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A QUARTERLY NEWSLETTER BY DAKOTA MAC

February 2023

HAPPY 30TH BIRTHDAY, DAKOTA MAC

Our winter has gotten off to an interesting start, and as I type this, I am staring at a blizzard. I can only recall one or two other times when the bank lobby was closed. I'm grateful for technology and our IT team so we can continue to serve our clients even though our doors aren't open. As I struggled to make it to work due to the road conditions, it was a reminder that some days we have to adjust our schedule and slow the pace of life a little bit instead of always going full-steam ahead. I'm hoping some of this volatility, be it weather, economics, or inflation, can return to more normal levels in 2023.

2022 was a great year in many ways, but in some ways, a challenging and sad year. We said goodbye to First Dakota banker Matt Tereshinski, who lost his battle with cancer in October. He was a close friend to many of us, a great banker to his clients, and one of Dakota MAC's biggest producers. Matt (aka Turk) was one of the most unique, connected, and endearing people I will ever work with. We all miss him dearly.

2022 was appropriately filled with celebrating First Dakota's sesquicentennial: truck giveaways, cookbooks, park passes, and beer. Definitely, a year filled with fun and lots of reasons to celebrate. We also celebrated the retirement of a true legend (he would humbly disagree) in banking and South Dakota, our First Dakota CEO, Larry Ness.

In 2023, Dakota MAC is celebrating 30 years in business, only 121 years "younger" than First Dakota. In conjunction with First Dakota's sesquicentennial, our founder, Denny Everson, wrote an article on the history of Dakota MAC, which is included in this newsletter. Many lessons within this article, including Denny never giving up on his dream to have a Dakota MAC division. Thank you, Denny, for your ingenuity, dedication, perseverance, and passion.

BY JEFF WOLFGAM
DAKOTA MAC MANAGER
& SENIOR VICE PRESIDENT



Speaking of celebrations, Dakota MAC celebrates annually with a pheasant hunt where we invite our colleagues to shoot (or attempt to shoot) some South Dakota pheasants and enjoy food and each other's company. Like any good host, we ensure our guests are fully nourished with food and libations, which requires the purchasing and subsequent reconciliation of the bank credit card. All my bank receipts are stored in a wretched old envelope, and once I turn them in, they are submitted, and the envelope is empty, except for one lonely receipt, until I start adding new ones.

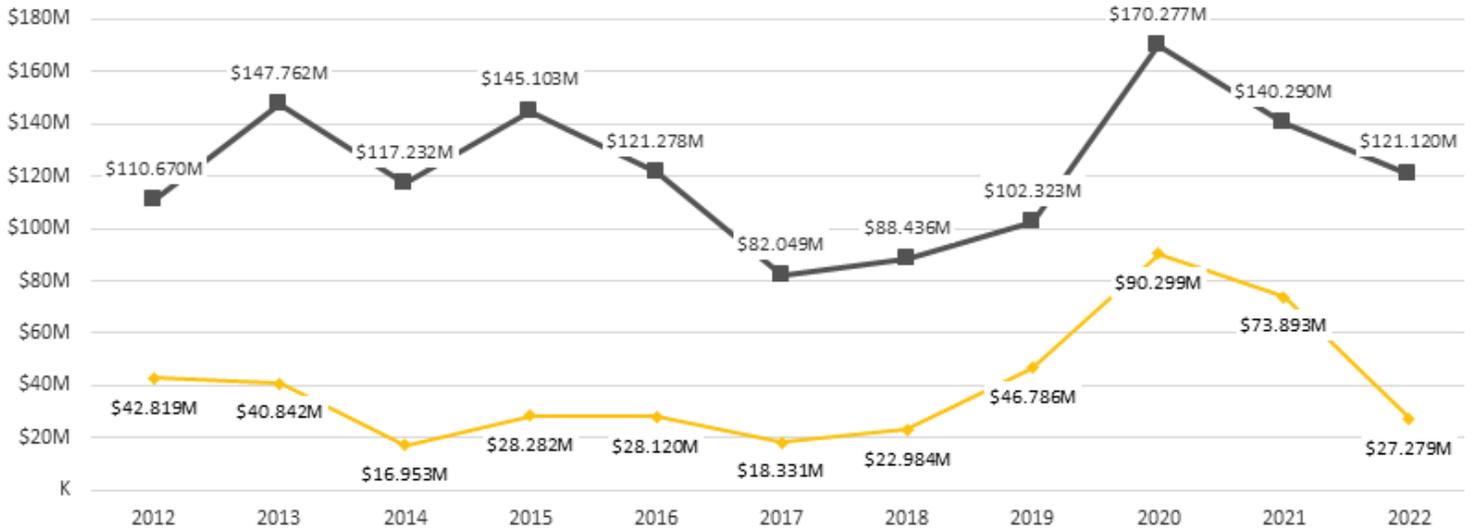
For the last seven + years, I have kept a receipt from one of the best lunches I ever had. I was passing through a town in northeast Nebraska, and instead of driving through without stopping, I invited my Mom for lunch. Too often in the past, I wouldn't stop along Highway 81 on my way home for various poor reasons: too busy, needed to get home, etc.

As we all try to be extraordinary as bankers and continually try to differentiate ourselves from the competition, sometimes the little things mean the most. In my three decades of being a banker, the companies and individuals I most admire and aspire to be like are the ones that have built relationships by sometimes merely being "there." Their selfless, unassuming, and humble actions often separate them from their competition. Those willing to do the dirty work, pay special attention to detail, and listen first and speak second. Sometimes, simply spending time and showing genuine interest in a client, a friend, or a family member means more than any interest rate, billboard, or sponsorship.

