

FEDERAL AGRICULTURAL MORTGAGE CORP

Form 10-Q

May 12, 2014

As filed with the Securities and Exchange Commission on May 12, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

Commission File Number 001-14951

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

(Exact name of registrant as specified in its charter)

Federally chartered instrumentality
of the United States

52-1578738

(State or other jurisdiction of
incorporation or organization)

(I.R.S. employer identification number)

1999 K Street, N.W., 4th Floor,
Washington, D.C.

20006

(Address of principal executive offices)
(202) 872-7700

(Zip code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited)

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

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Total Liabilities	12,875,378	12,787,311
Commitments and Contingencies (Note 6)		
Equity:		
Preferred stock:		
Series A, par value \$25 per share, 2,400,000 shares authorized, issued and outstanding	58,333	58,333
Series B, par value \$25 per share, 3,000,000 shares authorized, issued and outstanding	73,306	—
Common stock:		
Class A Voting, \$1 par value, no maximum authorization, 1,030,780 shares outstanding	1,031	1,031
Class B Voting, \$1 par value, no maximum authorization, 500,301 shares outstanding	500	500
Class C Non-Voting, \$1 par value, no maximum authorization, 9,354,992 shares and 9,354,804 shares outstanding, respectively	9,355	9,355
Additional paid-in capital	111,477	110,722
Accumulated other comprehensive income/(loss), net of tax	14,954	(16,202)
Retained earnings	168,166	168,877
Total Stockholders' Equity	437,122	332,616
Non-controlling interest - preferred stock	241,853	241,853
Total Equity	678,975	574,469
Total Liabilities and Equity	\$13,554,353	\$13,361,780
See accompanying notes to consolidated financial statements.		

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

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

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

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

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

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

(3) Relates to the amortization of the unrealized gains on the hedged items prior to application of hedge accounting.

(4) Presented net of income tax benefit of \$1.7 million for both the three months ended March 31, 2014 and 2013.

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

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

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

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

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

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FEDERAL AGRICULTURAL MORTGAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ACCOUNTING POLICIES

The interim unaudited consolidated financial statements of the Federal Agricultural Mortgage Corporation ("Farmer Mac") and subsidiaries have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). These interim unaudited consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial position and the results of operations and cash flows of Farmer Mac and subsidiaries for the interim periods presented. Certain information and footnote disclosures normally included in the annual consolidated financial statements have been omitted as permitted by SEC rules and regulations. The December 31, 2013 consolidated balance sheet presented in this report has been derived from Farmer Mac's audited 2013 consolidated financial statements. Management believes that the disclosures are adequate to present fairly the consolidated financial statements as of the dates and for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the 2013 consolidated financial statements of Farmer Mac and subsidiaries included in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 13, 2014. That Form 10-K describes Farmer Mac's significant accounting policies, which include its policies on Principles of Consolidation; Cash and Cash Equivalents and Statements of Cash Flows; Investment Securities, Farmer Mac Guaranteed Securities, and USDA Securities; Loans; Securitization of Loans; Non-accrual Loans; Real Estate Owned; Financial Derivatives; Notes Payable; Allowance for Losses; Earnings Per Common Share; Income Taxes; Stock-Based Compensation; Comprehensive Income; Long-Term Standby Purchase Commitments; Fair Value Measurement; and Consolidation of Variable Interest Entities ("VIEs"). Results for interim periods are not necessarily indicative of those that may be expected for the fiscal year. Presented below are Farmer Mac's significant accounting policies that contain updated information for the three months ended March 31, 2014.

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Principles of Consolidation

The consolidated financial statements include the accounts of Farmer Mac and its two subsidiaries: (1) Farmer Mac Mortgage Securities Corporation ("FMMSC"), whose principal activities are to facilitate the purchase and issuance of securities guaranteed by Farmer Mac that represent interests in, or obligations secured by, pools of eligible loans ("Farmer Mac Guaranteed Securities") and (2) Farmer Mac II LLC, whose principal activity is the operation of substantially all of the business related to the USDA Guarantees line of business – primarily the acquisition of USDA Securities. The consolidated financial statements also include the accounts of VIEs in which Farmer Mac determined itself to be the primary beneficiary.

