Wanted: Energetic Ag Department to Make New Loans & Grow Profits

Refresh Webinar
December 13, 2017

Bank Panel Introductions
Introducing Our Panelists

Patrick Hogrefe
EVP, Market President
American Trust & Savings Bank
Dyersville, IA
Assets: $1.08 billion
Farmer Mac Since: 2005

Elizabeth Naville
Credit Services Manager
CGB Agri Financial Services
Louisville, KY
Ag Assets Managed: $1.70 billion
Farmer Mac Since: 1999
Your Ag Lending Blueprint

- Can you describe your institution’s ag lending blueprint?
- How effective has it been?
- How do you differentiate yourself in a busy ag lending marketplace?

FDIC Data: Loan to Deposit Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Ag Bank</th>
<th>Median Farmer Mac Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>90%</td>
<td>76%</td>
</tr>
<tr>
<td>2013</td>
<td>85%</td>
<td>71%</td>
</tr>
<tr>
<td>2014</td>
<td>80%</td>
<td>66%</td>
</tr>
<tr>
<td>2015</td>
<td>75%</td>
<td>61%</td>
</tr>
<tr>
<td>2016</td>
<td>70%</td>
<td>56%</td>
</tr>
<tr>
<td>2017</td>
<td>65%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Loan to Deposit Compared

- Median Ag Bank
- Median Farmer Mac Customer
FDIC Data: Loan to Deposit Ratios

Farm & Ranch Loan Purchase Trends

Do high quality ag real estate loans still exist in the countryside?
**Interest Rate Forecast**

<table>
<thead>
<tr>
<th>Interest Rates</th>
<th>Q4 16</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Bank</td>
<td>0.75</td>
<td>1.00</td>
<td>1.25</td>
<td>1.25</td>
<td>1.50</td>
<td>1.50</td>
<td>1.60</td>
<td>1.80</td>
<td>1.95</td>
</tr>
<tr>
<td>3-Month Rate</td>
<td>1.00</td>
<td>1.15</td>
<td>1.30</td>
<td>1.33</td>
<td>1.55</td>
<td>1.72</td>
<td>1.89</td>
<td>2.05</td>
<td>2.19</td>
</tr>
<tr>
<td>2-Year Note</td>
<td>1.19</td>
<td>1.26</td>
<td>1.38</td>
<td>1.49</td>
<td>1.61</td>
<td>1.75</td>
<td>1.91</td>
<td>2.08</td>
<td>2.21</td>
</tr>
<tr>
<td>10-Year Note</td>
<td>2.45</td>
<td>2.39</td>
<td>2.30</td>
<td>2.33</td>
<td>2.39</td>
<td>2.46</td>
<td>2.58</td>
<td>2.70</td>
<td>2.83</td>
</tr>
</tbody>
</table>

- Economists forecast interest rates to increase over the next year
  - Short-term rates forecasted to increase by 85bps
  - 10-Year Note forecasted to increase by 50 bps

- **What impact will an increase in short term and long term rates have on your producers?**

- **Has the flat yield curve changed the loan product choices selected by your producers?**

**Producer Data: Loan Product Choices**

- 50% of products selected +10-yrs fixed rates
Bank’s Ag Portfolio

- What effect has the use of Farmer Mac products had on your portfolios?

- Are your secondary market transactions profitable?

Bank Panel’s Recent Transactions
Loan Request

- New Ohio based family farm
- 3 families
- Goals
  - Transition from expansion mode
  - Aggressive repayment terms
  - Restore working capital
  - Lower payments

Farming Operation

- 50% Grain and 50% Hogs
- 864 acres

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**CGB Agri Financial Transaction**

