BAKER CHARLES E
Form 4
September 19, 2012

FORM 4

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BAKER CHARLES E

(Last) (First) (Middle)

BALL CORPORATION, 10 LONGS PEAK DR.

(Street)

BROOMFIELD, CO 80021-2510

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BALL CORP [BLL]

3. Date of Earliest Transaction (Month/Day/Year)
09/18/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)

VP,GEN COUNSEL & CORP SEC

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/18/2012		J (1)		7.5765	A	$ 43.12	48,748.4617	D	
Common Stock								1,974.323	I	401(k) Plan (2)
Common Stock								400	I	By Daughter (3)
Common Stock								640	I	By Son (3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Deferred Compensation Company Stock Plan	(4)	09/18/2012		J(5)		79.8219		(6)	(6)	Common Stock	79.82

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BAKER CHARLES E BALL CORPORATION 10 LONGS PEAK DR. BROOMFIELD, CO 80021-2510			VP,GEN COUNSEL & CORP SEC	

Signatures

/s/ Janice L. Rodriguez, attorney-in-fact for Mr. Baker	09/19/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Dividend reinvestment in Ball Corporation's 2000 Deferred Compensation Company Stock Plan.

(2) Total number of 401(k) Plan shares acquired through periodic dividend reinvestment, participant's contributions and employer matching contributions.

(3) The reporting person expressly disclaims beneficial ownership of these securities.

(4) Each unit may be settled for a single share of stock or the equivalent amount of cash pursuant to the Ball Corporation Deferred Compensation Company Stock Plan.

(5) Dividend reinvestment in Ball Corporation's Deferred Compensation Company Stock Plan.

(6)

Stock units in Ball Corporation's Deferred Compensation Company Stock Plan are distributed upon the separation of service in accordance with the Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. e="DISPLAY: inline; FONT-SIZE: 8pt; FONT-FAMILY: times new roman">

Floating rate asset-backed securities(1)
1,824 (587) 132 - - 1,369
Fixed rate GSE preferred stock
88,148 - - (88,148) -
Total trading investment securities
89,972 (587) 132 - (88,148) 1,369
Total investment securities
299,629 (587) 132 (7,198) (224,921) 67,055
Farmer Mac Guaranteed Securities:

Available-for-sale:

Farmer Mac I
56,864 542,677 - 14,638 (5,385) 608,794
Farmer Mac II
764,792 1,411 - (1,039) (723,184) 41,980
Rural Utilities
1,703,211 62,201 - 18,281 - 1,783,693
Total available-for-sale
2,524,867 606,289 - 31,880 (728,569) 2,434,467
Trading:

Farmer Mac II
422,681 - - (422,681) -
Rural Utilities
451,448 - - - (451,448) -
Total trading
874,129 - - - (874,129) -
Total Farmer Mac Guaranteed Securities
3,398,996 606,289 - 31,880 (1,602,698) 2,434,467
USDA Guaranteed Securities:

Available-for-sale
- 225,696 - 22,021 723,184 970,901
Trading(2)
- (76,679) 8,537 - 422,681 354,539
Total USDA Guaranteed Securities
- 149,017 8,537 22,021 1,145,865 1,325,440
Total Assets at fair value
$3,698,625 $754,719 $8,669 $46,703 $(681,754) $3,826,962
Liabilities:

Financial derivatives(3)
$(3,653) $- $32 $- $- $(3,621)
Total Liabilities at fair value
$(3,653) $- $32 $- $- $(3,621)

Nonrecurring:

Assets:

Loans held for sale, at lower of cost or fair value
$28,505 $- $(3,090) $- $170,277 $195,692
Loans held for investment, at fair value
- - (1,042) - 4,518 3,476 REO - (1,483) 5,202 3,719
Total Nonrecurring Assets at fair value
$28,505 $- $(5,615) $- $179,997 $202,887

(1) Unrealized gains are attributable to assets still held as of September 30, 2010 and are recorded in (losses)/gains on trading assets.
(2) Includes unrealized gains of $4.0 million attributable to assets still held as of September 30, 2010 that are recorded in (losses)/gains on trading assets.
(3) Unrealized gains are attributable to liabilities still held as of September 30, 2010 and are recorded in losses on financial derivatives.

Fair Value Option

Accounting guidance on the fair value option for financial instruments permits entities to make a one-time irrevocable election to report financial instruments at fair value with changes in fair value recorded in earnings as they occur. This guidance provides entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

-56-

Farmer Mac made no fair value option elections for the three and nine months ended September 30, 2011 and 2010. For the three and nine months ended September 30, 2011, Farmer Mac recorded net losses on trading assets of $3.3 million and $1.4 million, respectively, for changes in fair values of assets previously selected for the fair value option, compared to net losses of $1.9 million and net gains of $6.6 million, respectively, for the same periods ended September 30, 2010. These changes in fair value are presented as "(Losses)/gains on trading assets" in the condensed consolidated statements of operations.

Disclosures about Fair Value of Financial Instruments

The following table sets forth the estimated fair values and the carrying amounts for financial assets, liabilities and guarantees and commitments as of September 30, 2011 and December 31, 2010 in accordance with accounting guidance on disclosures about fair value of financial instruments.

	September 30, 2011		December 31, 2010	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
	(in thousands)			
Financial assets:				
Cash and cash equivalents	$825,014	$825,014	$729,920	$729,920
Investment securities	1,912,877	1,912,877	1,763,329	1,763,329
Farmer Mac Guaranteed Securities	4,300,000	4,300,000	2,907,264	2,907,264
USDA Guaranteed Securities	1,426,398	1,426,398	1,317,444	1,317,444
Loans	2,890,590	2,796,532	2,642,399	2,558,599
Financial derivatives	46,254	46,254	41,492	41,492
Interest receivable	79,579	79,579	90,295	90,295
Guarantee and commitment fees receivable:				
LTSPCs	22,018	14,980	14,191	13,666
Farmer Mac Guaranteed Securities	17,922	15,267	19,058	21,086
Financial liabilities:				
Notes payable:				
Due within one year	5,835,888	5,831,259	4,510,758	4,509,419
Due after one year	4,255,812	4,060,382	3,530,656	3,430,656
Debt securities of consolidated trusts held by third parties	774,518	713,546	883,669	827,411
Financial derivatives	166,633	166,633	113,687	113,687
Accrued interest payable	48,998	48,998	57,131	57,131
Guarantee and commitment obligations:				
LTSPCs	21,123	14,085	13,152	12,627
Farmer Mac Guaranteed Securities	15,473	12,818	15,653	17,681

The carrying amount of cash and cash equivalents, certain short-term investment securities, interest receivable and accrued interest payable is a reasonable estimate of their approximate fair value. Farmer Mac estimates the fair value of its loans, guarantee and commitment fees receivable/obligation and notes payable by discounting the projected cash flows of these instruments at projected interest rates. The fair values are based on the present value of expected cash flows using management's best estimate of certain key assumptions, which include prepayment speeds, forward yield curves and discount rates commensurate with the risks involved. Because the cash flows of these instruments may be interest rate path dependent, these values and projected discount rates are derived using a Monte Carlo simulation model. Different market assumptions and estimation methodologies could significantly affect estimated fair value amounts.

-57-

Note 8. Business Segment Reporting

Farmer Mac accomplishes its congressional mission of providing liquidity and lending capacity to rural lenders through three programs – Farmer Mac I, Farmer Mac II and Rural Utilities. Prior to first quarter 2010, Farmer Mac reported its financial results as a single segment using GAAP-basis income. Beginning in first quarter 2010, Farmer Mac revised its segment financial reporting, by using core earnings, a non-GAAP financial measure, to reflect the manner in which management has begun assessing the Corporation's performance since the contribution of substantially all of the Farmer Mac II program business to a subsidiary, Farmer Mac II LLC. Farmer Mac uses core earnings to measure corporate economic performance and develop financial plans because, in management's view, core earnings is a valuable alternative measure in understanding Farmer Mac's economic performance, transaction economics and business trends. Core earnings differs from GAAP net income by excluding the effects of fair value accounting guidance, which are not expected to have a permanent effect on capital. Core earnings also differs from GAAP net income by excluding specified infrequent or unusual transactions that Farmer Mac believes are not indicative of future operating results and that may not reflect the trends and economic financial performance of the Corporation's core business. This non-GAAP financial measure may not be comparable to similarly labeled non-GAAP financial measures disclosed by other companies.

The financial information presented below reflects the accounts of Farmer Mac and its subsidiaries on a consolidated basis. Accordingly, the core earnings for Farmer Mac's reportable operating segments will differ from the stand-alone financial statements of Farmer Mac's subsidiaries. These differences will be due to various factors, including the reversal of unrealized gains and losses related to fair value changes of trading assets and financial derivatives, as well as the allocation of certain expenses such as dividends and interest expense related to the issuance of capital and the incurrence of indebtedness managed at the corporate level. The allocation of general and administrative expenses that are not directly attributable to an operating segment may also result in differences. The assets of Farmer Mac's subsidiary Farmer Mac II LLC will only be available to creditors of Farmer Mac after all obligations owed to creditors of and equity holders in Farmer Mac II LLC have been satisfied. As of September 30, 2011, Farmer Mac II LLC held assets with a fair value of $1.5 billion, had debt outstanding of $167.0 million, had preferred stock outstanding with a liquidation preference of $250.0 million and had $1.0 billion of common stock outstanding, all of which is held by Farmer Mac.

Management has determined that the Corporation's operations consist of three reportable segments – Farmer Mac I, Farmer Mac II and Rural Utilities. Farmer Mac uses these three segments to generate revenue and manage business risk, and each segment is based on distinct products and distinct business activities. In addition to these three program operating segments, a corporate segment is presented. That segment represents activity in Farmer Mac's liquidity investment portfolio and other corporate activities. The segment financial results include directly attributable revenues and expenses. Corporate charges for administrative expenses that are not directly attributable to an operating segment are allocated based on headcount.

Each of the program operating segments generates revenue through purchasing loans or securities, committing to purchase loans or guaranteeing securities backed by eligible loans. Purchases of both program assets and assets held in Farmer Mac's liquidity investment portfolio are funded through debt issuance of various maturities. Management makes decisions about pricing, funding and guarantee and commitment fee levels based on inherent credit risks, resource allocation and target returns on equity separately for each segment.

Under the Farmer Mac I program, Farmer Mac purchases or commits to purchase eligible mortgage loans secured by first liens on agricultural real estate, including through the issuance of LTSPCs. Farmer Mac also guarantees securities representing interests in, or obligations secured by, pools of eligible agricultural real estate mortgage loans, and may purchase those securities.

Under the Farmer Mac II program, Farmer Mac II LLC purchases USDA-guaranteed portions of loans, which are presented as "USDA Guaranteed Securities" on the condensed consolidated balance sheets. Farmer Mac currently operates only that part of the Farmer Mac II program that involves the guarantee of Farmer Mac II Guaranteed Securities to investors other than Farmer Mac or Farmer Mac II LLC.

Under the Rural Utilities program, Farmer Mac's business activities include loan purchases, guarantees and purchases of securities with respect to eligible rural utilities loans. To date, all of the business under the Rural Utilities program has been with one lender, CFC, a related party.

The following tables present non-GAAP core earnings for Farmer Mac's reportable operating segments and a reconciliation to GAAP net income for the three and nine months ended September 30, 2011 and 2010.

Core Earnings by Business Segment
For the Three Months Ended September 30, 2011

	Farmer Mac I	Farmer Mac II	Rural Utilities	Corporate	Reconciling Adjustments	GAAP Amounts
			(in thousands)			
Interest income (1)	$ 38,949	$ 14,370	$ 13,135	$ 6,880	$ (2,213)	$ 71,121
Interest income related to consolidated trusts owned by third parties reclassified to guarantee fee income	(782)	-	-	-	782	-
Interest expense (2)	(24,625)	(11,665)	(10,089)	(3,408)	10,375	(39,412)
Net effective spread	13,542	2,705	3,046	3,472	8,944	31,709
Guarantee and commitment fees	5,562	51	1,317	-	(782)	6,148
Other income/(expense) (3)	236	26	-	(946)	(60,869)	(61,553)
Non-interest income/(loss)	5,798	77	1,317	(946)	(61,651)	(55,405)
Release of loan losses	349	-	-	-	-	349
Release of losses	452	-	-	-	-	452
Other non-interest expense	(3,891)	(710)	(1,319)	(2,082)	-	(8,002)
Non-interest expense (4)	(3,439)	(710)	(1,319)	(2,082)	-	(7,550)
Core earnings before income taxes	16,250	2,072	3,044	444	(52,707) (5)	(30,897)
Income tax (expense)/benefit	(5,687)	(725)	(1,065)	3,161	18,447	14,131
Core earnings before preferred stock dividends and attribution of income to non-controlling interest	10,563	1,347	1,979	3,605	(34,260) (5)	(16,766)
Preferred stock dividends	-	-	-	(719)	-	(719)
Non-controlling interest	-	-	-	(5,547)	-	(5,547)
Segment core earnings	$ 10,563	$ 1,347	$ 1,979	$ (2,661)	$ (34,260) (5)	$ (23,032)
Total assets at carrying value	$ 4,790,409	$ 1,483,750	$ 2,356,590	$ 2,799,758	$ -	$ 11,430,507
Total principal balance of on- and off-balance sheet program assets	8,088,365	1,463,129	2,289,899	-	-	11,841,393

(1) Includes reconciling adjustments for yield maintenance income, discount amortization on certain prepaid loans and amortization of premiums on assets consolidated at fair value to reflect core earnings amounts.

(2) Based on effective funding cost determined for each operating segment, including expenses related to interest rate swaps, which are included in losses on financial derivatives on the GAAP financial statements.

(3) Includes reconciling adjustments for the reclassification of yield maintenance income, discount amortization on certain prepaid loans, expenses related to interest rate swaps and fair value adjustments on loans held for sale, financial derivatives and trading assets. Also includes a reconciling adjustment related to the recognition of deferred gains over the estimated lives of certain Farmer Mac II Guaranteed Securities and USDA Guaranteed Securities.

(4) Includes directly attributable costs and an allocation of indirectly attributable costs based on headcount.

(5) Net adjustments to reconcile core earnings before income taxes; core earnings before preferred stock dividends and attribution of income to non-controlling interest; and segment core earnings to corresponding GAAP measures: income before income taxes, net income and net income available to common stockholders, respectively.

Core Earnings by Business Segment
For the Three Months Ended September 30, 2010

	Farmer Mac I	Farmer Mac II	Rural Utilities	Corporate	Reconciling Adjustments	GAAP Amounts
			(in thousands)			
Interest income (1)	$ 24,748	$ 14,430	$ 14,074	$ 6,430	$ (1,107)	$ 58,575
Interest income related to consolidated trusts owned by third parties reclassified to guarantee fee income	(952)	-	-	-	952	-
Interest expense (2)	(16,130)	(11,773)	(10,959)	(3,625)	8,961	(33,526)
Net effective spread	7,666	2,657	3,115	2,805	8,806	25,049
Guarantee and commitment fees	5,492	52	1,385	-	(952)	5,977
Other income/(expense) (3)	1,548	295	1	(385)	(10,787)	(9,328)
Non-interest income/(loss)	7,040	347	1,386	(385)	(11,739)	(3,351)
Provision for loan losses	(412)	-	-	-	-	(412)
Provision for losses	(105)	-	-	-	-	(105)
Other non-interest expense	(4,632)	(579)	(1,170)	(1,652)	-	(8,033)
Non-interest expense (4)	(4,737)	(579)	(1,170)	(1,652)	-	(8,138)
Core earnings before income taxes	9,557	2,425	3,331	768	(2,933) (5)	13,148
Income tax (expense)/benefit	(3,345)	(849)	(1,166)	3,448	1,027	(885)
Core earnings before preferred stock dividends, attribution of income to non-controlling interest, and loss on retirement of preferred stock	6,212	1,576	2,165	4,216	(1,906) (5)	12,263
Preferred stock dividends	-	-	-	(720)	-	(720)
Non-controlling interest	-	-	-	(5,546)	-	(5,546)
Segment core earnings	$ 6,212	$ 1,576	$ 2,165	$ (2,050)	$ (1,906) (5)	$ 5,997
Total assets at carrying value	$ 2,393,213	$ 1,388,054	$ 2,431,811	$ 2,009,664	$ -	$ 8,222,742

Total principal balance of on- and off-balance sheet program assets	7,761,847	1,365,993	2,353,453	-	-	11,481,293

(1) Includes reconciling adjustments for yield maintenance income, discount amortization on certain prepaid loans and amortization of premiums on assets consolidated at fair value to reflect core earnings amounts.

(2) Based on effective funding cost determined for each operating segment, including expenses related to interest rate swaps, which are included in losses on financial derivatives on the GAAP financial statements.

(3) Includes reconciling adjustments for the reclassification of yield maintenance income, discount amortization on certain prepaid loans, expenses related to interest rate swaps and fair value adjustments on loans held for sale, financial derivatives and trading assets.

(4) Includes directly attributable costs and an allocation of indirectly attributable costs based on headcount.

(5) Net adjustments to reconcile core earnings before income taxes; core earnings before preferred stock dividends, attribution of income to non-controlling interest, and loss on retirement of preferred stock; and segment core earnings to corresponding GAAP measures: income before income taxes, net income, and net income available to common stockholders, respectively.

