

February 2021

FARMER  MAC

Farmer Mac Refresh

**Your Fastest Path to “Yes.” How to
Ensure a Quick and Seamless Settlement
for Your Farm & Ranch Loans**

Farm and Ranch Loan Purchase Trends

Total amount of loan purchase volume processed by our credit staff (2018 – 2020)

- \$5.2 Billion

Overall application approval rate

- 85%

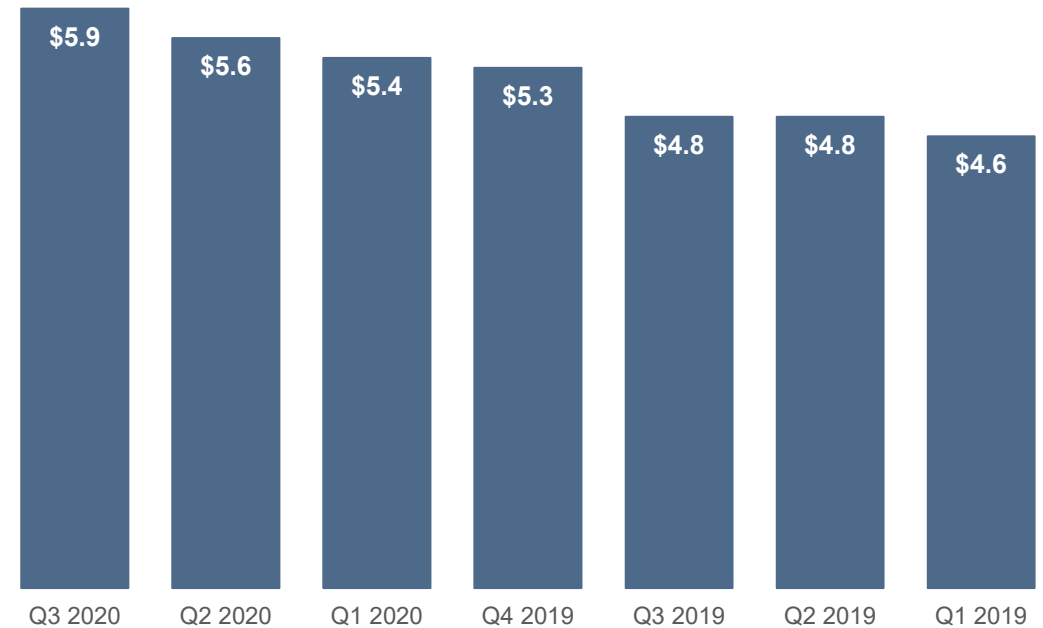
Overall approval-loan close rate

- 77%

Percentage of loans receiving Choice pricing (by count)

