



*Refresh Webinar Series:  
2018 Road Show Rundown*

FARMER MAC

*Financing Rural America®*

*Today's Presenters*

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# Corporate Update

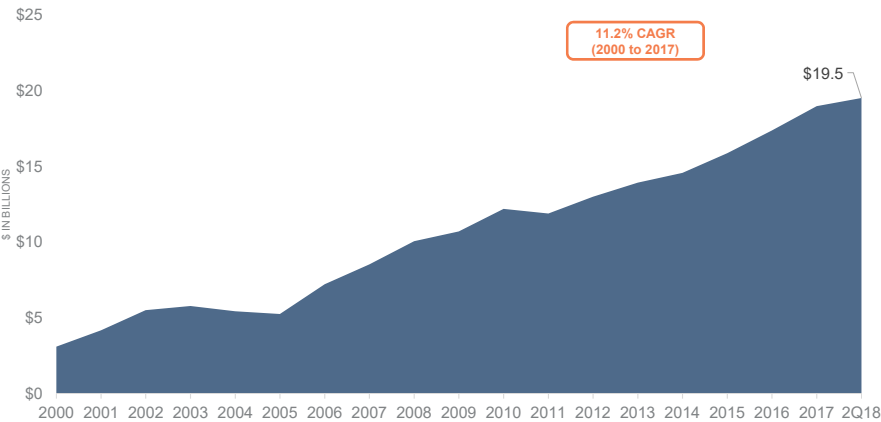
Second Quarter

Financing Rural America®

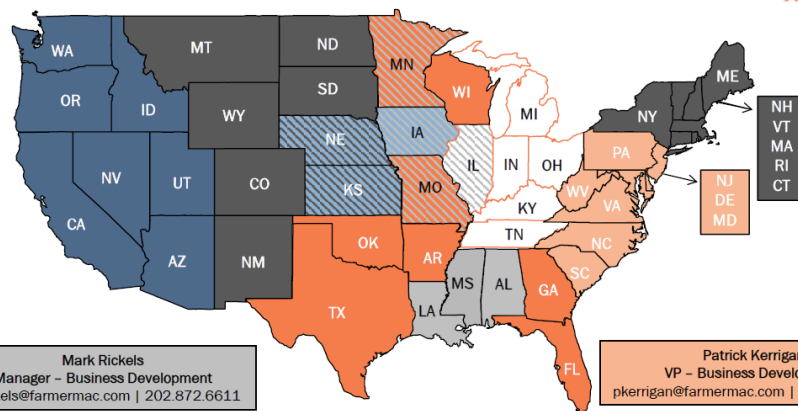
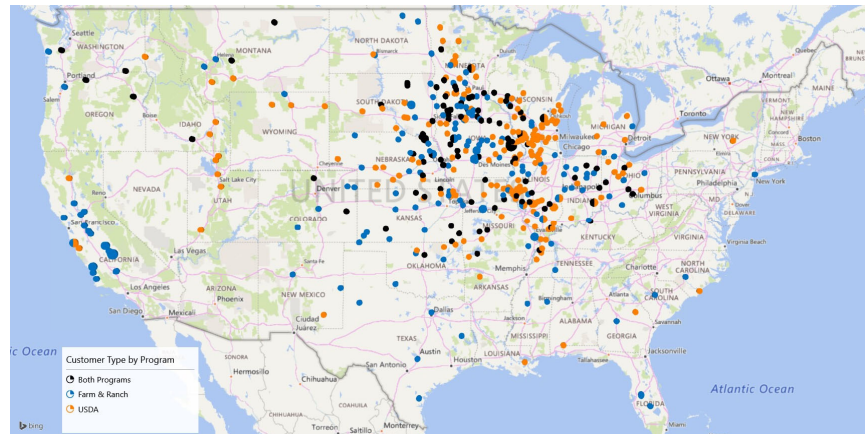
FARMER MAC

Financing Rural America®

## Farmer Mac Outstanding Business Volume



### Loan Seller Geography (last 24 months)



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## 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

**Application and stock purchase not required for Farmer Mac 2**



## The Feed: Farmer Mac's quarterly perspective on agriculture


https://www.farmermac.com/news-events/the-feed/



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Welcome to The Feed, Farmer Mac's quarterly perspective on agriculture that combines the most relevant research from trusted ag resources with the insightful commentary and analysis from our own team of experts into a single, reliable source.

We hope you enjoy.



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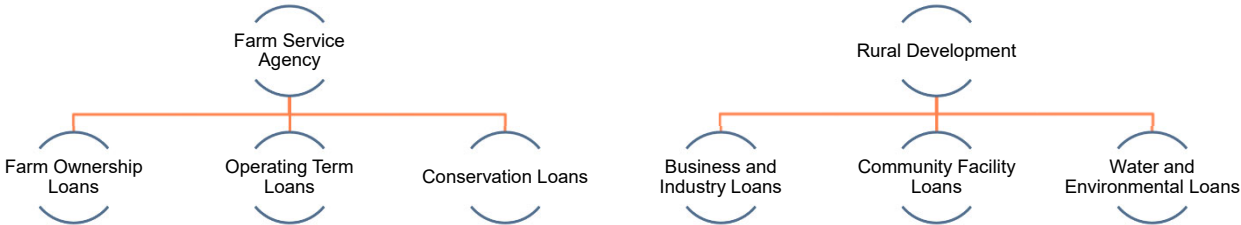
# *Farmer Mac 2: USDA Guaranteed Loan Program*

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## *Eligible USDA Programs*



## Other Opportunities with FSA Guaranteed Loans

### Direct Farm Ownership Down Payment Loan

- "5-45-50 Program" for underserved & beginning farmers
- 5% borrower down payment
- 45% FSA direct loan with \$300,000 maximum
- 50% bank loan that is eligible for a 95% guarantee, no fee, and is required to have a minimum 30-year amortization

### Direct Farm Ownership Joint Financing Loan

- "50-50 Program" combining a FSA direct loan with a traditional bank loan (can be guaranteed)

