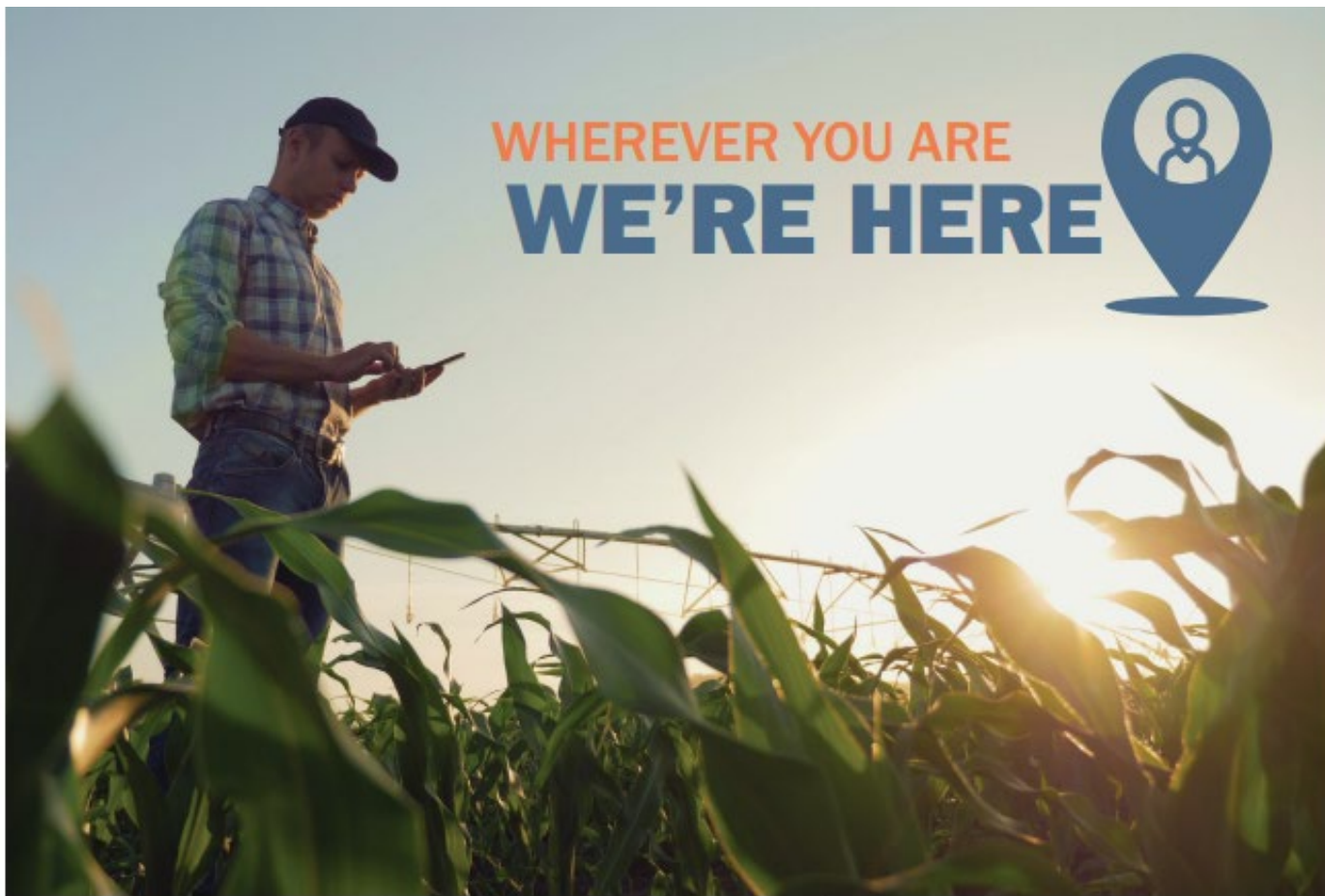
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FINANCING RURAL AMERICA

FARMER  AC



# THANK YOU!

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