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FEDERAL AGRICULTURAL MORTGAGE CORP  
Form 8-K  
April 19, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 18, 2002

Federal Agricultural Mortgage Corporation

-----  
(Exact name of registrant as specified in its charter)

Federally chartered instrumentality of the United States -----	0-17440 -----	52-1578738 -----
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1133 21st Street, N.W., Suite 600, Washington, D.C. -----	20036 -----
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (202) 872-7700

No Change

-----  
(Former name or former address, if changed since last report)

Item 7. Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Exhibits:

99 Press release dated April 18, 2002.

Item 9. Regulation FD Disclosure.

On April 18, 2002, the Registrant issued a press release announcing the Registrant's financial results for first quarter 2002. The press release is

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filed as Exhibit 99 hereto and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

By: /s/ Nancy E. Corsiglia

-----  
Name: Nancy E. Corsiglia  
Title: Vice President - Finance

Dated: April 19, 2002

EXHIBIT INDEX

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NEWS

FOR IMMEDIATE RELEASE  
April 18, 2002

CONTACT  
Jerome Oslick  
202-872-7700

## Farmer Mac Sets Earnings Record Announces \$490 Million Loan Purchase

Washington, D.C. -- The Federal Agricultural Mortgage Corporation (Farmer Mac, NYSE: AGM and AGMA) today announced diluted operating earnings per share of \$0.44 for first quarter 2002, a new record and a 63 percent increase over first quarter 2001 diluted operating earnings per share of \$0.27. Operating income was \$5.3 million for the quarter compared to \$3.2 million for the same period in 2001. Operating income, revenues and earnings per share are measures that exclude the effects of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133") and the net after-tax extraordinary gain of \$1.6 million recognized on the repurchase of a portion of the Company's debt in first quarter 2002. Net income for first quarter 2002, including the effects of FAS 133 and the extraordinary gain, was \$7.2 million or \$0.59 per share.

Farmer Mac President and Chief Executive Officer Henry D. Edelman observed, "As pleased as we are to report another quarter of record earnings, we take even greater pleasure in announcing an important transaction that was completed subsequent to the first quarter. This week, Farmer Mac was the successful bidder for a \$490 million portfolio of agricultural loans offered by an insurance company. The portfolio has a weighted-average remaining maturity of over nine years and contains a mix of adjustable-rate and fixed-rate loans, most of which include prepayment protection. Not only did that transaction significantly expand our base of guarantees outstanding, but also it demonstrated to the market that Farmer Mac can provide the best execution for the sale of agricultural mortgage loans."

"During the first quarter, Farmer Mac continued to expand its portfolio of outstanding guarantees through cash window loan purchases and long-term standby purchase commitments. This program growth, a favorable net interest yield and controlled expenses lifted earnings to yet another new record. Based on the combination of Farmer Mac's strong financial position and recent results, we believe Farmer Mac is on track to meet or exceed current market analyst projections for its financial performance in 2002."

### Net Interest Income

Net interest income was \$7.5 million for first quarter 2002, compared to \$7.2 million for fourth quarter 2001 and \$5.5 million for first quarter 2001. The net interest yield, exclusive of guarantee fees for all loans purchased prior to April 1, 2001 (the effective date of Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities), was 89 basis points for first quarter 2002, compared to 88 basis points for fourth quarter 2001 and 67 basis points for first quarter 2001. The net interest yields for first quarter 2002 and fourth quarter 2001 included the benefits of yield maintenance payments of 7 basis points and 4 basis points, respectively. The effects of the adoption of SFAS 140 on net interest income, guarantee fees and net interest yield for the first quarter 2002 were immaterial. Beginning with results reported for the second quarter 2002, Farmer Mac will report the effects of SFAS 140 on these measures.

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### Guarantee Fees

Guarantee fees were \$4.6 million for first quarter 2002, compared to \$4.5 million for fourth quarter 2001 and \$3.4 million for first quarter 2001. The relative increase in guarantee fees reflects an increase in the average balance of outstanding guarantees.