### FSA Direct Loan Graduations

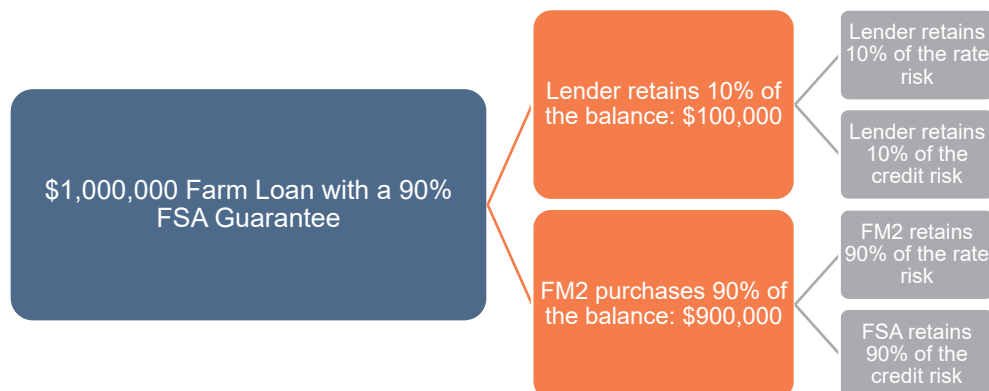
- Refinance a FSA direct loan and the commercial lenders receives higher guarantee percentage and lower fee

### Farmer Mac AgAssist

- Piggyback loan with bank originated 1<sup>st</sup> mortgage and a bank originated FSA guaranteed 2<sup>nd</sup> mortgage
  - Both loans salable to Farmer Mac
- Extend guaranteed loan amount maximums (currently \$1,429,000)



## How Farmer Mac 2 Works



**Lender retains 100% of the Loan Servicing**



## Advantages of Utilizing Farmer Mac 2



**No Farmer Mac underwriting**

**Lender services 100% of the loan**

**Centralized FM2 Program Administrator**

**Lender receives fee income over life of the loan**

**Average servicing fee is over 1.25%**

**Competitive rate sheet, including long-term fixed rates**

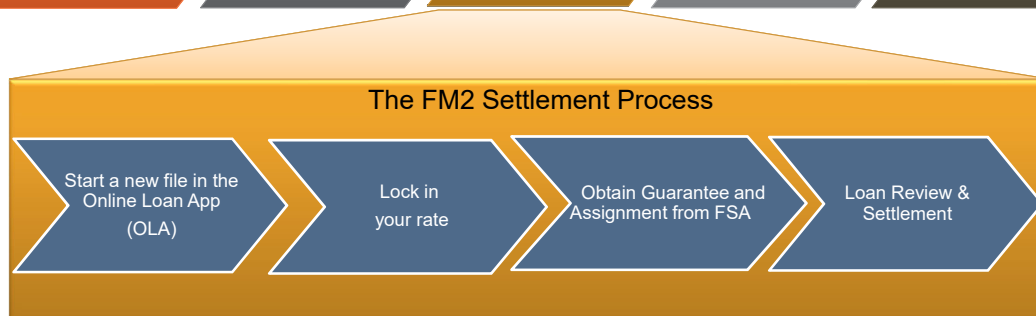
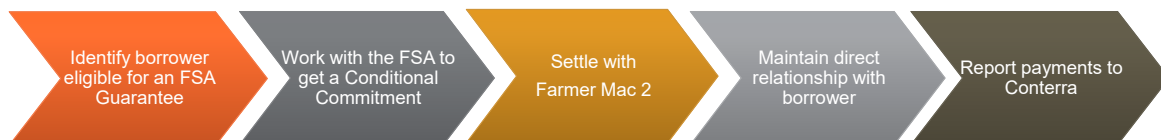
**Customizable terms**

**No prepayment penalties**

**Flexible servicing action options**



## Steps to Success



## Documents for Review



Loan Guarantee

Assignment of  
Guarantee

Promissory note



## 2017 USDA Purchase Summary



Products	Loans	Servicing Fees Wgt Avg	Servicing Fees Median	Net Yield Wgt Avg	Volume	Volume as % of Total	Average Loan Size
Prime	5	2.26%	0.95%	2.53%	\$16,817,392	3%	\$3,363,478
3-Month COFI	73	4.07%	4.50%	2.49%	\$15,621,615	3%	\$213,995
5-Year COFI	30	2.00%	1.50%	3.10%	\$18,855,208	4%	\$628,507
10-Year COFI	76	1.35%	1.07%	3.67%	\$45,111,679	8%	\$593,575
15-Year COFI	158	1.06%	1.00%	3.96%	\$69,866,956	13%	\$442,196
7-Year Fixed, Full Am	89	1.66%	1.37%	3.13%	\$14,080,150	3%	\$158,204
7-Year Fixed, 15-Yr Am	38	1.26%	1.05%	3.24%	\$15,916,559	3%	\$418,857
10-Year Fixed, Full Am	21	1.07%	1.06%	3.31%	\$6,968,212	1%	\$331,820
15-Year Fixed, Full Am	104	1.09%	1.01%	3.61%	\$51,095,462	10%	\$491,303
15-Year Fixed, 25-Yr Am	24	0.95%	0.93%	3.89%	\$17,219,218	3%	\$717,467
20-Year Fixed	223	1.13%	1.08%	3.82%	\$104,361,396	20%	\$467,988
25-Year Fixed	77	1.15%	1.06%	4.17%	\$39,622,064	7%	\$514,572
30-Year Fixed	286	0.97%	1.00%	4.28%	\$116,122,861	22%	\$406,024
	<b>1204</b>	<b>1.27%</b>	<b>1.04%</b>	<b>3.79%</b>	<b>\$531,658,773</b>	<b>100%</b>	<b>\$441,577</b>





## Farmer Mac 2 Rates – 10.26.2018

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	3.75%		3.75%	
Farmer Mac 3-Mo COFI	3.67%		3.67%	
Farmer Mac 5-Yr Reset COFI; 20-, 25-, 30-Yr Am	4.05%	4.14%	4.15%	4.24%
Farmer Mac 10-Yr Reset COFI; 20-, 25-, 30-Yr Am	4.43%	4.52%	4.53%	4.62%
Farmer Mac 15-Yr Reset COFI; 20-, 25-, 30-Yr Am	4.64%	4.73%	4.74%	4.83%
7-Yr Fixed Rate, 7-Yr Am	4.12%	4.21%	4.22%	4.31%
7-Yr Fixed Rate, 15-Yr Am	4.21%	4.30%	4.31%	4.40%
10-Yr Fixed Rate, 10-Yr Am	4.23%	4.32%	4.33%	4.42%
15-Yr Fixed Rate, 15-Yr Am	4.39%	4.48%	4.49%	4.58%
15-Yr Fixed Rate, 25-Yr Am	4.57%	4.66%	4.67%	4.76%
20-Yr Fixed Rate, 20-Yr Am	4.53%	4.62%	4.63%	4.72%
25-Yr Fixed Rate, 25-Yr Am		5.15%		5.25%
30-Yr Fixed Rate, 30-Yr Am		5.25%		5.35%