Core Earnings by Business Segment
For the Nine Months Ended September 30, 2011

	Farmer Mac I	Farmer Mac II	Rural Utilities	Corporate	Reconciling Adjustments	GAAP Amounts
			(in thousands)			
Interest income (1)	$ 105,583	$ 42,080	$ 39,928	$ 21,100	$ (6,646)	$ 202,045
Interest income related to consolidated trusts owned by third parties reclassified to guarantee fee income	(2,495)	-	-	-	2,495	-
Interest expense (2)	(67,301)	(33,984)	(30,793)	(10,722)	28,695	(114,105)
Net effective spread	35,787	8,096	9,135	10,378	24,544	87,940
Guarantee and commitment fees	17,151	154	4,045	-	(2,495)	18,855
Other income/(expense) (3)	2,459	131	-	(1,686)	(68,002)	(67,098)
Non-interest income/(loss)	19,610	285	4,045	(1,686)	(70,497)	(48,243)
Provision for loan losses	(1,092)	-	-	-	-	(1,092)
Release of losses	3,321	-	-	-	-	3,321
Other non-interest expense	(12,651)	(2,085)	(3,698)	(6,306)	-	(24,740)
Non-interest expense (4)	(9,330)	(2,085)	(3,698)	(6,306)	-	(21,419)
Core earnings before income taxes	44,975	6,296	9,482	2,386	(45,953) (5)	17,186
Income tax (expense)/benefit	(15,741)	(2,203)	(3,319)	7,255	16,083	2,075
Core earnings before preferred stock dividends and attribution of income to non-controlling interest	29,234	4,093	6,163	9,641	(29,870) (5)	19,261
Preferred stock dividends	-	-	-	(2,159)	-	(2,159)
Non-controlling interest	-	-	-	(16,641)	-	(16,641)
Segment core earnings	$ 29,234	$ 4,093	$ 6,163	$ (9,159)	$ (29,870) (5)	$ 461
Total assets at carrying value	$ 4,790,409	$ 1,483,750	$ 2,356,590	$ 2,799,758	$ -	$ 11,430,507
Total principal balance of on- and off-balance sheet program assets	8,088,365	1,463,129	2,289,899	-	-	11,841,393

(1)

Includes reconciling adjustments for yield maintenance income, discount amortization on certain prepaid loans and amortization of premiums on assets consolidated at fair value to reflect core earnings amounts.

(2) Based on effective funding cost determined for each operating segment, including expenses related to interest rate swaps, which are included in losses on financial derivatives on the GAAP financial statements.

(3) Includes reconciling adjustments for the reclassification of yield maintenance income, discount amortization on certain prepaid loans, expenses related to interest rate swaps and fair value adjustments on loans held for sale, financial derivatives and trading assets. Also includes a reconciling adjustment related to the recognition of deferred gains over the estimated lives of certain Farmer Mac II Guaranteed Securities and USDA Guaranteed Securities.

(4) Includes directly attributable costs and an allocation of indirectly attributable costs based on headcount.

(5) Net adjustments to reconcile core earnings before income taxes; core earnings before preferred stock dividends and attribution of income to non-controlling interest; and segment core earnings to corresponding GAAP measures: income before income taxes, net income and net income available to common stockholders, respectively.

-62-

Core Earnings by Business Segment
For the Nine Months Ended September 30, 2010

	Farmer Mac I	Farmer Mac II	Rural Utilities	Corporate	Reconciling Adjustments	GAAP Amounts
			(in thousands)			
Interest income (1)	$ 80,512	$ 40,863	$ 42,011	$ 19,303	$ (6,055)	$ 176,634
Interest income related to consolidated trusts owned by third parties reclassified to guarantee fee income	(3,701)	-	-	-	3,701	-
Interest expense (2)	(54,461)	(33,495)	(33,557)	(10,876)	26,029	(106,360)
Net effective spread	22,350	7,368	8,454	8,427	23,675	70,274
Guarantee and commitment fees	16,527	403	4,377	-	(3,701)	17,606
Other income/(expense) (3)	2,823	298	1	(1,599)	(24,974)	(23,451)
Non-interest income/(loss)	19,350	701	4,378	(1,599)	(28,675)	(5,845)
Provision for loan losses	(1,392)	-	-	-	-	(1,392)
Provision for losses	(1,680)	-	-	-	-	(1,680)
Other non-interest expense	(11,267)	(2,159)	(3,322)	(4,690)	-	(21,438)
Non-interest expense (4)	(12,947)	(2,159)	(3,322)	(4,690)	-	(23,118)
Core earnings before income taxes	27,361	5,910	9,510	2,138	(5,000) (5)	39,919
Income tax (expense)/benefit	(9,577)	(2,068)	(3,329)	7,247	1,750	(5,977)
Core earnings before preferred stock dividends, attribution of income to non-controlling interest, and loss on retirement of preferred stock	17,784	3,842	6,181	9,385	(3,250) (5)	33,942
Preferred stock dividends	-	-	-	(3,410)	(5,784)	(9,194)
Non-controlling interest	-	-	-	(15,160)	-	(15,160)
Segment core earnings	$ 17,784	$ 3,842	$ 6,181	$ (9,185)	$ (9,034) (5)	$ 9,588
Total assets at carrying value	$ 2,393,213	$ 1,388,054	$ 2,431,811	$ 2,009,664	$ -	$ 8,222,742
	7,761,847	1,365,993	2,353,453	-	-	11,481,293

Total principal balance of on- and off-balance sheet program assets

(1) Includes reconciling adjustments for yield maintenance income, discount amortization on certain prepaid loans and amortization of premiums on assets consolidated at fair value to reflect core earnings amounts.
(2) Based on effective funding cost determined for each operating segment, including expenses related to interest rate swaps, which are included in losses on financial derivatives on the GAAP financial statements.
(3) Includes reconciling adjustments for the reclassification of yield maintenance income, discount amortization on certain prepaid loans, expenses related to interest rate swaps and fair value adjustments on loans held for sale, financial derivatives and trading assets.
(4) Includes directly attributable costs and an allocation of indirectly attributable costs based on headcount.
(5) Net adjustments to reconcile core earnings before income taxes; core earnings before preferred stock dividends, attribution of income to non-controlling interest, and loss on retirement of preferred stock; and segment core earnings to corresponding GAAP measures: income before income taxes, net income, and net income available to common stockholders, respectively.

-63-

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial information included in this report is consolidated to include the accounts of Farmer Mac and its subsidiaries, Farmer Mac Mortgage Securities Corporation and Farmer Mac II LLC. Farmer Mac II LLC was formed as a Delaware limited liability company in December 2009 to operate substantially all of the business related to the Farmer Mac II program – primarily the acquisition of USDA-guaranteed portions. The business operations of Farmer Mac II LLC began in January 2010. Since then, Farmer Mac has operated only that part of the Farmer Mac II program that involves the issuance of Farmer Mac II Guaranteed Securities to investors other than Farmer Mac or Farmer Mac II LLC.

This discussion and analysis of financial condition and results of operations should be read together with: (1) the interim unaudited condensed consolidated financial statements and the related notes that appear elsewhere in this report; and (2) Farmer Mac's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC on March 16, 2011, as amended by Amendment No. 1 on Form 10-K/A filed on June 1, 2011. Farmer Mac amended its Annual Report on Form 10-K for the year ended December 31, 2010 to correct prior misclassifications of proceeds from the repayments of certain loans between operating activities and investing activities on the consolidated statements of cash flows. These misclassifications had no impact on the net increase or decrease in cash and cash equivalents as previously reported and had no effect on Farmer Mac's previously issued condensed consolidated interim or annual consolidated balance sheets, statements of operations or statements of changes in equity. See Note 1(a) to the condensed consolidated financial statements for further information.

The discussion below is not necessarily indicative of future results.

Forward-Looking Statements

Some statements made in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 pertaining to management's current expectations about Farmer Mac's future financial results, business prospects and business developments. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and typically are accompanied by, and identified with, such terms as "anticipates," "believes," "expects," "intends," "should" and similar phrases. The following management's discussion and analysis includes forward-looking statements addressing Farmer Mac's:

- prospects for earnings;
- prospects for growth in loan purchase, guarantee, securitization, and LTSPC volume;
- trends in net interest income;
- trends in portfolio credit quality, delinquencies, and provisions for losses;
- trends in expenses;
- trends in investment securities;
- prospects for asset impairments and allowance for losses;
- changes in capital position; and
- other business and financial matters.

Management's expectations for Farmer Mac's future necessarily involve a number of assumptions and estimates and the evaluation of risks and uncertainties. Various factors or events could cause Farmer Mac's actual results to differ materially from the expectations as expressed or implied by the forward-looking statements, including the factors discussed under "Risk Factors" in Part I, Item 1A of Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011, as well as uncertainties regarding:

- the availability to Farmer Mac and Farmer Mac II LLC of debt financing and, if available, the reasonableness of rates and terms;
- legislative or regulatory developments that could affect Farmer Mac, including those related to the Dodd-Frank Act;
- fluctuations in the fair value of assets held by Farmer Mac and Farmer Mac II LLC;
- the rate and direction of development of the secondary market for agricultural mortgage and rural utilities loans, including lender interest in Farmer Mac credit products and the Farmer Mac secondary market;
- the general rate of growth in agricultural mortgage and rural utilities indebtedness;
- the impact of economic conditions and real estate values on agricultural mortgage lending;
- developments in the financial markets, including possible investor, analyst and rating agency reactions to events involving GSEs, including Farmer Mac; and
- financial market volatility, including the future level and direction of interest rates, commodity prices, and export demand for U.S. agricultural products.

In light of these potential risks and uncertainties, no undue reliance should be placed on any forward-looking statements expressed in this report. Furthermore, Farmer Mac undertakes no obligation to release publicly the results of revisions to any forward-looking statements that may be made to reflect new information or any future events or circumstances, except as otherwise mandated by the SEC.

Overview

Farmer Mac remains well positioned to continue to fulfill its congressional mission to provide capital and liquidity to rural America. During the quarter, 90-day delinquencies improved and Farmer Mac's capital position remained well above its minimum capital and risk-based capital requirements despite a GAAP net loss for third quarter 2011, which was attributable to changes in the fair values of the Corporation's financial derivatives. Although Farmer Mac's overall program business volume decreased during third quarter 2011, the Corporation added $1.5 billion of new program volume that partially offset the maturity of two large AgVantage securities and principal paydowns on other program assets. The decrease in overall program volume was primarily attributable to the maturity of a $475.0 million AgVantage security that was not replaced with new business, as well as a strong agricultural economy in which borrowers had more cash and fewer borrowing needs, resulting in a decreased need by lenders for the secondary market tools offered by Farmer Mac. This decrease in overall program volume did not have an overall negative effect on Farmer Mac's core earnings, a non-GAAP measure, as core earnings increased during third quarter 2011 compared to both the previous quarter and third quarter 2010.

-65-

During third quarter 2011, Farmer Mac had a net loss attributable to common stockholders of $23.0 million ($2.22 per diluted common share), compared to net income of $6.0 million ($0.56 per diluted common share) in third quarter 2010. The decline in Farmer Mac's third quarter 2011 GAAP financial results was almost entirely attributable to the effects of fair value changes on its financial derivatives. Although Farmer Mac's financial derivatives provide effective economic hedges of interest rate risk, they are not designated in hedge relationships for accounting purposes and are required to be reported at fair value, with changes in fair value recorded in earnings as they occur. The fair values of Farmer Mac's financial derivatives are sensitive to changes in long-term interest rates. If long-term interest rates increase, Farmer Mac's financial derivatives generally increase in fair value. Conversely, if long-term interest rates decrease, Farmer Mac's financial derivatives generally decrease in fair value. For example, the 10-year Treasury rate decreased approximately 124 basis points in third quarter 2011. During this period, Farmer Mac recorded unrealized fair value losses on its financial derivatives of $55.2 million. Although these fair value changes are expected to have no permanent effect on earnings or capital if held to maturity, as is expected, they can contribute significant volatility in periodic GAAP earnings, as evident during third quarter 2011.

During third quarter 2011, Farmer Mac's new program volume totaled $1.5 billion, bringing total year-to-date new program volume to $3.0 billion and total outstanding loans, guarantees and commitments to $11.8 billion. This compares to new program volume of $1.1 billion and $1.7 billion, respectively, for the same periods in 2010 and total outstanding loans, guarantees and commitments of $11.5 billion as of September 30, 2010. Third quarter new business volume included purchases of $1.0 billion of AgVantage securities issued by Metropolitan Life Insurance Company ("MetLife") with maturities ranging between three and ten years, which replaced maturing AgVantage securities of $1.0 billion issued by MetLife that had been held by third party investors and accounted for as off-balance sheet guarantees by Farmer Mac. Although the third quarter 2011 MetLife transactions did not increase the overall level of outstanding program volume, they effectively extended the duration of the AgVantage securities that had matured and should provide increased future profitability because the net interest margin earned by Farmer Mac holding these securities on-balance sheet is expected to exceed the guarantee fee earned on the prior off-balance sheet guarantees.

As of September 30, 2011, Farmer Mac's excess core capital above its statutory minimum capital requirement was $124.7 million. This compares to excess core capital levels of $162.3 million and $183.2 million as of June 30, 2011 and September 30, 2010, respectively. The decrease in Farmer Mac's excess core capital above its statutory minimum capital requirement in third quarter 2011 was primarily attributable to (1) decreased retained earnings of $35.9 million resulting from the after-tax effect of the unrealized fair value losses on Farmer Mac's financial derivatives and (2) an incremental increase of $20.0 million on Farmer Mac's statutory minimum capital requirement resulting from Farmer Mac purchasing and holding on-balance sheet $1.0 billion of AgVantage securities issued by MetLife, which replaced $1.0 billion of AgVantage securities issued by MetLife previously accounted for as off-balance sheet guarantees. As described above, these unrealized fair value losses on financial derivatives are not expected to have a permanent effect on capital if Farmer Mac holds the derivatives until maturity, as is expected.

As of the end of third quarter 2011, Farmer Mac's 90-day delinquencies improved compared to both the previous quarter and the prior year. Historically, from quarter to quarter, Farmer Mac's 90-day delinquencies have fluctuated, both in dollars and as a percentage of the outstanding portfolio, with higher levels likely at the end of the first and third quarters of each year corresponding to the annual (January 1st) and semi-annual (January 1st and July 1st) payment characteristics of most Farmer Mac I loans. As of the end of third quarter 2011, 90-day delinquencies were $44.9 million (1.02 percent), uncharacteristically lower than $54.6 million (1.27 percent) as of June 30, 2011. Additionally, the September 30, 2011 90-day delinquencies were also down compared to $70.2 million (1.63 percent) as of December 31, 2010 and $64.8 million (1.53 percent) as of September 30, 2010. Notably, as of September 30, 2011, there continued to be no 90-day delinquencies in Farmer Mac's portfolio of ethanol facility loans, a segment of the portfolio that has included heightened levels of delinquencies for several years.

When analyzing delinquencies in its program business, Farmer Mac takes into account more than the Farmer Mac I agricultural loan delinquency percentages provided above. The total program business includes AgVantage securities and rural utilities loans, neither of which have any delinquencies, and the USDA Guaranteed Securities and USDA-guaranteed portions underlying Farmer Mac II Guaranteed Securities, which are backed by the full faith and credit of the United States. When these are included in the calculation, the overall level of 90-day delinquent loans in Farmer Mac's programs as of September 30, 2011 is 0.38 percent.

Farmer Mac's non-GAAP core earnings for third quarter 2011 was $11.2 million, up from $7.9 million in third quarter 2010. Third quarter 2011 core earnings benefited from increased outstanding business volume compared to a year earlier, increased net interest income of $31.7 million, compared to $25.0 million in third quarter 2010 and net releases from the allowance for losses of $0.8 million as opposed to provisions of $0.5 million in the prior year. Farmer Mac uses core earnings to measure corporate economic performance and develop financial plans because, in management's view, core earnings is a valuable alternative measure in understanding Farmer Mac's economic performance, transaction economics and business trends. Core earnings differs from GAAP net income by excluding the effects of fair value accounting guidance, which are not expected to have a permanent effect on capital. Core earnings also differs from GAAP net income by excluding specified infrequent or unusual transactions that Farmer Mac believes are not indicative of future operating results and that may not reflect the trends and economic financial performance of the Corporation's core business. This non-GAAP financial measure may not be comparable to similarly labeled non-GAAP financial measures disclosed by other companies. Farmer Mac's disclosure of this non-GAAP measure is not intended to replace GAAP information but, rather, to supplement it.

Critical Accounting Policies and Estimates

The preparation of Farmer Mac's condensed consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and related notes for the periods presented. Actual results could differ from those estimates. The critical accounting policies that are both important to the portrayal of Farmer Mac's financial condition and results of operations and require complex, subjective judgments are the accounting policies for: (1) the allowance for losses, (2) fair value measurement, and (3) other-than-temporary impairment.

For a discussion of Farmer Mac's critical accounting policies related to the allowance for losses, fair value measurement and other-than-temporary impairment and the related use of estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and related notes for the periods presented, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011.

Results of Operations

Farmer Mac's net loss attributable to common stockholders for third quarter 2011 was $23.0 million or $(2.22) per diluted common share, compared to net income of $6.0 million or $0.56 per diluted common share for third quarter 2010. For the nine months ended September 30, 2011, Farmer Mac's net income attributable to common stockholders was $0.5 million or $0.04 per diluted common share, compared to $9.6 million or $0.91 per diluted common share for the nine months ended September 30, 2010. Farmer Mac's non-GAAP core earnings for third quarter 2011 was $11.2 million or $1.04 per diluted common share, compared to $7.9 million or $0.74 per diluted common share for third quarter 2010. Core earnings for the nine months ended September 30, 2011 was $30.3 million or $2.83 per diluted common share, compared to $18.6 million or $1.76 per diluted common share for the nine months ended September 30, 2010.

A reconciliation of Farmer Mac's GAAP net (loss)/income attributable to common stockholders to core earnings is presented in the following table, and the adjustments to GAAP net (loss)/income are described in more detail below the table.

