FEDERAL AGRICULTURAL MORTGAGE CORP
Form 10-Q
May 12, 2014
As filed with the Securities and Exchange Commission on May 12, 2014

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, 2014
Commission File Number 001-14951

FEDERAL AGRICULTURAL MORTGAGE CORPORATION
(Exact name of registrant as specified in its charter)

Federally chartered instrumentality of the United States	52-1578738
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
1999 K Street, N.W., 4th Floor, Washington, D.C.	20006
(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 x No o

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 x No o

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	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of May 2, 2014, the registrant had outstanding 1,030,780 shares of Class A voting common stock, 500,301 shares of Class B voting common stock and 9,392,511 shares of Class C non-voting common stock.

Table of Contents

PART I - FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements
FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

	As of March 31, 2014	December 31, 2013
	(in thousands)	
Assets:		
Cash and cash equivalents	$866,585	$749,313
Investment securities:		
Available-for-sale, at fair value	2,469,092	2,483,147
Trading, at fair value	923	928
Total investment securities	2,470,015	2,484,075
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	3,489,263	5,091,600
Held-to-maturity, at amortized cost	1,660,270	—
Total Farmer Mac Guaranteed Securities	5,149,533	5,091,600
USDA Securities:		
Available-for-sale, at fair value	1,600,659	1,553,669
Trading, at fair value	51,102	58,344
Total USDA Securities	1,651,761	1,612,013
Loans:		
Loans held for investment, at amortized cost	2,641,714	2,570,125
Loans held for investment in consolidated trusts, at amortized cost	609,464	629,989
Allowance for loan losses	(7,410)	(6,866)
Total loans, net of allowance	3,243,768	3,193,248
Real estate owned, at lower of cost or fair value	2,503	2,617
Financial derivatives, at fair value	11,357	19,718
Interest receivable (includes $3,317 and $9,276, respectively, related to consolidated trusts)	65,223	107,201
Guarantee and commitment fees receivable	43,873	43,904
Deferred tax asset, net	32,818	44,045
Prepaid expenses and other assets	16,917	14,046
Total Assets	$13,554,353	$13,361,780
Liabilities and Equity:		
Liabilities:		
Notes payable:		
Due within one year	$7,354,271	$7,338,781
Due after one year	5,036,375	5,001,169
Total notes payable	12,390,646	12,339,950
Debt securities of consolidated trusts held by third parties	312,643	261,760
Financial derivatives, at fair value	73,887	75,708
Accrued interest payable (includes $1,852 and $2,823, respectively, related to consolidated trusts)	37,104	53,772
Guarantee and commitment obligation	40,643	39,667
Accounts payable and accrued expenses	13,886	9,986
Reserve for losses	6,569	6,468

Total Liabilities	12,875,378	12,787,311
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
Series B, par value $25 per share, 3,000,000 shares authorized, issued and outstanding	73,306	—
Common stock:		
Class A Voting, $1 par value, no maximum authorization, 1,030,780 shares outstanding	1,031	1,031
Class B Voting, $1 par value, no maximum authorization, 500,301 shares outstanding	500	500
Class C Non-Voting, $1 par value, no maximum authorization, 9,354,992 shares and 9,354,804 shares outstanding, respectively	9,355	9,355
Additional paid-in capital	111,477	110,722
Accumulated other comprehensive income/(loss), net of tax	14,954	(16,202)
Retained earnings	168,166	168,877
Total Stockholders' Equity	437,122	332,616
Non-controlling interest - preferred stock	241,853	241,853
Total Equity	678,975	574,469
Total Liabilities and Equity	$13,554,353	$13,361,780

See accompanying notes to consolidated financial statements.

3

Table of Contents

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

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
	(in thousands except per share amounts)	
Interest income:		
Investments and cash equivalents	$5,237	$5,734
Farmer Mac Guaranteed Securities and USDA Securities	30,112	31,721
Loans	14,369	24,043
Total interest income	49,718	61,498
Total interest expense	34,726	33,128
Net interest income	14,992	28,370
Provision for loan losses	(573)	(430)
Net interest income after provision for loan losses	14,419	27,940
Non-interest (loss)/income:		
Guarantee and commitment fees	6,518	6,612
(Losses)/gains on financial derivatives and hedging activities	(7,578)	4,494
Gains on trading assets	655	210
Gains on sale of available-for-sale investment securities	15	2
(Losses)/gains on sale of real estate owned	(3)	47
Other income	92	1,080
Non-interest (loss)/income	(301)	12,445
Non-interest expense:		
Compensation and employee benefits	4,456	4,698
General and administrative	2,794	2,917
Regulatory fees	594	594
Real estate owned operating costs, net	2	126
Provision for losses	101	746
Non-interest expense	7,947	9,081
Income before income taxes	6,171	31,304
Income tax (benefit)/expense	(1,141)	8,716
Net income	7,312	22,588
Less: Net income attributable to non-controlling interest - preferred stock dividends	(5,547)	(5,547)
Net income attributable to Farmer Mac	1,765	17,041
Preferred stock dividends	(952)	(851)
Net income attributable to common stockholders	$813	$16,190
Earnings per common share and dividends:		
Basic earnings per common share	$0.07	$1.51
Diluted earnings per common share	$0.07	$1.45
Common stock dividends per common share	$0.14	$0.12

See accompanying notes to consolidated financial statements.

