Independent Community Bankers of America

Build Your Ag Portfolio with the Farmer Mac-ICBA Ag Lending Program

August 11, 2016
Press Release – August 9, 2016

Farmer Mac Reports Second Quarter 2016
Financial Results
Record Outstanding Business Volume of $17.1 Billion

WASHINGTON, August 9, 2016 — The Federal Agricultural Mortgage Corporation (Farmer Mac; NYSE: AGM and AGM.A) today announced its results for the fiscal quarter ended June 30, 2016, which included $901 million in net new business volume growth that brought total outstanding business volume to $17.1 billion as of June 30, 2016. Farmer Mac's net income attributable to common stockholders for

• Financial Highlights:
  – Total portfolio stands at $17.1 billion
  – Core earnings of $13 million for 2Q 2016
  – $1.3 billion of new business volume in 2Q 2016
    • Purchased $241 million of newly originated Farm & Ranch (F&R) loans
    • Purchased $110 million of USDA guaranteed loans
  – 90 day delinquencies in the F&R portfolio of $22.1 million (0.38%)
Longstanding Partnership with ICBA

• Beginning in January 2009, ICBA bankers started receiving new benefits from Farmer Mac as part of a newly launched partnership between ICBA and Farmer Mac

• These benefits include:
  – Preferred pricing on select loan products
  – ICBA member only communication link to answer product and credit questions
  – “On Demand” instructions for ag lending staff

• $1.20 billion purchased through the partnership as of 12/31/15
Concerns of Ag Bankers

• Loans are getting so large, we can’t handle them in-house
• Lenders are offering terms longer than our bank’s products
• Farm Credit and other large ag lenders cherry pick my best customers
• USDA guaranteed loan limits are too small
Barriers to the Secondary Market

• 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
Farmer Mac – Flexible Solutions for Your Bank

• Offer competitive loan products that attract new customers
• Accommodate large loan requests that grow relationships
• Add to your loan portfolio with cross sales
• Earn origination fees and a continuing stream of fee income
• Decrease credit risk
• Receive liquidity & capital relief while decreasing credit risk
Community Bank Case Study

Loans and Leases Total History

$77 million Farmland Loans
Community Bank Case Study

Farmer Mac Portfolio Growth

- $77 million Farmland In-Portfolio
- $45 million Loans Sold
Community Bank Case Study

Fee Income from Farmer Mac Loans

- Quarterly Fee Income
- Cumulative Fee Income

$36 thousand per quarter
2015 Lender Locations
Interest Rate & Product Review
Farm & Ranch Net Yields

2016 Net Yield Changes

-2.00%  -1.00%  0.00%  1.00%  2.00%  3.00%  4.00%  5.00%  6.00%

1-Mo  1-Yr  3-Yr  5-Yr  10-Yr  15-Yr  20-Yr  25-Yr  30-Yr
LIBOR  ARM  ARM  Fixed  Fixed  Fixed  Fixed  Fixed  Fixed

1/4/2016  8/10/2016  Delta
<table>
<thead>
<tr>
<th>Product</th>
<th>Term</th>
<th>Amort.</th>
<th>Reset Margin</th>
<th>Standard Rate</th>
<th>Choice Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ag Equity LIBOR</td>
<td>20/25/30</td>
<td>varies</td>
<td>2.00%</td>
<td>2.52%</td>
<td>2.52%</td>
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<tr>
<td>1-Mo ARM LIBOR*</td>
<td>15</td>
<td>15/25</td>
<td>1.60%</td>
<td>2.41%</td>
<td>2.21%</td>
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<tr>
<td>5-Yr ARM</td>
<td>15</td>
<td>15/25</td>
<td>2.30%</td>
<td>3.21%</td>
<td>3.01%</td>
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<tr>
<td>10-Yr VRM*</td>
<td>15/20</td>
<td>15/20</td>
<td>-</td>
<td>3.69%</td>
<td>3.49%</td>
</tr>
<tr>
<td>10-Yr VRM*</td>
<td>25/30</td>
<td>25/30</td>
<td>-</td>
<td>3.76%</td>
<td>3.56%</td>
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<tr>
<td>15-Yr VRM*</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>3.71%</td>
<td>3.51%</td>
</tr>
<tr>
<td>15-Yr VRM*</td>
<td>25/30</td>
<td>25/30</td>
<td>-</td>
<td>3.96%</td>
<td>3.76%</td>
</tr>
<tr>
<td>15-Yr Fixed</td>
<td>15</td>
<td>15</td>
<td>-</td>
<td>3.81%</td>
<td>3.61%</td>
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<tr>
<td>15-Yr Fixed</td>
<td>15</td>
<td>25</td>
<td>-</td>
<td>4.06%</td>
<td>3.86%</td>
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<tr>
<td>20-Year Fixed</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>3.98%</td>
<td>3.83%</td>
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<tr>
<td>25-Year Fixed</td>
<td>25</td>
<td>25</td>
<td>-</td>
<td>4.13%</td>
<td>3.98%</td>
</tr>
<tr>
<td>30-Year Fixed</td>
<td>30</td>
<td>30</td>
<td>-</td>
<td>4.21%</td>
<td>4.08%</td>
</tr>
</tbody>
</table>