## Interest Rate Forecasts



## Interest Rate Forecast

### Economists expect interest rates to gradually rise over the next year

- Most economists expect rates to rise between 0.50% and 0.80%
- Short-term interest rates are expected to increase more rapidly than longer-term interest rates as inflation, growth and wage gains pick up pace
- Strong second quarter GDP at over 4% and increasing inflation pressures gives the Federal reserve confidence to continue the rate hike cycle

Interest Rate Forecasts	Current	12/31/2018	6/30/2019	9/30/2019
Overnight Fed Rate	2.25%	2.50%	2.90%	3.05%
3-month LIBOR	2.39%	2.64%	2.98%	3.14%
2-year US Treasury	2.81%	2.85%	3.08%	3.18%
10-year US Treasury	3.04%	3.06%	3.23%	3.32%

\*Note: Estimates pulled via Bloomberg consensus forecasts of Economists polled. Surveys include greater than 20 economists estimates however do not include the view of Farmer Mac's research department



## Underwriting

## Farm and Ranch Loan Purchase Trends – Last 2 Years

**Total amount of loan purchase volume processed by our credit staff**

\$3.1 Billion

**Overall application approval rate**

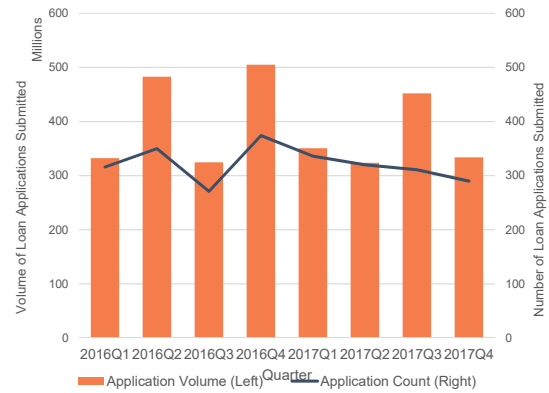
85%

**Overall approval-loan close rate**

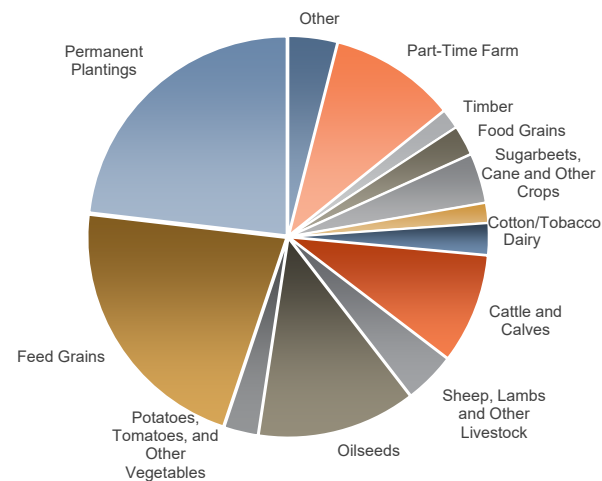
83%

**Percentage of loans receiving Choice pricing**

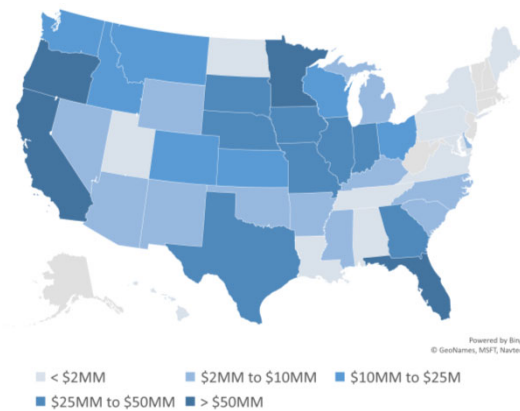
33%



## Farm and Ranch Loan Purchase Trends – Last 2 Years



**What?**



**Where?**





## *Process Overview*



## *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



## Application Checklist

### Prepare and/or collect borrower information

- Note: a *Narrative Template* is available in the Resource Library



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) > <b>input in AgPower</b>	<input type="checkbox"/>	<input type="checkbox"/>
5. Pro forma balance sheet and schedules (including debt schedule) > <b>input in AgPower</b>	<input type="checkbox"/>	<input type="checkbox"/>
6. Previous three years (market value preferred, cost basis accepted) balance sheets and schedules > <b>input &amp; upload in AgPower</b>	<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) > <b>input &amp; upload in AgPower</b>	<input type="checkbox"/>	<input type="checkbox"/>
8. Pro forma income and expense > <b>input in AgPower</b>	<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"/>



## Underwriting Matrix Snapshot

### Most popular programs include:

Loan Program	Fast Track	Full Underwrite	Full Underwrite	AgEquity RLOC	AgAssist
Eligible Pricing Type	Choice	Standard	Choice	Standard	Standard
Total Debt Coverage (See Seller/Service 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			



## Process Overview

START  
HERE

### FARM & RANCH PROCESS OVERVIEW

FARMER MAC

Ready to submit a loan and don't know where to begin? We've got you covered.

Lean on us to help get you started. Call Client Services at 866.452.2617 for specialized training.

All guides and reference materials are located within the Resource Library at [farmermac.com](http://farmermac.com).

Review the *Borrower/Borrower Guide* for a complete description of all obligations.

Here's a list of the major activities involved in selling a Farm & Ranch loan to Farmer Mac.

