FEDERAL AGRICULTURAL MORTGAGE CORP
Form 10-Q
November 10, 2014
As filed with the Securities and Exchange Commission on November 10, 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 September 30, 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 November 3, 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 9,404,710 shares of Class C non-voting common stock.

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PART I - FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

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

	As of September 30, 2014	December 31, 2013
	(in thousands)	
Assets:		
Cash and cash equivalents	$627,670	$749,313
Securities purchased under agreements to resell	1,630,427	—
Investment securities:		
Available-for-sale, at fair value	1,984,983	2,483,147
Trading, at fair value	777	928
Total investment securities	1,985,760	2,484,075
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	3,356,775	5,091,600
Held-to-maturity, at amortized cost	1,652,631	—
Total Farmer Mac Guaranteed Securities	5,009,406	5,091,600
USDA Securities:		
Available-for-sale, at fair value	1,687,881	1,553,669
Trading, at fair value	42,964	58,344
Total USDA Securities	1,730,845	1,612,013
Loans:		
Loans held for investment, at amortized cost	2,689,531	2,570,125
Loans held for investment in consolidated trusts, at amortized cost	670,140	629,989
Allowance for loan losses	(6,326)	(6,866)
Total loans, net of allowance	3,353,345	3,193,248
Real estate owned, at lower of cost or fair value	1,182	2,617
Financial derivatives, at fair value	5,743	19,718
Interest receivable (includes $4,256 and $9,276, respectively, related to consolidated trusts)	65,522	107,201
Guarantee and commitment fees receivable	42,078	43,904
Deferred tax asset, net	39,781	44,045
Prepaid expenses and other assets	33,938	14,046
Total Assets	$14,525,697	$13,361,780
Liabilities and Equity:		
Liabilities:		
Notes payable:		
Due within one year	$6,332,887	$7,338,781
Due after one year	5,186,393	5,001,169
Total notes payable	11,519,280	12,339,950
Securities sold, not yet purchased	1,657,901	—
Debt securities of consolidated trusts held by third parties	400,012	261,760
Financial derivatives, at fair value	69,995	75,708
Accrued interest payable (includes $2,731 and $2,823, respectively, related to consolidated trusts)	34,853	53,772
Guarantee and commitment obligation	38,957	39,667
Accounts payable and accrued expenses	18,019	9,986

Reserve for losses	4,280	6,468
Total Liabilities	13,743,297	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	73,061	—
Series C, par value $25 per share, 3,000,000 shares authorized, issued and outstanding	73,379	—
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, 9,404,592 shares and 9,354,804 shares outstanding, respectively	9,405	9,355
Additional paid-in capital	112,861	110,722
Accumulated other comprehensive income/(loss), net of tax	21,080	(16,202)
Retained earnings	196,897	168,877
Total Stockholders' Equity	546,547	332,616
Non-controlling interest - preferred stock	235,853	241,853
Total Equity	782,400	574,469
Total Liabilities and Equity	$14,525,697	$13,361,780

See accompanying notes to 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 Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(in thousands except per share amounts)			
Interest income:				
Investments and cash equivalents	$4,507	$5,263	$14,845	$16,468
Farmer Mac Guaranteed Securities and USDA Securities	30,004	32,746	90,373	96,072
Loans	26,371	24,966	67,157	73,678
Total interest income	60,882	62,975	172,375	186,218
Total interest expense	48,886	34,787	126,114	101,499
Net interest income	11,996	28,188	46,261	84,719
(Provision for)/release of loan losses	(511)	499	499	598
Net interest income after (provision for)/release of loan losses	11,485	28,687	46,760	85,317
Non-interest income:				
Guarantee and commitment fees	6,172	6,819	19,093	20,190
Gains/(losses) on financial derivatives and hedging activities	808	3,024	(12,468)	22,501
Gains/(losses) on trading securities	16,369	(626)	24,772	(743)
(Losses)/gains on sale of available-for-sale investment securities	(396)	—	(238)	3,073
Gains on sale of real estate owned	—	39	165	1,210
Other income	502	565	794	2,518
Non-interest income	23,455	9,821	32,118	48,749
Non-interest expense:				
Compensation and employee benefits	4,693	4,523	14,038	13,792
General and administrative	3,123	2,827	9,205	8,459
Regulatory fees	593	593	1,781	1,781
Real estate owned operating costs, net	1	35	62	420
(Release of)/provision for reserve for losses	(1,315)	463	(2,188)	1,034
Non-interest expense	7,095	8,441	22,898	25,486
Income before income taxes	27,845	30,067	55,980	108,580
Income tax expense	7,564	8,226	55	29,978
Net income	20,281	21,841	55,925	78,602
Less: Net income attributable to non-controlling interest - preferred stock dividends	(5,412)	(5,547)	(16,778)	(16,641)
Net income attributable to Farmer Mac	14,869	16,294	39,147	61,961
Preferred stock dividends	(3,283)	(881)	(6,543)	(2,613)
Net income attributable to common stockholders	$11,586	$15,413	$32,604	$59,348
Earnings per common share and dividends:				
Basic earnings per common share	$1.06	$1.42	$2.99	$5.50
Diluted earnings per common share	$1.02	$1.37	$2.87	$5.30
Common stock dividends per common share	$0.14	$0.12	$0.42	$0.36

See accompanying notes to 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 Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(in thousands)			
Net income	$20,281	$ 21,841	$55,925	$ 78,602
Other comprehensive (loss)/income, net of tax:				
Unrealized holding gains/(losses) on available-for-sale securities (1)	2,070	(8,675)	46,612	(35,053)
Unrealized gains/(losses) on cash flow hedges (2)	30	—	(99)	—
Less reclassification adjustments included in:				
Gains/(losses) on financial derivatives and hedging activities (3)	(3,131)	(3,087)	(9,338)	(9,506)
(Losses)/gains on sale of available-for-sale investment securities (4)	258	—	155	(1,997)
Other income (5)	(70)	(130)	(48)	(585)
Other comprehensive (loss)/income	(843)	(11,892)	37,282	(47,141)
Comprehensive income	19,438	9,949	93,207	31,461
Less: Comprehensive income attributable to noncontrolling interest - preferred stock dividends	(5,412)	(5,547)	(16,778)	(16,641)
Comprehensive income attributable to Farmer Mac	$14,026	$ 4,402	$76,429	$ 14,820

(1) Presented net of income tax expense of $1.1 million and benefit of $4.7 million for the three months ended September 30, 2014 and 2013, respectively, and income tax expense of $25.1 million and benefit of $18.9 million for the nine months ended September 30, 2014 and 2013, respectively.

