



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



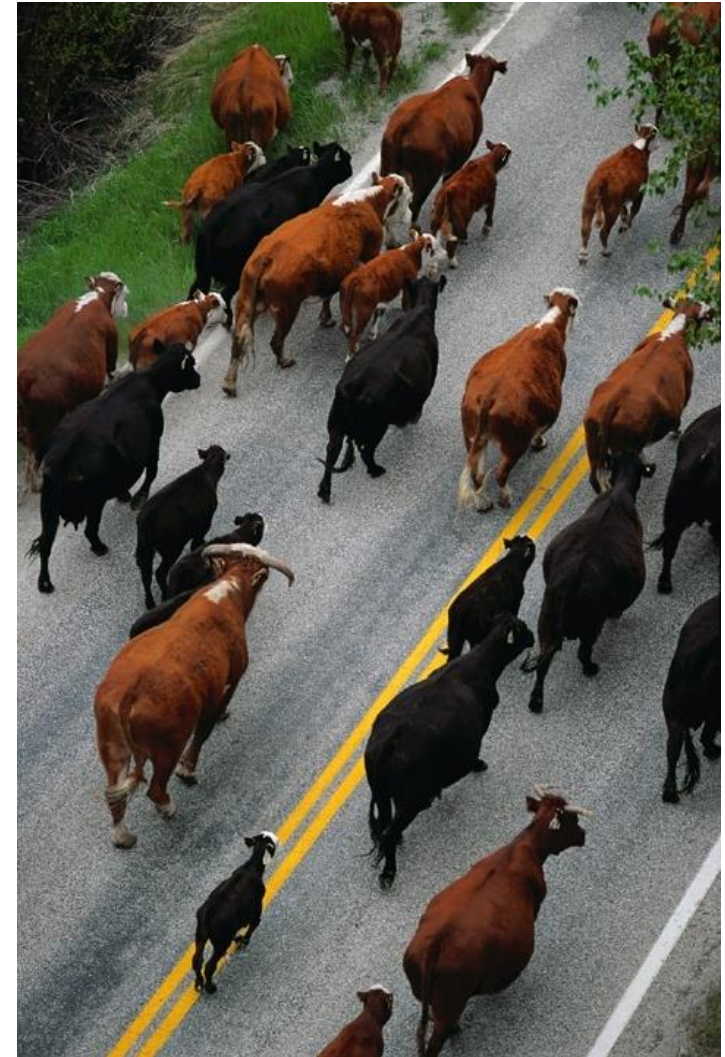
Barriers to the Secondary Market

