

Adjustable Rate Mortgages (ARMs) Farm and Ranch Loans

- **1-Month, 1-Year, 3-Year, 5-Year, 7/1, 10/1 ARMs.** All ARMs have 15-year maturities and amortizations of either 15 or 25 years.
- **The initial interest rate** will be in effect for the term identified in the product name and will re-price for a like term except for the 7/1 and 10/1 ARMs which, following the initial 7- or 10-year rate term, will roll over to a 1-year ARM for the remainder of the loan term.
- **Conversion Option:** On any payment date, ARM loans (except the 7/1 and 10/1 ARM) are convertible to *other* Farmer Mac products. The initial rate period for the newly chosen product may not exceed the loan's remaining maturity and the product selected must be one that is both available for conversion and listed on the Farmer Mac pricing sheet. Same product conversions (e.g., converting from a 3-year ARM to a 3-year ARM) are not permitted. The conversion fee is 0.5% of the loan balance or \$1,000, whichever is greater, not to exceed \$5,000. The rate upon ARM to ARM conversions is a mark-up rate of 25 basis points over Servicing Released Net Yields on the Farmer Mac rate sheet. There is no mark-up for ARM to Fixed Rate conversions or for ARM to VRM conversions.
- **Payment Schedule:** Semi-annual level payments January 1 and July 1; annual payments are due on January 1; monthly payments are due on the first of each month.
- On the reset date, the note rate will change to the sum of the product's Rate Index (see below) plus the Reset Margin stated on the weekly rate sheet, plus the Field Servicing Fee as established at the time of loan origination, plus the mark-up rate of 25 basis points.
- **Open prepayment** at any time without penalty, in whole or in part, so long as interest is paid to the next payment date (or in the case of the 1-Month LIBOR product, to the next interest reset date) if payment is not made on a payment date.
- **Loan Qualification with Interest Rate Shock Assumption:** It is expected that the loans will meet the Total Debt Coverage Ratio standard after application of an interest rate shock to the payment calculation. The 1-month and 1-year ARM loans are to be shocked at 500 basis points and the 3-year ARM loans at 300 basis points. No shock is necessary for the 5-year, 7/1 and 10/1 ARMs. The appropriate shock is to be added to the maximum rate requested; however, it is not necessary for the loan security to meet the Property Debt Coverage Ratio on the shocked basis.
- **Rate Index:** The Rate Index for the 1-Month ARM is LIBOR (30-day) as published daily (business days) in the Wall Street Journal. The Rate Index for the 1-year, 3-year and 5-year ARM is the weekly average yield on United States Treasury securities adjusted to a constant maturity equal to the specified rate period (i.e., 1-, 3- or 5-year CMT) as published by the Federal Reserve Board. The Rate Index for the adjustable rate period for the 7/1 and 10/1 ARM is the 1-year LIBOR as published in the Wall Street Journal.
- **ARM Reset:** For the 1-Month ARM, the interest rate will be reset to the Rate Index as published 2 business days prior to the ARM reset date, plus the Reset Margin specified in the note. For the 1-year, 3-year and 5-year ARM, the interest rate will reset to the Rate Index in effect 45 days prior to the ARM reset date plus the Reset Margin specified in the note, with the customer notified of the new rate approximately 30 days prior to the reset date. For the 7/1 and 10/1 ARM, the rate will reset to the Rate Index in effect on the payment date plus the Reset Margin specified in the note.
- If a partial prepayment is made, the remaining balance will be re-amortized to the original amortization date at the next ARM reset date.