(2) Presented net of income tax expense of $16,000 for the three months ended September 30, 2014 and tax benefit of $0.1 million for the nine months ended September 30, 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 September 30, 2014 and 2013, and tax benefit of $5.0 million and $5.1 million for the nine months ended September 30, 2014 and 2013, respectively.

(4) Represents realized gains on sales of available-for-sale investment securities. Presented net of income tax expense of $0.1 million for the three months ended September 30, 2014. There were no sales of available-for-sale investment securities for the three months ended September 30, 2013. Presented net of income tax expense of $0.1 million and tax benefit of $1.1 million for the nine months ended September 30, 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 benefit of $38,000 and $0.1 million for the three months ended September 30, 2014 and 2013, respectively, and income tax benefit of $26,000 and $0.3 million for the nine months ended September 30, 2014 and 2013, respectively.

See accompanying notes to consolidated financial statements.

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

	For the Nine Months Ended			
	September 30, 2014		September 30, 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	73,061	—	—
Issuance of Series C preferred stock	3,000	73,379	—	—
Redemption of retired Series C preferred stock (retired on January 17, 2013)	—	—	(58)	(57,578)
Balance, end of period	8,400	$204,773	2,400	$58,333
Common stock:				
Balance, beginning of period	10,886	$10,886	10,702	$10,702
Issuance of Class C common stock	50	50	158	158
Balance, end of period	10,936	$10,936	10,860	$10,860
Additional paid-in capital:				
Balance, beginning of period		$110,722		$106,617
Stock-based compensation expense		2,182		2,287
Issuance of Class C common stock		16		19
Tax effect of stock-based awards		(59)		752
Balance, end of period		$112,861		$109,675
Retained earnings:				
Balance, beginning of period		$168,877		$102,243
Net income attributable to Farmer Mac		39,147		61,961
Cash dividends:				
Preferred stock, Series A ($1.1016 per share in 2014 and $1.0322 per share in 2013)		(2,644)		(2,477)
Preferred stock, Series B ($0.8330 per share)		(2,649)		—
Preferred stock, Series C ($0.4167 per share)		(1,250)		—
Preferred stock, retired Series C ($2.36 per share, retired on January 17, 2013)		—		(136)
Common stock ($0.42 per share in 2014 and $0.36 per share in 2013)		(4,584)		(3,892)
Balance, end of period		$196,897		$157,699
Accumulated other comprehensive income:				
Balance, beginning of period		$(16,202)		$73,969
Other comprehensive income/(loss), net of tax		37,282		(47,141)
Balance, end of period		$21,080		$26,828
Total Stockholders' Equity		$546,547		$363,395
Non-controlling interest - preferred stock:				
Balance, beginning of period		$241,853		$241,853
Purchase of interest - Non-controlling interest - preferred stock		(6,000)		—
Balance, end of period		$235,853		$241,853
Total Equity		$782,400		$605,248

See accompanying notes to consolidated financial statements.

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

	For the Nine Months Ended September 30, 2014	September 30, 2013
	(in thousands)	
Cash flows from operating activities:		
Net income	$55,925	$78,602
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	16,624	7,716
Amortization of debt premiums, discounts and issuance costs	7,384	9,119
Net change in fair value of trading securities, hedged assets, and financial derivatives	3,537	(32,126)
Losses/(gains) on sale of available-for-sale investment securities	238	(3,073)
Gains on sale of real estate owned	(165)	(1,210)
Total (release of)/provision for losses	(2,687)	436
Deferred income taxes	(16,340)	10,400
Stock-based compensation expense	2,183	2,287
Proceeds from repayment of trading investment securities	541	656
Proceeds from repayment of loans purchased as held for sale	95,194	149,675
Net change in:		
Interest receivable	41,679	32,754
Guarantee and commitment fees receivable	1,826	(1,707)
Other assets	(19,179)	48,887
Securities sold not yet purchased	1,657,901	—
Accrued interest payable	(18,919)	(14,319)
Other liabilities	4,910	37
Net cash provided by operating activities	1,830,652	288,134
Cash flows from investing activities:		
Net change in securities purchased under agreements to resell	(1,630,427)	—
Purchases of available-for-sale investment securities	(1,171,063)	(1,141,601)
Purchases of Farmer Mac Guaranteed Securities and USDA Securities	(1,074,019)	(1,281,956)
Purchases of loans held for investment	(567,774)	(624,702)
Purchases of defaulted loans	(440)	(6,704)
Proceeds from repayment of available-for-sale investment securities	894,475	1,026,745
Proceeds from repayment of Farmer Mac Guaranteed Securities and USDA Securities	1,098,901	776,599
Proceeds from repayment of loans purchased as held for investment	303,905	216,506
Proceeds from sale of available-for-sale investment securities	770,149	170,614
Proceeds from sale of Farmer Mac Guaranteed Securities	169,820	64,609
Proceeds from sale of real estate owned	1,224	3,774
Net cash used in investing activities	(1,205,249)	(796,116)
Cash flows from financing activities:		
Proceeds from issuance of discount notes	32,008,889	49,070,788
Proceeds from issuance of medium-term notes	2,644,707	2,273,350
Payments to redeem discount notes	(33,360,658)	(49,534,649)
Payments to redeem medium-term notes	(2,121,000)	(1,362,000)

