



*Role of Partnerships in
Financing Rural America*

FARMER  AC

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Farmer Mac Overview

Created in the 1980s to help provide a deeper credit market for rural America

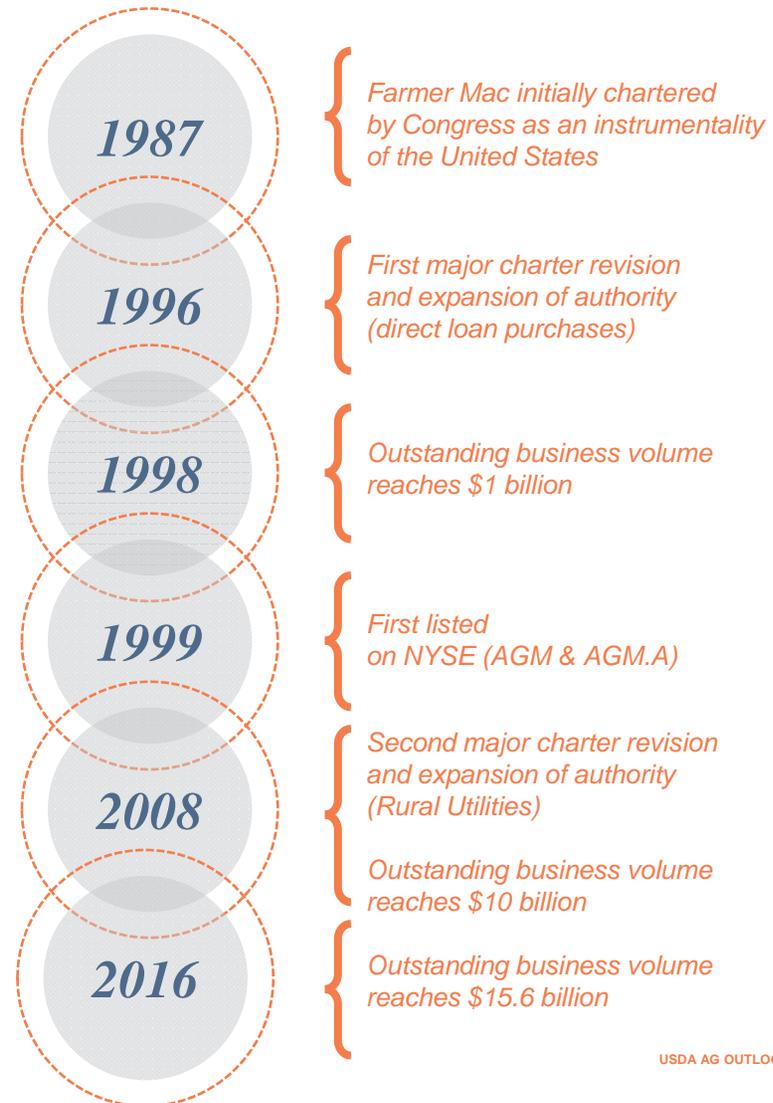
- Provide wholesale financing, secondary market and credit enhancements for agricultural and rural utilities lenders
- Increase access to credit and drive more efficient credit pricing for rural America
- Reduce rural credit market volatility by increasing liquidity and lending capacity for rural lenders

Lines of business – focused on customers

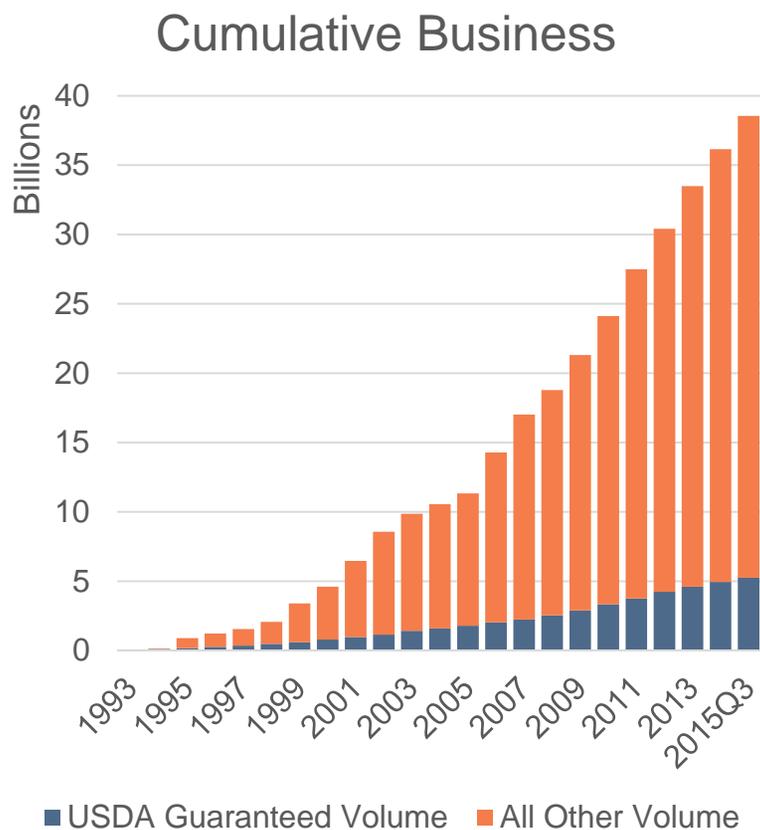
- Farm & Ranch
- USDA Guarantees
- Rural Utilities
- Institutional Credit

