USDA Guaranteed Loan
Secondary Market Update

Refresh Webinar
May 2017

Today’s Presenters

• Patrick Kerrigan
  – VP - Business Development
  – Washington, DC
  – 800.879.3276 x5560
  – 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

- Farm Service Agency
  - Farm Ownership Loans
  - Operating Term Loans
  - Conservation Loans
- Rural Development
  - Business and Industry Loans
  - Community Facility Loans
  - Water and Environmental Loans
**Guest Speakers**

- **Randi Sheffer**
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USDA Volume Trend

USDA GUARANTEES

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

USDA Guaranteed Loan Portfolio

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

Outstanding Guarantees by Loan Type

Note: OL = operating line, FO = farm ownership, CF = community facility, BI = business & industry, Other = conservation and water/environmental loans
How Farmer Mac 2 Works

$1,000,000 Farm Loan with a 90% FSA guarantee

Lender retains 10% of the balance: $100,000
FM2 purchases 90% of the balance: $900,000
Lender retains 10% of the rate risk
FM2 retains 90% of the rate risk
Lender retains 10% of the credit risk
FSA retains 90% of the credit risk

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"

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

** 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

USDA Guaranteed Products

- 30 Year Fixed: 20%
- 20 Year Fixed: 19%
- 15 Year Fixed: 11%
- 10 Year Fixed: 8%
- 7 Year Fixed: 7%
- 15 Year Fixed: 13%
- Other: 25%
### Guaranteed Portions Purchased (2016)

<table>
<thead>
<tr>
<th>Products</th>
<th>Loans</th>
<th>Servicing Fees Wgt Avg</th>
<th>Servicing Fees Median</th>
<th>Net Yield Wgt Avg</th>
<th>Volume</th>
<th>Volume as % of Total</th>
<th>Average Loan Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime</td>
<td>5</td>
<td>1.06%</td>
<td>0.50%</td>
<td>1.70%</td>
<td>$5,444,931</td>
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<td>$1,088,986</td>
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<tr>
<td>3-Month COFI</td>
<td>86</td>
<td>3.12%</td>
<td>4.50%</td>
<td>1.96%</td>
<td>$22,601,361</td>
<td>5%</td>
<td>$262,807</td>
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<tr>
<td>5-Year COFI</td>
<td>44</td>
<td>1.53%</td>
<td>1.61%</td>
<td>2.70%</td>
<td>$29,222,526</td>
<td>6%</td>
<td>$664,148</td>
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<tr>
<td>10-Year COFI</td>
<td>68</td>
<td>1.73%</td>
<td>1.45%</td>
<td>3.05%</td>
<td>$29,920,737</td>
<td>6%</td>
<td>$440,011</td>
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<tr>
<td>15-Year COFI</td>
<td>201</td>
<td>1.16%</td>
<td>1.02%</td>
<td>3.45%</td>
<td>$88,770,762</td>
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<td>7-Year Fixed, Full Am</td>
<td>104</td>
<td>1.34%</td>
<td>1.31%</td>
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<td>$22,607,865</td>
<td>5%</td>
<td>$217,382</td>
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<td>7-Year Fixed, 15-Yr Am</td>
<td>32</td>
<td>1.78%</td>
<td>1.75%</td>
<td>2.73%</td>
<td>$10,936,561</td>
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<td>20</td>
<td>1.20%</td>
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<td>$5,858,142</td>
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<td>15-Year Fixed, Full Am</td>
<td>98</td>
<td>1.30%</td>
<td>1.25%</td>
<td>3.04%</td>
<td>$43,327,589</td>
<td>9%</td>
<td>$442,118</td>
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<td>15-Year Fixed, 25-Yr Am</td>
<td>9</td>
<td>1.23%</td>
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<td>$5,129,360</td>
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<td>$569,929</td>
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<td>20-Year Fixed</td>
<td>280</td>
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<td>$119,438,447</td>
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<td>25-Year Fixed</td>
<td>56</td>
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<td>$26,553,608</td>
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<td>30-Year Fixed</td>
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<td></td>
<td>1162</td>
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<td>$481,209,789</td>
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### Loan Profitability