Excess tax benefits related to stock-based awards	57	995
Payments to third parties on debt securities of consolidated trusts	(34,080)	(54,154)
Proceeds from common stock issuance	209	1,477
Proceeds from Series A Preferred stock issuance	—	58,333
Proceeds from Series B Preferred stock issuance	73,061	—
Proceeds from Series C Preferred stock issuance	73,379	—
Retirement of Series C Preferred stock	—	(57,578)
Purchase of interest - Non-controlling interest - preferred stock	(6,000)	—
Dividends paid - Non-controlling interest - preferred stock	(16,778)	(16,641)
Dividends paid on common and preferred stock	(8,832)	(5,790)
Net cash (used in)/provided by financing activities	(747,046)	374,131
Net decrease in cash and cash equivalents	(121,643)	(133,851)
Cash and cash equivalents at beginning of period	749,313	785,564
Cash and cash equivalents at end of period	$627,670	$651,713

See accompanying notes to 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 (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 Current Report on Form 8-K filed with the SEC on June 6, 2014 (the "Segment Recast 8-K"). The Segment Recast 8-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 and nine month periods ended September 30, 2014.

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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 As of September 30, 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)	$398,992	$—	$271,148	$—	$—	$670,140
Debt securities of consolidated trusts held by third parties (2)	400,012	—	—	—	—	400,012
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Carrying value (3)	—	20,449	—	32,631	—	53,080
Maximum exposure to loss (4)	—	20,449	—	30,000	—	50,449
Investment securities:						
Carrying value (5)	—	—	—	—	447,550	447,550
Maximum exposure to loss (4) (5)	—	—	—	—	450,505	450,505
Off-Balance Sheet:						
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Maximum exposure to loss (4) (6)	677,814	14,693	—	970,000	—	1,662,507

(1) Includes unamortized premiums related to the Rural Utilities line of business of $3.8 million.
(2) Includes borrower remittances of $1.0 million. The borrower remittances have not been passed through to third party investors as of September 30, 2014.
(3) Includes an immaterial amount of unamortized premiums and discounts related to the USDA Guarantees line of business. Includes fair value adjustments related to the Institutional Credit line of business of $2.6 million.
(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 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, 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 the Rural Utilities line of business 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 the USDA Guarantees and Institutional Credit lines of business 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 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 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 $2.4 million and $7.7 million for the three and nine months ended September 30, 2014, respectively, compared to $2.8 million and $8.2 million for the same periods in 2013. 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.

Transfers of Financial Assets and Liabilities

Securities purchased under agreements to resell are treated as collateralized lending transactions. 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, on a daily basis, Farmer Mac reviews the fair values of these securities compared to amounts loaned and derivative counterparty collateral

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posting thresholds in an effort to minimize exposure to losses. These transactions are reported as securities purchased under agreements to resell in the consolidated balance sheets except for securities purchased under agreements to resell on an overnight basis, which are included in cash and cash equivalents in the consolidated balance sheets. Farmer Mac records securities purchased under agreements to resell at the amount loaned in the consolidated balance sheets. The resulting fees for these transactions are included in interest income in the consolidated statements of operations. As of September 30, 2014, the fair value of non-cash collateral accepted for securities purchased under agreements to resell or similar arrangements was $1.6 billion, all of which could be sold or repledged; $1.6 billion of the underlying collateral was sold or repledged as of September 30, 2014. There were no securities purchased under agreements to resell as of December 31, 2013.

Securities sold, not yet purchased, represent obligations of Farmer Mac to deliver specified securities at contracted prices, which would thereby require Farmer Mac to purchase the securities in the market at prevailing prices. Securities sold, not yet purchased consist of fixed rate U.S. Treasury securities. Farmer Mac records securities sold, not yet purchased in the consolidated balance sheets at fair value with changes in fair value recognized in "Gains/(losses) on trading securities" in the consolidated statements of operations. The resulting interest expense for these transactions is included in interest expense in the consolidated statements of operations.

(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. Farmer Mac does not consider securities purchased under agreements to resell to be cash equivalents if it intends to reinvest the funds from maturing repurchase agreements into new repurchase agreements and the aggregate term of the repurchase agreements exceeds three months. 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.

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The following table sets forth information regarding certain cash and non-cash transactions for the nine months ended September 30, 2014 and 2013:

Table 1.2

	For the Nine Months Ended	
	September 30, 2014	September 30, 2013
	(in thousands)	
Cash paid during the period for:		
Interest	$113,680	$90,052
Income taxes	12,750	17,000
Non-cash activity:		
Real estate owned acquired through loan liquidation	—	1,443
Loans acquired and securitized as Farmer Mac Guaranteed Securities	169,820	64,609
Purchases of investment securities traded, not yet settled	—	57,001
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	172,268	64,609
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. The unrealized holding gain is being amortized out of accumulated other comprehensive income over the remaining life of the transferred securities.

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.

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(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 nine months ended September 30, 2014 and 2013:

Table 1.3

	For the Three Months Ended					
	September 30, 2014			September 30, 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	$11,586	10,930	$1.06	$15,413	10,843	$1.42
Effect of dilutive securities (1):						
Stock options, SARs and restricted stock	—	442	(0.04)	—	370	(0.05)
Diluted EPS	$11,586	11,372	$1.02	$15,413	11,213	$1.37

(1) For the three months ended September 30, 2014 and 2013, stock options and SARs of 118,583 and 36,983, 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 September 30, 2014 and 2013, contingent shares of non-vested restricted stock of 42,514 and 44,894, respectively, were outstanding but not included in the computation of diluted earnings per share of common stock because performance conditions were not met.

	For the Nine Months Ended					
	September 30, 2014			September 30, 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	$32,604	10,914	$2.99	$59,348	10,799	$5.50
Effect of dilutive securities (1):						
Stock options, SARs and restricted stock	—	446	(0.12)	—	392	(0.20)
Diluted EPS	$32,604	11,360	$2.87	$59,348	11,191	$5.30

(1) For the nine months ended September 30, 2014 and 2013, stock options and SARs of 91,011 and 43,640, respectively, were outstanding but not included in the computation of diluted earnings per share of common stock because they were anti-dilutive. For the nine months ended September 30, 2014 and 2013, contingent shares of non-vested restricted stock of 38,874 and 38,363, 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.

