



USDA Guaranteed Loan Secondary Market Update

*Refresh Webinar
May 2017*

Today's Presenters



- **Patrick Kerrigan**
 - VP - Business Development
 - Washington, DC
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 - pkerrigan@farmermac.com
- **Riley Croghan**
 - Farmer Mac 2 Senior Specialist
 - Washington, DC
 - 877-770-3644 x6610
 - rcroghan@farmermac.com



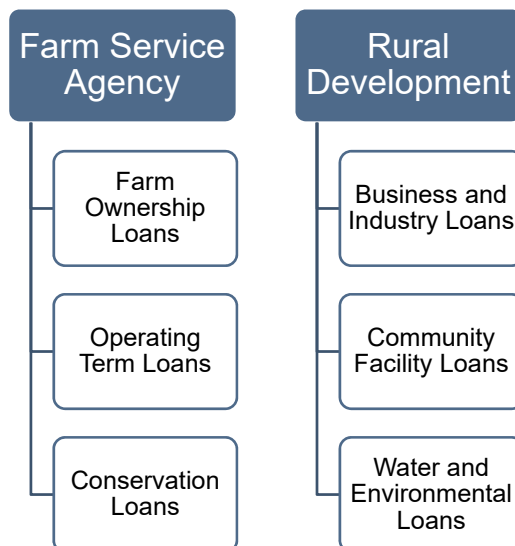
Guest Speakers



- **Randi Sheffer**
 - Chief – Farm Loan Programs, Loan Making Division
 - USDA – Farm Service Agency
 - Washington, DC
- **Nathan Sparks**
 - Loan Production Officer
 - Dakota Mac, a division of First Dakota National Bank
 - Mitchell, SD
- **Julie Bustad**
 - Vice President, Operations
 - Conterra Asset Management
 - West Des Moines, IA



Eligible USDA Programs



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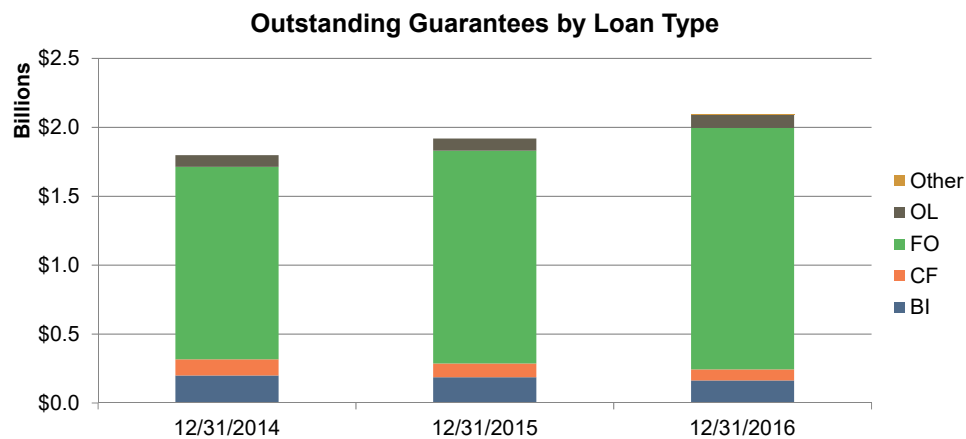
USDA Volume Trend



USDA Guaranteed Loan Portfolio

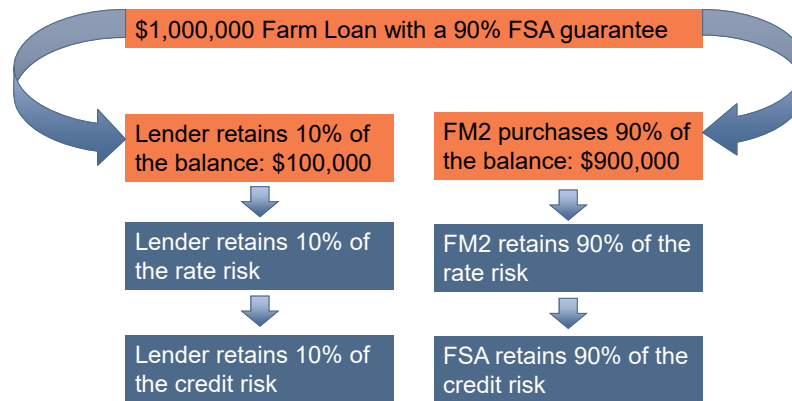


- At December 31, 2016 Farmer Mac had \$2.1 billion total outstanding portfolio of FSA and USDA Guaranteed loans



