

FEDERAL AGRICULTURAL MORTGAGE CORP

Form 10-Q

August 10, 2015

As filed with the Securities and Exchange Commission on August 10, 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 June 30, 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 August 3, 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 9,508,091 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 June 30, 2015 (in thousands)	December 31, 2014
Assets:		
Cash and cash equivalents	\$ 1,683,156	\$ 1,363,387
Investment securities:		
Available-for-sale, at fair value	1,851,899	1,938,499
Trading, at fair value	606	689
Total investment securities	1,852,505	1,939,188
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	4,051,208	3,659,281
Held-to-maturity, at amortized cost	1,822,027	1,794,620
Total Farmer Mac Guaranteed Securities	5,873,235	5,453,901
USDA Securities:		
Available-for-sale, at fair value	1,825,406	1,731,222
Trading, at fair value	33,770	40,310
Total USDA Securities	1,859,176	1,771,532
Loans:		
Loans held for investment, at amortized cost	3,153,012	2,833,461
Loans held for investment in consolidated trusts, at amortized cost	512,559	692,478
Allowance for loan losses	(5,939)	(5,864)
Total loans, net of allowance	3,659,632	3,520,075
Real estate owned, at lower of cost or fair value	750	421
Financial derivatives, at fair value	7,455	4,177
Interest receivable (includes \$6,338 and \$9,509, respectively, related to consolidated trusts)	101,127	106,874
Guarantee and commitment fees receivable	37,847	39,462
Deferred tax asset, net	23,130	33,391
Prepaid expenses and other assets	46,584	55,413
Total Assets	\$ 15,144,597	\$ 14,287,821
Liabilities and Equity:		
Liabilities:		
Notes payable:		
Due within one year	\$ 7,632,668	\$ 7,353,953
Due after one year	6,013,237	5,471,186
Total notes payable	13,645,905	12,825,139
Debt securities of consolidated trusts held by third parties	516,004	424,214
Financial derivatives, at fair value	69,373	84,844
Accrued interest payable (includes \$5,302 and \$5,145, respectively, related to consolidated trusts)	50,183	48,355
Guarantee and commitment obligation	36,417	37,925
Accounts payable and accrued expenses	245,785	81,252
Reserve for losses	4,637	4,263
Total Liabilities	14,568,304	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
Series B, par value \$25 per share, 3,000,000 shares authorized, issued and outstanding	73,044	73,044
Series C, par value \$25 per share, 3,000,000 shares authorized, issued and outstanding	73,382	73,382
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, 9,508,000 shares and 9,406,267 shares outstanding, respectively	9,508	9,406
Additional paid-in capital	116,098	113,559
Accumulated other comprehensive income, net of tax	22,733	15,533
Retained earnings	221,477	201,013
Total Stockholders' Equity	576,106	545,801
Non-controlling interest	187	236,028
Total Equity	576,293	781,829
Total Liabilities and Equity	\$ 15,144,597	\$ 14,287,821

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		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(in thousands, except per share amounts)			
Interest income:				
Investments and cash equivalents	\$3,094	\$5,101	\$5,959	\$10,338
Farmer Mac Guaranteed Securities and USDA Securities	34,484	32,957	67,606	65,803
Loans	28,814	26,417	56,778	40,786
Total interest income	66,392	64,475	130,343	116,927
Total interest expense	34,528	42,502	67,690	77,228
Net interest income	31,864	21,973	62,653	39,699
(Provision for)/release of allowance for loan losses	(110	) 1,583	(186	) 1,010
Net interest income after (provision for)/release of allowance for loan losses	31,754	23,556	62,467	40,709
Non-interest income:				
Guarantee and commitment fees	3,388	3,703	6,765	7,487
Gains/(losses) on financial derivatives and hedging activities	14,389	(5,698	) 10,507	(13,276
Gains on trading securities	170	7,748	532	8,403
Gains on sale of available-for-sale investment securities	—	143	6	158
Gains/(losses) on sale of real estate owned	—	168	(1	) 165
Other income	260	200	873	292
Non-interest income	18,207	6,264	18,682	3,229
Non-interest expense:				
Compensation and employee benefits	5,733	4,889	11,426	9,345
General and administrative	3,374	3,288	6,197	6,082
Regulatory fees	600	594	1,200	1,188
Real estate owned operating costs, net	—	59	(1	) 61
Provision for/(release of) reserve for losses	1,146	(974	) 374	(873
Non-interest expense	10,853	7,856	19,196	15,803
Income before income taxes	39,108	21,964	61,953	28,135
Income tax expense/(benefit)	13,769	(6,368	) 18,000	(7,509
Net income	25,339	28,332	43,953	35,644
Less: Net loss/(income) attributable to non-controlling interest	119	(5,819	) (5,235	) (11,366
Net income attributable to Farmer Mac	25,458	22,513	38,718	24,278
Preferred stock dividends	(3,296	) (2,308	) (6,591	) (3,260
Loss on retirement of preferred stock	—	—	(8,147) —
Net income attributable to common stockholders	\$22,162	\$20,205	\$23,980	\$21,018
Earnings per common share and dividends:				
Basic earnings per common share	\$2.01	\$1.85	\$2.19	\$1.93
Diluted earnings per common share	\$1.94	\$1.78	\$2.11	\$1.85
Common stock dividends per common share	\$0.16	\$0.14	\$0.32	\$0.28

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		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(in thousands)			
Net income	\$25,339	\$28,332	\$43,953	\$35,644
Other comprehensive income, net of tax:				
Unrealized holding (losses)/gains on available-for-sale securities ⁽¹⁾	(26,114)	10,301	13,056	44,542
Unrealized gains/(losses) on cash flow hedges ⁽²⁾	930	(61)	769	(129)
Less reclassification adjustments included in:				
Gains/(losses) on financial derivatives and hedging activities ⁽³⁾	(3,219)	(3,106)	(6,379)	(6,207)
Gains on sale of available-for-sale investment securities ⁽⁴⁾	—	(93)	(4)	(103)
Other income ⁽⁵⁾	(47)	(72)	(242)	22
Other comprehensive (loss)/income	(28,450)	6,969	7,200	38,125
Comprehensive (loss)/income	(3,111)	35,301	51,153	73,769
Less: Comprehensive loss/(income) attributable to non-controlling interest	119	(5,819)	(5,235)	(11,366)
Comprehensive (loss)/income attributable to Farmer Mac	\$(2,992)	\$29,482	\$45,918	\$62,403

Presented net of income tax benefit of \$14.1 million and expense of \$5.5 million, for the three months ended

(1) June 30, 2015 and 2014, respectively, and income tax expense of \$7.0 million and \$24.0 million for the six months ended June 30, 2015 and 2014, respectively.

