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FARMER MAC: ISSUES, REVIEW, AND OUTLOOK

Christopher A. Dunn

**Proceedings of a Seminar sponsored by
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Hyatt-Regency Crystal City
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University of Illinois
Department of Agricultural Economics
Urbana, IL 61801

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**FARMER MAC:
REVIEW AND OUTLOOK**

by

Christopher A. Dunn¹

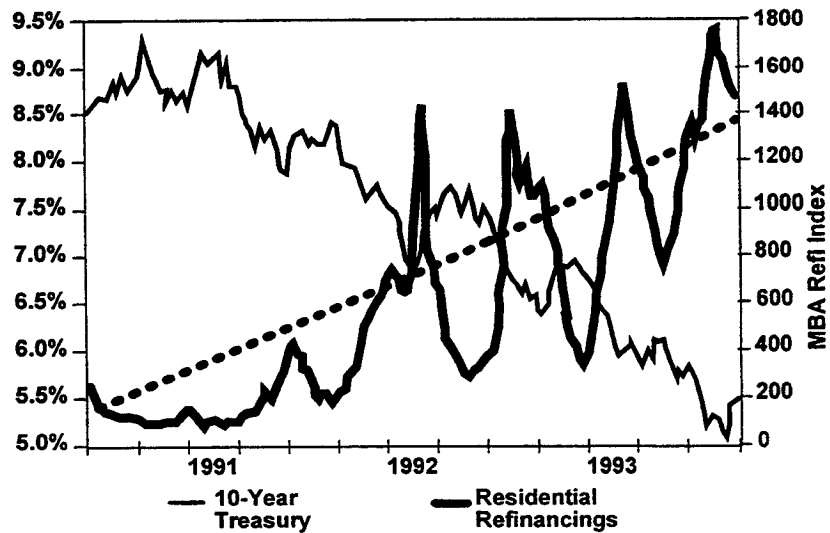
¹Christopher A. Dunn, Vice President, Mortgage Backed Securities, FARMER MAC, Federal Agricultural Mortgage Corporation, 919 18th Street, NW, Suite 200, Washington, D.C. 20006, O. 202/872-7700, FAX: 202/872-7713.