Reconciliation of GAAP Net (Loss)/Income Attributable to Common Stockholders to Core Earnings

	For the Three Months Ended	
	September 30, 2011	September 30, 2010
	(in thousands, except per share amounts)	
GAAP net (loss)/income attributable to common stockholders	$ (23,032)	$ 5,997
Less the net of tax effects of:		
Unrealized (losses)/gains on financial derivatives	(35,857)	2,106
Unrealized losses on trading assets	(2,361)	(1,119)
Amortization of premiums on assets consolidated at fair value	(1,489)	(1,863)
Recognition of deferred gains related to certain Farmer Mac II Guaranteed Securities and USDA Guaranteed Securities	335	-
Net effects of settlements on agency forward contracts	(1,291)	(441)
Lower of cost or fair value adjustment on loans held for sale	6,403	(589)
Sub-total	(34,260)	(1,906)
Core earnings	$ 11,228	$ 7,903
Core earnings per share:		
Basic	$ 1.08	$ 0.77
Diluted	1.04	0.74
Weighted-average shares:		
Basic	10,354	10,277
Diluted	10,760	10,665

	For the Nine Months Ended	
	September 30, 2011	September 30, 2010
	(in thousands, except per share amounts)	
GAAP net income attributable to common stockholders	$ 461	$ 9,588
Less the net of tax effects of:		
Unrealized losses on financial derivatives	(31,316)	(23)
Unrealized (losses)/gains on trading assets	(230)	4,357
Amortization of premiums on assets consolidated at fair value	(4,775)	(5,246)
Recognition of deferred gains related to certain Farmer Mac II Guaranteed Securities and USDA Guaranteed Securities	2,958	-
Net effects of settlements on agency forward contracts	(2,283)	(329)
Lower of cost or fair value adjustment on loans held for sale	5,776	(2,009)
Issuance costs on the retirement of preferred stock	-	(5,784)
Sub-total	(29,870)	(9,034)
Core earnings	$ 30,331	$ 18,622
Core earnings per share:		
Basic	$ 2.94	$ 1.82
Diluted	2.83	1.76

Weighted-average shares:		
Basic	10,328	10,211
Diluted	10,715	10,576

-69-

Farmer Mac excludes the after-tax effect of unrealized (losses)/gains resulting from changes in the fair values of financial derivatives and trading assets from core earnings. Changes in the fair values of financial derivatives and trading assets have historically contributed significant volatility to Farmer Mac's periodic GAAP earnings. Consistent with that trend, for the three and nine months ended September 30, 2011, Farmer Mac recorded unrealized losses of $55.2 million ($35.9 million after-tax) and $48.2 million ($31.3 million after-tax), respectively, for fair value changes on its financial derivatives, compared to unrealized gains of $3.2 million ($2.1 million after-tax) and unrealized losses of $35,000 ($23,000 after-tax) for the same periods in 2010, respectively. Fair value losses on trading assets totaled $3.6 million ($2.4 million after tax) and $0.4 million ($0.2 million after-tax) for the three and nine months ended September 30, 2011, respectively, compared to losses of $1.7 million ($1.1 million after-tax) and gains of $6.7 million ($4.4 million after-tax) for the three and nine months ended September 30, 2010, respectively. While these volatile changes in fair values of derivatives and trading assets may at times produce significant income, they may also produce significant losses. Future changes in those values cannot be reliably predicted; however, as of September 30, 2011, the cumulative fair value of after-tax losses recorded on financial derivatives was $78.2 million. Over time, Farmer Mac will realize in earnings the net effect of the cash settlements on its interest rate swap contracts, which will on its own produce either income or expense, but is expected to generate positive effective net spread when combined with the interest received and paid on the assets and liabilities Farmer Mac holds on its balance sheet. Any positive effective net spread would continue to build retained earnings and capital over time. Although the unrealized fair value fluctuations experienced throughout the term of the financial derivatives will temporarily impact earnings and capital, those fluctuations are not expected to have any permanent effect if the financial derivatives are held to maturity, as is expected.

Farmer Mac also excludes from core earnings the amortization of premiums on assets consolidated at fair value. Upon the adoption of accounting guidance on consolidation on January 1, 2010, Farmer Mac determined itself to be the primary beneficiary of VIEs where Farmer Mac held beneficial interests in trusts used as vehicles for the securitization of rural utilities loans. Upon consolidation, Farmer Mac transferred these assets from "Farmer Mac Guaranteed Securities" to "Loans held for investment in consolidated trusts" on its condensed consolidated balance sheet. Farmer Mac transferred these assets at their fair value, which resulted in an unamortized premium of $42.7 million. This premium is being amortized over the contractual lives of the underlying loans.

In January 2010, Farmer Mac contributed substantially all of the assets, in excess of $1.1 billion, comprising the Farmer Mac II program to a subsidiary, Farmer Mac II LLC. Farmer Mac transferred these assets at their fair value, which resulted in an unamortized premium of $39.1 million being recorded by Farmer Mac II LLC. This premium is being amortized over the estimated remaining lives of the USDA-guaranteed portions that were transferred. The after-tax effect of this premium, along with the premium described above, is excluded from Farmer Mac's core earnings.

At the time of transfer of the assets to Farmer Mac II LLC, Farmer Mac had after-tax unrealized gains of $7.0 million recorded in accumulated other comprehensive income related to fair value changes of Farmer Mac II Guaranteed Securities and USDA Guaranteed Securities designated as available-for-sale. For the three and nine months ended September 30, 2011, Farmer Mac reclassified $0.5 million ($0.3 million after-tax) and $4.6 million ($3.0 million after-tax) of these gains into earnings based on the estimated remaining lives of the related USDA-guaranteed portions. These gains are presented as "Other income" on the condensed consolidated statements of operations. Farmer Mac will recognize in earnings the remainder of these deferred gains over the estimated remaining lives of the USDA-guaranteed portions. These gains, along with the premium amortization described above, are excluded from Farmer Mac's core earnings because they will have no economic effect on Farmer Mac's financial performance if the assets are held to maturity, as is expected.

Farmer Mac routinely enters into forward sales contracts on the debt of other GSEs to reduce its interest rate exposure on forecasted future debt issuances. In its calculation of core earnings, Farmer Mac reverses the gains or losses resulting from the net settlement of these contracts in the period of settlement and amortizes them over the estimated lives of the associated debt issuances. The after-tax net effect of these items is shown as a reconciling item in the table above.

Unrealized gains and losses recorded to adjust the carrying value of loans held for sale to the lower of cost or fair value are also excluded from core earnings. Farmer Mac recorded gains of $9.9 million ($6.4 million after-tax) and $8.9 million ($5.8 million after-tax) during the three and nine months ended September 30, 2011, respectively. During the three and nine months ended September 30, 2010, Farmer Mac recorded losses of $0.9 million ($0.6 million after-tax) and losses of $3.1 million ($2.0 million after-tax), respectively. The after-tax net effect of these gains and losses is omitted from Farmer Mac's core earnings.

Farmer Mac repurchased and retired all of the outstanding shares of Series B preferred stock with proceeds from the $250.0 million Farmer Mac II LLC Preferred Stock issued in January 2010. As a result of the repurchase, Farmer Mac wrote off $5.8 million of deferred issuance costs related to the Series B preferred stock. This write-off is presented as "Loss on retirement of preferred stock" on the condensed consolidated statements of operations and is excluded from Farmer Mac's core earnings.

The following sections provide more detail regarding specific components of Farmer Mac's results of operations.

Net Interest Income. Net interest income for the three and nine months ended September 30, 2011 was $31.7 million and $87.9 million, respectively, compared to $25.0 million and $70.3 million, respectively, for the same periods during 2010. Net interest income includes guarantee fees related to certain Farmer Mac Guaranteed Securities with beneficial interests owned by third party investors. For the three and nine months ended September 30, 2011, these guarantee fees resulted in an increase in net interest income of $0.8 million and $2.5 million, respectively, and a decrease in the net interest yield of 5 basis points and 6 basis points, respectively. For the three and nine months ended September 30, 2010, these guarantee fees resulted in an increase in net interest income of $1.0 million and $3.7 million, respectively, and a decrease in the net interest yield of 13 basis points and 17 basis points, respectively. The decrease in the net interest yield is the result of the average rate earned on guarantee fees being lower than the net interest spread earned on assets Farmer Mac purchases and holds on-balance sheet. Excluding the impacts of these guarantee fees, the net interest yield was 126 basis points for the nine months ended September 30, 2011, compared to 150 basis points for the nine months ended September 30, 2010.

The following table provides information regarding interest-earning assets and funding for the nine months ended September 30, 2011 and 2010. The balance of non-accruing loans is included in the average balance of interest-earning loans and Farmer Mac Guaranteed Securities and USDA Guaranteed Securities presented, though the related income is accounted for on a cash basis. Therefore, as the balance of non-accruing loans and the income received increases or decreases, the net interest yield will fluctuate accordingly. The balance of consolidated loans with beneficial interests owned by third parties is disclosed in the net effect of consolidated trusts and is not included in the average balances of interest-earning assets and interest-bearing liabilities. The interest income and expense associated with these trusts are shown net in the net effect of consolidated trusts. The average rate earned on cash and investments reflects lower short-term market rates during the first nine months of 2011 compared to the first nine months of 2010. The lower average rate on loans, Farmer Mac Guaranteed Securities and USDA Guaranteed Securities during the nine months ended September 30, 2011 reflects the decline in market rates reflected in the rates on loans acquired or reset during the past year. The lower average rate on Farmer Mac's notes payable due within one year is consistent with general trends in average short-term rates during the periods presented. The downward trend in the average rate on notes payable due after one year reflects the retirement of older debt and the issuance of new debt at lower market rates.

	For the Nine Months Ended					
	September 30, 2011			September 30, 2010		
	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
	(dollars in thousands)					
Interest-earning assets:						
Cash and investments	$ 2,447,032	$ 21,100	1.15%	$ 1,576,100	$ 19,303	1.63%
Loans, Farmer Mac Guaranteed Securities and USDA Guaranteed Securities (1)	6,569,953	152,599	3.10%	4,328,706	112,070	3.45%
Total interest-earning assets	$ 9,016,985	$ 173,699	2.57%	$ 5,904,806	$ 131,373	2.97%
Funding:						
Notes payable due within one year	$ 4,019,952	$ 6,962	0.23%	$ 2,981,082	$ 7,353	0.33%
Notes payable due after one year (2)	4,529,535	81,292	2.39%	2,502,849	57,447	3.06%
Total interest-bearing liabilities (3)	8,549,487	88,254	1.38%	5,483,931	64,800	1.58%
Net non-interest-bearing funding	467,498	-		420,875	-	
Total funding	9,016,985	88,254	1.31%	5,904,806	64,800	1.46%
Net interest income/yield prior to consolidation of certain trusts	9,016,985	85,445	1.26%	5,904,806	66,573	1.50%
Net effect of consolidated trusts (4)	760,581	2,495	0.44%	1,158,766	3,701	0.43%
Adjusted net interest income/yield	$ 9,777,566	$ 87,940	1.20%	$ 7,063,572	$ 70,274	1.33%

(1) Excludes interest income of $28.3 million and $45.3 million in 2011 and 2010, respectively, related to consolidated trusts with beneficial interests owned by third parties.

(2) Includes current portion of long-term notes.

(3) Excludes interest expense of $25.9 million and $41.6 million in 2011 and 2010, respectively, related to consolidated trusts with beneficial interests owned by third parties.

(4) Includes the effect of consolidated trusts with beneficial interests owned by third party investors.

The following table sets forth information regarding the changes in the components of Farmer Mac's net interest income for the periods indicated. For each category, information is provided on changes attributable to changes in volume (change in volume multiplied by old rate) and changes in rate (change in rate multiplied by old volume). Combined rate/volume variances, the third element of the calculation, are allocated based on their relative size. The decreases in income due to changes in rate reflect the reset of variable-rate investments and adjustable-rate mortgages to lower rates and the acquisition of new lower-yielding investments, loans and Farmer Mac Guaranteed Securities and USDA Guaranteed Securities, as described above. The decreases in expense reflect the decreased cost of funding due to lower interest rates in the debt markets.

	For the Nine Months Ended September 30, 2011 Compared to the Nine Months Ended September 30, 2010 Increase/(Decrease) Due to		
	Rate	Volume	Total
		(in thousands)	
Income from interest-earning assets:			
Cash and investments	$ (12,603)	$ 14,400	$ 1,797
Loans, Farmer Mac Guaranteed Securities and USDA Guaranteed Securities	(27,477)	68,006	40,529
Total	(40,080)	82,406	42,326
Expense from interest-bearing liabilities	(19,428)	42,882	23,454
Change in net interest income prior to consolidation of certain trusts (1)	$ (20,652)	$ 39,524	$ 18,872

(1) Excludes the effect of consolidated trusts with beneficial interests owned by third parties.

In addition to the guarantee fees described above, the net interest yield includes yield maintenance payments received upon the early payoff of certain borrowers' loans and the amortization of premiums on assets consolidated at fair value and excludes the accrual of income and expense related to the payments on financial derivatives. The following paragraphs describe the effects of these items on the net interest yield and the table below presents them as adjustments to reconcile to the net effective spread Farmer Mac earns on the difference between its interest-earning assets and its net funding costs, including payments for income and expense related to financial derivatives.

Farmer Mac uses interest rate swap contracts to manage its interest rate risk exposure by modifying the interest rate reset or maturity characteristics of certain assets and liabilities. Farmer Mac accounts for its financial derivatives as undesignated financial derivatives. Accordingly, the Corporation records the income or expense related to financial derivatives as gains and losses on financial derivatives. For the three months ended September 30, 2011, this accounting for financial derivatives increased the net interest yield by $10.4 million (42 basis points), compared to $9.0 million (57 basis points) for the three months ended September 30, 2010. For the nine months ended September 30, 2011, the accounting for financial derivatives increased the net interest yield by $28.7 million (42 basis points), compared to $26.0 million (59 basis points) for the nine months ended September 30, 2010.

-73-

Farmer Mac's net interest income and net interest yields for the three months ended September 30, 2011 and 2010 included the benefits of yield maintenance payments of $0.1 million (less than one basis point) and $0.3 million (2 basis points), respectively. The net interest income and net interest yields for the nine months ended September 30, 2011 and 2010 included the benefits of yield maintenance payments of $0.7 million (1 basis point) and $0.6 million (1 basis point), respectively. Yield maintenance payments represent the present value of expected future interest income streams and accelerate the recognition of interest income from the related loans. Because the timing and size of these payments vary greatly, variations do not necessarily indicate positive or negative trends to gauge future financial results.

Upon the adoption of accounting guidance on consolidation on January 1, 2010, Farmer Mac determined itself to be the primary beneficiary of certain VIEs where Farmer Mac held beneficial interests in trusts used as vehicles for the securitization of agricultural real estate mortgage loans or rural utilities loans. Upon consolidation, Farmer Mac reclassified these assets from "Farmer Mac Guaranteed Securities" to "Loans held for investment in consolidated trusts" on the condensed consolidated balance sheet. The reclassified assets on January 1, 2010 included Farmer Mac Guaranteed Securities – Rural Utilities with an unpaid principal balance of $412.9 million and a fair value of $455.6 million. Farmer Mac was reporting these assets at their fair values, with changes in fair value recorded in earnings, based on its election of the fair value option in 2008. Upon consolidation of the underlying rural utilities loans, Farmer Mac reclassified the unrealized gain of $42.7 million as of January 1, 2010 to unamortized premiums on loans held for investment. The related premium is being amortized over the contractual lives of the underlying rural utilities loans.

On January 25, 2010, Farmer Mac contributed substantially all of the assets, in excess of $1.1 billion, comprising the Farmer Mac II program to Farmer Mac's subsidiary, Farmer Mac II LLC. Farmer Mac transferred these assets at their fair value which resulted in an unamortized premium of $39.1 million being recorded by Farmer Mac II LLC. This premium is being amortized over the estimated remaining lives of the USDA-guaranteed portions that were contributed.

Farmer Mac's net interest income and net interest yield for the three months ended September 30, 2011 and 2010 included expenses of $2.3 million (9 basis points) and $2.9 million (18 basis points), respectively, related to the amortization of the premiums described above. The net interest income and net interest yields for the nine months ended September 30, 2011 and 2010 included expenses of $7.3 million (11 basis points) and $8.1 million (18 basis points), respectively, related to this amortization.

The following table presents the net effective spread between Farmer Mac's interest-earning assets and its net funding costs. This spread is measured by including expense related to financial derivatives and excluding yield maintenance payments, the amortization of premiums on assets consolidated at fair value and the amortization of discounts on certain prepaid loans. New on-balance sheet program volume added throughout 2010 and the first nine months of 2011 increased Farmer Mac's net effective spread for the three and nine months ended September 30, 2011 to $22.8 million and $63.4 million, respectively, up from $16.2 million and $46.6 million, respectively, for the same periods in 2010. However, the net yields were reduced to 0.93 percent and 0.94 percent for the three and nine months ended September 30, 2011, respectively, from 1.04 percent and 1.05 percent, respectively, for the same periods in 2010. The declines in the net yields for the periods presented are mainly attributable to the addition of (1) lower yielding assets in Farmer Mac's liquidity investment portfolio, such as U.S. Treasuries, which have a negative net yield but offer a source of contingent liquidity, and (2) on-balance sheet AgVantage securities at lower net yields than the average net yield on Farmer Mac's existing portfolio. The new AgVantage securities purchased by Farmer Mac during third quarter effectively replaced the business volume of maturing AgVantage securities previously accounted for as off-balance sheet guarantees that did not previously contribute to net interest income and net yield. These new AgVantage securities should provide increased future profitability because the net interest margin earned by Farmer Mac holding these securities on-balance sheet is expected to exceed the guarantee fee earned on the prior off-balance sheet guarantees. See Note 8 to the condensed consolidated financial statements for more information regarding net effective spread for Farmer Mac's individual business segments.

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2011		September 30, 2010		September 30, 2011		September 30, 2010	
	Dollars	Yield	Dollars	Yield	Dollars	Yield	Dollars	Yield
	(dollars in thousands)							
Net interest income/yield prior to consolidation of certain trusts	$ 30,927	1.26%	$ 24,097	1.54%	$ 85,445	1.26%	$ 66,573	1.50%
Expense related to financial derivatives	(10,375)	-0.42%	(8,961)	-0.57%	(28,695)	-0.42%	(26,029)	-0.59%
Yield maintenance payments	(77)	0.00%	(339)	-0.02%	(699)	-0.01%	(595)	-0.01%
Amortization of premiums on assets consolidated at fair value	2,290	0.09%	2,867	0.18%	7,346	0.11%	8,071	0.18%
Amortization of discounts on certain prepaid loans (1)	-	0.00%	(1,421)	-0.09%	-	0.00%	(1,421)	-0.03%
Net effective spread	$ 22,765	0.93%	$ 16,243	1.04%	$ 63,397	0.94%	$ 46,599	1.05%

(1) Includes income recognition as a result of an early payoff of a loan secured by an ethanol plant.

Release of and Provision for Loan Losses. During the three months ended September 30, 2011, Farmer Mac recorded releases from its allowance for loan losses of $0.3 million and charge-offs of $5,000. During the nine months ended September 30, 2011, Farmer Mac recorded provisions to its allowance for loan losses of $1.1 million and charge-offs of $0.2 million. The releases recorded in third quarter 2011 were primarily due to a decline in estimated probable losses related to Farmer Mac's exposure to the dairy industry. In first quarter 2011, Farmer Mac purchased two defaulted loans pursuant to the terms of an LTSPC agreement. This resulted in the reclassification of $1.8 million of specific allowance, which had been recorded in fourth quarter 2010, from the reserve for losses to the allowance for loan losses. The provision for loan losses for the first nine months of 2011 reflects this reclassification as well as a decline in estimated probable losses related to Farmer Mac's exposure to the ethanol and dairy industries.

