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FEDERAL AGRICULTURAL MORTGAGE CORP

Form 10-Q

May 11, 2015

As filed with the Securities and Exchange Commission on May 11, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

Commission File Number 001-14951

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

(Exact name of registrant as specified in its charter)

Federally chartered instrumentality

52-1578738

of the United States

(State or other jurisdiction of

(I.R.S. employer identification number)

incorporation or organization)

1999 K Street, N.W., 4th Floor,

20006

Washington, D.C.

(Address of principal executive offices)

(Zip code)

(202) 872-7700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of May 1, 2015, the registrant had outstanding 1,030,780 shares of Class A voting common stock, 500,301 shares of Class B voting common stock and 9,441,933 shares of Class C non-voting common stock.

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PART I

Item 1. Financial Statements

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FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

	As of March 31, 2015 (in thousands)	December 31, 2014
Assets:		
Cash and cash equivalents	\$1,556,246	\$1,363,387
Investment securities:		
Available-for-sale, at fair value	2,139,544	1,938,499
Trading, at fair value	638	689
Total investment securities	2,140,182	1,939,188
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	3,842,209	3,659,281
Held-to-maturity, at amortized cost	1,767,096	1,794,620
Total Farmer Mac Guaranteed Securities	5,609,305	5,453,901
USDA Securities:		
Available-for-sale, at fair value	1,794,844	1,731,222
Trading, at fair value	37,593	40,310
Total USDA Securities	1,832,437	1,771,532
Loans:		
Loans held for investment, at amortized cost	3,082,378	2,833,461
Loans held for investment in consolidated trusts, at amortized cost	457,117	692,478
Allowance for loan losses	(5,940)	(5,864)
Total loans, net of allowance	3,533,555	3,520,075
Real estate owned, at lower of cost or fair value	421	421
Financial derivatives, at fair value	4,808	4,177
Interest receivable (includes \$3,422 and \$9,509, respectively, related to consolidated trusts)	66,312	106,874
Guarantee and commitment fees receivable	38,342	39,462
Deferred tax asset, net	14,750	33,391
Prepaid expenses and other assets	53,327	55,413
Total Assets	\$14,849,685	\$14,287,821
Liabilities and Equity:		
Liabilities:		
Notes payable:		
Due within one year	\$7,957,193	\$7,353,953
Due after one year	5,648,752	5,471,186
Total notes payable	13,605,945	12,825,139
Debt securities of consolidated trusts held by third parties	457,903	424,214
Financial derivatives, at fair value	95,493	84,844
Accrued interest payable (includes \$2,740 and \$5,145, respectively, related to consolidated trusts)	36,383	48,355
Guarantee and commitment obligation	36,537	37,925
Accounts payable and accrued expenses	31,433	81,252
Reserve for losses	3,491	4,263
Total Liabilities	14,267,185	13,505,992

Commitments and Contingencies (Note 6)

Equity:

Preferred stock:

Series A, par value \$25 per share, 2,400,000 shares authorized, issued and outstanding	58,333	58,333
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Series B, par value \$25 per share, 3,000,000 shares authorized, issued and outstanding	73,044	73,044
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Series C, par value \$25 per share, 3,000,000 shares authorized, issued and outstanding	73,382	73,382
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Common stock:

Class A Voting, \$1 par value, no maximum authorization, 1,030,780 shares outstanding	1,031	1,031
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Class B Voting, \$1 par value, no maximum authorization, 500,301 shares outstanding	500	500
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Class C Non-Voting, \$1 par value, no maximum authorization, 9,406,392 shares and 9,406,267 shares outstanding, respectively	9,406	9,406
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Additional paid-in capital	114,364	113,559
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Accumulated other comprehensive income, net of tax	51,184	15,533
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Retained earnings	201,081	201,013
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Total Stockholders' Equity	582,325	545,801
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Non-controlling interest	175	236,028
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Total Equity	582,500	781,829
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Total Liabilities and Equity	\$14,849,685	\$14,287,821
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The accompanying notes are an integral part of these consolidated financial statements.

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FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended	
	March 31, 2015	March 31, 2014
	(in thousands, except per share amounts)	
Interest income:		
Investments and cash equivalents	\$2,865	\$5,237
Farmer Mac Guaranteed Securities and USDA Securities	33,122	32,846
Loans	27,964	14,369
Total interest income	63,951	52,452
Total interest expense	33,162	34,726
Net interest income	30,789	17,726
Provision for loan losses	(76)	(573)
Net interest income after provision for loan losses	30,713	17,153
Non-interest income:		
Guarantee and commitment fees	3,377	3,784
Losses on financial derivatives and hedging activities	(3,882)	(7,578)
Gains on trading securities	362	655
Gains on sale of available-for-sale investment securities	6	15
Losses on sale of real estate owned	(1)	(3)
Other income	613	92
Non-interest income/(loss)	475	(3,035)
Non-interest expense:		
Compensation and employee benefits	5,693	4,456
General and administrative	2,823	2,794
Regulatory fees	600	594
Real estate owned operating costs, net	(1)	2
(Release of)/provision for reserve for losses	(772)	101
Non-interest expense	8,343	7,947
Income before income taxes	22,845	6,171
Income tax expense/(benefit)	4,231	(1,141)
Net income	18,614	7,312
Less: Net income attributable to non-controlling interest	(5,354)	(5,547)
Net income attributable to Farmer Mac	13,260	1,765
Preferred stock dividends	(3,295)	(952)
Loss on retirement of preferred stock	(8,147)	—
Net income attributable to common stockholders	\$1,818	\$813
Earnings per common share and dividends:		
Basic earnings per common share	\$0.17	\$0.07
Diluted earnings per common share	\$0.16	\$0.07
Common stock dividends per common share	\$0.16	\$0.14

The accompanying notes are an integral part of these consolidated financial statements.

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FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	For the Three Months Ended	
	March 31, 2015	March 31, 2014
	(in thousands)	
Net income	\$18,614	\$7,312
Other comprehensive income, net of tax:		
Unrealized holding gains losses on available-for-sale securities ⁽¹⁾	39,170	34,241
Unrealized losses on cash flow hedges ⁽²⁾	(160	) (68
Less reclassification adjustments included in:		
Losses on financial derivatives and hedging activities ⁽³⁾	(3,160	) (3,101
Gains on sale of available-for-sale investment securities ⁽⁴⁾	(4	) (10
Other income ⁽⁵⁾	(195	) 94
Other comprehensive income	35,651	31,156
Comprehensive income	54,265	38,468
Less: Comprehensive income attributable to noncontrolling interest	(5,354	) (5,547
Comprehensive income attributable to Farmer Mac	\$48,911	\$32,921

(1) Presented net of income tax expense of \$21.1 million and \$18.4 million, for the three months ended March 31, 2015 and 2014, respectively.

(2) Presented net of income tax benefit of \$0.1 million and \$37,000 for the three months ended March 31, 2015 and 2014, respectively.

Relates to the amortization of the unrealized gains on the hedged items prior to application of hedge accounting.

(3) Presented net of income tax benefit of \$1.7 million for both the three months ended March 31, 2015 and 2014, respectively.

(4) Represents realized gains on sales of available-for-sale investment securities. Presented net of income tax benefit of \$2,000 and \$5,000 for the three months ended March 31, 2015 and 2014, respectively.