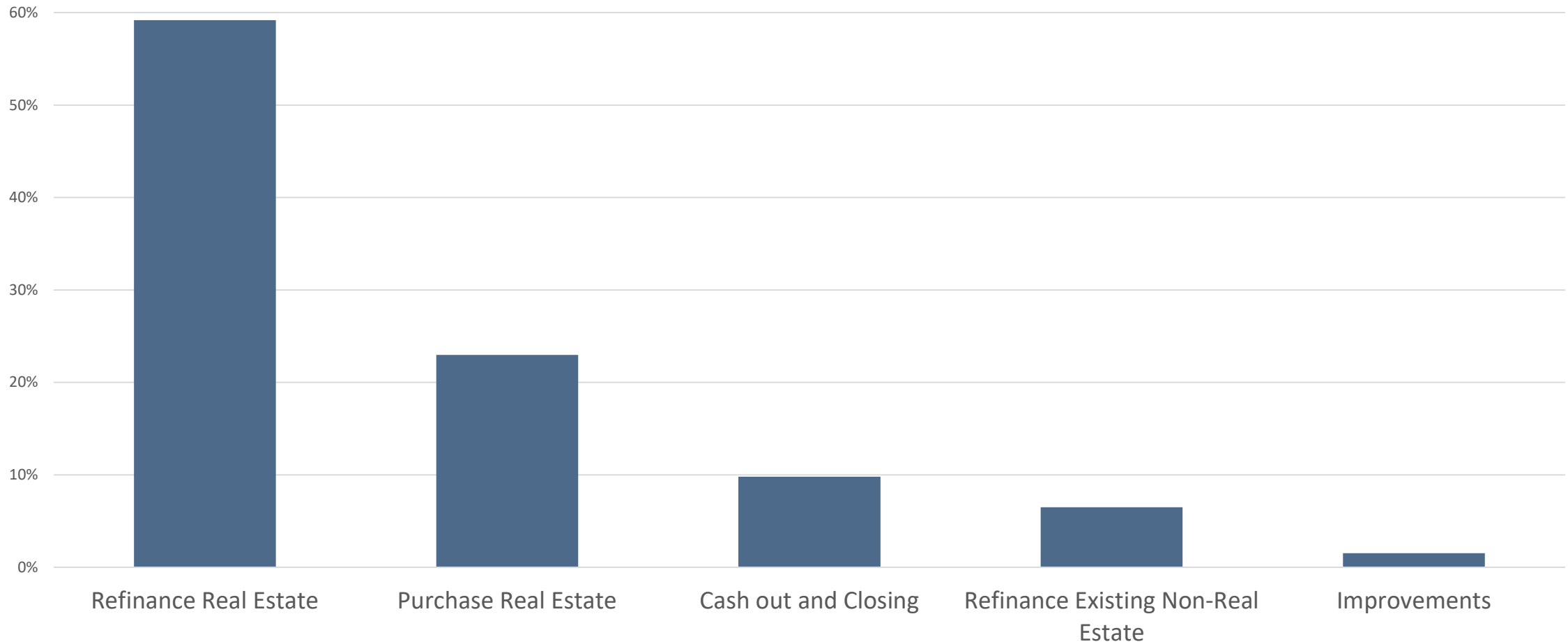
- 46%

Farm & Ranch Outstanding Volume (\$Billions)



Use of Funds

2019Q3 - 2020Q3





*Underwriting
Achieve Faster Approvals*

Loan Approval Items that Slow Down the Process

- *Ineligible properties and/or collateral*
- *Incomplete AgXpress loan applications*
- *Loans that do not meet underwriting criteria*
- *Lack of detail in loan narrative and/or application*



Property & Borrower Eligibility

Eligible Farm & Ranch Loans

- Farm or ranch real estate secured by a first mortgage
- 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
 - Less than 5 acres must produce \$5,000 or more in annual ag income
- 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



****Eligibility Questions? Contact your Relationship Mgr.**



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AgXpress

Max 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

Max LTV: 55% of total combined bare land and permanent plantings

- If the property does not include permanent plantings, the max LTV of 55% is based off of 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™ APPLICATION

FMI12-01 006.20

Loan and Property Information

Loan Amount: \$ **0.00** Desired Product: _____ Term (yrs): _____ Amortization (yrs): _____

Payment Frequency: Monthly Semi-annual

Bare Land Only Value: \$ _____ Permanent Planting Value (if applicable): \$ _____

Improvement Value (include outbuildings & residence): \$ _____ Total Collateral Value: \$ **0.00**

Projected Loan-to-Value (loan amount/(bare land + permanent plantings)): _____ %

Sources of Funds		Uses of Funds	
Description	Amount	Description	Amount
Total Source of Funds	\$ 0.00	Total Use of Funds	\$ 0.00

Total source of funds should equal total use of funds. (Attach additional exhibits or descriptions as needed.)

Is this financing related to any recent (12 months or less) land transactions? If so, please describe the terms of the land purchase, including purchase price:

Application Information — Individual Title Holder: Yes No

Primary Applicant Co-Applicant (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

Application Information — Individual Title Holder: Yes No

Primary Applicant Co-Applicant (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

Application Information — Business Entity or Trust* Title Holder: Yes No

Primary Applicant Co-Applicant (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 #: _____

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

▶ Complete Exhibit A for additional individual and/or business applicants.

Helpful Tips to Speed Approval

All title holders must be applicants

All applicants need to sign the application

- Including Trust, LLC, partnerships, corporation etc.