Presented net of income tax expense of \$0.5 million and benefit of \$33,000 for the three months ended June 30,

(2) 2015 and 2014, respectively, and income tax expense of \$0.4 million and benefit of \$69,000 for the six months ended June 30, 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 June 30, 2015 and 2014, respectively, and tax benefit of \$3.4 million and \$3.3 million for the six months ended June 30, 2015 and 2014, respectively.

Represents realized gains on sales of available-for-sale investment securities. There were no sales of

(4) available-for-sale investment securities for the three months ended June 30, 2015. Presented net of income tax benefit of \$50,000 for the three months ended June 30, 2014, and income tax benefit of \$2,000 and \$55,000 for the six months ended June 30, 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 \$25,000 and \$39,000 for the three months ended June 30, 2015 and 2014, respectively, and income tax benefit of \$0.1 million and expense of \$12,000 for the six months ended June 30, 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 Six Months Ended			
	June 30, 2015		June 30, 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	73,061
Issuance of Series C preferred stock	—	—	3,000	\$73,380
Balance, end of period	8,400	\$204,759	8,400	\$204,774
Common stock:				
Balance, beginning of period	10,937	\$10,937	10,886	\$10,886
Issuance of Class C common stock	102	102	38	38
Balance, end of period	11,039	\$11,039	10,924	\$10,924
Additional paid-in capital:				
Balance, beginning of period		\$113,559		\$110,722
Stock-based compensation expense		1,644		1,426
Issuance of Class C common stock		7		12
Tax effect of stock-based awards		888		(202)
Balance, end of period		\$116,098		\$111,958
Retained earnings:				
Balance, beginning of period		\$201,013		\$168,877
Net income attributable to Farmer Mac		38,718		24,278
Cash dividends:				
Preferred stock, Series A (\$0.7344 per share in 2015 and 2014)		(1,763)		(1,762)
Preferred stock, Series B (\$0.8594 per share in 2015 and \$0.5347 per share in 2014)		(2,578)		(1,360)
Preferred stock, Series C (\$0.7500 per share in 2015 and \$0.0458 per share in 2014)		(2,250)		(138)
Common stock (\$0.32 per share in 2015 and \$0.28 per share in 2014)		(3,516)		(3,053)
Loss on retirement of preferred stock, Farmer Mac II LLC		(8,147)		—
Balance, end of period		\$221,477		\$186,842
Accumulated other comprehensive income:				
Balance, beginning of period		\$15,533		\$(16,202)
Other comprehensive income, net of tax		7,200		38,125
Balance, end of period		\$22,733		\$21,923
Total Stockholders' Equity		\$576,106		\$536,421
Non-controlling interest:				
Balance, beginning of period		\$236,028		\$241,853
Redemption of Farmer Mac II LLC preferred stock		(235,853)		(6,000)
Investment in Contour - non-controlling interest		131		—
Net loss attributable to non-controlling interest		(119)		—
Balance, end of period		\$187		\$235,853
Total Equity		\$576,293		\$772,274

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 Six Months Ended	
	June 30, 2015	June 30, 2014
	(in thousands)	
Cash flows from operating activities:		
Net income	\$43,953	\$35,644
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	1,604	15,029
Amortization of debt premiums, discounts and issuance costs	5,870	5,144
Net change in fair value of trading securities, hedged assets, and financial derivatives	(15,619)	) 7,636
Gains on sale of available-for-sale investment securities	(6)	) (158)
Losses/(gains) on sale of real estate owned	1	) (165)
Total provision for/(release of) losses	560	) (1,883)
Deferred income taxes	5,657	) (17,496)
Stock-based compensation expense	1,644	1,427
Proceeds from repayment of trading investment securities	437	414
Proceeds from repayment of loans purchased as held for sale	54,728	58,930
Net change in:		
Interest receivable	5,747	13,125
Guarantee and commitment fees receivable	1,615	215
Other assets	9,182	(14,473)
Securities sold, not yet purchased	—	1,673,532
Accrued interest payable	1,828	(4,185)
Other liabilities	(3,838)	) (3,955)
Net cash provided by operating activities	113,363	1,768,781
Cash flows from investing activities:		
Net change in securities purchased under agreements to resell	—	(1,640,686)
Purchases of available-for-sale investment securities	(915,614)	) (1,138,711)
Purchases of Farmer Mac Guaranteed Securities and USDA Securities	(559,162)	) (681,044)
Purchases of loans held for investment	(323,401)	) (407,595)
Purchases of defaulted loans	(1,981)	) (440)
Proceeds from repayment of available-for-sale investment securities	914,988	575,393
Proceeds from repayment of Farmer Mac Guaranteed Securities and USDA Securities	236,801	670,079
Proceeds from repayment of loans purchased as held for investment	143,804	199,774
Proceeds from sale of available-for-sale investment securities	74,998	730,527
Proceeds from sale of Farmer Mac Guaranteed Securities	99,477	126,857
(Payments)/proceeds from sale of real estate owned	(1)	) 461
Net cash used in investing activities	(330,091)	) (1,565,385)
Cash flows from financing activities:		
Proceeds from issuance of discount notes	38,965,462	27,163,649
Proceeds from issuance of medium-term notes	2,690,604	1,759,012
Payments to redeem discount notes	(38,734,464)	) (28,161,623)
Payments to redeem medium-term notes	(2,106,715)	) (1,440,000)
Excess tax benefits related to stock-based awards	154	35
Payments to third parties on debt securities of consolidated trusts	(20,641)) (13,615)
Proceeds from common stock issuance	1,488	12

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Proceeds from Series B Preferred stock issuance	—	73,061
Proceeds from Series C Preferred stock issuance	—	73,380
Investment in Contour	131	—
Redemption of Farmer Mac II LLC Preferred Stock	(244,000	) (6,000)
Dividends paid - Non-controlling interest - preferred stock	(5,415	) (11,366)
Dividends paid on common and preferred stock	(10,107	) (5,131)
Net cash provided by/(used in) financing activities	536,497	(568,586)
Net increase/(decrease) in cash and cash equivalents	319,769	(365,190)
Cash and cash equivalents at beginning of period	1,363,387	749,313
Cash and cash equivalents at end of period	\$ 1,683,156	\$ 384,123

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 and six month periods ended June 30, 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.