Diverse product suite provided to customers

- Loan purchases
- Wholesale financing
- Credit protection



Cumulative History of Farmer Mac Business



- **\$38 billion in cumulative business volume**
- **Over \$5 billion in USDA/FSA Guaranteed loans purchased**
- **Approximately 1,400 different institutions and lenders have participated in at least one program**
- **Customers in all 50 states**
- **Loans in all 50 states**
- **USDA Guaranteed program a company bedrock**



USDA Guaranteed Secondary Market

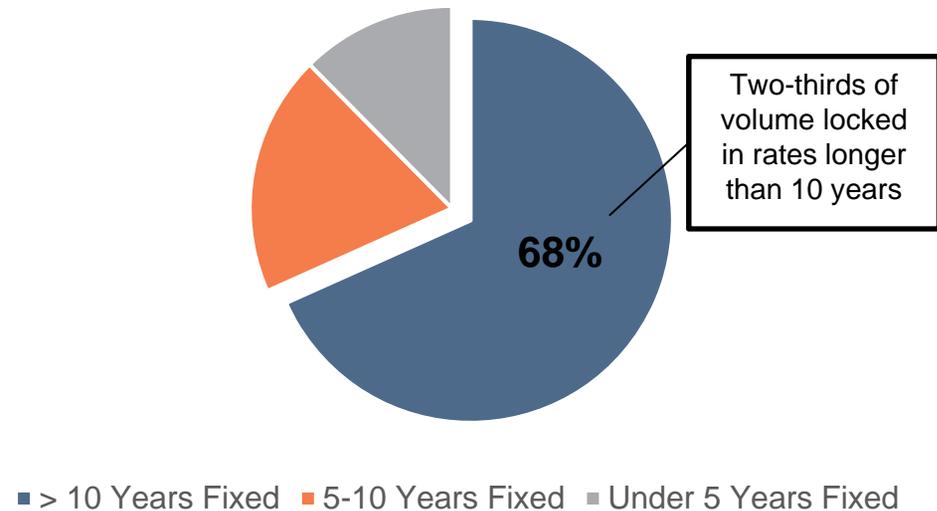
- ***Most major programs are eligible***
 - Farm Service Agency - Farm Ownership (FO) and Operating-Term (OL)
 - Rural Development - Business & Industry (B&I) and Community Facility (CF)
- ***Farmer Mac has a highly efficient delivery system for USDA Guaranteed loan purchases***
 - No Farmer Mac underwriting analysis
 - No costs to sell loans
 - Diverse set of loan options out to 25-year fixed rate
 - No maximum or minimum loan sizes
 - Lender receives fee income over the life of the loan
 - Newly originated or seasoned loans
 - Hold in-portfolio or securitize and sell to other investors
 - Online Loan Application system makes selling easier than ever
- ***Benefits of program accrue to all participants***
 - Improves market and liquidity for USDA Guaranteed Loans
 - Creates liquidity and investment opportunities for rural lenders
 - Creates more options for farmers, ranchers, and other members of Rural America