### Operating Expenses

During first quarter 2002, operating expenses totaled \$2.5 million, compared to \$2.4 million for fourth quarter 2001 and \$2.6 million for first quarter 2001. Operating expenses as a percentage of operating revenues were 21 percent for first quarter 2002, compared to 21 percent for fourth quarter 2001 and 29 percent for first quarter 2001.

### Extraordinary Item

During first quarter 2002 Farmer Mac recognized a net after-tax extraordinary gain of \$1.6 million resulting from the repurchase of \$43.8 million of outstanding Farmer Mac debt.

### Credit

As of March 31, 2002, Farmer Mac I loans purchased or guaranteed after the enactment in 1996 of changes to Farmer Mac's statutory charter ("post-1996 Act loans") that were 90 days or more past due, in foreclosure or in bankruptcy represented 2.32 percent of the principal balance of all post-1996 Act loans, compared to 1.70 percent as of December 31, 2001 and 2.62 percent as of March 31, 2001. (Farmer Mac assumes 100 percent of the credit risk on post-1996 Act loans; pre-1996 Act loans are supported by mandatory 10 percent subordinated interests that mitigate Farmer Mac's credit exposure.) Farmer Mac anticipates fluctuations in the delinquency rate from quarter to quarter, with higher levels likely to be reported at the end of the first and third quarters of each year due to the semiannual payment characteristics of most Farmer Mac loans. The year-over-year decrease is reflective of a growing portfolio of better quality loans.

USDA is forecasting net cash income on farms for 2002 to be \$50.9 billion, which includes an assumption for government payments of \$10.7 billion. However, the USDA's current government payments assumption is based on existing legislation and does not take into account increases expected to be enacted in the pending farm bill or any emergency assistance that may be contained in any special legislation. In 2001, emergency assistance comprised \$9.1 billion of the \$21 billion in government payments made to the agricultural sector and net cash income on farms for 2001 was \$59.5 billion. USDA currently expects farm real estate values to rise during 2002 by about one percent. Regionally, farm real estate values may vary with differing rates of increase, or even decrease, depending on commodities grown and regional economic factors.

Based on Farmer Mac's loan collection experience, the value of the collateral securing the loans and continuing provisions for the reserve for losses, Farmer Mac believes that ongoing charge-offs will be covered adequately by the reserve for losses. Farmer Mac expects quarterly charge-offs for loan losses to continue at their current level of approximately \$850,000 for the next several quarters. In certain collateral liquidation scenarios, Farmer Mac may recover amounts previously written off, if liquidation proceeds exceed previous estimates. As of March 31, 2002, the weighted-average original loan-to-value ratio for all post-1996 Act loans was 49 percent. Farmer Mac's provision for principal and interest losses was \$2.0 million for first quarter 2002, compared to \$2.0 million for fourth quarter 2001 and \$1.4 million for first quarter 2001. As of March 31, 2002, Farmer Mac's reserve for losses totaled \$17.0 million, or

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45 basis points of the outstanding post-1996 Act loans and AMBS, compared to \$15.9 million (45 basis points) as of December 31, 2001 and \$12.4 million (49 basis points) as of March 31, 2001.

### Provision for Income Taxes

The provision for income taxes totaled \$2.5 million for first quarter 2002, compared to \$2.3 million for fourth quarter 2001 and \$1.6 million for first quarter 2001. Farmer Mac's effective tax rate for first quarter 2002 was 31.0 percent compared to 33.1 percent for 2001. The reduction in the rate from the prior year reflects the effects of certain tax-advantaged investment securities.

### Capital

Farmer Mac's regulatory core capital totaled \$134.0 million as of March 31, 2002, compared to \$126.0 million as of December 31, 2001 and \$104.8 million as of March 31, 2001. The regulatory core capital balance as of March 31, 2002 exceeded Farmer Mac's regulatory minimum capital requirement by approximately \$21.8 million.