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

Table 1.1

	Consolidation of Variable Interest Entities					Total
	As of June 30, 2015					
	Farm & Ranch	USDA Guarantees	Rural Utilities	Institutional Credit	Corporate	
	(in thousands)					
On-Balance Sheet:						
Consolidated VIEs:						
Loans held for investment in consolidated trusts, at amortized cost	\$512,559	\$—	\$—	\$—	\$—	\$512,559
Debt securities of consolidated trusts held by third parties ⁽¹⁾	516,004	—	—	—	—	516,004
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Carrying value ⁽²⁾	—	35,008	—	32,065	—	67,073
Maximum exposure to loss ⁽³⁾	—	33,822	—	30,000	—	63,822
Investment securities:						
Carrying value ⁽⁴⁾	—	—	—	—	455,251	455,251
Maximum exposure to loss ⁽³⁾⁽⁴⁾	—	—	—	—	458,566	458,566
Off-Balance Sheet:						
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Maximum exposure to loss ⁽³⁾⁽⁵⁾	575,811	10,888	—	970,000	—	1,556,699

(1) Includes borrower remittances of \$3.4 million. The borrower remittances have not been passed through to third party investors as of June 30, 2015.

Includes \$1.2 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 \$2.1 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.

(3) Includes \$0.2 million of unamortized premiums and discounts and fair value adjustments related to the USDA 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 six months ended June 30, 2015 and 2014:

Table 1.2

For the Six Months Ended
June 30, 2015 June 30, 2014
(in thousands)

Non-cash activity:

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Loans acquired and securitized as Farmer Mac Guaranteed Securities	\$99,477	\$126,857
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	112,440	129,305
Purchases of securities - traded, not yet settled	236,600	—
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 and six months ended June 30, 2015 and 2014:

Table 1.3

	For the Three Months Ended					
	June 30, 2015			June 30, 2014		
	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	\$22,162	11,010	\$2.01	\$20,205	10,924	\$1.85
Effect of dilutive securities ⁽¹⁾ :						
Stock options, SARs and restricted stock	—	428	(0.07)	—	437	(0.07)
Diluted EPS	\$22,162	11,438	\$1.94	\$20,205	11,361	\$1.78

For the three months ended June 30, 2015 and 2014, stock options and SARs of 229,693 and 121,468, respectively, were outstanding but not included in the computation of diluted earnings per share of common stock because they (1) were anti-dilutive. For the three months ended June 30, 2015 and 2014, contingent shares of non-vested restricted stock of 45,034 and 42,514, 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.

	For the Six Months Ended					
	June 30, 2015			June 30, 2014		
	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	\$23,980	10,974	\$2.19	\$21,018	10,906	\$1.93
Effect of dilutive securities(1):						
Stock options, SARs and restricted stock	—	411	(0.08)	—	448	(0.08)
Diluted EPS	\$23,980	11,385	\$2.11	\$21,018	11,354	\$1.85

(1) For the six months ended June 30, 2015 and 2014, stock options and SARs of 215,547 and 77,226, respectively, were outstanding but not included in the computation of diluted earnings per share of common stock because they

were anti-dilutive. For the six months ended June 30, 2015 and 2014, contingent shares of non-vested restricted stock of 37,774 and 37,054, 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.

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(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 and \$5.4 million for the three and six months ended June 30, 2014, respectively, 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 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.

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2. INVESTMENT SECURITIES

The following tables set forth information about Farmer Mac's investment securities as of June 30, 2015 and December 31, 2014:

Table 2.1

	As of June 30, 2015			Unrealized Gains	Unrealized Losses	Fair Value
	Amount Outstanding (in thousands)	Unamortized Premium/(Discount)	Amortized Cost			
Available-for-sale:						
Floating rate auction-rate certificates backed by Government guaranteed student loans	\$46,600	\$ —	\$46,600	\$—	\$(6,418)	\$40,182
Floating rate asset-backed securities	91,382	(317)	91,065	182	(69)	91,178
Floating rate corporate debt securities	10,000	—	10,000	62	(2)	10,060
Fixed rate corporate debt securities	15,000	(3)	14,997	4	(16)	14,985
Floating rate Government/GSE guaranteed mortgage-backed securities	703,990	3,265	707,255	4,111	(306)	711,060
Fixed rate GSE guaranteed mortgage-backed securities ⁽¹⁾	765	3,330	4,095	3,952	—	8,047
Floating rate GSE subordinated debt	70,000	—	70,000	—	(4,028)	65,972
Fixed rate senior agency debt	297,806	(29)	297,777	68	—	297,845
Fixed rate U.S. Treasuries	612,194	260	612,454	127	(11)	612,570
Total available-for-sale	1,847,737	6,506	1,854,243	8,506	(10,850)	1,851,899
Trading:						
Floating rate asset-backed securities	2,431	—	2,431	—	(1,825)	606
Total investment securities	\$1,850,168	\$ 6,506	\$1,856,674	\$8,506	\$(12,675)	\$1,852,505

(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 June 30, 2015, Farmer Mac did not sell any securities from its available-for-sale investment portfolio, compared to proceeds of \$720.5 million for the same period in 2014, resulting in gross realized gains of \$0.1 million. During the six months ended June 30, 2015, Farmer Mac received proceeds of \$75.0 million from the sale of securities from its available-for-sale investment portfolio, resulting in realized gains of \$6,000, compared to proceeds of \$730.5 million for the six months ended June 30, 2014, resulting in gross realized gains of \$0.2 million.

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As of June 30, 2015 and December 31, 2014, unrealized losses on available-for-sale investment securities were as follows:

Table 2.2

	As of June 30, 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	\$—	\$—	\$40,182	\$(6,418)
Floating rate asset-backed securities	14,940	(69)	—	—
Floating rate corporate debt securities	4,998	(2)	—	—
Fixed rate corporate debt securities	9,981	(16)	—	—
Floating rate Government/GSE guaranteed mortgage-backed securities	59,590	(162)	88,205	(144)
Floating rate GSE subordinated debt	—	—	65,972	(4,028)
Fixed rate U.S. Treasuries	85,038	(11)	—	—
Total	\$174,547	\$(260)	\$194,359	\$(10,590)
	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 June 30, 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 June 30, 2015, 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 three that were rated "A-." As of 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 29 and 35 individual investment securities as of June 30, 2015 and December 31, 2014, respectively.

