



FLEXIBILITY WITH FARM FINANCING

Do you have a small acreage farm in the country with a nice home, small barn and a few animals like a horse, a couple of goats, a few sheep and maybe some chickens? *Would you like to lock in today's remarkably low, long-term rates for as long as possible on that land?*

If you would like to finance between 10 and 100 acres of agricultural-related land, you have probably run into a variety of roadblocks to refinancing. Perhaps you had a standard mortgage loan and now your lender says they can't help you because you have livestock, or too many acres and you don't qualify. Perhaps somebody told you to talk with the Farm Service Agency for financing and when you got there they tell you that you need to show at least 3 years of Schedule F income (Farm Income schedule) to qualify. Maybe you found a local bank to work with you but you needed more than 20% down or the interest rate was only fixed for 5 years? *How do you finance your land?*

The truth is there is a tremendous range of alternatives to finance agriculturally-related land, whether it is a smaller hobby farm or a larger production farm. No one structure meets every need - but working with a bank that has access to Farmer Mac's programs will open up some flexibility to resolve these constraints. With these products you will not need to meet the three year minimum of Schedule F income, in fact you do not need a farm background at all. What you need is to be able to prove that your farm could generate \$5,000 of annual income; it just needs to have the *potential* and does not have to *actually* be used to earn the \$5,000.

There is flexibility in financing these properties but there are also limitations. We also can't provide financing for every deal. Some general insight on financing these properties would be as follows:

- If you have strong personal credit and equity in the property, and the loan balance will be less than \$750,000, we can work with a *short* application and likely receive a decision within 24 hours.
- Loan balances up to \$1,500,000 are available with a slightly more detailed application and 2yrs worth of tax returns, and the limited underwriting process will take approximately 10 days once all required information is received.
- Depending on the exact loan structure that works best for you, required income levels (from all sources) can range from 1x to 1.5x debt costs and the amount of equity required will vary.
- *Loan rates can be locked for 3, 5, 7, 10, 15, 20, 30 years and balances amortized 10, 20, 25, and 30 years.*

Maybe you own your property and want to access the equity you have built, but can't get a standard home equity loan. We have a product that is very similar to a home equity line *and gives you 10 years of draw potential*, providing important cash flexibility.

McHenry Savings Bank (MSB) is one of a handful of banks to make the commitment to work with Farmer Mac to be able to offer you a full range of alternatives in farm financing. We understand each client has a unique set of circumstances and we can bring our experience to find the best available approach that fits your needs. Please call or email me directly to discuss your specific objectives.

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