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2. INVESTMENT SECURITIES

The following tables present the amount outstanding, amortized cost, and fair values of Farmer Mac's investment securities as of September 30, 2014 and December 31, 2013:

Table 2.1

	As of September 30, 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	$46,600	$ —	$46,600	$—	$(5,826)	$40,774
Floating rate asset-backed securities	108,276	(108)	108,168	181	(24)	108,325
Floating rate corporate debt securities	10,000	—	10,000	126	—	10,126
Fixed rate corporate debt securities	30,000	(16)	29,984	97	—	30,081
Floating rate Government/GSE guaranteed mortgage-backed securities	627,432	3,631	631,063	5,054	(279)	635,838
Fixed rate GSE guaranteed mortgage-backed securities (1)	892	3,648	4,540	3,731	—	8,271
Floating rate GSE subordinated debt	70,000	—	70,000	—	(6,615)	63,385
Fixed rate GSE preferred stock	78,500	17	78,517	—	(17)	78,500
Fixed rate taxable municipal bonds	3,960	2	3,962	1	—	3,963
Floating rate U.S. Treasuries	75,000	(12)	74,988	27	—	75,015
Fixed rate U.S. Treasuries	930,000	555	930,555	154	(4)	930,705
Total available-for-sale	1,980,660	7,717	1,988,377	9,371	(12,765)	1,984,983
Trading:						
Floating rate asset-backed securities	3,012	—	3,012	—	(2,235)	777
Total investment securities	$1,983,672	$ 7,717	$1,991,389	$9,371	$(15,000)	$1,985,760

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

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	As of 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 September 30, 2014, Farmer Mac received proceeds of $39.7 million from the sale of securities from its available-for-sale investment portfolio, resulting in gross realized losses of $0.5 million and gross realized gains of $0.1 million. Farmer Mac did not sell any securities from its available-for-sale investment portfolio during the three months ended September 30, 2013. During the nine months ended September 30, 2014, Farmer Mac received proceeds of $770.1 million from the sale of securities from its available-for-sale investment portfolio, resulting in gross realized losses of $0.8 million and gross realized gains of $0.6 million, compared to proceeds of $170.6 million for the nine months ended September 30, 2013, resulting in gross realized gains of $3.1 million.

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As of September 30, 2014 and December 31, 2013, unrealized losses on available-for-sale investment securities were as follows:

Table 2.2

	As of September 30, 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	$—	$—	$40,773	$(5,827)
Floating rate asset-backed securities	25,703	(23)	1,988	(1)
Floating rate Government/GSE guaranteed mortgage-backed securities	149,196	(269)	6,275	(9)
Floating rate GSE subordinated debt	—	—	63,385	(6,615)
Fixed rate GSE preferred stock	78,500	(17)	—	—
Fixed rate U.S. Treasuries	296,083	(4)	—	—
Total	$549,482	$(313)	$112,421	$(12,452)

	As of 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 September 30, 2014 and December 31, 2013, 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 September 30, 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 two that were rated "A-" and one that was rated "BBB+." As of December 31, 2013, 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 two that were rated "A-" and one that was rated "BBB+." The unrealized losses were on 37 and 64 individual investment securities as of September 30, 2014 and December 31, 2013, respectively.

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As of September 30, 2014, 9 of the securities in loss positions had been in loss positions for more than 12 months and had a total unrealized loss of $12.5 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 September 30, 2014 that is, on average, approximately 90.0 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 September 30, 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 September 30, 2014 and December 31, 2013. As of September 30, 2014, Farmer Mac owned trading investment securities with an amortized cost of $3.0 million, a fair value of $0.8 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 September 30, 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

	As of September 30, 2014 Available-for-Sale Securities		
	Amortized Cost	Fair Value	Weighted-Average Yield
	(dollars in thousands)		
Due within one year	$954,530	$954,742	0.28%
Due after one year through five years	158,655	159,441	0.92%
Due after five years through ten years	288,764	286,868	0.78%
Due after ten years	586,428	583,932	2.38%
Total	$1,988,377	$1,984,983	1.02%

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.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 September 30, 2014 and December 31, 2013:

Table 3.1

	As of September 30, 2014					
	Unpaid Principal Balance	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)					
Held-to-maturity:						
AgVantage	$1,640,150	$ 12,481	$1,652,631	$4,236	$(604)	$1,656,263
Available-for-sale:						
AgVantage	$3,323,463	$ —	$3,323,463	$36,779	$(23,916)	$3,336,326
Farmer Mac Guaranteed USDA Securities	20,449	(441)	20,008	445	(4)	20,449
Total Farmer Mac Guaranteed Securities	3,343,912	(441)	3,343,471	37,224	(23,920)	3,356,775
USDA Securities	1,683,973	4,172	1,688,145	4,326	(4,590)	1,687,881
Total available-for-sale	$5,027,885	$ 3,731	$5,031,616	$41,550	$(28,510)	$5,044,656
Trading:						
USDA Securities	$40,833	$ 3,969	$44,802	$130	$(1,968)	$42,964

	As of 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 September 30, 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 September 30, 2014, 17 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 $15.2 million. AgVantage® is a registered trademark of Farmer Mac used to designate Farmer Mac Guaranteed Securities that are general obligations of lenders secured by pools of eligible loans, with such Farmer Mac Guaranteed Securities referred to herein as AgVantage securities. Each AgVantage security backed by agricultural mortgages requires some level of overcollateralization, or, in the case of rural utilities loans, 100 percent collateralization, and is secured by eligible loans of the issuing institution with

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a requirement that delinquent loans be removed from the collateral pool and then replaced with current eligible loans. Thus, Farmer Mac does not believe it will realize any of the losses presented above. Farmer Mac has concluded that none of the unrealized losses on its available-for-sale Farmer Mac Guaranteed Securities and USDA Securities are other-than-temporary impairment as of September 30, 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 and nine months ended September 30, 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 September 30, 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