As of June 30, 2015, 12 of the securities in loss positions had been in loss positions for more than 12 months and had a total unrealized loss of \$10.6 million. As of December 31, 2014, 15 of the securities

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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 June 30, 2015 that is, on average, approximately 95 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 maturity or changes in credit spreads. 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 June 30, 2015 and December 31, 2014.

Farmer Mac did not own any held-to-maturity investment securities as of June 30, 2015 and December 31, 2014. As of June 30, 2015, Farmer Mac owned trading investment securities with an amortized cost of \$2.4 million, a fair value of \$0.6 million, and a weighted average yield of 4.27 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.

The amortized cost, fair value, and weighted average yield of available-for-sale investment securities by remaining contractual maturity as of June 30, 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 June 30, 2015		
	Available-for-Sale Securities		
	Amortized Cost	Fair Value	Weighted- Average Yield
	(dollars in thousands)		
Due within one year	\$925,228	\$925,400	0.31%
Due after one year through five years	103,309	103,939	1.19%
Due after five years through ten years	239,193	239,790	0.88%
Due after ten years	586,513	582,770	0.90%
Total	\$1,854,243	\$1,851,899	0.62%

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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 June 30, 2015 and December 31, 2014:

Table 3.1

	As of June 30, 2015					
	Unpaid Principal Balance (in thousands)	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity:						
AgVantage	\$1,819,159	\$ 2,868	\$1,822,027	\$14,269	\$—	\$1,836,296
Available-for-sale:						
AgVantage	\$4,022,251	\$ —	\$4,022,251	\$36,810	\$(42,861)	\$4,016,200
Farmer Mac Guaranteed USDA Securities	33,822	(339)	33,483	1,525	—	35,008
Total Farmer Mac Guaranteed Securities	4,056,073	(339)	4,055,734	38,335	(42,861)	4,051,208
USDA Securities	1,785,662	2,536	1,788,198	37,243	(35)	1,825,406
Total available-for-sale	\$5,841,735	\$ 2,197	\$5,843,932	\$75,578	\$(42,896)	\$5,876,614
Trading:						
USDA Securities	\$32,058	\$ 2,384	\$34,442	\$100	\$(772)	\$33,770
	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

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As of June 30, 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 June 30, 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	\$ 1,185,341	\$(33,229	) \$ 859,874	\$(9,632)
USDA Securities	—	—	97,848	(35)
Total available-for-sale	\$ 1,185,341	\$(33,229	) \$ 957,722	\$(9,667)
	As of 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)

The unrealized losses presented above are principally due to higher interest rates from the date of acquisition to June 30, 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 16 available-for-sale securities as of June 30, 2015. There were no unrealized losses from held-to-maturity AgVantage securities as of June 30, 2015. The unrealized losses from AgVantage securities were on 2 held-to-maturity securities and 23 available-for-sale securities as of As of December 31, 2014. As of June 30, 2015, 6 available-for-sale AgVantage securities had been in a loss position for more than 12 months with a total unrealized loss of \$9.6 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. These Farmer Mac Guaranteed Securities are referred to 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

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from the collateral pool and then replaced with current eligible loans. 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 June 30, 2015 or As of 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 and six months ended June 30, 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 June 30, 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.

Table 3.3

	As of June 30, 2015		
	Available-for-Sale Securities		
	Amortized Cost	Fair Value	Weighted- Average Yield
	(dollars in thousands)		
Due within one year	\$571,035	\$577,094	2.77 %
Due after one year through five years	1,233,236	1,248,863	1.35 %
Due after five years through ten years	1,479,773	1,492,590	1.78 %
Due after ten years	2,559,888	2,558,067	2.37 %
Total	\$5,843,932	\$5,876,614	2.04 %
	As of June 30, 2015		
	Held-to-Maturity Securities		
	Amortized Cost	Fair Value	Weighted- Average Yield
	(dollars in thousands)		
Due within one year	\$679,891	\$680,697	2.66 %
Due after one year through five years	1,135,536	1,148,735	2.35 %
Due after five years through ten years	6,600	6,864	3.35 %
Total	\$1,822,027	\$1,836,296	2.46 %

As of June 30, 2015, Farmer Mac owned trading USDA Securities with an amortized cost of \$34.4 million, a fair value of \$33.8 million, and a weighted average yield of 5.50 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

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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.

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 June 30, 2015 and December 31, 2014 and the effects of financial derivatives on the consolidated statements of operations for the three and six months ended June 30, 2015 and 2014:

Table 4.1

	As of June 30, 2015			Weighted- Average Pay Rate	Weighted- Average Receive Rate	Weighted- Average Forward Price	Weighted- Average Remaining Life (in years)
	Notional Amount	Fair Value Asset	(Liability)				
(dollars in thousands)							
Fair value hedges:							
Interest rate swaps:							
Pay fixed non-callable	\$1,026,075	\$963	\$(24,366)	2.46%	0.28%		3.65
Cash flow hedges:							
Interest rate swaps:							
Pay fixed non-callable	92,000	866	(335)	2.16%	0.48%		6.93
No hedge designation:							
Interest rate swaps:							
Pay fixed non-callable	519,408	1,425	(43,645)	4.06%	0.28%		8.80
Receive fixed non-callable	4,062,734	4,093	(313)	0.16%	0.35%		0.58
Receive fixed callable	487,565	54	(437)	0.13%	0.82%		2.51
Basis swaps	1,295,000	74	(258)	0.12%	0.29%		2.68
Agency forwards	45,608	—	(208)			99.05	
Treasury futures	13,700	—	(58)			125.75	
Credit valuation adjustment		(20)	247				
Total financial derivatives	\$7,542,090	\$7,455	\$(69,373)				
Collateral pledged		—	35,335				
Net amount		\$7,455	\$(34,038)				

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	As of December 31, 2014			Weighted- Average Pay Rate	Weighted- Average Receive Rate	Weighted- Average Forward Price	Weighted- Average Remaining Life (in years)
	Notional Amount	Asset Fair Value	(Liability)				
(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

