

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

FEDERAL AGRICULTURAL MORTGAGE CORP  
Form 8-K  
July 24, 2003

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

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of the Securities Exchange  
Act of 1934

Date of Report (Date of earliest event reported): July 23, 2003

Federal Agricultural Mortgage Corporation  
-----  
(Exact name of registrant as specified in its charter)

Federally chartered instrumentality of the United States ----- (State or other jurisdiction of incorporation or organization)	0-17440 ----- (Commission File Number)	52-1578738 ----- (I.R.S. Employer Identification No.)
--	---	--

1133 21st Street, N.W., Suite 600, Washington, D.C. ----- (Address of principal executive offices)	20036 ----- (Zip Code)
--	------------------------------

Registrant's telephone number, including area code: (202) 872-7700

No change  
(Former name or former address, if changed since last report)

Item 7. Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Exhibits:

99 Press release dated July 23, 2003.

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

Item 9. Regulation FD Disclosure.

On July 23, 2003, the Registrant issued a press release to announce the Registrant's financial results for second quarter 2003. A copy of the press release is attached to this report as Exhibit 99 and is incorporated herein by reference.

The information set forth above is being furnished under "Item 9. Regulation FD Disclosure" and "Item 12. Results of Operations and Financial Condition" and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section. The information in this Form 8-K shall not be incorporated by reference in any other filing under the Securities Exchange Act of 1934 or the Securities Act of 1933 except as shall be expressly set forth by specific reference to this Form 8-K in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FEDERAL AGRICULTURAL  
MORTGAGE CORPORATION

By: /s/ Jerome G. Oslick

-----  
Name: Jerome G. Oslick  
Title: Vice President - General Counsel

Dated: July 23, 2003

EXHIBIT INDEX

Exhibit No.	Description	Page No.
99	Press Release Dated July 23, 2003	5

Exhibit 99

Farmer Mac

NEWS

FOR IMMEDIATE RELEASE  
July 23, 2003

CONTACT  
Jerome Oslick  
202-872-7700

Farmer Mac Reports Solid Second Quarter

Washington, D.C. -- The Federal Agricultural Mortgage Corporation (Farmer Mac, NYSE: AGM and AGM.A) today announced net income for second quarter 2003 of \$8.4 million, or \$0.70 per diluted share, compared to \$8.4 million and \$0.70 per diluted share for first quarter 2003 and \$6.3 million and \$0.52 per diluted share for second quarter 2002.

Farmer Mac President and Chief Executive Officer Henry D. Edelman stated, "Farmer Mac's second quarter performance is continuing evidence of its financial strength as it fulfills its Congressionally-mandated mission to serve America's farmers, ranchers and rural homeowners.

"We are pleased with our GAAP earnings. In addition, Farmer Mac focuses on its `core earnings,' which, as described in this press release, is a non-GAAP measure developed by Farmer Mac to present net income available to common stockholders less the after-tax effects of FAS 133 and less the after-tax net gains and losses on the repurchase of debt. Core earnings were \$5.8 million for second quarter 2003, compared to \$5.9 million for first quarter 2003 and \$5.8 million for second quarter 2002.

"We are encouraged by the continuing improvements in the performance of the portfolio of loans underlying our guarantees and long-term standby purchase commitments ("LTSPCs"). As of June 30, 2003, there were \$51.3 million of 90-day delinquencies representing 1.06 percent of the portfolio, versus \$50.3 million and 1.12 percent as of June 30, 2002. Segments of the portfolio have aged into their expected peak loss years and Farmer Mac has enhanced its credit management efforts directed toward problem loan servicing and loss mitigation. These efforts have been successful in leveling the amount of 90-day delinquencies in Farmer Mac's portfolio.

## Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

"Farmer Mac's financial performance was solid and progress continued on loan servicing. New business volume improved to \$322.3 million for second quarter 2003, compared to \$267.5 million for first quarter 2003, but still remained light compared to prior quarters. We believe this is traceable to lower demand in the agricultural mortgage market, affecting all agricultural mortgage lenders, and to residual effects of adverse publicity based on misinformation about Farmer Mac disseminated in 2002. Nonetheless, lender interest in Farmer Mac has produced a steady stream of new volume in the form of Farmer Mac I and II individual loan purchases and additions to existing LTSPC arrangements, and prospects for larger portfolio transactions continue to exist. Second quarter 2003 financial results demonstrate the long-term stability of Farmer Mac's business model, based in large part on the annuity-like income from guarantee and commitment fees.