Represents amortization of deferred gains related to certain available-for-sale USDA Securities and Farmer Mac

(5) Guaranteed USDA Securities. Presented net of income tax benefit of \$0.1 million and income tax expense of \$0.1 million for the three months ended March 31, 2015 and 2014, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

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FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(unaudited)

	For the Three Months Ended		March 31, 2014	
	March 31, 2015	March 31, 2015	March 31, 2014	March 31, 2014
	Shares	Amount	Shares	Amount
	(in thousands)			
Preferred stock:				
Balance, beginning of period	8,400	\$204,759	2,400	\$58,333
Issuance of Series B preferred stock	—	—	3,000	73,306
Balance, end of period	8,400	\$204,759	5,400	\$131,639
Common stock:				
Balance, beginning of period	10,937	\$10,937	10,886	\$10,886
Balance, end of period	10,937	\$10,937	10,886	\$10,886
Additional paid-in capital:				
Balance, beginning of period		\$113,559		\$110,722
Stock-based compensation expense		839		713
Issuance of Class C common stock		4		6
Tax effect of stock-based awards		(38)		36
Balance, end of period		\$114,364		\$111,477
Retained earnings:				
Balance, beginning of period		\$201,013		\$168,877
Net income attributable to Farmer Mac		13,260		1,765
Cash dividends:				
Preferred stock, Series A (\$0.3672 per share in 2015 and 2014)		(881)		(881)
Preferred stock, Series B (\$0.4297 per share in 2015 and \$0.105 per share in 2014)		(1,289)		(71)
Preferred stock, Series C (\$0.3750 per share)		(1,125)		—
Common stock (\$0.16 per share in 2015, \$0.14 per share in 2014)		(1,750)		(1,524)
Loss on retirement of preferred stock, Farmer Mac II LLC		(8,147)		—
Balance, end of period		\$201,081		\$168,166
Accumulated other comprehensive income:				
Balance, beginning of period		\$15,533		\$(16,202)
Other comprehensive income, net of tax		35,651		31,156
Balance, end of period		\$51,184		\$14,954
Total Stockholders' Equity		\$582,325		\$437,122
Non-controlling interest:				
Balance, beginning of period		\$236,028		\$241,853
Redemption of preferred stock, Farmer Mac II LLC		(235,853)		—
Balance, end of period		\$175		\$241,853
Total Equity		\$582,500		\$678,975

The accompanying notes are an integral part of these consolidated financial statements.

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FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Three Months Ended	
	March 31, 2015	March 31, 2014
	(in thousands)	
Cash flows from operating activities:		
Net income	\$18,614	\$7,312
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of deferred gains, premiums, and discounts on loans, investments, Farmer Mac Guaranteed Securities, and USDA Securities	1,024	13,983
Amortization of debt premiums, discounts and issuance costs	2,832	2,658
Net change in fair value of trading securities, hedged assets, and financial derivatives	532	3,029
Gains on sale of available-for-sale investment securities	(6	) (15
Loss on sale of real estate owned	1	3
Total (release of)/provision for losses	(696	) 674
Deferred income taxes	(1,061	) (6,009
Stock-based compensation expense	839	713
Proceeds from repayment of trading investment securities	247	283
Proceeds from repayment of loans purchased as held for sale	32,140	42,713
Net change in:		
Interest receivable	40,562	43,327
Guarantee and commitment fees receivable	1,120	(1,318
Other assets	2,066	(2,827
Accrued interest payable	(11,972	) (16,668
Other liabilities	2,793	4,793
Net cash provided by operating activities	89,035	92,651
Cash flows from investing activities:		
Purchases of available-for-sale investment securities	(715,628	) (369,120
Purchases of Farmer Mac Guaranteed Securities and USDA Securities	(349,364	) (289,484
Purchases of loans held for investment	(138,929	) (246,310
Purchases of defaulted loans	(657	) (440
Proceeds from repayment of available-for-sale investment securities	427,507	370,084
Proceeds from repayment of Farmer Mac Guaranteed Securities and USDA Securities	153,095	244,014
Proceeds from repayment of loans purchased as held for investment	95,570	141,534
Proceeds from sale of available-for-sale investment securities	74,998	10,015
Proceeds from sale of Farmer Mac Guaranteed Securities	49,487	62,751
(Payments)/proceeds from sale of real estate owned	(1	) 11
Net cash used in investing activities	(403,922	) (76,945
Cash flows from financing activities:		
Proceeds from issuance of discount notes	14,784,601	15,566,728
Proceeds from issuance of medium-term notes	1,344,848	750,354
Payments to redeem discount notes	(14,439,480	) (15,582,044
Payments to redeem medium-term notes	(912,000	) (687,000
Excess tax benefits related to stock-based awards	26	36
Payments to third parties on debt securities of consolidated trusts	(15,793	) (11,868
Proceeds from common stock issuance	4	6
Proceeds from Series B Preferred stock issuance	—	73,306

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Redemption of Farmer Mac II LLC Preferred Stock	(244,000) —
Dividends paid - Non-controlling interest - preferred stock	(5,415) (5,547)
Dividends paid on common and preferred stock	(5,045	) (2,405)
Net cash provided by financing activities	507,746	101,566
Net increase in cash and cash equivalents	192,859	117,272
Cash and cash equivalents at beginning of period	1,363,387	749,313
Cash and cash equivalents at end of period	\$ 1,556,246	\$ 866,585

The accompanying notes are an integral part of these consolidated financial statements.

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FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ACCOUNTING POLICIES

The interim unaudited consolidated financial statements of the Federal Agricultural Mortgage Corporation ("Farmer Mac") and subsidiaries have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). These interim unaudited consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial position and the results of operations and cash flows of Farmer Mac and subsidiaries for the interim periods presented. Certain information and footnote disclosures normally included in the annual consolidated financial statements have been omitted as permitted by SEC rules and regulations. The December 31, 2014 consolidated balance sheet presented in this report has been derived from Farmer Mac's audited 2014 consolidated financial statements. Management believes that the disclosures are adequate to present fairly the consolidated financial statements as of the dates and for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the 2014 consolidated financial statements of Farmer Mac and subsidiaries included in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 16, 2015. That Form 10-K describes Farmer Mac's significant accounting policies, which include its policies on Principles of Consolidation; Cash and Cash Equivalents and Statements of Cash Flows; Transfers of Financial Assets and Liabilities; Investment Securities, Farmer Mac Guaranteed Securities, and USDA Securities; Loans; Securitization of Loans; Real Estate Owned; Financial Derivatives; Notes Payable; Allowance for Loan Losses and Reserve for Losses; Earnings Per Common Share; Income Taxes; Stock-Based Compensation; Comprehensive Income; Long-Term Standby Purchase Commitments; Fair Value Measurement; and Consolidation of Variable Interest Entities ("VIEs"). Results for interim periods are not necessarily indicative of those that may be expected for the fiscal year. Presented below are Farmer Mac's significant accounting policies that contain updated information for the three months ended March 31, 2015.

Principles of Consolidation

The consolidated financial statements include the accounts of Farmer Mac and its three subsidiaries: (1) Farmer Mac Mortgage Securities Corporation ("FMMSC"), whose principal activities are to facilitate the purchase and issuance of Farmer Mac Guaranteed Securities; (2) Farmer Mac II LLC, whose principal activity is the operation of substantially all of the business related to the USDA Guarantees line of business – primarily the acquisition of USDA Securities; and (3) Contour Valuation Services, LLC, whose principal activity is to provide appraisal services related to agricultural real estate. All inter-company balances and transactions have been eliminated in consolidation. The consolidated financial statements also include the accounts of VIEs in which Farmer Mac determined itself to be the primary beneficiary.