Table of Contents

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

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
	(in thousands)	
Net income	$7,312	$22,588
Other comprehensive income, net of tax:		
Unrealized holding gains on available-for-sale securities (1)	34,241	21,812
Unrealized losses on cash flow hedges (2)	(68)	—
Less reclassification adjustments included in:		
(Losses)/gains on financial derivatives and hedging activities (3)	(3,101)	(3,207)
Gains on sale of available-for-sale investment securities (4)	(10)	(1)
Other income (5)	94	(214)
Other comprehensive income	31,156	18,390
Comprehensive income	38,468	40,978
Less: Comprehensive income attributable to noncontrolling interest - preferred stock dividends	(5,547)	(5,547)
Comprehensive income attributable to Farmer Mac	$32,921	$35,431

(1) Presented net of income tax expense of $18.4 million and $11.7 million for the three months ended March 31, 2014 and 2013, respectively.

(2) Presented net of income tax benefit of $37,000 for the three months ended March 31, 2014.

(3) Relates to the amortization of the unrealized gains on the hedged items prior to application of hedge accounting. Presented net of income tax benefit of $1.7 million for both the three months ended March 31, 2014 and 2013.

(4) Represents realized gains on sales of available-for-sale investment securities. Presented net of income tax benefit of $5,000 and $1,000 for the three months ended March 31, 2014 and 2013, respectively.

(5) Represents amortization of deferred gains related to certain available-for-sale USDA Securities and Farmer Mac Guaranteed Securities. Presented net of income tax expense of $0.1 million and tax benefit of $0.1 million for the three months ended March 31, 2014 and 2013, respectively.

See accompanying notes to consolidated financial statements.

Table of Contents

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

	For the Three Months Ended			
	March 31, 2014		March 31, 2013	
	Shares	Amount	Shares	Amount
	(in thousands)			
Preferred stock:				
Balance, beginning of period	2,400	$58,333	58	$57,578
Issuance of Series A preferred stock	—	—	2,400	58,333
Issuance of Series B preferred stock	3,000	73,306	—	—
Redemption of Series C preferred stock	—	—	(58)	(57,578)
Balance, end of period	5,400	$131,639	2,400	$58,333
Common stock:				
Balance, beginning of period	10,886	$10,886	10,702	$10,702
Issuance of Class C common stock	—	—	52	52
Balance, end of period	10,886	$10,886	10,754	$10,754
Additional paid-in capital:				
Balance, beginning of period		$110,722		$106,617
Stock-based compensation expense		713		866
Issuance of Class C common stock		6		3
Tax effect of stock-based awards		36		900
Balance, end of period		$111,477		$108,386
Retained earnings:				
Balance, beginning of period		$168,877		$102,243
Net income attributable to Farmer Mac		1,765		17,041
Cash dividends:				
Preferred stock, Series A ($0.3672 per share in 2014 and $0.2978 per share in 2013)		(881)		(715)
Preferred stock, Series B ($0.105 per share)		(71)		—
Preferred stock, Series C ($2.36 per share)		—		(136)
Common stock ($0.14 per share in 2014 and $0.12 per share in 2013)		(1,524)		(1,290)
Balance, end of period		$168,166		$117,143
Accumulated other comprehensive income:				
Balance, beginning of period		$(16,202)		$73,969
Other comprehensive income, net of tax		31,156		18,390
Balance, end of period		$14,954		$92,359
Total Stockholders' Equity		$437,122		$386,975
Non-controlling interest - preferred stock:				
Balance, beginning of period		$241,853		$241,853
Balance, end of period		$241,853		$241,853
Total Equity		$678,975		$628,828

See accompanying notes to consolidated financial statements.

6

Table of Contents

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

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
	(in thousands)	
Cash flows from operating activities:		
Net income	$7,312	$22,588
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	13,983	2,712
Amortization of debt premiums, discounts and issuance costs	2,658	3,286
Net change in fair value of trading securities, hedged assets, and financial derivatives	3,029	(8,997)
Gains on sale of available-for-sale investment securities	(15)	(2)
Losses/(gains) on sale of real estate owned	3	(47)
Total provision for losses	674	1,176
Deferred income taxes	(6,009)	1,992
Stock-based compensation expense	713	865
Proceeds from repayment of trading investment securities	283	315
Proceeds from repayment of loans purchased as held for sale	42,713	66,095
Net change in:		
Interest receivable	41,978	36,879
Guarantee and commitment fees receivable	31	(570)
Other assets	(2,827)	27,003
Accrued interest payable	(16,668)	(16,305)
Other liabilities	4,793	5,069
Net cash provided by operating activities	92,651	142,059
Cash flows from investing activities:		
Purchases of available-for-sale investment securities	(369,120)	(244,819)
Purchases of Farmer Mac Guaranteed Securities and USDA Securities	(289,484)	(222,187)
Purchases of loans held for investment	(246,310)	(190,149)
Purchases of defaulted loans	(440)	(140)
Proceeds from repayment of available-for-sale investment securities	370,084	439,135
Proceeds from repayment of Farmer Mac Guaranteed Securities and USDA Securities	244,014	163,508
Proceeds from repayment of loans purchased as held for investment	141,534	93,587
Proceeds from sale of available-for-sale investment securities	10,015	15,014
Proceeds from sale of Farmer Mac Guaranteed Securities	62,751	25,042
Proceeds from sale of real estate owned	11	203
Net cash (used in)/provided by investing activities	(76,945)	79,194
Cash flows from financing activities:		
Proceeds from issuance of discount notes	15,566,728	15,653,949
Proceeds from issuance of medium-term notes	750,354	703,268
Payments to redeem discount notes	(15,582,044)	(16,021,517)
Payments to redeem medium-term notes	(687,000)	(419,000)
Excess tax benefits related to stock-based awards	36	613
Payments to third parties on debt securities of consolidated trusts	(11,868)	(25,413)
Proceeds from common stock issuance	6	888

Proceeds from Series A Preferred stock issuance	—	58,333
Proceeds from Series B Preferred stock issuance	73,306	—
Retirement of Series C Preferred stock	—	(57,578)
Dividends paid - Non-controlling interest - preferred stock	(5,547)	(5,547)
Dividends paid on common and preferred stock	(2,405)	(1,426)
Net cash provided by/(used in) financing activities	101,566	(113,430)
Net increase in cash and cash equivalents	117,272	107,823
Cash and cash equivalents at beginning of period	749,313	785,564
Cash and cash equivalents at end of period	$866,585	$893,387

See accompanying notes to consolidated financial statements.