Note: OL = operating line, FO = farm ownership, CF = community facility, BI = business & industry, Other = conservation and water/environmental loans

How Farmer Mac 2 Works



Lender retains 100% of the Loan Servicing

Advantages of Utilizing Farmer Mac 2



- Offer long-term fixed rates to "guaranteed loan" borrowers
- Lender receives fee income over life of the loan
- Average servicing fee is over 1.00%
- Competitive rate sheet
- No prepayment penalties
- Lender services 100% of the loan
- Centralized FM2 Program Administrator
- No Farmer Mac underwriting

Farmer Mac 2 Rate Sheet



Posted on: 5/31/2017 10:04 AM ET

□ Servicing Retained Net Yields*



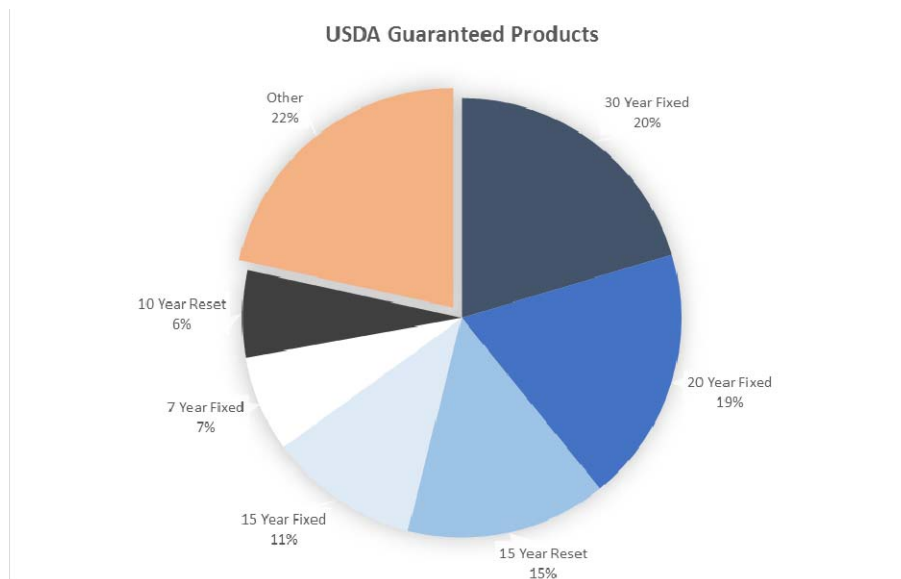
Product Types	Monthly Pay Cash	Monthly Pay 4-Week Rate Lock	Annual, S.A., & Qrtly Pay Cash	Annual, S.A., & Qrtly Pay 4-Week Rate Lock
Wall Street Journal Prime **	2.50%	N/A	2.50%	N/A
Farmer Mac 3-Mo COFI	2.46%	N/A	2.46%	N/A
Farmer Mac 5-Yr Reset COFI, 20, 25, 30-Yr Am	2.94%	3.03%	3.04%	3.13%
Farmer Mac 10-Yr Reset COFI, 20, 25, 30-Yr Am	3.37%	3.46%	3.47%	3.56%
Farmer Mac 15-Yr Reset COFI, 20, 25, 30-Yr Am	3.66%	3.75%	3.76%	3.85%
7-Yr Fixed Rate, 7-Yr Am	2.87%	2.96%	2.97%	3.06%
7-Yr Fixed Rate, 15-Yr Am	3.02%	3.11%	3.12%	3.21%
10-Yr Fixed Rate, 10-Yr Am	3.07%	3.16%	3.17%	3.26%
15-Yr Fixed Rate, 15-Yr Am	3.32%	3.41%	3.42%	3.51%
15-Yr Fixed Rate, 25-Yr Am	3.55%	3.64%	3.65%	3.74%
20-Yr Fixed Rate, 20-Yr Am	3.55%	3.64%	3.65%	3.74%
25-Yr Fixed Rate, 25-Yr Am	N/A	3.98%	N/A	4.08%
30-Yr Fixed Rate, 30-Yr Am	N/A	4.08%	N/A	4.18%

□* Indications only - actual Net Yields are determined at time of pricing and may differ from those indicated.