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

Table 1.1

	Consolidation of Variable Interest Entities					
	March 31, 2014					
	Farm & Ranch	USDA Guarantees	Rural Utilities	Institutional Credit	Corporate	Total
	(in thousands)					
On-Balance Sheet:						
Consolidated VIEs:						
Loans held for investment in consolidated trusts, at amortized cost (1)	\$312,569	\$—	\$296,895	\$—	\$—	\$609,464
Debt securities of consolidated trusts held by third parties (2)	312,643	—	—	—	—	312,643
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Carrying value (3)	—	21,608	—	33,098	—	54,706
Maximum exposure to loss (4)	—	20,894	—	30,000	—	50,894
Investment securities:						
Carrying value (5)	—	—	—	—	572,345	572,345
Maximum exposure to loss (4) (5)	—	—	—	—	579,225	579,225
Off-Balance Sheet:						
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Maximum exposure to loss (4) (6)	731,574	19,562	—	970,000	—	1,721,136

(1) Includes unamortized premiums related to Rural Utilities of \$4.4 million.

(2) Includes borrower remittances of \$0.1 million, which have not been passed through to third party investors as of March 31, 2014.

(3) Includes unamortized premiums and discounts and fair value adjustments related to USDA Guarantees and Institutional Credit of \$0.7 million and \$3.1 million, respectively.

(4) Farmer Mac uses unpaid principal balance and outstanding face amount of investment securities to represent maximum exposure to loss.

(5) Includes auction-rate certificates, asset-backed securities and government-sponsored enterprise ("GSE")-guaranteed mortgage-backed securities.

(6) The Farm & Ranch amount relates to unconsolidated trusts where Farmer Mac determined it was not the primary beneficiary due to shared power with an unrelated party.

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	Consolidation of Variable Interest Entities					
	December 31, 2013					
	Farm & Ranch	USDA Guarantees	Rural Utilities	Institutional Credit	Corporate	Total
	(in thousands)					
On-Balance Sheet:						
Consolidated VIEs:						
Loans held for investment in consolidated trusts, at amortized cost (1)	\$259,509	\$—	\$370,480	\$—	\$—	\$629,989
Debt securities of consolidated trusts held by third parties (2)	261,760	—	—	—	—	261,760
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Carrying value (3)	—	21,234	—	33,248	—	54,482
Maximum exposure to loss (4)	—	21,088	—	30,000	—	51,088
Investment securities:						
Carrying value (5)	—	—	—	—	533,688	533,688
Maximum exposure to loss (4) (5)	—	—	—	—	540,726	540,726
Off-Balance Sheet:						
Unconsolidated VIEs:						
Farmer Mac Guaranteed Securities:						
Maximum exposure to loss (4) (6)	765,751	20,222	—	970,000	—	1,755,973

(1) Includes unamortized premiums related to Rural Utilities of \$16.2 million.

(2) Includes borrower remittances of \$2.3 million, which have not been passed through to third party investors as of December 31, 2013.

(3) Includes unamortized premiums and discounts and fair value adjustments related to USDA Guarantees and Institutional Credit of \$0.1 million and \$3.2 million, respectively.

(4) Farmer Mac uses unpaid principal balance and the outstanding face amount of investment securities to represent maximum exposure to loss.

(5) Includes auction-rate certificates, asset-backed securities and GSE-guaranteed mortgage-backed securities.

(6) The Farm & Ranch amount relates to unconsolidated trusts where Farmer Mac determined it was not the primary beneficiary due to shared power with an unrelated party.

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

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

Farmer Mac considers highly liquid investment securities with maturities at the time of purchase of three months or less to be cash equivalents. The carrying value of cash and cash equivalents is a reasonable estimate of their

approximate fair value. Changes in the balance of cash and cash equivalents are reported in the consolidated statements of cash flows.

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

Table 1.2

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

On January 1, 2014, Farmer Mac transferred \$1.6 billion of Farmer Mac Guaranteed Securities from available-for-sale to held-to-maturity because Farmer Mac determined it has the ability and intent to hold these securities until maturity or payoff. Farmer Mac transferred these securities at fair value which reflected an unrealized holding gain of \$22.3 million. Farmer Mac accounts for held-to-maturity securities at amortized cost.