During the three months ended September 30, 2010, Farmer Mac recorded provisions to its allowance for loan losses of $0.4 million and charge-offs of $0.5 million. During the nine months ended September 30, 2010, Farmer Mac recorded provisions to its allowance for losses of $1.4 million, charge-offs of $0.5 million and recoveries of $2.2 million on a loan secured by an ethanol plant. During the first nine months of 2010, Farmer Mac's provision for loan losses also included the reclassification of $2.0 million from the reserve for losses to the allowance for loan losses upon adoption of new consolidation guidance in first quarter 2010.

-75-

As of September 30, 2011, Farmer Mac's total allowance for loan losses was $10.7 million, compared to $9.8 million as of December 31, 2010 and $9.4 million as of September 30, 2010. See "—Risk Management—Credit Risk – Loans."

Release of and Provision for Losses. During the three and nine months ended September 30, 2011, Farmer Mac recorded releases from its reserve for losses of $0.5 million and $3.3 million, respectively, compared to provisions of $0.1 million and $1.7 million for the three and nine months ended September 30, 2010, respectively. The releases recorded in third quarter 2011 were primarily due to a decline in estimated probable losses related to Farmer Mac's exposure to the dairy industry. The releases recorded during the first nine months of 2011 were primarily the result of the reclassification of the $1.8 million specific allowance described above as well as a decline in estimated probable losses related to Farmer Mac's exposure to the ethanol and dairy industries. The provisions recorded in the first nine months of 2010 primarily related to Farmer Mac's exposure to the ethanol industry on loans underlying LTSPCs, partially offset by the reclassification of $2.0 million from the reserve for losses to the allowance for loan losses described above.

As of September 30, 2011, Farmer Mac's reserve for losses was $7.0 million, compared to $10.3 million as of December 31, 2010 and $9.6 million as of September 30, 2010. See "—Risk Management—Credit Risk – Loans."

Guarantee and Commitment Fees. Guarantee and commitment fees, which compensate Farmer Mac for assuming the credit risk on loans underlying Farmer Mac Guaranteed Securities and LTSPCs, were $6.1 million for third quarter 2011 and $18.9 million for the nine months ended September 30, 2011, compared to $6.0 million for third quarter 2010 and $17.6 million for the nine months ended September 30, 2010. Guarantee and commitment fees for the three and nine months ended September 30, 2011 reflect the reclassification to net interest income related to Farmer Mac Guaranteed Securities previously reported as off-balance sheet as a result of the adoption of accounting guidance on consolidation of $0.8 million and $2.5 million, respectively, compared to $1.0 million and $3.7 million, respectively for the same periods ended September 30, 2010.

Gains and Losses on Financial Derivatives. Farmer Mac accounts for its financial derivatives as undesignated financial derivatives and does not apply hedge accounting. The net effect of gains and losses on financial derivatives for the three and nine months ended September 30, 2011 was a net loss of $68.6 million and $82.4 million, respectively, compared to a net loss of $6.9 million and $28.5 million, respectively, for the three and nine months ended September 30, 2010. The components of losses on financial derivatives for the three and nine months ended September 30, 2011 and 2010 are summarized in the following table:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(in thousands)			
Realized:				
Expense related to financial derivatives	$ (10,375)	$ (8,961)	$ (28,695)	$ (26,029)
Losses due to terminations or net settlements	(2,988)	(1,172)	(5,489)	(2,441)
Unrealized (losses)/gains due to fair value changes	(55,204)	3,309	(48,184)	82
Amortization of financial derivatives transition adjustment	-	(40)	-	(120)
Losses on financial derivatives	$ (68,567)	$ (6,864)	$ (82,368)	$ (28,508)

-76-

The accrual of periodic cash settlements for interest paid or received from Farmer Mac's interest rate swap contracts is shown as expense related to financial derivatives in the table above. Payments or receipts to terminate derivative positions or net cash settle forward sales contracts on the debt of other GSEs and U.S. Treasury futures are included in losses due to terminations or net settlements. Changes in the fair value of Farmer Mac's open derivative positions are captured in unrealized losses due to fair value changes and are primarily the result of fluctuations in long-term interest rates. The amortization of the financial derivatives transition adjustment reflects the reclassification into earnings of the unrealized losses on financial derivatives included in accumulated other comprehensive income as a result of the adoption of accounting guidance on derivatives. Farmer Mac reclassified the remaining derivatives transition adjustment into earnings during 2010.

For the three and nine months ended September 30, 2011 and 2010, Farmer Mac was a party to interest rate swap contracts with one related party, Zions First National Bank. Farmer Mac realized expenses of $0.5 million and $1.4 million for the three and nine months ended September 30, 2011, respectively, related to these interest rate swap contracts, compared to realized expenses of $0.6 million and $2.2 million, respectively, for the same periods in 2010. Farmer Mac recognized unrealized losses of $0.2 million and unrealized gains of $1.4 million, for the three and nine months ended September 30, 2011, respectively, compared to unrealized gains of $0.1 million and $32,000, respectively, for the same periods in 2010, due to changes in the fair value of these interest rate swap contracts.

Gains and Losses on Trading Assets. During the three and nine months ended September 30, 2011, Farmer Mac recognized losses on trading assets of $3.6 million and $0.4 million, respectively, compared to losses of $1.7 million and gains of $6.7 million, respectively, for the same periods in 2010. For the three and nine months ended September 30, 2011, Farmer Mac recorded trading losses of $4.8 million and $3.1 million, respectively, related to the change in the fair value of its investment in AgFirst Farm Credit Bank preferred stock. For the three and nine months ended September 30, 2010, Farmer Mac recorded $0.2 million of trading gains and $2.0 million of trading losses, respectively, related to the change in the fair value of its investment in AgFirst Farm Credit Bank preferred stock.

During the three and nine months ended September 30, 2011, Farmer Mac also recorded trading gains of $1.4 million and $1.7 million, respectively, related to the change in the fair value of the USDA Guaranteed Securities contributed to its subsidiary, Farmer Mac II LLC, which had previously been selected for the fair value option. During the three and nine months ended September 30, 2010, Farmer Mac recorded trading losses of $2.1 million and trading gains of $8.5 million, respectively, related to the change in the fair value of the USDA Guaranteed Securities contributed to its subsidiary, Farmer Mac II LLC.

Of the total $3.6 million and $0.4 million of unrealized losses recognized on trading assets during the three and nine months ended September 30, 2011, respectively, losses of $3.3 million and $1.4 million, respectively, related to assets selected for the fair value option. Of the total $1.7 million of unrealized losses and $6.7 million of unrealized gains recognized on trading assets during the three and nine months ended September 30, 2010, respectively, $1.9 million of trading losses and $6.6 million of trading gains, respectively, related to assets selected for the fair value option.

Farmer Mac made no fair value option elections during the three and nine months ended September 30, 2011 and 2010.

Gains on Sale of Available-for-Sale Investment Securities. During the three and nine months ended September 30, 2011, Farmer Mac realized net gains of $0.1 million and $0.3 million, respectively, on sales of investment securities from its available-for-sale portfolio. During the three and nine months ended September 30, 2010, Farmer Mac realized net gains of $24,000 and $0.3 million, respectively, on sales of investment securities from its available-for-sale portfolio.

Lower of Cost or Fair Value Adjustment on Loans Held for Sale. During the three and nine months ended September 30, 2011, Farmer Mac recorded unrealized gains of $9.9 million and $8.9 million, respectively, to adjust the carrying value of loans held for sale to the lower of cost or fair value, compared to unrealized losses of $0.9 million and $3.1 million, respectively, for the same periods in 2010. The unrealized gains recorded during 2011 resulted from the reversal of previously recognized unrealized losses as the fair value of these loans increased above their cost amounts.

Other Income. For the three and nine months ended September 30, 2011, other income totaled $0.7 million and $5.7 million, respectively, compared to $0.1 million and $1.2 million, respectively, for the same periods in 2010. The increase in the first nine months of 2011 was due to the recognition of $4.6 million of gains previously deferred in accumulated other comprehensive income related to fair value changes of certain Farmer Mac II Guaranteed Securities and USDA Guaranteed Securities contributed to Farmer Mac II LLC in January 2010.

Compensation and Employee Benefits. Compensation and employee benefits were $4.8 million and $14.0 million for the three and nine months ended September 30, 2011, respectively, compared to $4.5 million and $11.9 million, respectively, for the same periods in 2010. The increase in 2011 compared to 2010 was due to increased employee headcount, employee incentive compensation and increased costs for employee health insurance.

General and Administrative Expenses. General and administrative expenses, including legal, independent audit, and consulting fees, were $2.5 million and $7.4 million for the three and nine months ended September 30, 2011, respectively, compared to $1.8 million and $6.3 million for the same periods in 2010. The increase in general and administrative expenses in 2011 compared to 2010 was primarily attributable to higher rent expense beginning with the construction phase of Farmer Mac's new office space and increased costs associated with information technology initiatives.

Other Expense. During first quarter 2011, Farmer Mac recorded $0.9 million of expense related to the termination of an agreement with a third-party that previously provided services related to loan and security administration for certain Farmer Mac I assets. Farmer Mac incurred no comparable termination charge in third quarter 2011 or in prior periods. During 2010, Farmer Mac paid $0.5 million in fees to the third-party service provider. Farmer Mac is currently performing those services in-house and expects to continue to do so in the future.

Regulatory Fees. Regulatory fees for the three and nine months ended September 30, 2011 were $0.6 million and $1.7 million, respectively, compared to $0.6 million and $1.7 million, respectively, for the same periods in 2010. FCA has advised Farmer Mac that its estimated fees for the federal fiscal year ending September 30, 2012 will be $2.3 million, unchanged from the federal fiscal year ended September 30, 2011. After the end of a federal government fiscal year, FCA may revise its prior year estimated assessments to reflect actual costs incurred, and has issued both additional assessments and refunds in the past.

Income Tax Expense and Benefit. Income tax benefit totaled $14.1 million and $2.1 million for the three and nine months ended September 30, 2011, respectively, compared to income tax expense of $0.9 million and $6.0 million for the same periods in 2010, respectively. Income tax benefit in the three months ended September 30, 2011 resulted primarily from a net loss in pre-tax income during third quarter 2011. Income tax benefit in the nine months ended September 30, 2011 resulted primarily from a negative effective tax rate. Farmer Mac's effective tax rates for the three and nine months ended September 30, 2011 were 45.7 percent and (12.1) percent, respectively, compared to 6.7 percent and 15.0 percent, respectively, for the same periods in 2010. The effective tax rate varies from the statutory federal rate of 35 percent primarily due to the income attributed to the non-controlling interest in Farmer Mac II LLC, for which Farmer Mac does not accrue income tax expense and the tax benefit received from the Corporation's dividend received deduction for both periods.

-79-

Business Volume. During third quarter 2011, Farmer Mac added $1.5 billion of new program volume in the form of:

- purchases of $68.2 million of Farmer Mac I loans;
- purchases of $1.0 billion of Farmer Mac I AgVantage securities;
- the placement of $266.9 million of Farmer Mac I loans under LTSPCs;
- purchases of $87.1 million of USDA-guaranteed portions of loans; and
- purchases of $32.4 million of rural utilities loans.

Farmer Mac's outstanding program volume was $11.8 billion as of September 30, 2011, a decrease of $375.3 million from December 31, 2010. During the first nine months of 2011, Farmer Mac added $3.0 billion of new program volume that partially replaced maturing AgVantage securities and principal paydowns on other program assets. Farmer Mac completed a $159.9 million LTSPC transaction during third quarter 2011, which was the largest LTSPC transaction since March 2007. The expressed motivation of the counterparty in that transaction was to reduce its commodity concentration levels. Farmer Mac has recently observed increased lender interest in the LTSPC product as a tool for lenders to manage their commodity concentration and borrower exposure levels as well as overall credit risk.

The following table sets forth Farmer Mac I, Farmer Mac II and Rural Utilities loan purchase, LTSPC and guarantee activities for newly originated and current seasoned loans during the periods indicated:

Farmer Mac Loan Purchases, Guarantees and LTSPCs

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(in thousands)			
Farmer Mac I:				
Loans	$68,201	$ 82,270	$ 397,030	$ 258,453
LTSPCs	266,906	25,416	374,306	134,989
Farmer Mac Guaranteed Securities - AgVantage	1,001,500	550,000	1,801,500	550,000
Farmer Mac II:				
USDA Guaranteed Securities	85,787	132,991	300,311	334,663
Farmer Mac Guaranteed Securities	1,264	6,676	3,268	20,354
Rural Utilities:				
Loans	32,387	35,242	148,782	171,986
Farmer Mac Guaranteed Securities - AgVantage	-	250,000	2,796	250,000
Total purchases, guarantees and commitments	$1,456,045	$ 1,082,595	$ 3,027,993	$ 1,720,445

-80-

The outstanding principal balance of loans held, loans underlying LTSPCs and on- and off-balance sheet Farmer Mac Guaranteed Securities and USDA Guaranteed Securities was $11.8 billion as of September 30, 2011 compared to $12.2 billion as of December 31, 2010. The following table sets forth information regarding those outstanding balances as of the dates indicated:

Outstanding Balance of Loans, Loans Underlying Farmer Mac Guaranteed Securities and LTSPCs, and USDA Guaranteed Securities

		September 30, 2011		December 31, 2010
		(in thousands)		
On-balance sheet:				
Farmer Mac I:				
Loans	$	1,192,486	$	972,206
Loans held in trusts:				
Beneficial interests owned by Farmer Mac		236		3,697
Beneficial interests owned by third party investors		712,690		821,411
Farmer Mac Guaranteed Securities - AgVantage		2,741,000		941,500
Farmer Mac II:				
USDA Guaranteed Securities		1,380,836		1,297,439
Farmer Mac Guaranteed Securities		36,316		39,856
Rural Utilities:				
Loans		474,220		339,963
Loans held in trusts:				
Beneficial interests owned by Farmer Mac		386,800		400,228
Farmer Mac Guaranteed Securities - AgVantage		1,410,800		1,887,200
Total on-balance sheet	$	8,335,384	$	6,703,500
Off-balance sheet:				
Farmer Mac I:				
Farmer Mac Guaranteed Securities - AgVantage	$	970,000	$	2,945,000
LTSPCs		1,811,280		1,754,597
Farmer Mac Guaranteed Securities		660,673		750,217
Farmer Mac II:				
Farmer Mac Guaranteed Securities		45,977		48,103
Rural Utilities:				
Farmer Mac Guaranteed Securities - AgVantage		18,079		15,292
Total off-balance sheet	$	3,506,009	$	5,513,209
Total	$	11,841,393	$	12,216,709

Of the $11.8 billion outstanding principal balance of volume included in Farmer Mac's three programs as of September 30, 2011, $5.1 billion are Farmer Mac Guaranteed Securities structured as AgVantage securities. Each AgVantage security is a general obligation of an issuing institution approved by Farmer Mac and is secured by eligible loans in an amount at least equal to the outstanding principal amount of the security. Unlike business volume in the form of purchased loans, USDA Guaranteed Securities and loans underlying LTSPCs and non-AgVantage Farmer Mac Guaranteed Securities, the Farmer Mac Guaranteed Securities structured as AgVantage securities do not pay down principal based on amortization schedules and instead have fixed maturity dates when the secured general obligation is due.

-81-

The following table summarizes by maturity date the outstanding principal amount of both on- and off-balance sheet AgVantage securities as of September 30, 2011.

AgVantage Balances by Year of Maturity

	As of September 30, 2011 (in thousands)	
2012	$	498,500
2013		307,250
2014		1,060,900
2015		550,250
2016		1,002,000
Thereafter		1,720,979
Total	$	5,139,879

Of the AgVantage securities that matured during third quarter 2011, $1.0 billion issued by MetLife matured in July 2011 and $475.0 million issued by M&I Bank matured in August 2011, both of which were off-balance sheet Farmer Mac guarantees. A portion of these maturing off-balance sheet guarantees were replaced by Farmer Mac's purchase during third quarter 2011 of the following AgVantage securities issued by MetLife (1) a $500.0 million five-year AgVantage security, (2) a $150.0 million seven-year AgVantage security, (3) a $150.0 million ten-year AgVantage security and (4) a $200.0 million three-year AgVantage security. All of these securities, totaling $1.0 billion, were accounted for by Farmer Mac as on-balance sheet Farmer Mac Guaranteed Securities in third quarter 2011. Although these new issuances do not increase the overall level of outstanding program volume, they should provide increased future profitability because the net interest margin earned by Farmer Mac on the new AgVantage securities is expected to exceed the guarantee fee earned on the off-balance sheet guarantees that matured during third quarter 2011. The maturity of the AgVantage security issued by M&I Bank resulted in a reduction of the level of outstanding AgVantage securities; however, the effect on income of the maturity of an AgVantage security, particularly off-balance sheet transactions, is not necessarily proportional to the amount of the decrease in business volume.

The weighted-average ages of the Farmer Mac I newly originated and current seasoned loans purchased during third quarter 2011 and 2010 was four months and less than one month, respectively. Of the Farmer Mac I newly originated and current seasoned loans purchased during third quarter 2011 and 2010, 79 percent and 88 percent, respectively, had principal amortization periods longer than the maturity date, resulting in balloon payments at maturity, with a weighted-average remaining term to maturity of 15.7 years and 16.7 years, respectively.

-82-

As part of fulfilling its guarantee obligations for Farmer Mac I Guaranteed Securities and commitments to purchase eligible loans underlying LTSPCs, Farmer Mac purchases defaulted loans, all of which are at least 90 days delinquent or in material non-monetary default at the time of purchase, out of the loan pools underlying those securities and LTSPCs, and records the purchased loans as such on its balance sheet. The purchase price for defaulted loans purchased out of Farmer Mac I Guaranteed Securities is the current outstanding principal balance of the loan plus accrued and unpaid interest. The purchase price for defaulted loans purchased under an LTSPC is the then-current outstanding principal balance of the loan, with accrued and unpaid interest on the defaulted loans payable out of any future loan payments or liquidation proceeds as received. The purchase price of a defaulted loan is not an indicator of the expected loss on that loan; many other factors affect expected loss, if any, on loans so purchased. The weighted-average age of delinquent loans purchased out of securitized pools and LTSPCs during third quarter 2011 and third quarter 2010 was 9.9 years and 4.6 years, respectively. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Credit Risk – Loans” in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011.