The following tables present, by line of business, details about the consolidation of VIEs:

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Table 1.1

Consolidation of Variable Interest Entities As of March 31, 2015						
	Farm & Ranch	USDA Guarantees	Rural Utilities	Institutional Credit	Corporate	Total
	(in thousands)					
On-Balance Sheet:						
Consolidated VIEs:						
Loans held for investment in consolidated trusts, at amortized cost	\$457,117	\$—	\$—	\$—	\$—	\$457,117
Debt securities of consolidated trusts held by third parties ⁽¹⁾	457,903	—	—	—	—	457,903
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Carrying value ⁽²⁾	—	23,505	—	32,367	—	55,872
Maximum exposure to loss ⁽³⁾	—	23,098	—	30,000	—	53,098
Investment securities:						
Carrying value ⁽⁴⁾	—	—	—	—	479,548	479,548
Maximum exposure to loss ⁽³⁾⁽⁴⁾	—	—	—	—	482,757	482,757
Off-Balance Sheet:						
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Maximum exposure to loss ⁽³⁾⁽⁵⁾	598,236	12,847	—	970,000	—	1,581,083

(1) Includes borrower remittances of \$0.8 million. The borrower remittances have not been passed through to third party investors as of March 31, 2015.

Includes \$0.4 million of unamortized premiums and discounts and fair value adjustments related to the USDA

(2) Guarantees line of business. Includes fair value adjustments related to the Institutional Credit line of business of \$2.4 million.

(3) Farmer Mac uses unpaid principal balance and outstanding face amount of investment securities to represent maximum exposure to loss.

(4) Includes auction-rate certificates, asset-backed securities, and government-sponsored enterprise ("GSE")-guaranteed mortgage-backed securities.

(5) The amount under the Farm & Ranch line of business relates to unconsolidated trusts where Farmer Mac determined it was not the primary beneficiary due to shared power with an unrelated party.

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Consolidation of Variable Interest Entities As of December 31, 2014						
	Farm & Ranch	USDA Guarantees	Rural Utilities	Institutional Credit	Corporate	Total
	(in thousands)					
On-Balance Sheet:						
Consolidated VIEs:						
Loans held for investment in consolidated trusts, at amortized cost ⁽¹⁾	\$421,355	\$—	\$271,123	\$—	\$—	\$692,478
Debt securities of consolidated trusts held by third parties ⁽²⁾	424,214	—	—	—	—	424,214
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Carrying value ⁽³⁾	—	27,620	—	32,415	—	60,035
Maximum exposure to loss ⁽⁴⁾	—	27,832	—	30,000	—	57,832
Investment securities:						
Carrying value ⁽⁵⁾	—	—	—	—	409,657	409,657
Maximum exposure to loss ⁽⁴⁾⁽⁵⁾	—	—	—	—	412,690	412,690
Off-Balance Sheet:						
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Maximum exposure to loss ⁽⁴⁾⁽⁶⁾	636,086	13,978	—	970,000	—	1,620,064

(1) Includes unamortized premiums related to the Rural Utilities line of business of \$3.7 million.

(2) Includes borrower remittances of \$2.9 million, which have not been passed through to third party investors as of December 31, 2014.

Includes \$0.2 million of unamortized premiums and discounts and fair value adjustments related to the USDA

(3) Guarantees line of business. Includes fair value adjustments related to the Institutional Credit line of business of \$2.4 million.

(4) Farmer Mac uses unpaid principal balance and the outstanding face amount of investment securities to represent maximum exposure to loss.

(5) Includes auction-rate certificates, asset-backed securities, and government-sponsored enterprise ("GSE")-guaranteed mortgage-backed securities.

(6) The amount under the Farm & Ranch line of business relates to unconsolidated trusts where Farmer Mac determined it was not the primary beneficiary due to shared power with an unrelated party.

(a) Statements of Cash Flows

The following table sets forth information regarding certain non-cash transactions for the three months ended March 31, 2015 and 2014:

Table 1.2

For the Three Months Ended
March 31, 2015 March 31, 2014
(in thousands)

Non-cash activity:

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Loans acquired and securitized as Farmer Mac Guaranteed Securities	\$49,487	\$62,751
Consolidation of Farm & Ranch Guaranteed Securities from off-balance sheet to loans held for investment in consolidated trusts and to debt securities of consolidated trusts held by third parties	49,487	62,751
Purchases of securities - traded, not yet settled	14,915	—
Issuance costs on the retirement of Farmer Mac II LLC Preferred Stock	8,147	—
Transfers of available-for-sale Farmer Mac Guaranteed Securities to held-to-maturity	—	1,612,086

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On January 1, 2014, Farmer Mac transferred \$1.6 billion of Farmer Mac Guaranteed Securities from available-for-sale to held-to-maturity because Farmer Mac determined it has the ability and intent to hold these securities until maturity or payoff. Farmer Mac transferred these securities at fair value which reflected an unrealized holding gain of \$22.3 million. Farmer Mac accounts for held-to-maturity securities at amortized cost. The unrealized holding gain is being amortized out of accumulated other comprehensive income over the remaining life of the transferred securities.

(b) Earnings Per Common Share

Basic earnings per common share ("EPS") is based on the weighted-average number of shares of common stock outstanding. Diluted earnings per common share is based on the weighted-average number of shares of common stock outstanding adjusted to include all potentially dilutive common stock options, stock appreciation rights ("SARs"), and non-vested restricted stock awards. The following schedule reconciles basic and diluted EPS for the three months ended March 31, 2015 and 2014:

Table 1.3

	For the Three Months Ended					
	March 31, 2015			March 31, 2014		
	Net	Weighted-Average	per	Net	Weighted-Average	per
	Income	Shares	Share	Income	Shares	Share
	(in thousands, except per share amounts)					
Basic EPS						
Net income attributable to common stockholders	\$1,818	10,938	\$0.17	\$813	10,887	\$0.07
Effect of dilutive securities ⁽¹⁾ :						
Stock options, SARs and restricted stock	—	393	(0.01)	—	459	—
Diluted EPS	\$1,818	11,331	\$0.16	\$813	11,346	\$0.07

For the three months ended March 31, 2015 and 2014, stock options and SARs of 201,401 and 32,983, respectively, were outstanding but not included in the computation of diluted earnings per share of common stock

⁽¹⁾ because they were anti-dilutive. For the three months ended March 31, 2015 and 2014, contingent shares of non-vested restricted stock of 30,514 and 31,594, respectively, were outstanding but not included in the computation of diluted earnings per share of common stock because performance conditions have not yet been met.

(c) New Accounting Standards

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis." This update modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities and eliminates the presumption that a general partner should consolidate a limited partnership. It also affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for interim and annual periods beginning after December 15, 2015. The adoption of the new guidance will not have a material effect on Farmer Mac's financial position, results of operations, or cash flows.

(d) Reclassifications

Beginning January 1, 2015, Farmer Mac classified all of the income from Farmer Mac Guaranteed Securities that it holds in its portfolio as interest income. Prior to January 1, 2015, Farmer Mac classified a portion of the income from those securities, \$2.7 million in first quarter 2014, as guarantee and commitment fees. This change in classification

does not affect the timing or amount of income recognized from these securities. The corresponding guarantee and commitment fee receivable balance as

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of December 31, 2014 also was reclassified to accrued interest receivable. Certain reclassifications of prior period information, including the aforementioned change, were made to conform to the current period presentation.

