

FEDERAL AGRICULTURAL MORTGAGE CORP  
Form 10-Q  
May 09, 2013

As filed with the Securities and Exchange Commission on May 9, 2013

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, 2013.  
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 (State or other jurisdiction of incorporation or organization) 52-1578738 (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 1, 2013, the registrant had outstanding 1,030,780 shares of Class A voting common stock, 500,301 shares of Class B voting common stock and 9,278,349 shares of Class C non-voting common stock.

## Table of Contents

<u>PART I - Financial Information</u>	<u>3</u>
<u>Item 1. Consolidated Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Consolidated Statements of Operations</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>5</u>
<u>Consolidated Statements of Equity</u>	<u>6</u>
<u>Consolidated Statements of Cash Flows</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
<u>1. Accounting Policies</u>	<u>8</u>
<u>2. Investment Securities</u>	<u>19</u>
<u>3. Farmer Mac Guaranteed Securities and USDA Guaranteed Securities</u>	<u>22</u>
<u>4. Financial Derivatives</u>	<u>24</u>
<u>5. Loans and Allowance for Losses</u>	<u>28</u>
<u>6. Off-Balance Sheet Guarantees and Long Term Standby Purchase Commitments</u>	<u>40</u>
<u>7. Equity</u>	<u>42</u>
<u>8. Fair Value Disclosures</u>	<u>44</u>
<u>9. Business Segment Reporting</u>	<u>56</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>59</u>
<u>Forward-Looking Statements</u>	<u>59</u>
<u>Overview</u>	<u>60</u>
<u>Critical Accounting Policies and Estimates</u>	<u>62</u>
<u>Results of Operations</u>	<u>62</u>
<u>Outlook</u>	<u>76</u>
<u>Balance Sheet Review</u>	<u>78</u>
<u>Off-Balance Sheet Arrangements</u>	<u>79</u>
<u>Risk Management</u>	<u>79</u>
<u>Liquidity and Capital Resources</u>	<u>94</u>
<u>Regulatory Matters</u>	<u>96</u>
<u>Other Matters</u>	<u>96</u>
<u>Supplemental Information</u>	<u>97</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>101</u>
<u>Item 4. Controls and Procedures</u>	<u>101</u>
<u>PART II - Other Information</u>	<u>102</u>
<u>Item 1. Legal Proceedings</u>	<u>102</u>
<u>Item 1A. Risk Factors</u>	<u>102</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>102</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>102</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>102</u>
<u>Item 5. Other Information</u>	<u>102</u>
<u>Item 6. Exhibits</u>	<u>103</u>
<u>Signatures</u>	<u>104</u>

Table of Contents

## PART I - FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

## FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2013 (in thousands)	December 31, 2012
Assets:		
Cash and cash equivalents	\$893,387	\$785,564
Investment securities:		
Available-for-sale, at fair value	2,296,187	2,498,382
Trading, at fair value	1,129	1,247
Total investment securities	2,297,316	2,499,629
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	5,100,080	4,766,258
USDA Guaranteed Securities:		
Available-for-sale, at fair value	1,569,160	1,486,595
Trading, at fair value	87,271	104,188
Total USDA Guaranteed Securities	1,656,431	1,590,783
Loans:		
Loans held for sale, at lower of cost or fair value	—	673,991
Loans held for investment, at amortized cost	2,212,211	1,503,559
Loans held for investment in consolidated trusts, at amortized cost	561,682	563,575
Allowance for loan losses	(7,967)	(11,351)
Total loans, net of allowance	2,765,926	2,729,774
Real estate owned, at lower of cost or fair value	4,417	3,985
Financial derivatives, at fair value	26,254	31,173
Interest receivable (includes \$3,243 and \$9,676, respectively, related to consolidated trusts)	66,535	103,414
Guarantee and commitment fees receivable	42,359	41,789
Deferred tax asset, net	—	3,123
Prepaid expenses and other assets	39,967	66,709
Total Assets	\$12,892,672	\$12,622,201
Liabilities and Equity:		
Liabilities:		
Notes payable:		
Due within one year	\$6,543,973	\$6,567,366
Due after one year	4,978,118	5,034,739
Total notes payable	11,522,091	11,602,105
Debt securities of consolidated trusts held by third parties	167,250	167,621
Financial derivatives, at fair value	133,838	150,682
Accrued interest payable (includes \$1,276 and \$2,534, respectively, related to consolidated trusts)	35,474	51,779
Guarantee and commitment obligation	38,905	37,803
Accounts payable and accrued expenses	350,578	13,710
Deferred tax liability, net	9,423	—
Reserve for losses	6,285	5,539
Total Liabilities	12,263,844	12,029,239

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 10-Q

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	—
Series C, par value \$1,000 per share, 100,000 shares authorized, 57,578 shares issued and outstanding	—	57,578
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, 9,223,342 shares and 9,171,343 shares outstanding, respectively	9,223	9,171
Additional paid-in capital	108,386	106,617
Accumulated other comprehensive income, net of tax, related to available-for-sale securities	92,359	73,969
Retained earnings	117,143	102,243
Total Stockholders' Equity	386,975	351,109
Non-controlling interest - preferred stock	241,853	241,853