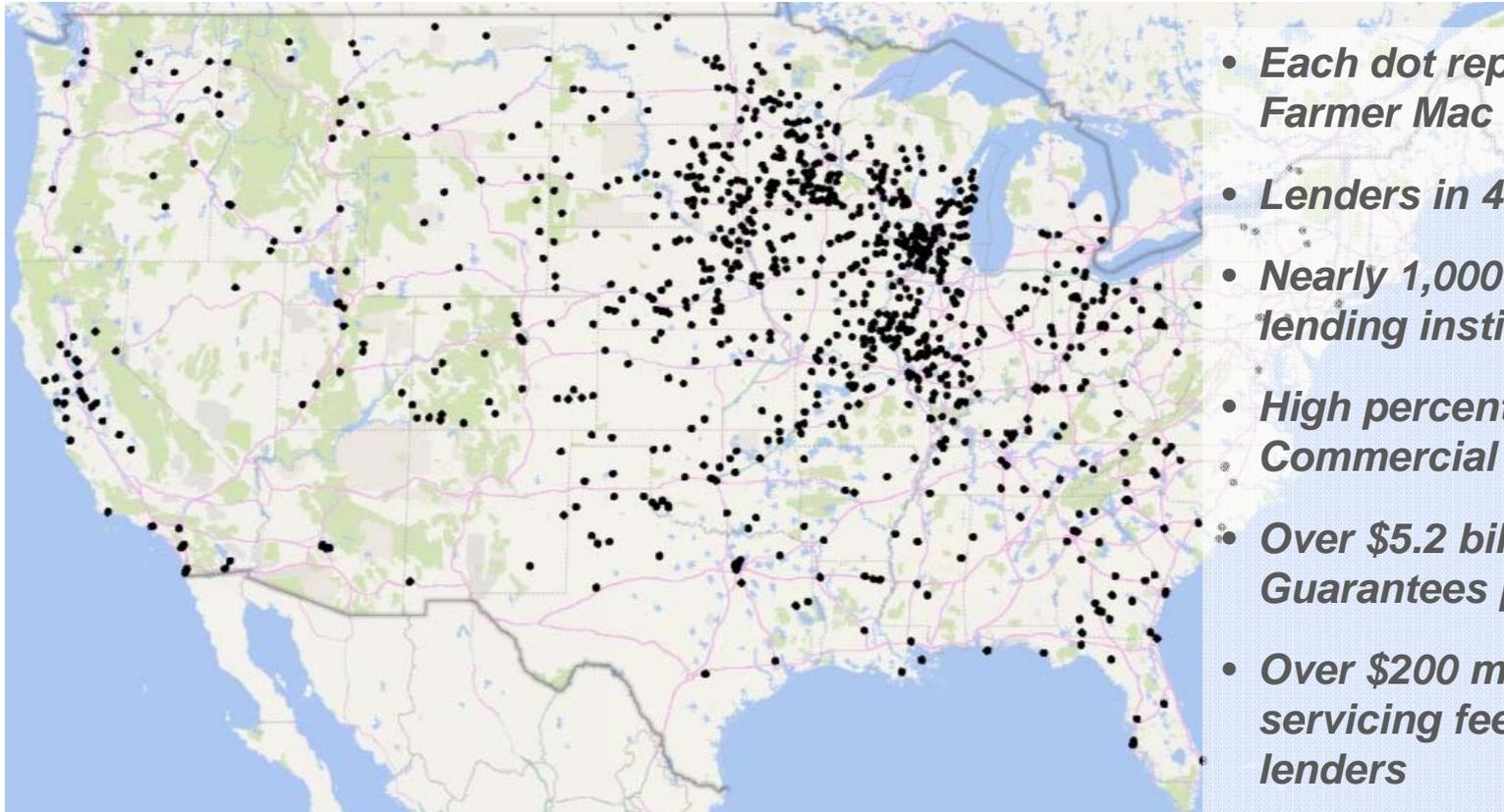
USDA Guaranteed Product Choices

- **Over 80 different product/payment option combinations**
- **Most farmers and ranchers choose 15 year fixed rate or longer**
 - 20-year fixed rate the top product for each of last five years
- **New AgAssist product launched in 2015 demonstrates flexibility and innovation**
 - 1st mortgage through Farmer Mac
 - 2nd mortgage FSA guaranteed
 - Allows borrower to finance up to 85% of collateral value
 - Shared risk between FSA and Farmer Mac
 - Great opportunity for new and beginning farmers as well as experienced farmers that need to restructure