The following table presents Farmer Mac’s loan purchases of newly originated and current seasoned loans and defaulted loans purchased underlying Farmer Mac I Guaranteed Securities and LTSPCs:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(in thousands)			
Farmer Mac I newly originated and current seasoned loan purchases	$ 68,201	$ 82,270	$ 397,030	$ 258,453
Defaulted loans purchased underlying Farmer Mac I Guaranteed Securities	2,921	1,133	7,292	3,456
Defaulted loans purchased underlying LTSPCs	-	781	13,974	1,861
Total loan purchases	$ 71,122	$ 84,184	$ 418,296	$ 263,770

Farmer Mac II LLC. In January 2010, Farmer Mac contributed substantially all of the assets comprising the Farmer Mac II program (in excess of $1.1 billion) to Farmer Mac’s subsidiary, Farmer Mac II LLC. The assets that Farmer Mac contributed to Farmer Mac II LLC consisted primarily of USDA-guaranteed portions that had not been securitized by Farmer Mac but also included $35.0 million of Farmer Mac II Guaranteed Securities. Farmer Mac did not and will not guarantee the timely payment of principal and interest on the $1.1 billion of contributed USDA-guaranteed portions. The contributed USDA-guaranteed portions had previously been presented as Farmer Mac II Guaranteed Securities on the condensed consolidated financial statements of Farmer Mac and are now presented as “USDA Guaranteed Securities” on the condensed consolidated balance sheets. The financial information presented in this report reflects the accounts of Farmer Mac and its subsidiaries on a consolidated basis. Accordingly, Farmer Mac’s reportable operating segments presented in this report will differ from the stand-alone financial statements of Farmer Mac II LLC. Those separate financial statements are available on the website of Farmer Mac II LLC and are not incorporated in this report by reference.

The assets of Farmer Mac II LLC will only be available to creditors of Farmer Mac after all obligations owed to creditors of and equity holders in Farmer Mac II LLC have been satisfied. As of September 30, 2011, Farmer Mac II LLC held assets with a fair value of $1.5 billion, had debt outstanding of $167.0 million, had preferred stock outstanding with a liquidation preference of $250.0 million, and had $1.0 billion of common stock outstanding held by Farmer Mac. For more information about the formation and operations of Farmer Mac II LLC and the features of the preferred stock issued by Farmer Mac II LLC in January 2010, see Notes 3, 6 and 8 to the condensed consolidated financial statements.

-83-

Outlook. Farmer Mac continues to represent a potential source of liquidity, capital, and risk management to help lenders meet the borrowing needs of their customers. Farmer Mac foresees opportunities for continued business growth in both the agricultural and rural utilities segments, though the pace of growth will be dictated by the capital and liquidity demands of the lenders and industries, lenders' commodity concentrations and borrower exposure limits, and the stability of the financial markets.

The agricultural sector is made up of diverse industries that respond in different ways to changes in economic conditions. Those industries often are affected differently, sometimes positively and sometimes negatively, by prevailing economic conditions, which results in cycles where one or more industries may be under stress at any one time. These industries are also affected by commodity inventories, largely as a result of weather patterns and harvest conditions. For example, volatility in the prices of feed grains such as corn, soybeans, and wheat continued during the first nine months of 2011. The price increase of feed grains is positive for producers of these commodities but also has the potential to put pressure on the profit margins in the protein sector due to increased feed costs.

Farmer Mac's support of the renewable energy sector is centered in ethanol production, an industry that continues to demonstrate inconsistent profitability. Improved ethanol margins provided profit opportunities through the first nine months of 2011. Federal support of this industry, in the form of an excise tax credit and an import tariff, are set to expire at the end of 2011, and it appears highly unlikely that the industry will see an extension of this support as it did at the end of 2010. The Renewable Fuel Standard currently mandates targeted use of fuel from renewable sources, most especially ethanol. However, it is uncertain whether the Renewable Fuel Standard will remain in place or be revised in the near term, especially in light of opposition from various legislators and the meat and poultry industries due to increasing feed costs. It is also uncertain how the changes in federal support, combined with the price volatility of both corn feedstock and oil, will ultimately impact the industry. Profit margins at the ethanol production level will likely remain relatively tight and, at times, elusive.

Conditions in the agricultural sector during the first nine months of 2011 continued to be more robust than the national economy in general. However, agriculture is not insulated from the effects of general economic and market conditions such as the recent economic downturn and the related weak and uncertain economic conditions in the United States. Indeed, the agricultural sector remains subject to traditional commodity price cycles, artificial influences on commodity prices such as the effect that interest rate changes have on supply and demand of commodities and their prices, and government policies concerning biofuels and import tariffs. In addition, producers that rely on non-farm sources of income as a significant percentage of overall income may experience stress as the weakness in the general economy persists. Farmer Mac will continue to closely monitor developments in industries and geographic areas experiencing stress. The cyclical credit issues related to the agricultural sector are expected to remain within Farmer Mac's historical experience.

Farmer Mac continues to closely monitor land value trends and the underlying economic effects within the marketplace, and to tailor underwriting practices to these conditions. Although Farmer Mac underwrites loans with an emphasis on the borrower's repayment capacity, it is noteworthy that the weighted average original LTV (based on original appraised value that has not been indexed to provide a current market value) for loans in the Farmer Mac I program (excluding loans pledged to secure AgVantage bonds) was approximately 54 percent as of September 30, 2011. Farmer Mac also monitors the establishment and evolution of governmental policies and regulations that affect farmers, ranchers, and lenders, including agricultural polices contained in the current Farm Bill due to expire in 2012. The USDA has begun gathering input in preparation for the expiration of the current Farm Bill.

Farmer Mac believes that the rural utilities sector is a strong and growing industry with significant needs for future financing over the next ten years, as capital will be needed for industry growth, modernization, and compliance with environmental regulation. The rural utilities industry's demand for loans tends to follow the state of the general economy. Recently, electric consumption has been reduced, which has slowed loan demand. Farmer Mac expects that loan demand will increase as the economy strengthens.

Much of the electrical power generated by and for rural electric cooperatives uses coal as a fuel. The industry is expected to require additional capital as it invests in demand-side management and clean energy projects such as natural gas-fired generating projects in response to low natural gas fuel costs. The industry will also have to deal with future public policy initiatives, including any clean energy initiatives that may develop. As green energy sources continue to be developed, new power transmission lines will be needed to support the development and operation of new wind and solar power plants to transfer their power from remote locations to the ultimate consumer. These developments could lead to increased or decreased business volume for Farmer Mac in the rural utilities sector depending on how any new initiatives, legislation, or regulations are implemented and their effect on rural utilities cooperative borrowers.

In the near term, Farmer Mac expects that the majority of any new rural utilities business will be in the form of direct credit exposures to both electric distribution and generation and transmission ("G&T") loans through purchases of those loans, rather than indirect credit exposures to those loans through AgVantage transactions. Farmer Mac's ability to grow the rural utilities portion of its business may be limited by Farmer Mac's limits on borrower exposures, its overall risk tolerance, and the ability of Farmer Mac to maintain its funding costs at levels conducive to competitively price rural utilities loans.

Balance Sheet Review

During first quarter 2010, Farmer Mac adopted two new accounting standards that eliminated the concept of QSPEs and amended the accounting for transfers of financial assets and the consolidation model for VIEs. The impact upon adoption was an increase in consolidated assets and liabilities of $1.5 billion, which resulted in an incremental increase in Farmer Mac's statutory minimum capital requirement of $30.4 million. Pursuant to this new guidance, Farmer Mac routinely assesses its securitization trusts to determine whether it is the primary beneficiary and thereby required to consolidate the assets and liabilities of the trust onto its balance sheet, or if determined not to be the primary beneficiary of a previously consolidated trust, deconsolidate the assets and liabilities from its balance sheet.

As of January 1, 2010, Farmer Mac consolidated $1.1 billion of its outstanding securitization trusts created when loans subject to LTSPCs were converted to Farmer Mac I Guaranteed Securities at the request of program participants. Those securitization transactions contain provisions resulting in shared power over default mitigation decisions. For those transactions where the power is shared with a related party (as defined by applicable accounting guidance), Farmer Mac determined itself to be the primary beneficiary and thus is required to consolidate the assets and liabilities of the trust onto its balance sheet. For those transactions where the power was shared with an unrelated party, Farmer Mac was not determined to be the primary beneficiary and is not required to consolidate the assets and liabilities of the trust onto its balance sheet.

Determinations about which business partners of Farmer Mac are related parties often depend on whether an officer or director of that business partner is a member of Farmer Mac's board of directors, ten of whom are elected on an annual basis by the holders of Farmer Mac's outstanding voting common stock. Changes in the membership of the board of directors may result in Farmer Mac consolidating a trust previously disclosed as off-balance sheet, or deconsolidating a trust previously consolidated on balance sheet. Although this will have no net effect on Farmer Mac's net income, it may, at times, produce volatility in the statutory minimum capital Farmer Mac is required to hold.

At Farmer Mac's Annual Meeting of Stockholders on June 2, 2011, ten directors were elected to serve one-year terms, all of whom were re-elected as directors of Farmer Mac. At its Annual Meeting of Stockholders on June 3, 2010, ten directors were elected to serve one-year terms, nine of whom were re-elected as directors of Farmer Mac and one of whom was new to Farmer Mac's board. As a result of the change in membership of the board of directors during second quarter 2010, Farmer Mac deconsolidated $0.4 billion of securitization transactions with a business partner that was no longer a related party (as defined by applicable accounting guidance). For more information on Farmer Mac's policy relating to the consolidation of VIEs, see Note 1(g) to the condensed consolidated financial statements. For a discussion of Farmer Mac's related party transactions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Related Party Transactions" and Note 3 in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011, as amended by Amendment No. 1 on Form 10-K/A filed on June 1, 2011. See Note 1(a) to the condensed consolidated financial statements for further information.

Assets. Total assets were $11.4 billion as of September 30, 2011, compared to $9.5 billion as of December 31, 2010. This increase was primarily attributable to Farmer Mac's purchases of $1.8 billion of Farmer Mac I AgVantage securities during 2011, all of which are held on-balance sheet and accounted for as Farmer Mac Guaranteed Securities. As of September 30, 2011, Farmer Mac had $4.3 billion of Farmer Mac Guaranteed Securities, $1.4 billion of USDA Guaranteed Securities, $2.8 billion of loans and $1.9 billion of investment securities, compared to $2.9 billion of Farmer Mac Guaranteed Securities, $1.3 billion of USDA Guaranteed Securities, $2.6 billion of loans and $1.8 billion of investment securities as of December 31, 2010.

Liabilities and Total Equity. During the nine months ended September 30, 2011, total liabilities increased $1.9 billion as a result of debt issued to support the growth in assets. Total equity increased $68.2 million during the same period due to increased accumulated other comprehensive income primarily resulting from an increase in the fair value of Farmer Mac I Guaranteed Securities designated as available-for-sale due to a decline in long-term interest rates.

Regulatory Capital Compliance. Farmer Mac was in compliance with its statutory minimum capital requirement and its risk-based capital standard as of September 30, 2011. Farmer Mac is required to hold capital at the higher of its statutory minimum capital requirement and the amount required by its risk-based capital stress test. As of September 30, 2011, Farmer Mac's core capital totaled $461.3 million and exceeded its statutory minimum capital requirement of $336.6 million by $124.7 million. As of December 31, 2010, Farmer Mac's core capital totaled $460.6 million and exceeded its statutory minimum capital requirement of $301.0 million by $159.6 million. On April 27, 2011, FCA published a final rule implementing changes to the method for calculating Farmer Mac's risk-based capital requirement, which was effective in second quarter 2011. As of September 30, 2011, Farmer Mac's new risk-based capital stress test generated a risk-based capital requirement of $110.9 million. Farmer Mac's regulatory capital of $479.0 million exceeded that amount by approximately $368.1 million. Accumulated other comprehensive income is not a component of Farmer Mac's core capital or regulatory capital. For further discussion of this regulatory change and for more information, see "—Regulatory Matters."

Off-Balance Sheet Program Activities

Farmer Mac offers approved lenders two credit enhancement alternatives to increase their liquidity or lending capacity while retaining the cash flow benefits of their loans: (1) Farmer Mac Guaranteed Securities, which are available through each of the Farmer Mac I, Farmer Mac II and Rural Utilities programs; and (2) LTSPCs, which are available only through the Farmer Mac I and Rural Utilities programs. For securitization trusts where Farmer Mac is the primary beneficiary, the trust assets and liabilities are included on Farmer Mac's condensed consolidated balance sheet. For the remainder of these transactions, and in the event of deconsolidation, both of these alternatives result in the creation of off-balance sheet obligations for Farmer Mac. See Note 5 to the condensed consolidated financial statements for further information regarding Farmer Mac's off-balance sheet program activities.

Risk Management

Credit Risk – Loans. Farmer Mac is exposed to credit risk resulting from the inability of borrowers to repay their loans in conjunction with a deficiency in the value of the collateral relative to the outstanding balance of the loan and the costs of liquidation. Farmer Mac is exposed to credit risk on:

- loans held;
- loans underlying Farmer Mac Guaranteed Securities; and
- loans underlying LTSPCs.

-87-

Farmer Mac generally assumes 100 percent of the credit risk on loans held and loans underlying Farmer Mac I Guaranteed Securities, LTSPCs and Farmer Mac Guaranteed Securities – Rural Utilities. Farmer Mac has direct credit exposure on loans in non-AgVantage transactions and indirect credit exposure on loans that secure AgVantage transactions, which involve a general obligation of a lender secured by qualified loans. The credit exposure of Farmer Mac and Farmer Mac II LLC on USDA-guaranteed portions is covered by the full faith and credit of the United States. Farmer Mac believes that the Corporation and Farmer Mac II LLC have little or no credit risk exposure to USDA-guaranteed portions because of the USDA guarantee. As of September 30, 2011, neither Farmer Mac nor Farmer Mac II LLC had experienced credit losses on business under the Farmer Mac II program and does not expect that the Corporation or Farmer Mac II LLC will incur any such losses in the future.

Farmer Mac has established underwriting, collateral valuation and documentation standards (including interest rate shock tests for adjustable rate mortgages with initial reset periods of five years or less) for agricultural real estate mortgage loans and rural utilities loans to mitigate the risk of loss from borrower defaults and to provide guidance about the management, administration, and conduct of underwriting and appraisals to all participating sellers and potential sellers in its programs. These standards were developed on the basis of industry norms for agricultural real estate mortgage loans and rural utilities loans and are designed to assess the creditworthiness of the borrower, as well as the value of the collateral securing the loan. Farmer Mac evaluates and adjusts these standards on an ongoing basis based on current and anticipated market conditions. Farmer Mac also requires sellers to make representations and warranties regarding the conformity of eligible mortgage loans to these standards, the accuracy of loan data provided to Farmer Mac and other requirements related to the loans. Sellers are responsible to Farmer Mac for breaches of those representations and warranties, and Farmer Mac has the legal right to require a seller to cure, replace or repurchase a loan sold or transferred to Farmer Mac if any breach of a representation or warranty is discovered that was material to Farmer Mac's decision to purchase the loan or that directly or indirectly causes a default or potential loss on a loan sold or transferred by the seller to Farmer Mac. Pursuant to contracts with Farmer Mac and in consideration for servicing fees, Farmer Mac-approved central servicers service loans in accordance with Farmer Mac requirements. Central servicers are responsible to Farmer Mac for serious errors in the servicing of those mortgage loans. Detailed information regarding Farmer Mac's underwriting and collateral valuation standards and seller eligibility requirements are presented in "Business—Farmer Mac Programs—Farmer Mac I—Underwriting and Collateral Valuation (Appraisal) Standards" and "Business—Farmer Mac Programs—Farmer Mac I—Sellers" and "Business—Farmer M Programs—Rural Utilities" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011.

Farmer Mac AgVantage securities are general obligations of institutions approved by Farmer Mac and are secured by eligible loans in an amount at least equal to the outstanding principal amount of the security. Farmer Mac excludes the loans that secure AgVantage securities from the credit risk metrics it discloses because of the credit quality of the issuing institutions, the collateralization level for the securities, and because delinquent loans are required to be removed from the pool of pledged loans and replaced with current eligible loans. As such, all AgVantage securities are secured by current loans representing at least 100 percent of the outstanding amount of the security. As of September 30, 2011, Farmer Mac had not experienced any credit losses on any AgVantage securities and does not expect to incur any such losses in the future. See "—Credit Risk – Institutional" for more information about Farmer Mac's credit risk on AgVantage securities.

Farmer Mac has developed different underwriting standards for rural utilities loans that depend on whether direct or indirect credit exposure is assumed on a loan and whether the borrower is an electric distribution cooperative or a G&T cooperative. As of September 30, 2011, there were no delinquencies or non-performing assets in Farmer Mac's portfolio of rural utilities loans, which includes rural utilities loans held and rural utilities loans underlying or securing Farmer Mac Guaranteed Securities – Rural Utilities. Farmer Mac's direct credit exposure to rural utilities loans as of September 30, 2011 was $861.0 million, of which $833.4 million were loans to electric distribution cooperatives and $27.6 million were loans to G&T cooperatives. Farmer Mac also had indirect credit exposure to the rural utilities loans securing Farmer Mac Guaranteed Securities – Rural Utilities structured as AgVantage securities, some of which were secured by loans to G&T cooperatives. For more information, see "—Credit Risk – Institutional."

Farmer Mac maintains an allowance for losses to cover estimated probable losses on loans held and loans underlying LTSPCs and Farmer Mac Guaranteed Securities. The methodology that Farmer Mac uses to determine the level of its allowance for losses is described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Allowance for Losses" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011. Management believes that this methodology produces a reasonable estimate of probable losses, as of the balance sheet date, for all loans held and loans underlying Farmer Mac Guaranteed Securities and LTSPCs, in accordance with FASB standards on accounting for contingencies and on measuring impairment of individual loans.