Table of Contents

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 (the "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, 2013 consolidated balance sheet presented in this report has been derived from Farmer Mac's audited 2013 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 2013 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, 2013 filed with the SEC on March 13, 2014. 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; Investment Securities, Farmer Mac Guaranteed Securities, and USDA Securities; Loans; Securitization of Loans; Non-accrual Loans; Real Estate Owned; Financial Derivatives; Notes Payable; Allowance 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, 2014.

Table of Contents

Principles of Consolidation

The consolidated financial statements include the accounts of Farmer Mac and its two subsidiaries: (1) Farmer Mac Mortgage Securities Corporation ("FMMSC"), whose principal activities are to facilitate the purchase and issuance of securities guaranteed by Farmer Mac that represent interests in, or obligations secured by, pools of eligible loans ("Farmer Mac Guaranteed Securities") and (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. 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:

Table 1.1

	Consolidation of Variable Interest Entities March 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)	$312,569	$—	$296,895	$—	$—	$609,464
Debt securities of consolidated trusts held by third parties (2)	312,643	—	—	—	—	312,643
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Carrying value (3)	—	21,608	—	33,098	—	54,706
Maximum exposure to loss (4)	—	20,894	—	30,000	—	50,894
Investment securities:						
Carrying value (5)	—	—	—	—	572,345	572,345
Maximum exposure to loss (4) (5)	—	—	—	—	579,225	579,225
Off-Balance Sheet:						
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Maximum exposure to loss (4) (6)	731,574	19,562	—	970,000	—	1,721,136

(1) Includes unamortized premiums related to Rural Utilities of $4.4 million.
(2) Includes borrower remittances of $0.1 million, which have not been passed through to third party investors as of March 31, 2014.
(3) Includes unamortized premiums and discounts and fair value adjustments related to USDA Guarantees and Institutional Credit of $0.7 million and $3.1 million, respectively.
(4) Farmer Mac uses unpaid principal balance and 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 Farm & Ranch amount relates to unconsolidated trusts where Farmer Mac determined it was not the primary beneficiary due to shared power with an unrelated party.

Table of Contents

Consolidation of Variable Interest Entities
December 31, 2013

	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)	$259,509	$—	$370,480	$—	$—	$629,989
Debt securities of consolidated trusts held by third parties (2)	261,760	—	—	—	—	261,760
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Carrying value (3)	—	21,234	—	33,248	—	54,482
Maximum exposure to loss (4)	—	21,088	—	30,000	—	51,088
Investment securities:						
Carrying value (5)	—	—	—	—	533,688	533,688
Maximum exposure to loss (4) (5)	—	—	—	—	540,726	540,726
Off-Balance Sheet:						
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Maximum exposure to loss (4) (6)	765,751	20,222	—	970,000	—	1,755,973

(1) Includes unamortized premiums related to Rural Utilities of $16.2 million.
(2) Includes borrower remittances of $2.3 million, which have not been passed through to third party investors as of December 31, 2013.
(3) Includes unamortized premiums and discounts and fair value adjustments related to USDA Guarantees and Institutional Credit of $0.1 million and $3.2 million, respectively.
(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 GSE-guaranteed mortgage-backed securities.
(6) The Farm & Ranch amount relates to unconsolidated trusts where Farmer Mac determined it was not the primary beneficiary due to shared power with an unrelated party.

A guarantee by Farmer Mac of timely payment of principal and interest is an explicit element of the terms of all Farmer Mac Guaranteed Securities. When Farmer Mac retains such securities in its portfolio, that guarantee is not extinguished. For Farmer Mac Guaranteed Securities held in Farmer Mac's portfolio, Farmer Mac has entered into guarantee arrangements with FMMSC. The guarantee fee rate established between Farmer Mac and FMMSC is an element in determining the fair value of these Farmer Mac Guaranteed Securities, and guarantee fees related to these securities are reflected in guarantee and commitment fees in the consolidated statements of operations. These guarantee fees totaled $2.6 million for the three months ended March 31, 2014 and March 31, 2013, respectively. The corresponding expense of FMMSC has been eliminated against interest income in consolidation. All other inter-company balances and transactions have been eliminated in consolidation.

(a) Cash and Cash Equivalents and Statements of Cash Flows

Farmer Mac considers highly liquid investment securities with maturities at the time of purchase of three months or less to be cash equivalents. The carrying value of cash and cash equivalents is a reasonable estimate of their approximate fair value. Changes in the balance of cash and cash equivalents are reported in the consolidated statements of cash flows.