2015 Farmer Mac USDA Guaranteed Loan Purchases



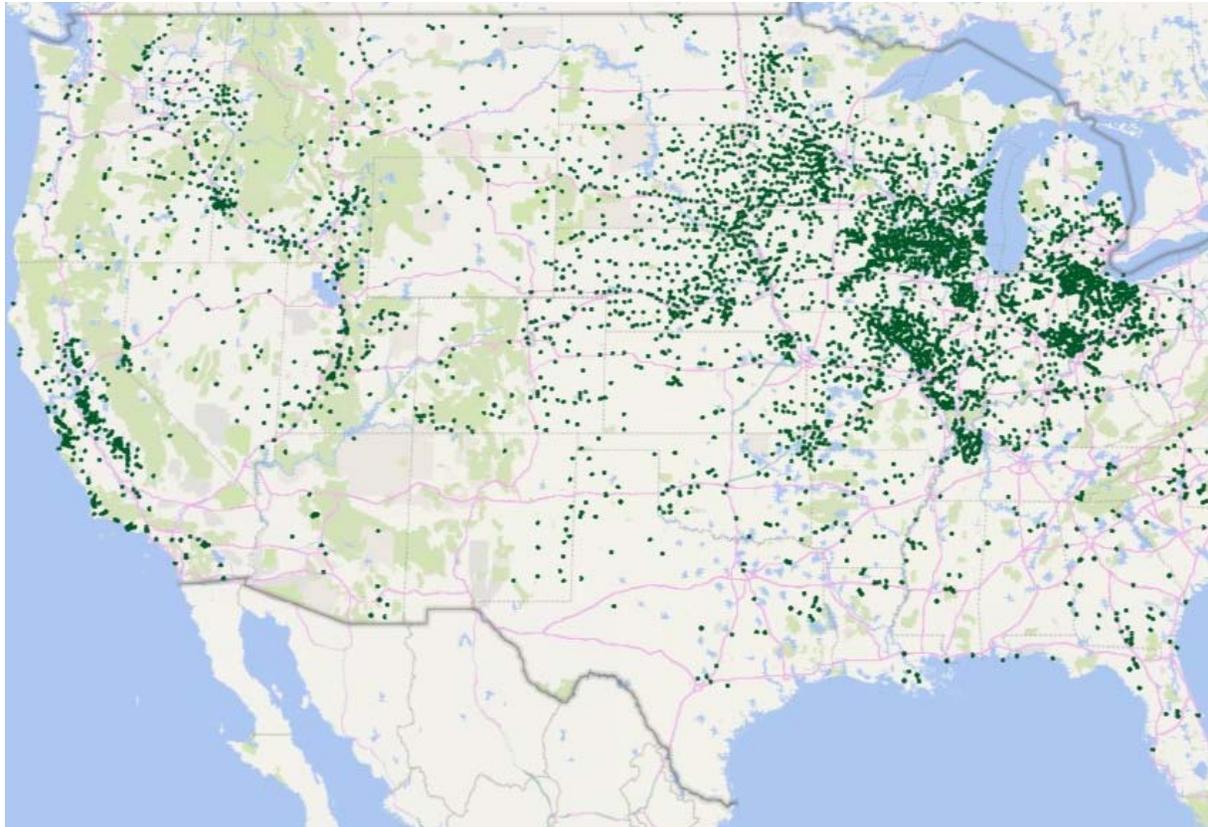
Geography of USDA Guaranteed Partners



- *Each dot represents a Farmer Mac customer*
- *Lenders in 47 states*
- *Nearly 1,000 different lending institutions*
- *High percentage are Commercial Banks*
- *Over \$5.2 billion in USDA Guarantees purchased*
- *Over \$200 million in servicing fees paid to lenders*



Geography of USDA Guaranteed Borrowers



- ***Each dot represents a borrower with guaranteed loan purchased by Farmer Mac***
- ***Borrowers in all 50 states***
- ***Over 17,000 loans purchased***
- ***Avg. note rates comparable or lower than industry***
- ***Two-thirds with Farm Ownership Program***



Many Partners – One Farmer Mac

Many, Many Others

- USDA programs
- Non-bank financials find new sources of capital for Rural America
- Lowering costs for Rural Electric Cooperatives and consumers