The following table summarizes the components of Farmer Mac's allowance for losses as of September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
	(in thousands)	
Allowance for loan losses	$ 10,699	$ 9,803
Reserve for losses:		
Off-balance sheet Farmer Mac I Guaranteed Securities	363	635
LTSPCs	6,628	9,677
Total allowance for losses	$ 17,690	$ 20,115

-89-

The following table summarizes the changes in the components of Farmer Mac's allowance for losses for the three and nine months ended September 30, 2011 and 2010:

	September 30, 2011			September 30, 2010		
	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	$ 11,053	$ 7,443	$ 18,496	$ 9,495	$ 9,470	$ 18,965
Provision for/(release of) losses	(349)	(452)	(801)	412	105	517
Charge-offs	(5)	-	(5)	(465)	-	(465)
Recoveries	-	-	-	-	-	-
Ending Balance	$ 10,699	$ 6,991	$ 17,690	$ 9,442	$ 9,575	$ 19,017
For the Nine Months Ended:						
Beginning Balance	$ 9,803	$ 10,312	$ 20,115	$ 6,292	$ 7,895	$ 14,187
Provision for/(release of) losses	1,092	(3,321)	(2,229)	1,392	1,680	3,072
Charge-offs	(196)	-	(196)	(465)	-	(465)
Recoveries	-	-	-	2,223	-	2,223
Ending Balance	$ 10,699	$ 6,991	$ 17,690	$ 9,442	$ 9,575	$ 19,017

During the three and nine months ended September 30, 2011, Farmer Mac recorded releases from its allowance for losses of $0.8 million and $2.2 million, respectively, compared to provisions of $0.5 million and $3.1 million, respectively, for the same periods in 2010. Farmer Mac recorded charge-offs of $5,000 and $0.2 million for the three and nine months ended September 30, 2011, respectively, compared to $0.5 million of charge-offs during the same periods in 2010. Farmer Mac had no recoveries during the first nine months of 2011, compared to $2.2 million of recoveries during the first nine months of 2010. There was no previously accrued or advanced interest on loans or Farmer Mac I Guaranteed Securities charged off in third quarter 2011 or 2010. As of September 30, 2011, Farmer Mac's allowance for losses totaled $10.7 million, or 24 basis points of the outstanding principal balance of loans held and loans underlying Farmer Mac I Guaranteed Securities (excluding AgVantage securities) and LTSPCs, compared to $20.1 million or 47 basis points as of December 31, 2010.

As of September 30, 2011, Farmer Mac's 90-day delinquencies were $44.9 million (1.02 percent), compared to $64.8 million (1.53 percent) as of September 30, 2010. As of September 30, 2011 there were no ethanol loans in the 90-day delinquencies, compared to $10.9 million as of September 30, 2010. As of September 30, 2011, Farmer Mac's non-performing assets totaled $64.1 million (1.46 percent), compared to $78.4 million (1.86 percent) as of September 30, 2010. Loans that have been restructured were insignificant and are included within the reported 90-day delinquency and non-performing asset disclosures. Historically, from quarter to quarter, Farmer Mac's 90-day delinquencies and non-performing assets have fluctuated, both in dollars and as a percentage of the outstanding portfolio, with higher levels likely at the end of the first and third quarters of each year corresponding to the annual (January 1st) and semi-annual (January 1st and July 1st) payment characteristics of most Farmer Mac I loans, although 90-day delinquencies decreased slightly at the end of third quarter 2011.

When analyzing delinquencies in its program business, Farmer Mac takes into account more than the Farmer Mac I agricultural loan delinquency percentages provided above. The total program business includes AgVantage securities and rural utilities loans, neither of which have any delinquencies, and the USDA Guaranteed Securities and USDA-guaranteed portions underlying Farmer Mac II Guaranteed Securities, which are backed by the full faith and credit of the United States. When these are included in the calculation, the overall level of 90-day delinquent loans in Farmer Mac's programs is 0.38 percent as of September 30, 2011.

As of September 30, 2011, Farmer Mac's ethanol exposure, which includes loans held and loans subject to LTSPCs, was $180.6 million on 27 different plants, with an additional $31.7 million of undisbursed commitments. Other than the undisbursed commitments and the servicing of troubled ethanol loans, Farmer Mac does not expect to add additional ethanol loans to its portfolio.

The following table presents historical information regarding Farmer Mac's non-performing assets and 90-day delinquencies in the Farmer Mac I program compared to the principal balance of all Farmer Mac I loans held and loans underlying Farmer Mac I Guaranteed Securities (excluding AgVantage securities) and LTSPCs:

	Outstanding Loans, Guarantees(1), LTSPCs and REO	Non-performing Assets	Percentage	Less: REO and Performing Bankruptcies	90-day Delinquencies	Percentage
	(dollars in thousands)					
As of:						
September 30, 2011	$ 4,381,264	$ 64,137	1.46%	$ 19,289	$ 44,848	1.02%
June 30, 2011	4,315,987	67,254	1.56%	12,621	54,633	1.27%
March 31, 2011	4,314,328	69,706	1.62%	12,382	57,324	1.33%
December 31, 2010	4,304,120	81,778	1.90%	11,530	70,248	1.63%
September 30, 2010	4,225,346	78,448	1.86%	13,648	64,800	1.53%
June 30, 2010	4,299,417	71,300	1.66%	15,289	56,011	1.30%
March 31, 2010	4,303,663	83,977	1.95%	13,542	70,435	1.64%
December 31, 2009	4,396,642	62,020	1.41%	12,494	49,526	1.13%
September 30, 2009	4,379,450	84,779	1.94%	25,341	59,438	1.36%

(1) Excludes loans underlying AgVantage securities.

As of September 30, 2011, Farmer Mac individually analyzed $57.7 million of its $92.5 million of impaired assets for collateral shortfalls against updated appraised values, other updated collateral valuations or discounted values. Farmer Mac evaluated the remaining $34.8 million of impaired assets for which updated valuations were not available in the aggregate in consideration of their similar risk characteristics and historical statistics. As of September 30, 2011, Farmer Mac had recorded specific allowances of $7.5 million for under-collateralized assets. As of September 30, 2011, Farmer Mac's non-specific or general allowances were $10.2 million.

As of September 30, 2011, the weighted-average original loan-to-value ratio ("LTV") for Farmer Mac I loans held and loans underlying LTSPCs and Farmer Mac I Guaranteed Securities (excluding AgVantage securities) was

54.3 percent, and the weighted-average original LTV for all non-performing assets was 54.7 percent.

The following table presents outstanding Farmer Mac I loans held and loans underlying LTSPCs and Farmer Mac I Guaranteed Securities (excluding AgVantage securities) and non-performing assets as of September 30, 2011 by year of origination, geographic region and commodity/collateral type.

Farmer Mac I Non-performing Assets as of September 30, 2011

	Distribution of Outstanding Loans, Guarantees, LTSPCs and REO	Outstanding Loans, Guarantees, LTSPCs and REO (1)	Non-performing Assets (2)	Non-performing Asset
		(dollars in thousands)		
By year of origination:				
Before 2000	14%	$ 606,488	$ 16,983	2.80%
2000	2%	97,276	1,087	1.12%
2001	4%	177,961	7,044	3.96%
2002	5%	238,165	4,586	1.93%
2003	7%	285,467	3,974	1.39%
2004	7%	288,065	1,497	0.52%
2005	8%	370,554	3,344	0.90%
2006	9%	408,516	7,741	1.89%
2007	9%	388,983	14,096	3.62%
2008	9%	393,702	2,007	0.51%
2009	7%	290,385	1,778	0.61%
2010	11%	480,223	-	0.00%
2011	8%	355,479	-	0.00%
Total	100%	$ 4,381,264	$ 64,137	1.46%
By geographic region (3):				
Northwest	18%	$ 772,640	$ 14,706	1.90%
Southwest	35%	1,581,303	8,744	0.55%
Mid-North	20%	865,731	16,892	1.95%
Mid-South	11%	488,703	10,426	2.13%
Northeast	7%	293,047	10,236	3.49%
Southeast	9%	379,840	3,133	0.82%
Total	100%	$ 4,381,264	$ 64,137	1.46%
By commodity/collateral type:				
Crops	41%	$ 1,811,004	$ 23,322	1.29%
Permanent plantings	19%	841,412	25,216	3.00%
Livestock	30%	1,258,263	6,489	0.52%
Part-time farm	6%	255,985	8,459	3.30%
AgStorage and processing (including ethanol facilities)	4%	193,144	-	0.00%
Other	0%	21,456	651	3.03%
Total	100%	$ 4,381,264	$ 64,137	1.46%

(1) Excludes loans underlying AgVantage securities.

(2) Includes loans 90 days or more past due, in foreclosure, restructured after delinquency, in bankruptcy (including loans performing under either their original loan terms or a court-approved bankruptcy plan) and real estate

owned.

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

-92-

The following table presents Farmer Mac's cumulative net credit losses relative to the cumulative original balance for all Farmer Mac I loans purchased and loans underlying LTSPCs and Farmer Mac I Guaranteed Securities (excluding AgVantage securities) as of September 30, 2011, by year of origination, geographic region and commodity/collateral type. The purpose of this information is to present information regarding losses relative to original Farmer Mac I purchases, guarantees and commitments.

Farmer Mac I Credit Losses Relative to all
Cumulative Original Loans, Guarantees and LTSPCs
as of September 30, 2011

	Cumulative Original Loans, Guarantees and LTSPCs	Cumulative Net Credit Losses	Cumulative Loss Rate
	(dollars in thousands)		
By year of origination:			
Before 2000	$ 6,546,356	$ 9,025	0.14 %
2000	770,713	2,936	0.38 %
2001	1,133,645	177	0.02 %
2002	1,160,165	-	0.00 %
2003	968,305	58	0.01 %
2004	705,114	116	0.02 %
2005	841,940	69	0.01 %
2006	862,438	7,714	0.89 %
2007	635,058	1,523	0.24 %
2008	629,125	3,257	0.52 %
2009	398,061	1,193	0.30 %
2010	527,674	-	0.00 %
2011	375,256	-	0.00 %
Total	$ 15,553,850	$ 26,068	0.17 %
By geographic region (1):			
Northwest	$ 2,928,947	$ 11,027	0.38 %
Southwest	5,870,551	7,495	0.13 %
Mid-North	2,662,412	6,815	0.26 %
Mid-South	1,420,470	(356)	-0.03 %
Northeast	1,387,404	83	0.01 %
Southeast	1,284,066	1,004	0.08 %
Total	$ 15,553,850	$ 26,068	0.17 %
By commodity/collateral type:			
Crops	$ 6,331,449	$ 2,733	0.04 %
Permanent plantings	3,434,761	9,714	0.28 %
Livestock	4,049,997	3,616	0.09 %
Part-time farm	1,036,009	503	0.05 %
AgStorage and processing (including ethanol facilities) (2)	555,499	9,502	1.71 %
Other	146,135	-	0.00 %
Total	$ 15,553,850	$ 26,068	0.17 %

(1) Geographic regions - Northwest (AK, ID, MT, ND, NE, OR, SD, WA, WY); Southwest (AZ, CA, CO, HI, NM, NV, UT); Mid-North (IA, IL, IN, MI, MN, MO, WI); Mid-South (KS, OK, TX);Northeast (CT,DE, KY, MA,

MD, ME, NC, NH, NJ, NY, OH, PA, RI, TN, VA, VT, WV); and Southeast (AL, AR, FL, GA, LA, MS, SC).

(2) Several of the loans underlying agricultural storage and processing LTSPCs are for facilities under construction and, as of September 30, 2011, approximately $31.7 million of the loans were not yet disbursed by the lender.

-93-

Analysis of the performance of the Farmer Mac I portfolio by commodity distribution indicates that losses and collateral deficiencies have been less prevalent in the loans secured by real estate producing agricultural commodities that receive significant government support (such as cotton, soybeans, wheat and corn) and more prevalent in those that do not receive such support (such as the protein sector, permanent plantings and vegetables). However, the level of government support may vary and is not necessarily the primary factor to forecast future losses and collateral deficiencies. In Farmer Mac's experience, another significant determinant of ultimate losses on loans is the degree to which the collateral is specialized or highly improved, such as permanent plantings and facilities.

As adverse economic conditions persist for the agricultural commodities or products related to those types of collateral, the prospective sale value of the collateral is likely to decrease and the related loans may become under-collateralized. This analysis is consistent with corresponding commodity analyses, which indicate that Farmer Mac has experienced higher loss and collateral deficiency rates in its loans classified as permanent plantings as well as storage and processing loans, which include Farmer Mac's exposure to loans on ethanol plants. Most of the loans classified as permanent plantings do not receive significant government support, and are therefore more susceptible to adverse commodity-specific economic trends, and the collateral for storage and processing loans is typically highly improved and specialized. Farmer Mac anticipates that one or more particular commodity groups will be under economic pressure at any one time and actively manages its portfolio to mitigate concentration risks while preserving Farmer Mac's ability to meet the financing needs of all commodity groups. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Outlook."

Analysis of portfolio performance by geographic distribution indicates that, while commodities are the primary determinant of exposure to loss, within most commodity groups certain geographic areas allow greater economies of scale or proximity to markets than others and, consequently, result in more successful operators within the commodity group. Likewise, certain geographic areas offer better growing conditions than others and, consequently, result in more versatile and more successful operators within a given commodity group – and the ability to switch crops among commodity groups. As of September 30, 2011, the properties that secure Farmer Mac's non-performing assets were not concentrated in any region of the country.

Farmer Mac's methodologies for pricing its guarantee and commitment fees, managing credit risks and providing adequate allowances for losses consider all of the foregoing factors and information.

Credit Risk – Institutional. Farmer Mac is also exposed to credit risk arising from its business relationships with other institutions, including:

- issuers of AgVantage securities and other investments held or guaranteed by Farmer Mac;
- sellers and servicers; and
- interest rate swap contract counterparties.

-94-

Each AgVantage security is a general obligation of an issuing institution approved by Farmer Mac and is secured by eligible loans in an amount at least equal to the outstanding principal amount of the security, with some level of overcollateralization also required for Farmer Mac I AgVantage securities. The required collateralization level is established at the time of issuance and does not change during the life of the security. In AgVantage transactions, the corporate obligor is required to remove from the pool of pledged collateral any loan that becomes more than 30 days delinquent in the payment of principal or interest and to substitute an eligible loan that is current in payment to maintain the minimum required collateralization level. In the event of a default on the general obligation, Farmer Mac would have recourse to the pledged collateral and have rights to the ongoing borrower payments of principal and interest. For a more detailed description of AgVantage securities, see "Business—Farmer Mac Programs—Farmer Mac I—AgVantage Securities" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011.

Outstanding AgVantage on-balance sheet Farmer Mac I Guaranteed Securities totaled $2.7 billion and $0.9 billion as of September 30, 2011 and December 31, 2010, respectively. Farmer Mac Guaranteed Securities – Rural Utilities structured as AgVantage transactions issued by CFC totaled $1.4 billion and $1.9 billion as of September 30, 2011 and December 31, 2010, respectively. In addition, outstanding off-balance sheet AgVantage transactions totaled $1.0 billion and $3.0 billion as of September 30, 2011 and December 31, 2010, respectively. See "—Business Volume" for information about off-balance sheet AgVantage securities that matured during third quarter 2011. The following table provides information about the issuers of AgVantage securities, as well as the required collateralization levels for those transactions as of September 30, 2011 and December 31, 2010.

	September 30, 2011			December 31, 2010		
Counterparty	Balance	Credit Rating	Required Collateralization	Balance	Credit Rating	Required Collateralization
			(dollars in thousands)			
MetLife (1)	$ 2,750,000	AA-	103%	$ 2,750,000	AA-	103%
CFC	1,428,879	A	100%	1,902,492	A	100%
M&I Bank (2)	-			475,000	BBB- *+	106%
Rabo Agrifinance, Inc.	900,000	N/A	106%	600,000	N/A	106%
Rabobank N.A.	50,000	N/A	106%	50,000	N/A	106%
Other (3)	11,000	N/A	111% to 120%	11,500	N/A	111% to 120%
Total outstanding	$ 5,139,879			$ 5,788,992		

(1) Includes securities issued by Metropolitan Life Insurance Company and MetLife Insurance Company of Connecticut.
(2) M&I Bank was on credit watch positive (*+) as of December 31, 2010.
(3) Consists of AgVantage securities issued by 4 different issuers as of September 30, 2011 and December 31, 2010.

Farmer Mac manages institutional credit risk related to sellers and servicers by requiring those institutions to meet Farmer Mac's standards for creditworthiness. Farmer Mac monitors the financial condition of those institutions by evaluating financial statements and bank credit rating agency reports. For more information on Farmer Mac's approval of sellers, see "Business—Farmer Mac Programs—Farmer Mac I—Sellers" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011.

Credit Risk – Other Investments. As of September 30, 2011, Farmer Mac had $825.0 million of cash and cash equivalents and $1.9 billion of investment securities. The management of the credit risk inherent in these investments is governed by Farmer Mac's own policies and regulations promulgated by FCA, including dollar amount, issuer concentration, and credit quality limitations. Those regulations can be found at 12 C.F.R. §§ 652.1-652.45 (the "Liquidity and Investment Regulations").

In general, FCA's Liquidity and Investment Regulations and Farmer Mac's policies require each investment or issuer of an investment to be highly rated by a nationally-recognized statistical rating organization ("NRSRO"). Investments in mortgage securities and asset-backed securities are required to have a rating in the highest NRSRO category. The maximum maturity for corporate debt securities is three years and the minimum rating is required to be in one of the three highest categories. There are investments for which a rating is not required, such as obligations of the United States or diversified investment funds regulated under the Investment Company Act of 1940. Investments in diversified investment funds are further limited to those funds that are holding only instruments approved for direct investment by Farmer Mac. FCA has recently sought public comment regarding its use of credit ratings in its Liquidity and Investment Regulations for purposes of a final rule to be published at a later date. For more information on proposed changes to the Liquidity and Investment Regulations, see "—Regulatory Matters."

FCA's Liquidity and Investment Regulations and Farmer Mac's policies also establish concentration limits, which are intended to limit exposure to any one counterparty. FCA's Liquidity and Investment Regulations limit Farmer Mac's total credit exposure to any single issuer of securities and uncollateralized financial derivatives to 25 percent of the Corporation's regulatory capital (as of September 30, 2011, 25 percent of Farmer Mac's regulatory capital was $119.8 million). This limitation is not applied to the obligations of the United States or to qualified investment funds. The limitation applied to the obligations of any GSE is 100 percent of Farmer Mac's regulatory capital. Since June 2010, Farmer Mac's policies applicable to new investments limited the Corporation's total exposure to any single issuer of securities (other than GSEs and government agencies) and uncollateralized financial derivatives to 5 percent of the Corporation's regulatory capital.