2. INVESTMENT SECURITIES

The following tables set forth information about Farmer Mac's investment securities as of March 31, 2015 and December 31, 2014:

Table 2.1

	As of March 31, 2015					
	Amount Outstanding (in thousands)	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:						
Floating rate auction-rate certificates backed by Government guaranteed student loans	\$46,600	\$ —	\$46,600	\$—	\$(6,221)	\$40,379
Floating rate asset-backed securities	100,377	(352)	100,025	153	(46)	100,132
Floating rate corporate debt securities	10,000	—	10,000	85	—	10,085
Fixed rate corporate debt securities	20,000	(5)	19,995	35	—	20,030
Floating rate Government/GSE guaranteed mortgage-backed securities	727,430	3,438	730,868	4,373	(669)	734,572
Fixed rate GSE guaranteed mortgage-backed securities ⁽¹⁾	811	3,436	4,247	3,882	—	8,129
Floating rate GSE subordinated debt	70,000	—	70,000	—	(4,159)	65,841
Fixed rate senior agency debt	297,806	(34)	297,772	23	(68)	297,727
Fixed rate U.S. Treasuries	862,194	483	862,677	55	(83)	862,649
Total available-for-sale	2,135,218	6,966	2,142,184	8,606	(11,246)	2,139,544
Trading:						
Floating rate asset-backed securities	2,621	—	2,621	—	(1,983)	638
Total investment securities	\$2,137,839	\$ 6,966	\$2,144,805	\$8,606	\$(13,229)	\$2,140,182

⁽¹⁾ Fair value includes \$7.2 million of an interest-only security with a notional amount of \$152.4 million.

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	As of December 31, 2014					
	Amount Outstanding (in thousands)	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:						
Floating rate auction-rate certificates backed by Government guaranteed student loans	\$46,600	\$ —	\$46,600	\$—	\$(6,024)	\$40,576
Floating rate asset-backed securities	100,730	(74)	100,656	283	(37)	100,902
Floating rate corporate debt securities	10,000	—	10,000	91	—	10,091
Fixed rate corporate debt securities	30,000	(10)	29,990	35	—	30,025
Floating rate Government/GSE guaranteed mortgage-backed securities	605,053	3,431	608,484	4,712	(443)	612,753
Fixed rate GSE guaranteed mortgage-backed securities ⁽¹⁾	853	3,542	4,395	3,807	—	8,202
Floating rate GSE subordinated debt	70,000	—	70,000	—	(3,680)	66,320
Fixed rate senior agency debt	18,806	130	18,936	3	—	18,939
Floating rate U.S. Treasuries	75,000	(10)	74,990	—	(11)	74,979
Fixed rate U.S. Treasuries	975,194	462	975,656	72	(16)	975,712
Total available-for-sale	1,932,236	7,471	1,939,707	9,003	(10,211)	1,938,499
Trading:						
Floating rate asset-backed securities	2,868	—	2,868	—	(2,179)	689
Total investment securities	\$1,935,104	\$ 7,471	\$1,942,575	\$9,003	\$(12,390)	\$1,939,188

⁽¹⁾ Fair value includes \$7.3 million of an interest-only security with a notional amount of \$152.4 million.

During the three months ended March 31, 2015, Farmer Mac received proceeds of \$75.0 million from the sale of securities from its available-for-sale investment portfolio, resulting in gross realized gains of \$6,000, compared to proceeds of \$10.0 million for the same period in 2014, resulting in gross realized gains of \$15,000.

As of March 31, 2015 and December 31, 2014, unrealized losses on available-for-sale investment securities were as follows:

Table 2.2

	As of March 31, 2015			
	Available-for-Sale Securities			
	Unrealized loss position for less than 12 months		Unrealized loss position for more than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(in thousands)			
Floating rate auction-rate certificates backed by Government guaranteed student loans	\$—	\$—	\$40,379	\$(6,221)
Floating rate asset-backed securities	22,971	(46)	640	—
Floating rate Government/GSE guaranteed mortgage-backed securities	121,071	(244)	125,546	(425)
Floating rate GSE subordinated debt	—	—	65,841	(4,159)

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Fixed rate senior agency debt	121,950	(68) —	—
Fixed rate U.S. Treasuries	662,276	(83) —	—
Total	\$928,268	\$(441) \$232,406	\$(10,805)

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	As of December 31, 2014			
	Available-for-Sale Securities			
	Unrealized loss position for less than 12 months		Unrealized loss position for more than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(in thousands)			
Floating rate auction-rate certificates backed by Government guaranteed student loans	\$—	\$—	\$40,576	\$(6,024)
Floating rate asset-backed securities	19,388	(37)	—	—
Floating rate Government/GSE guaranteed mortgage-backed securities	76,100	(164)	76,867	(279)
Floating rate GSE subordinated debt	—	—	66,320	(3,680)
Floating rate U.S. Treasuries	74,980	(11)	—	—
Fixed rate U.S. Treasuries	325,033	(16)	—	—
Total	\$495,501	\$(228)	\$183,763	\$(9,983)

The unrealized losses presented above are principally due to a general widening of credit spreads from the dates of acquisition to March 31, 2015 and December 31, 2014, as applicable. The resulting decrease in fair values reflects an increase in the perceived risk by the financial markets related to those securities. As of March 31, 2015 and December 31, 2014, all of the investment securities in an unrealized loss position either were backed by the full faith and credit of the U.S. government or had credit ratings of at least "AA+," except one that was rated "A-." The unrealized losses were on 44 and 35 individual investment securities as of March 31, 2015 and December 31, 2014, respectively.

As of March 31, 2015, 17 of the securities in loss positions had been in loss positions for more than 12 months and had a total unrealized loss of \$10.8 million. As of December 31, 2014, 15 of the securities in loss positions had been in loss positions for more than 12 months and had a total unrealized loss of \$10.0 million. Securities in unrealized loss positions for 12 months or longer have a fair value as of March 31, 2015 that is, on average, approximately 96 percent of their amortized cost basis. Farmer Mac believes that all of these unrealized losses are recoverable within a reasonable period of time by way of changes in credit spreads or maturity. Accordingly, Farmer Mac has concluded that none of the unrealized losses on these available-for-sale investment securities represents other-than-temporary impairment as of March 31, 2015 and December 31, 2014. Farmer Mac does not intend to sell these securities and it is not more likely than not that Farmer Mac will be required to sell the securities before recovery of the amortized cost basis.

Farmer Mac did not own any held-to-maturity investment securities as of March 31, 2015 and December 31, 2014. As of March 31, 2015, Farmer Mac owned trading investment securities with an amortized cost of \$2.6 million, a fair value of \$0.6 million, and a weighted average yield of 4.26 percent. As of December 31, 2014, Farmer Mac owned trading investment securities with an amortized cost of \$2.9 million, a fair value of \$0.7 million, and a weighted average yield of 4.24 percent.

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The amortized cost, fair value, and weighted average yield of available-for-sale investment securities by remaining contractual maturity as of March 31, 2015 are set forth below. Asset-backed and mortgage-backed securities are included based on their final maturities, although the actual maturities may differ due to prepayments of the underlying assets.

