

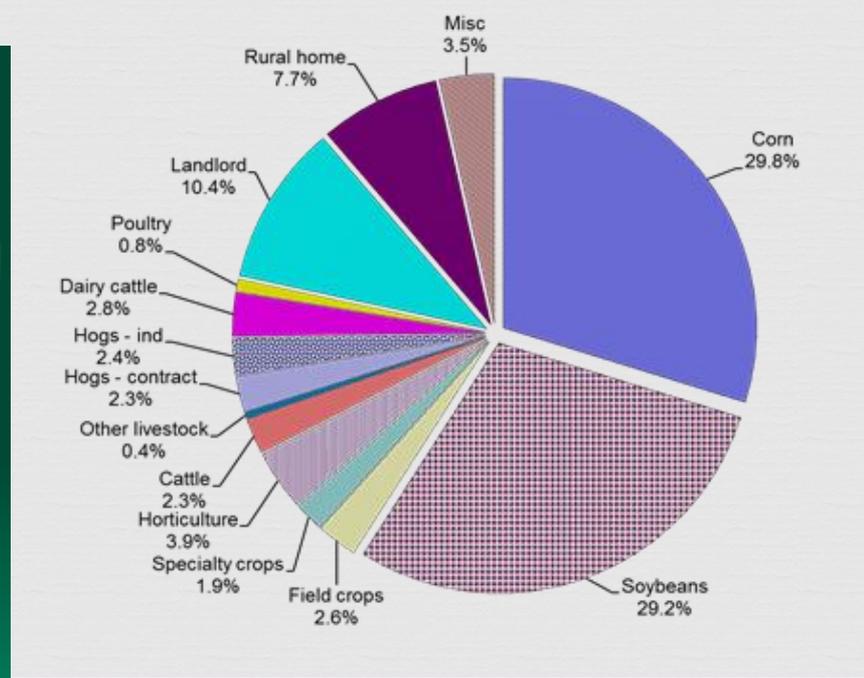
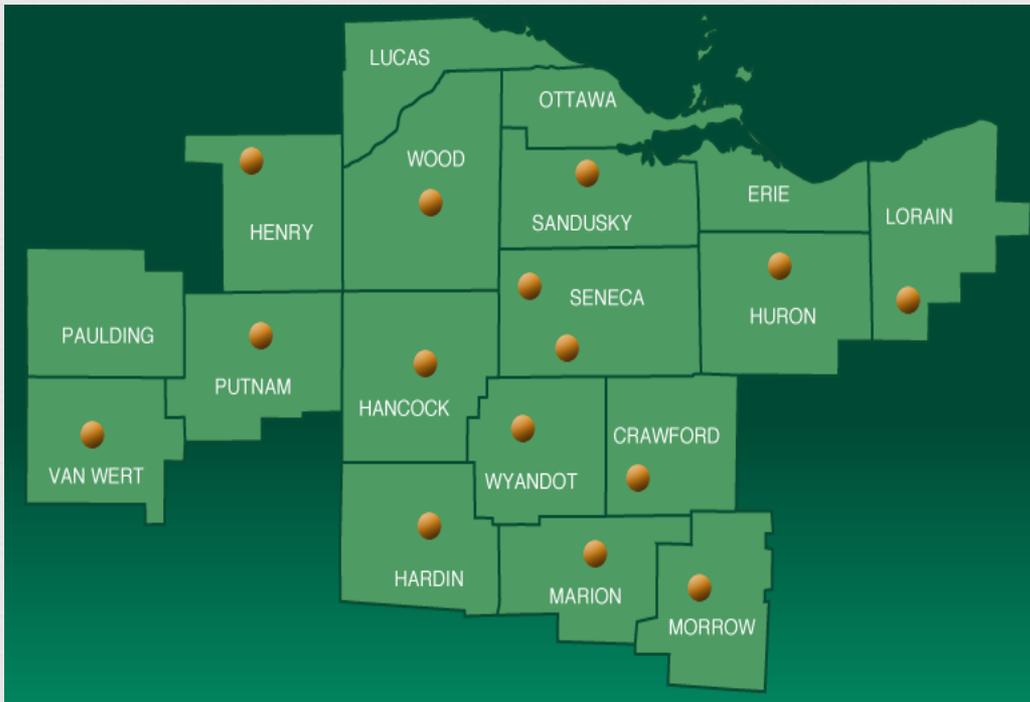


