

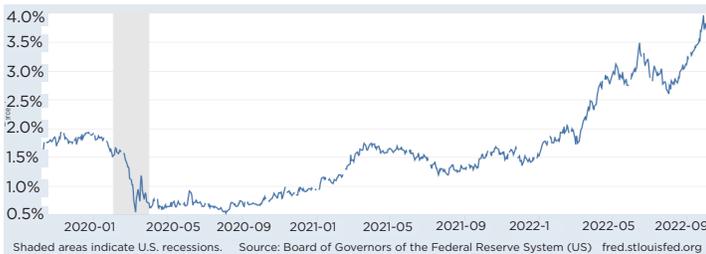
# DIRT

A QUARTERLY NEWSLETTER BY DAKOTA MAC

October 2022

## CAN A LIABILITY BE AN ASSET?

One of the basic accounting rules is that debt is a liability. But have you ever thought about if all liabilities are equal? Dollars and cents, yes, but not in terms of structure, interest rate, and whether the liability is fixed or variable are differentiating factors. With the recent move by the Federal Reserve to raise the Fed Funds rate by 0.75%, and talks of additional rate hikes, one may wonder what it will take to curtail inflation to a more manageable level. The 10-year treasury has followed the trend of short-term money. It has increased to almost 4.00%, as of the end of September 2022, compared to 0.5% as of April 2020 (see chart below).



At a recent planning session comprised of bankers and Ag Advisory members, I asked, “Who likes higher interest rates?” Very few, one to be exact, raised his hand. So is there anything good about higher interest rates?

For so many years, it seemed like cash wasn’t worth anything, and the saying, “cash is king,” was no longer relevant. In times of increasing interest rates, cash is once again “king” because not only have the interest rates for loans increased but so have interest rates for savings and checking accounts. Put a different way, somebody with more cash, less debt, or a better-structured balance sheet, could have a leg up on the competition.

Over the last three years, during historically low-interest rates, Dakota MAC closed 424 loans, totaling \$343 Million. In that same period, 92% of loans by

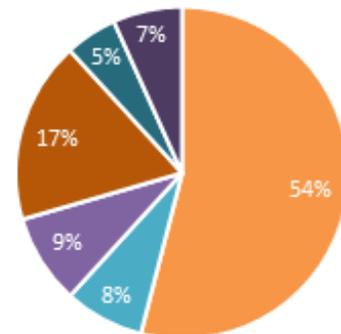
BY JEFF WOLFGAM  
DAKOTA MAC MANAGER  
& SENIOR VICE PRESIDENT



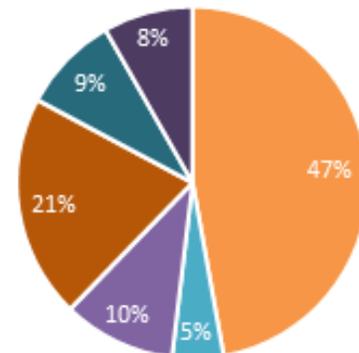
transaction and 95% by volume selected a product with a fixed interest period of 10 years or longer (see charts below). Way to go!!! Congratulations on making a sound business decision if you closed a loan with us and selected a fixed-rate product.

Volume of loans

- 30 Yrs
- 25 Yrs
- 20 Yrs
- 15 Yrs
- 10 Yrs
- Less than 10 Yrs



Number of loans



Now that you have your rate fixed, how can you preserve and protect it and attack debt with a higher interest rate tied to a variable rate? Before you answer that, you must fully understand your balance sheet or, for this exercise, your debt structure. Find

Continued on next page

out which of your loans are tied to a variable rate and which ones are fixed. If your loan rate is variable, what is the index and how often does it reprice? On a scale of 1-10 (one being the lowest), rate how much risk your debt structure has. What do you think it was 1, 3, & 5 years ago and what do you want it to be 1, 3, & 5 years from now? If your risk is high (>7), is there anything you can do today to reduce your interest rate risk?

But what if you need to refinance your fixed-rate loan because, you know, life happens? For example, what if you buy another piece of ground that requires financing and want to leverage the equity in your existing mortgage? That's pretty simple, ask your banker to leave the existing mortgage and loan in place and file a new mortgage behind it (second lien). What if you're selling existing collateral land and buying a different piece of ground? We got you covered there too. We can consider a substitution of collateral. What if you want to sell the property to a family member and they want to assume the debt? Yep, we can look at that too.

I remember in the early 90s when Dakota MAC started, and our secondary market offered a very limited number of products and servicing options. Not only have our product offerings changed, but so has how we service our loans. Gone are the days of giving up superior quality service when you work with the secondary market; far from it. And the great thing about these servicing actions is that you deal with somebody local, a real live person, not a computer or voice recording.

In closing, I want to thank you again and express my gratitude for your business. One of the best parts of my job is when I sign a closing packet and include a personalized journal thanking our clients for choosing Dakota MAC. Although my words are similar, please know my comments and thoughts are sincere. When the roles are reversed and clients go out of their way to thank our team, it is rewarding and solidifies what we do is appreciated and makes a difference.