Table 2.3

	As of March 31, 2015		
	Available-for-Sale Securities		
	Amortized Cost	Fair Value	Weighted-Average Yield
	(dollars in thousands)		
Due within one year	\$1,170,447	\$1,170,389	0.29%
Due after one year through five years	114,708	115,551	1.19%
Due after five years through ten years	252,261	252,759	0.86%
Due after ten years	604,768	600,845	0.93%
Total	\$2,142,184	\$2,139,544	0.58%

3. FARMER MAC GUARANTEED SECURITIES AND USDA SECURITIES

The following tables set forth information about on-balance sheet Farmer Mac Guaranteed Securities and USDA Securities as of March 31, 2015 and December 31, 2014:

Table 3.1

	As of March 31, 2015					
	Unpaid Principal Balance	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)					
Held-to-maturity:						
AgVantage	\$1,761,169	\$ 5,927	\$1,767,096	\$15,980	\$—	\$1,783,076
Available-for-sale:						
AgVantage	\$3,782,235	\$ —	\$3,782,235	\$54,813	\$(18,344)	\$3,818,704
Farmer Mac Guaranteed USDA Securities	23,098	(361)	22,737	768	—	23,505
Total Farmer Mac Guaranteed Securities	3,805,333	(361)	3,804,972	55,581	(18,344)	3,842,209
USDA Securities	1,743,274	2,696	1,745,970	48,929	(55)	1,794,844
Total available-for-sale	\$5,548,607	\$ 2,335	\$5,550,942	\$104,510	\$(18,399)	\$5,637,053
Trading:						
USDA Securities	\$35,699	\$ 2,578	\$38,277	\$120	\$(804)	\$37,593

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	As of December 31, 2014					
	Unpaid Principal Balance (in thousands)	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity:						
AgVantage	\$1,785,340	\$ 9,280	\$1,794,620	\$6,211	\$(255)	\$1,800,576
Available-for-sale:						
AgVantage	\$3,625,073	\$ —	\$3,625,073	\$36,442	\$(29,853)	\$3,631,662
Farmer Mac Guaranteed USDA Securities	27,831	(442)	27,389	237	(7)	27,619
Total Farmer Mac Guaranteed Securities	3,652,904	(442)	3,652,462	36,679	(29,860)	3,659,281
USDA Securities	1,717,813	3,162	1,720,975	11,850	(1,603)	1,731,222
Total available-for-sale	\$5,370,717	\$ 2,720	\$5,373,437	\$48,529	\$(31,463)	\$5,390,503
Trading:						
USDA Securities	\$38,412	\$ 2,748	\$41,160	\$114	\$(964)	\$40,310

As of March 31, 2015 and December 31, 2014, unrealized losses on held-to-maturity and available-for-sale on-balance sheet Farmer Mac Guaranteed Securities and USDA Securities were as follows:

Table 3.2

	As of March 31, 2015			
	Available-for-Sale Securities			
	Unrealized loss position for less than 12 months		Unrealized loss position for more than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(in thousands)			
Available-for-sale:				
AgVantage	\$690,567	\$(11,400)	648,409	\$(6,944)
USDA Securities	—	—	101,882	(55)
Total available-for-sale	\$690,567	\$(11,400)	\$750,291	\$(6,999)
	December 31, 2014			
	Held-to-Maturity and Available-for-Sale Securities			
	Unrealized loss position for less than 12 months		Unrealized loss position for more than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(in thousands)			
Held-to-maturity:				
AgVantage	\$547	\$(1)	\$49,745	\$(254)
Available-for-sale:				
AgVantage	\$685,131	\$(13,115)	\$1,460,089	\$(16,738)
Farmer Mac Guaranteed USDA Securities	3,720	(7)	—	—
USDA Securities	264,375	(1,549)	97,817	(54)

Total available-for-sale	\$953,226	\$(14,671) \$1,557,906	\$(16,792)
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The unrealized losses presented above are principally due to higher interest rates from the date of acquisition to March 31, 2015 and December 31, 2014, as applicable. The credit exposure related to Farmer Mac's USDA Guarantees line of business is covered by the full faith and credit guarantee of the United States. The unrealized losses from AgVantage securities were on 9 available-for-sale securities as of March 31, 2015. There were no unrealized losses from held-to-maturity AgVantage securities as of March 31, 2015. The unrealized losses from AgVantage securities were on 2 held-to-maturity securities and 23 available-for-sale securities as of December 31, 2014. As of March 31, 2015, 3 available-for-sale AgVantage securities had been in a loss position for more than 12 months with a total unrealized loss of \$6.9 million. As of December 31, 2014, 15 available-for-sale AgVantage securities had been in a loss position for more than 12 months with a total unrealized loss of \$16.7 million. AgVantage® is a registered trademark of Farmer Mac used to designate Farmer Mac Guaranteed Securities that are general obligations of lenders secured by pools of eligible loans, with such Farmer Mac Guaranteed Securities referred to herein as AgVantage securities. Each AgVantage security backed by agricultural mortgages requires some level of overcollateralization, or, in the case of rural utilities loans, 100 percent collateralization, and is secured by eligible loans of the issuing institution with a requirement that delinquent loans be removed from the collateral pool and then replaced with current eligible loans. Thus, Farmer Mac does not believe it will realize any of the losses presented above. Farmer Mac has concluded that none of the unrealized losses on its held-to-maturity Farmer Mac Guaranteed Securities and available-for-sale Farmer Mac Guaranteed Securities and USDA Securities are other-than-temporary impairment as of either March 31, 2015 or December 31, 2014. Farmer Mac does not intend to sell these securities, and it is not more likely than not that Farmer Mac will be required to sell the securities before recovery of the amortized cost basis.

During the three months ended March 31, 2015 and 2014, Farmer Mac realized no gains or losses from the sale of Farmer Mac Guaranteed Securities and USDA Securities.

The amortized cost, fair value, and weighted average yield of available-for-sale and held-to-maturity Farmer Mac Guaranteed Securities and USDA Securities by remaining contractual maturity as of March 31, 2015 are set forth below. The balances presented are based on their final maturities, although the actual maturities may differ due to prepayments of the underlying assets.

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Table 3.3

As of March 31, 2015				
Available-for-Sale Securities				
	Amortized Cost	Fair Value	Weighted- Average Yield	
(dollars in thousands)				
Due within one year	\$563,745	\$571,986	2.78	%
Due after one year through five years	1,181,719	1,201,725	1.35	%
Due after five years through ten years	1,467,700	1,497,617	1.75	%
Due after ten years	2,337,778	2,365,725	2.44	%
Total	\$5,550,942	\$5,637,053	2.06	%
As of March 31, 2015				
Held-to-Maturity Securities				
	Amortized Cost	Fair Value	Weighted- Average Yield	
(dollars in thousands)				
Due within one year	\$631,918	\$632,923	2.73	%
Due after one year through five years	1,135,178	1,150,153	2.28	%
Total	\$1,767,096	\$1,783,076	2.43	%

As of March 31, 2015, Farmer Mac owned trading USDA Securities with an amortized cost of \$38.3 million, a fair value of \$37.6 million, and a weighted average yield of 5.54 percent. As of December 31, 2014, Farmer Mac owned trading USDA Securities with an amortized cost of \$41.2 million, a fair value of \$40.3 million, and a weighted average yield of 5.60 percent.

4. FINANCIAL DERIVATIVES

Farmer Mac enters into financial derivative transactions principally to protect against risk from the effects of market price or interest rate movements on the value of certain assets, future cash flows, or debt issuance, and not for trading or speculative purposes. Certain financial derivatives are designated as fair value hedges of fixed rate assets classified as available-for-sale to protect against fair value changes in the assets related to a benchmark interest rate (i.e., LIBOR). Other financial derivatives are designated as cash flow hedges to mitigate the volatility of future interest rate payments on floating rate debt.