*ICBA Discount Available
Quoting the Note Rate

- Farmer Mac’s Net Yield (Posted Rate)
- Standard or Choice Pricing
- ICBA Member Products
- Payment Schedule Options
- Rate Lock Period
- Field Servicing Fee
# Compete with Blended Rates

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Loan 1</th>
<th>Loan 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount:</td>
<td>750,000</td>
<td>250,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Product:</td>
<td>15-Yr VRM (30-Yr Am)</td>
<td>1-Mo LIBOR ARM (25-Yr Am)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Open Prepay</td>
<td>Open Prepay &amp; Convertible</td>
<td>Blended Rates</td>
</tr>
<tr>
<td>Net Yield:</td>
<td>3.96%</td>
<td>2.41%</td>
<td>3.57%</td>
</tr>
<tr>
<td>Lender's S. Fee</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Borrower's Rate:</td>
<td>4.46%</td>
<td>2.91%</td>
<td>4.07%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenario 2</th>
<th>Loan 1</th>
<th>Loan 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount:</td>
<td>300,000</td>
<td>1,200,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Product:</td>
<td>AgEquity RLOC</td>
<td>20-Yr Fixed Rate (20-Yr Am)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10-Yr Revolving &amp; Convertible</td>
<td>Open Prepay</td>
<td>Blended Rates</td>
</tr>
<tr>
<td>Net Yield:</td>
<td>2.52%</td>
<td>3.98%</td>
<td>3.69%</td>
</tr>
<tr>
<td>Lender's S. Fee</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Borrower's Rate:</td>
<td>3.02%</td>
<td>4.48%</td>
<td>4.19%</td>
</tr>
</tbody>
</table>
Recent Transactions
Recent Transactions - Iowa (July 2016)

Transaction Details

- Fast Track
- Loan Amount: $685,000
- 15-Yr VRM (20-Yr Am)
- Maturity Date: 7/1/2036
- Payments: Semi-Annual
- LTV: 36% on 241 acres
- Choice Pricing
- Note Rate: 4.40%
- Field Servicing Fee: 0.60%
- Timeline: 71 calendar days
- Refinance bank, consolidate equipment debt

Farm Data

- Commodity:
  - Corn
- Region:
  - Mid-North
### Recent Transactions - Minnesota (July 2016)

#### Transaction Details
- Full Underwrite
- Loan Amount: $1,030,000
- 15-Yr Fixed (25-Yr Am)
- Maturity Date: 7/1/2031
- Payments: Semi-Annual
- LTV: 47% on 503 acres
- Standard Pricing
- Note Rate: 4.65%
- **Field Servicing Fee: 0.73%**
- **Timeline: 13 calendar days**
- **Refinance Farm Credit**

#### Farm Data
- **Commodity:**
  - Corn
- **Region:**
  - Mid-North
Recent Transactions - Illinois (August 2016)

Transaction Details
- Full Underwrite
- Loan Amount: $745,000
- 5-Yr ARM (25-Yr Am)
- Maturity Date: 1/1/2032
- Payments: Semi-Annual
- LTV: 58% on 240 acres
- Standard Pricing
- Note Rate: 3.66%
- Field Servicing Fee: 0.42%
- Timeline: 42 calendar days
- Refinance Farm Credit & equipment debt

Farm Data
- Commodity:
  - Corn
- Region:
  - Mid-North
Recent Transactions- Nebraska (July 2016)

Transaction Details

• Fast Track
• Loan Amount: $500,000
• 10/1 ARM (25-Yr Am)
• Maturity Date: 1/1/2032
• Payments: Semi-Annual
• LTV: 48% on 160 acres
• Choice Pricing
• Note Rate: 4.05%
• Field Servicing Fee: 0.68%
• Timeline: 42 calendar days
• Refinance other lender & consolidate debt