On April 12, 2001, the Farm Credit Administration ("FCA") issued its final risk-based capital regulation for Farmer Mac. The regulation requires Farmer Mac to meet the risk-based capital standards by May 23, 2002. We have maintained a dialogue with FCA regarding the application of the regulation and the complex underlying economic model - particularly certain provisions that suggest to us that the FCA went outside the authorizing statute. If no change is made to the regulation, it could lead to an increase in the capital requirement for certain newly guaranteed program assets and so cause Farmer Mac to alter its strategic plan for future growth. We believe at this time that the regulation, as issued, would not alter that strategic plan materially and we are confident that Farmer Mac will be in compliance when required to meet the standard. As of the end of first quarter 2002, the required risk-based capital for Farmer Mac was \$32.3 million, significantly below our minimum capital requirement of \$112.2 million.

Based on the current and pro forma statutory minimum and risk-based capital requirements, the Corporation's current capital position and its ability to manage on-balance sheet assets and off-balance sheet guarantees for optimum capital deployment, management is of the opinion that Farmer Mac can sustain its current growth rate in new guarantees for at least the next three years without experiencing regulatory capital constraints. Any such re-deployment of capital would, of course, be evaluated to optimize Farmer Mac's return on equity and ongoing capital flexibility.

Average return on equity, excluding the effects of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, FAS 133 and the extraordinary item was 16.4 percent for first quarter 2002, compared to 17.1 percent for fourth quarter 2001 and 12.3 percent for first quarter 2001.

### Financial Statement Effects of FAS 133

During first quarter 2002, the net after-tax income resulting from FAS 133 was \$145,000, and the net after-tax increase in accumulated other comprehensive income was \$3.2 million. For fourth quarter 2001, the net after-tax income and the increase in accumulated other comprehensive income resulting from FAS 133 were \$204,000 and \$7.6 million, respectively. For first quarter 2001, the net after-tax charge against earnings and the reduction to accumulated other comprehensive income resulting from FAS 133 were \$380,000 and \$3.6 million, respectively. Accumulated other comprehensive income is not a component of Farmer Mac's regulatory core capital. Management believes that reporting financial results by reference to operating income, revenues and earnings per share (excluding the effects of FAS 133) provides a more accurate comparison of

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Farmer Mac's financial performance to previous presentations.

### Forward-Looking Statements

In addition to historical information, this release includes forward-looking statements that reflect management's current expectations for Farmer Mac's future financial results, business prospects and business developments. Management's expectations for Farmer Mac's future necessarily involve assumptions, estimates and the evaluation of risks and uncertainties. Various factors could cause actual events or results to differ materially from those expectations. Some of the important factors that could cause Farmer Mac's actual results to differ materially from management's expectations include uncertainties regarding: (1) the rate and direction of the development of the secondary market for agricultural mortgage loans; (2) the agricultural economy resulting from low commodity prices, weak demand for U.S. agricultural products and crop damage from natural disasters; (3) the level of government payments for agriculture that are expected to be provided for in the pending farm bill and the effect of the level of such payments on the agricultural economy; (4) the possible effect of the risk-based capital requirement which may, under certain circumstances, be in excess of the statutory minimum capital level; and (5) the possible establishment of additional statutory or regulatory restrictions on Farmer Mac, such as restrictions on Farmer Mac's investment authority. These and other factors are discussed in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the Securities and Exchange Commission on March 27, 2002. The forward-looking statements contained herein represent management's expectations as of the date of this release. Farmer Mac undertakes no obligation to release publicly the results of any revisions to the forward-looking statements included herein to reflect events or circumstances after today, or to reflect the occurrence of unanticipated events.

