



**FARMERMAC**  
*Financing Rural America* SM

## ***Farm Foundation Forum***

***October 16, 2007***

# Farmer Mac's Mission

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*To establish a secondary market for ag real estate and rural housing mortgage loans to increase the availability of long-term credit through innovative products at stable interest rates to America's farmers, ranchers and rural homeowners.*

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# Farmer Mac & USDA/RD

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- **Common themes between USDA/RD and Farmer Mac as evidenced by the Farm Foundation tours in 2006 and 2007:**
  - The USDA/RD mission – to enhance Rural America – is supported by Farmer Mac's operations
  - The USDA/RD mission has evolved over time as has Farmer Mac
  - USDA/RD supports public-private partnerships
  - USDA/RD has emphasized loan guarantees because they make federal resources go farther than direct loans or grants
  - USDA/RD wants to tap the equity resources of local investment and Farmer Mac can help make this more cost effective

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# Who We Are

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- FAMC created by Congress in the late 1980's as part of response to agricultural credit crisis
- Farmer Mac is a government-sponsored enterprise ("GSE")
- Farmer Mac's charter "partners" a public mission with private sector lending activities and risk capital, all with no government funding, but with significant government oversight



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# Farmer Mac Programs

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- Farmer Mac I
  - Full-Time Farm Loans
    - ▶ Ag Processing & Facility Loans
  - Part-Time Farm Loans
- Farmer Mac II
  - USDA-FSA
  - USDA-RD
    - ▶ B&I
    - ▶ Community Facility



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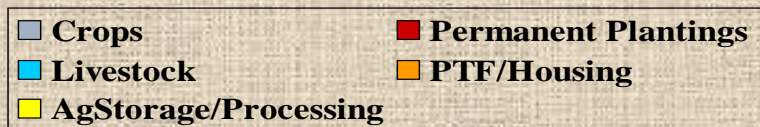
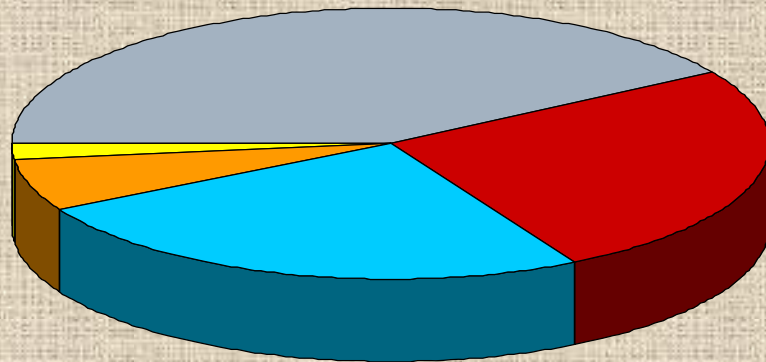
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# Farmer Mac I Portfolio Diversification

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- Diversified by loan collateral and geography

**Loan Collateral**



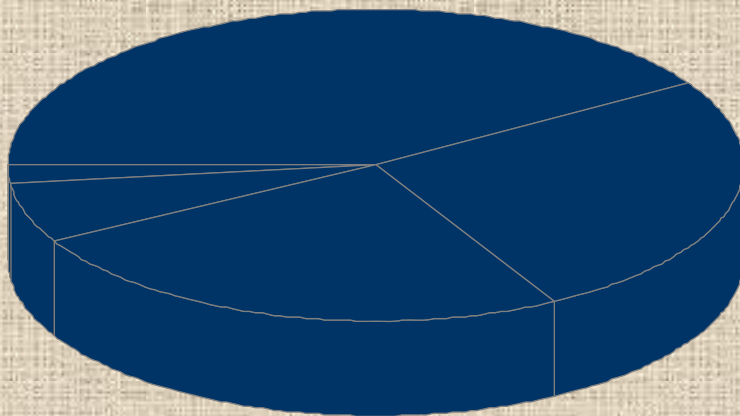
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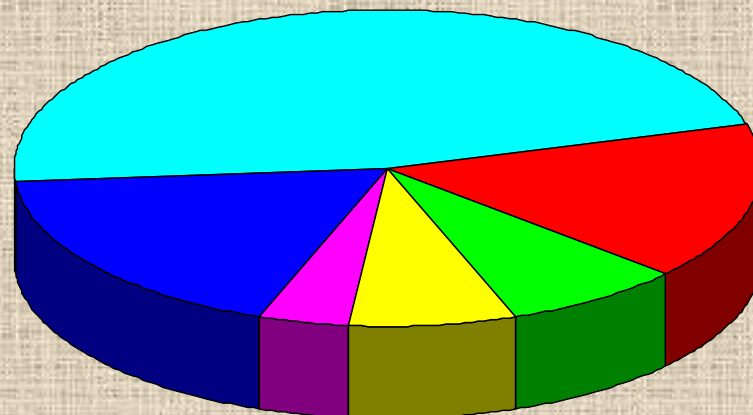
# Farmer Mac I Portfolio Diversification