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

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(b) Earnings Per Common Share

Basic earnings per common share ("EPS") is based on the weighted-average number of shares of common stock outstanding. Diluted earnings per common share is based on the weighted-average number of shares of common stock outstanding adjusted to include all potentially dilutive common stock options, stock appreciation rights ("SARs"), and non-vested restricted stock awards. The following schedule reconciles basic and diluted EPS for the three months ended March 31, 2014 and 2013:

Table 1.3

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

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

(c) Reclassifications

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

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2. INVESTMENT SECURITIES

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

Table 2.1

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

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

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	December 31, 2013					
	Amount Outstanding (in thousands)	Unamortized Premium/(Discount)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:						
Floating rate auction-rate certificates backed by Government guaranteed student loans	\$74,100	\$ —	\$74,100	\$—	\$(8,815)	) \$65,285
Floating rate asset-backed securities	166,185	(217)	) 165,968	195	(59)	) 166,104
Floating rate corporate debt securities	109,345	(3)	) 109,342	445	(18)	) 109,769
Fixed rate corporate debt securities	55,000	48	55,048	97	(4)	) 55,141
Floating rate Government/GSE guaranteed mortgage-backed securities	612,413	4,336	616,749	4,955	(435)	) 621,269
Fixed rate GSE guaranteed mortgage-backed securities (1)	1,173	3,966	5,139	3,518	—	8,657
Floating rate GSE subordinated debt	70,000	—	70,000	—	(6,615)	) 63,385
Fixed rate GSE preferred stock	78,500	365	78,865	4,296	—	83,161
Fixed rate taxable municipal bonds	30,595	84	30,679	5	(3)	) 30,681
Fixed rate senior agency debt	523,691	294	523,985	107	(30)	) 524,062
Fixed rate U.S. Treasuries	754,405	1,141	755,546	95	(8)	) 755,633
Total available-for-sale	2,475,407	10,014	2,485,421	13,713	(15,987)	) 2,483,147
Trading:						
Floating rate asset-backed securities	3,553	—	3,553	—	(2,625)	) 928
Total investment securities	\$2,478,960	\$ 10,014	\$2,488,974	\$13,713	\$(18,612)	) \$2,484,075
(1) Fair value includes \$7.4 million of an interest-only security with a notional amount of \$152.4 million.						

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

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

Table 2.2

	March 31, 2014			
	Available-for-Sale Securities			
	Unrealized loss position for less than 12 months		Unrealized loss position for more than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(in thousands)			
Floating rate auction-rate certificates backed by Government guaranteed student loans	\$—	\$—	\$64,963	\$(9,137)
Floating rate asset-backed securities	21,645	(13)	—	—
Floating rate corporate debt securities	4,999	(1)	—	—
Floating rate Government/GSE guaranteed mortgage-backed securities	230,889	(615)	7,337	(25)
Floating rate GSE subordinated debt	—	—	63,385	(6,615)
Fixed rate senior agency debt	284,512	(129)	—	—
Floating rate U.S. Treasuries	74,958	(26)	—	—
Fixed rate U.S. Treasuries	150,045	(4)	—	—
Total	\$767,048	\$(788)	\$135,685	\$(15,777)
	December 31, 2013			
	Available-for-Sale Securities			
	Unrealized loss position for less than 12 months		Unrealized loss position for more than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(in thousands)			
Floating rate auction-rate certificates backed by Government guaranteed student loans	\$—	\$—	\$65,285	\$(8,815)
Floating rate asset-backed securities	50,129	(59)	—	—
Floating rate corporate debt securities	19,982	(18)	—	—
Fixed rate corporate debt securities	10,058	(4)	—	—
Floating rate Government/GSE guaranteed mortgage-backed securities	161,960	(435)	—	—
Floating rate GSE subordinated debt	—	—	63,385	(6,615)
Fixed rate taxable municipal bonds	8,041	(3)	—	—
Fixed rate senior agency debt	316,273	(30)	—	—
Fixed rate U.S. Treasuries	118,056	(8)	—	—
Total	\$684,499	\$(557)	\$128,670	\$(15,430)

The unrealized losses presented above are principally due to a general widening of credit spreads from the dates of acquisition to March 31, 2014 and December 31, 2013, as applicable. The resulting decrease in fair values reflect an increase in the perceived risk by the financial markets related to those securities. As of