

Farm & Ranch loans must include a complete narrative. For your convenience, please consider the use of this **Narrative** form to ensure necessary information is captured. Substitutions are accepted, provided that loan details are adequately addressed.

Date: _____ Originator/Seller: _____

Borrower Name: _____

Additional Borrowers/Guarantors: _____

Operating Lender (if known): _____

Existing Relationship: Yes No Existing loan(s) and loan number(s): _____

Loan Request Details

Loan Program (e.g. Full Underwrite): _____

Estimated Loan-to-Value: _____ Loan Amount: _____

Desired Loan Product(s): _____

Amortization (years): 10 15 20 25 30 Term (years): 7 10 15 20 25 30

Payment Frequency: Semi-annual Annual Monthly

Additional Loan Request*

If there is a second loan related to this loan request, please complete the following:

*For three or more related loans, please download and complete another Narrative form, page 1.

Loan Request Details

Loan Program (e.g. Full Underwrite): _____

Estimated Loan-to-Value: _____ Loan Amount: _____

Desired Loan Product(s): _____

Amortization (years): 10 15 20 25 30 Term (years): 7 10 15 20 25 30

Payment Frequency: Semi-annual Annual Monthly

Source & Use of Funds

Total source of funds should equal total use of funds. Attach additional exhibits or descriptions to supplement as needed.

Sources of Cash		Uses of Cash	
Description	Amount	Description	Amount
Total:	\$	Total:	\$

NARRATIVE DETAILS CONTINUED

Please describe the following:

Background

Discuss the scope of operation and risk management strategies. For example...

- How many acres are owned and how many rented? Detail acres farmed, crops planted, yields, etc. For livestock operations, explain number head and weight. Explain how the borrowers manage their risk and their marketing plan.
- Price Risk Management: How is the crop generally marketed—open to the market, contracted, use of options and hedges? What type of crop insurance do they carry? Other methods for managing risk?
- If the borrowers have any off-farm income, state their occupation and where they work, for how long, and the likelihood of continued employment.
- Explain any changes that have taken place in the operation historically and projected in the future. For troubled years, please explain what took place and why.
- Provide detailed historical yield and price information.

NARRATIVE DETAILS CONTINUED

Please describe the following:

Operational Overview & Global Analysis

Describe the legal entity(s), ownership structure, and percentage of ownership. Capture all entities, sub-entities, and related entities, even those that are not party to the transaction. An organizational chart may be included, but is not necessary.

- If the borrowers own more than 10% of any non-signing entity, the most recent tax return and balance statement need to be uploaded and spread on the Subsidiary Analysis tab of AgPower.
- Discuss each subsidiary entity in detail including the scope of operation, borrowers share of the entity, other owners not part of the loan request, and the business purpose of the entity.
- Annual payment obligations will need to be identified. Detail the change in the borrower's credit ratios when consolidated with the subsidiary entity and include debt payment.

Loan Purpose/Source & Use of Funds

Describe the loan purpose. If use of proceeds is for cash out or improvements, please explain. Also, describe any additional transactions that may be taking place (e.g. if your institution or another institution is involved in a different transaction that is occurring at the same time).

NARRATIVE DETAILS CONTINUED

Please describe the following:

Character

- State if the borrowers are U.S. Citizens (if not, explain how they will be eligible for a Farmer Mac loan).
- Discuss the credit history and credit score for each individual borrower. Explain any late payments, judgments, and derogatory items.
- What is your history with the borrower? Have they always handled accounts as agreed?
- Discuss borrowers financial management and credit history.

NARRATIVE DETAILS CONTINUED

Please describe the following:

Capital

- Discuss amount/quality of working capital and changes over the review period. Discuss the general type of term financing on the balance sheet (equipment vs. real estate) and any notable term structures that might create cash flow issues in the near future.
- Reconcile the pro forma net worth to the current balance sheet's net worth. Explain all changes made to the pro forma balance sheet.
- If the loan is a full underwrite or AgEquity, historical balance sheets should be input on the Loan Summary tab in AgPower. Please explain the historical trends and ratios and make the necessary adjustments to the earnings trend for the real estate appreciation or any other items that need to be adjusted.
- Who is their operating lender? How is their relationship? What are the terms and conditions of their line of credit?

NARRATIVE DETAILS CONTINUED

Please describe the following:

Capacity

- State the years of tax returns provided for each borrower.
- Discuss source, quality, and volatility of cash flow.
- Discuss the historical average cash flow available and total debt coverage ratio (TDC).
- Discuss items that were backed out as non-recurring.
- Discuss anything that appears to be abnormal or extraordinary when reviewing the historical spreads. Explain if the operation is stable or changing. Explain any variances in historical cash flow available.
- If a pro forma cash flow is required, provide the details, including but not limited to the yields, prices, acres, commodities, etc. The pro forma is to be completed on an all-in all-out basis without an accrual adjustment.

NARRATIVE DETAILS CONTINUED

Please describe the following:

Collateral Analysis

- Describe size, nature, quality, and conditions or limiting factors underlying the value of the property.
- State the estimated market value and the loan-to-value for the Farmer Mac loan. Detail the acres of collateral and how many acres are tillable.
- Describe the location of the collateral including the legal and physical access to the property. Discuss the marketability and desirability of the property.
- Detail any improvements on the property and their condition. Estimate the percentage of value the improvements will contribute to the overall property value.
- State whether or not the collateral serves as the borrower's primary residence.
- Address water quality, availability, and nature/reliability of water delivery. If the property is irrigated and is located within an irrigation district, provide detailed information about the irrigation district, quantity, quality, and cost of the irrigation water. If it is not located within an irrigation district, state the source and location of the irrigation water.
- Detail any irrigation equipment that will be pledged as part of the collateral.

Conditions

- List the borrower's credit ratios as compared to the Farmer Mac established credit ratios.
- Detail who will sign the Note and the Mortgage, and if the loan is to be cross-collateralized or cross-defaulted with another loan.
- If there are any leases, describe permits, or other assignments to be taken as part of the security.