- 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



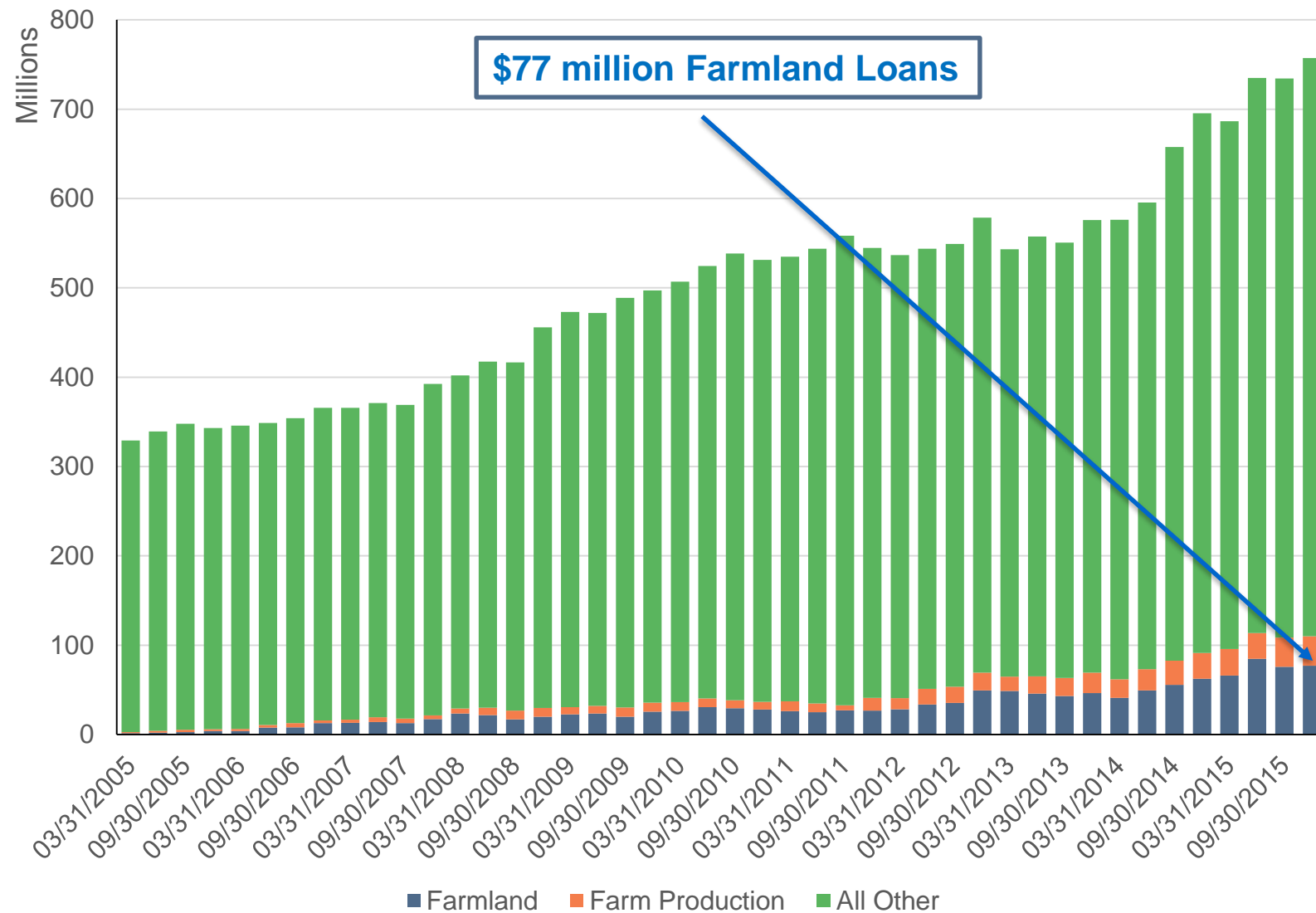
Farmer Mac – Flexible Solutions for Your Bank