	Gains/(losses) on financial derivatives and hedging activities			
	For the Three Months Ended		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
(in thousands)				
Fair value hedges:				
Interest rate swaps ⁽¹⁾	\$14,075	\$(799)	\$8,316	\$(599)
Hedged items	(11,354)	3,818	(2,478)	6,568
Gains on hedging activities	2,721	3,019	5,838	5,969
No hedge designation:				
Interest rate swaps	11,798	(8,126)	5,841	(17,674)
Agency forwards	(356)	(235)	(1,142)	(1,087)
Treasury futures	226	(356)	(30)	(484)
Gains/(losses) on financial derivatives not designated in hedging relationships	11,668	(8,717)	4,669	(19,245)
Gains/(losses) on financial derivatives and hedging activities	\$14,389	\$(5,698)	\$10,507	\$(13,276)

(1) Included in the assessment of hedge effectiveness as of June 30, 2015, but excluded from the amounts in the table, were losses of \$2.9 million and \$5.8 million for the three and six months ended June 30, 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 and six months ended June 30, 2015 were losses of \$0.2 million and gains of \$0.1 million. The comparable amounts as of June 30, 2014 were losses of \$2.9 million and \$5.9 million for the three and

six months ended June 30, 2014, attributable to the fair value of the swaps at the inception of the hedging relationship and, accordingly, gains of \$0.1 million for the three and six months ended June 30, 2014, attributable to hedge ineffectiveness.

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As of June 30, 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 \$10.8 million and \$6.1 million, respectively; however, including netting arrangements and accrued interest, Farmer Mac's credit exposure was \$0.7 million as of June 30, 2015 and \$0.4 million as of December 31, 2014. Farmer Mac held no cash as collateral for its derivatives in net asset positions, resulting in uncollateralized net asset positions of \$0.7 million as of June 30, 2015 and \$0.4 million as of December 31, 2014.

As of June 30, 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 \$83.2 million and \$99.4 million, respectively. Including netting arrangements and accrued interest, the fair value of Farmer Mac's derivatives in a net liability position at the counterparty level, was \$74.0 million and \$93.4 million as of June 30, 2015 and December 31, 2014, respectively. Farmer Mac posted cash of \$35.3 million and no investment securities as of June 30, 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 June 30, 2015 and December 31, 2014, it could have been required to settle its obligations under the agreements or post additional collateral of \$38.7 million and \$46.8 million, respectively. As of June 30, 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 \$7.5 billion notional amount of interest rate swaps outstanding as of June 30, 2015, \$4.4 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 June 30, 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 June 30, 2015 and December 31, 2014:

Table 5.1

	As of June 30, 2015			As of December 31, 2014		
	Unsecuritized	In Consolidated Trusts	Total	Unsecuritized	In Consolidated Trusts	Total
	(in thousands)					
Farm & Ranch	\$2,197,934	\$ 512,559	\$2,710,493	\$2,118,867	\$ 421,355	\$2,540,222
Rural Utilities	954,188	—	954,188	718,213	267,396	985,609
Total unpaid principal balance ⁽¹⁾	3,152,122	512,559	3,664,681	2,837,080	688,751	3,525,831
Unamortized premiums, discounts and other cost basis adjustments	890	—	890	(3,619)	3,727	108
Total loans	3,153,012	512,559	3,665,571	2,833,461	692,478	3,525,939
Allowance for loan losses	(5,395)	(544)	(5,939)	(5,324)	(540)	(5,864)
Total loans, net of allowance	\$3,147,617	\$ 512,015	\$3,659,632	\$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.

Allowance for Losses

Farmer Mac maintains an allowance for losses presented in two components on its consolidated balance sheets: (1) an allowance for loan losses to account for estimated probable losses on loans held, and (2) a reserve for losses to account for estimated probable losses on loans underlying LTSPCs and off-balance sheet Farmer Mac Guaranteed Securities. As of June 30, 2015 and December 31, 2014, Farmer Mac reported allowances for losses of \$10.6 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 total allowance for losses for the three and six months ended June 30, 2015 and 2014:

Table 5.2

	As of June 30, 2015			As of June 30, 2014		
	Allowance for Loan Losses	Reserve for Losses	Total Allowance for Losses	Allowance for Loan Losses	Reserve for Losses	Total Allowance for Losses
	(in thousands)					
For the Three Months Ended:						
Beginning Balance	\$5,940	\$3,491	\$9,431	\$7,410	\$6,569	\$13,979
Provision for/(release of) losses	110	1,146	1,256	(1,583)	(974)	(2,557)
Charge-offs	(111)	—	(111)	(57)	—	(57)
Ending Balance	\$5,939	\$4,637	\$10,576	\$5,770	\$5,595	\$11,365
For the Six Months Ended:						
Beginning Balance	\$5,864	\$4,263	\$10,127	\$6,866	\$6,468	\$13,334
Provision for/(release of) losses	186	374	560	(1,010)	(873)	(1,883)
Charge-offs	(111)	—	(111)	(86)	—	(86)
Ending Balance	\$5,939	\$4,637	\$10,576	\$5,770	\$5,595	\$11,365

During second quarter 2015, Farmer Mac recorded provisions to its allowance for loan losses of \$0.1 million and provisions to its reserve for losses of \$1.1 million, primarily related to a specific allowance for an impaired loan to a canola facility underlying an LTSPC. The establishment of a specific allowance for this loan was due to a downgrade in risk rating resulting from collateral shortfalls relative to the unpaid principal balance for such loan. Farmer Mac recorded \$0.1 million of charge-offs to its allowance for loan losses during second quarter 2015.

During second quarter 2014, Farmer Mac recorded releases from its allowance for loan losses of \$1.6 million and releases from its reserve for losses of \$1.0 million. The releases recorded during second quarter 2014 primarily related to a significant decline in the balance of Farmer Mac's ethanol-related Agricultural Storage and Processing portfolio. Farmer Mac also recorded \$0.1 million of charge-offs to its allowance for loan losses during second quarter 2014.