- 1. REVIEW** *Product Guide, Underwriting Matrix, and Daily Rate Sheet* to assess product interest and eligibility.
- 2. GATHER** the required information according to the *Application Checklist*. Include a completed *Narrative* with your application package to ensure prompt turnaround times.
- 3. COMPLETE** a new application in AgPower and upload supporting documents using your assigned login. Access AgPower at [farmermac.com](http://farmermac.com). Contact Client Services for assistance.
- 4. RECEIVE** a credit decision generally within two business days. Access your *Preliminary Loan Approval Notice* within the AgPower system under "Documents."
- 5. ORDER** an appraisal and preliminary title report in accordance with the *Appraisal and Title Guides*.
- 6. SUBMIT** appraisal and title reports under the "Communications/Attachment" tab within AgPower. Ensure the reports meet the terms of engagement and that all position requirements.
- 7. RECEIVE** the *Conditions Prior to Funding* via AgPower once Farmer Mac has accessed the appraisal and title work. Farmer Mac issues a *Closing Assistance Letter* to your assigned Central Servicer (CS), who will coordinate closing activities with you.
- 8. DATE LOCK** by calling the Rate Lock Desk at 866.452.2617 between 9 a.m. - 2 p.m. C.T., referring to the Rate Lock Guide for instructions. Have the *Preliminary Loan Approval Notice* ready when rate locking.
- 9. ASSEMBLE** closing documents, which may be prepared by your organization, through an attorney, or through FPODocs Inc. ([fpodocs.com](http://fpodocs.com)), in accordance with the *Closing Guide*. Complete the "Purchase Request" tab in AgPower two business days prior to loan funding. Work with the Central Servicer to review documents, coordinate closing, and finalize loan purchase.
- 10. PERFORM** ongoing field servicing duties, which may include monitoring taxes and insurance, property inspections, filing UCC continuations, and collecting annual financials, all described in the *Field Servicing Guide*. Central Servicer fills and collects payments, remitting field servicing fees to you as payments are received. Refer to *Closing and Field Servicing Guides* for more detail.

FMT001-01-006.18

QUESTIONS? [ClientServices@FarmerMac.com](mailto:ClientServices@FarmerMac.com) | 866.452.2617 | [farmermac.com](http://farmermac.com)



## More Awesome Underwriting Stuff!!



## Underwriting Shop – What's New?

**UCC searches required (within 90 days of loan submission) on all applicants for loan submissions with total exposure of \$750,000 or greater**

- Review the UCC search prior to loan submission
- Reconcile the UCC search with the balance sheet
- Ensure any and all UCC(s) are accounted for
- Write on the UCC search, this will help speed up the Underwriting process

**No longer have the ability to term out a portion of the AgEquity**

**Updated Commodity Pricing Guidelines**



## Updated Commodity Pricing Guidelines

Commodity	Price Considerations			
National Corn (state adj.)	\$ 3.75	/ bushel	\$ 136	/ short ton
National Soybeans (state adj.)	\$ 9.50	/ bushel	\$ 325	/ short ton
National Wheat (state adj.)	\$ 4.80	/ bushel	\$ 157	/ short ton
Cotton-Lint	\$ 0.68	/ lbs		
Alfalfa (state adj.)	Dependent on region, quality, and expected use			
Milk (National)	\$ 16.25	/ cwt Class III	\$ 17.75	/ cwt Mailbox
Milk (California)	\$ 14.75	/ cwt Class 4b	\$ 15.75	/ cwt Mailbox
Cattle & Calves - Beef	\$120.00	/ cwt Fat	\$ 150.00	/ cwt Feeder
Hogs	Integrator contracts and risk management usage			
Poultry	Integrator contracts and risk management usage			
Wine Grapes	Contracted prices			
Veg./Other Field Crops	Contracted prices			
Almonds	\$ 2.25	/ lbs		
Pistachios	\$ 2.10	/ lbs		
Walnuts	\$ 1.00	/ lbs		

See the [Resource Library](#) page on [efarmermac.com](http://efarmermac.com) for more State specific information.



## ***AWESOME – Changes in Underwriting!***

### ***Revised cash-out guidelines for Full Underwrite loan requests***

- Refinance Non-Real Estate Debt – Proceeds used to pay off existing business debts such as operating loans, equipment loans, etc. (provided debt is for business/farming purposes) are no longer considered cash-out
- Cash-out is now considered refinance of any non-business debt including credit card debt, cash directly to the borrower, purchase of non business assets and closing costs
- Loans where 10% or more of the proceeds are requested for cash-out purposes are limited to a max. LTV of 60% and max. amort. of 15 years
- No changes to Fast Track loans



## ***AWESOME – Changes in Underwriting Continued..***

***For applications with no individual applicants/guarantors, a D&B PAYDEX score of 70 is required***

***Removed the 60% LTV limitation for loans greater than \$5 million***

***Scorecard – Stay for the “Bonus Section” to find out more***

***Coming this year Maximum Loan to Value for all Midwest States is increasing to 70%***

- It is noted for loans with a LTV > 60% and ≤ 70%, TDC must be ≥ 1.50x with no exceptions to pro forma debt to asset ratio and pro forma current ratio standards.





## *Appraisal and Title Work Tips*

1. *Use a PAL appraiser when possible*
2. *Review the Appraisal Report Content Requirements - Form 1027A*
3. *Use the Farmer Mac Engagement Letter – Form 1023A*
4. *The intended users of the appraisal must include, “Farmer Mac and its agents or assigns”*
5. *Include the Farmer Mac required Assumptions & Limiting Conditions – Form 1037*
6. *Ensure the legal description in the title policy and appraisal match*
7. *Include and ensure the Environmental Disclosure is signed – Form 1010A*
8. *Complete and include a flood search if buildings exist*
9. *Check out the Collateral Valuation forms and PAL appraisers in the Resource Library at [Efarmermac.com](http://Efarmermac.com)*



## *Rate & Product Review*

## Farm & Ranch Rates – 10.26.2018

Products	Term	Amortization	Choice Reset Margin	Standard Rates	Choice Rates
AgEquity LIBOR	20   25   30	Varies	2.00%	4.30%	4.30%
1-Mo ARM LIBOR	15	15   25	1.70%	4.29%	4.09%
1-Yr ARM	15	15   25	2.30%	4.31%	4.11%
3-Yr ARM	15	15   25	2.30%	4.60%	4.40%
5-Yr ARM	15	15   25	2.30%	4.79%	4.59%
7/1 ARM	15	15   25	3.25%	4.98%	4.85%
10/1 ARM	15	15   25	3.25%	5.31%	5.18%
10-Yr VRM	15   20	15   20		5.46%	5.26%
10-Yr VRM	25   30	25   30		5.50%	5.30%
15-Yr VRM	20	20		5.48%	5.28%
15-Yr VRM	25   30	25   30		5.58%	5.38%
7-Yr Fixed	7	15   25		5.07%	4.87%
10-Yr Fixed	10	10		5.28%	5.08%
15-Yr Fixed	15	15		5.37%	5.17%
15-Yr Fixed	15	25		5.56%	5.36%
20-Yr Fixed	20	20		5.83%	5.70%
25-Yr Fixed	25	25		5.93%	5.80%
30-Yr Fixed	30	30		5.98%	5.85%