- 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



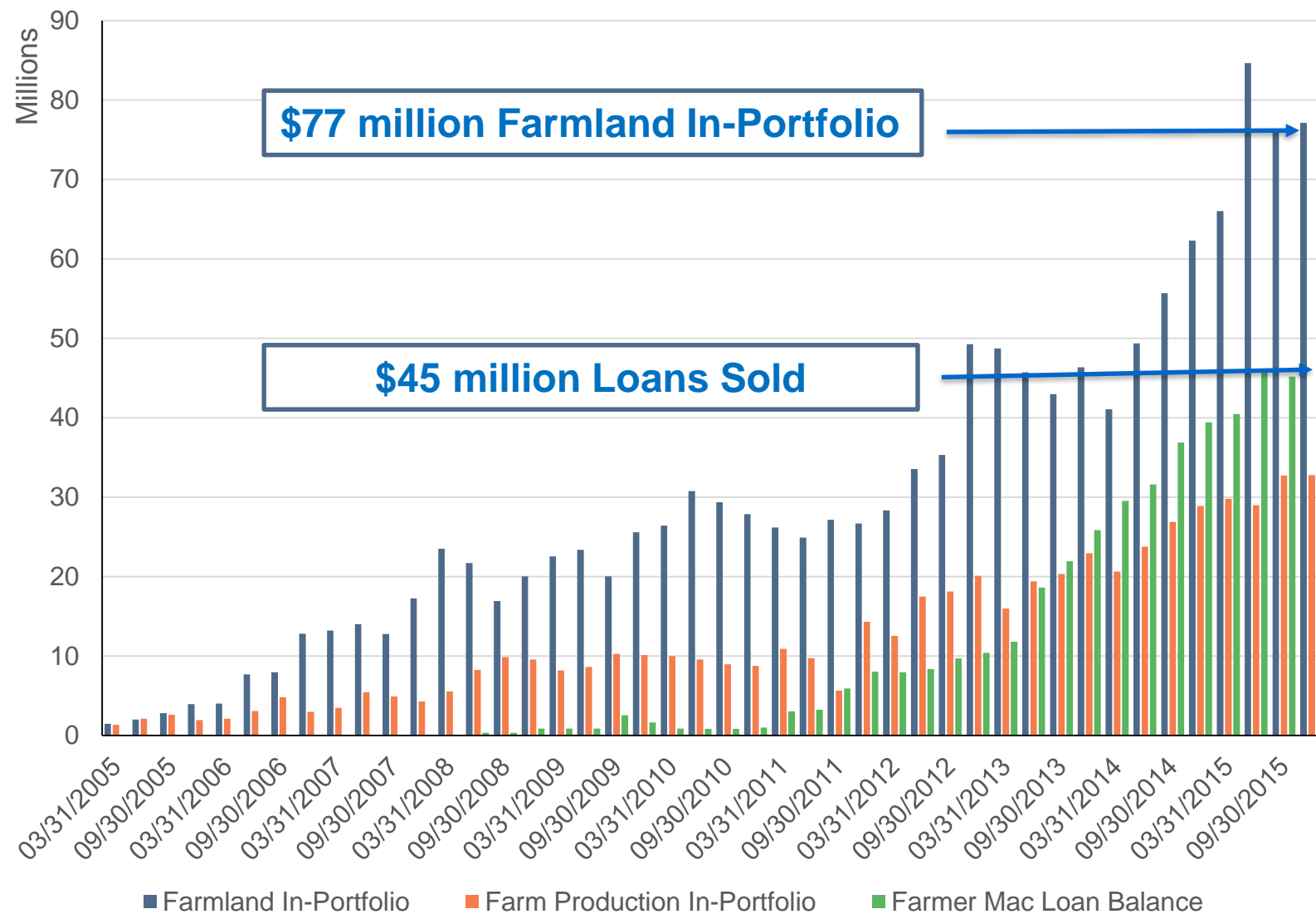
Community Bank Case Study

Loans and Leases Total History



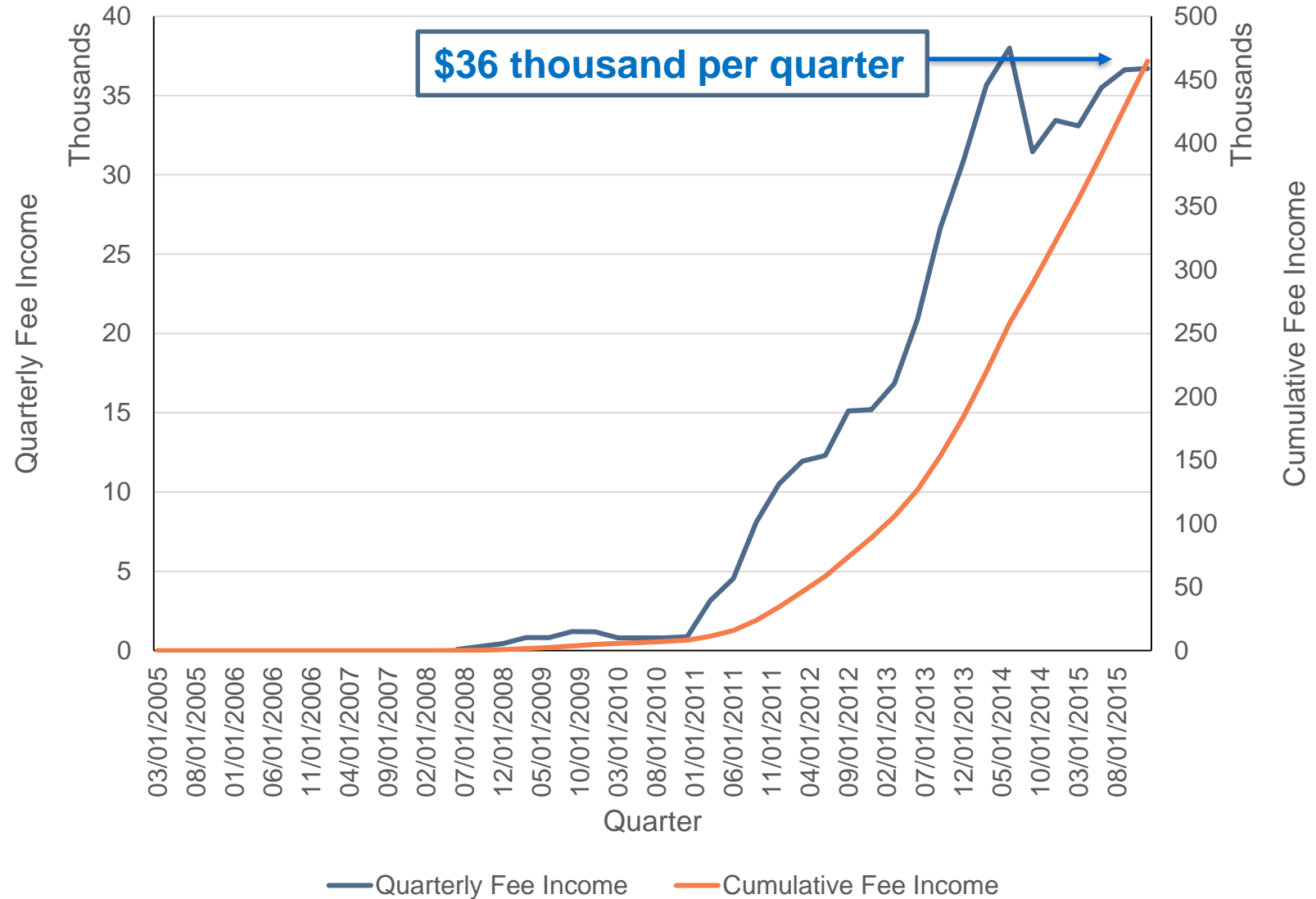
Community Bank Case Study

Farmer Mac Portfolio Growth

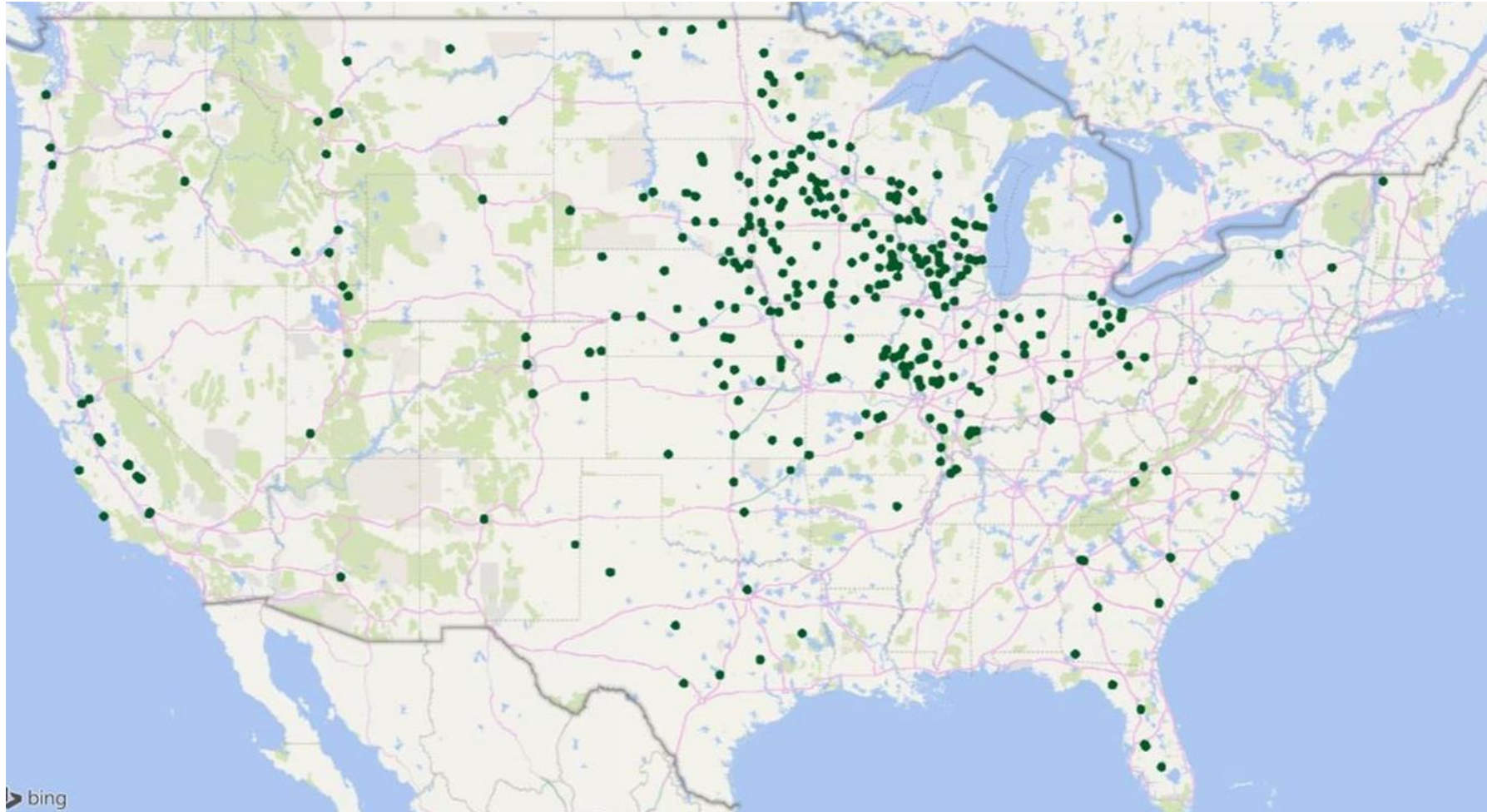


