

Perspective from a Lender

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AgBiz Masters 
A Learning Series for Young & Beginning Farmers

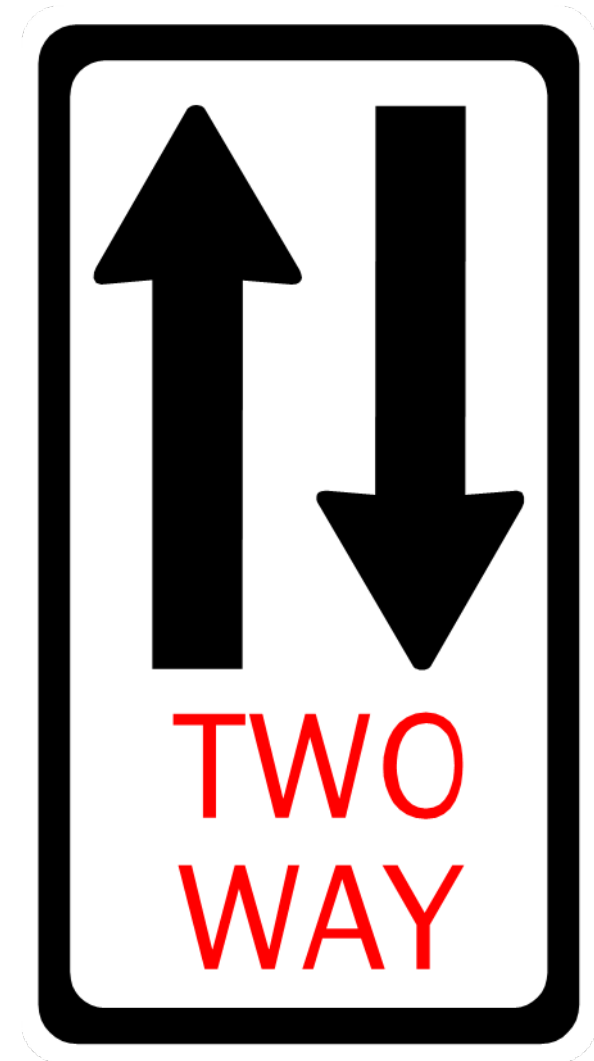
Getting a loan

- We'll help answer two questions:
- What does my lender want from me?
- What does Farm Credit look for in a loan application?



A two-lane road

- The borrower-lender relationship is a two-lane road, and both parties have the same goal. Both want to ensure the long-term viability of your business and have high expectations for one another



Purpose of your loan

WHY?

**HOW
MUCH?**



Information about you/your business

- Basic contact information (photo identification)
- Information about your financial position and income
 - Balance sheet
 - W-2 or paystub
 - If you are a farm business, you will need to provide:
 - Business balance sheet (inventories, equipment values, etc.)
 - 3-5 years of income and expenses (tax returns) or projections if you are just starting



Other supporting information

- Common other information provided:
 - Business plan
 - Estimates or builder's contracts
 - Sales agreements
 - Etc.



How do lenders make decisions?

5 C'S OF CREDIT

CHARACTER

A lender will look at a borrower's reputation and standing in the local ag community.



CAPITAL

A borrower's personal investment in the ag operation.

CAPACITY

A borrower's ability to repay the loan based on current income and debt.



COLLATERAL

Lenders will evaluate the land being used to secure the loan.

CONDITIONS

The state of the overall economic environment, including interest rates and purpose of the loan.