I see 2023 as an opportunity to build on our fundamentals, never resting on our laurels, focusing on "what got us here," and ultimately getting better.

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Originated Volume VS Paid Off Loans



One of First Dakota's core values is to do the right thing and to do things right.

As interest rates climbed in 2022, our loan production slowed, although it ended up being a good year, where we surpassed \$120 million. In last quarter's newsletter, I discussed the importance of understanding and retaining your long-term fixed rate, especially if you closed your loan at historically low rates (2019-2021). Above is a chart of our originations compared to paid-off loans. Paid-off loans consist of loans paid off from profits; loans converted by Dakota MAC; loans paid off from asset sales; and loans paid off by a different institution.

As interest rates fell in 2019, 2020, and 2021, we experienced record originations and good growth, but only because we worked with our clients to convert their loans and keep their business with us. Our staff also did a great job of being proactive with our existing client base to reduce the number of loans paid off by different financial institutions. As rates have risen, you see a significant shift in fewer loans being paid off.

Let's not forget that lonely receipt in my old envelope. I picked up the lunch tab that day and paid a whopping \$6.99 for my Mom's lunch, and although I didn't need to keep the receipt, I did and put it in my envelope. The joy in her voice and the genuine appreciation on her face will never leave me, and I wanted the receipt to keep the memory alive.

Every month, reconciling my bank credit card reminds me of that special day and the importance of slowing down in this fast-paced and chaotic world. Sadly, my

Mom passed away a few months after that lunch, but that receipt is a constant reminder that sometimes the simple things in life are the most important.

Here's to a great 2023!

Until the next DIRT.

Jeff

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6-year fixed	7.70%	6-year fixed	7.90%
7-year fixed	7.70%	7-year fixed	7.90%

Rates good through February 28, 2023. Subject to change.

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

THE HISTORY OF DMAC



BY DENNY EVERSON
DMAC FOUNDER

The Dakota Mortgage Agricultural Credit (DMAC) program's genesis dates back to July 1993. At the time, First Dakota was invited to attend a reorganization meeting of the already established Farmer Mac

(Federal Mortgage Agricultural Credit) company. At that meeting, Farmer Mac encouraged the participants to consider establishing a long-term fixed-rate Farm and Ranch real estate loan origination program in their respective Banks. Those loans would be sold to Farmer Mac, who could pool the loans and sell in the secondary market. This process was intended to resemble the Fannie Mae residential real estate secondary market for residential real estate. The ultimate goal was to assist participating Banks in establishing long-term fixed-rate financing for their customers. The soon-to-be "Dakota MAC" program became a reality at this meeting.

In October 1993, Dakota MAC was officially trademarked and introduced as the first program of its kind in the United States. DMAC's first loan of \$60,000 was originated and sold on October 7, 1993.

Most new endeavors take at least three years to develop into what's hoped to be a success. Dakota MAC was no exception. The business model continued to change over time and still does today! Change as it may, First Dakota's initial vision and mission for Dakota MAC to finance agricultural farm and ranch loans for rural America never faltered. By the end of 1995, DMAC had successfully originated and sold \$15 million of loans into the secondary market.

In 1996 it became apparent the secondary program needed key legislative changes if it were to continue to be competitive and grow. DMAC was asked to become politically involved and support the proposed legislation. DMAC's efforts finally passed the necessary changes in the secondary market program by the U.S.

Senate at the 12th hour! DMAC was recognized as a key player in the passage of this legislation. By March of 1996, DMAC would never turn back!

DMAC continued to expand its product offerings, including the organization and or purchase of USDA Guaranteed farm and ranch loans. These loans were typically sold into the same secondary market. Initially, the origination of government loans was slow and burdensome. In 1999 DMAC again became politically involved and was instrumental in developing the USDA Guaranteed "Preferred Lender Program." On March 10, 1999, DMAC became the first certified "Preferred Lender" in the United States. This legislation dramatically enhanced the efficiency of originating Government Guaranteed loans. So much, so that DMAC proceeded to establish Loan Production Offices throughout Nebraska and South Dakota. Not only originating new "Preferred Lender" loans but DMAC conventional secondary market mortgage loans as well. These Loan Production Offices and First Dakota's Bank locations dramatically increased the department's production of secondary market mortgage loans. By 2000, DMAC was originating and selling more loans in one month than had been processed in the first three years of its existence.

In October 2013, now only one of many of DMAC's secondary market investors, Farmer Mac, approved Dakota MAC as a "Central Servicer" for their mortgage loan conduit. This approval enhanced Dakota Mac's loan-making and sales process and formally recognized the business model's success.

Dakota MAC is celebrating its 30th anniversary and enjoyed being a significant part of First Dakota National Bank's 150th Anniversary celebration. Since DMAC's inception, originated farm and ranch loans have exceeded \$1.7 billion. Year-end 2022 finds it managing the largest ever Dakota MAC loan portfolio of over \$750 million.

Needless to say, Dakota MAC has been and continues to be a significant part of First Dakota's 150-year legacy. Yes, the business model was unique and innovative, but the people within the Bank and the DMAC division have been responsible for its success!



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Dakota MAC, a proud supporter
of Huskers athletics.

As we celebrate our 30th anniversary, our team is the reason we are still going strong. Our DMAC team consists of 17 people with 253 years of service to First Dakota alone, that does not include experience outside of First Dakota. Let our experience work for you!



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