Farmer Mac: Review and Outlook

October 3, 1994

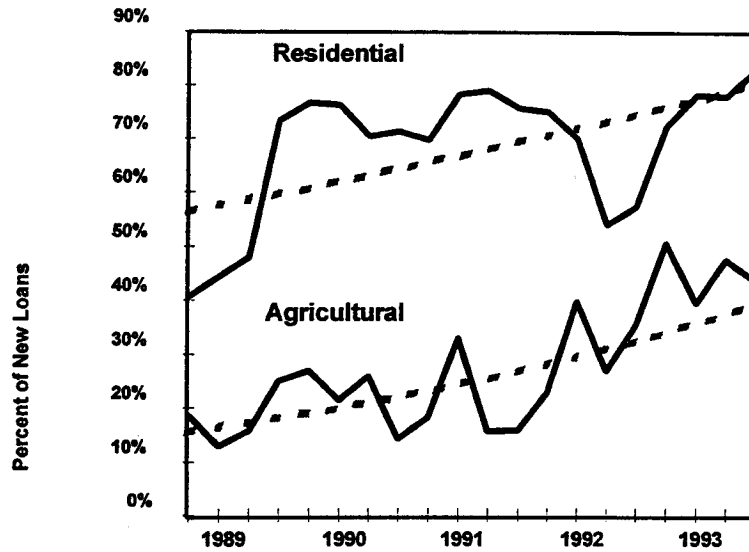
Farmer Mac: Review and Outlook

Residential Mortgage Refinancings vs. 10-Year U.S. Treasury



Farmer Mac: Review and Outlook

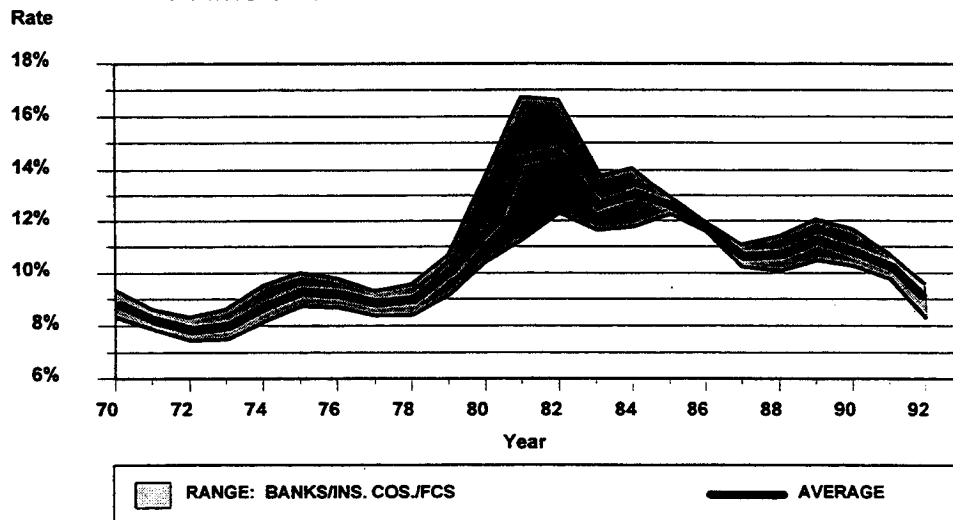
Fixed Rate Mortgage Loans



Farmer Mac: Review and Outlook

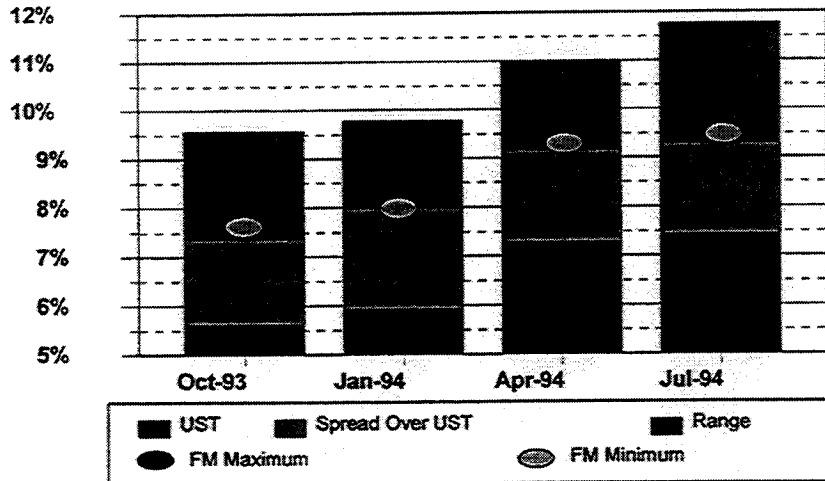
Agricultural Real Estate Loan Rates

FRMs and ARMs Combined



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15-Year FRM Rates

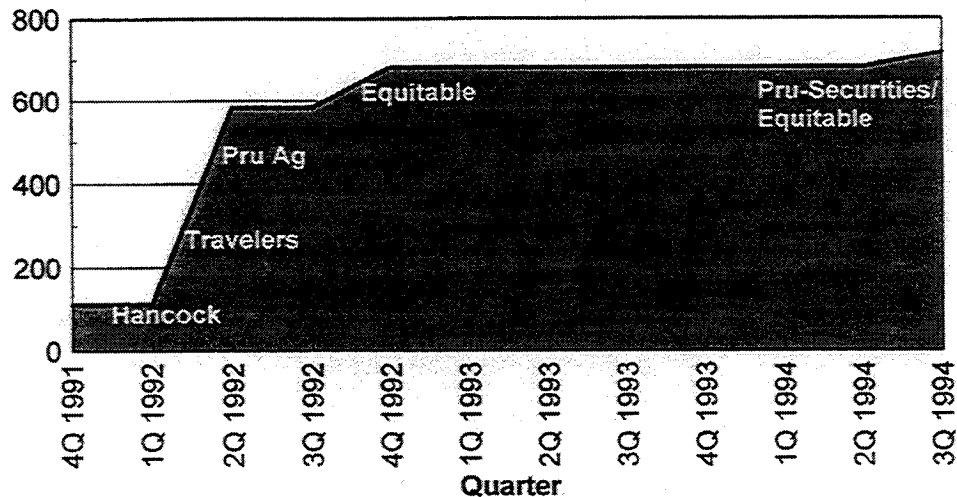


Rate range based on nationwide survey of banks, insurance companies, and FCS Institutions conducted during first week of each calendar quarter. Respondents were asked for rate to "typical" or "average" borrower. Ranges include both open prepayment and yield maintenance products. Adjustments were made for FCS stock where significant. This is not a statistical sample, but is intended to serve as an indicator of interest rates available to borrowers.