Table of Contents

The following table sets forth information regarding certain cash and non-cash transactions for the three months ended March 31, 2014 and 2013:

Table 1.2

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
	(in thousands)	
Cash paid during the period for:		
Interest	$36,535	$33,068
Income taxes	—	—
Non-cash activity:		
Real estate owned acquired through loan liquidation	—	1,034
Loans acquired and securitized as Farmer Mac Guaranteed Securities	62,751	25,042
Purchases of investment securities traded, not yet settled	—	325,000
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	62,751	25,042
Transfers of loans held for sale to loans held for investment	—	673,991
Transfers of available-for-sale Farmer Mac Guaranteed Securities to held-to-maturity	1,589,775	—

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.

On January 1, 2013, Farmer Mac transferred $674.0 million of loans from held for sale to held for investment because Farmer Mac either (1) no longer intends to sell these loans in the foreseeable future or (2) securitizes these loans using VIEs that are ultimately consolidated on Farmer Mac's balance sheet and reported as "Loans held for investment in consolidated trusts, at amortized cost." Farmer Mac transferred these loans at the lower of cost or fair value (determined on a pooled basis). Farmer Mac recorded a $5.9 million unamortized discount for loans transferred at fair value. At the time of purchase, loans are classified as either held for sale or held for investment depending upon management's intent and ability to hold the loans for the foreseeable future. Cash receipts from the repayment of loans are classified within the statements of cash flows based on management's intent upon purchase of the loan.

Table of Contents

(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, 2014 and 2013:

Table 1.3

	For the Three Months Ended					
	March 31, 2014			March 31, 2013		
	Net Income	Weighted-Average Shares	$ per Share	Net Income	Weighted-Average Shares	$ per Share
	(in thousands, except per share amounts)					
Basic EPS						
Net income attributable to common stockholders	$813	10,887	$0.07	$16,190	10,737	$1.51
Effect of dilutive securities (1):						
Stock options, SARs and restricted stock	—	459	—	—	424	(0.06)
Diluted EPS	$813	11,346	$0.07	$16,190	11,161	$1.45

(1) For the three months ended March 31, 2014 and 2013, stock options and SARs of 32,983 and 4,000, respectively, were outstanding but not included in the computation of diluted earnings per share of common stock because they were anti-dilutive. For the three months ended March 31, 2014 and 2013, contingent shares of non-vested restricted stock of 31,594 and 25,300, respectively, were outstanding but not included in the computation of diluted earnings per share of common stock because performance conditions were not met.

(c) Reclassifications

Certain reclassifications of prior period information were made to conform to the current period presentation.

Table of Contents

2. INVESTMENT SECURITIES

The following tables present the amount outstanding, amortized cost, and fair values of Farmer Mac's investment securities as of March 31, 2014 and December 31, 2013:

Table 2.1

	March 31, 2014					
	Amount Outstanding	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)					
Available-for-sale:						
Floating rate auction-rate certificates backed by Government guaranteed student loans	$74,100	$ —	$74,100	$—	$(9,137)	$64,963
Floating rate asset-backed securities	177,999	(176)	177,823	385	(13)	178,195
Floating rate corporate debt securities	107,130	2	107,132	411	(1)	107,542
Fixed rate corporate debt securities	55,000	32	55,032	158	—	55,190
Floating rate Government/GSE guaranteed mortgage-backed securities	640,910	4,056	644,966	4,891	(640)	649,217
Fixed rate GSE guaranteed mortgage-backed securities (1)	1,123	3,860	4,983	3,601	—	8,584
Floating rate GSE subordinated debt	70,000	—	70,000	—	(6,615)	63,385
Fixed rate GSE preferred stock	78,500	253	78,753	2,887	—	81,640
Fixed rate taxable municipal bonds	22,053	47	22,100	7	—	22,107
Fixed rate senior agency debt	518,691	204	518,895	149	(129)	518,915
Floating rate U.S. Treasuries	75,000	(16)	74,984	—	(26)	74,958
Fixed rate U.S. Treasuries	643,692	608	644,300	100	(4)	644,396
Total available-for-sale	2,464,198	8,870	2,473,068	12,589	(16,565)	2,469,092
Trading:						
Floating rate asset-backed securities	3,270	—	3,270	—	(2,347)	923
Total investment securities	$2,467,468	$ 8,870	$2,476,338	$12,589	$(18,912)	$2,470,015

(1) Fair value includes $7.4 million of an interest-only security with a notional amount of $152.4 million.

Table of Contents

	December 31, 2013					
	Amount Outstanding	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)					
Available-for-sale:						
Floating rate auction-rate certificates backed by Government guaranteed student loans	$74,100	$ —	$74,100	$—	$(8,815)	$65,285
Floating rate asset-backed securities	166,185	(217)	165,968	195	(59)	166,104
Floating rate corporate debt securities	109,345	(3)	109,342	445	(18)	109,769
Fixed rate corporate debt securities	55,000	48	55,048	97	(4)	55,141
Floating rate Government/GSE guaranteed mortgage-backed securities	612,413	4,336	616,749	4,955	(435)	621,269
Fixed rate GSE guaranteed mortgage-backed securities (1)	1,173	3,966	5,139	3,518	—	8,657
Floating rate GSE subordinated debt	70,000	—	70,000	—	(6,615)	63,385
Fixed rate GSE preferred stock	78,500	365	78,865	4,296	—	83,161
Fixed rate taxable municipal bonds	30,595	84	30,679	5	(3)	30,681
Fixed rate senior agency debt	523,691	294	523,985	107	(30)	524,062
Fixed rate U.S. Treasuries	754,405	1,141	755,546	95	(8)	755,633
Total available-for-sale	2,475,407	10,014	2,485,421	13,713	(15,987)	2,483,147
Trading:						
Floating rate asset-backed securities	3,553	—	3,553	—	(2,625)	928
Total investment securities	$2,478,960	$ 10,014	$2,488,974	$13,713	$(18,612)	$2,484,075

(1) Fair value includes $7.4 million of an interest-only security with a notional amount of $152.4 million.