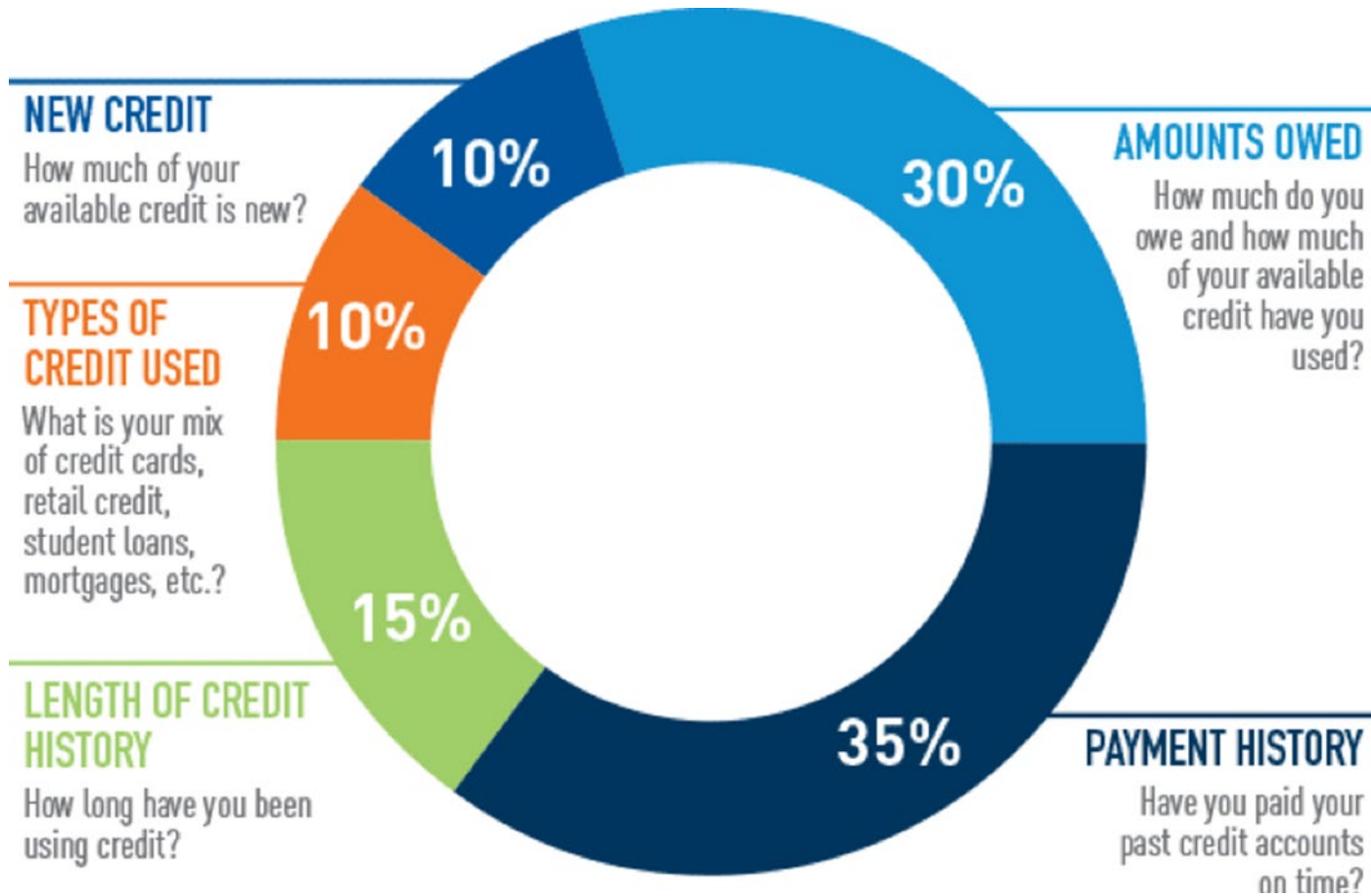


Character

- Honesty and ethics
- Open and regular communication
- Business plan for their operation
- A person's credit score can indicate their character



What's in a credit score?



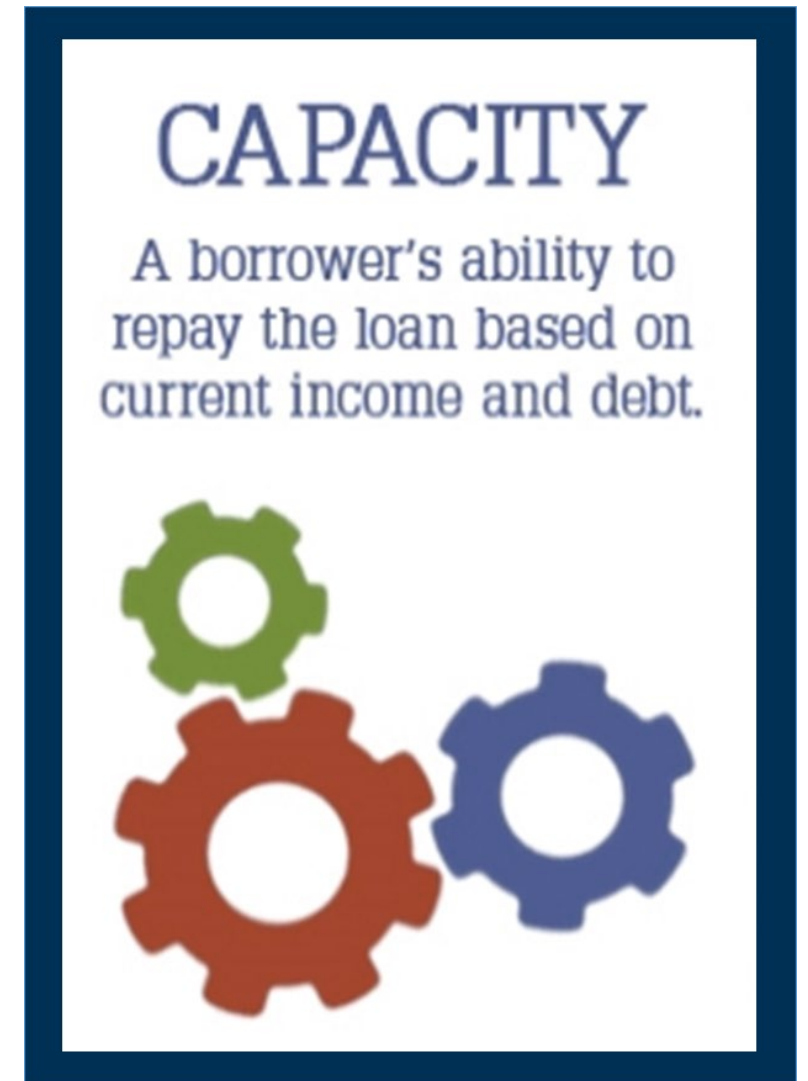
Capital

- The borrower's financial position
- A balance sheet
 - Shows the financial position of a business/person at a particular point in time



Capacity: Repayment Ability

- The business' profitability and its ability to meet all obligations
 - As shown on the income statement and cash flow projections



Collateral: Security for the Loan

- Secondary source of repayment
- Down payment
 - Your equity in the loan
 - Cash down or other collateral pledged
 - Requirements based on asset financed and loan term



Conditions: Terms

- Loan amount
- Amortization (repayment) period
- Purpose of the loan
- Loan covenants:
 - Financial reporting in the future
 - Maintain insurance
 - Other depending on situation

CONDITIONS

The state of the overall economic environment, including interest rates and purpose of the loan.



Qualities to look for in a lender

- Skills, knowledge and experience in your industry
- Loan products and other services that meet your needs
- People



Four tips for beginning farmers

LET'S
GET
STARTED

- Learn: gain skills to help you in your future
 - Look for opportunities to build your business and financial management skills
- Build your balance sheet
 - And strengthen it!



Four tips for beginning farmers



- Create your business plan and budget
- Keep good records so you know how your business performs



Thank you!

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