- Diversified by loan collateral and geography

**Loan Collateral**



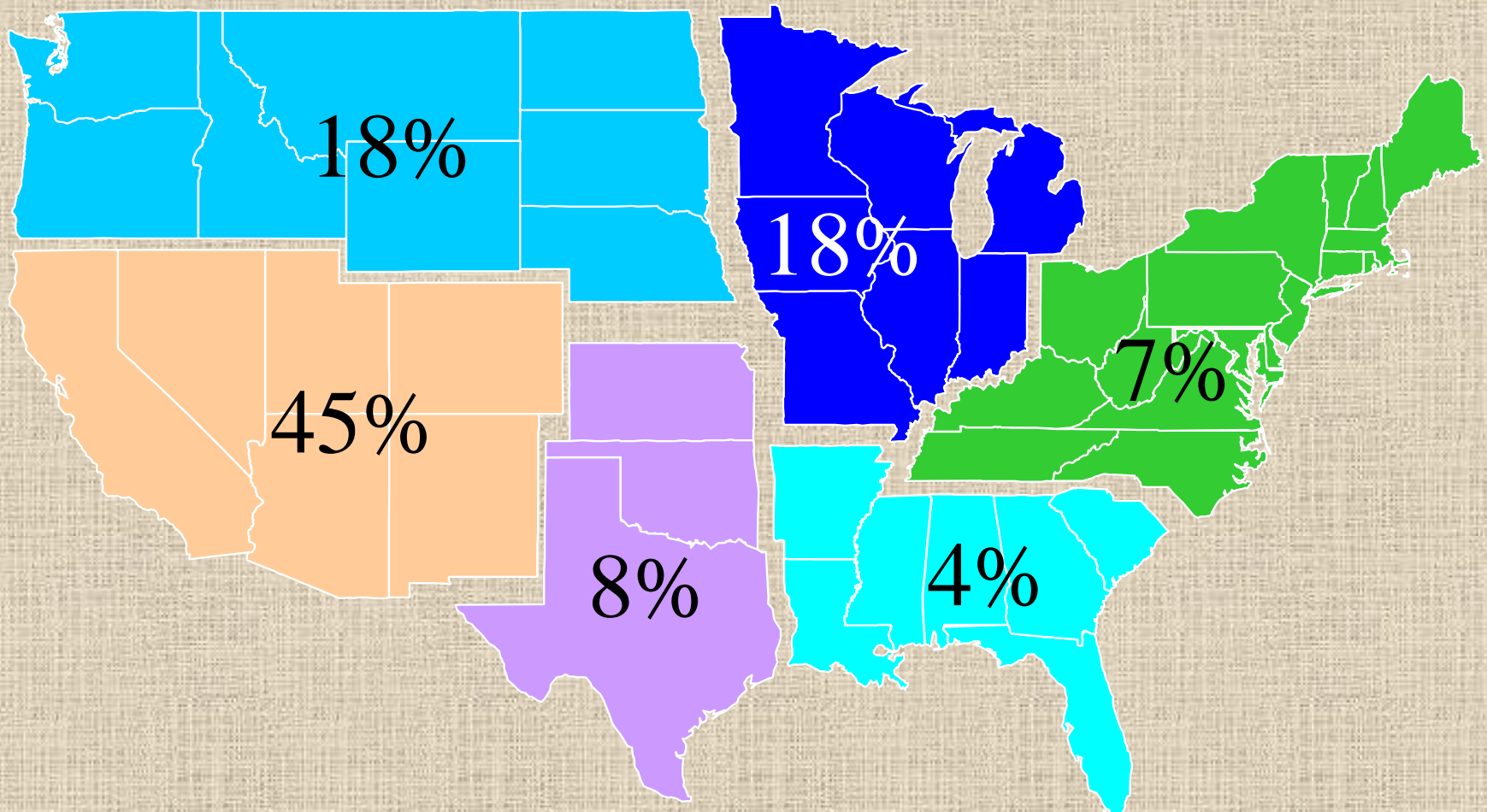
**Geography**



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# Farmer Mac Regions

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# Farmer Mac II Program

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- Farmer Mac II program allows for the purchase of USDA guaranteed portions
  - Lender receives credit risk protection from USDA
  - Farmer Mac provides an interest rate risk management tool and a source of liquidity
- We can purchase CF and B&I guarantees due to their authorization under the Con Act
- We cannot purchase 9006 guaranteed portions, but will watch the development of the farm bill and see if there are new opportunities

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# Farmer Mac II – Example I

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- Tri-County Hospital – Wadena, MN
- \$3.50 million; 90% Community Facility Guaranteed
- USDA MN recommended that the lead lender investigate a fixed rate note option for the hospital
- Tri-County's note rate changed from 8.25% variable to 6.75% 15-yr fixed rate
- Lender reduced interest rate risk, gained liquidity for other lending activities and received an ongoing servicing fee

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# Farmer Mac II – Example II