□** For daily, monthly and quarterly resets. For all other reset frequencies, please contact Farmer Mac II LLC.



Farmer Mac 2 Product Trends



Guaranteed Portions Purchased (2016)



Products	Loans	Servicing Fees Wgt Avg	Servicing Fees Median	Net Yield Wgt Avg	Volume	Volume as % of Total	Average Loan Size
Prime	5	1.06%	0.50%	1.70%	\$5,444,931	1%	\$ 1,088,986
3-Month COFI	86	3.12%	4.50%	1.96%	\$22,601,361	5%	\$ 262,807
5-Year COFI	44	1.53%	1.61%	2.70%	\$29,222,526	6%	\$ 664,148
10-Year COFI	68	1.73%	1.45%	3.05%	\$29,920,737	6%	\$ 440,011
15-Year COFI	201	1.16%	1.02%	3.45%	\$88,770,762	18%	\$ 434,992
7-Year Fixed, Full Am	104	1.34%	1.31%	2.59%	\$22,607,685	5%	\$ 217,382
7-Year Fixed, 15-Yr Am	32	1.78%	1.75%	2.73%	\$10,936,561	2%	\$ 341,768
10-Year Fixed, Full Am	20	1.20%	1.05%	3.05%	\$5,858,142	1%	\$ 292,907
15-Year Fixed, Full Am	98	1.30%	1.25%	3.04%	\$43,327,589	9%	\$ 442,118
15-Year Fixed, 25-Yr Am	9	1.23%	1.18%	3.41%	\$5,129,360	1%	\$ 569,929
20-Year Fixed	268	1.15%	1.15%	3.35%	\$119,436,447	25%	\$ 445,658
25-Year Fixed	56	1.13%	1.15%	3.57%	\$26,553,608	6%	\$ 474,172
30-Year Fixed	171	1.05%	1.00%	3.67%	\$71,400,081	15%	\$ 417,544
	1162	1.33%	1.20%	3.20%	\$481,209,789	100%	\$ 414,122

Loan Profitability



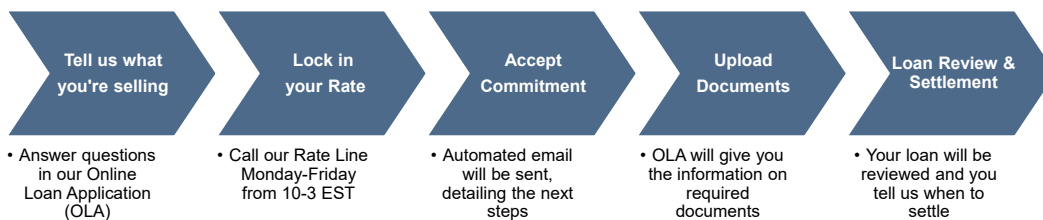
	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%
3.00%	12.00%	14.25%	16.50%	18.75%	21.00%	23.25%	25.50%
3.25%	12.25%	14.50%	16.75%	19.00%	21.25%	23.50%	25.75%
3.50%	12.50%	14.75%	17.00%	19.25%	21.50%	23.75%	26.00%
3.75%	12.75%	15.00%	17.25%	19.50%	21.75%	24.00%	26.25%
4.00%	13.00%	15.25%	17.50%	19.75%	22.00%	24.25%	26.50%
4.25%	13.25%	15.50%	17.75%	20.00%	22.25%	24.50%	26.75%
4.50%	13.50%	15.75%	18.00%	20.25%	22.50%	24.75%	27.00%
4.75%	13.75%	16.00%	18.25%	20.50%	22.75%	25.00%	27.25%
5.00%	14.00%	16.25%	18.50%	20.75%	23.00%	25.25%	27.50%
5.25%	14.25%	16.50%	18.75%	21.00%	23.25%	25.50%	27.75%
5.50%	14.50%	16.75%	19.00%	21.25%	23.50%	25.75%	28.00%
5.75%	14.75%	17.00%	19.25%	21.50%	23.75%	26.00%	28.25%
6.00%	15.00%	17.25%	19.50%	21.75%	24.00%	26.25%	28.50%
6.25%	15.25%	17.50%	19.75%	22.00%	24.25%	26.50%	28.75%
6.50%	15.50%	17.75%	20.00%	22.25%	24.50%	26.75%	29.00%
6.75%	15.75%	18.00%	20.25%	22.50%	24.75%	27.00%	29.25%
7.00%	16.00%	18.25%	20.50%	22.75%	25.00%	27.25%	29.50%