Farmer Mac: Review and Outlook

Farmer Mac I Cumulative Volume

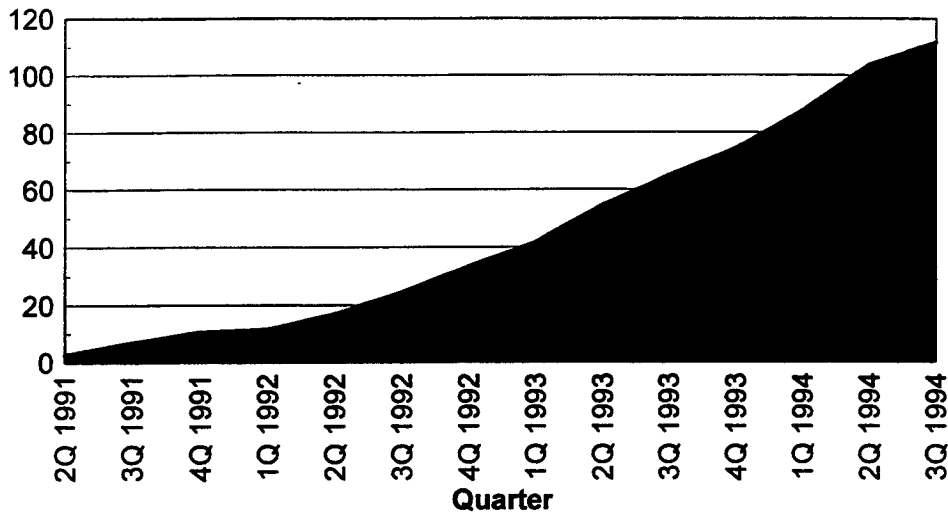
\$ Volume in Millions



**Farmer Mac:
Review and Outlook**

**Farmer Mac II
Cumulative Volume**

\$ Volume in Millions



**Farmer Mac:
Review and Outlook**

**Pool Performance
Constant Prepayment Rate**

John Hancock	24.6%	33.1%
Travelers	20.0%	22.0%
Pru Ag	18.8%	8.4%
Equitable	32.3%	25.4%
Pru-Securities/ Equitable	New Pool	New Pool

Farmer Mac: Review and Outlook

Foreclosure Frequency

- Foreclosure initiated on \$3.1 million representing 0.46% of the original pool amount
- Foreclosure initiated on 5 loans representing 0.22% of the number of loans pooled

Loss Experience

- 1 loan foreclosed, fully recovered
- 3 loans currently in foreclosure, no loss expected
- 0% loss experience to date

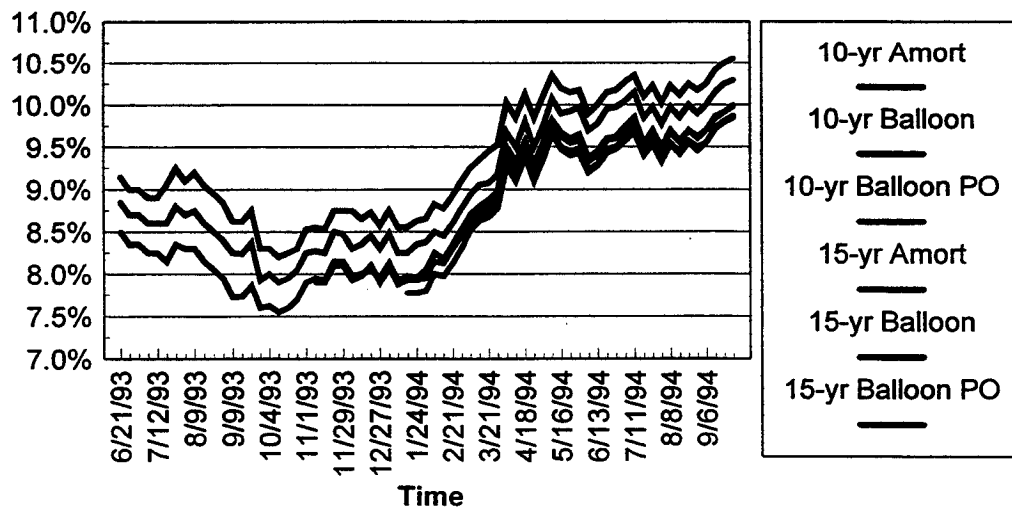
Delinquency Rate

- 0.91% of the pool is currently \geq 2 months delinquent
- The 24 month average of the pool \geq 2 months delinquent is 0.95%.