Farmer Mac is a stockholder-owned instrumentality of the United States chartered by Congress to establish a secondary market for agricultural real estate and rural housing mortgage loans, and to facilitate capital market funding for USDA guaranteed farm program and rural development loans. Farmer Mac's Class C and Class A common stocks are listed on the New York Stock Exchange under the symbols AGM and AGMA, respectively. Additional information about Farmer Mac (as well as the Form 10-K referenced above) is available on Farmer Mac's website at [www.farmermac.com](http://www.farmermac.com). The conference call to discuss Farmer Mac's first quarter 2002 earnings and this press release will be webcast on Farmer Mac's website beginning at 11:00 a.m. eastern time, Friday, April 19, 2002, and an audio recording of that call will be available on Farmer Mac's website after the call is concluded.

\* \* \* \*

### Federal Agricultural Mortgage Corporation Consolidated Balance Sheets (in thousands)

	March 31, 2002	December 31, 2001	March 31, 2001
	(unaudited)	(audited)	(unaudited)
Assets:			
Cash and cash equivalents	\$ 468,664	\$ 437,831	\$ 320,437
Investment securities	957,632	1,007,954	819,957
Farmer Mac guaranteed securities	1,618,934	1,690,376	1,711,183

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Loans	309,894	201,812	12,407
Financial derivatives	317	15	593
Interest receivable	36,116	56,253	33,570
Guarantee fees receivable	3,719	6,004	3,055
Prepaid expenses and other assets	18,711	16,963	14,856
	-----	-----	-----
Total assets	\$ 3,413,987	\$ 3,417,208	\$ 2,916,058
	-----	-----	-----
Liabilities and stockholders' equity:			
Notes payable:			
Due within one year	\$ 2,320,958	\$ 2,233,267	\$ 2,024,233
Due after one year	890,702	968,463	715,901
	-----	-----	-----
Total notes payable	3,211,660	3,201,730	2,740,134
Financial derivatives	14,765	20,762	19,610
Accrued interest payable	22,701	26,358	15,706
Accounts payable and accrued expenses	10,452	18,037	12,417
Reserve for losses	17,017	15,884	12,386
	-----	-----	-----
Total liabilities	3,276,595	3,282,771	2,800,253
Stockholders' equity	137,392	134,437	115,805
	-----	-----	-----
Total liabilities and stockholders' equity	\$3,413,987	\$ 3,417,208	\$ 2,916,058
	-----	-----	-----

Federal Agricultural Mortgage Corporation  
Consolidated Statements of Operations  
(in thousands, except per share amounts)

	Quarter Ended		
	March 31, 2002	December 31, 2001	March 31, 2001
	(unaudited)	(unaudited)	(unaudited)
Interest income:			
Investments and cash equivalents	\$ 10,327	\$ 11,494	\$ 21,088
Farmer Mac guaranteed securities	23,018	25,234	28,740
Loans	3,799	2,525	603
	-----	-----	-----
Total interest income	37,144	39,253	50,431
Interest expense	29,674	32,056	44,978
	-----	-----	-----
Net interest income	7,470	7,197	5,453
Gains/(Losses) on financial derivatives and trading assets	224	317	(589)
Other income:			
Guarantee fees	4,567	4,534	3,428
Miscellaneous	391	140	166
	-----	-----	-----
Total other income	4,958	4,674	3,594
	-----	-----	-----
Total revenues	12,652	12,188	8,458

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Expenses:			
Compensation and employee benefits	1,255	1,454	1,237
Regulatory fees	197	23	223
General and administrative	1,096	957	1,145
-----			
Total operating expenses	2,548	2,434	2,605
Provision for losses	2,016	1,986	1,383
-----			
Total expenses	4,564	4,420	3,988
-----			
Income before income taxes	8,088	7,768	4,470
Income tax provision	2,505	2,287	1,588
-----			
Net income before cumulative effect of change in accounting principles and extraordinary item	5,583	5,481	2,882
Cumulative effect of change in accounting principles, net of tax	-	-	(726)
Extraordinary gain, net of tax	1,619	-	-
-----			
Net income	\$ 7,202	\$ 5,481	\$ 2,156
-----			
Earnings per share:			
Basic earnings per share	\$ 0.62	\$ 0.48	\$ 0.19
Diluted earnings per share	\$ 0.59	\$ 0.46	\$ 0.18
Earnings per share excluding cumulative effect of change in accounting principles and extraordinary item:			
Basic earnings per share	\$ 0.48	\$ 0.48	\$ 0.26
Diluted earnings per share	\$ 0.46	\$ 0.46	\$ 0.25
Operating earnings per share:*			
Basic earnings per share	\$ 0.46	\$ 0.45	\$ 0.28
Diluted earnings per share	\$ 0.44	\$ 0.43	\$ 0.27