S. Fee

Note Rate

ROA

Steps to Success



OLA – Online Loan Application

[Contact Us](#)[My Profile](#)[Daily Rates](#)[Online Loan Application \(OLA\)](#)[Logout](#)

Rates

Posted on: 5/30/2017 10:01 AM ET
Servicing Retained Net Yields

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10-Yr Fixed Rate, 10-Yr Am	3.09%	3.18%	3.19%	3.28%
15-Yr Fixed Rate, 15-Yr Am	3.35%	3.44%	3.45%	3.54%
15-Yr Fixed Rate, 25-Yr Am	3.57%	3.66%	3.67%	3.76%
20-Yr Fixed Rate, 20-Yr Am	3.58%	3.67%	3.68%	3.77%
25-Yr Fixed Rate, 25-Yr Am	N/A	4.03%	N/A	4.13%
30-Yr Fixed Rate, 30-Yr Am	N/A	4.13%	N/A	4.23%

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*** For daily, monthly and quarterly resets. For all other reset frequencies, please contact Farmer Mac II LLC.



Online Loan Application (OLA)



Borrowers **Loan Data** Documents Submit

Fields in RED color are required.

Lender Information

FARMER MAC2, Primary
Auth: Primary, Primary
Email: primary_contact@demobank.com

USD

Government (Select Index Type) ☒

Guarantee Percent: 0.000%

Original Principal Amount: 0

Current Principal Balance: 0

% of Guarantee to be Sold: 100.00%

Servicing Fee: 0.000%

USDA Loan Type: [Select Type]

Original Guaranteed Portion: 0

Guaranteed Portion Balance: 0

Guaranteed Portion to be Sold: 0

% Interest Assistance: 0

Promissory Note & Modification

Promissory Note Number: [Text Box]

Index Type: [Select Index Type]

Note Date: [Text Box]

Maturity Date: [Text Box]

Interest Payment Frequency: [Select]

Interest Payment Due Date: [Text Box]

Interest Payment Due Date: [Text Box]

Principal Payment Type: Level Payment

Principal & Interest Payment: [Text Box]

Interest Paid-to Date: [Text Box]

Note Type: [Select Note Type]

Interest Accrual Basis: [Select Accrual Basis]

Note Rate: [Text Box]

Amortization Date: [Text Box]

Principal Payment Frequency: [Select]

Principal Payment Due Date: [Text Box]

Principal Payment Due Date: [Text Box]

Interest Payment Type: Adjustable

Fixed Principal Payment: [Text Box]

SAVE & EXIT **CONTINUE**

Sale Documents



Loan Note
Guarantee

Assignment
of Guarantee

Promissory
Note

Other
Documents

Assignment of Guarantee



This form is available electronically.

Form Approved - OMB No. 0560-0155
(See Page 3 for Privacy Act and Paperwork Reduction Act Statements.)

FSA-2242 (03-03-15)		U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency		Position 2	
ASSIGNMENT OF GUARANTEE					
PART A - BACKGROUND INFORMATION					
1. Lender's Name and Mailing Address		2. Agency's Name and Mailing Address			
National Bank 123 Main Street Anytown, IN 54321		Farm Service Agency 456 Main Road Anytown, IN 54321			
3. Holder's Name, Mailing Address and Email Address		4. Borrower's Name			
Farmer Mac II LLC C/O Conterra Asset Management 7755 Office Plaza Drive North, Suite 195 West Des Moines, IA 50266 settlements@conterraag.com		John R. Doe			
		5. Loan Type		6. Case Number	
		<input checked="" type="checkbox"/> FO <input type="checkbox"/> OL <input type="checkbox"/> CL		A. State Cd. 12 B. County Cd. 034 C. Borrower's ID No. 123456789	
		7. Original Loan Amount \$ 100,000.00		8. Date Promissory Note Executed 9/1/2016	
		9. Amount of Principal Outstanding (a) \$ 100,000.00		(b) As of Date: 9/7/2016	