Use and source of funds

- Total purchase price and how are they producing additional funds?


Provide a summary of the operation

Consolidated Balance Sheet & Income Statement have incorrect dates

LTV or collateral doesn't meet requirements

- Improvements vs. bare land

Review and upload application




APPLICATION PROCESS

FARM & RANCH AGXPRESS™

FARMER MAC

AgXpress™ is a credit score-based model, designed to simplify the application process and deliver a faster credit decision. Using AgXpress, you bypass the majority of traditional loan onboarding requirements and substantially reduce the amount of time needed to submit a loan. This package outlines the **Eligibility Parameters**, the **Submission Checklist**, **Frequently Asked Questions (FAQ)**, and the **Application** — providing everything you need to get rolling.

AgXpress — an easier application solution for you and your customers.

 **Lean on us to help you.**

Call Client Services at 866.452.2617 or email ClientServices@FarmerMac.com for assistance.

ELIGIBILITY PARAMETERS

- ▶ **Maximum loan size:** \$1.5 million per applicant
 - Maximum aggregate AgXpress exposure is \$1.5 million
- ▶ **Maximum Loan-to-Value (LTV):** 55% of total combined bare land and permanent plantings
 - If the property does not include permanent plantings, the max LTV of 55% is based off of bare land only
- ▶ **Though not an absolute indicator for approval, the recommended minimum consumer credit score for all applicants is 720.**
 - Farmer Mac will pull a consumer credit report (TransUnion) – and, if applicable, a commercial credit report (Dun & Bradstreet) – on all AgXpress application submissions.

ELIGIBILITY PARAMETERS

- ▶ Farmer Mac's general underwriting guidelines apply
- ▶ Monthly or semi-annual payment frequencies
- ▶ Choice Pricing included
- ▶ No restrictions on commodities
- ▶ No restrictions on use of funds
- ▶ Fixed and Variable Rate products offered
- ▶ Applicants/borrowers must include all title holders
- ▶ The following are not allowed on AgXpress transactions:
 - AgEquity (Revolving Lines of Credit)
 - Highly improved, livestock, and special use facilities
 - Trusts (without an eligible co-borrower and a personal guarantee)
 - Annual payment frequency

SUBMISSION CHECKLIST

<p>1 COMPLETE</p> <ul style="list-style-type: none"> <input type="checkbox"/> Signed AgXpress Application. <ul style="list-style-type: none"> • Farmer Mac's AgXpress Application must be used and is located within the Resource Library at www.efarmermac.com. <input type="checkbox"/> Log into www.efarmermac.com and begin a "New Application" in AgPower. Check "AgXpress Loan". Complete only the "Application" and "Borrower Info" tabs. 	<p>2 SUBMIT</p> <ul style="list-style-type: none"> <input type="checkbox"/> Upload the AgXpress Application within the "Communication/Attachment" tab of AgPower. <input type="checkbox"/> Click the "Submit Application" button on the "Submit Application" tab in AgPower. <input type="checkbox"/> Once available, with or after application, upload the appraisal and title work in the "Communication/Attachment" tab in AgPower. 	<p>3 REVIEW</p> <p>Farmer Mac will review your loan submission and contact you with questions.</p> <p>Once a credit decision is made, you will either receive a notification of approval (a Preliminary Loan Approval (PLA) will be issued) or denial (an Adverse Action Notice (AAN) will be provided for you to issue to the applicant(s)).</p> <p>Please refer to the Seller/Service Guide within the Resource Library for obligations related to AgXpress denials.</p>
<p>4 CONTINUE After approval, follow the standard process for appraisal, title, rate lock, closing, and purchase activities.</p>		

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QUESTIONS? ClientServices@FarmerMac.com | 866.452.2617 | farmermac.com

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Loan Approval Items that Slow Down the Process

- *Ineligible properties and/or collateral*
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- *Lack of detail in loan narrative and/or application*