**An Innovative Solution: Multi-Tranche Financing**

<table>
<thead>
<tr>
<th>Amount</th>
<th>Loan Product</th>
<th>Maturity</th>
<th>Amort.</th>
<th>Note Rate</th>
<th>Lender Servicing Fee</th>
<th>Use of Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,200,000</td>
<td>AgEquity RLOC</td>
<td>30-Yrs</td>
<td>25-Yrs</td>
<td>3.84%</td>
<td>0.60%</td>
<td>Refi Other Lender</td>
</tr>
<tr>
<td>$2,420,200</td>
<td>10-Year Variable</td>
<td>30-Yrs</td>
<td>30-Yrs</td>
<td>4.60%</td>
<td>0.45%</td>
<td>Refi Other Lender</td>
</tr>
<tr>
<td>$1,681,000</td>
<td>5-Year ARM</td>
<td>15-Yrs</td>
<td>25-Yrs</td>
<td>3.64%</td>
<td>0.45%</td>
<td>Refi Other Lender</td>
</tr>
<tr>
<td>$5,301,200</td>
<td></td>
<td></td>
<td></td>
<td>4.12%</td>
<td>0.48%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
- How did the producer react to the multi-tranche loan proposal?
- How does the producer plan to use the AgEquity loan?
- Year 1 fee income potential: +$25,000
CGB Agri Financial Transaction #2

Loan Request

- Kentucky based family farm
- Goals
  - Looking to get the next generation onto the farm
  - Extend loan terms
  - Lower rates

Farming Operation

- Cattle
- 837 acres

CGB Agri Financial Transaction #2

An Innovative Solution: Multi-Tranche Financing

<table>
<thead>
<tr>
<th>Amount</th>
<th>Loan Product</th>
<th>Maturity</th>
<th>Amort.</th>
<th>Note Rate</th>
<th>Lender Servicing Fee</th>
<th>Use of Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,100,000</td>
<td>AgEquity RLOC</td>
<td>30-Yrs</td>
<td>25-Yrs</td>
<td>3.75%</td>
<td>0.51%</td>
<td>Cash Out</td>
</tr>
<tr>
<td>$ 909,950</td>
<td>5-Year ARM</td>
<td>15-Yrs</td>
<td>25-Yrs</td>
<td>4.10%</td>
<td>0.47%</td>
<td>Refi Other Lender</td>
</tr>
<tr>
<td>$ 2,009,950</td>
<td></td>
<td></td>
<td></td>
<td>3.91%</td>
<td>0.49%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
- How did the producer react to the multi-tranche loan proposal?
- How does the producer plan to use the AgEquity loan?
- Year 1 fee income potential: +$9,000
Loan Request
• New borrower
• NE Iowa family farm
• Goals
  – Looking to restructure current assets
  – Lock-in interest rate with a long amortization

Farming Operation
• Commodity: Grain, hay, cattle, dairy
• 278 acres

American Trust Transaction
An Innovative Solution: FSA Farm Ownership Loan Guarantee

<table>
<thead>
<tr>
<th>Amount</th>
<th>Loan Product</th>
<th>Maturity</th>
<th>Amort.</th>
<th>Note Rate</th>
<th>Lender Servicing Fee</th>
<th>Use of Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,399,000</td>
<td>30-Yr Fixed</td>
<td>30-Yrs</td>
<td>30-Yrs</td>
<td>4.885%</td>
<td>0.75%</td>
<td>Refi Bank</td>
</tr>
</tbody>
</table>

Notes:
– Why did this producer qualify for an FSA loan guarantee?
– What role did Farmer Mac play?
– Year 1 fee income potential: +$9,000
American Trust Transaction #2

Loan Request

• New borrower
• NE Iowa family farm
• Goals
  – Purchase farm property adjacent to borrower’s acreage

Farming Operation

• Commodity: Grain
• 162 acres

An Innovative Solution: FSA Beginning Farmer Loan Guarantee

<table>
<thead>
<tr>
<th>Amount</th>
<th>Loan Product</th>
<th>Maturity</th>
<th>Amort.</th>
<th>Note Rate</th>
<th>Lender Servicing Fee</th>
<th>Use of Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$725,000</td>
<td>25-Yr Fixed</td>
<td>25-Yrs</td>
<td>25-Yrs</td>
<td>5.00%</td>
<td>0.81%</td>
<td>Purchase</td>
</tr>
</tbody>
</table>

Notes:

– Why did this producer qualify for an FSA Beginning Farmer loan guarantee?
– What type of loan product were they looking for?
– What role did Farmer Mac play?
– Year 1 fee income potential: +$5,000
**Conclusion**

- Energize your ag department! Make new loans and grow profits by changing your Ag Lending Blueprint:
  - Preserve existing relationships and attract new high quality clients
  - Grow with your larger producers
  - Offer long-term fixed rates
  - Increase offered maturity and amortization dates
  - Generate new non-interest income opportunities
  - Diversify risk and grow your ag loan portfolio

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**Farmer Mac Relationship Manager Map**
Thank You

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