10. The United States of America, acting through the Farm Service Agency (Government), entered into a loan guarantee using FSA-2235/FSA-1980-27, or predecessor RD-449-34 or earlier version of the Agency loan guarantee with the lender. This loan has been issued with (a) 90 % guarantee. The holder agrees to purchase, and the lender assigns (b) 100.00 % of the guaranteed portion of the loan representing (c) \$ 90,000.00 of such loan now outstanding according to the conditions in this agreement.

11. **SERVICING FEE:** The lender will retain a servicing fee of: (a) \$ or (b) 1.00 %.

Assignment of Guarantee (con't)



PART B - LENDER CERTIFICATION: The Lender certifies or agrees that:	
1. Guarantee Fee	It has paid any required guarantee fee to the Government in exchange for the issuance of the loan guarantee.
2. Knowledge of Borrower Prepayment	It has no knowledge or information, through the exercise of reasonable diligence, that would indicate the likelihood of default or prepayment.
3. Payment Funds	In the event of prepayment, any funds will be either the borrower's own funds, or funds borrowed by the borrower pursuant to a separate transaction, and the prepayment is in accordance with the loan documents.
4. Servicing Responsibilities	It will be responsible for servicing the entire loan and will remain mortgagee and secured party of record.
5. Loan Security	The entire loan will be secured by the same security with equal lien priority for the guaranteed and unguaranteed portions of the loan.
6. Remitting Payments	It will receive all payments of principal or interest (including any loan subsidy) and will promptly remit to the holder the holder's pro rata share determined according to the respective interests, in the loan, as agreed by the holder and lender.

Assignment of Guarantee (con't)



FSA-2242 (03-03-15)

Page 2 of 3

PART C - REPURCHASE OF LOAN FROM HOLDER:

1. Lender Repurchase	The lender acknowledges that it has no authority to unilaterally repurchase the guaranteed portion from the holder without written concurrence from the Government. Lender may repurchase only as provided in this agreement and 7 C.F.R. Part 762.
2. Repurchase for Servicing Purposes	Lender may repurchase the loan to restructure loan payments or other servicing actions. If the borrower's ability to remain in business is directly dependent upon a change in the provisions relating to the borrower's installment payments, the Government may permit the lender to repurchase the guaranteed interest from the holder if all of the following conditions exist: <ul style="list-style-type: none"> a. Lender has submitted a written request to Government for concurrence providing justification for repurchase. b. The change in terms and conditions are to the borrower's benefit. c. The lender must change the loan terms and conditions if repurchased.
3. Government Repurchase for Servicing Purposes	If the lender does not repurchase the loan, Government at its option may purchase the guaranteed portions of the loan for servicing purposes.
4. Holder Demand for Repurchase	The holder will have the right to demand repurchase, in either of the circumstances below. The holder will notify the Government when circumstances exist that would give them the right to demand repurchase. The amount repurchased will be equal to the unpaid guaranteed portion of the principal and interest less lender's servicing fee. <ul style="list-style-type: none"> a. The borrower is in default not less than 60 days on principal or interest due on the loan; or, b. The lender has failed to remit to the holder the holder's pro rata share of any payment made by the borrower or the Agency.