	As of September 30, 2014 Available-for-Sale Securities			
	Amortized Cost	Fair Value	Weighted-Average Yield	
	(dollars in thousands)			
Due within one year	$108,230	$103,969	0.91	%
Due after one year through five years	1,606,307	1,631,275	1.87	%
Due after five years through ten years	1,291,284	1,294,016	1.89	%
Due after ten years	2,025,795	2,015,396	2.61	%
Total	$5,031,616	$5,044,656	2.15	%

	As of September 30, 2014 Held-to-Maturity Securities			
	Amortized Cost	Fair Value	Weighted-Average Yield	
	(dollars in thousands)			
Due within one year	$558,291	$558,749	2.95	%
Due after one year through five years	1,094,340	1,097,514	2.21	%
Total	$1,652,631	$1,656,263	2.44	%

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 September 30, 2014, Farmer Mac owned trading USDA Securities with an amortized cost of $44.8 million, a fair value of $43.0 million, and a weighted average yield of 5.84 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.

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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.

As of September 30, 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 $8.1 million and $25.1 million, respectively; however, including netting arrangements and accrued interest, Farmer Mac's credit exposure was $1.3 million and $3.3 million as of September 30, 2014 and December 31, 2013, respectively. As of September 30, 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 $1.3 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 September 30, 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 $79.1 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 $81.7 million and $74.8 million as of September 30, 2014 and December 31, 2013, respectively. Farmer Mac posted cash of $29.8 million and no investment securities as of September 30, 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 September 30, 2014 and December 31, 2013, it could have been required to settle its obligations under the agreements or post additional collateral of $51.9 million and $63.5 million, respectively. As of September 30, 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.

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 September 30, 2014, $3.8 billion were cleared through swap clearinghouses. Of Farmer Mac's $6.6 billion notional amount of interest rate swaps outstanding as of December 31, 2013, $2.3 billion were cleared through swap clearinghouses.

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The following tables summarize information related to Farmer Mac's financial derivatives on a gross basis without giving consideration to master netting arrangements as of September 30, 2014 and December 31, 2013 and the effects of financial derivatives on the consolidated statements of operations for the three and nine months ended September 30, 2014 and 2013:

Table 4.1

	As of September 30, 2014						
		Fair Value					
	Notional Amount	Asset	(Liability)	Weighted-Average Pay Rate	Weighted-Average Receive Rate	Weighted-Average Forward Price	Weighted-Average Remaining Life (in years)
	(dollars in thousands)						
Fair value hedges:							
Interest rate swaps:							
Pay fixed non-callable	$1,000,000	$—	$(23,979)	2.47%	0.24%		4.23
Cash flow hedges:							
Interest rate swaps:							
Pay fixed non-callable	10,000	—	(81)	2.50%	0.48%		6.20
No hedge designation:							
Interest rate swaps:							
Pay fixed non-callable	492,496	1,775	(43,694)	4.23%	0.23%		7.27
Receive fixed non-callable	3,818,832	3,806	(564)	0.14%	0.24%		0.48
Receive fixed callable	296,000	—	(1,152)	0.09%	0.86%		3.05
Basis swaps	1,030,000	238	(758)	0.12%	0.29%		2.27
Agency forwards	17,352	—	(10)			98.01	
Treasury futures	6,700	—	(21)			124.33	
Credit valuation adjustment		(76)	264				
Total financial derivatives	$6,671,380	$5,743	$(69,995)				
Collateral pledged		—	29,788				
Net amount		$5,743	$(40,207)				

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	As of 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

	Gains/(losses) on financial derivatives and hedging activities			
	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(in thousands)			
Fair value hedges:				
Interest rate swaps (1)	$5,610	$4	$5,010	$23,329
Hedged items	(2,549)	2,996	4,019	(14,871)
Gains on hedging activities	3,061	3,000	9,029	8,458
No hedge designation:				
Interest rate swaps	(2,074)	1,192	(19,748)	14,950
Agency forwards	(210)	(861)	(1,297)	(768)
Treasury futures	31	(307)	(452)	(139)
(Losses)/gains on financial derivatives not designated in hedging relationships	(2,253)	24	(21,497)	14,043
Gains/(losses) on financial derivatives and hedging activities	$808	$3,024	$(12,468)	$22,501

(1) Included in the assessment of hedge effectiveness at September 30, 2014, but excluded from the amounts in the table, were losses of $2.9 million and $8.7 million for the three and nine months ended September 30, 2014, respectively, 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 nine months ended September 30, 2014 were

gains of $0.2 million and $0.3 million, respectively. The comparable amounts at September 30, 2013 were losses of $3.1 million and $8.0 million for the three and nine months ended September 30, 2013, respectively, attributable to the fair value of the swaps at the inception of the hedging relationship and, accordingly, losses of $0.1 million and gains of $0.5 million for the three and nine months ended September 30, 2013, respectively, attributable to hedge ineffectiveness.

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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 September 30, 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 September 30, 2014 and December 31, 2013:

Table 5.1

	As of September 30, 2014			As of December 31, 2013		
	Unsecuritized	In Consolidated Trusts	Total	Unsecuritized	In Consolidated Trusts	Total
	(in thousands)					
Farm & Ranch	$1,981,456	$398,992	$2,380,448	$1,875,958	$259,509	$2,135,467
Rural Utilities	711,242	267,395	978,637	698,010	354,241	1,052,251
Total unpaid principal balance (1)	2,692,698	666,387	3,359,085	2,573,968	613,750	3,187,718
Unamortized premiums, discounts and other cost basis adjustments	(3,167)	3,753	586	(3,843)	16,239	12,396
Total loans	2,689,531	670,140	3,359,671	2,570,125	629,989	3,200,114
Allowance for loan losses	(5,837)	(489)	(6,326)	(6,587)	(279)	(6,866)
Total loans, net of allowance	$2,683,694	$669,651	$3,353,345	$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.