Fixed Rate Mortgages (FRMs) Farm and Ranch Loans

Fixed Rate Mortgage products include:

- 7-year fixed rate/7-year maturity/15- or 25-year amortization
 - 10-year fixed rate/10-year maturity/10-year amortization.
 - 15-year fixed rate/15-year maturity/15- or 25-year amortization.
 - 20-year fixed rate/20-year maturity/20-year amortization.
 - 25-year fixed rate/25-year maturity/25-year amortization.
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- Semi-annual payments are due on January 1 and July 1 of each year; monthly payments are due on the first day of each month; annual payments are due on January 1.
 - If a partial prepayment is made, the remaining balance may be re-amortized upon request along with payment of any fees that may apply.
 - Open prepayment at any time without penalty, in whole or in part, so long as interest is paid to the next payment date if the payment is not made on a payment date.
 - On any payment date, conversion to other products may be requested for all fixed rate products except the 20- and 25-year products, subject to conversion fees. The initial rate period for the newly chosen product may not exceed the loan's remaining maturity and the product selected must be one that is both available for conversion and listed on the Farmer Mac pricing sheet. The conversion fee is 0.5% of the loan balance or \$1,000, whichever is greater not to exceed \$5,000. Conversions within one year of the loan closing date require a 1.25% conversion fee.

Variable Rate Mortgages (VRMs) Farm and Ranch Loans

The Variable Rate Mortgage (VRM) product has a fixed interest rate for the initial period. At the end of the initial fixed rate period, the interest rate will change for additional periods with the new rate based on the current Farmer Mac pricing for that product.

- Initial fixed rate period is 10 years.
- Term selections can be:
 - 15-20 years on a 15-20 year amortization
 - 25-30 years on a 25-30 year amortization.
- The 10 year VRMs allow open prepayment without yield maintenance during the entire loan term.
- Semi-annual payments are due January 1 and July 1 of each year.
- Monthly payments are at the beginning of the month.
- Annual payments are due on January 1

AgEquity Loans—Farmer Mac’s Real Estate Revolving Line of Credit

- Revolving line of credit secured by a first mortgage or deed of trust on real estate. Revolving period if 5 or 10 years and a total loan term of up to 30 years.
- Semi-annual interest due on January 1 and July 1 during the draw period; structure on 10, 15, 20 or 25 year amortizations thereafter.
- Variable rate changes daily based upon WSJ 1-Month LIBOR, convertible to available Farmer Mac fixed or adjustable products during or after expiration of the draw period. If converted during the draw period, the revolving feature is terminated.
- Unlimited number of draws and repayments during the draw period. Minimum required draw is \$2,500.
- Applicant certifies the loan is for business purposes.

Program Options

Option 1:5-year draw period

The loan term options are 20, 25 or 30 years with a draw period of 5 years. At the end of the draw period the outstanding principal is amortized over the remaining term, with the amortization 15, 20 or 25 years. Interest only payments will be made during the draw period. The draw period may be extended for an additional 5-year period, at Farmer Mac’s sole discretion, if the borrower’s financial information meets program criteria. Total loan term may not exceed 30years.

Option 2:10-year draw period

The loan term options are 20, 25 or 30 years with a draw period of 10 years. The draw period may be extended for an additional 5-year period, at Farmer Mac’s sole discretion, if the borrower’s financial information meets program criteria. At the end of the draw period the outstanding principal is amortized over the remaining term, with the amortization 10, 15 or 20 years. Interest only payments will be made during the draw period. Total loan term may not exceed 30 years.

Underwriting Requirements

The following credit standards apply to AgEquity loans, with all ratios calculated on a pro-forma basis as though the loan is fully disbursed:

- (1) Debt to Asset Ratio: $\leq 50\%$
- (2) Total Debt Coverage: $\geq 1.35 : 1$
- (3) Current Ratio: $\geq 1.25 : 1$
- (4) Credit Score: > 680
- (5) Loan to Value (LTV):
 - Option 1 with 5-Year draw period: $\leq 50\%$
 - Option 2 with 10-Year draw period: $\leq 50\%$

General

- Minimum loan size: \$50,000
- Maximum loan size: Up to Farmer Mac limit for loans secured by properties >1,000 acres, with this serving as the maximum loan amount regardless of the number of acres in the security.
- Product Type: The interest rate index that applies to the rate that changes daily during the draw period is the 1-month LIBOR interest rate as published in the Wall Street Journal. Conversion is allowable to available Farmer Mac fixed or adjustable rate products.
- Closing: AgEquity loans are limited to table funding only.