Farmer Mac: Review and Outlook

Pru- Securities Historical Rates

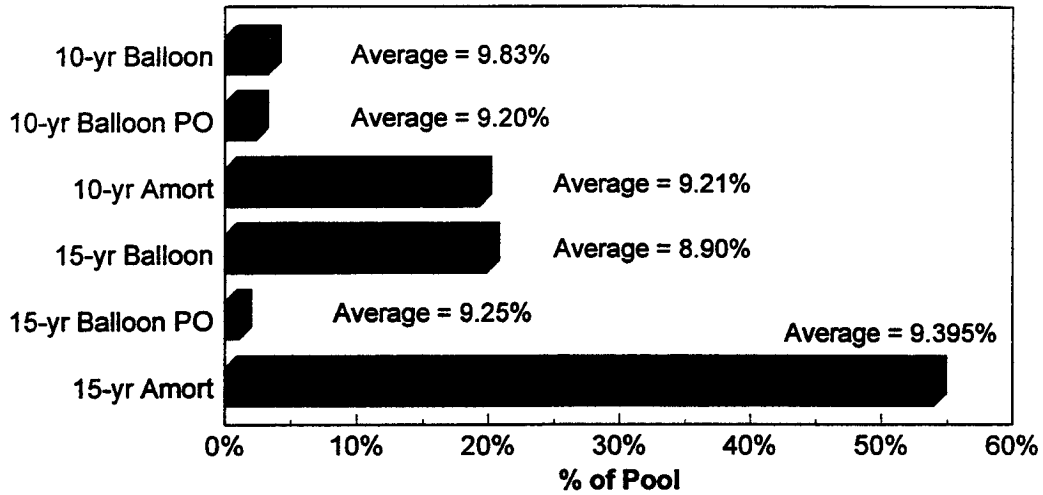
Base Rate



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Pru-Securities Pool Product Preferences