Allowances for Losses

Farmer Mac maintains an allowance for loan losses to account for estimated probable losses on loans held and a reserve for losses to account for estimated probable losses on loans underlying long-term standby purchase commitments ("LTSPCs") and off-balance sheet Farmer Mac Guaranteed Securities. As of September 30, 2014 and December 31, 2013, Farmer Mac recorded allowances for losses of $10.6 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.

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The following is a summary of the changes in the total allowance for losses for the three and nine months ended September 30, 2014 and 2013:

Table 5.2

	September 30, 2014			September 30, 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	$5,770	$5,595	$11,365	$7,368	$6,110	$13,478
Provision for/(release of) losses	511	(1,315)	(804)	(499)	463	(36)
Charge-offs	—	—	—	—	—	—
Recoveries	45	—	45	—	—	—
Ending Balance	$6,326	$4,280	$10,606	$6,869	$6,573	$13,442
For the Nine Months Ended:						
Beginning Balance	$6,866	$6,468	$13,334	$11,351	$5,539	$16,890
(Release of)/provision for losses	(499)	(2,188)	(2,687)	(598)	1,034	436
Charge-offs	(86)	—	(86)	(3,884)	—	(3,884)
Recoveries	45	—	45	—	—	—
Ending Balance	$6,326	$4,280	$10,606	$6,869	$6,573	$13,442

During third quarter 2014, Farmer Mac recorded provisions to its allowance for loan losses of $0.5 million and releases to its reserve for losses of $1.3 million, primarily related to a decline in the balance of its ethanol-related Agricultural Storage and Processing portfolio. Farmer Mac recorded no charge-offs and recoveries of $45,000 to its allowance for loan losses during third quarter 2014. During third quarter 2013, Farmer Mac recorded a release of its allowance for loan losses of $0.5 million and a provision for its reserve for losses of $0.5 million. Charge-offs recorded during the nine months ended September 30, 2013 included a $3.6 million charge-off related to one ethanol loan that transitioned to real estate owned ("REO") for which Farmer Mac had previously provided a specific allowance.

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The following tables present the changes in the total allowance for losses for the three and nine months ended September 30, 2014 and 2013 by commodity type:

Table 5.3

	September 30, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
For the Three Months Ended:							
Beginning Balance	$2,390	$2,217	$1,311	$444	$ 4,999	$4	$11,365
Provision for/(release of) losses	123	74	(6)	(3)	(992)	—	(804)
Charge-offs	—	—	—	—	—	—	—
Recoveries	—	45	—	—	—	—	45
Ending Balance	$2,513	$2,336	$1,305	$441	$ 4,007	$4	$10,606
For the Nine Months Ended:							
Beginning Balance	$2,124	$2,186	$1,271	$454	$ 7,292	$7	$13,334
Provision for/(release of) losses	389	105	91	16	(3,285)	(3)	(2,687)
Charge-offs	—	—	(57)	(29)	—	—	(86)
Recoveries	—	45	—	—	—	—	45
Ending Balance	$2,513	$2,336	$1,305	$441	$ 4,007	$4	$10,606

	September 30, 2013						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
For the Three Months Ended:							
Beginning Balance	$2,405	$2,168	$1,279	$425	$ 7,196	$5	$13,478
(Release of)/provision for losses	(225)	(105)	(84)	13	364	1	(36)
Charge-offs	—	—	—	—	—	—	—
Ending Balance	$2,180	$2,063	$1,195	$438	$ 7,560	$6	$13,442
For the Nine Months Ended:							
Beginning Balance	$2,589	$2,316	$1,534	$784	$ 9,661	$6	$16,890
(Release of)/provision for losses	(409)	(64)	(339)	(276)	1,524	—	436
Charge-offs	—	(189)	—	(70)	(3,625)	—	(3,884)
Ending Balance	$2,180	$2,063	$1,195	$438	$ 7,560	$6	$13,442

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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 September 30, 2014 and December 31, 2013:

Table 5.4

	As of September 30, 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	$1,528,563	$333,512	$376,526	$39,079	$ 29,635	$597	$2,307,912
Off-balance sheet	1,334,137	527,980	858,526	101,376	91,241	7,333	2,920,593
Total	$2,862,700	$861,492	$1,235,052	$140,455	$ 120,876	$7,930	$5,228,505
Individually evaluated for impairment:							
On-balance sheet	$14,243	$40,315	$7,236	$10,742	$ —	$—	$72,536
Off-balance sheet	3,302	3,274	5,102	1,718	—	—	13,396
Total	$17,545	$43,589	$12,338	$12,460	$ —	$—	$85,932
Total Farm & Ranch loans:							
On-balance sheet	$1,542,806	$373,827	$383,762	$49,821	$ 29,635	$597	$2,380,448
Off-balance sheet	1,337,439	531,254	863,628	103,094	91,241	7,333	2,933,989
Total	$2,880,245	$905,081	$1,247,390	$152,915	$ 120,876	$7,930	$5,314,437
Allowance for Losses:							
Collectively evaluated for impairment:							
On-balance sheet	$1,811	$408	$541	$29	$ 879	$—	$3,668
Off-balance sheet	276	147	473	51	3,128	4	4,079
Total	$2,087	$555	$1,014	$80	$ 4,007	$4	$7,747
Individually evaluated for impairment:							
On-balance sheet	$339	$1,744	$267	$308	$ —	$—	$2,658
Off-balance sheet	87	37	24	53	—	—	201
Total	$426	$1,781	$291	$361	$ —	$—	$2,859
Total Farm & Ranch loans:							
On-balance sheet	$2,150	$2,152	$808	$337	$ 879	$—	$6,326
Off-balance sheet	363	184	497	104	3,128	4	4,280
Total	$2,513	$2,336	$1,305	$441	$ 4,007	$4	$10,606