Community Bank Case Study

Fee Income from Farmer Mac Loans



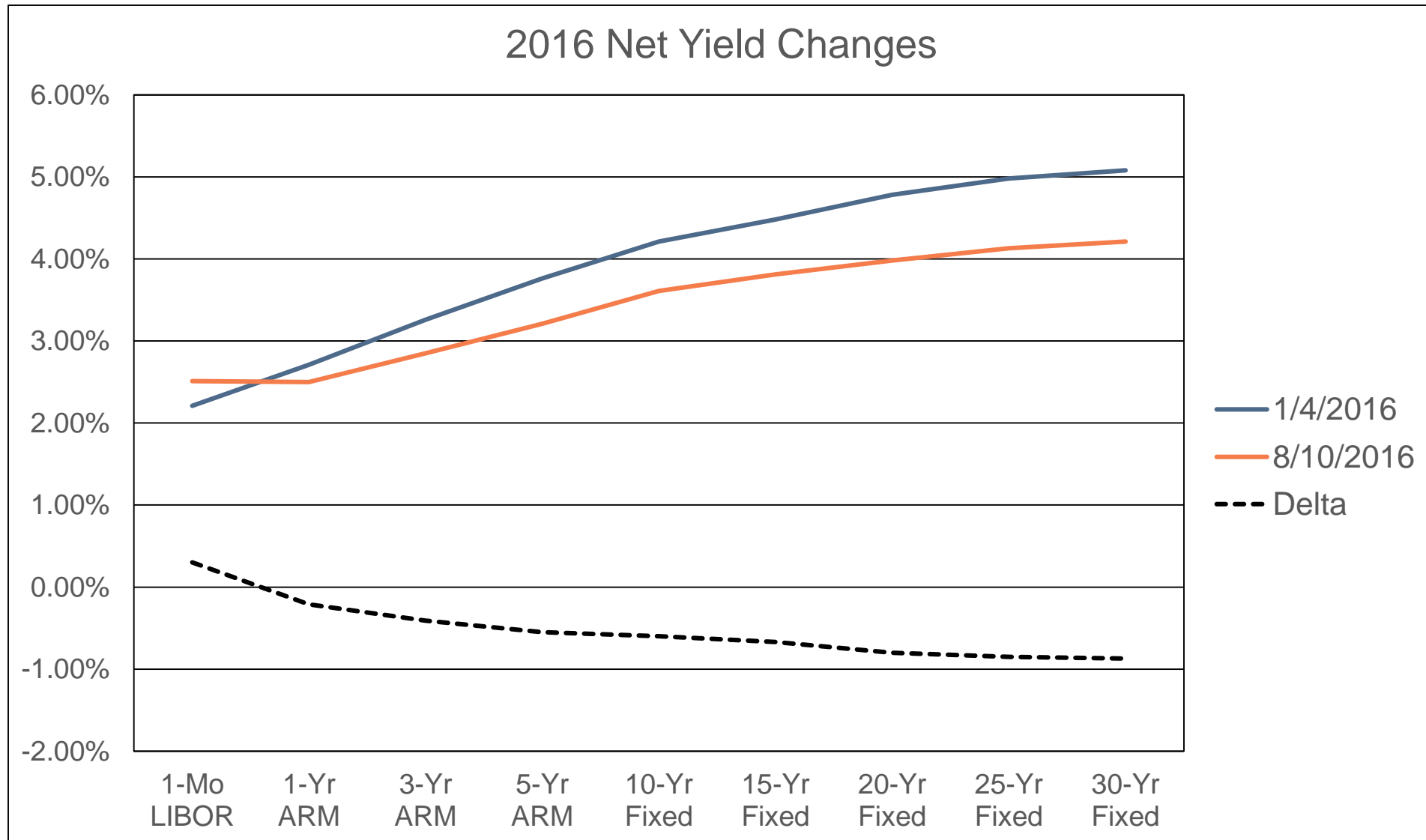
2015 Lender Locations





*Interest Rate
& Product Review*

Farm & Ranch Net Yields



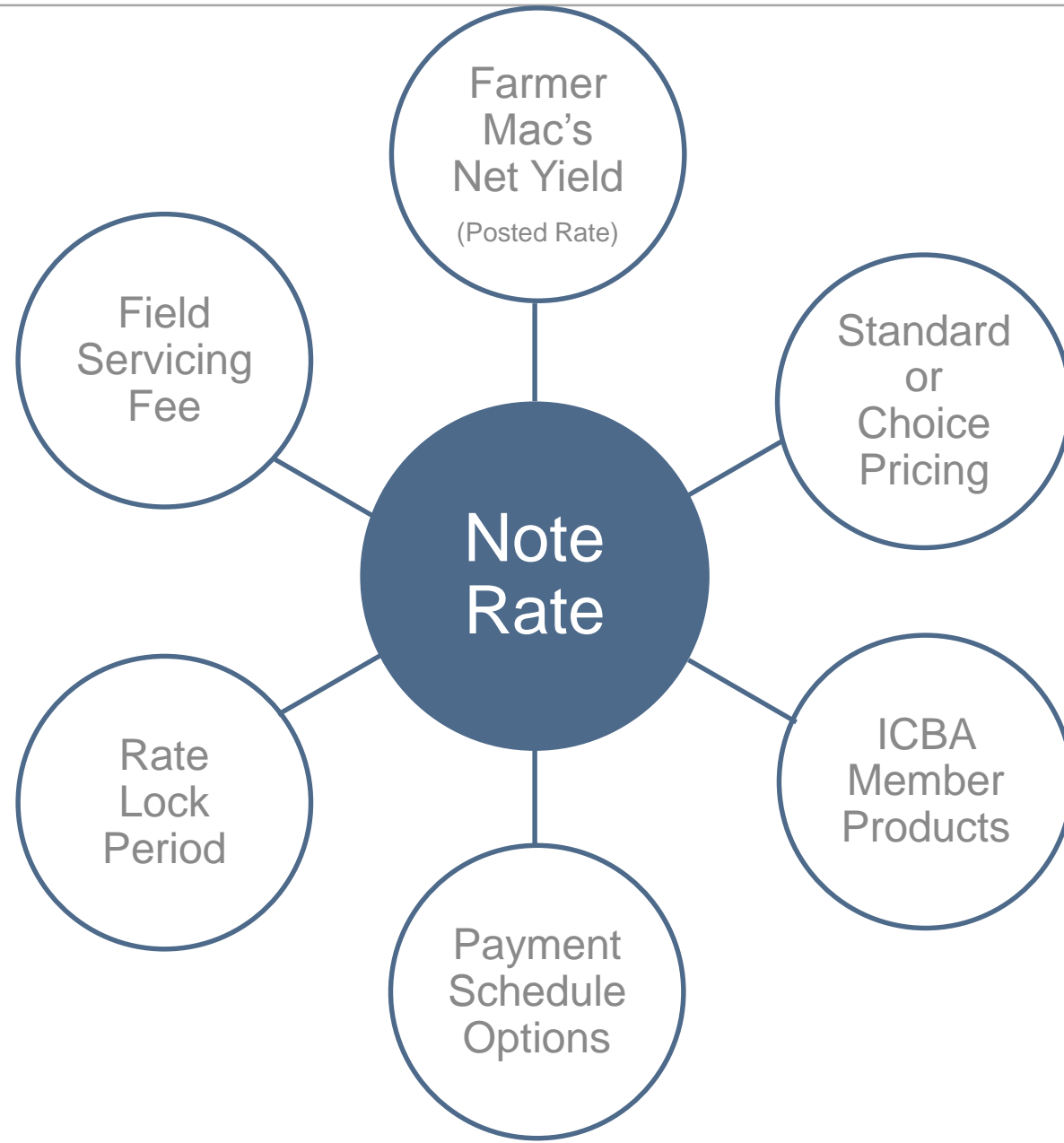
Farm & Ranch Popular Products 8/10/2016

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