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The following tables present the changes in the total allowance for losses for the three and six months ended June 30, 2015 and 2014 by commodity type:

Table 5.3

	June 30, 2015						Total
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	
	(in thousands)						
For the Three Months Ended:							
Beginning Balance	\$2,640	\$2,284	\$1,343	\$459	\$2,698	\$7	\$9,431
Provision for/(release of) losses	13	(63)	417	85	804	—	1,256
Charge-offs	—	—	—	(111)	—	—	(111)
Ending Balance	\$2,653	\$2,221	\$1,760	\$433	\$3,502	\$7	\$10,576
For the Six Months Ended:							
Beginning Balance	\$2,519	\$2,159	\$1,423	\$467	\$3,552	\$7	\$10,127
Provision for/(release of) losses	134	62	337	77	(50)	—	560
Charge-offs	—	—	—	(111)	—	—	(111)
Ending Balance	\$2,653	\$2,221	\$1,760	\$433	\$3,502	\$7	\$10,576
	June 30, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
For the Three Months Ended:							
Beginning Balance	\$2,278	\$2,131	\$1,387	\$464	\$7,715	\$4	\$13,979
Provision for/(release of) losses	112	86	(19)	(20)	(2,716)	—	(2,557)
Charge-offs	—	—	(57)	—	—	—	(57)
Ending Balance	\$2,390	\$2,217	\$1,311	\$444	\$4,999	\$4	\$11,365
For the Six Months Ended:							
Beginning Balance	\$2,124	\$2,186	\$1,271	\$454	\$7,292	\$7	\$13,334
Provision for/(release of) losses	266	31	97	19	(2,293)	(3)	(1,883)
Charge-offs	—	—	(57)	(29)	—	—	(86)
Ending Balance	\$2,390	\$2,217	\$1,311	\$444	\$4,999	\$4	\$11,365

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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 June 30, 2015 and December 31, 2014:

Table 5.4

	As of June 30, 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	\$ 1,748,310	\$ 377,534	\$ 417,004	\$ 67,853	\$ 25,071	\$ 80	\$ 2,635,852
Off-balance sheet	1,262,318	528,186	785,805	103,521	58,433	6,009	2,744,272
Total	\$ 3,010,628	\$ 905,720	\$ 1,202,809	\$ 171,374	\$ 83,504	\$ 6,089	\$ 5,380,124
Individually evaluated for impairment:							
On-balance sheet	\$ 20,372	\$ 38,672	\$ 6,118	\$ 9,479	\$ —	\$ —	\$ 74,641
Off-balance sheet	5,565	3,736	7,302	702	13,500	—	30,805
Total	\$ 25,937	\$ 42,408	\$ 13,420	\$ 10,181	\$ 13,500	\$ —	\$ 105,446
Total Farm & Ranch loans:							
On-balance sheet	\$ 1,768,682	\$ 416,206	\$ 423,122	\$ 77,332	\$ 25,071	\$ 80	\$ 2,710,493
Off-balance sheet	1,267,883	531,922	793,107	104,223	71,933	6,009	2,775,077
Total	\$ 3,036,565	\$ 948,128	\$ 1,216,229	\$ 181,555	\$ 97,004	\$ 6,089	\$ 5,485,570
Allowance for Losses:							
Collectively evaluated for impairment:							
On-balance sheet	\$ 1,806	\$ 459	\$ 651	\$ 76	\$ 367	\$ —	\$ 3,359
Off-balance sheet	311	139	310	59	881	7	1,707
Total	\$ 2,117	\$ 598	\$ 961	\$ 135	\$ 1,248	\$ 7	\$ 5,066
Individually evaluated for impairment:							
On-balance sheet	\$ 391	\$ 1,469	\$ 446	\$ 274	\$ —	\$ —	\$ 2,580
Off-balance sheet	145	154	353	24	2,254	—	2,930
Total	\$ 536	\$ 1,623	\$ 799	\$ 298	\$ 2,254	\$ —	\$ 5,510
Total Farm & Ranch loans:							
On-balance sheet	\$ 2,197	\$ 1,928	\$ 1,097	\$ 350	\$ 367	\$ —	\$ 5,939
Off-balance sheet	456	293	663	83	3,135	7	4,637
Total	\$ 2,653	\$ 2,221	\$ 1,760	\$ 433	\$ 3,502	\$ 7	\$ 10,576

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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 June 30, 2015 and December 31, 2014:

Table 5.5

	As of June 30, 2015						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing	Other	Total
	(in thousands)						
Impaired Loans:							
With no specific allowance:							
Recorded investment	\$4,272	\$6,352	\$4,085	\$1,486	\$—	\$—	\$16,195
Unpaid principal balance	4,231	6,354	4,085	1,486	—	—	16,156
With a specific allowance:							
Recorded investment ⁽¹⁾	21,706	36,342	9,341	8,699	13,500	—	89,588
Unpaid principal balance	21,706	36,054	9,335	8,695	13,500	—	89,290
Associated allowance	536	1,623	799	298	2,254	—	5,510
Total:							
Recorded investment	25,978	42,694	13,426	10,185	13,500	—	105,783
Unpaid principal balance	25,937	42,408	13,420	10,181	13,500	—	105,446
Associated allowance	536	1,623	799	298	2,254	—	5,510
Recorded investment of loans on nonaccrual status ⁽²⁾	\$3,608	\$24,835	\$4,230	\$5,944	\$—	\$—	\$38,617

Impairment analysis was performed in the aggregate in consideration of similar risk characteristics of the assets (1) and historical statistics on \$77.7 million (73 percent) of impaired loans as of June 30, 2015, which resulted in a specific reserve of \$3.8 million.

(2) Includes \$12.5 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 and six months ended June 30, 2015 and 2014:

Table 5.6

	June 30, 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	\$24,392	\$42,347	\$14,247	\$10,924	\$6,750	\$—	\$98,660
Income recognized on impaired loans	58	142	49	92	—	—	341
For the Six Months Ended:							
Average recorded investment in impaired loans	\$21,471	\$41,407	\$14,683	\$11,733	\$4,500	\$—	\$93,794
Income recognized on impaired loans	340	225	197	150	—	—	912
	June 30, 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	\$22,969	\$43,329	\$12,798	\$12,116	\$—	\$—	\$91,212
Income recognized on impaired loans	105	76	59	79	—	—	319
For the Six Months Ended:							
Average recorded investment in impaired loans	\$23,197	\$44,228	\$13,289	\$12,410	\$—	\$40	\$93,164
Income recognized on impaired loans	275	270	135	201	—	—	881

For the three and six months ended June 30, 2015, the recorded investment of loans determined to be troubled debt restructurings ("TDRs") was \$1.1 million both before and after restructuring. For the three and six months ended June 30, 2014, the recorded investment of loans determined to be TDRs was \$0.3 million and \$0.8 million both before and after restructuring. As of June 30, 2015, 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 and six months ended June 30, 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

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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 the three months ended June 30, 2015, Farmer Mac purchased one defaulted loan having an unpaid principal balance of \$1.3 million from a pool underlying a Farm & Ranch Guaranteed Security. During the six months ended June 30, 2015, Farmer Mac purchased two defaulted loans having an unpaid principal balance of \$2.0 million from pools underlying Farm & Ranch Guaranteed Securities. During the three and six months ended June 30, 2014, Farmer Mac purchased no defaulted loans and one defaulted loan having an unpaid principal balance of \$0.4 million, respectively, from a pool underlying an LTSPC.