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	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
Total	$23,109	$44,855	$14,043	$12,919	$ —	$115	$95,041
Total Farm & Ranch loans:							
On-balance sheet	$1,385,008	$336,478	$330,509	$50,362	$ 32,636	$474	$2,135,467
Off-balance sheet	1,281,849	571,346	915,596	112,381	138,282	8,159	3,027,613
Total	$2,666,857	$907,824	$1,246,105	$162,743	$ 170,918	$8,633	$5,163,080
Allowance for Losses:							
Collectively evaluated for impairment:							
On-balance sheet	$1,321	$325	$436	$20	$ 2,290	$—	$4,392
Off-balance sheet	397	159	642	42	5,002	4	6,246
Total	$1,718	$484	$1,078	$62	$ 7,292	$4	$10,638
Individually evaluated for impairment:							
On-balance sheet	$362	$1,641	$140	$331	$ —	$—	$2,474
Off-balance sheet	44	61	53	61	—	3	222
Total	$406	$1,702	$193	$392	$ —	$3	$2,696
Total Farm & Ranch loans:							
On-balance sheet	$1,683	$1,966	$576	$351	$ 2,290	$—	$6,866
Off-balance sheet	441	220	695	103	5,002	7	6,468
Total	$2,124	$2,186	$1,271	$454	$ 7,292	$7	$13,334

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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 September 30, 2014 and December 31, 2013:

Table 5.5

	September 30, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
Impaired Loans:							
With no specific allowance:							
Recorded investment	$4,454	$11,188	$8,530	$1,914	$—	$—	$26,086
Unpaid principal balance	4,288	11,696	8,287	1,919	—	—	26,190
With a specific allowance:							
Recorded investment (1)	13,448	32,705	3,764	10,484	—	—	60,401
Unpaid principal balance	13,257	31,893	4,051	10,541	—	—	59,742
Associated allowance	426	1,781	291	361	—	—	2,859
Total:							
Recorded investment	17,902	43,893	12,294	12,398	—	—	86,487
Unpaid principal balance	17,545	43,589	12,338	12,460	—	—	85,932
Associated allowance	426	1,781	291	361	—	—	2,859
Recorded investment of loans on nonaccrual status (2)	$4,656	$14,972	$4,414	$6,040	$—	$—	$30,082

(1) Impairment analysis was performed in the aggregate in consideration of similar risk characteristics of the assets and historical statistics on $53.6 million (62 percent) of impaired loans as of September 30, 2014, which resulted in a specific reserve of $1.4 million.

(2) Includes $8.7 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.

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	December 31, 2013						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
Impaired Loans:							
With no specific allowance:							
Recorded investment	$6,956	$9,880	$6,671	$1,444	$—	$—	$24,951
Unpaid principal balance	6,825	9,877	6,588	1,443	—	—	24,733
With a specific allowance:							
Recorded investment (1)	16,697	36,146	7,600	11,554	—	119	72,116
Unpaid principal balance	16,284	34,978	7,455	11,476	—	115	70,308
Associated allowance	406	1,702	193	392	—	3	2,696
Total:							
Recorded investment	23,653	46,026	14,271	12,998	—	119	97,067
Unpaid principal balance	23,109	44,855	14,043	12,919	—	115	95,041
Associated allowance	406	1,702	193	392	—	3	2,696
Recorded investment of loans on nonaccrual status (2)	$10,812	$15,237	$5,344	$5,835	$—	$—	$37,228

(1) Impairment analysis was performed in the aggregate in consideration of similar risk characteristics of the assets and historical statistics on $65.1 million (67 percent) of impaired loans as of December 31, 2013, which resulted in a specific reserve of $1.3 million.

(2) Includes $9.6 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 nine months ended September 30, 2014 and 2013:

Table 5.6

	September 30, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
For the Three Months Ended:							
Average recorded investment in impaired loans	$19,975	$43,280	$12,305	$12,276	$—	$—	$87,836
Income recognized on impaired loans	90	142	149	87	—	—	468
For the Nine Months Ended:							

Average recorded investment in impaired loans	$21,873	$44,144	$13,040	$12,407	$—	$30	$91,494
Income recognized on impaired loans	365	412	284	288	—	—	1,349

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	September 30, 2013						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
For the Three Months Ended:							
Average recorded investment in impaired loans	$27,311	$37,340	$15,252	$11,909	$—	$119	$91,931
Income recognized on impaired loans	248	169	38	87	—	—	542
For the Nine Months Ended:							
Average recorded investment in impaired loans	$29,570	$42,041	$16,579	$13,053	$1,084	$571	$102,898
Income recognized on impaired loans	651	666	230	359	—	—	1,906

For the three and nine months ended September 30, 2014, the recorded investment of loans determined to be troubled debt restructurings ("TDRs") was $4.5 million and $5.3 million, respectively, before restructuring and $5.1 million and $6.0 million, respectively, after restructuring. For the three months and nine months ended September 30, 2013, the recorded investment of loans determined to be TDRs was $0.2 million and $1.1 million, respectively, both before and after restructuring. As of September 30, 2014, there were no TDRs identified during the previous 12 months that were in default under the modified terms. As of September 30, 2013, there was one TDR identified during the previous 12 months that was in default under the modified terms, with a recorded investment of $0.2 million. The impact of TDRs on Farmer Mac's allowance for loan losses was immaterial for the three and nine months ended September 30, 2014.

During the three months ended September 30, 2014, Farmer Mac purchased no defaulted loans. During the nine months ended September 30, 2014, Farmer Mac purchased one defaulted loan having an unpaid principal balance of $0.4 million from a pool underlying an LTSPC. During the three and nine months ended September 30, 2013, Farmer Mac purchased 3 defaulted loans having an unpaid principal balance of $0.6 million and 11 defaulted loans having an unpaid principal balance of $6.7 million, respectively, from pools underlying Farm & Ranch Guaranteed Securities and LTSPCs.

