

# FARMER AC

## TRAINING



### WELCOME

Together, we strengthen the financial position of American agriculture and rural communities. Our capital, united with your commitment, is a winning combination.

# FARM & RANCH LOAN PURCHASE

## **Farm & Ranch Loan Purchase Solution**

Access competitive, short-and long-term financing for farm operations, rural properties, and production agriculture. You originate and sell eligible loans to us, secured by first-lien mortgages. You maintain the client relationships. Preserve capital, attract and retain customers, and minimize credit and interest rate risk.

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START  
HERE

# FARM & RANCH PROCESS OVERVIEW

FARMER  AC

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 **efarmermac.com**.

Review the **Seller/Service 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 **complete 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 [efarmermac.com](http://efarmermac.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 queue 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 "**Communication/Attachment**" tab within AgPower.  
*Ensure the reports meet the terms of engagement and first lien position requirements.*
- 7. RECEIVE** the **Conditions Prior to Funding** via AgPower once Farmer Mac has assessed the appraisal and title work.  
*Farmer Mac issues a **Closing Instruction Letter** to your assigned Central Servicer (CS), who will coordinate closing activities with you.*
- 8. RATE 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** nearby when rate locking.*
- 9. ASSEMBLE** closing documents, which may be prepared by your organization, through an attorney, or through PPDocs Inc. ([ppdocs.com](http://ppdocs.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, as described in the **Field Servicer Guide.**  
*Central Servicer bills and collects payments; remitting field servicing fees to you as payments are received. Refer to **Closing and Field Servicing Guides** for more detail.*

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 as published in the Wall Street Journal, rate adjusts monthly

**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.

### Variable Rate Mortgages (VRM)

**5-year VRM:** 10-, 15-, 20- or 25-year maturity and amortization

- Index = Farmer Mac Cost of Funds, rate adjusts every 5 years
- \* This specific product carries a pre-payment penalty

**10-year VRM:** 15-, 20-, 25- or 30-year maturity and amortization

- Index = Farmer Mac Cost of Funds, rate adjusts every 10 years

**15-year VRM:** 20-, 25- or 30-year maturity and amortization

- Index = Farmer Mac Cost of Funds, rate adjusts every 15 years

See [Product Descriptions](#) for index 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
- ▶ Semi-annual payments due on January and July 1st
- ▶ Monthly payments due on the 1st of each month
- ▶ Semi-annual interest-only payments for AgEquity loans during draw period

See [Payment Schedule Guide](#) in Resource Library for more information



**Product Descriptions**, conversion information, and Seller/Service requirements are available within the **Resource Library** at [efarmermac.com](#).

**Rate sheets are posted daily at [efarmermac.com](#).**

*Net yields are quoted and based on market conditions at the time of posting. Actual yields may differ from those indicated.*