\* operating earnings per share excludes the effects of FAS 133 and extraordinary item

Federal Agricultural Mortgage Corporation  
Supplemental Information

The following tables present quarterly and annual information regarding loan purchases and guarantees, outstanding guarantees and delinquencies.

Farmer Mac Purchases and Guarantees

-----				
Farmer Mac I				
-----				
Loans & AMBS	LTSPC	Farmer Mac II	Total	
-----				
(in thousands)				
For the quarter ended:				
March 31, 2002	\$ 74,875	\$ 338,821	\$ 39,154	\$ 452,850
December 31, 2001	62,953	237,140	39,564	339,657



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September 30, 2001	69,561	246,472	42,396	358,429
June 30, 2001	85,439	499,508	57,012	641,959
March 31, 2001	48,600	49,695	47,707	146,002
December 31, 2000	45,727	180,502	36,029	262,258
September 30, 2000	292,658	158,291	40,036	490,985
June 30, 2000	45,578	34,409	94,870	174,857
March 31, 2000	58,283	-	22,570	80,853

For the year ended:

December 31, 2001	266,553	1,032,815	186,679	1,486,047
December 31, 2000	442,246	373,202	193,505	1,008,953

Outstanding Guarantees(1)

	Farmer Mac I				
	Post-1996 Act				
	Loans & AMBS (2)	LTSPC	Pre-1996 Act	Farmer Mac II	Total
	(in thousands)				
As of:					
March 31, 2002	\$ 1,655,485	\$ 2,126,485	\$ 41,414	\$ 592,836	\$ 4,416,220
December 31, 2001	1,658,716	1,884,260	48,979	595,156	4,187,111
September 30, 2001	1,605,160	1,731,861	58,813	608,944	4,004,778
June 30, 2001	1,572,800	1,537,061	65,709	579,251	3,754,821
March 31, 2001	1,466,443	1,083,528	72,646	549,003	3,171,620
December 31, 2000	1,615,914	862,804	83,513	517,703	3,079,934
September 30, 2000	1,621,516	707,850	92,536	491,820	2,913,722
June 30, 2000	1,354,623	575,143	100,414	467,352	2,497,532
March 31, 2000	1,310,710	551,423	107,403	387,992	2,357,528
December 31, 1999	1,266,522	575,097	118,214	383,266	2,343,099

Farmer Mac I Delinquencies(4)

As of:	Post-1996 Act	Pre-1996 Act	Total	Distribution of Post-1996 Act Delinquencies - UPB as of Mar. 31, 2002	
				(by original loan-to-value ratio)	
March 31, 2002	2.32%	5.83%	2.37%	0.00% to 40.00%	8%
December 31, 2001	1.70%	7.00%	1.79%	40.01% to 50.00%	13%
September 30, 2001	2.16%	4.66%	2.21%	50.01% to 60.00%	36%
June 30, 2001	1.72%	3.69%	1.77%	60.01% to 70.00%	41%

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March 31, 2001	2.62%	5.83%	2.72%	70.01% to 80.00%	2%
December 31, 2000	1.25%	6.49%	1.44%		-----
September 30, 2000	1.80%	5.55%	1.96%	Total	100%
June 30, 2000	1.25%	4.12%	1.41%		-----
March 31, 2000	1.45%	4.89%	1.65%		