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The following tables present information related to Farmer Mac's acquisition of defaulted loans for the three and nine months ended September 30, 2014 and 2013 and the outstanding balances and carrying amounts of all such loans as of September 30, 2014 and December 31, 2013:

Table 5.7

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(in thousands)			
Unpaid principal balance at acquisition date:				
Loans underlying LTSPCs	$—	$ —	$440	$37
Loans underlying off-balance sheet Farmer Mac Guaranteed Securities	—	629	—	6,667
Total unpaid principal balance at acquisition date	—	629	440	6,704
Contractually required payments receivable	—	678	440	6,907
Impairment recognized subsequent to acquisition	—	—	69	447
Recovery/release of allowance for defaulted loans	47	57	54	946

	As of	
	September 30, 2014	December 31, 2013
	(in thousands)	
Outstanding balance	$25,671	$32,838
Carrying amount	23,007	29,613

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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 September 30, 2014, there were no delinquencies and no probable losses inherent in Farmer Mac's Rural Utilities loan portfolio and Farmer Mac has not experienced credit losses on any Rural Utilities loans.

Table 5.8

	90-Day Delinquencies (1) As of		Net Credit (Recoveries)/Losses For the Nine Months Ended	
	September 30, 2014	December 31, 2013	September 30, 2014	September 30, 2013
	(in thousands)			
On-balance sheet assets:				
Farm & Ranch:				
Loans	$21,409	$27,580	$(66)	$2,825
Total on-balance sheet	$21,409	$27,580	$(66)	$2,825
Off-balance sheet assets:				
Farm & Ranch:				
LTSPCs	$3,252	$716	$—	$—
Total off-balance sheet	$3,252	$716	$—	$—
Total	$24,661	$28,296	$(66)	$2,825

(1) Includes loans and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs that are 90 days or more past due, in foreclosure, restructured after delinquency, or in bankruptcy, excluding loans performing under either their original loan terms or a court-approved bankruptcy plan.

Of the $21.4 million and $27.6 million of on-balance sheet loans reported as 90-day delinquencies as of September 30, 2014 and December 31, 2013, respectively, $1.0 million and $1.2 million, respectively, were loans subject to "removal-of-account" provisions.

Credit Quality Indicators

Farmer Mac analyzes credit risk related to loans held and loans underlying LTSPCs and off-balance sheet Farm & Ranch Guaranteed Securities based on internally assigned loan scores (i.e., risk ratings) that are derived by taking into consideration such factors as historical repayment performance, indicators of current financial condition, loan seasoning, loan size, and loan-to-value ratio. Loans are then classified into one of the following asset categories based on their underlying risk rating: acceptable; other assets especially mentioned; and substandard. Farmer Mac believes this analysis provides meaningful information regarding the credit risk profile of its Farm & Ranch portfolio as of each quarterly reporting period end date.

Farmer Mac also uses 90-day delinquency information to evaluate its credit risk exposure on these assets because historically it has been the best measure of borrower credit quality deterioration. Most of the loans held and underlying LTSPCs and off-balance sheet Farm & Ranch Guaranteed Securities have annual (January 1) or semi-annual (January 1 and July 1) payment dates and are supported by less frequent and less predictable revenue sources, such as the cash flows generated from the maturation of crops, sales of livestock, and government farm support programs. Taking into account the reduced frequency of payment due dates and revenue sources, Farmer Mac considers 90-day delinquency to be the most significant observation point when evaluating delinquency information.

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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 September 30, 2014 and December 31, 2013:

Table 5.9

	As of September 30, 2014						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
Credit risk profile by internally assigned grade (1)							
On-balance sheet:							
Acceptable	$1,499,552	$332,340	$367,631	$38,120	$29,635	$597	$2,267,875
Special mention (2)	29,011	1,172	8,895	959	—	—	40,037
Substandard (3)	14,243	40,315	7,236	10,742	—	—	72,536
Total on-balance sheet	$1,542,806	$373,827	$383,762	$49,821	$29,635	$597	$2,380,448
Off-Balance Sheet:							
Acceptable	$1,312,501	$509,451	$806,249	$96,039	$70,361	$6,675	$2,801,276
Special mention (2)	13,837	12,408	39,987	1,675	6,630	558	75,095
Substandard (3)	11,101	9,395	17,392	5,380	14,250	100	57,618
Total off-balance sheet	$1,337,439	$531,254	$863,628	$103,094	$91,241	$7,333	$2,933,989
Total Ending Balance:							
Acceptable	$2,812,053	$841,791	$1,173,880	$134,159	$99,996	$7,272	$5,069,151
Special mention (2)	42,848	13,580	48,882	2,634	6,630	558	115,132
Substandard (3)	25,344	49,710	24,628	16,122	14,250	100	130,154
Total	$2,880,245	$905,081	$1,247,390	$152,915	$120,876	$7,930	$5,314,437
Commodity analysis of past due loans (1)							
On-balance sheet	$6,923	$6,861	$4,915	$2,710	$—	$—	$21,409
Off-balance sheet	777	—	1,762	713	—	—	3,252
90-days or more past due	$7,700	$6,861	$6,677	$3,423	$—	$—	$24,661

(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, 2013						
	Crops	Permanent Plantings	Livestock	Part-time Farm	Ag. Storage and Processing (including ethanol facilities)	Other	Total
	(in thousands)						
Credit risk profile by internally assigned grade (1)							
On-balance sheet:							
Acceptable	$1,348,205	$290,064	$300,308	$39,022	$10,987	$359	$1,988,945
Special Mention (2)	15,656	4,973	19,357	918	6,267	—	47,171
Substandard (3)	21,147	41,441	10,844	10,422	15,382	115	99,351
Total on-balance sheet	$1,385,008	$336,478	$330,509	$50,362	$32,636	$474	$2,135,467
Off-Balance Sheet							
Acceptable	$1,251,834	$548,254	$844,130	$105,589	$99,072	$7,478	$2,856,357
Special Mention (2)	10,977	15,621	36,555	917	11,011	578	75,659
Substandard (3)	19,038	7,471	34,911	5,875	28,199	103	95,597
Total off-balance sheet	$1,281,849	$571,346					