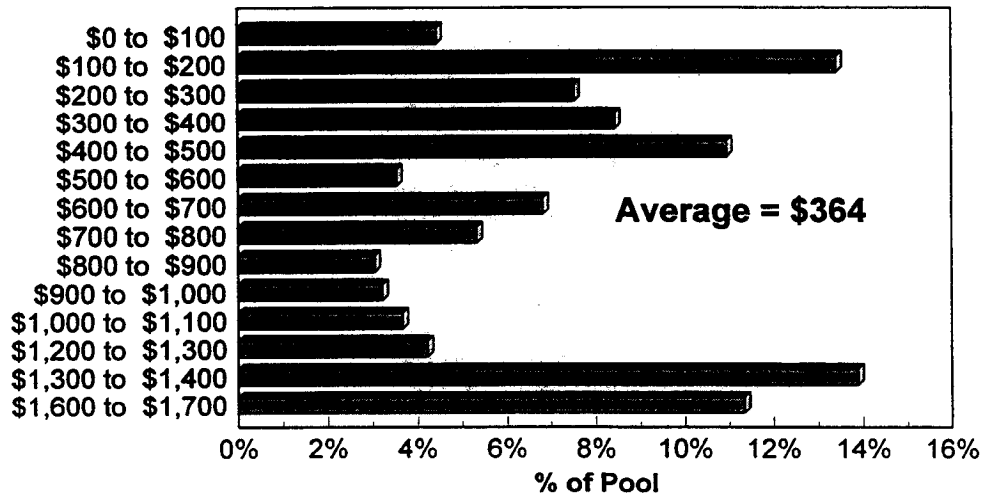
Loan-to-Value



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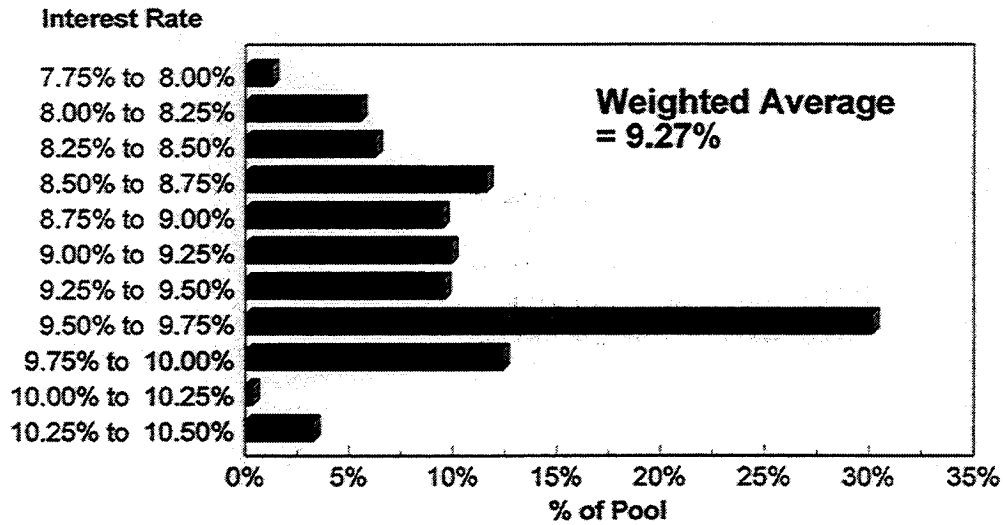
Pru-Securities Pool Distribution by Loan Size

Loan Size in \$000



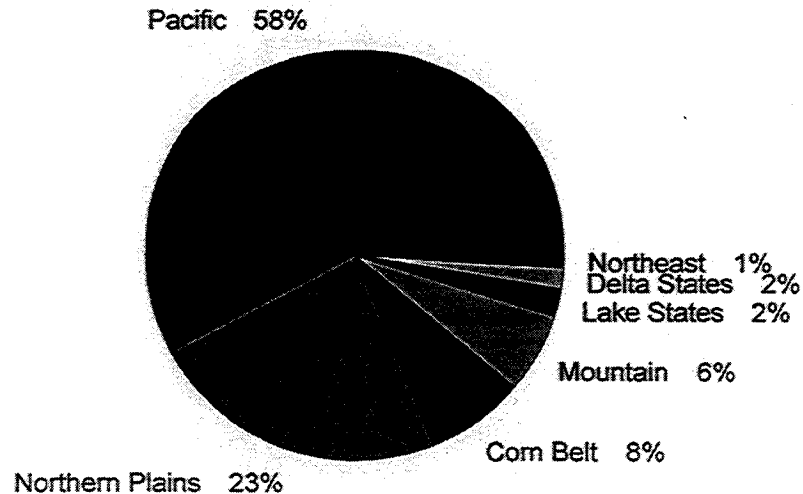
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Pru-Securities Distribution by Interest Rate



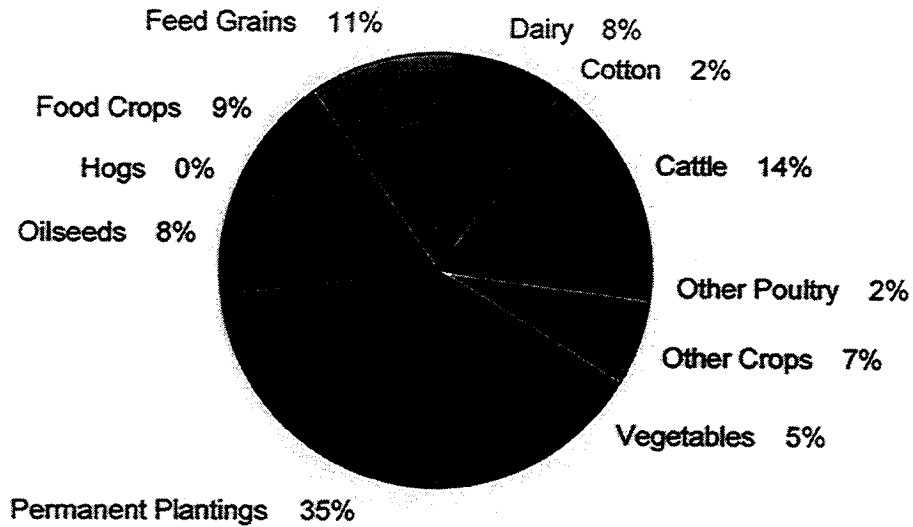
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Pru-Securities Pool Geographic Diversity