Interest Rate Risk. Farmer Mac is subject to interest rate risk on all assets held for investment because of possible timing differences in the cash flows of the assets and related liabilities. This risk is primarily related to loans held and on-balance sheet Farmer Mac Guaranteed Securities due to the ability of borrowers to prepay their mortgages before the scheduled maturities, thereby increasing the risk of asset and liability cash flow mismatches. Cash flow mismatches in a changing interest rate environment can reduce the earnings of the Corporation if assets repay sooner than expected and the resulting cash flows must be reinvested in lower-yielding investments when Farmer Mac's funding costs cannot be correspondingly reduced, or if assets repay more slowly than expected and the associated debt must be replaced by higher-cost debt.

Yield maintenance provisions and other prepayment penalties contained in many agricultural mortgage and rural utilities loans reduce, but do not eliminate, prepayment risk, particularly in the case of a defaulted loan where yield maintenance may not be collected. Those provisions require borrowers to make an additional payment when they prepay their loans so that, when reinvested with the prepaid principal, yield maintenance payments generate substantially the same cash flows that would have been generated had the loan not prepaid. Those provisions create a disincentive to prepayment and compensate the Corporation for some of its interest rate risks. As of September 30, 2011, 9 percent of the total outstanding balance of loans in the Farmer Mac I program where Farmer Mac either owned the loan or the beneficial interest in the underlying loan had yield maintenance provisions and 5 percent had other forms of prepayment protection (together covering 24 percent of all loans with fixed interest rates). Of the Farmer Mac I newly originated and current seasoned loans purchased in third quarter 2011, none had yield maintenance or other forms of prepayment protection. As of September 30, 2011, none of the USDA-guaranteed portions held or underlying Farmer Mac II Guaranteed Securities had yield maintenance provisions; however, 9 percent contained prepayment penalties. Of the USDA-guaranteed portions purchased in third quarter 2011, 6 percent contained various forms of prepayment penalties. As of September 30, 2011, 69 percent of the rural utilities loans owned by Farmer Mac had yield maintenance provisions. Of the rural utilities loans purchased in third quarter 2011, 53 percent had yield maintenance provisions. As of September 30, 2011, all of the rural utilities loans held in trusts where Farmer Mac owned the beneficial interest in the underlying loan had yield maintenance provisions.

Farmer Mac uses prepayment models to project and value cash flows associated with its program assets, taking into consideration the prepayment provisions and the default probabilities associated with these assets. Because borrowers' behaviors in various interest rate environments may change over time, Farmer Mac periodically evaluates the effectiveness of these models compared to actual prepayment experience and adjusts and refines the models as necessary to improve the precision of subsequent prepayment forecasts.

Farmer Mac's $825.0 million of cash and cash equivalents mature within three months and are funded with discount notes having similar maturities. As of September 30, 2011, $1.2 billion of the $1.9 billion of investment securities (64 percent) were floating rate securities with rates that adjust within one year or fixed rate securities with original maturities between three months and one year. Such securities are funded with floating rate medium-term notes or discount notes that closely match the rate adjustment dates of the associated investments. As of September 30, 2011, Farmer Mac had outstanding discount notes of $4.8 billion, medium-term notes that mature within one year of $1.0 billion and medium-term notes that mature after one year of $4.1 billion.

The goal of interest rate risk management at Farmer Mac is to create and maintain a portfolio that generates stable earnings and value across a variety of interest rate environments. Farmer Mac's primary strategy for managing interest rate risk is to fund asset purchases with liabilities that have similar duration and cash flow characteristics so that they will perform similarly as interest rates change. To achieve this match, Farmer Mac issues discount notes and both callable and non-callable medium-term notes across a spectrum of maturities. Farmer Mac issues callable debt to offset the prepayment risk associated with some loans. By using a blend of liabilities that includes callable debt, the interest rate sensitivities of the liabilities tend to increase or decrease as interest rates change in a manner similar to changes in the interest rate sensitivities of the assets. Farmer Mac also uses financial derivatives to better match the durations of the Corporation's assets and liabilities, thereby reducing overall interest rate sensitivity.

An important "stress test" of Farmer Mac's exposure to long-term interest rate risk is the measurement of the sensitivity of its market value of equity ("MVE") to yield curve shocks. MVE represents management's estimate of the present value of all future cash flows from on- and off-balance sheet assets, liabilities and financial derivatives, discounted at current interest rates and appropriate spreads.

The following schedule summarizes the results of Farmer Mac's MVE sensitivity analysis as of September 30, 2011 and December 31, 2010 to an immediate and instantaneous uniform or "parallel" shift in the yield curve.

	Percentage Change in MVE from Base	
Interest Rate Scenario	September 30, 2011	December 31, 2010
+ 300 bp	-2.2%	-1.0%
+ 200 bp	1.5%	1.9%
+ 100 bp	1.9%	2.6%
- 100 bp	*	*
- 200 bp	*	*
- 300 bp	*	*

* As of the date indicated, a parallel shift of the U.S. Treasury yield curve by the number of basis points indicated produced negative interest rates for portions of this curve.

As of September 30, 2011, Farmer Mac's effective duration gap, another standard measure of interest rate risk that measures the difference between the sensitivities of assets compared to that of liabilities, was minus 1.3 months, compared to minus 1.6 months as of December 31, 2010. Duration matching of assets and the corresponding liabilities helps maintain the correlation of cash flows and stabilize portfolio earnings even when interest rates are not stable. During 2011, Farmer Mac's interest rate sensitivity has remained relatively stable and at relatively low levels, despite significant market volatility, a sharp decrease in interest rates and a much flatter yield curve.

Farmer Mac also calculates sensitivity of net interest income ("NII") to changes in interest rates which represents a shorter-term measure of interest rate risk. As of September 30, 2011, a parallel increase of 100 basis points would have decreased Farmer Mac's NII by 6.1 percent, while a parallel decrease of 25 basis points would have decreased NII by 6.5 percent. Farmer Mac also measures the sensitivity of both MVE and NII to a variety of non-parallel interest rate shocks, including flattening and steepening yield curve scenarios. As of September 30, 2011, both MVE and NII showed similar or lesser sensitivity to non-parallel shocks than to the parallel shocks.

-98-

The economic effects of financial derivatives are included in the Corporation's MVE, NII and duration gap analyses. Farmer Mac enters into the following financial derivative transactions principally to protect against risk from the effects of market price or interest rate movements on the value of assets, future cash flows, credit exposure and debt issuance, not for trading or speculative purposes:

- "pay-fixed" interest rate swaps, in which it pays fixed rates of interest to, and receives floating rates of interest from, counterparties;
- "receive-fixed" interest rate swaps, in which it receives fixed rates of interest from, and pays floating rates of interest to, counterparties;
- "basis swaps," in which it pays variable rates of interest based on one index to, and receives variable rates of interest based on another index from, counterparties; and
- "credit default swaps," in which it pays a periodic fee to a counterparty in exchange for the counterparty's agreement to make payments in the event of an instrument's default or other credit event.

As of September 30, 2011, Farmer Mac had $6.5 billion combined notional amount of interest rate and credit default swaps, with terms ranging from one to fifteen years, of which $2.0 billion were pay-fixed interest rate swaps, $3.9 billion were receive-fixed interest rate swaps, $0.5 billion were basis swaps and $10.0 million were credit default swaps.

Liquidity and Capital Resources

Farmer Mac regularly accesses the capital markets for liquidity, and Farmer Mac maintained access to the capital markets at favorable rates throughout third quarter 2011. The capital markets experienced increased volatility during third quarter 2011, which was widely attributed to global economic conditions, continued weak U.S. economic data, and concerns surrounding Standard & Poor's downgrade of the credit rating of the United States. To date, Farmer Mac's access to the capital markets at favorable rates has not been negatively affected by this market volatility. Assuming continued access to the capital markets, Farmer Mac believes it has sufficient liquidity and capital resources to support its operations for the next 12 months and for the foreseeable future. Farmer Mac also has a liquidity contingency plan to manage unanticipated disruptions in its access to the capital markets. That plan involves borrowing through repurchase agreement arrangements and the sale of liquid assets. In accordance with the calculation prescribed by FCA regulations, Farmer Mac maintains a minimum of 60 days of liquidity and a target of 90 days of liquidity. In accordance with the methodology prescribed by those regulations, Farmer Mac maintained an average of 167 days of liquidity during third quarter 2011 and had 174 days of liquidity as of September 30, 2011.

Debt Issuance. Farmer Mac funds its purchases of assets primarily by issuing debt obligations of various maturities in the public capital markets. Debt obligations issued by Farmer Mac include discount notes and fixed and floating rate medium-term notes, including callable notes. Farmer Mac also issues discount notes and medium-term notes to obtain funds to finance its investment activities, transaction costs, guarantee payments and LTSPC purchase obligations. See "Business—Financing—Debt Issuance" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011 for more information about Farmer Mac's debt issuance.

-99-

Farmer Mac's board of directors has authorized the issuance of up to $12.0 billion of discount notes and medium-term notes (of which $9.9 billion was outstanding as of September 30, 2011), subject to periodic review of the adequacy of that level relative to Farmer Mac's borrowing requirements. That authorization was increased from $10.0 billion to $12.0 billion in June 2011. Farmer Mac invests the proceeds of such issuances in loans, Farmer Mac Guaranteed Securities, and liquidity investment assets in accordance with policies established by its board of directors and subject to regulations established by FCA.

Liquidity. The funding and liquidity needs of Farmer Mac's business are driven by the purchase of loans, USDA-guaranteed portions and Farmer Mac Guaranteed Securities; the maturities of and interest payments on Farmer Mac's discount notes and medium-term notes; and payment of principal and interest on Farmer Mac Guaranteed Securities. Farmer Mac's primary sources of funds to meet these needs are:

- principal and interest payments and ongoing guarantee and commitment fees received on loans, Farmer Mac Guaranteed Securities, and LTSPCs;
- principal and interest payments received from investment securities; and
- the issuance of new discount notes and medium-term notes.

Farmer Mac's borrowing costs have remained at favorable levels despite continued market volatility. Farmer Mac uses a combination of pay-fixed interest rate swaps and receive-fixed interest rate swaps to mitigate its exposure to interest rate risk and monitors the effects of actual and potential fair value changes on its regulatory capital surplus. From time to time, Farmer Mac uses pay-fixed interest rate swaps, combined with a planned series of discount note issuances, as an alternative source of effectively fixed rate funding. While the swap market may provide favorable effectively fixed rates, interest rate swap transactions expose Farmer Mac to the risk of future widening of its own issuance spreads versus corresponding LIBOR rates. If the spreads on the Farmer Mac discount notes were to increase relative to LIBOR, Farmer Mac would be exposed to a commensurate reduction on its net interest yield on the notional amount of its pay-fixed interest rate swaps and its LIBOR-based floating rate assets. Conversely, if the rates on the Farmer Mac discount notes were to decrease relative to LIBOR, Farmer Mac would benefit from a commensurate increase on its net interest yield on the notional amount of its pay-fixed interest rate swaps and its LIBOR-based floating rate assets. Further, the use of pay-fixed interest rate swaps subject the Corporation's regulatory capital surplus to the potential adverse effects of a reduction in the fair values of those interest rate swaps. Farmer Mac routinely enters into receive-fixed interest rate swaps to partially offset the fair value movements of the pay-fixed interest rate swaps. These transactions reduce the susceptibility of Farmer Mac's regulatory capital surplus to changes in the fair values of its financial derivatives and often times result in lower effective borrowing costs.

Farmer Mac maintains cash and cash equivalents (including U.S. Treasury bills and other short-term money market instruments) and other investment securities that can be drawn upon for liquidity needs. The following table presents these assets as of September 30, 2011 and December 31, 2010.

	September 30, 2011	December 31, 2010
	(in thousands)	
Cash and cash equivalents	$ 825,014	$ 729,920
Investment securities:		
Guaranteed by U.S. Government and its agencies	906,325	929,793
Guaranteed by GSEs	610,394	405,631
Preferred stock issued by GSEs	164,268	169,524
Corporate debt securities	85,918	163,188
Asset-backed securities principally backed by Government-guaranteed student loans	145,972	95,193
Total	$ 2,737,891	$ 2,493,249

Farmer Mac's asset-backed investment securities include callable, AAA-rated ARCs, the interest rates on which are reset through an auction process, most commonly at intervals of 28 days, or at formula-based floating rates as set forth in the related transaction documents in the event of a failed auction. These formula-based floating rates, which may at times reset to zero, are intended to preserve the underlying principal balance of the securities and avoid overall cash shortfalls. Accordingly, payments of accrued interest may also be delayed and are ultimately subject to cash availability. Beginning in mid-February 2008, there were widespread failures of the auction mechanism designed to provide regular liquidity to these types of securities. Consequently, Farmer Mac has not sold any of its ARCs into the auctions since that time. All ARCs held by Farmer Mac are collateralized entirely by pools of Federal Family Education Loan Program guaranteed student loans that are backed by the full faith and credit of the United States. Farmer Mac continues to believe that the credit quality of these securities is high, based on the underlying collateralization and the securities' continued AAA ratings. To date, Farmer Mac has received all interest due on ARCs it holds and expects to continue to do so. Farmer Mac does not believe that the auction failures will affect the Corporation's liquidity or its ability to fund its operations or make dividend payments. All ARCs held by Farmer Mac are callable by the issuers at par at any time.

Farmer Mac held $62.2 million of ARCs as of September 30, 2011, compared to $64.3 million as of December 31, 2010. As of September 30, 2011, Farmer Mac's carrying value of its ARCs was 84 percent of par. The discounted carrying value reflects uncertainty regarding the ability to obtain par in the absence of any active market trading.

Capital. See "—Balance Sheet Review—Regulatory Capital Compliance" for more information about Farmer Mac's capital position and "—Regulatory Matters" for more information about changes to the risk-based capital stress test applicable to Farmer Mac.

-101-

Other Matters

Common Stock Dividends. For the first three quarters of 2011 and for each quarter in 2010, Farmer Mac paid a quarterly dividend of $0.05 per share on the Corporation's Class A, Class B and Class C common stock. Farmer Mac's ability to pay dividends on its common stock is subject to the payment of dividends on its outstanding preferred stock. Farmer Mac's ability to declare and pay dividends could be restricted if it were to fail to comply with the applicable regulatory capital requirements. See "Business—Government Regulation of Farmer Mac—Regulation—Capital Standards—Enforcement levels" in Farmer Mac's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC on March 16, 2011.

Preferred Stock Dividends. For the first three quarters of 2011 and for each quarter in 2010, Farmer Mac paid a quarterly dividend of $12.50 per share on the Corporation's Series C Preferred Stock.

On January 25, 2010, all of the outstanding shares of the Corporation's Series B preferred stock was repurchased and retired. The price paid to repurchase the Series B Preferred Stock included accrued dividends of $8.33 per share through the purchase date.

Non-controlling Interest. For the first three quarters of 2011, Farmer Mac II LLC paid a quarterly dividend of $22.1875 per share on the company's preferred stock. For first, second and third quarters 2010, Farmer Mac II LLC paid a quarterly dividend of $16.02 per share, $22.1875 per share, and $22.1875 per share, respectively, on the company's preferred stock. Farmer Mac's net income attributable to non-controlling interest totaled $5.5 million and $16.6 million for the three and nine months ended September 30, 2011, respectively, compared to $5.5 million and $15.2 million, respectively, for the same periods in 2010. These amounts represent the dividends paid on the Farmer Mac II LLC preferred stock held by third parties. Farmer Mac's income tax expense is determined based on income before income taxes less the amount of these dividends.

Regulatory Matters

In the April 27, 2011 issue of the Federal Register, FCA published a final rule (the "Final RBC 4.0 Rule") that revises certain FCA regulations governing the risk-based capital stress test applicable to Farmer Mac. In its announcement of the Final RBC 4.0 Rule, FCA stated that the purpose of the changes was to update the risk-based capital model to address the addition of rural utilities loans to Farmer Mac's program authorities, to revise the existing treatment of risk mitigations of general obligations in the AgVantage structure, and to revise the treatment of counterparty risk on Farmer Mac's non-program investments. The Final RBC 4.0 Rule became effective during second quarter 2011.

Farmer Mac is required to hold capital at the higher of the statutory minimum capital requirement and the amount required by the risk-based capital stress test. As of September 30, 2011, Farmer Mac's minimum capital requirement was $336.6 million, and Farmer Mac's core capital level was $461.3 million, $124.7 million above the minimum capital requirement. Based on the new risk-based capital stress test that became effective in second quarter 2011, Farmer Mac's risk-based capital requirement as of September 30, 2011 was $110.9 million, and Farmer Mac's regulatory capital of $479.0 million exceeded that requirement by approximately $368.1 million.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) contains a variety of provisions designed to regulate financial markets, including credit and derivatives transactions. Certain provisions of the Dodd-Frank Act, such as the requirement to retain a five percent credit risk in any securitized loan, do not apply to Farmer Mac or, with respect to any loan sold to Farmer Mac, the seller of such loan. In addition, Farmer Mac’s equity and debt securities are excluded from the Dodd-Frank Act’s prohibitions on proprietary trading by banking entities. However, certain provisions of the Dodd-Frank Act, such as those regarding derivatives regulation, corporate governance and executive compensation, do not contain specific exemptions for Farmer Mac. Until various studies are completed and all applicable final regulations are promulgated pursuant to the Dodd-Frank Act, the full effect of the legislation on the Corporation’s business activities and operations cannot be completely assessed, particularly how it will affect the Corporation’s hedging operations and costs. Farmer Mac does not expect that any of the final rules that have been passed under the Dodd-Frank Act to date will have a material impact on the Corporation’s business activities and operations or financial condition. Farmer Mac will continue to monitor all applicable developments in the implementation of the Dodd-Frank Act and expects to be able to adapt successfully to any new applicable legislative and regulatory requirements.

On May 11, 2011, the FCA, together with other prudential regulators, published in the Federal Register a proposed rule under the Dodd-Frank Act titled “Margin and Capital Requirements for Covered Swap Entities.” The proposed rule provides for margin and capital requirements for non-cleared derivatives transactions among various categories of counterparties, including Farmer Mac. Farmer Mac submitted comments during the comment period for the proposed rule, which closed on July 11, 2011. The final rule has not yet been published.