Underwriting Matrix

Underwriting categories

- Most popular:
 - Fast Track, Full Underwrite, AgEquity RLOC
- Other options include:
 - AgAssist, Seasoned Loans, Cattle, Timber, Poultry, Swine, Dairy, Agribusiness and Production Facilities

Pricing qualifications

- *Standard* pricing: competitive pricing for borrowers who meet general standards
- *Choice* pricing: preferred pricing for stronger borrowers/credits

Loan Program	Fast Track	Full Underwrite	Full Underwrite	AgEquity RLOC
Eligible Pricing Type	Choice	Standard	Choice	Standard

****Underwriting Program Questions? Contact your Relationship Mgr.**



Underwriting Matrix

Loan Program	Fast Track	Full Underwrite	Full Underwrite	AgEquity RLOC	AgAssist
Eligible Pricing Type	Choice	Standard	Choice	Standard	Standard
Total Debt Coverage (See Seller/ Servicer Guide, Section 202.3)	≥ 1.00 for 2 year average	≥ 1.25	≥ 1.50	≥ 1.35; must meet TDC after 3% rate shock	≥ 1.10
Current Ratio	≥ 1.00	≥ 1.25	≥ 1.50	≥ 1.25	≥ 1.00
Debt to Asset	≤ 40%	≤ 50%	≤ 40%	≤ 50%	≤ 60%
Loan-to-Value	≤ 55%	<70%*	≤ 60%	≤ 50%**	≤ 45% FAMC LTV ≤ 85% CLTV
Credit Score (FICO) (Individual borrowers/guarantors)	≥ 720	≥ 680			
D&B PAYDEX Score (required if no individual borrowers/guarantors)	N/A	≥ 70			
Loan Size	No minimum ≤ \$3.0 mil	No minimum ≤ 2000 acres: \$50.0 mil > 2000 acres: \$13.2 mil		Minimum: \$50,000 Maximum: \$13.2 mil	No minimum ≤ 2000 acres: \$50.0 mil > 2000 acres: \$13.2 mil
Cash-Out (See Seller/ Servicer Guide, Section 202.5)	Unlimited	≤ 10%; unlimited cash out if amortization is 15 years or less and LTV is ≤ 60%.		Allowed if not for consumer purpose.	Unlimited
Recent Tax Returns	2 years	Minimum 3 years; 4 years alternate bearing.			
Extras	Collateral must consist of at least 5 acres or be used to produce annual agricultural receipts of at least \$5,000.				
	Permanent plantings are eligible.			Unlimited number of draws, minimum draw of \$2,500.	2nd mortgage must be guaranteed by federal or state agency.
	Loans with agricultural improvements whose contributory value exceeds 40% of the total value are not eligible.	*Loans with LTV > 60% and ≤ 70% must have TDC ≥ 1.50. No exceptions to Pro forma CR or D/A.		**Property may have improvements or permanent plantings, however the loan-to-value will be calculated using only the bare land value.	Guaranteed loan ≥ 25% of combined loan amounts.



Application Checklist

Balance Sheets & credit bureau reports

- Dated within 90 days of the loan submission

Verifications, credit bureau reports, and UCC

- All reconcile with the balance sheets dates and dollar amounts
- UCC Searches are required on \$750M or more