During the three months ended March 31, 2014, Farmer Mac received proceeds of $10.0 million from the sale of securities from its available-for-sale investment portfolio, resulting in gross realized gains of $15,000, compared to proceeds of $15.0 million for the same period in 2013, resulting in gross realized gains of $2,000.

Table of Contents

As of March 31, 2014 and December 31, 2013, unrealized losses on available-for-sale investment securities were as follows:

Table 2.2

	March 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	$—	$—	$64,963	$(9,137)
Floating rate asset-backed securities	21,645	(13)	—	—
Floating rate corporate debt securities	4,999	(1)	—	—
Floating rate Government/GSE guaranteed mortgage-backed securities	230,889	(615)	7,337	(25)
Floating rate GSE subordinated debt	—	—	63,385	(6,615)
Fixed rate senior agency debt	284,512	(129)	—	—
Floating rate U.S. Treasuries	74,958	(26)	—	—
Fixed rate U.S. Treasuries	150,045	(4)	—	—
Total	$767,048	$(788)	$135,685	$(15,777)

	December 31, 2013 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	$—	$—	$65,285	$(8,815)
Floating rate asset-backed securities	50,129	(59)	—	—
Floating rate corporate debt securities	19,982	(18)	—	—
Fixed rate corporate debt securities	10,058	(4)	—	—
Floating rate Government/GSE guaranteed mortgage-backed securities	161,960	(435)	—	—
Floating rate GSE subordinated debt	—	—	63,385	(6,615)
Fixed rate taxable municipal bonds	8,041	(3)	—	—
Fixed rate senior agency debt	316,273	(30)	—	—
Fixed rate U.S. Treasuries	118,056	(8)	—	—
Total	$684,499	$(557)	$128,670	$(15,430)

The unrealized losses presented above are principally due to a general widening of credit spreads from the dates of acquisition to March 31, 2014 and December 31, 2013, as applicable. The resulting decrease in fair values reflect an increase in the perceived risk by the financial markets related to those securities. As of March 31, 2014, all of the investment securities in an unrealized loss position had credit ratings of at least "AA+," except one, comprising the floating rate GSE subordinated debt category, that was rated "A-". As of December 31, 2013, all of the investment securities in an unrealized loss position had credit ratings of at least "AA+," except two that were rated "A-" and one that was rated "BBB+". The unrealized

Table of Contents

losses were on 45 and 64 individual investment securities as of March 31, 2014 and December 31, 2013, respectively.

As of March 31, 2014, 10 of the securities in loss positions had been in loss positions for more than 12 months and had a total unrealized loss of $15.8 million. As of December 31, 2013, 7 of the securities in loss positions had been in loss positions for more than 12 months and had a total unrealized loss of $15.4 million. Securities in unrealized loss positions for 12 months or longer have a fair value as of March 31, 2014 that is, on average, approximately 89.6 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, 2014 and December 31, 2013. 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, 2014 and December 31, 2013. As of March 31, 2014, Farmer Mac owned trading investment securities with an amortized cost of $3.3 million, a fair value of $0.9 million, and a weighted average yield of 4.24 percent. As of December 31, 2013, Farmer Mac owned trading investment securities with an amortized cost of $3.6 million, a fair value of $0.9 million, and a weighted average yield of 4.25 percent.

The amortized cost, fair value, and weighted average yield of available-for-sale investment securities by remaining contractual maturity as of March 31, 2014 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

	March 31, 2014 Available-for-Sale Securities		
	Amortized Cost	Fair Value	Weighted-Average Yield
	(dollars in thousands)		
Due within one year	$1,246,490	$1,246,691	0.43%
Due after one year through five years	288,599	289,722	0.84%
Due after five years through ten years	325,128	323,229	0.79%
Due after ten years	612,851	609,450	2.35%
Total	$2,473,068	$2,469,092	1.00%

Table of Contents

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, 2014 and December 31, 2013:

Table 3.1

	March 31, 2014					
	Unpaid Principal Balance	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)					
Held-to-maturity:						
AgVantage	$1,641,150	$ 19,120	$1,660,270	—	—	—
Available-for-sale:						
AgVantage	$3,470,937	$ —	$3,470,937	$35,565	$(38,847)	$3,467,655
Farmer Mac Guaranteed USDA Securities	20,894	(494)	20,400	1,210	(2)	21,608
Total Farmer Mac Guaranteed Securities	3,491,831	(494)	3,491,337	36,775	(38,849)	3,489,263
USDA Securities	1,597,956	4,591	1,602,547	7,346	(9,234)	1,600,659
Total available-for-sale	$5,089,787	$ 4,097	$5,093,884	$44,121	$(48,083)	$5,089,922
Trading:						
USDA Securities	$48,283	$ 4,441	$52,724	$151	$(1,773)	$51,102

	December 31, 2013					
	Unpaid Principal Balance	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)					
Available-for-sale:						
AgVantage	$5,066,855	$ 125	$5,066,980	$64,051	$(60,665)	$5,070,366
Farmer Mac Guaranteed USDA Securities	21,089	(518)	20,571	669	(6)	21,234
Total Farmer Mac Guaranteed Securities	5,087,944	(393)	5,087,551	64,720	(60,671)	5,091,600
USDA Securities	1,590,433	4,585	1,595,018	2,753	(44,102)	1,553,669
Total available-for-sale	$6,678,377	$ 4,192	$6,682,569	$67,473	$(104,773)	$6,645,269
Trading:						
USDA Securities	$55,373	$ 4,972	$60,345	$193	$(2,194)	$58,344