## Product Guide

WHAT'S OFFERED

### FARM & RANCH PRODUCT GUIDE

#### FARMER MAC

Farmer Mac offers a wide menu of product options with various amortizations and maturities. Let's break it down. Your loan product options include:

##### Fixed Rate Mortgages

10-, 15-, 20-, 25-, & 30-year fixed terms: fully amortized

7-year fixed term: 15- or 25-year amortization

15-year fixed term: 25-year amortization

##### Adjustable Rate Mortgages (ARM)

AgEquity LIBOR

Revolving line of credit secured by real estate; 5- or 10-year draw option

\* Index = 30-day LIBOR, rate adjusts every month, or

\* Index = 1-month PRIME, rate adjusts every month

1-Month ARM: 15-year maturity, 15- or 25-year amortization

\* Index = 30-day LIBOR, rate adjusts every month, or

\* Index = 1-month PRIME, rate adjusts every month

1, 3, & 5-year ARM: 15-year maturity, 15- or 25-year amortization

\* Index = Constant Maturity Treasury (CMT),

rate adjusts 1, 3, & 5 years respectively

7/1 & 10/1 ARM: 15-year maturity, 15- or 25-year amortization

\* Index = 1-year LIBOR, rate adjusts annually after the initial 7- or 10-year period

See [Product Descriptions](#) for index and reset margin information.

##### PREPAYMENT OPTIONS AND SCHEDULES

Products are fully pre-payable on any interest payment date without penalty, except the 5-year VRM\*

Any payment made other than on a regularly scheduled installment date (i.e. payment date) must be accompanied by pre-paid interest to the next installment date

Special principal payments must be received on or before the scheduled payment date and will only be applied after the scheduled payment amount has been satisfied

Monthly, semi-annual, and annual payment options are available on most products

\* Annual payments due on January 1st



## Important Footnotes

### FARMER MAC Farm & Ranch Loan Program

Products	Term	Amortization	Choice Reset Margin	Standard Rates	Choice Rates
AgEquity LIBOR	20   25   30	Varies	2.00%	3.24%	N/A
1-Mo ARM LIBOR	15	15   25	1.70%	3.23%	3.93%
1-Yr ARM	15	15   25	2.30%	2.92%	2.72%
3-Yr ARM	15	15   25	2.30%	3.25%	3.05%
5-Yr ARM	15	15   25	2.30%	3.33%	3.33%
7/1 ARM	15	15   25	3.25%	3.94%	3.81%
10/1 ARM	15	15   25	3.25%	4.14%	4.01%
10-Yr VRM	15   20	15   20		4.32%	4.12%
10-Yr VRM	25   30	25   30		4.43%	4.23%
15-Yr VRM	20	20		4.39%	4.18%
15-Yr VRM	25   30	25   30		4.55%	4.35%
7-Yr Fixed	7	15   25		4.02%	3.82%
10-Yr Fixed	10	10		4.13%	3.93%
15-Yr Fixed	15	15		4.23%	4.03%
15-Yr Fixed	15	25		4.49%	4.29%
20-Yr Fixed	20	20		4.68%	4.53%
25-Yr Fixed	25	25		4.78%	4.63%
30-Yr Fixed	30	30		4.88%	4.73%

\* Rates are quoted as a Net Yield or Seller's cost of funds and are based on current market conditions. Actual rates may differ.  
 - Seller must add a Field Servicing fee to the above Net Yield, no basis point minimum, 150 basis point maximum. AgEquity maximum is 100 basis point.  
 - Reverse the Preliminary Rate approval notice for qualified pricing type (Standard or Choice).  
 - Semi-annual payment rates are shown above. Add 15 basis points for annual pay, subtract 5 basis points for monthly pay.  
 - The above rates include a 4-week rate lock period. Other options are available. Contact the Rate Lock Desk for pricing.  
 - Higher rate may apply for loans \$5 million and greater for the 20, 25, and 30-year fixed products. Contact the Rate Lock Desk for pricing.

- Rates are indicative
- Rate lock hours: 9:00 am to 2:00 pm central time
  - 800-452-2617
- Semi-annual payment rates are posted
  - Add 15 bps for annual pay
  - Subtract 5 bps for monthly pay
- Choice quality reset margins are posted
- For loans \$5 million or greater, higher rates may apply for:
  - 20 year fixed
  - 25 year fixed
  - 30 year fixed
- 4-week rate locks posted. Other options available upon request
- Mandatory Delivery

## Pricing a Loan

**Start by checking the Farmer Mac Net Yield on the rate sheet**

**Does the loan request qualify for Standard or Choice Pricing?**

**Is your institution an ABA or ICBA member?**

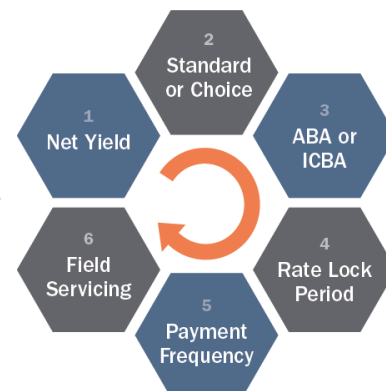
**What is the re-payment frequency?**

Monthly, Semi-Annual or Annual

**4 Week Rate Lock?**

**10 – 150 bps for most products**

How to build a rate



FARMER MAC

## Recent Transaction



The loan was used for purchase of land for a hay business.