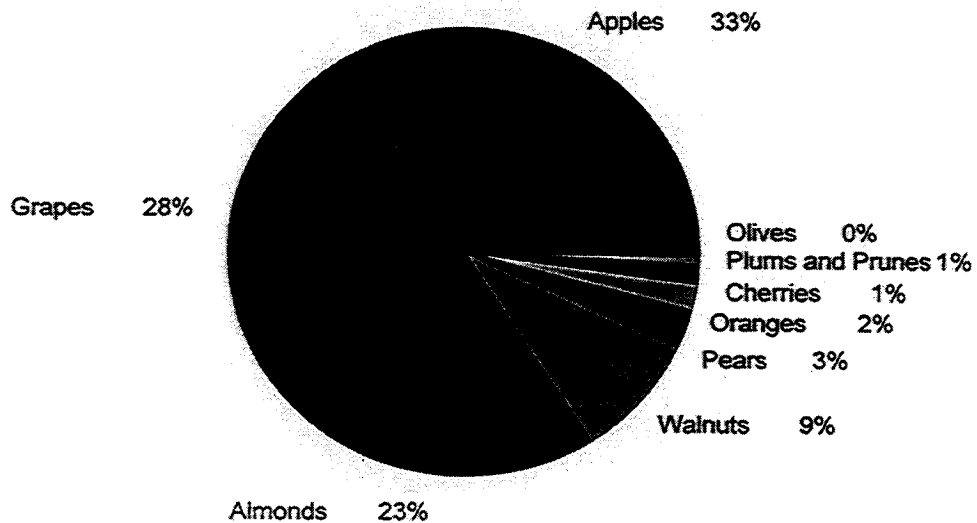
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Pru-Securities Pool Commodity Distribution



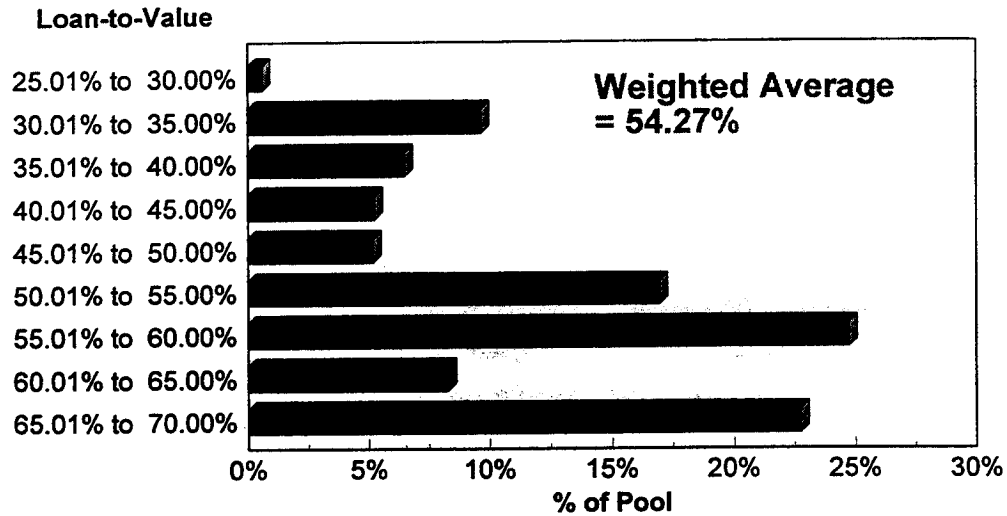
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Pru-Securities Pool Permanent Planting Distribution