Insurance Companies

- Wholesale funding most popular
- Loans sales and credit protection also in mix



Commercial Banks

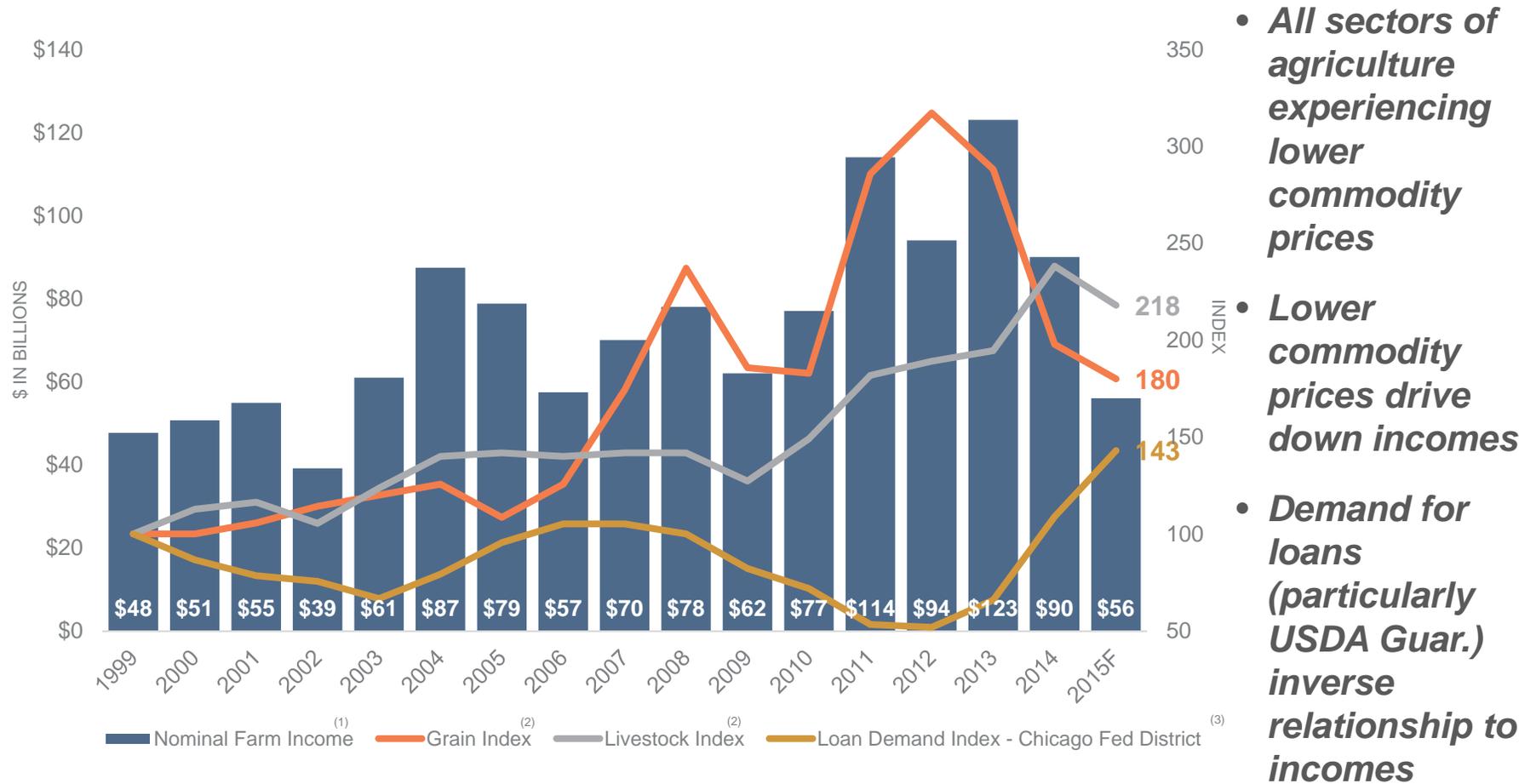
- Full suite of loan products
- Alliances with multiple industry groups
- Over 1,000 customers served

Farm Credit System

- Longstanding relationship and membership
- Products tailored to fit system needs



Farm Economy & Importance of Lending Partnerships



(1) Source: USDA, Economic Research Service, nominal dollars (as of November 2015).

(2) Source: USDA, National Agricultural Statistics Service; Indexed to 1999 as 100.

(3) Source: Federal Reserve Bank of Kansas City, Agricultural Finance Databook Demand for Loans Higher; Indexed to 1999 as 100.



Conclusions and Summary

- *Farmer Mac is a proud partner of USDA and FSA to enhance the market for guaranteed lending*
- *The secondary market connects tens of thousands of lenders, farmers, and ranchers from coast-to-coast*
- *Beyond the USDA Guaranteed program, Farmer Mac partners with a multitude of different lenders to improve access to capital, lower costs, and bring liquidity to Rural America*
- *These partnerships will prove vital in the changing economic times ahead (lower incomes, higher loan demand, and potentially higher interest rates)*
- *Rural lending is built on these relationships and it is built to last*