*ICBA Discount Available



Quoting the Note Rate



Compete with Blended Rates

Scenario 1	Loan 1	Loan 2	Total
Amount:	750,000	250,000	1,000,000
Product:	15-Yr VRM (30-Yr Am)	1-Mo LIBOR ARM (25-Yr Am)	
	<i>Open Prepay</i>	<i>Open Prepay & Convertible</i>	<i>Blended Rates</i>
Net Yield:	3.96%	2.41%	3.57%
Lender's S. Fee	0.50%	0.50%	0.50%
Borrower's Rate:	4.46%	2.91%	4.07%
Scenario 2	Loan 1	Loan 2	Total
Amount:	300,000	1,200,000	1,500,000
Product:	AgEquity RLOC	20-Yr Fixed Rate (20-Yr Am)	
	<i>10-Yr Revolving & Convertible</i>	<i>Open Prepay</i>	<i>Blended Rates</i>
Net Yield:	2.52%	3.98%	3.69%
Lender's S. Fee	0.50%	0.50%	0.50%
Borrower's Rate:	3.02%	4.48%	4.19%





Recent Transactions

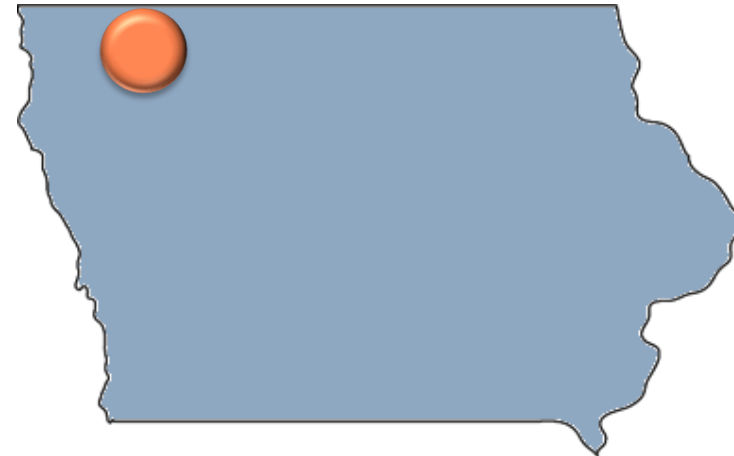
Recent Transactions- Iowa (July 2016)

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



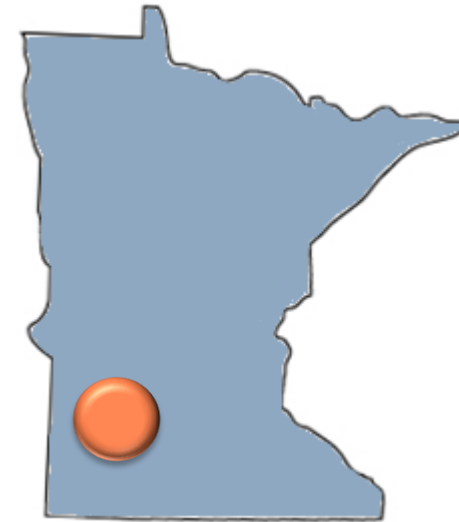
Recent Transactions- Minnesota (July 2016)