# GET THE SPECS

# FARM & RANCH UNDERWRITING MATRIX



Loan Program	Fast Track	Full Underwrite	Full Underwrite	AgEquity RLOC	AgAssist
<b>Eligible Pricing Type</b>	<b>Choice</b>	<b>Standard</b>	<b>Choice</b>	<b>Standard</b>	<b>Standard</b>
<b>Total Debt Coverage</b> (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
<b>Current Ratio</b>	≥ 1.00	≥ 1.25	≥ 1.50	≥ 1.25	≥ 1.00
<b>Debt to Asset</b>	≤ 40%	≤ 50%	≤ 40%	≤ 50%	≤ 60%
<b>Loan-to-Value</b>	≤ 55%	< 70%*	≤ 60%	≤ 50%**	≤ 45% FAMC LTV ≤ 85% CLTV
<b>Credit Score (FICO)</b> (Individual borrowers/guarantors)	≥ 720	≥ 680			
<b>D&amp;B PAYDEX Score</b> (required if no individual borrowers/guarantors)	N/A	≥ 70			
<b>Loan Size</b>	No minimum ≤ \$1.5 mil	No minimum ≤ 1000 acres: \$50.0 mil > 1000 acres: \$12.9 mil		Minimum: \$50,000 Maximum: \$12.9 mil	No minimum ≤ 1000 acres: \$50.0 mil > 1000 acres: \$12.9 mil
<b>Cash-Out</b> (See Seller/Service Guide, Section 202.5)	Unlimited	≤ 10%; unlimited cash out if amortization is 15 years or less and LTV is ≤ 60%.		Allowed if not for consumer purpose.	Unlimited
<b>Recent Tax Returns</b>	2 years	Minimum 3 years; 4 years alternate bearing.			
<b>Extras</b>	Collateral must consist of at least 5 acres or be used to produce annual agricultural receipts of at least \$5,000.				
	Permanent plantings are eligible.	*Max LTV=60% for properties located in ND, SD, MN, IA, IL, IN, OH, MO, NE.		Unlimited number of draws, minimum draw of \$2,500.	2nd mortgage must be guaranteed by federal or state agency.
	Loans with agricultural improvements whose contributory value exceeds 40% of the total value are not eligible.	*Loans with LTV > 60% and ≤ 70% must have TDC ≥ 1.50. No exceptions to Pro forma CR or D/A.		**Property may have improvements or permanent plantings, however the loan-to-value will be calculated using only the bare land value.	Guaranteed loan ≥ 25% of combined loan amounts.
	When the contributory value of the agricultural producing structures and site improvements, as reported in the appraisal, exceeds 60% of the total appraised value, the loan is to be treated as a specialized production agricultural facility.				
	Dwellings, occupied by the applicant and considered to be the primary residence of the applicant, are not considered to be agricultural improvements for the purpose of determining the contributory value.				
<b>Aggregate Maximum Exposure</b>	\$50.0 mil				
<b>Eligible Borrowers</b>	U.S. Citizen or a lawfully admitted alien to the U.S. who maintains a permanent residence in the U.S. or a corporate entity or partnership whose members, stockholders or partners holding a majority interest in the corporate entity or partnership are citizens or lawfully admitted permanent resident aliens.				
	Trusts are eligible for Farmer Mac financing if there is a personal guarantee by an eligible co-borrower.				
<b>Family Living Expense</b>	\$15,000 for each adult (over 18), \$10,000 for each dependent listed on tax returns.				
<b>Rate Shock</b>	The following products will need to meet TDC requirement for desired program after 3% rate shock; AgEquity LIBOR, 1-month LIBOR, 1-year or 3-year product.				
<b>Exceptions</b>	Fast Track and Full Underwrite Choice programs have to meet all underwriting standards with no exceptions.				

## Additional Options

Loan Program	Seasoned Loan	Cattle Feedlot	Timber
<b>Eligible Pricing Type</b>	Standard	Standard	Standard
<b>Total Debt Coverage</b> (See Seller/Service Guide, Section 202.3)	N/A	≥ 1.25	
<b>Current Ratio</b>	N/A	≥ 1.25	
<b>Debt to Asset</b>	N/A	≤ 50%	
<b>Loan-to-Value</b>	≤ 60%*	≤ \$5 mil: < 65% > \$5 mil: 60%	≤ \$5 mil: < 70% > \$5 mil: 60%
<b>Credit Score (FICO)</b> (Individual borrowers/guarantors)	N/A	≥ 680	
<b>D&amp;B PAYDEX Score</b> (required if no individual borrowers/guarantors)		≥ 70	
<b>Loan Size</b>	≤ 1000 acres: \$50.0 mil    > 1000 acres: \$12.9 mil		
<b>Cash-Out</b> (See Seller/Service Guide, Section 202.5)	≤ 5%: restricted to closing fees		
<b>Aggregate Maximum Exposure</b>	\$50.0 mil		
<b>Other</b>	*LTV based on the original (or most recent) appraisal.	Farmer Mac requires that the Seller be the feedlot's operating lender unless the feedlot is not borrowing operating money.	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.
		Maximum loan maturity is not to exceed 20 years when the improvement value is ≥ 60% of total value; 30 years when the improvement value is < 60% of total value.	
	A Collateral Assessment Report (CAR Form 1047) or a new appraisal is required.  A new Environmental Disclosure (Form 1010A) is required.		Applicant should have a production contract(s) and multiple sales outlets for their products. Contract(s) should be standard to the industry and assignable to FAMC. Counterparty analysis is expected.
	Loan must be held by Seller/Originator for a minimum of 5 years prior to FAMC purchase.  Loan has not been more than 30 days past due in the past 3 years. Loan has not had any material restructuring or modification within the past 5 years.	Three years of tax returns required.	
		For loans with a LTV > 60% and ≤ 65%, TDC must be ≥ 1.50x and no exceptions to pro forma debt to asset ratio and pro forma current ratio standards.	
When the contributory value of the agricultural producing structures and site improvements, as reported in the appraisal, exceeds 60% of the total appraised value, the loan is to be treated as a specialized production and agribusiness facility.			