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- Franklin Foundation Hospital – Franklin, LA
- \$7.60 million; 90% Community Facility Guaranteed
- Lender looked to Farmer Mac for a competitively priced long-term fixed rate
- Farmer Mac established a 20-year fixed rate prior to construction
- Lender reduced interest rate risk, gained liquidity for other lending activities and received an ongoing servicing fee

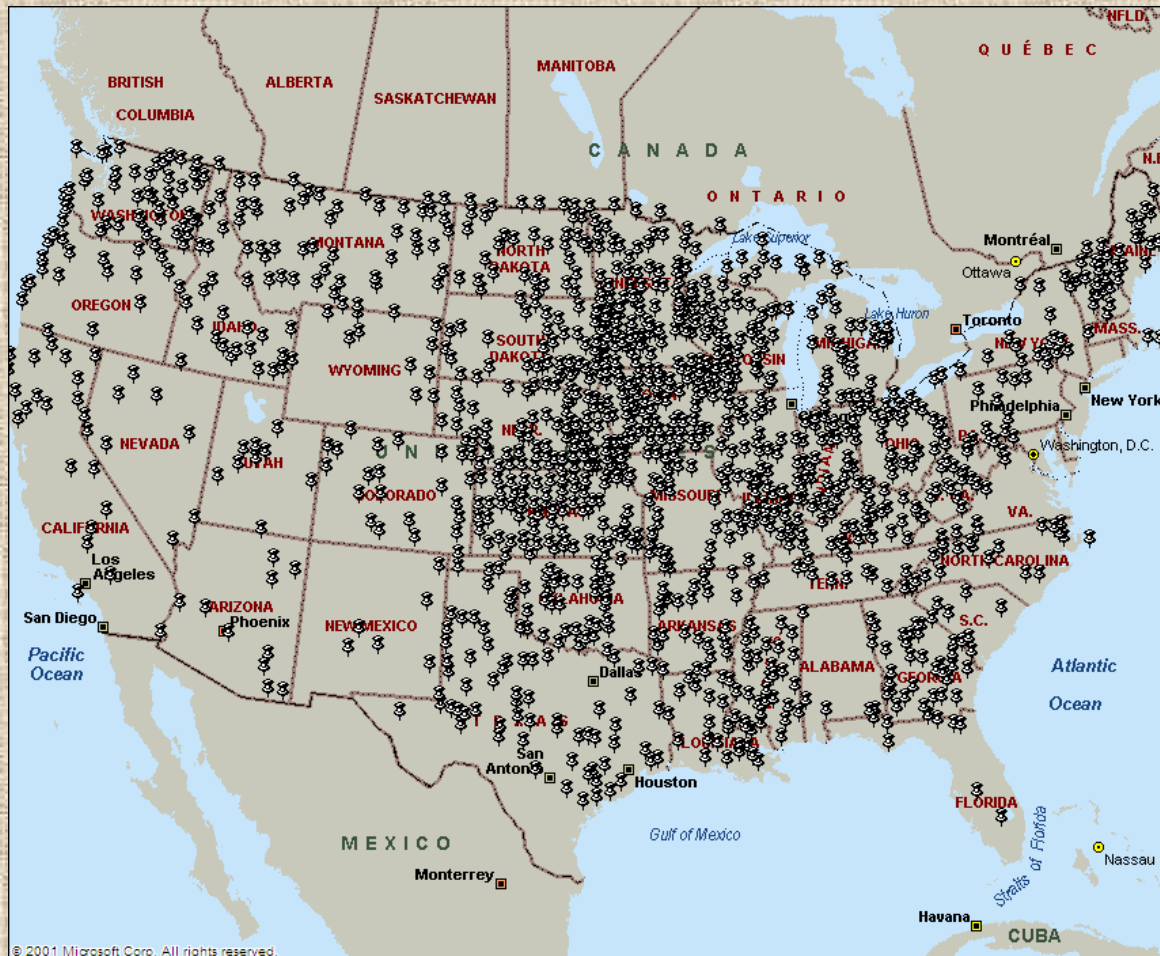


**“We are excited to offer the residents of St. Mary Parish a health care facility they can call their own.”**

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# Critical Access Care Facilities

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# Partnerships

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- “We estimate that electric cooperatives need to invest \$42 billion in infrastructure upgrades, transmission and generation capacity to meet the increasing demand for electricity over the next 10 years... CFC is partnering with Farmer Mac to help obtain the necessary financing. In keeping with its public policy mission, Farmer Mac is providing a secondary market for qualified electric cooperative loans through the purchase of securities backed by electric cooperative loans made by CFC. This public-private partnership has increased the availability of competitively priced private capital to electric cooperatives thus creating growth and opportunity in rural America”

*The Honorable Glen English, CEO, NRECA, testimony to the Senate Agriculture, Nutrition and Forestry Committee, May 9, 2007*

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# Going Forward

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- USDA
  - State and National Level
    - ▶ Continued identification of where Farmer Mac may assist
  - Lenders
    - ▶ Continued support of our current and prospective lenders
  - New partnerships to serve rural America

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