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The following tables summarize information related to Farmer Mac's financial derivatives on a gross basis without giving consideration to master netting arrangements as of March 31, 2015 and December 31, 2014 and the effects of financial derivatives on the consolidated statements of operations for three months ended March 31, 2015 and 2014:

Table 4.1

	As of March 31, 2015						
		Fair Value					
	Notional Amount	Asset	(Liability)	Weighted- Average Pay Rate	Weighted- Average Receive Rate	Weighted- Average Forward Price	Weighted- Average Remaining Life (in years)
	(dollars in thousands)						
Fair value hedges:							
Interest rate swaps:							
Pay fixed non-callable	\$1,014,915	\$—	\$(37,478)	2.46%	0.26%		3.83
Cash flow hedges:							
Interest rate swaps:							
Pay fixed non-callable	37,000	—	(751)	2.43%	0.57%		8.30
No hedge designation:							
Interest rate swaps:							
Pay fixed non-callable	476,113	19	(56,602)	4.19%	0.26%		6.99
Receive fixed non-callable	4,042,209	4,305	(230)	0.15%	0.30%		0.57
Receive fixed callable	632,565	238	(277)	0.13%	1.02%		2.80
Basis swaps	1,130,000	247	(262)	0.12%	0.31%		2.61
Agency forwards	34,827	—	(132)			101.41	
Treasury futures	2,900	—	(5)			128.73	
Credit valuation adjustment		(1)	244				
Total financial derivatives	\$7,370,529	\$4,808	\$(95,493)				
Collateral pledged		—	48,870				
Net amount		\$4,808	\$(46,623)				

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	As of December 31, 2014						
	Fair Value						
	Notional Amount	Asset	(Liability)	Weighted- Average Pay Rate	Weighted- Average Receive Rate	Weighted- Average Forward Price	Weighted- Average Remaining Life (in years)
	(dollars in thousands)						
Fair value hedges:							
Interest rate swaps:							
Pay fixed non-callable	\$1,000,000	\$—	\$(31,718)	2.47%	0.23%		3.98
Cash flow hedges:							
Interest rate swaps:							
Pay fixed non-callable	15,000	—	(289)	2.43%	0.51%		6.23
No hedge designation:							
Interest rate swaps:							
Pay fixed non-callable	490,183	537	(51,224)	4.23%	0.23%		7.05
Receive fixed non-callable	3,829,355	3,414	(461)	0.14%	0.27%		0.55
Receive fixed callable	383,565	1	(877)	0.12%	1.34%		3.47
Basis swaps	1,105,000	247	(406)	0.11%	0.31%		2.42
Agency forwards	12,768	—	(53)			101.00	
Treasury futures	1,700	—	(3)			126.60	
Credit valuation adjustment		(22)	187				
Total financial derivatives	\$6,837,571	\$4,177	\$(84,844)				
Collateral pledged		—	46,627				
Net amount		\$4,177	\$(38,217)				

Table 4.2

Losses on financial derivatives and hedging activities
For the Three Months Ended
March 31, 2015 March 31, 2014
(in thousands)

Fair value hedges:		
Interest rate swaps ⁽¹⁾	\$(5,760	) \$200
Hedged items	8,876	2,750
Gains on hedging activities	3,116	2,950
No hedge designation:		
Interest rate swaps	(5,956	) (9,548)
Agency forwards	(786	) (852)
Treasury futures	(256	) (128)
Losses on financial derivatives not designated in hedging relationships	(6,998	) (10,528)
Losses on financial derivatives and hedging activities	\$(3,882	) \$(7,578)

⁽¹⁾ Included in the assessment of hedge effectiveness as of March 31, 2015, but excluded from the amounts in the table, were losses of \$2.9 million for the three months ended March 31, 2015, attributable to the fair value of the swaps at the inception of the hedging relationship. Accordingly, the amounts recognized as hedge ineffectiveness for the three months ended March 31, 2015 were gains of \$0.2 million. The comparable amounts as of March 31, 2014 were losses of \$2.9 million for the three months ended March 31, 2014, attributable to the fair value of the swaps at the inception of the hedging relationship and, accordingly, gains of \$29,000 for the three months ended

March 31, 2014, attributable to hedge ineffectiveness.

As of March 31, 2015 and December 31, 2014, Farmer Mac's credit exposure to interest rate swap counterparties, excluding netting arrangements and any adjustment for nonperformance risk, but including accrued interest, was \$8.7 million and \$6.1 million, respectively; however, including netting arrangements

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and accrued interest, Farmer Mac's credit exposure was \$0.3 million and \$0.4 million as of March 31, 2015 and December 31, 2014, respectively. As of March 31, 2015 and December 31, 2014, Farmer Mac held no cash as collateral for its derivatives in net asset positions, resulting in uncollateralized net asset positions of \$0.3 million and \$0.4 million, respectively.

As of March 31, 2015 and December 31, 2014, the fair value of Farmer Mac's derivatives in a net liability position including accrued interest but excluding netting arrangements and any adjustment for nonperformance risk, was \$105.3 million and \$99.4 million, respectively; however, including netting arrangements and accrued interest, the fair value of Farmer Mac's derivatives in a net liability position at the counterparty level, was \$96.8 million and \$93.4 million as of March 31, 2015 and December 31, 2014, respectively. Farmer Mac posted cash of \$48.9 million and no investment securities as of March 31, 2015 and posted cash of \$46.6 million and no investment securities as of December 31, 2014. Farmer Mac records posted cash as a reduction in the outstanding balance of cash and cash equivalents and an increase in the balance of prepaid expenses and other assets. The investment securities posted as collateral are included in the investment securities balances on the consolidated balance sheets. If Farmer Mac had breached certain provisions of the derivative contracts as of March 31, 2015 and December 31, 2014, it could have been required to settle its obligations under the agreements or post additional collateral of \$47.9 million and \$46.8 million, respectively. As of March 31, 2015 and December 31, 2014, there were no financial derivatives in a net payable position where Farmer Mac was required to pledge collateral which the counterparty had the right to sell or repledge.

Of Farmer Mac's \$7.3 billion notional amount of interest rate swaps outstanding as of March 31, 2015, \$4.2 billion were cleared through swap clearinghouses. Of Farmer Mac's \$6.8 billion notional amount of interest rate swaps outstanding as of December 31, 2014, \$4.0 billion were cleared through swap clearinghouses.

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5. LOANS AND ALLOWANCE FOR LOSSES

Loans

Farmer Mac classifies loans as either held for investment or held for sale. Loans held for investment are recorded at the unpaid principal balance, net of unamortized premium or discount and other cost adjustments. Loans held for sale are reported at the lower of cost or fair value determined on a pooled basis. As of March 31, 2015 and December 31, 2014, Farmer Mac had no loans held for sale. The following table displays the composition of the loan balances as of March 31, 2015 and December 31, 2014:

Table 5.1

	As of March 31, 2015			As of December 31, 2014		
	In		Total	In		Total
	Unsecuritized	Consolidated Trusts		Unsecuritized	Consolidated Trusts	
	(in thousands)					
Farm & Ranch	\$2,113,795	\$ 457,117	\$2,570,912	\$2,118,867	\$ 421,355	\$2,540,222
Rural Utilities	968,117	—	968,117	718,213	267,396	985,609
Total unpaid principal balance ⁽¹⁾	3,081,912	457,117	3,539,029	2,837,080	688,751	3,525,831
Unamortized premiums, discounts and other cost basis adjustments	466	—	466	(3,619)	3,727	108
Total loans	3,082,378	457,117	3,539,495	2,833,461	692,478	3,525,939
Allowance for loan losses	(5,396)	(544)	(5,940)	(5,324)	(540)	(5,864)
Total loans, net of allowance	\$3,076,982	\$ 456,573	\$3,533,555	\$2,828,137	\$ 691,938	\$3,520,075

⁽¹⁾ Unpaid principal balance is the basis of presentation in disclosures of outstanding balances for Farmer Mac's lines of business.

Allowances for Losses

Farmer Mac maintains an allowance for losses presented in two components on its consolidated balance sheets: an allowance for loan losses to account for estimated probable losses on loans held, and a reserve for losses to account for estimated probable losses on loans underlying LTSPCs and off-balance sheet Farmer Mac Guaranteed Securities. As of March 31, 2015 and December 31, 2014, Farmer Mac reported allowances for losses of \$9.4 million and \$10.1 million, respectively. See Note 6 for more information about off-balance sheet Farmer Mac Guaranteed Securities and LTSPCs.