## Other Loan Information

Financing Rural America<sup>®</sup>

- Kearny County
- LTV: 60%
- Loan Amount: \$4,400,000
- Note Rate: 5.08%
- Product: 15 year fixed/15 year AM
  - Semi Annual payment
  - Full Underwrite
- Alfalfa

## Servicing Fee Stream of Income

Payment	Balance	Servicing Fee	Cumulative Servicing Income
1	\$4,300,416	.50	\$11,000
15	\$2,609,052	.50	\$135,750
30	\$0	.50	\$190,978



## Credit Protection Tools

Financing Rural America<sup>®</sup>

## *Purchase Commitment Program*

### **Product description**

- Lender holds loan(s) in portfolio with the option to sell after 90 days of delinquency
- Loans are risk weighted at 20% of capital requirements
- Lender pays Farmer Mac a commitment fee of 50 basis points per annum, paid monthly (higher fee may apply to highly improved ground)

### **Lender benefits**

- Transfer credit risk
- Increase liquidity and lending capacity
- Accommodate larger loans
- Balance sheet growth

**Consult with your regulator on asset treatment**



## *Purchase Commitment – What happens at default?*

**Lenders may request Farmer Mac to purchase loans from the pool that are at least 90 days in monetary default**

**A defaulted loan will be purchased at par**

**The servicing of the loan will be reviewed by Farmer Mac at the time of the purchase request**

**The 'Master Central Servicing Agreement' previously executed by the lender becomes active**

**The lender is compensated 30bps per annum during the workout or liquidation phase of the purchased defaulted loan(s) as the acting Servicer for Farmer Mac**

**The lender must repurchase any loans that have 'cured' and brought current to their original terms**



FARMER MAC

## Recent Transaction



### Lender Comment:

"The Purchase Commitment allowed us to retain this asset on our balance sheet. In addition, this particular borrower needed a longer amortization than we would normally provide in order to make the cash flows work. Having Farmer Mac behind the loan gave us a solid comfort level to structure this transaction properly."



Financing Rural America<sup>®</sup>

### Lender Profile

- Community Bank
- NE State Chartered
- Assets: \$39M
- Established Purchase Commitment pool with the ability to add loan-by-loan volume

### Purchase Commitment Loan

Loan Amount	Commodity	Purchase Commitment Fee	Credit Risk to Lender
\$700,000	Ranch Cattle	50bps (Per Annum)	0%



## How are you Marketing?

Financing Rural America<sup>®</sup>

## *How Can I Compete In this Market?*

***Fast Track or Full Underwrite Choice Approval***

***ABA or ICBA discounted pricing***

***Blended rate***

***More sensitive to rate or origination fees***

***AgEquity LOC***

***Scorecard – AgXpress***

***Relationship – customer service, ease of doing business, reliable***



## *Marketing - Farmer Mac & Your Bank*

### ***How do you market?***

- Phone calls
- Face to face
- Direct sales calls
- Word of mouth
- Social media – less print and more digital
- Print ads of ag. Department and Farmer Mac Ads
- Postcards
- Radio commercials – during harvest
- Producer meetings
- Harvest Pack – jumped in the combine with goodies and promo materials
- Farmer Mac or ag department ads on bank's digital board
- Advertisement at sale barn



## Lender Advertising Examples



- Now is the time to expand your operation! As a Farmer Mac Approved Lender, we can show you how a long-term, fixed rate loan can benefit your business.
  - New Purchases & Refinancing • New Construction • Local Servicing
- Your Northwest Bank AG Banker can provide details on our flexible loan terms!



WWW.BANK-NORTHWEST.COM



As a Farmer Mac Approved Lender, Community Bank of Missouri can help you minimize the potential for interest rate risk on agriculture real estate by offering low, fixed rate mortgages with terms of 10, 15 and 20 years. Local decisions, individualized service!

904 Walnut Way  
Richmond, MO 64085  
816-776-6669

1400 Hospital Drive  
Excelsior Springs, MO 64024  
816-637-6669



Your Community. Your Bank.  
www.communitybankmissouri.com



## Lender Advertising Examples



Ag Banking Team (l-r): Dave Krieger, Josh Giddings, John Schroeder, Ben Grimstad, Brendon Kacher, Jim Morrow, Doug Van Sloten, Mike Ludeking, Harold Nee, Andy Ludeking, and Donna Thomas

Expanding your farming opportunities.  
Contact us, we'll see you at the farm!

Decorah Bank & Trust Co.  
202 E. Water Street  
Decorah, IA 52101  
563.382.9963  
www.DecorahBank.com



FAMILY & EMPLOYEE OWNED  
FDIC

Cresco Bank & Trust Co.  
A Division of Decorah Bank & Trust Co.  
126 Second Ave SE  
Cresco, IA 52136  
563.547.2244  
www.CrescoBank.com

**Expanding your Farming Opportunities**

Offering Farmer Mac specializing in long-term, fixed-rate loans

A flexible agricultural loan program available to farmers and ag related businesses in need of funding such as:

- Land purchases
- Refinancing
- Operating needs
- Facility improvements

Decorah Bank & Trust Co. Cresco Bank

Farmer Mac Approved Lender

FDIC

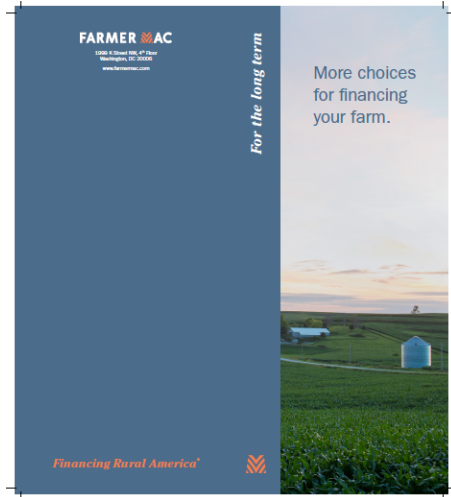




FARMER MAC

Financing Rural America®

## Farmer Mac 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're 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 premier 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.