The unrealized losses presented above are principally due to higher interest rates from the date of acquisition to March 31, 2014 and December 31, 2013, 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. As of March 31, 2014, 13 AgVantage securities in loss positions that are secured by Farm & Ranch loans had been in a loss position for more than 12 months with a total unrealized loss of $27.4 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. Each AgVantage security that is secured by Farm & Ranch loans held by the issuing institution requires some level of overcollateralization, the removal of delinquent loans from the collateral pool, and the replacement of delinquent loans with current eligible loans. Thus, Farmer Mac does not believe it will

Table of Contents

realize any of those losses. None of the Rural Utilities Guaranteed Securities has been in an unrealized loss position for greater than 12 months. Farmer Mac has concluded that none of the unrealized losses on its available-for-sale Farmer Mac Guaranteed Securities and USDA Securities represents an other-than-temporary impairment as of March 31, 2014 and December 31, 2013. 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, 2014 and 2013, 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, 2014 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.

Table 3.2

	March 31, 2014 Available-for-Sale Securities			
	Amortized Cost	Fair Value	Weighted-Average Yield	
	(dollars in thousands)			
Due within one year	$785,824	$788,681	1.93	%
Due after one year through five years	1,561,316	1,578,618	1.89	%
Due after five years through ten years	879,210	874,896	1.79	%
Due after ten years	1,867,534	1,847,727	2.59	%
Total	$5,093,884	$5,089,922	2.13	%

	March 31, 2014 Held-to-Maturity Securities			
	Amortized Cost	Fair Value	Weighted-Average Yield	
	(dollars in thousands)			
Due within one year	$1,124	$1,007	4.34	%
Due after one year through five years	1,659,146	1,661,337	2.45	%
Total	$1,660,270	$1,662,344	2.45	%

Farmer Mac did not own any held-to-maturity Farmer Mac Guaranteed Securities or USDA Securities as of December 31, 2013. See Note 1(a) for more information about the transfer of Farmer Mac Guaranteed Securities to held-to-maturity as of January 1, 2014. As of March 31, 2014, Farmer Mac owned trading USDA Securities with an amortized cost of $52.7 million, a fair value of $51.1 million, and a weighted average yield of 5.56 percent. As of December 31, 2013, Farmer Mac owned trading USDA Securities with an amortized cost of $60.3 million, a fair value of $58.3 million, and a weighted average yield of 5.60 percent.

Table of Contents

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.

All financial derivatives are recorded on the balance sheet at fair value as a freestanding asset or liability. Changes in the fair values of financial derivatives not designated as cash flow hedges are reported in "(Losses)/gains on financial derivatives and hedging activities" in the consolidated statements of operations. For financial derivatives designated in fair value hedging relationships, changes in the fair values of the hedged items related to the risk being hedged are also reported in "(Losses)/gains on financial derivatives and hedging activities" in the consolidated statements of operations. For financial derivatives designated in cash flow hedging relationships, the effective portion of the derivative gain/loss is recorded in other comprehensive income; amounts are disclosed as a reclassification out of other comprehensive income when the hedged transaction affects earnings. Any ineffective portion of designated hedge transactions is recognized immediately in"(Losses)/gains on financial derivatives and hedging activities" in the consolidated statements of operations.

As of March 31, 2014 and December 31, 2013, Farmer Mac's credit exposure to interest rate swap counterparties, excluding netting arrangements and any adjustment for nonperformance risk, but including accrued interest, was $19.3 million and $25.1 million, respectively; however, including netting arrangements and accrued interest, Farmer Mac's credit exposure was $2.3 million and $3.3 million as of March 31, 2014 and December 31, 2013, respectively. As of March 31, 2014 and December 31, 2013, Farmer Mac held no cash as collateral for its derivatives in net asset positions, resulting in uncollateralized net asset positions of $2.3 million and $3.0 million, respectively. Farmer Mac records cash held as collateral as an increase in the balance of cash and cash equivalents and an increase in the balance of accounts payable and accrued expenses.

As of March 31, 2014 and December 31, 2013, 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 $81.5 million and $92.0 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 $68.6 million and $74.8 million as of March 31, 2014 and December 31, 2013, respectively. Farmer Mac posted cash of $14.2 million and no investment securities as of March 31, 2014 and posted cash of $9.8 million and investment securities with a fair value of $1.5 million as of December 31, 2013 as collateral for its derivatives in net liability positions. 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, 2014 and December 31, 2013, it could have been required to settle its obligations under the agreements or post additional collateral of $54.4 million and $63.5 million, respectively. As of March 31, 2014 and December 31, 2013, 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.

Table of Contents

Effective in second quarter 2013, Farmer Mac expanded its use of centrally-cleared derivatives by clearing through a clearinghouse certain interest rate swaps. Farmer Mac posts initial and variation margin to the clearinghouses through which centrally-cleared derivatives and futures contracts are traded. These collateral postings expose Farmer Mac to institutional credit risk in the event that either the clearinghouse or the futures commission merchant that Farmer Mac uses to post collateral to the clearinghouse fails to meet its obligations. Conversely, the use of centrally-cleared derivatives mitigates Farmer Mac's credit risk to individual counterparties because clearinghouses assume the credit risk among counterparties in centrally-cleared derivatives transactions. Of Farmer Mac's $6.6 billion notional amount of interest rate swaps outstanding as of March 31, 2014, $3.1 billion were cleared through swap clearinghouses.