- Management of Funds:
 - Request for funds: Borrower calls Central Servicer, CGB AgriFinancial Services, during business hours and funds are wired to borrower within one business day. Requests for funds received by 12:00 noon (Eastern Time) in Louisville, Kentucky will result in the funds being delivered to the borrower's credit union or bank account the next business day. Requests after this time will be delivered one business day later.
 - Draw frequency and undisbursed commitment: Unlimited number of draws permitted and no fees for unused portion of the commitment.
 - Draw Restrictions: Minimum draw amount per transaction is \$2,500.
 - Use of Loan Proceeds: Borrower must represent that the proceeds are intended for agricultural or business use.

- Farmer Mac Fees: None

- Title Policy Requirement: Farmer Mac requires a title insurance policy endorsement insuring future advances and adjustable interest rates under a Revolving Line Of Credit product (e.g. First American Title Company F.A. 28.2).

- Repayment Terms: Repayments will consist of semi-annual interest only payments, at a minimum, throughout the selected draw period. Semi-annual payments will be due each January 1 and July 1. During the draw period an unlimited number of payments per year are allowed on any business day and repayments in any amount.

- Conversions: The borrower has the option to convert the AgEquity loan to available Farmer Mac fixed or adjustable interest products either during or at the scheduled termination of the draw period (with a maturity date not to exceed the original maturity date). Conversions may occur only on scheduled payment dates and in accordance with the procedures contained in the Farmer Mac Seller Servicer Guide and the Note. Conversion to an amortizing product during the draw period will terminate the draw feature to the loan. If the borrower takes no action with regard to the interest rate product the loan will remain on the initial interest rate product for the scheduled amortized loan term. No fee will be charged for the conversion at the termination, scheduled or not, of the draw period.

- Collateral Requirement: Loan security must be a first mortgage position on properties eligible for Farmer Mac financing. If the offered property includes improvements, including facilities, residences or permanent plantings, the contributory value of such will be deducted from the Appraised Value reported in the collateral valuation (appraisal or evaluation), with the result used for AgEquity qualification. Although adjusted for underwriting purposes, the total property (including the improvements/plantings) is to serve as security for the AgEquity loan. Irrigation equipment may be included in the property value if properly secured.

Collateral that includes irrigation shall be acceptable as security only when the water quality, quantity and supply stability is stated in the appraisal as good, adequate for the crop demand, and stable for the duration of the anticipated loan. This is further defined as a water supply which is normally sufficient to support maximum production of the most profitable crops for which the land is adaptable and typically used, on the full acreage that is feasible under usual crop rotation practices. Such water supply may have a slight shortage in occasional years but no material shortages at any time.

- Collateral Monitoring: Collateral securing AgEquity loans will be monitored as outlined in Chapter 401.3 of the Farmer Mac Seller/Servicer Guide.

- Annual Financial Reporting: AgEquity borrowers may be asked to provide an annual financial statement and tax return for all obligors.

- 2nd Mortgage Position: Farmer Mac will allow borrowers that have an existing Farmer Mac loan to have an AgEquity loan secured by the same collateral. The Farmer Mac loan must be recorded in a second

mortgage position behind the existing mortgage securing the older loan. The new AgEquity note must be cross-collateralized & cross-defaulted with the existing note. The process for a new AgEquity loan and a new real estate loan is to record one mortgage that references both loans and combined commitment. Both

- new notes must be cross defaulted. The combined LTV must not exceed Farmer Mac underwriting guidelines.
- Fast Track Underwriting: AgEquity loans are **not** eligible for Fast Track underwriting.