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The following is a summary of the changes in the allowance for losses for the three months ended March 31, 2015 and 2014:

Table 5.2

	As of March 31, 2015			As of March 31, 2014		
	Allowance for Loan Losses	Reserve for Losses	Total Allowance for Losses	Allowance for Loan Losses	Reserve for Losses	Total Allowance for Losses
For the Three Months Ended	(in thousands)					
Beginning Balance	\$5,864	\$4,263	\$10,127	\$6,866	\$6,468	\$13,334
Provision for/(release of) losses	76	(772)	(696)	573	101	674
Charge-offs	—	—	—	(29)	—	(29)
Ending Balance	5,940	3,491	9,431	7,410	6,569	13,979

During first quarter 2015, Farmer Mac recorded provisions from its allowance for loan losses of \$0.1 million and releases from its reserve for losses of \$0.8 million, primarily related to paydowns of processing loans (e.g., ethanol and canola facilities) underlying LTSPCs. Farmer Mac recorded no charge-offs to its allowance for loan losses during first quarter 2015.

During first quarter 2014, Farmer Mac recorded provisions to its allowance for loan losses of \$0.6 million and provisions to its reserve for losses of \$0.1 million. Farmer Mac also recorded \$29,000 of charge-offs to its allowance for loan losses during first quarter 2014.

The following tables present the changes in the total allowance for losses for the three months ended March 31, 2015 and 2014 by commodity type:

Table 5.3

	March 31, 2015						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
For the Three Months Ended:	(in thousands)						
Beginning Balance	\$2,519	\$2,159	\$1,423	\$467	\$3,552	\$7	\$10,127
Provision for/(release of) losses	121	125	(80)	(8)	(854)	—	(696)
Ending Balance	\$2,640	\$2,284	\$1,343	\$459	\$2,698	\$7	\$9,431

	March 31, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
For the Three Months Ended:	(in thousands)						
Beginning Balance	\$2,124	\$2,186	\$1,271	\$454	\$7,292	\$7	\$13,334
Provision for/(release of) losses	154	(55)	116	39	423	(3)	674
Charge-offs	—	—	—	(29)	—	—	(29)
Ending Balance	\$2,278	\$2,131	\$1,387	\$464	\$7,715	\$4	\$13,979

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The following tables present the unpaid principal balances of loans held and loans underlying LTSPCs and off-balance sheet Farmer Mac Guaranteed Securities and the related total allowance for losses by impairment method and commodity type as of March 31, 2015 and December 31, 2014:

Table 5.4

	As of March 31, 2015						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
Ending Balance:							
Collectively evaluated for impairment:							
On-balance sheet	\$1,642,496	\$367,380	\$402,478	\$57,995	\$25,800	\$1,360	\$2,497,509
Off-balance sheet	1,265,316	500,504	804,467	99,844	84,567	6,306	2,761,004
Total	\$2,907,812	\$867,884	\$1,206,945	\$157,839	\$110,367	\$7,666	\$5,258,513
Individually evaluated for impairment:							
On-balance sheet	\$18,706	\$38,030	\$6,178	\$10,489	\$—	\$—	\$73,403
Off-balance sheet	2,458	3,174	8,611	1,089	—	—	15,332
Total	\$21,164	\$41,204	\$14,789	\$11,578	\$—	\$—	\$88,735
Total Farm & Ranch loans:							
On-balance sheet	\$1,661,202	\$405,410	\$408,656	\$68,484	\$25,800	\$1,360	\$2,570,912
Off-balance sheet	1,267,774	503,678	813,078	100,933	84,567	6,306	2,776,336
Total	\$2,928,976	\$909,088	\$1,221,734	\$169,417	\$110,367	\$7,666	\$5,347,248
Allowance for Losses:							
Collectively evaluated for impairment:							
On-balance sheet	\$1,726	\$520	\$654	\$49	\$335	\$—	\$3,284
Off-balance sheet	274	155	340	53	2,363	7	3,192
Total	\$2,000	\$675	\$994	\$102	\$2,698	\$7	\$6,476
Individually evaluated for impairment:							
On-balance sheet	\$517	\$1,502	\$317	\$320	\$—	\$—	\$2,656
Off-balance sheet	123	107	32	37	—	—	299
Total	\$640	\$1,609	\$349	\$357	\$—	\$—	\$2,955
Total Farm & Ranch loans:							
On-balance sheet	\$2,243	\$2,022	\$971	\$369	\$335	\$—	\$5,940
Off-balance sheet	397	262	372	90	2,363	7	3,491
Total	\$2,640	\$2,284	\$1,343	\$459	\$2,698	\$7	\$9,431

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	As of December 31, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
Ending Balance:							
Collectively evaluated for impairment:							
On-balance sheet	\$1,621,360	\$359,517	\$406,049	\$57,851	\$29,003	\$—	\$2,473,780
Off-balance sheet	1,305,141	521,535	839,286	102,857	85,357	6,781	2,860,957
Total	\$2,926,501	\$881,052	\$1,245,335	\$160,708	\$114,360	\$6,781	\$5,334,737
Individually evaluated for impairment:							
On-balance sheet	\$12,307	\$35,904	\$6,571	\$11,660	\$—	\$—	\$66,442
Off-balance sheet	2,458	3,239	8,712	1,586	—	—	15,995
Total	\$14,765	\$39,143	\$15,283	\$13,246	\$—	\$—	\$82,437
Total Farm & Ranch loans:							
On-balance sheet	\$1,633,667	\$395,421	\$412,620	\$69,511	\$29,003	\$—	\$2,540,222
Off-balance sheet	1,307,599	524,774	847,998	104,443	85,357	6,781	2,876,952
Total	\$2,941,266	\$920,195	\$1,260,618	\$173,954	\$114,360	\$6,781	\$5,417,174
Allowance for Losses:							
Collectively evaluated for impairment:							
On-balance sheet	\$1,824	\$495	\$658	\$51	\$503	\$—	\$3,531
Off-balance sheet	298	149	404	52	3,049	7	3,959
Total	\$2,122	\$644	\$1,062	\$103	\$3,552	\$7	\$7,490
Individually evaluated for impairment:							
On-balance sheet	\$283	\$1,410	\$328	\$312	\$—	\$—	\$2,333
Off-balance sheet	114	105	33	52	—	—	304
Total	\$397	\$1,515	\$361	\$364	\$—	\$—	\$2,637
Total Farm & Ranch loans:							
On-balance sheet	\$2,107	\$1,905	\$986	\$363	\$503	\$—	\$5,864
Off-balance sheet	412	254	437	104	3,049	7	4,263
Total	\$2,519	\$2,159	\$1,423	\$467	\$3,552	\$7	\$10,127

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The following tables present by commodity type the unpaid principal balances, recorded investment, and specific allowance for losses related to impaired loans and the recorded investment in loans on nonaccrual status as of March 31, 2015 and December 31, 2014:

Table 5.5

	As of March 31, 2015						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
Impaired Loans:							
With no specific allowance:							
Recorded investment	\$3,117	\$5,622	\$9,360	\$1,625	\$—	\$—	\$19,724
Unpaid principal balance	2,982	5,535	9,174	1,625	—	—	19,316
With a specific allowance:							
Recorded investment ⁽¹⁾	19,689	36,378	5,707	10,038	—	—	71,812
Unpaid principal balance	18,182	35,669	5,615	9,953	—	—	69,419
Associated allowance	640	1,609	349	357	—	—	2,955
Total:							
Recorded investment	22,806	42,000	15,067	11,663	—	—	91,536
Unpaid principal balance	21,164	41,204	14,789	11,578	—	—	88,735
Associated allowance	640	1,609	349	357	—	—	2,955
Recorded investment of loans on nonaccrual status ⁽²⁾	\$3,588	\$24,582	\$4,180	\$6,133	\$—	\$—	\$38,483

Impairment analysis was performed in the aggregate in consideration of similar risk characteristics of the assets and historical statistics on \$64.1 million (70 percent) of impaired loans as of March 31, 2015, which resulted in a specific reserve of \$1.6 million.