Farmer Mac’s counterparties are required to pledge collateral for transactions involving securities purchased under agreements to resell. Farmer Mac considers the types of securities being pledged as collateral when determining how much to lend in these transactions. Additionally, Farmer Mac regularly reviews the fair values of these securities compared to amounts loaned and derivative counterparty collateral posting thresholds in an effort to minimize exposure to losses. The fair value of non-cash collateral accepted for securities purchased under agreements to resell or similar arrangements was $150.0 million, all of which could be sold or repledged; however, none of the underlying collateral was sold or repledged as of March 31, 2014. There were no securities purchased under agreements to resell as of December 31, 2013.

Table of Contents

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, 2014 and December 31, 2013 and the effects of financial derivatives on the consolidated statements of operations for the three months ended March 31, 2014 and 2013:

Table 4.1

	March 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	$900,000	$—	$(28,789)	2.25%	0.24%		3.00
Cash flow hedges:							
Interest rate swaps:							
Pay fixed non-callable	10,000	—	(36)	2.50%	0.48%		6.70
No hedge designation:							
Interest rate swaps:							
Pay fixed non-callable	507,820	3,074	(43,448)	4.28%	0.24%		7.55
Receive fixed non-callable	4,431,663	8,045	(183)	0.26%	0.68%		0.47
Receive fixed callable	195,000	4	(1,081)	0.10%	0.65%		3.03
Basis swaps	565,189	336	(572)	0.25%	0.26%		1.86
Agency forwards	—	—	—			—	
Treasury futures	18,400	15	—			123.58	
Credit valuation adjustment		(117)	222				
Total financial derivatives	$6,628,072	$11,357	$(73,887)				
Collateral pledged		—	14,223				
Net amount		$11,357	$(59,664)				

21

Table of Contents

	December 31, 2013						
		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	$900,000	$—	$(28,989)	2.25%	0.24%		3.25
Cash flow hedges:							
Interest rate swaps:							
Pay fixed non-callable	10,000	68	—	2.50%	0.48%		6.95
No hedge designation:							
Interest rate swaps:							
Pay fixed non-callable	806,596	7,570	(45,360)	4.63%	0.24%		4.86
Receive fixed non-callable	4,324,663	11,836	(262)	0.27%	0.70%		0.53
Receive fixed callable	175,000	83	(934)	0.10%	0.65%		3.30
Basis swaps	404,288	276	(318)	0.32%	0.29%		1.52
Agency forwards	65,704	86	—			98.91	
Treasury futures	5,600	—	(1)			123.02	
Credit valuation adjustment		(201)	156				
Total financial derivatives	$6,691,851	$19,718	$(75,708)				
Collateral pledged		—	11,320				
Net amount		$19,718	$(64,388)				

Table 4.2

	(Losses)/Gains on Financial Derivatives and Hedging Activities For the Three Months Ended	
	March 31, 2014	March 31, 2013
	(in thousands)	
Fair value hedges:		
Interest rate swaps (1)	$200	$5,791
Hedged items	2,750	(3,138)
Gains on hedging activities	2,950	2,653
No hedge designation:		
Interest rate swaps	(9,548)	2,846
Agency forwards	(852)	(984)
Treasury futures	(128)	(21)
(Losses)/gains on financial derivatives not designated in hedging relationships	(10,528)	1,841
(Losses)/gains on financial derivatives and hedging activities	$(7,578)	$4,494

(1) Included in the assessment of hedge effectiveness at March 31, 2014, but excluded from the amounts in the table, 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. Accordingly, the amounts recognized as hedge ineffectiveness for the three months ended March 31, 2014 were gains of $29,000. The comparable amounts at March 31, 2013 were losses of $3.0 million for the three months ended March 31, 2013 attributable to the fair value of the swaps at the

inception of the hedging relationship and, accordingly, losses of $0.3 million for the three months ended March 31, 2013 attributable to hedge ineffectiveness.

As of March 31, 2014, Farmer Mac had outstanding basis swaps with Zions First National Bank, a related party, with a total notional amount of $22.1 million and a fair value of $(0.2) million, compared to $29.3

Table of Contents

million and $(0.2) million, respectively, as of December 31, 2013. Under the terms of those basis swaps, Farmer Mac pays Constant Maturity Treasury-based rates and receives LIBOR. Those swaps hedge most of the interest rate basis risk related to loans Farmer Mac purchases that pay a Constant Maturity Treasury-based rate and the discount notes Farmer Mac issues to fund the loan purchases. The pricing of discount notes is closely correlated to LIBOR rates. Farmer Mac recorded unrealized gains on those outstanding basis swaps for the three months ended March 31, 2014 and 2013 of $0.1 million and $0.2 million, respectively.