Financing Rural America®

Farmer Mac  
Approved Lender

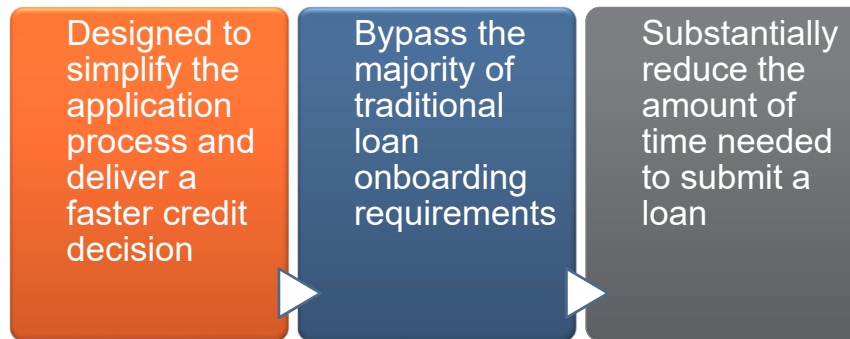


# AgXpress

Financing Rural America®

## *AgXpress Unveiled*

*A new program offered under the Farm & Ranch Solution*



## *Here's What Fits*

***Max loan size: \$750,000 per applicant (within a 12-month period)***

- After 12 months of seasoning with no delinquencies, additional loans considered
- Max aggregate AgXpress exposure of \$1.5 million

***Max LTV: 55% of bare land value***

***Min credit score (all applicants): 720***

***No restrictions on commodities***

***No restrictions on use of funds***

***No restrictions on products (Fixed, VRM, ARM)***

***Monthly or semi-annual payment frequencies***

***Applicants/borrowers must include all title holders***



## Doesn't Make the Cut

Revolving lines of credit (AgEquity)

Facilities

Trusts (without an eligible co-borrower and a personal guarantee)

Choice pricing

Annual payment frequency

Cross-collateralized loans



## Getting Started – Step One

### 1 COMPLETE

#### ☐ AgXpress Application

signed by all applicants

- Farmer Mac's AgXpress Application must be used and is located within the Resource Library at [efarmermac.com](http://efarmermac.com)

#### AGXPRESS APPLICATION

**Loan Information**  
 Loan Amount Requested: \$ \_\_\_\_\_ Projected Loan-to-Value: \_\_\_\_\_ %  
 Bare Land Value: \$ \_\_\_\_\_ + Value of Improvements: \$ \_\_\_\_\_ = Total Collateral Value: \$ \_\_\_\_\_  
 \*Improvements include permanent plantings, outbuildings, and residences.

Sources of Funds		Uses of Funds	
Description	Amount	Description	Amount
<b>Total Source of Funds</b>	<b>\$</b>	<b>Total Use of Funds</b>	<b>\$</b>

Total source of funds should equal total use of funds. (Attach additional schedules or descriptions to supplement or modify.)  
 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**  
☐ Primary Applicant ☐ Co-Applicant (Relationship to primary applicant: \_\_\_\_\_)  
 Last Name: \_\_\_\_\_ First Name: \_\_\_\_\_ Middle Name: \_\_\_\_\_  
 Street Address: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ County: \_\_\_\_\_  
 City: \_\_\_\_\_ Phone #: \_\_\_\_\_  
 Email: \_\_\_\_\_  
 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**  
☐ Primary Applicant ☐ Co-Applicant (Relationship to primary applicant: \_\_\_\_\_)  
 Last Name: \_\_\_\_\_ First Name: \_\_\_\_\_ Middle Name: \_\_\_\_\_  
 Street Address: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ County: \_\_\_\_\_  
 City: \_\_\_\_\_ Phone #: \_\_\_\_\_  
 Email: \_\_\_\_\_  
 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**  
☐ Primary Applicant ☐ Co-Applicant (Relationship to primary applicant: \_\_\_\_\_)  
 Organization Type: ☐ Corporation ☐ Limited Partnership ☐ Limited Liability Corporation ☐ General Partnership ☐ Estate  
 Business Name: \_\_\_\_\_ Federal Tax ID #: \_\_\_\_\_  
 Business Street Address: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ County: \_\_\_\_\_  
 City: \_\_\_\_\_  
 Description of Business: \_\_\_\_\_  
 Principal/Officer Name and Title: \_\_\_\_\_ Date of Birth: \_\_\_\_\_  
 Percent Ownership: \_\_\_\_\_ % Principal/Officer Home Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Email: \_\_\_\_\_ Phone #: \_\_\_\_\_

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

your current business operation: \_\_\_\_\_

citizen or an alien lawfully admitted for permanent residence in the U.S., stockholder, or partner holding a majority interest in the corporate entity. The following list of questions applies to all applicants.

he past 48 months?

ent you?

ed or died in less than the past 48 months?

, estate, or federal zoning, operating, air quality, water, and requirements?

as security for debts of others?

edness?

ed notes for others?

ly or child support?

X Liabilities		BILL XX
Operating Debt	\$	
Accounts Payable/Trade Debt	\$	
Equipment Debt, Vehicle Debt	\$	
Long-term Debt	\$	
Other Liabilities	\$	
	\$	
<b>Total Liabilities</b>	<b>\$</b>	

**billions \$ - Total Equity \$**

Do you have a current operating loan? ☐ Yes ☐ No

Current Operating Loan:

Years with Lender:

Committed Operating Loan Amount: \$

Net Non-Farm Income	\$
<b>Total Net Income</b>	<b>\$</b>



## Step One Continued - AgPower

- Log in at [efarmermac.com](http://efarmermac.com)
- Click on “AgPower” → “New Application”
- A new checkbox appears
  - Check “Scorecard/AgXpress Loan”
- Complete only the Application and Borrower Info tabs

AgPower

Welcome!

☒ Scorecard Loan?

Application Num: \_\_\_\_\_ Application Status: **New Application**

Application Description: \_\_\_\_\_

Number of Entities: (1-15) Seasoned Loan ☐ UW Type: \_\_\_\_\_ Most Recent Inc/Exp Year: \_\_\_\_\_

Individual Completing Application: \_\_\_\_\_ Application Date: 8/23/2018

Application Queue	Application	Borrower Info	Amortization	Loan Summary
UW Ratio	Communication/Attachment	Appraisal Cklist	Submit Application	Manual / UW Grid
Rate Lock Info	Rate Lock Ext Req	Purchase Req		



## Submit – Step Two

### 2 SUBMIT

- ☐ Upload the **AgXpress Application** within the “Communication/Attachment” tab of AgPower
- ☐ Click “Submit Application” button on the “Submit Application” tab in AgPower

**Submit Application**

- ☐ Once available, upload the appraisal and title work in the “Communication/Attachment” tab in AgPower

AgPower

AGXPRESS APPLICATION

Loan Information

Loan Amount Requested: \$ \_\_\_\_\_ Projected Loan to Value: \_\_\_\_\_ %

Down Land Value: \$ \_\_\_\_\_ + Value of Improvements: \$ \_\_\_\_\_ = Total Collateral Value: \$ \_\_\_\_\_

\*Improvements include permanent plantings, outbuildings, and residences.