The following tables present information related to Farmer Mac's acquisition of defaulted loans for the three and six months ended June 30, 2015 and 2014 and the outstanding balances and carrying amounts of all such loans as of June 30, 2015 and December 31, 2014:

Table 5.7

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(in thousands)			
Unpaid principal balance at acquisition date:				
Loans underlying LTSPCs	\$—	\$—	\$—	\$440
Loans underlying off-balance sheet Farmer Mac Guaranteed Securities	1,324	—	1,981	—
Total unpaid principal balance at acquisition date	1,324	—	1,981	440
Contractually required payments receivable	—	—	—	440
Impairment recognized subsequent to acquisition	57	17	109	69
Recovery/release of allowance for defaulted loans	—	5	121	7
		As of		
		June 30, 2015		December 31, 2014
		(in thousands)		
Outstanding balance		\$25,484		\$24,921
Carrying amount		22,546		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 June 30, 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		For the Six Months Ended	
	June 30, 2015	December 31, 2014	June 30, 2015	June 30, 2014
	(in thousands)			
On-balance sheet assets:				
Farm & Ranch:				
Loans	\$26,140	\$18,427	\$112	\$(21)
Total on-balance sheet	\$26,140	\$18,427	\$112	\$(21)
Off-balance sheet assets:				
Farm & Ranch:				
LTSPCs	\$5,712	\$490	\$—	\$—
Total off-balance sheet	\$5,712	\$490	\$—	\$—
Total	\$31,852	\$18,917	\$112	\$(21)

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 \$26.1 million and \$18.4 million of on-balance sheet loans reported as 90-day delinquencies as of June 30, 2015 and December 31, 2014, respectively, \$1.8 million 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 June 30, 2015 and December 31, 2014:

Table 5.9

	As of June 30, 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	\$1,735,454	\$377,534	\$382,150	\$65,353	\$25,071	\$80	\$2,585,642
Special mention ⁽²⁾	12,856	—	34,854	2,500	—	—	50,210
Substandard ⁽³⁾	20,372	38,672	6,118	9,479	—	—	74,641
Total on-balance sheet	\$1,768,682	\$416,206	\$423,122	\$77,332	\$25,071	\$80	\$2,710,493
Off-Balance Sheet:							
Acceptable	\$1,221,082	\$514,384	\$757,470	\$97,822	\$52,299	\$5,365	\$2,648,422
Special mention ⁽²⁾	35,174	10,185	18,364	1,143	—	8	64,874
Substandard ⁽³⁾	11,627	7,353	17,273	5,258	19,634	636	61,781
Total off-balance sheet	\$1,267,883	\$531,922	\$793,107	\$104,223	\$71,933	\$6,009	\$2,775,077
Total Ending Balance:							
Acceptable	\$2,956,536	\$891,918	\$1,139,620	\$163,175	\$77,370	\$5,445	\$5,234,064
Special mention ⁽²⁾	48,030	10,185	53,218	3,643	—	8	115,084
Substandard ⁽³⁾	31,999	46,025	23,391	14,737	19,634	636	136,422
Total	\$3,036,565	\$948,128	\$1,216,229	\$181,555	\$97,004	\$6,089	\$5,485,570
Commodity analysis of past due loans ⁽¹⁾							
On-balance sheet	\$1,296	\$20,606	\$1,802	\$2,436	\$—	\$—	\$26,140
Off-balance sheet	2,889	608	2,114	101	—	—	5,712
90-days or more past due	\$4,185	\$21,214	\$3,916	\$2,537	\$—	\$—	\$31,852

(1) Amounts represent unpaid principal balance of risk-rated loans, which is the basis Farmer Mac uses to analyze its portfolio, and recorded investment of past due loans.

(2) Assets in the "Special mention" category generally have potential weaknesses due to performance issues but are currently considered to be adequately secured.

(3) Substandard assets have a well-defined weakness or weaknesses and there is a distinct possibility that some loss will be sustained if deficiencies are not corrected.

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As of December 31, 2014

	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	\$1,604,546	\$353,487	\$375,010	\$57,239	\$29,003	\$—	\$2,419,285
Special mention ⁽²⁾	16,814	6,030	31,039	612	—	—	54,495
Substandard ⁽³⁾	12,307	35,904	6,571	11,660	—	—	66,442
Total on-balance sheet	\$1,633,667	\$395,421	\$412,620	\$69,511	\$29,003	\$—	\$2,540,222
Off-Balance Sheet							
Acceptable	\$1,282,773	\$503,414	\$799,047	\$97,692	\$64,363	\$6,117	\$2,753,406
Special mention ⁽²⁾	13,603	12,150	30,281	1,351	—	8	57,393
Substandard ⁽³⁾	11,223	9,210	18,670	5,400	20,994	656	66,153
Total off-balance sheet	\$1,307,599	\$524,774	\$847,998	\$104,443	\$85,357	\$6,781	\$2,876,952
Total Ending Balance:							
Acceptable	\$2,887,319	\$856,901	\$1,174,057	\$154,931	\$93,366	\$6,117	\$5,172,691
Special mention ⁽²⁾	30,417	18,180	61,320	1,963	—	8	111,888
Substandard ⁽³⁾	23,530	45,114	25,241	17,060	20,994	656	132,595
Total	\$2,941,266	\$920,195	\$1,260,618	\$173,954	\$114,360	\$6,781	\$5,417,174

Commodity analysis of past due loans⁽¹⁾

On-balance sheet	\$4,175	\$6,869	\$4,555	\$2,828	\$—	\$—	\$18,427
Off-balance sheet	—	—	490	—	—	—	490
90-days or more past due	\$4,175	\$6,869	\$5,045	\$2,828	\$—	\$—	\$18,917

(1) Amounts represent unpaid principal balance of risk-rated loans, which is the basis Farmer Mac uses to analyze its portfolio, and recorded investment of past due loans.

(2) Assets in the "Special mention" category generally have potential weaknesses due to performance issues but are currently considered to be adequately secured.

(3) Substandard assets have a well-defined weakness or weaknesses and there is a distinct possibility that some loss will be sustained if deficiencies are not corrected.