As exposures to borrowers increase in amount, Farmer Mac expects the quality of the loan and supporting financial information and analysis will reflect the greater risk.

## Additional Options

Loan Program	Poultry Facility	Swine Facility	Feedlot Dairy Facility	Agribusiness & Other Production Facilities
<b>Eligible Pricing Type</b>	Standard	Standard	Standard	Standard
<b>Total Debt Coverage</b> (See Seller/Service Guide, Section 202.3)	≥ 1.25		≥ 1.35	
<b>Current Ratio</b>	≥ 1.25			
<b>Debt to Asset</b>	≤ 65%	≤ 60%	≤ 50%	≤ 70% or LTD/NW ≤ 80%
<b>Loan-to-Value</b>	New Facilities ≤ 75% Existing Facilities ≤ 65%	New Facilities ≤ 75% Existing Facilities ≤ 70%	≤ \$5 mil: < 65% > \$5 mil: 60%	≤ 60%
<b>Credit Score (FICO)</b> (Individual borrowers/guarantors)	≥ 680			
<b>D&amp;B PAYDEX Score</b> (required if no individual borrowers/guarantors)	≥ 70			
<b>Loan Size</b>	≤ 1000 acres: \$50.0 mil		> 1000 acres: \$12.9 mil	
<b>Cash-Out</b> (See Seller/Service Guide, Section 202.5)	≤ 5%: restricted to closing fees			
<b>Aggregate Maximum Exposure</b>	\$50.0 mil			
<b>Other</b>	Term/Amortization: 10 years existing, 15 years new		Term/Am: 10-15 years Should reflect remaining economic life.	For loans over \$5 mil, review quality financial statements preferred. Term: 10-15 years Am: 15 years Should reflect remaining economic life.
	Production Contract Required.			
	Borrower must have a production contract with a processor insuring occupancy or use of the facility as an integrator. Contract must be standard to industry with payments assigned to FAMC.		Evidence of permits for waste disposal and herd occupancy for stated capacity usually required.	Services of the business or facility are used toward the physical transformation or storage of farm-gate products.
	Contract finishing operations must have multiple integrators available.		Milk assignment usually required.	Secured by a first mortgage on a specialized agricultural processing facility, agricultural farm-gate product storage facility, or other property directly involved in production of a farm-gate product.
	Three years of tax returns required.			
	Operation must conform to all environmental rules and regulations. Manure easement may be needed.			
	Subordinate liens for new construction will be allowed at loan closing as long as the total lien position does not exceed 90% of the value of the security (CLTV). See Seller/Service Guide – Section 205.4.			

As exposures to borrowers increase in amount, Farmer Mac expects the quality of the loan and supporting financial information and analysis will reflect the greater risk.

Ready to submit a loan to Farmer Mac?  
Here we go...

- 1** Prepare and/or collect the information outlined in the checklist below.
- 2** Log into [efarmermac.com](http://efarmermac.com) and locate AgPower.
- 3** Click “Add New Application” and complete all necessary fields — all tabs for all applicants.  
*Don't forget to input the use of loan proceeds, including lender(s) being refinanced, improvements being completed, etc.*

**4** Farmer Mac will underwrite the loan using one of two methods:

**Full Underwrite** – Refer to the **Underwriting Matrix** for a list of all underwriting standards

OR

**Fast Track** – A reduced documentation and Choice pricing option, designed for stronger credits

- Maximum loan amount ≤ \$1.5 million
- 2 yr. average Total Debt Coverage ≥ 1.00
- Pro forma Current Ratio ≥ 1.00
- Pro forma Debt to Asset Leverage Ratio ≤ 40%
- Maximum Loan-to-Value is 55%
- Credit Score ≥ 720