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



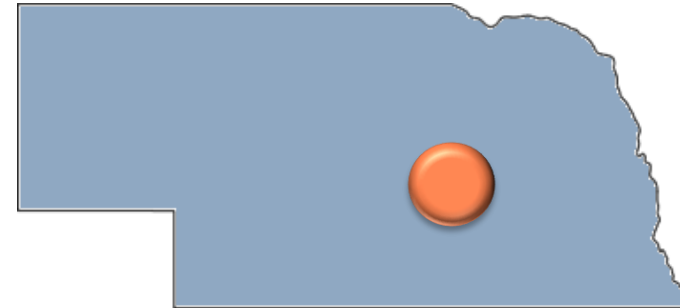
Recent Transactions- Nebraska (July 2016)

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

	Fast Track	Full UW Standard	Full UW Choice Pricing
Max Loan Size	\$1,000,000	\$12.6/\$50m	\$12.6/\$50m
Loan-to-Value Ratio	55%	70%	60%
Debt to Asset Ratio	40%	50%	40%
Current Ratio	1:1	1.25:1	1.50:1
Debt Service Coverage	1:1	1.25:1	1.50:1
Credit Scores	720	680	680
Tax Return	2-Yrs	3-Yrs	3-Yrs

(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

Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
Fast Track	≥ 1.00	≥ 1.00	$\leq 40\%$	\$1 Million	$\leq 55\%$	≥ 720

- 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

Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
Full Underwrite Standard	≥ 1.25	≥ 1.25	$\leq 50\%$	≤ 1000 acres; \$50M ≥ 1000 acres; \$12.6M	$\leq \$5\text{M}; 70\%$ $\geq \$5\text{M}; 60\%$ * Geographical restrictions apply	≥ 680

- 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

Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
Full Underwrite Choice	≥ 1.50	≥ 1.50	$\leq 40\%$	≤ 1000 acres; \$50M ≥ 1000 acres; \$12.6M	$\leq 60\%$	≥ 680

- 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

Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
AgEquity LOC	≥ 1.35	≥ 1.25	$\leq 50\%$	≤ 1000 acres; \$50M ≥ 1000 acres; \$12.6M	$\leq 50\%$ bare land value	≥ 680

- 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

Underwriting Option	Total Debt Coverage Ratio	Current Ratio	Debt to Asset Ratio	Maximum Loan Amount	Loan to Value	Credit Score
AgAssist	≥ 1.10	≥ 1.00	$\leq 60\%$	≤ 1000 acres; \$50.0M ≥ 1000 acres; \$12.6M	$\leq 45\%$ FAMC $\leq 85\%$ CLTV	≥ 680

- 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 $\geq 25\%$ of combined 1st & 2nd loan amount





Summary

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.

	F&R Loan Sales	Purchase Commit	USDA
Liquidity	X		X
Capital Relief	X	X	X
Competitive Loan Products	X		X
Accommodate Large Loans	X	X	
Commodity Concentrations	X	X	X
Increase Fee Income	X		X
Grow Loans w Cross Sell	X	X	X



Becoming a Farmer Mac Seller

- Farmer Mac Seller requirements
 - Seller application
 - Seller/Service agreement
 - Officers' Certificate
 - Stock ownership

Consolidated Assets

- Up to \$50 Million
- \$50- \$100 Million
- \$100- \$500 Million
- Over \$500 Million

Stock Ownership Requirements

- 100 shares of Class A or Class C
- 200 shares of Class A or Class C
- 500 shares of Class A or Class C
- 1000 shares of Class A or Class C

- 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.



Long-term fixed rate loans are an essential tool for managing your farming expenses. When you know the amount of interest you will be paying on real estate debt – and you’ve locked in your best rate for the future – there is one less variable in your farm planning.

Our partnership with Farmer Mac – the nation’s premiere source of capital for agriculture and rural America – expands the loan options and repayment terms we can offer you.

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.

Your Bank Logo

Bank Name Here

Address Line #1

Address Line #2

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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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