2020 IRS returns and YE Balance Statements

****Documentation Questions?
Contact your Relationship Mgr.**

Application Checklist	Full Underwrite	Fast Track
1. Detailed Narrative (analysis of character, capital, capacity, collateral, and condition)	<input type="checkbox"/>	<input type="checkbox"/>
2. UCC Search on all loans over \$750,000. Applies to all borrowers/guarantors. Reports must be within 90 days of loan submission and marked up to align with the balance sheet.	<input type="checkbox"/>	<input type="checkbox"/>
3. Credit report with credit score for each applicant (within 90 days) (If a tri-merged report is submitted, the middle score will be used.)	<input type="checkbox"/>	<input type="checkbox"/>
4. Current market value balance sheet(s) with schedules (within 90 days) (including debt schedule) > input in AgPower	<input type="checkbox"/>	<input type="checkbox"/>
5. Pro forma balance sheet and schedules (including debt schedule) > input in AgPower	<input type="checkbox"/>	<input type="checkbox"/>
6. Previous three years (market value preferred, cost basis accepted) balance sheets and schedules > input & upload in AgPower	<input type="checkbox"/>	N/A
7. Tax Returns/Income Statements for previous three years or four years for alternate bearing crops (only <u>two years</u> required for Fast Track) > input & upload in AgPower	<input type="checkbox"/>	<input type="checkbox"/>
8. Pro forma income and expense > input in AgPower	<input type="checkbox"/>	N/A
9. Verification of non-farm income (two (2) most recent paystubs or most recent W-2 for each applicant employed off-farm)	<input type="checkbox"/>	<input type="checkbox"/>
10. Written debt verifications from major lender(s) of the borrower (if not on the credit report)	<input type="checkbox"/>	<input type="checkbox"/>
11. Written mortgage verifications outlining outstanding principal balance and payment history (at least last 24 months); or two most recent 1098's for each mortgage not on the credit report	<input type="checkbox"/>	<input type="checkbox"/>
12. Verification of cash, savings, cash value life insurance, marketable bonds and securities, and retirement accounts, if material to the credit	<input type="checkbox"/>	<input type="checkbox"/>



Loan Approval Items that Slow Down the Process

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Detailed Loan Narrative

“5 C’s of Credit”

Details on operation – size, scope, ownership, management

Credit history with applicants, existing exposure with them?

Breakout Proforma Income

- Acres, crops, Yields, prices, etc.

Detailed description on collateral

- Acres
- Improvements
- Water Sources

****Narrative Questions? Contact your Relationship Mgr.**



LET'S TALK
DETAILS

FARM & RANCH NARRATIVE

FARMER MAC

Farm & Ranch loans must include a complete narrative. For your convenience, please consider the use of this Narrative form to ensure necessary information is captured. Substitutions are accepted, provided that loan details are adequately addressed.

Date: _____ Originator/Seller: _____

Borrower Name: _____

Additional Borrowers/Guarantors: _____

Operating Lender (if known): _____

Existing Relationship: Yes No Existing loan(s) and loan number(s): _____

Loan Request Details

Loan Program (e.g. Full Underwrite): _____

Estimated Loan-to-Value: _____ Loan Amount: _____

Desired Loan Product(s): _____

Amortization (years): 10 15 20 25 30 Term (years): 7 10 15 20 25 30

Payment Frequency: Semi-annual Annual Monthly

Additional Loan Request*

If there is a second loan related to this loan request, please complete the following:
*For three or more related loans, please download and complete another Narrative form, page 1.

Loan Request Details

Loan Program (e.g. Full Underwrite): _____

Estimated Loan-to-Value: _____ Loan Amount: _____

Desired Loan Product(s): _____

Amortization (years): 10 15 20 25 30 Term (years): 7 10 15 20 25 30

Payment Frequency: Semi-annual Annual Monthly

Source & Use of Funds

Total source of funds should equal total use of funds. Attach additional exhibits or descriptions to supplement as needed.

Sources of Cash		Uses of Cash	
Description	Amount	Description	Amount
Total:	\$ 0.00	Total:	\$ 0.00

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Loan Closing and Servicing

Ten Tips to Shorten Your Time to Rate Lock

- 1. Make sure you use a Certified General Appraiser**
- 2. Review the Appraisal Report Content Requirements in the Collateral Valuation Guide and share with your appraiser (can be found in Resource Library)**
- 3. Make sure all necessary Farmer Mac forms are provided to the appraiser at engagement and signed where needed**
 - 1023A (engagement letter), 1027A (allocation table), 1037 or 1037B (Assumptions and Limiting Conditions), 1010A (Environmental), 1020 (Water Questionnaire), etc. All can be found in the Resource Library as well.
- 4. The intended users of the appraisal must include, Farmer Mac and your institution**
- 5. Ensure the legal description in the title policy and appraisal match**
 - Hint: It is easiest when the appraiser can use the title report in the appraisal for the legal description from the beginning if possible.