Credit Relationships in Challenging Times

Co-op Credit Conference

October 8, 2015

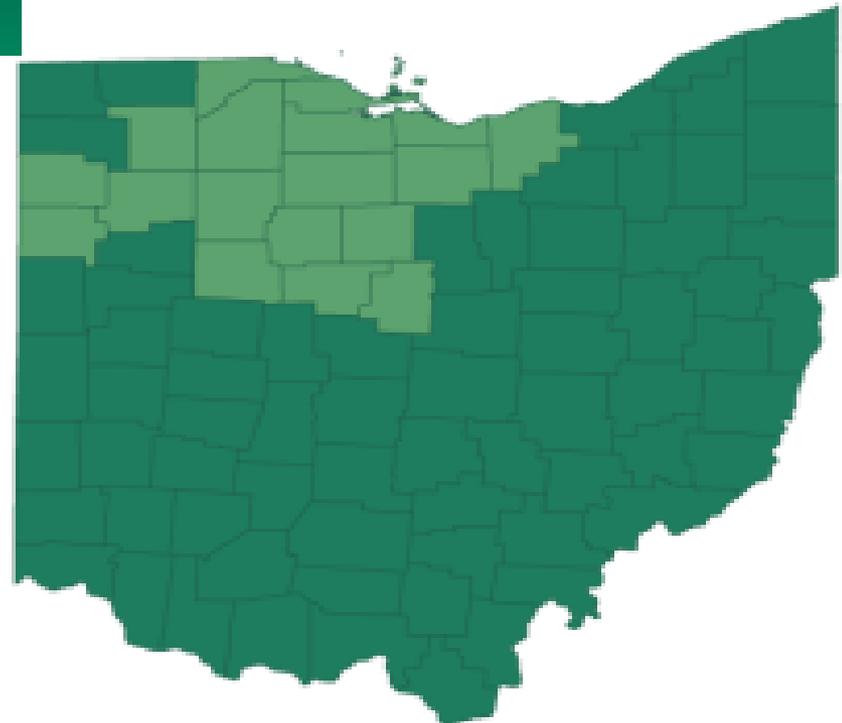
Aaron Stoller – Ag Credit, ACA



\$1.6 Billion in Loan Volume

7,000+ Member Owners

Primarily Corn & Soybeans



Managing Credit in Challenging Times

- Outline:

1. *Example of Challenging Time*

2. *Credit Staff Goals & Responsibilities*

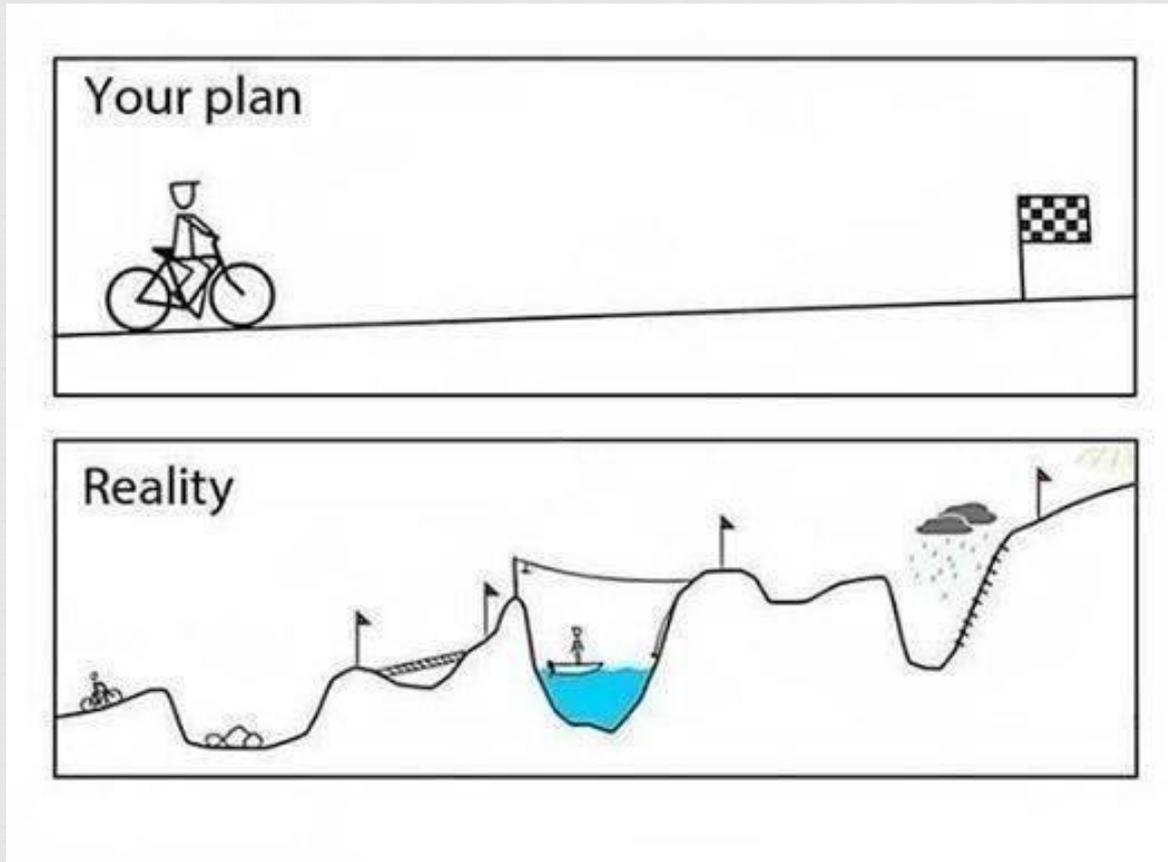
3. *Sales Staff Goals & Responsibilities*