Application Checklist	Full Underwrite	Fast Track
<b>1.</b> Detailed Narrative ( <i>analysis of character, capital, capacity, collateral, and condition</i> )	<input type="checkbox"/>	<input type="checkbox"/>
<b>2.</b> 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"/>
<b>3.</b> Credit report with credit score for each applicant ( <i>within 90 days</i> ) ( <i>If a tri-merged report is submitted, the middle score will be used.</i> )	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.</b> Current market value balance sheet(s) with schedules ( <i>within 90 days</i> ) ( <i>including debt schedule</i> ) > <b>input in AgPower</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5.</b> Pro forma balance sheet and schedules ( <i>including debt schedule</i> ) > <b>input in AgPower</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>6.</b> Previous three years ( <i>market value preferred, cost basis accepted</i> ) balance sheets and schedules > <b>input &amp; upload in AgPower</b>	<input type="checkbox"/>	N/A
<b>7.</b> Tax Returns/Income Statements for previous three years or four years for alternate bearing crops ( <i>only two years required for Fast Track</i> ) > <b>input &amp; upload in AgPower</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>8.</b> Pro forma income and expense > <b>input in AgPower</b>	<input type="checkbox"/>	N/A
<b>9.</b> Verification of non-farm income ( <i>two (2) most recent paystubs or most recent W-2 for each applicant employed off-farm</i> )	<input type="checkbox"/>	<input type="checkbox"/>
<b>10.</b> Written debt verifications from major lender(s) of the borrower ( <i>if not on the credit report</i> )	<input type="checkbox"/>	<input type="checkbox"/>
<b>11.</b> Written mortgage verifications outlining outstanding principal balance and payment history ( <i>at least last 24 months</i> ); or two most recent 1098's for each mortgage not on the credit report	<input type="checkbox"/>	<input type="checkbox"/>
<b>12.</b> 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"/>



**Farmer Mac Client Services** 866.452.2617  
8 a.m. - 5 p.m. C.T. | Monday - Friday  
ClientServices@FarmerMac.com

**AgPower Demonstrations** –  
one-on-one and group trainings available.



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.

## 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.

## 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?

## 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.

Help us help you. The appraisal is instrumental to Farmer Mac’s understanding of the loan security. It should include the physical, legal, and economic characteristics of the property, the market’s attributes, and the property’s income-producing capacity and market value.

**1** The appraiser must be a State Certified General Appraiser OR if the highest and best use of the proposed security is a rural residential use property AND the property is improved with an existing residence with significant contributory value, a State Certified Residential Appraiser is acceptable.

**2** The **Appraisal Report Content Requirements** (Form 1027A) defines the scope of work and expectations for appraisal report content.

**TIP:** Many originators attach this to their **Engagement Letter** as a means to share those expectations with the appraiser.

**3** “Date of Value” in the appraisal must be less than 365 days prior to the date the loan is purchased by Farmer Mac.

**4** The **Collateral Valuation Supplement** provides detail on Farmer Mac appraisal standards and guidelines. You are responsible for ensuring that the appraisal is conducted in accordance with Farmer Mac requirements. For preliminary loan approvals, the property value may be estimated.

**5** Intended users of the appraisal must include, “Farmer Mac and its agents or assigns.”

#### REQUIRED FORMS\*:

- Engagement Letter**  
Form 1023A  
*may be customized by the lender*
- Environmental Disclosure**  
Form 1010A
- Assumptions and Limiting Conditions**  
Form 1037
- Irrigation/Drainage Supplement**  
Form 1013A  
*only required when the property includes irrigation or drainage conditions that affect the value*

\* Equivalent forms may be used subject to prior approval by Farmer Mac.

#### ADDITIONAL SUPPORT:

The **Preferred Appraisal List** (PAL) is a directory of experienced appraisers who are familiar with Farmer Mac appraisal requirements.

Locate PAL within the “Preferred Appraiser” section at [efarmermac.com](http://efarmermac.com)



Locate current versions of all appraisal forms and guidelines within the **Resource Library** at [efarmermac.com](http://efarmermac.com).

Refer to the **Seller/Service Guide** located in the **Resource Library** at [efarmermac.com](http://efarmermac.com) for further obligations.

### What's Required?

- Farmer Mac requires **title insurance** in the form of a title insurance policy.
- If title insurance is not available or in Farmer Mac's determination is not reasonably available, an opinion of title from an attorney may be acceptable.
- Mortgage is a valid first lien and property is free and clear of all mechanics liens (or similar types) and is not subject to any claims deriving from a preceding mortgage.
- If fixtures or personal property were assigned value, appropriate security interest granting language (specific or blanket) must be included in the Mortgage/Deed of Trust/Security Deed, and a state level UCC must be filed to perfect the security interest in the property.
- One to four family residential commitments/policies are not acceptable.