Assignment of Guarantee (con't)



5. Process for Holder to Demand Repurchase	<ul style="list-style-type: none"> a. To demand repurchase, the holder will send a letter to the lender with a copy to the Government demanding repurchase of the loan. b. The lender will repurchase the guaranteed portion if desired or if necessary to facilitate servicing of the loan such as the application of interest assistance, or to restructure the terms of a defaulted loan when the holder will not agree to the change. c. The lender will accept an assignment without recourse from the holder upon repurchase.
6. Government Repurchase	<p>If the lender does not repurchase the loan, the holder must inform the Government that demand was made on the lender and the lender refused. Following the lender's refusal, the holder may continue as holder of the loan or demand that the Government purchase the guaranteed portion.</p> <p>If the holder demands Government purchase, the Government will pay the holder within 30 days when both the lender and holder agree on the repurchase amount. The Government will only pay interest that accrues up to 90 days after the holder has demanded repurchase by the lender. However, if the holder requested purchase by the Government within 60 days of the request to the Lender and for any reason not attributable to the holder and the lender, the Government cannot make payment within 30 days of the holder's demand to the Government, the holder will be paid interest to the date of the payment.</p> <p>The Government may purchase the guaranteed portion from the holder for servicing at any time at its option. When the Government purchases the guaranteed portion, the holder will re-assign the assignment of guarantee to the Government without recourse.</p>



Assignment of Guarantee (con't)



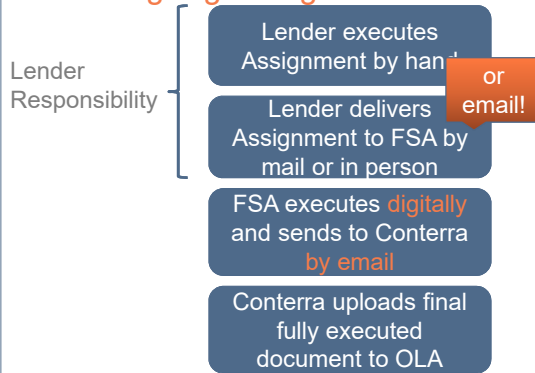
Certification	If necessary, the holder will join to institute foreclosure action, or in lieu of foreclosure, take a deed of conveyance.	
PART F - HOLDER RIGHTS		
1. Right to Require Repurchase	The guarantee and right to require purchase will be directly enforceable by the holder notwithstanding any fraud or misrepresentation by the lender or any unenforceability of the loan guarantee by the lender.	
2. Reassignment	The holder, upon written notice to Government and the lender, may reassign the unpaid guaranteed portion of the loan it holds. Upon such notification, the assignee will succeed to all rights and obligations of the holder hereunder.	
PART G - SIGNATURES		
1. Lender's Representative Name (print)	2. Title (print)	
3. Lender's Representative Signature	4. Date	
5. Agency Official's Name (print)	6. Title (print)	
7. Agency Official's Signature	8. Date	
9. Holder's Representative Name (print)	10. Title (print)	
11. Holder's Representative Signature	12. Date	

Digital Signatures

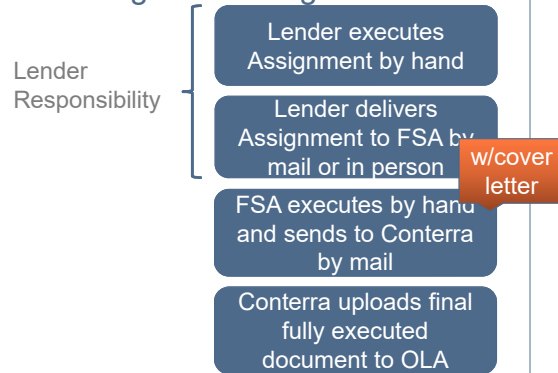


The process for lenders to create and execute Assignments has not changed

Using Digital Signatures...



Using Manual Signatures...



SAM – Servicing Action Module



FARMER MAC

FINANCING RURAL AMERICA

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Service Action Module
Logout

Rates

Posted on: 12/31/2015 9:45 AM ET
Servicing Retained Net Yields

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20-Yr Fixed Rate, 20-Yr Am	3.76%	3.85%	3.86%	3.95%
25-Yr Fixed Rate, 25-Yr Am	N/A	4.30%	N/A	4.31%
30-Yr Fixed Rate, 30-Yr Am	N/A	4.45%	N/A	4.46%

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SAM – Servicing Action Module



SAM User Guide for Farmer Mac 2 Lenders

- Tell us the general category of your servicing request by checking the applicable boxes in the Type of Request section. Write a brief description of the request, and the reason for it in the boxes below. You may optionally add any additional comments.

Servicing Queue

Logout

Tell us a bit about F12345 to submit a new servicing request for this loan.