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<th>1.00%</th>
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<th>1.50%</th>
<th>1.75%</th>
<th>2.00%</th>
<th>2.25%</th>
<th>2.50%</th>
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<tbody>
<tr>
<td>3.00%</td>
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<td>29.25%</td>
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<tr>
<td>7.00%</td>
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<td>18.25%</td>
<td>20.50%</td>
<td>22.75%</td>
<td>25.00%</td>
<td>27.25%</td>
<td>29.50%</td>
</tr>
</tbody>
</table>
Steps to Success

Tell us what you’re selling
• Answer questions in our Online Loan Application (OLA)

Lock in your Rate
• Call our Rate Line Monday-Friday from 10-3 EST

Accept Commitment
• Automated email will be sent, detailing the next steps

Upload Documents
• OLA will give you the information on required documents

Loan Review & Settlement
• Your loan will be reviewed and you will be told when to settle

OLA – Online Loan Application

Rates

<table>
<thead>
<tr>
<th>Product Types</th>
<th>Monthly Per Cash</th>
<th>Monthly Per 4-Week Rate</th>
<th>Annual, S.A., &amp; Qrtl Per Cash</th>
<th>Annual, S.A., &amp; 4-Week Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wall Street Normal Prime</td>
<td>2.06%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Farmer Mac 3yr CCAF</td>
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<td>N/A</td>
<td>N/A</td>
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<td>Farmer Mac 5yr Rest COFI</td>
<td>3.05%</td>
<td>3.13%</td>
<td>3.06%</td>
<td>3.15%</td>
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<td>Farmer Mac 10yr Rest COFI</td>
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<td>3.49%</td>
<td>3.49%</td>
<td>3.52%</td>
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<tr>
<td>2-Yr Fixed Rate, 7-Yr Am</td>
<td>3.61%</td>
<td>3.58%</td>
<td>3.61%</td>
<td>3.69%</td>
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<td>7-Yr Fixed Rate, 12-Yr Am</td>
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<td>3.76%</td>
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<td>10-Yr Fixed Rate, 10-Yr Am</td>
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<td>3.90%</td>
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<td>3.97%</td>
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<td>4.05%</td>
<td>4.01%</td>
<td>4.05%</td>
<td>4.12%</td>
</tr>
</tbody>
</table>

* Indications only – actual Net Yields are determined at time of pricing and may differ from those indicated.
** For daily, monthly and quarterly rates. For all other rates, please contact Farmer Mac II LLC.
All other fields should be completed before submitting for review and settlement.

Fields in red must be filled in before locking a rate.

Sale Documents

- Loan Note Guarantee
- Assignment of Guarantee
- Promissory Note
- Other Documents
Assignment of Guarantee

PART A - BACKGROUND INFORMATION

1. Lender's Name and Mailing Address
   National Bank
   123 Main Street
   Anytown, IN 54321

2. Agency's Name and Mailing Address
   Farm Service Agency
   456 Main Road
   Anytown, IN 54321

3. Holder's Name, Mailing Address and Email Address
   Farmer Mac LLC
   777 E. Main Street
   Suite 100
   West Des Moines, IA 50266
   settlementseconterraa.com

4. Borrower's Name
   John R. Doe
   Case Number

5. Loan Type
   FO
   OL

6. State Code
   12
   034
   123456789

7. Original Loan Amount
   $100,000.00
   9/1/2016

8. Date Promissory Note Executed
   (a) $100,000.00
   (b) As of date

9. Amount of Principal Outstanding
   $100,000.00
   9/7/2016

10. The United States of America, acting through the Farm Service Agency (Government), entered into a loan guarantee under FSA-235-FSA-1980-27, or predecessor RD-420-34 or earlier version of the Agency loan guarantee with the lender. This loan has been assigned with [(a)] 100.00% of the guaranteed portion of the loan representing [(b)] $100,000.00 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)

### 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:

- 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.

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 the unpaid guaranteed portion of the principal and interest less lender's servicing fee.

- 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.

### 4. Holder Demand for Repurchase

- 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.

### 5. Process for Holder to Demand Repurchase

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.

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.