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Concentrations of Credit Risk

The following table sets forth the geographic and commodity/collateral diversification, as well as the range of original loan-to-value ratios, for all Farm & Ranch loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs as of June 30, 2015 and December 31, 2014:

Table 5.10

	As of June 30, 2015 (in thousands)	December 31, 2014
By commodity/collateral type:		
Crops	\$3,036,565	\$2,941,266
Permanent plantings	948,128	920,195
Livestock	1,216,229	1,260,618
Part-time farm	181,555	173,954
Ag. Storage and Processing	97,004	114,360
Other	6,089	6,781
Total	\$5,485,570	\$5,417,174
By geographic region ⁽¹⁾ :		
Northwest	\$591,539	\$573,135
Southwest	1,720,074	1,753,606
Mid-North	1,907,771	1,873,041
Mid-South	670,976	627,615
Northeast	209,909	214,402
Southeast	385,301	375,375
Total	\$5,485,570	\$5,417,174
By original loan-to-value ratio:		
0.00% to 40.00%	\$1,520,752	\$1,503,076
40.01% to 50.00%	1,199,107	1,191,804
50.01% to 60.00%	1,522,736	1,491,502
60.01% to 70.00%	1,102,486	1,091,759
70.01% to 80.00%	119,173	115,645
80.01% to 90.00%	21,316	23,388
Total	\$5,485,570	\$5,417,174

Geographic regions: Northwest (AK, ID, MT, OR, WA, WY); Southwest (AZ, CA, CO, HI, NM, NV, UT); (1)Mid-North (IA, IL, IN, MI, MN, NE, ND, SD, WI); Mid-South (AR, KS, LA, MO, OK, TX); Northeast (CT, DE, KY, MA, MD, ME, NH, NJ, NY, OH, PA, RI, VA, VT, WV); Southeast (AL, FL, GA, MS, NC, SC, TN).

The original loan-to-value ratio is calculated by dividing the loan principal balance at the time of guarantee, purchase, or commitment by the appraised value at the date of loan origination or, when available, the updated appraised value at the time of guarantee, purchase, or commitment. Current loan-to-value ratios may be higher or lower than the original loan-to-value ratios.

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6. OFF-BALANCE SHEET GUARANTEES AND LONG-TERM STANDBY PURCHASE COMMITMENTS

Farmer Mac offers two credit enhancement alternatives to direct loan purchases that allow approved lenders the ability to retain the cash flow benefits of their loans and increase their liquidity and lending capacity: (1) Farmer Mac Guaranteed Securities, which are available through each of the Farm & Ranch, USDA Guarantees, Rural Utilities, or Institutional Credit lines of business, and (2) LTSPCs, which are available through the Farm & Ranch or the Rural Utilities lines of business.

The following table presents the maximum principal amount of potential undiscounted future payments that Farmer Mac could be required to make under all off-balance sheet Farmer Mac Guaranteed Securities as of June 30, 2015 and December 31, 2014, not including offsets provided by any recourse provisions, recoveries from third parties, or collateral for the underlying loans:

Table 6.1

Outstanding Balance of Off-Balance Sheet Farmer Mac Guaranteed Securities

	As of June 30, 2015	As of December 31, 2014
	(in thousands)	
Farm & Ranch:		
Guaranteed Securities	\$575,811	\$636,086
USDA Guarantees:		
Farmer Mac Guaranteed USDA Securities	10,888	13,978
Institutional Credit:		
AgVantage Securities	986,529	986,528
Total off-balance sheet Farmer Mac Guaranteed Securities	\$1,573,228	\$1,636,592

Eligible loans and other eligible assets may be placed into trusts that are used as vehicles for the securitization of the transferred assets and the Farmer Mac-guaranteed beneficial interests in the trusts are sold to investors. The following table summarizes the significant cash flows received from and paid to trusts used for Farmer Mac securitizations:

Table 6.2

	For the Six Months Ended	
	June 30, 2015	June 30, 2014
	(in thousands)	
Proceeds from new securitizations	\$99,477	\$126,857
Guarantee fees received	2,082	2,416
Purchases of assets from the trusts	1,981	—

Farmer Mac has recorded a liability for its obligation to stand ready under the guarantee in the guarantee and commitment obligation on the consolidated balance sheets. This liability approximated \$9.8 million as of June 30, 2015 and \$11.1 million as of December 31, 2014. As of June 30, 2015 and December 31, 2014, the weighted-average remaining maturity of all loans underlying off-balance sheet Farmer Mac Guaranteed Securities, excluding AgVantage securities, was 11.6 years and 12.0 years, respectively. As of June 30, 2015 and December 31, 2014, the weighted-average remaining maturity of the off-balance sheet AgVantage securities was 1.9 years and 2.4 years, respectively.

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Long-Term Standby Purchase Commitments

An LTSPC is a commitment by Farmer Mac to purchase eligible loans from an identified pool of loans under specified circumstances set forth in the applicable agreement, either for cash or in exchange for Farmer Mac Guaranteed Securities, on one or more undetermined future dates. As consideration for its assumption of the credit risk on loans underlying an LTSPC, Farmer Mac receives a commitment fee payable monthly in arrears in an amount approximating what would have been the guarantee fee if the transaction were structured as a swap for Farmer Mac Guaranteed Securities.

The maximum principal amount of potential undiscounted future payments that Farmer Mac could be requested to make under all LTSPCs, not including offsets provided by any recourse provisions, recoveries from third parties, or collateral for the underlying loans, was \$2.2 billion as of both June 30, 2015 and December 31, 2014.

As of both June 30, 2015 and December 31, 2014, the weighted-average remaining maturity of all loans underlying LTSPCs was 14.3 years. For those LTSPCs issued or modified on or after January 1, 2003, Farmer Mac has recorded a liability for its obligation to stand ready under the commitment in the guarantee and commitment obligation on the consolidated balance sheets. This liability approximated \$26.6 million as of June 30, 2015 and \$26.8 million as of December 31, 2014.

7.EQUITY

Non-Controlling Interest in Farmer Mac II LLC

On January 25, 2010, Farmer Mac completed a private offering of \$250.0 million of securities issued by a newly formed Delaware statutory trust. The trust securities, called Farm Asset-Linked Capital Securities or "FALConS," represented undivided beneficial ownership interests in 250,000 shares of non-cumulative perpetual preferred stock (the "Farmer Mac II LLC Preferred Stock") of Farmer Mac's subsidiary, Farmer Mac II LLC, a Delaware limited liability company. The Farmer Mac II LLC Preferred Stock had a liquidation prefer