On June 16, 2011, the FCA published in the Federal Register an advance notice of proposed rulemaking (the “ANPRM”), seeking public comment on revising Farmer Mac’s risk-based capital stress test (1) to eliminate reliance on credit ratings from NRSROs as a measure of the creditworthiness of Farmer Mac’s assets, as mandated under the Dodd-Frank Act and (2) to include a capital charge for counterparty risk related to derivatives transactions. In addition, the ANPRM solicits comment on ways to revise Farmer Mac’s operational and strategic business planning requirements to place greater emphasis on diversity and inclusion in both Farmer Mac’s personnel as well as the borrowers and lenders who benefit from Farmer Mac’s secondary market activities. Farmer Mac submitted a comment letter on the ANPRM on August 15, 2011.

On October 13, 2011, the FCA board approved a proposed rule to revise the Liquidity and Investment Regulations in response to the requirement under the Dodd-Frank Act for all federal agencies to review their respective regulations that refer to or require the use of credit ratings, to remove those references and requirements, and to substitute other appropriate standards of creditworthiness. The proposed rule is pending a 30-day congressional review and has not yet been published in the Federal Register, but FCA has published a “Fact Sheet” that summarizes the proposed changes and identifies the questions on which FCA seeks comment. Based on the Fact Sheet, included among FCA’s proposed changes to the Liquidity and Investment Regulations are requirements for due diligence and stress testing of non-program assets, increased liquidity levels and enhancements to interest rate risk management. The proposed rule would also establish new parameters for investment eligibility, including pre-approved investments that complement Farmer Mac’s mission to serve rural America. In addition, the proposed rule outlines for comment three possible approaches for substituting the use of credit ratings in the Liquidity and Investment Regulations, including the use of benchmark indices, the use of internal assessment by Farmer Mac, or the use of third-party assessments of creditworthiness. Farmer Mac intends to submit a comment letter on the proposed rule before the comment period closes, which will be sixty days after publication of the proposed rule in the Federal Register.

Supplemental Information

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

Farmer Mac Purchases, Guarantees and LTSPCs

	Farmer Mac I		Farmer Mac II	Rural Utilities	
	Loans and Guaranteed Securities	LTSPCs (1)	and USDA Guaranteed Securities	Loans and Guaranteed Securities	Total
			(in thousands)		
For the quarter ended:					
September 30, 2011	$1,069,701	$266,906	$ 87,051	$ 32,387	$1,456,045
June 30, 2011	416,930	53,248	99,275	38,674	608,127
March 31, 2011	711,899	54,152	117,253	80,517	963,821
December 31, 2010	474,216	128,752	102,858	543,966	1,249,792
September 30, 2010	632,270	25,416	139,667	285,242	1,082,595
June 30, 2010	98,235	32,430	123,062	77,726	331,453
March 31, 2010	77,948	77,143	92,288	59,018	306,397
December 31, 2009	86,872	108,646	94,936	16,009	306,463
September 30, 2009	40,732	37,083	76,119	553,644	707,578
For the year ended:					
December 31, 2010	1,282,669	263,741	457,875	965,952	2,970,237
December 31, 2009	195,318	234,166	346,432	1,739,653	2,515,569

(1) As of September 30, 2011, approximately $31.7 million of the loans underlying $555.5 million of AgStorage and processing LTSPCs (including ethanol facilities) were not yet disbursed by the lender.

-104-

Outstanding Balance of Farmer Mac Loans,
Guarantees and LTSPCs and USDA Guarantees

	Farmer Mac I		Farmer Mac II	Rural Utilities	
	Loans and Guaranteed Securities	LTSPCs	and USDA Guaranteed Securities	Loans and Guaranteed Securities	Total
			(in thousands)		
As of:					
September 30, 2011	$6,277,085	$1,811,280	$ 1,463,129	$ 2,289,899	$11,841,393
June 30, 2011	6,803,951	1,694,470	1,425,883	2,274,193	12,198,497
March 31, 2011	6,485,156	1,712,791	1,402,831	2,235,522	11,836,300
December 31, 2010	6,434,031	1,754,597	1,385,398	2,642,683	12,216,709
September 30, 2010	6,059,184	1,697,578	1,365,993	2,353,453	11,476,208
June 30, 2010 (1)	5,544,091	1,739,979	1,300,945	2,173,660	10,758,675
March 31, 2010 (2)	5,444,448	1,846,244	1,237,539	2,183,576	10,711,807
December 31, 2009	5,224,768	2,165,706	1,199,798	2,130,832	10,721,104
September 30, 2009	5,227,939	2,135,445	1,141,570	2,266,592	10,771,546

(1) The Loans and Guaranteed Securities and LTSPCs amounts reflect the conversion of $86.0 million of existing LTSPCs to Farmer Mac I Guaranteed Securities during second quarter 2010 at the request of a program participant.
(2) The Loans and Guaranteed Securities and LTSPCs amounts reflect the conversion of $265.8 million of existing LTSPCs to Farmer Mac I Guaranteed Securities during first quarter 2010 at the request of a program participant.

Outstanding Balance of Loans Held and Loans Underlying
On-Balance Sheet Farmer Mac Guaranteed Securities and USDA Guaranteed Securities

	Fixed Rate	5-to-10-Year ARMs & Resets	1-Month-to-3-Year ARMs	Total Held in Portfolio
		(in thousands)		
As of:				
September 30, 2011	$ 5,233,417	$ 1,192,497	$ 1,909,470	$ 8,335,384
June 30, 2011	4,193,132	1,198,740	1,907,698	7,299,570
March 31, 2011	3,835,010	1,164,567	1,893,487	6,893,064
December 31, 2010	3,662,363	1,133,871	1,907,266	6,703,500
September 30, 2010	3,006,105	1,087,714	1,883,049	5,976,868
June 30, 2010	2,269,059	1,036,781	1,885,693	5,191,533
March 31, 2010	2,365,557	1,332,369	1,820,896	5,518,822
December 31, 2009	1,923,697	723,017	1,422,403	4,069,117
September 30, 2009	2,071,801	677,593	1,382,817	4,132,211

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Farmer Mac is exposed to market risk attributable to changes in interest rates. Farmer Mac manages this market risk by entering into various financial transactions, including financial derivatives, and by monitoring its exposure to changes in interest rates. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Interest Rate Risk” for more information about Farmer Mac’s exposure to interest rate risk and strategies to manage such risk. For information regarding Farmer Mac’s use of and accounting policies for financial derivatives, see Note 1(c) to the condensed consolidated financial statements contained in this report. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for further information regarding Farmer Mac’s debt issuance and liquidity risks.

Item 4. Controls and Procedures

(a) Management’s Evaluation of Disclosure Controls and Procedures. Farmer Mac maintains disclosure controls and procedures designed to ensure that information required to be disclosed in the Corporation’s periodic filings under the Securities Exchange Act of 1934 (the “Exchange Act”), including this report, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to the Corporation’s management on a timely basis to allow decisions regarding required disclosure. Management, including Farmer Mac’s Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”), has evaluated the effectiveness of the design and operation of the Corporation’s disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2011.

The Corporation carried out the evaluation of the effectiveness of Farmer Mac’s disclosure controls and procedures, required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15, under the supervision and with the participation of management, including the CEO and CFO. Based upon this evaluation, the CEO and CFO concluded that the Corporation’s disclosure controls and procedures were effective as of September 30, 2011.

(b) Changes in Internal Control Over Financial Reporting. There were no changes in Farmer Mac’s internal control over financial reporting during the three months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, Farmer Mac’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Farmer Mac is a federally chartered instrumentality of the United States and its debt and equity securities are exempt from registration pursuant to Section 3(a)(2) of the Securities Act of 1933.

During third quarter 2011, one type of transaction occurred related to Farmer Mac common stock that was not registered under the Securities Act of 1933 and not otherwise reported on a Current Report on Form 8-K. On July 11, 2011, pursuant to Farmer Mac's policy that permits directors of Farmer Mac to elect to receive shares of Class C non-voting common stock in lieu of their cash retainers, Farmer Mac issued an aggregate of 177 shares of its Class C common stock to the four directors who elected to receive such stock in lieu of their cash retainers. The number of shares issued to the directors was calculated based on a price of $22.12 per share, which was the closing price of the Class C common stock on June 30, 2011 as reported by the New York Stock Exchange.

(b) Not applicable.

(c) None.

Item 3. Defaults Upon Senior Securities

(a) None.

(b) None.

Item 4. (Removed and Reserved)

Item 5. Other Information

(a) None.

(b) None.

Item 6. Exhibits

*	3.1	-	Title VIII of the Farm Credit Act of 1971, as most recently amended by the Food, Conservation and Energy Act of 2008 (Form 10-Q filed August 12, 2008).
*	3.2	-	Amended and Restated By-Laws of the Registrant (Form 10-K filed March 16, 2011).
*	4.1	-	Specimen Certificate for Farmer Mac Class A Voting Common Stock (Form 10-Q filed May 15, 2003).
*	4.2	-	Specimen Certificate for Farmer Mac Class B Voting Common Stock (Form 10-Q filed May 15, 2003).
*	4.3	-	Specimen Certificate for Farmer Mac Class C Non-Voting Common Stock (Form 10-Q filed May 15, 2003).
*	4.4	-	Amended and Restated Certificate of Designation of Terms and Conditions of Non-Voting Cumulative Preferred Stock, Series C (Previously filed as Exhibit 4.7 to Form 10-Q filed November 9, 2009).
†*	10.1	-	Amended and Restated 1997 Incentive Plan (Form 10-Q filed November 14, 2003).
†*	10.1.1	-	Form of stock option award agreement under 1997 Incentive Plan (Form 10-K filed March 16, 2005).
†*	10.1.2	-	2008 Omnibus Incentive Plan (Form 10-Q filed August 12, 2008).

---

* Incorporated by reference to the indicated prior filing.
** Filed with this report.
† Management contract or compensatory plan.
#Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

-108-

†*	10.1.3	-	Form of SAR Agreement under the 2008 Omnibus Incentive Plan (Previously filed as Exhibit 10 to Form 8-K filed June 11, 2008).
†*	10.1.4	-	Form of Restricted Stock Agreement (Officers) under the 2008 Omnibus Incentive Plan (Previously filed as Exhibit 10.1 to Form 8-K filed June 10, 2009).
†*	10.1.5	-	Form of Restricted Stock Agreement (Directors) under the 2008 Omnibus Incentive Plan (Previously filed as Exhibit 10.2 to Form 8-K filed June 10, 2009).
†*	10.2	-	Amended and Restated Employment Agreement dated as of April 1, 2011 between Michael A. Gerber and the Registrant (Form 10-Q filed May 10, 2011).
†*	10.3	-	Compiled Amended and Restated Employment Contract dated as of June 5, 2008 between Tom D. Stenson and the Registrant (Previously filed as Exhibit 10.4 to Form 10-Q filed August 12, 2008).
†*	10.4	-	Compiled Amended and Restated Employment Contract dated June 5, 2008 between Timothy L. Buzby and the Registrant (Previously filed as Exhibit 10.5 to Form 10-Q filed August 12, 2008).
†*	10.4.1	-	Amendment No. 6 to Employment Contract between Timothy L. Buzby and the Registrant, dated as of April 2, 2009 (Form 10-Q filed August 10, 2009).
	10.5	-	Exhibit number reserved for future use.
†*	10.6	-	Description of compensation agreement between the Registrant and its directors (Form 10-K filed March 16, 2011).
*	10.7	-	Farmer Mac I Seller/Servicer Agreement dated as of August 7, 1996 between Zions First National Bank and the Registrant (Form 10-Q filed November 14, 2002).
*	10.8	-	Medium-Term Notes U.S. Selling Agency Agreement dated as of October 1, 1998 between Zions First National Bank and the Registrant (Form 10-Q filed November 14, 2002).
*	10.9	-	Discount Note Dealer Agreement dated as of September 18, 1996 between Zions First National Bank and the Registrant (Form 10-Q filed November 14, 2002).

---

* Incorporated by reference to the indicated prior filing.
** Filed with this report.
† Management contract or compensatory plan.
\# Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

-109-

*#	10.10	-	ISDA Master Agreement and Credit Support Annex dated as of June 26, 1997 between Zions First National Bank and the Registrant (Form 10-Q filed November 14, 2002).
*#	10.11	-	Amended and Restated Master Central Servicing Agreement dated as of May 1, 2004 between Zions First National Bank and the Registrant (Previously filed as Exhibit 10.11.2 to Form 10-Q filed August 9, 2004).
*#	10.11.1	-	Amendment No. 1 to Amended and Restated Master Central Servicing Agreement between Zions First National Bank and the Registrant, dated as of June 1, 2009 (Form 10-Q filed August 10, 2009).
*#	10.11.2	-	Amendment No. 2. to Amended and Restated Master Central Servicing Agreement between Zions First National Bank and the Registrant, dated as of August 25, 2010 (Form 10-Q filed November 9, 2010).
*#	10.12	-	Loan Closing File Review Agreement dated as of August 2, 2005 between Zions First National Bank and the Registrant (Form 10-Q filed November 9, 2005).
*#	10.13	-	Long Term Standby Commitment to Purchase dated as of August 1, 1998 between AgFirst Farm Credit Bank and the Registrant (Form 10-Q filed November 14, 2002).
*#	10.13.1	-	Amendment No. 1 dated as of January 1, 2000 to Long Term Standby Commitment to Purchase dated as of August 1, 1998 between AgFirst Farm Credit Bank and the Registrant (Form 10-Q filed November 14, 2002).
*	10.13.2	-	Amendment No. 2 dated as of September 1, 2002 to Long Term Standby Commitment to Purchase dated as of August 1, 1998, as amended by Amendment No. 1 dated as of January 1, 2000, between AgFirst Farm Credit Bank and the Registrant (Form 10-Q filed November 14, 2002).
*	10.14	-	Lease Agreement, dated June 28, 2001 between EOP – Two Lafayette, L.L.C. and the Registrant (Previously filed as Exhibit 10.10 to Form 10-K filed March 27, 2002).
*#	10.15	-	Long Term Standby Commitment to Purchase dated as of August 1, 2007 between Farm Credit Bank of Texas and the Registrant (Previously filed as Exhibit 10.20 to Form 10-Q filed November 8, 2007).

---

* Incorporated by reference to the indicated prior filing.
** Filed with this report.
† Management contract or compensatory plan.
\# Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

-110-

*#	10.16	-	Long Term Standby Commitment to Purchase dated as of June 1, 2003 between Farm Credit Bank of Texas and the Registrant (Form 10-Q filed November 9, 2004).
*#	10.16.1	-	Amendment No. 1 dated as of December 8, 2006 to Long Term Standby Commitment to Purchase dated as of June 1, 2003 between Farm Credit Bank of Texas and the Registrant (Form 10-K filed March 15, 2007).
*#	10.17	-	Central Servicer Delinquent Loan Servicing Transfer Agreement dated as of July 1, 2004 between AgFirst Farm Credit Bank and the Registrant (Form 10-Q filed November 9, 2004).
†*	10.18	-	Form of Indemnification Agreement for Directors (Previously filed as Exhibit 10.1 to Form 8-K filed April 9, 2008).
*	10.19		Master Trust, Sale and Servicing Agreement dated as of October 20, 2006 between CFC Advantage, LLC, National Rural Utilities Cooperative Finance Corporation, U.S. Bank National Association, and the Registrant (Form 10-Q filed August 9, 2010).
*	10.20		Registration Rights Agreement Series 2007-1 dated as of February 15, 2007 between CFC Advantage, LLC, National Rural Utilities Cooperative Finance Corporation, and the Registrant (Form 10-Q filed August 9, 2010).
*	10.21		Registration Rights Agreement Series 2007-2 dated as of August 10, 2007 between CFC Advantage, LLC, National Rural Utilities Cooperative Finance Corporation and the Registrant (Form 10-Q filed August 9, 2010).
*	10.22		Amended and Restated Note Purchase Agreement dated as of March 24, 2011 between Farmer Mac Mortgage Securities Corporation, National Rural Utilities Cooperative Finance Corporation, and the Registrant (Form 10-Q filed May 10, 2011).
*	10.23		Amended, Restated and Consolidated Pledge Agreement dated as of March 24, 2011 between Farmer Mac Mortgage Securities Corporation, National Rural Utilities Cooperative Finance Corporation, U.S. Bank National Association, and the Registrant (Form 10-Q filed May 10, 2011).
*	10.24		Setoff Rights Letter Agreement dated as of March 24, 2011 between National Rural Utilities Cooperative Finance Corporation, Farmer Mac Mortgage Securities Corporation, and the Registrant (Form 10-Q filed May 10, 2011).

---

* Incorporated by reference to the indicated prior filing.
** Filed with this report.
† Management contract or compensatory plan.
\# Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

-111-

*	10.25		First Supplemental Note Purchase Agreement dated as of March 24, 2011 between Farmer Mac Mortgage Securities Corporation, National Rural Utilities Cooperative Finance Corporation, and the Registrant (Form 10-Q filed May 10, 2011).
**	10.26		Amended and Restated Master Sale and Servicing Agreement dated as of August 12, 2011 between National Rural Utilities Cooperative Finance Corporation and the Registrant.
*#	10.27		Credit Support Agreement dated as of September 1, 2009 between National Rural Utilities Cooperative Finance Corporation and the Registrant (Previously filed as Exhibit 10.38 to Form 10-Q filed August 9, 2010).
*	10.28		Indenture dated as of September 1, 2009 between National Rural Utilities Cooperative Finance Corporation, U.S. Bank National Association and the Registrant (Previously filed as Exhibit 10.39 to Form 10-Q filed August 9, 2010).
*	10.29		Sublease Agreement dated as of December 6, 2010 between Mayer Brown LLP and the Registrant (Previously filed as Exhibit 10.43 to Form 10-K/A filed June 1, 2011).
*	21	-	List of the Registrant’s subsidiaries (Form 10-K filed March 16, 2010).
**	31.1	-	Certification of Chief Executive Officer relating to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**	31.2	-	Certification of Chief Financial Officer relating to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**	32	-	Certification of Chief Executive Officer and Chief Financial Officer relating to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

---

* Incorporated by reference to the indicated prior filing.
** Filed with this report.
† Management contract or compensatory plan.
#Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

-112-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

November 9, 2011

By: /s/ Michael A. Gerber
Michael A. Gerber
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Timothy L. Buzby
Timothy L. Buzby
Senior Vice President – Chief Financial Officer and Treasurer
(Principal Financial Officer)

-113-