Loan Info

Service Number: F12345

Loan Name: F12345

Lender ID:

Principal Balance: \$500,000

Settlement Date: 05/01/2013

Maturity Date: 01/01/2013

Type of Request (Required)

☐ Change 30 Day ARS
☐ Maturity Extension
☐ Payment Restriction
☐ Principal and Interest Deferral
☐ Principal Deferral
☐ Refinance
☐ Other

Loan Officer

Select a loan officer Select

Describe in a few words what you would like to do with this loan. (Required)

Tell us in a few words why you're requesting a change on this loan. Our capital markets desk will take into account any borrower hardship or extenuating circumstances. (Required)

Program Administrator



- Loan Settlements
- Loan Payments
- Servicing Actions
- Payoff Certifications



AgAssist

AgAssist Highlights

- Secondary market “Piggy Back” loan option for 1st mortgage ag real estate loans
- 1st mortgage must meet Farmer Mac’s AgAssist underwriting criteria
 - Loan is eligible for any product on Farmer Mac’s Farm & Ranch (Farmer Mac I) rate sheet
- 2nd mortgage is guaranteed by a federal or state agency
 - Must be at least 25% of the combined 1st and 2nd mortgages



Assisting Lenders & Borrowers

- Potential uses:
 - Stretch FSA guaranteed loan limits
 - For many lenders and producers, FSA’s maximum \$1,399,000 guaranteed loan is simply not large enough to adequately serve their needs
 - Assist producers experiencing stress who are looking to restructure
 - The secondary market provides better loan options for those producers who are looking to restructure including longer maturities and amortizations out to 30 years
 - Provide a competitive rate option for the saleable 1st mortgage, as well as the FSA guaranteed 2nd mortgage
 - ARM loans with 15 year maturities and 25 year amortizations
 - VRM loans with 30 year maturities and 30 year amortizations
 - Fixed rate loans with maturities and amortizations out to 30 years



AgAssist Underwriting

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



AgAssist Transaction – Minnesota

Transaction Details

- *Farmer needs to improve debt service coverage, increase working capital and complete improvements*
- *Credit Request: \$1,835,000*
- *Loan 1: \$1,060,000*
 - Farmer Mac AgAssist
 - 15 -Yr VRM (25-Yr Am)
- *Loan 2: \$775,000*
 - FSA Guarantee
 - 15 -Yr COFI (25-Yr Am)

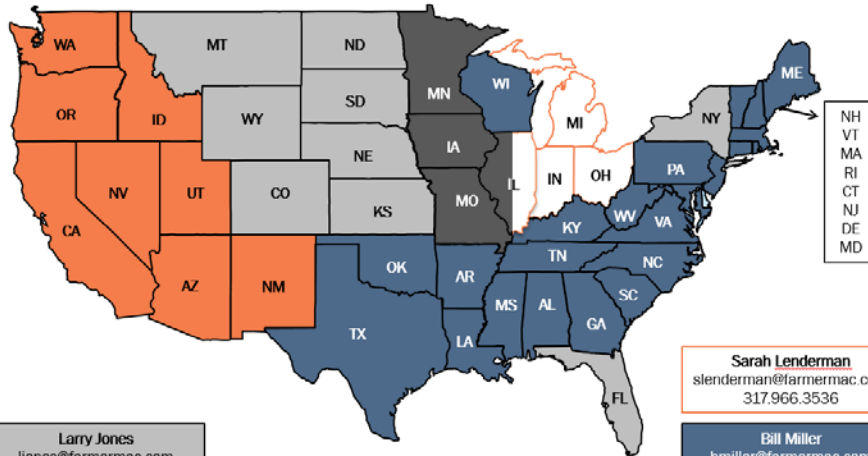
Commodity



- Corn and Alfalfa
- Purpose: Refinance real estate loans, refinance term loans, refinance operating note, cash-out for farm and home improvements



Relationship Managers



Larry Jones
ljones@farmermac.com
202.872.6604

Patrick Kerrigan
pkerrigan@farmermac.com
202.872.5560

Sarah Lenderman
slenderman@farmermac.com
317.966.3536

Bill Miller
bmiller@farmermac.com
202.872.5549

Mark Rickels
mricks@farmermac.com
202.872.6611



Thank you!