4. *Best Practices*

Managing Credit in Challenging Times

- Story about Ralph

Lessons Learned from Ralph



- Despite best intentions, I was never going to be fully prepared.

Lessons Learned from Ralph

- Science of Lending vs. Art of Lending
- No Surprise Lending

Cold Hard Fact

- “The function of a competitive market is to drive the economic return of the average producer to breakeven. In equilibrium, the top-end producers are profitable and growing, the average producers are ‘hanging in there’, and the bottom end are losing money and being forced to exit the industry.”
- “Business survival depends on staying out of the back of the pack.”

-Danny Kleinfelter, The Executive Program for Ag Producers

Don't be fooled

- Most businesses have credit needs...but not all businesses are creditworthy.



- Questions to Consider
 - Who within your company provides input to help make the decision?
 - Is it appropriate for sales staff to influence this decision?

Credit Staff Responsibilities

- Rule #1 – Preserve your member’s capital!
Rule #2 - Keep your good customers
- Are you making a credit decision or a loan decision?
- Dean Duelke
- 4 Stages of Analysis:
 - 1. What you know
 - 2. What you know you don’t know
 - 3. What you don’t know you don’t know
 - 4. What you think you know, that just ain’t so!
- Perfect information is hard to get. Be honest about what you know & don’t know. Determine if the risk is acceptable.
- Ask for Credit References – Get Permission

Credit Responsibilities

- Ask questions:
 - How did they earn it?
 - How did they spend it?
- Coach your sales staff to see what you see. Help them understand what you need and why you need it.
- *Trust** your sales people. It's not given, it's earned. Takes time and experience.
- Learn to recalibrate your attitude & approach

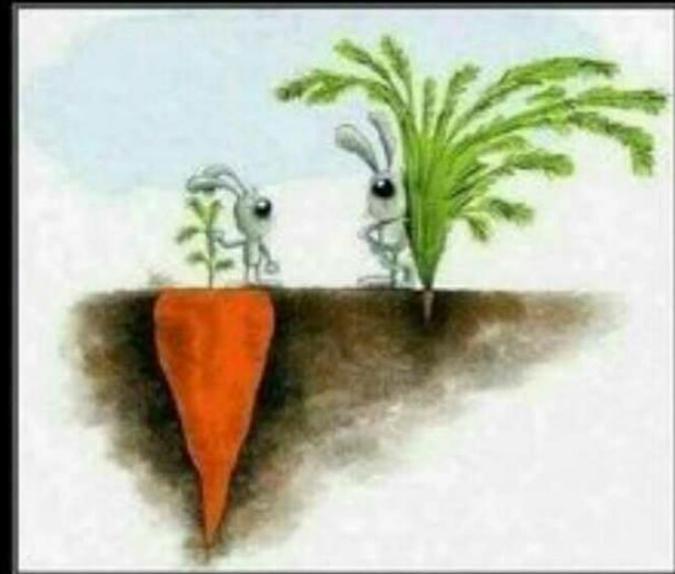
The humorous side of lending



Sales Staff Responsibilities

- Rule #1 – Preserve your member's capital!
- Rule #2 - Keep your good customers

- Tell the story



SUCCESS

it's not always what you see

Sales Staff

- Non-Financial Factors:
 - Communication Habits
 - Willingness vs. ability to repay
 - Dave Kohl's "6th C of Credit" – CRANIUM! (Mgmt's Ability)
 - Prior Experience
- Be disciplined. Don't send garbage up to see if it sticks. Wastes credit staff time and it hurts your reputation.
- Rubber Stamp Test
- He who plants... replants!

Summary – Key Takeaways

- All generalizations are false, including this one. Recognize the exceptions to the norm. Give every deal a fair shake.
- Respect what you don't know. Allow sales staff to tell the story.
- Credit Decisions vs. Loan Decisions
- No Surprise Lending
- What you do vs. Why you do it

Thank You!