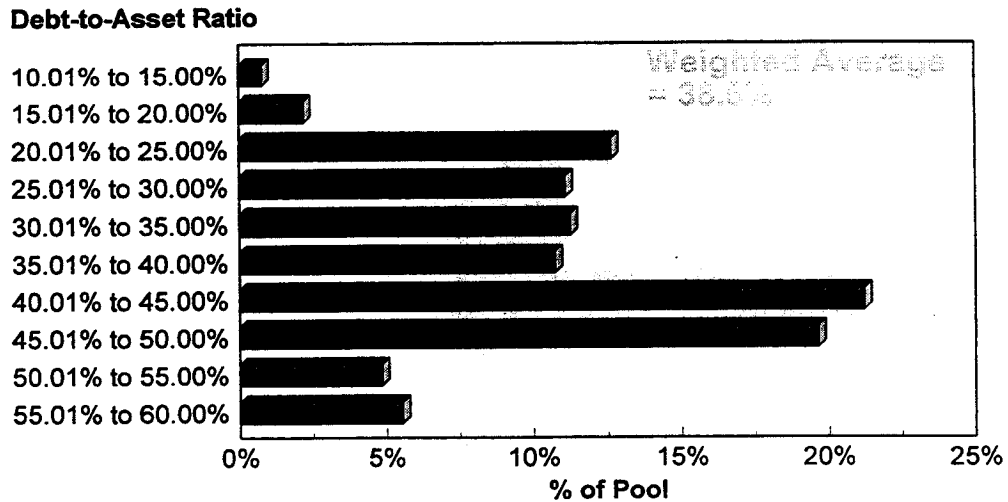
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Review and Outlook**

**Pru-Securities Pool
Distribution by Loan-to-Value Ratio**



**Farmer Mac:
Review and Outlook**

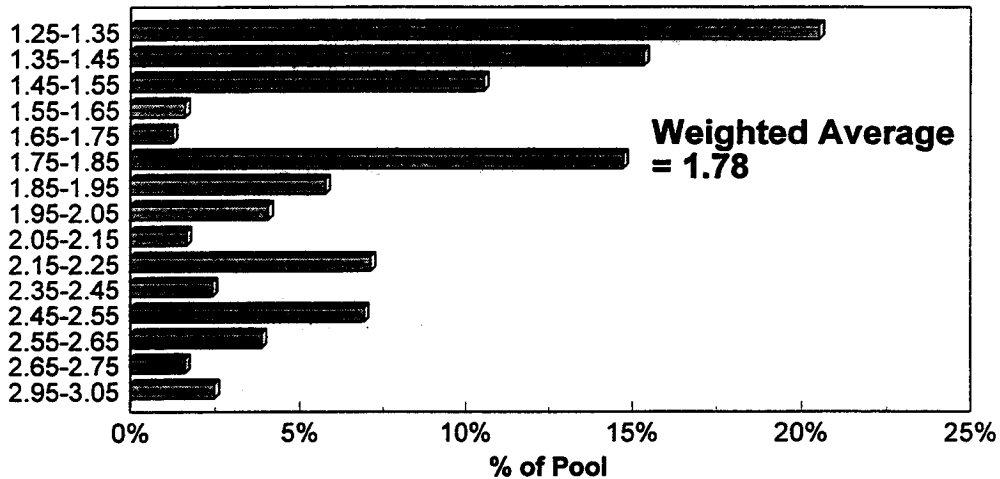
**Pru-Securities Pool
Distribution by Debt-to-Asset Ratio**



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Pru-Securities Pool Distribution by Total Debt Coverage Ratio

Total Debt Coverage Ratio



Farmer Mac: Review and Outlook

1994-95 Business Plan: Establish Pooler Volume Thresholds

- Set volume targets and dates for achievement by all poolers:
 - Complete \$50 million securitization
 - Deadline December 31, 1994
- Notify all poolers
 - Encourage participation

**Farmer Mac:
Review and Outlook**

**1994-95 Business Plan:
Establish Strategic Alliances**

- Define "strategic alliance" joint venture opportunities for poolers
 - 1 - 2 for agricultural real estate
 - 1 for rural housing
- Solicit joint venturers with uniform offer package
- Submit to Board of Directors for acceptance

**Farmer Mac:
Review and Outlook**

**1994-95 Business Plan:
Establish Strategic Alliances (cont'd)**

- Likely to include:
 - Commitment of Farmer Mac financial and human resources
 - Investment in Class C non-voting stock
 - Obligation to securitize all purchased loans under Farmer Mac program
- Will be structured to ensure originator access and reasonable interpretation of Farmer Mac loan standards

**Farmer Mac:
Review and Outlook**

**1994-95 Business Plan:
Pursue Legislative Changes**

- **Evaluate strategic alliance responses**
- **Determine whether changes are necessary to increase program participation**
 - **Categorize critical and non-critical changes**
- **Develop broad-based support**
- **Cooperate in oversight processes with Congress, FCA**