Ten Tips to Shorten Your Time to Rate Lock

6. Ensure the appraised value met or exceeded expectations, and all appraisal conditions are met

- Best to rate lock after an Instruction Letter has been sent to your Central Servicer
- *Please do not rate-lock if you believe the borrower may request material changes to the loan (source and use of funds, etc.)*

7. Complete and include a flood search if structural improvements with contributory value exist

8. Please know it typically takes around 3-5 days to review an appraisal

9. Revisions can take a couple days to complete, so please let us know any and ALL material changes ASAP

- Revisions take time away from everyone involved and bottlenecks the closing process – **especially if already rate-locked.**

10. Communicate Frequently as needed and feel free to ask Questions – We are glad to help!



Loan Closing Tips for Title Work

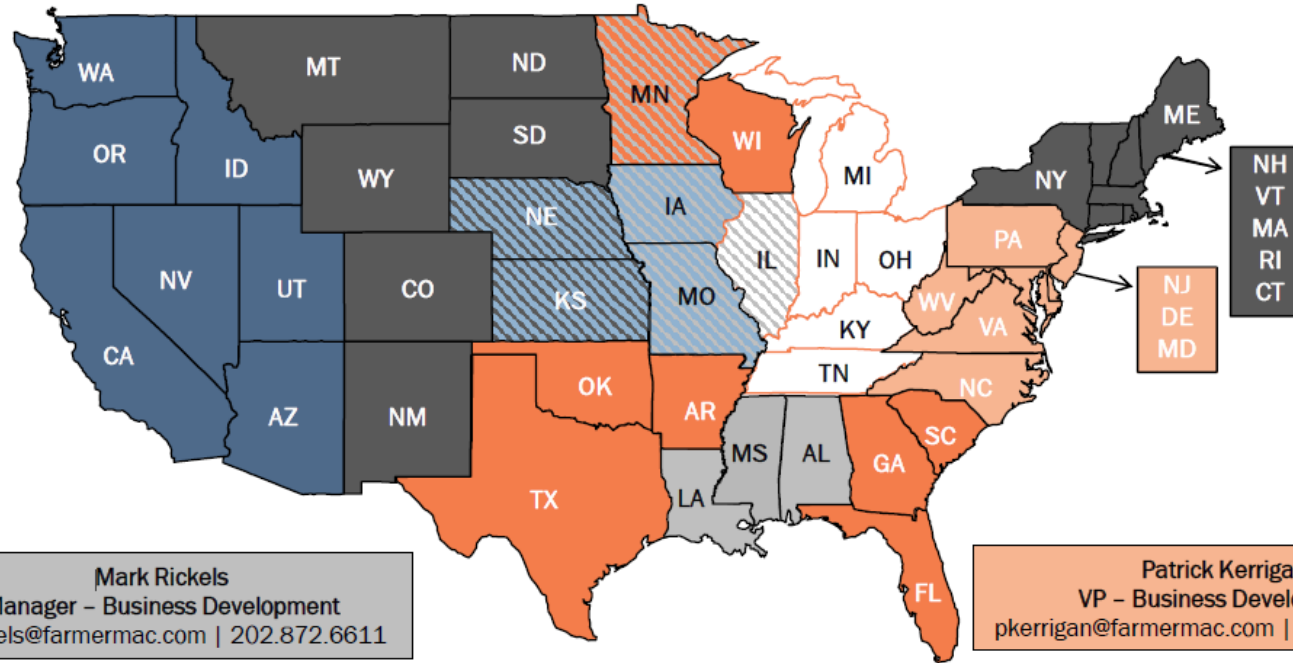
Preliminary Title Report Reminders – Please Make Sure...

- Loan Policy Proposed Insured reads your institution and includes the language “Its Successors and/or assigns”
- Loan policy amount covers Farmer Mac’s loan amount
- Title work’s effective date is within 4 months of closing
- Legal description and acreage match the appraisal report
- Those who are/will be vested on title match what we have on the borrower tab in AgPower
- **Please do not rate-lock if you are unsure who will be vested on title at closing.**

Communicate! 😊



Your Relationship Manager is Here to Help!



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Thank you!