### What Else?

The title insurance company issuing the final title policy must have a rating of "A" or better by **Demotech, Inc.**

- Visit [www.demotech.com](http://www.demotech.com) and click on "**Financial Stabilities Ratings**" to perform your search and view ratings.
- The state in which the property is located must be listed under the jurisdictions for the company that prepares the title work.

Title opinions from an attorney or firm must be rated at least "Martindale-Hubbell Distinguished" by Martindale-Hubbell ([www.martindale.com](http://www.martindale.com)) or pre-approved by Farmer Mac.

### IMPORTANT TIPS:

The title commitment or preliminary report should **always be in the name of the lender/financial institution** that the Note and Mortgage is going to be written on and "its successors and/or assigns."

U.S. Bank National Association as Custodian/Trustee for Farmer Mac. Referencing Farmer Mac (FAMC) or U.S. Bank National Association (USBNA) may result in the closing protection letter (CPL) being issued incorrectly on table funded loans.

The final title policy may show the lender/financial institution name listed on the Note and Mortgage (*preferred method*) OR\* it may show "U.S. Bank National Association as Custodian/Trustee for Federal Agricultural Mortgage Corporation programs."

\* The key is that the policy effective date must be equal to or later than the recording date/time of the Mortgage (lender) or Assignment (U.S. Bank).



For all refinances, be sure the vested property is listed in the "**Borrower Info**" tab in AgPower.

## When to Rate Lock

Rate lock should occur once the loan has been approved (a **Preliminary Loan Approval Notice** is issued) and Farmer Mac has assessed your title and appraisal reports. It's recommended that all **Conditions Prior to Funding** are satisfied prior to rate lock.

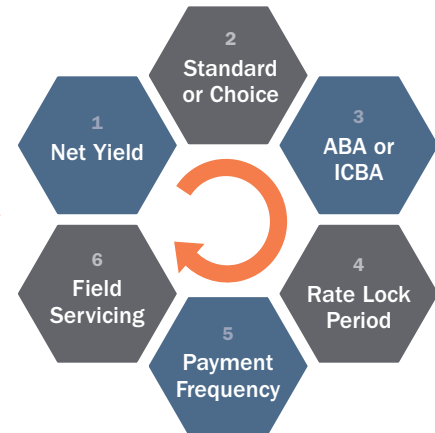
- **Once locked, mandatory delivery applies.** A pair-off fee (1.00% to 1.25%) will apply to withdraw a rate locked loan.
- **Any changes to the original loan terms** must be resubmitted and approved by Farmer Mac Underwriting prior to the rate lock. No changes will be allowed once the loan is rate locked or at the time of rate lock.

## How to Rate Lock

Call the Farmer Mac Rate Lock Desk at 866.452.2617, between 9 a.m. - 2 p.m. C.T., Monday - Friday.

- **Locate the Preliminary Loan Approval Notice**, which includes the following details:
  - **Farmer Mac Loan Number**
  - **Loan Terms** (loan size, payment frequency, amortization, and product type)
- **The rate lock commitment is issued by phone.** Once locked, a rate lock confirmation is delivered through the “**Rate Lock Info**” tab within AgPower (generally by end of business day).
- **Contact the appointed Farmer Mac Administrator within your organization to ensure you have rate lock privileges.**

How to build a rate



## Pricing the Loan

Refer to Farmer Mac daily rate sheets for available products and terms (located at [efarmermac.com](http://efarmermac.com)). Rates are indicative and change throughout the day based on market fluctuations.

- **Price adjustments\* to consider when computing a rate:**
  - **Qualified Standard or Choice pricing** (listed on Preliminary Loan Approval Notice)
  - **ABA or ICBA membership pricing** (reduced rates on specific products)\*\*
  - **1-, 4-, or 8-week rate lock periods** (contact the Rate Lock Desk for price adjustment)
  - **Monthly, semi-annual, and annual payment frequencies**
  - **Add between 10-150 basis points** for field servicing, paid to you over the life of the loan as payments are received (Max. 100 bps for AgEquity loans)

## After Rate Lock

- **Prepare closing documents** and work with the assigned Central Servicer to coordinate closing and purchase activities.
- **Rate lock extensions** may be offered for a fee. Call the Rate Lock Desk for a quote.
- **Rate lock extension fees** will be deducted from Farmer Mac's wire disbursement at time of purchase.