We'd love to hear from you, and we encourage you to use the QR code to go to our website if you want to provide a testimonial.



Until the next DIRT.

Jeff

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## FSA DRIVE



BY STEPHANIE SIEBRANDT  
SPECIAL PROJECTS AND  
SERVICING COORDINATOR

We know that to get the best financing products for your operation, you need to have options. FSA Drive provides those options. FSA Drive is currently one of Dakota MAC's most popular and competitive long-term fixed-rate financing options. We want our clients to consider FSA Drive first and foremost when looking for lower interest rates, higher loan-to-collateral value ratios, or financing all or most of a purchase. With this product, we pair our financing with a traditional FSA Guarantee that has a new loan limit of \$2,037,000, but the difference is we let our clients choose between three options that differentiate fees and interest rates:

- *Eagle: Higher interest rate with limited up-front fees paid by the client.*
- *Birdie: Lower interest rate with some up-front fees paid by the client.*
- *Par: Lowest interest rate with all up-front fees paid by the client.*

We also can combine FSA Drive with other financing options to blend interest rates and maximize the lending potential. For example, we can combine FSA Drive financing with an FSA direct loan or another Dakota MAC product to reduce the interest you pay over time or complete a purchase with more money left in your pocket.

First Dakota National Bank was named the first FSA Preferred Lender in the nation in 1999. We originate and service loans in South Dakota, Nebraska, Colorado, Minnesota, Wyoming, Iowa, North Dakota, Montana, Kansas, Wisconsin, and Missouri. Participation in the Preferred Lender Program is the highest status a Lender can hold in the FSA Guaranteed Farm Loan Program. It recognizes experienced lenders by providing streamlined submission requirements, decreased turnaround time on FSA actions, and authorization to originate and service guaranteed loans as they would other loans in their portfolio. Let us put that experience to work for you and your operation.



For up-to-date Ag information follow us on Twitter at @DakotaMAC93.

# IRONCOUNTRY<sup>®</sup>

EQUIPMENT FINANCING

We have equipment financing tailored to fit your needs. IronCountry Equipment Financing lets you finance new or used farm machinery and equipment with several fixed and variable terms.

Greater than \$75,000		\$25,000 - \$74,999	
3-year fixed	5.75%	3-year fixed	6.25%
4-year fixed	6.00%	4-year fixed	6.50%
5-year fixed	6.00%	5-year fixed	6.50%
6-year fixed	6.75%	6-year fixed	7.25%
7-year fixed	6.75%	7-year fixed	7.25%

Rates good through October 31, 2022. Subject to change.

## FINANCING AG



BY NICK LUCHSINGER  
LOAN PRODUCTION OFFICER

We can finance everything! I'm sure you have heard an Ag Banker say this before. Does that slogan still hold true at every Bank today? I challenge you to find the answer to this question the next time you

visit your Ag lender. We at Dakota MAC will finance everything possible on the Ag side of things. We have you covered whether it is tillable ground, pasture, a ranch, crops, cattle, or big or small equipment. In today's volatile times, you need someone who can do it all in your corner.

Speaking of volatile times. What an excellent opportunity there is right now to secure some fantastic pricing on your crops and cattle. I do not remember an opportunity like this in the many years I have owned cattle. Opportunity can be scary during a time like this due to uncertainty. I understand this from being in this market. The only question you need to ask yourself is, how many times will opportunity knock at my door?



Listen to Huskers athletics on Huskers Radio Network. Dakota MAC, a proud supporter of Huskers athletics.

## WHAT YOU ARE SAYING

As Jeff mentioned in his article, we enjoy hearing what you have to say about how we are doing and how our products and services are working for you. We will continue to share these comments in future newsletters, as we believe it is essential to the service we provide.

Jim was very helpful with the process from start to finish and educated us along the way. He worked very hard to achieve the best outcomes during very unstable times. It was evident that Jim and the entire Dakota MAC team worked for the client's success while providing a great product. ~ Jennifer S.

Our experience with Dakota MAC Ag Real Estate Lending and Corey Maaland was fantastic! The whole process went smoothly from beginning to end and much quicker than expected. We will definitely be lifelong customers. ~ Sara W.

I want to give a big thumbs up to my loan officer, Boyd Mignery. He is such a pleasure to work with. Very professional, also very down to earth, and practical. ~ Charles N.

## American Bankers Association<sup>®</sup> Agricultural Bankers Conference

November 6 - 9 • CHI Health Center • Omaha

If you are an ag lender and are planning to attend, stop by the Dakota MAC booth #2220.

Let us show you how our products and services can work for your clients! Let's also talk about FSA Drive.

Ask today how you can use the equity in your farmland for important purchases.



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**Ogallala, Nebraska**  
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**Mitchell, South Dakota**  
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**Watertown, South Dakota**  
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