⁽¹⁾ and historical statistics on \$64.1 million (70 percent) of impaired loans as of March 31, 2015, which resulted in a specific reserve of \$1.6 million.

⁽²⁾ Includes \$8.3 million of loans that are less than 90 days delinquent but which have not met Farmer Mac's performance criteria for returning to accrual status.

	As of December 31, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
Impaired Loans:							
With no specific allowance:							
Recorded investment	\$4,877	\$5,837	\$9,576	\$2,001	\$—	\$—	\$22,291
Unpaid principal balance	4,723	5,750	9,386	1,981	—	—	21,840
With a specific allowance:							
Recorded investment ⁽¹⁾	10,753	33,690	5,979	11,350	—	—	61,772
Unpaid principal balance	10,042	33,393	5,897	11,265	—	—	60,597
Associated allowance	397	1,515	361	364	—	—	2,637
Total:							
Recorded investment	15,630	39,527	15,555	13,351	—	—	84,063
Unpaid principal balance	14,765	39,143	15,283	13,246	—	—	82,437
Associated allowance	397	1,515	361	364	—	—	2,637

Recorded investment of loans on nonaccrual status ⁽²⁾	\$5,168	\$14,413	\$4,438	\$6,133	\$—	\$—	\$30,152
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Impairment analysis was performed in the aggregate in consideration of similar risk characteristics of the assets
⁽¹⁾ and historical statistics on \$54.4 million (65 percent) of impaired loans as of December 31, 2014, which resulted
in a specific reserve of \$1.2 million.

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- (2) Includes \$11.7 million of loans that are less than 90 days delinquent but which have not met Farmer Mac's performance criteria for returning to accrual status.

The following table presents by commodity type the average recorded investment and interest income recognized on impaired loans for the three months ended March 31, 2015 and 2014:

Table 5.6

March 31, 2015							
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
For the Three Months Ended:							
Average recorded investment in impaired loans	\$19,218	\$40,764	\$15,311	\$12,507	\$—	\$—	\$87,800
Income recognized on impaired loans	282	83	148	58	—	—	571
March 31, 2014							
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
For the Three Months Ended:							
Average recorded investment in impaired loans	\$23,772	\$45,008	\$13,776	\$12,538	\$—	\$60	\$95,154
Income recognized on impaired loans	170	194	76	122	—	—	562

For the three months ended March 31, 2015, there were no troubled debt restructurings ("TDRs"). For the three months ended March 31, 2014, the recorded investment of loans determined to be TDRs was \$0.6 million both before and after restructuring. As of March 31, 2015 and 2014, there were no TDRs identified during the previous 12 months that were in default under the modified terms. The impact of TDRs on Farmer Mac's allowance for loan losses was immaterial for the three months ended March 31, 2015 and 2014.

When particular criteria are met, such as the default of the borrower, Farmer Mac becomes entitled to purchase the defaulted loans underlying Farmer Mac Guaranteed Securities (commonly referred to as "removal-of-account" provisions). Farmer Mac records all such defaulted loans at their unpaid principal balance during the period in which Farmer Mac becomes entitled to purchase the loans and therefore regains effective control over the transferred loans. In accordance with the terms of all LTSPCs, Farmer Mac acquires loans that are either 90 days or 120 days delinquent (depending on the provisions of the applicable agreement) upon the request of the counterparty. Subsequent to the purchase, these defaulted loans are treated as nonaccrual loans and, therefore, interest is accounted for on the cash basis. Any decreases in expected cash flows are recognized as impairment.

During first quarter 2015, Farmer Mac purchased one defaulted loan having an unpaid principal balance of \$0.7 million, from a pool underlying a Farm & Ranch Guaranteed Security. During first quarter 2014, Farmer Mac purchased one defaulted loan having an unpaid principal balance of \$0.4 million from a pool underlying an LTSPC.

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The following tables present information related to Farmer Mac's acquisition of defaulted loans for the three months ended March 31, 2015 and 2014 and the outstanding balances and carrying amounts of all such loans as of March 31, 2015 and December 31, 2014:

Table 5.7

	For the Three Months Ended	
	March 31, 2015	March 31, 2014
	(in thousands)	
Unpaid principal balance at acquisition date:		
Loans underlying LTSPCs	\$—	\$440
Loans underlying off-balance sheet Farmer Mac Guaranteed Securities	657	—
Total unpaid principal balance at acquisition date	657	440
Contractually required payments receivable	—	440
Impairment recognized subsequent to acquisition	52	52
Recovery/release of allowance for defaulted loans	121	2
	As of	
	March 31, 2015	December 31, 2014
	(in thousands)	
Outstanding balance	\$24,882	\$24,921
Carrying amount	22,087	22,149

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Net credit losses and 90-day delinquencies as of and for the periods indicated for loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs are presented in the table below. As of March 31, 2015, there were no delinquencies and no probable losses inherent in Farmer Mac's Rural Utilities loan portfolio and Farmer Mac had not experienced credit losses on any Rural Utilities loans.

Table 5.8

	90-Day Delinquencies ⁽¹⁾		Net Credit Losses	
	As of	December 31,	For the Three Months Ended	
	March 31, 2015	2014	March 31, 2015	March 31, 2014
	(in thousands)			
On-balance sheet assets:				
Farm & Ranch:				
Loans	\$30,151	\$18,427	\$—	\$32
Total on-balance sheet	\$30,151	\$18,427	\$—	\$32
Off-balance sheet assets:				
Farm & Ranch:				
LTSPCs	\$1,950	\$490	\$—	\$—
Total off-balance sheet	\$1,950	\$490	\$—	\$—
Total	\$32,101	\$18,917	\$—	\$32

Includes loans and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs that are

⁽¹⁾ 90 days or more past due, in foreclosure, or in bankruptcy, excluding loans performing under either their original loan terms or a court-approved bankruptcy plan.

Of the \$30.2 million and \$18.4 million of on-balance sheet loans reported as 90-day delinquencies as of March 31, 2015 and December 31, 2014, respectively, \$3.1 million and \$1.8 million, respectively, were loans subject to "removal-of-account" provisions.

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Credit Quality Indicators

The following tables present credit quality indicators related to Farm & Ranch loans held and loans underlying LTSPCs and off-balance sheet Farm & Ranch Guaranteed Securities as of March 31, 2015 and December 31, 2014:

Table 5.9

	As of March 31, 2015						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
Credit risk profile by internally assigned grade ⁽¹⁾							
On-balance sheet:							
Acceptable	\$1,629,509	\$361,875	\$373,623	\$57,363	\$25,800	\$1,360	\$2,449,530
Special mention ⁽²⁾	12,987	4,181	28,855	632	—	—	46,655
Substandard ⁽³⁾	18,706	39,354	6,178	10,489	—	—	74,727
Total on-balance sheet	\$1,661,202	\$405,410	\$408,656	\$68,484	\$25,800	\$1,360	\$2,570,912
Off-Balance Sheet:							
Acceptable	\$1,243,212	\$484,527	\$772,974	\$94,477	\$64,987	\$5,650	\$2,665,827
Special mention ⁽²⁾	14,018						