**Rate Lock Desk** 866.452.2617  
9 a.m. - 2 p.m. C.T. | Monday - Friday

\* Adjustment amounts are detailed within the footnotes of the rate sheets.

\*\* Due to Farmer Mac's relationship with American Bankers Association (ABA) and Independent Community Bankers Association (ICBA), discounted pricing is offered to members of these organizations. Refer to ABA and ICBA rate sheets for pricing.

## Document Options

### Generate loan documents in-house

using a reputable and compliant document ordering system or have documents prepared by an attorney

OR

### Order through PPDocs, Inc. | [ppdocs.com](http://ppdocs.com)

- \$100 Express Service
- ≥ \$400 Full Service
- Farmer Mac Provision & Product Compliant
- See **PPDocs User Guide** for ordering instructions (located within the Resource Library at [efarmermac.com](http://efarmermac.com))

## Required Provisions

Farmer Mac requires specific Note and Mortgage provisions. Please review the **Seller/Servicer Guide** (Sections 209 & 304) for precise loan documentation requirements, representations, and warranties.

### Provision topics include, but not limited to:

- Note endorsement & mortgage assignment language
- Payment application & structures (*Payment Schedule Guide* available within the Resource Library)
- Interest accrual
- Interest on early prepayments and payoffs
- Late charges & default interest
- Financial statement collection
- Product specific functions and attributions

### Insurance Requirements

- If the contributory value of the buildings or other insurable improvements exceeds 20% of the appraised value, all improvements must be insured
- When insurance is required, list the loss payee as, “U.S. Bank National Association, as Custodian/Trustee for Federal Agricultural Mortgage Corporation programs (in care of the Central Servicer or Field Servicer as designated by the Central Servicer)”
- Refer to the Seller/Servicer Guide section 401.4 for complete insurance requirements

## CLOSING & FUNDING WORK LIKE THIS:

- 1 Receive a **Conditions Prior to Funding** notice through AgPower.
- 2 Assigned Central Servicer receives a **Closing Instruction Letter**.
- 3 Work through Central Servicer on closing activities and requirements.
- 4 Complete the “**Purchase Request**” tab within AgPower at least two business days prior to loan closing.
- 5 Close the loan with a title company or at your institution.
- 6 Mail original, signed and recorded loan documents, final title policy, and pertinent closing documents to Central Servicer.



**Product Descriptions** are located within the **Resource Library** at [efarmermac.com](http://efarmermac.com) and are terrific resources for understanding product requirements and attributes.



Servicing is an important and collaborative effort between you (the Field Servicer) and the Central Servicer. Periodic reporting and frequent communication are an effective combination. Here's the game plan...

## What's a Field Servicer?

As the **Field Servicer**, you will maintain a relationship with the borrower and perform a certain number of servicing activities, including but not limited to:

- Ensure borrower is compliant with loan documents and terms
- Monitor status of taxes and insurance
- File all necessary UCC financing statements, amendments, and continuation statements, if applicable
- Inspect property, upon request
- Obtain annual financials, upon request
- Serve as primary contact for borrower issues (other than payment & billing questions)
- Work closely with borrower to resolve delinquency issues (coordinated with Central Servicer)
- Maintain a file of field servicing activities, findings, and communications



Refer to the **Seller/Servicer Guide**, located within the **Resource Library** at **efarmermac.com** for detailed Field Servicer obligations.

## Getting Paid

As the Field Servicer, your institution will be paid over the life of the loan as payments are collected. The Central Servicer will bill and collect payments and remit the field servicing fee to you upon their receipt of the payment. Reports and/or online access will be provided to show current loan balances and pertinent loan information. Contact your Central Servicer for more information.

## What's the Process?

Central Servicer = CS    Field Servicer = FS

### CS sends report to FS

- ▶ CS outlines loan data, field servicing requirements, and fee income, etc.
- ▶ CS collects payments and remits field servicing fee to FS
- ▶ CS engages FS on servicing actions as needed



### FS reviews report and responds to CS

- ▶ FS updates report to confirm taxes and insurance are current
- ▶ FS provides updated financials and inspection reports upon request
- ▶ FS communicates any known material changes affecting the collateral
- ▶ FS submits servicing requests to CS, such as partial releases, subordinations, easements, and conversions