Farm Data

• Commodity:
  – Corn
• Region:
  – Mid-North
Eligible Properties & Underwriting Standards
Loan Approval Steps

• Meet with your customer; explain product options
• Package credit using Farmer Mac’s AgPower (Loan Origination System)
• Once submitted, Farmer Mac reviews loan package
• Responds to Seller within two business days
• Issues preliminary loan approval letter
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 including agribusiness and crop development
    - 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>$1,000,000</td>
<td>$12.6/$50m</td>
<td>$12.6/$50m</td>
</tr>
<tr>
<td>Loan-to-Value Ratio</td>
<td>55%</td>
<td>70%</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)

- Footnote:
  - LTV is limited to 60% for ND, SD, MN, IA, IL, IN, OH, MO, NE, all other states 70%
## 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 Standard</td>
<td>≥1.25</td>
<td>≥1.25</td>
<td>≤50%</td>
<td>≤ 1000 acres; $50M</td>
<td>≤ $5M; 70%</td>
<td>≥680</td>
</tr>
<tr>
<td>Standard</td>
<td></td>
<td></td>
<td></td>
<td>≥ 1000 acres; $12.6M</td>
<td>≥ $5M; 60%</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

- 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

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*Geographical restrictions apply*
**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></td>
<td></td>
<td></td>
<td>≥ 1000 acres; $12.6M</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></td>
<td></td>
<td></td>
<td>≥ 1000 acres; $12.6M</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 ≤ 1000 acres; $12.6M</td>
<td>≤ 45% FAMC ≤ 85% CLTV</td>
<td>≥680</td>
</tr>
</tbody>
</table>

- Standard pricing
- Facility loans eligible on a case by case basis
- Eligible for cash-out
- 2\textsuperscript{nd} 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 2\textsuperscript{nd} lien position
  - Guaranteed loan ≥ 25% of combined 1\textsuperscript{st} & 2\textsuperscript{nd} loan amount
**Heading into 2017**

- Several sectors of ag will continue to be challenged and Farmer Mac’s products are well-positioned to assist ag lenders with these challenges.

<table>
<thead>
<tr>
<th></th>
<th>F&amp;R Loan Sales</th>
<th>Purchase Commit</th>
<th>USDA</th>
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<tbody>
<tr>
<td>Liquidity</td>
<td>X</td>
<td></td>
<td>X</td>
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<tr>
<td>Capital Relief</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Competitive Loan Products</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Accommodate Large Loans</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Commodity Concentrations</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Increase Fee Income</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Grow Loans w Cross Sell</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Becoming a Farmer Mac Seller

• Farmer Mac Seller requirements
  – Seller application
  – Seller/Servicer agreement
  – Officers’ Certificate
  – Stock ownership

<table>
<thead>
<tr>
<th>Consolidated Assets</th>
<th>Stock Ownership Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $50 Million</td>
<td>100 shares of Class A or Class C</td>
</tr>
<tr>
<td>$50- $100 Million</td>
<td>200 shares of Class A or Class C</td>
</tr>
<tr>
<td>$100- $500 Million</td>
<td>500 shares of Class A or Class C</td>
</tr>
<tr>
<td>Over $500 Million</td>
<td>1000 shares of Class A or Class C</td>
</tr>
</tbody>
</table>

• Seller application and stock purchase not required for Farmer Mac 2
New Marketing Logo

Farmer Mac Approved Lender
New Borrower Brochure

Lock your interest rate and take the guesswork out of future loan payments.

Our partnership with Farmer Mac brings strong risk management to your balance sheet.

How Farmer Mac works for you

Farmer Mac has a wide range of loan products, and we help you select the rate and terms that best match your financial needs. We complete the Farmer Mac application and approval process, and then make you a loan that Farmer Mac purchases. Other loans, checking and savings accounts that you have with us are not affected by the sale of your real estate loan to Farmer Mac. And we can answer any future questions you may have about the loan we have placed with Farmer Mac.

This partnership with Farmer Mac allows us to bring the financial strength of the nation’s premier secondary market for agriculture right to your farm. Ask us about bringing the certainty of a Farmer Mac long-term fixed rate mortgage to your balance sheet. It is a smart choice for today’s agriculture.

Financing Rural America®
Conclusion

• Farmer Mac is a dependable partner for your bank
• One on one training is available and recommended for all lenders
• Visit our Resource Library at www.efarmermac.com
• For more information, contact:
  – Patrick Kerrigan, Director of Business Development
  – PKerrigan@farmermac.com
Stay in Touch with Farmer Mac & the Ag Economy

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