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, 2014 and December 31, 2013, Farmer Mac had no loans held for sale. The following table displays the composition of the loan balances as of March 31, 2014 and December 31, 2013:

Table 5.1

	March 31, 2014			December 31, 2013		
	Unsecuritized	In Consolidated Trusts	Total	Unsecuritized	In Consolidated Trusts	Total
	(in thousands)					
Farm & Ranch	$1,910,389	$312,569	$2,222,958	$1,875,958	$259,509	$2,135,467
Rural Utilities	734,717	292,529	1,027,246	698,010	354,241	1,052,251
Total unpaid principal balance (1)	2,645,106	605,098	3,250,204	2,573,968	613,750	3,187,718
Unamortized premiums, discounts and other cost basis adjustments	(3,392)	4,366	974	(3,843)	16,239	12,396
Total loans	2,641,714	609,464	3,251,178	2,570,125	629,989	3,200,114
Allowance for loan losses	(6,959)	(451)	(7,410)	(6,587)	(279)	(6,866)
Total loans, net of allowance	$2,634,755	$609,013	$3,243,768	$2,563,538	$629,710	$3,193,248

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

Table of Contents

Allowances for Losses

Farmer Mac maintains an allowance for loan losses to cover estimated probable losses on loans held and a reserve for losses to cover estimated probable losses on loans underlying long-term standby purchase commitments ("LTSPCs") and off-balance sheet Farmer Mac Guaranteed Securities. As of March 31, 2014 and December 31, 2013, Farmer Mac recorded allowances for losses of $14.0 million and $13.3 million, respectively. See Note 3 and Note 6 for more information about Farmer Mac Guaranteed Securities. Farmer Mac Guaranteed Securities do not include AgVantage securities with regard to the allowance for losses discussion.

Farmer Mac's allowance for losses is presented in two components on its consolidated balance sheets:

- an "Allowance for loan losses" on loans held; and
- a "Reserve for losses" on loans underlying LTSPCs and off-balance sheet Farmer Mac Guaranteed Securities.

The following is a summary of the changes in the total allowance for losses for the three months ended March 31, 2014 and 2013:

Table 5.2

	March 31, 2014			March 31, 2013		
	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	$6,866	$6,468	$13,334	$11,351	$5,539	$16,890
Provision for losses	573	101	674	430	746	1,176
Charge-offs	(29)	—	(29)	(3,814)	—	(3,814)
Ending Balance	$7,410	$6,569	$13,979	$7,967	$6,285	$14,252

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. During first quarter 2013, Farmer Mac recorded provisions to its allowance for loan losses of $0.4 million and provisions to its reserve for losses of $0.7 million. Farmer Mac also recorded charge-offs of $3.8 million to its allowance for loan losses during first quarter 2013, which included a $3.6 million charge-off related to one ethanol loan that transitioned to real estate owned ("REO") during first quarter 2013 and for which Farmer Mac had previously provided a specific allowance.

Table of Contents

The following tables present the changes in the allowance for losses for the three months ended March 31, 2014 and 2013 by commodity type:

Table 5.3

	For the Three Months Ended March 31, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(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

	For the Three Months Ended March 31, 2013						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
Beginning Balance	$2,589	$2,316	$1,534	$784	$ 9,661	$6	$16,890
Provision for/(release of) losses	28	199	53	(51)	935	12	1,176
Charge-offs	—	(189)	—	—	(3,625)	—	(3,814)
Ending Balance	$2,617	$2,326	$1,587	$733	$ 6,971	$18	$14,252

Table of Contents

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 allowance for losses by impairment method and commodity type as of March 31, 2014 and December 31, 2013:

Table 5.4

	As of March 31, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
Ending Balance:							
Collectively evaluated for impairment:							
On-balance sheet	$1,395,277	$306,566	$359,633	$38,605	$ 41,717	$1,325	$2,143,123
Off-balance sheet	1,343,148	558,241	908,732	106,983	133,808	7,863	3,058,775
Total	$2,738,425	$864,807	$1,268,365	$145,588	$ 175,525	$9,188	$5,201,898
Individually evaluated for impairment:							
On-balance sheet	$19,854	$39,864	$9,193	$10,924	$ —	$—	$79,835
Off-balance sheet	3,316	3,375	4,269	1,282	—	—	12,242
Total	$23,170	$43,239	$13,462	$12,206	$ —	$—	$92,077
Total Farm & Ranch loans:							
On-balance sheet	$1,415,131	$346,430	$368,826	$49,529	$ 41,717	$1,325	$2,222,958
Off-balance sheet	1,346,464	561,616	913,001	108,265	133,808	7,863	3,071,017
Total	$2,761,595	$908,046	$1,281,827	$157,794	$ 175,525	$9,188	$5,293,975
Allowance for Losses:							
Collectively evaluated for impairment:							
On-balance sheet	$1,469	$301	$582	$24	$ 2,606	$—	$4,982
Off-balance sheet	363	155	626	48	5,109	4	6,305
Total	$1,832	$456	$1,208	$72	$ 7,715	$4	$11,287
Individually evaluated for impairment:							
On-balance sheet	$361	$1,608	$100	$359	$ —	$—	$2,428
Off-balance sheet	85	67	79	33	—	—	264
Total	$446	$1,675	$179	$392	$ —	$—	$2,692
Total Farm & Ranch loans:							
On-balance sheet	$1,830	$1,909	$682	$383	$ 2,606	$—	$7,410
Off-balance sheet	448	222	705	81	5,109	4	6,569
Total	$2,278	$2,131	$1,387	$464	$ 7,715	$4	$13,979

Table of Contents

	As of December 31, 2013						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
Ending Balance:							
Collectively evaluated for impairment:							
On-balance sheet	$1,363,861	$295,037	$319,665	$39,940	$ 32,636	$359	$2,051,498
Off-balance sheet	1,279,887	567,932	912,397	109,884	138,282	8,159	3,016,541
Total	$2,643,748	$862,969	$1,232,062	$149,824	$ 170,918	$8,518	$5,068,039
Individually evaluated for impairment:							
On-balance sheet	$21,147	$41,441	$10,844	$10,422	$ —	$115	$83,969
Off-balance sheet	1,962	3,414	3,199	2,497	—	—	11,072