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.
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 B. HOLDER RIGHTS

1. Right to Require Repurchase
The guaranty 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 C. SIGNATURES

<table>
<thead>
<tr>
<th>Lender’s Representative Name (print)</th>
<th>Title (print)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender’s Representative Signature</td>
<td>Date</td>
</tr>
<tr>
<td>Agency Officer’s Name (print)</td>
<td>Title (print)</td>
</tr>
<tr>
<td>Agency Officer’s Signature</td>
<td>Date</td>
</tr>
<tr>
<td>Holder’s Representative Name (print)</td>
<td>Date</td>
</tr>
<tr>
<td>Holder’s Representative Signature</td>
<td>Date</td>
</tr>
</tbody>
</table>

Lender Responsibility

Using Digital Signatures…
- Lender executes Assignment by hand
- Lender delivers Assignment to FSA by email or in person
- FSA executes digitally and sends to Conterra by email
- Conterra uploads final fully executed document to OLA

Using Manual Signatures…
- Lender executes Assignment by hand
- Lender delivers Assignment to FSA by mail or in person
- FSA executes by hand and sends to Conterra by mail
- Conterra uploads final fully executed document to OLA

Digital Signatures

The process for lenders to create and execute Assignments has not changed.
SAM – Servicing Action Module

FARMER MAC
FINANCING RURAL AMERICA

Rates
Posted on: 12/30/2009 9:35 AM ET
"Servicing Requested Net Yields"

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Monthly Pay Down</th>
<th>Monthly Pay 2nd 5-Year Rate</th>
<th>Annual S.A. &amp; Yield Pay Down</th>
<th>Annual S.A. &amp; Yield Pay 2nd 5-Year Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wall Street Journal Rates ***</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Farmer Mac 3-Mo COPF</td>
<td>1.35%</td>
<td>1.35%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Farmer Mac 3-Yr Reset COPF, 10-15, 30-Yr Am</td>
<td>0.08%</td>
<td>0.08%</td>
<td>5.25%</td>
<td>5.25%</td>
</tr>
<tr>
<td>Farmer Mac 10-Yr Reset COPF, 15-20, 30-Yr Am</td>
<td>2.66%</td>
<td>2.66%</td>
<td>5.54%</td>
<td>5.54%</td>
</tr>
<tr>
<td>Farmer Mac 15-Yr Reset COPF, 20-25, 30-Yr Am</td>
<td>3.35%</td>
<td>3.35%</td>
<td>5.75%</td>
<td>5.75%</td>
</tr>
<tr>
<td>30-Yr Fixed Rate, 20-Yr Am</td>
<td>4.01%</td>
<td>4.01%</td>
<td>5.75%</td>
<td>5.75%</td>
</tr>
<tr>
<td>40-Yr Fixed Rate, 30-Yr Am</td>
<td>4.70%</td>
<td>4.70%</td>
<td>5.75%</td>
<td>5.75%</td>
</tr>
<tr>
<td>15-Yr Fixed Rate, 15-Yr Am</td>
<td>3.06%</td>
<td>3.06%</td>
<td>5.25%</td>
<td>5.25%</td>
</tr>
<tr>
<td>20-Yr Fixed Rate, 20-Yr Am</td>
<td>3.75%</td>
<td>3.75%</td>
<td>5.25%</td>
<td>5.25%</td>
</tr>
<tr>
<td>30-Yr Fixed Rate, 30-Yr Am</td>
<td>4.50%</td>
<td>4.50%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>40-Yr Fixed Rate, 40-Yr Am</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>4.50%</td>
</tr>
</tbody>
</table>

* Substitutions only – actual Net Yields are determined at time of pricing and may differ from those indicated.
** For daily, monthly, and quarterly rates, for all other rate frequencies, please contact Farmer Mac II LLC.

SAM – Servicing Action Module

SAM User Guide for Farmer Mac 2 Lenders

5. 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.
Program Administrator

• Loan Settlements
• Loan Payments
• Servicing Actions
• Payoff Certifications

CONTERRA
ASSET MANAGEMENT

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**

<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</td>
<td>≤ 45% FAMC</td>
<td>≥ 680</td>
</tr>
</tbody>
</table>

- 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 ≥ 25% of combined 1st & 2nd loan amount

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**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

Thank you!