Sources of Funds

Description	Amount	Uses of Funds	Description	Amount

Application Number: SD-180019  
Loan Number: 21801164  
Borrower: Test 1

Application Queue	Application	Borrower Info	Amortization	Loan Summary
UW Ratio	Communication/Attachment	Appraisal Cklist	Submit Application	Manual / UW Grid
Rate Lock Info	Rate Lock Ext Req	Purchase Req		

Street Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Country: \_\_\_\_\_

Email: \_\_\_\_\_ Phone #: \_\_\_\_\_

Soc. Sec. #: \_\_\_\_\_ Date of Birth: \_\_\_\_\_ Years at Current Address: \_\_\_\_\_

Martial 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

☐ Primary Applicant ☐ Co-Applicant (relationship to primary applicant: \_\_\_\_\_)

Last Name: \_\_\_\_\_ First Name: \_\_\_\_\_ Middle Name: \_\_\_\_\_

Street Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Country: \_\_\_\_\_

Email: \_\_\_\_\_ Phone #: \_\_\_\_\_

Soc. Sec. #: \_\_\_\_\_ Date of Birth: \_\_\_\_\_ Years at Current Address: \_\_\_\_\_

Martial 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

☐ Primary Applicant ☐ Co-Applicant (relationship to primary applicant: \_\_\_\_\_)

Organization Type: ☐ Corporation ☐ Limited Partnership ☐ Limited Liability Corporation ☐ General Partnership ☐ Estate

Business Name: \_\_\_\_\_ Federal Tax ID #: \_\_\_\_\_

Business Street Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Country: \_\_\_\_\_

Description of Business: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Principal/Officer Name and Title: \_\_\_\_\_ W. Principal/Officer Home Address: \_\_\_\_\_

Percent Ownership: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Email: \_\_\_\_\_ Phone #: \_\_\_\_\_

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



## Farmer Mac to Review – Step Three

### 3 REVIEW

Farmer Mac will review your loan submission and contact you with questions.

Once a credit decision is made, you will either receive notification of approval and the Preliminary Loan Approval Notice (PLA) will be issued, or you will be contacted by an underwriter for further discussion.

# Estimated 24 Hour Turnaround!



## Continue as Normal – Step Four

### 4 CONTINUE

After approval, follow the standard process for appraisal, title, rate lock, closing, and purchase activities.

**Tip! Refer to the Guides within the Training Kit for additional instructions...**

- Appraisal Guide
- Title Guide
- Rate Lock Guide
- Closing Guide
- Field Servicer Guide

### Resource Library

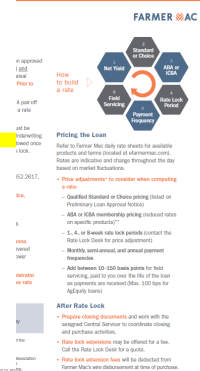
#### Seller/Servicer Guide

Farmer Mac Contact Information  
Seller/Servicer Guide  
Conversion Guide  
Non-participating Spouse Estoppel Certificate  
2018 Rural Home Loan Moderately Priced Housing Value  
Permanent Planting Development Loans  
AgEquity Program Description  
ARM Product Description  
VRM Product Description  
Fixed Rate Product Description  
Payment Schedule Guide  
Commodity Pricing Guidelines  
Central Servicer Contact Information  
Sample Field Servicing Fee Report

#### Farm & Ranch Training Materials

Farm & Ranch Training Kit  
Process Overview  
Product Guide  
Underwriting Matrix  
Application Checklist  
Narrative Template  
Appraisal Guide  
Title Guide  
Rate Lock Guide  
Closing Guide  
Field Servicer Guide  
PPDocs User Guide  
Administrator Guide

#### FARM & RANCH RATE LOCK GUIDE



## Let's Talk About Timing

Testing now through December  
Expected release in January 2019

- External communication
- Webinar training

### Supporting resources

- AgXpress Application Package
  - Posted in Resource Library
  - Instructional Page
    - Eligibility Parameters & Submission Checklist
  - Application

APPLICATION  
PROCESS

FARM & RANCH AGXPRESS

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

**Loan on us**  
to help you.

Call Client Services at  
888-452-2617 or email  
ClientServices@FarmerMac.com  
for assistance.

**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, and the Application — providing everything you need to get rolling.

**ELIGIBILITY PARAMETERS**

- Maximum loan size: \$750,000 per applicant within a 12-month period
- After 12 months of seasoning with no delinquencies, additional AgXpress loans will be considered
- Maximum aggregate AgXpress exposure is \$1.5 million
- Maximum Loan-to-Value (LTV): 10% of bare land
- Minimum credit score for all Applicants: 720
- Farmer Mac will pull a credit report
- Monthly or semi-annual payment frequency
- No restrictions on commodities
- No restrictions on use of funds

- Fixed, Variable, and Adjustable Rate products offered
- Applicants/borrowers must include all title holders
- The following are **not** allowed on AgXpress transactions:
  - Agriculturally (Borrowing Lines of Credit)
  - Facilities
  - Trusts (without an eligible cosigner and a personal guarantee)
  - Choice pricing
  - Annual payment frequency
  - Cross-collateralization of AgXpress loans

**SUBMISSION CHECKLIST**

**1. COMPLETE**

☐ AgXpress Application signed by all applicants

• Farmer Mac's AgXpress Application must be used and is located within the Resource Library at [farmermac.com](http://farmermac.com)

☐ Log into [farmermac.com](http://farmermac.com) and click on AgXpress. Complete only the "Application" and "Borrower" tabs

**2. SUBMIT**

☐ Upload the AgXpress Application within the "Communication/Attachment" tab of AgXpress

☐ Click "Submit Application" button on the "Submit Application" tab in AgXpress

☐ Once available, upload the appraisal and title work in the "Communication/Attachment" tab in AgXpress

**3. REVIEW**

Farmer Mac will review your loan submission and contact you with questions.

Once a credit decision is made, you will either receive notification of approval and the Preliminary Loan Approval Notice (PLA) will be issued, or you will be contacted by an underwriter for further discussion.

**4. CONTINUE**

After approval, follow the standard process for approval, title, rate lock, closing, and purchase activities.

FM1011 806.18
QUESTIONS? [ClientServices@FarmerMac.com](mailto:ClientServices@FarmerMac.com) | 888.452.2617 | [farmermac.com](http://farmermac.com)



## Questions?



***Thank you!***