"We believe that Farmer Mac's financial condition and business prospects are strong and that core earnings per share in 2003 will exceed core earnings of \$1.90 per share in 2002."

GAAP (generally accepted accounting principles in the United States) net income, the most comparable GAAP measure to core earnings, is heavily influenced by unrealized gains or losses in the value of financial derivatives used to hedge interest rate risk in Farmer Mac's mortgage portfolio. Since the value of those financial derivatives is driven by fluctuations in interest rates that cannot reliably be projected, Farmer Mac is unable to provide an outlook for GAAP net income for 2003.

### Non-GAAP Performance Measures

Farmer Mac reports its financial results in accordance with GAAP. In addition to GAAP measures, Farmer Mac presents certain non-GAAP performance measures. Farmer Mac uses these non-GAAP performance measures to develop financial plans, to measure corporate performance and to set incentive compensation. They provide relatively less volatile financial information and are a more accurate representation of Farmer Mac's economic performance, transaction economics and business trends. Investors and the investment analyst community have previously used similar measures to evaluate Farmer Mac's historical and future performance. Farmer Mac's disclosure of non-GAAP measures is not intended to replace GAAP information but, rather, to supplement it.

One such non-GAAP measure is core earnings, which Farmer Mac developed to present net income available to common stockholders less the after-tax effects of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"), and less the after-tax net gains and losses on the repurchase of debt that, prior to January 1, 2003, were reported as extraordinary items. Due in part to the favorable effects of FAS 133, Farmer Mac's GAAP net income available to common stockholders increased to \$8.4 million for second quarter 2003, compared to \$6.3 million for second quarter 2002, while its less volatile core earnings were \$5.8 million for both second quarter 2003 and second quarter 2002. The reconciliation of GAAP net income available to common stockholders to core earnings is presented in the following table:

### Reconciliation of GAAP Net Income Available to Common Stockholders to Core Earnings

#### Three Months Ended

June 30, 2003	June 30, 2002	June 30, 2001
------------------	------------------	------------------

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

	(in thousands, except per share amounts)				
		Per Diluted Share		Per Diluted Share	
GAAP net income available to common stockholders	\$ 8,366	\$ 0.70	\$ 6,286	\$ 0.52	\$ 16,790
Less the effects of FAS 133:					
Gains and (Losses) on financial derivatives and trading assets, net of tax	2,521	0.21	(149)	(0.01)	4,963
Benefit from non-amortization of premium payments on financial derivatives, net of tax	81	0.01	101	0.01	162
Less gains and on the repurchase of debt previously reported as extraordinary items, net of tax	-	-	583	0.04	-
Core earnings	\$ 5,764	\$ 0.48	\$ 5,751	\$ 0.48	\$ 11,665

Later in this release, Farmer Mac provides additional information about the impact of FAS 133, which increased net income by \$2.6 million in second quarter 2003.

Net Interest Income

Net interest income, which does not include guarantee fees for loans purchased prior to April 1, 2001 (the effective date of Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities ("FAS 140")), was \$9.2 million for second quarter 2003, compared to \$9.5 million for first quarter 2003 and \$8.9 million for second quarter 2002. The net interest yield was 89 basis points for second quarter 2003, compared to 95 basis points for first quarter 2003 and 93 basis points for second quarter 2002. The effects of FAS 140 for second quarter 2003, first quarter 2003 and second quarter 2002 were the reclassification of guarantee fee income as interest income in the amount of approximately \$1.1 million (10 basis points), \$1.1 million (11 basis points) and \$0.7 million (7 basis points), respectively. The net interest yields for second quarter 2003, first quarter 2003 and second quarter 2002 included the benefits of yield maintenance payments of 11 basis points, 14 basis points and 7 basis points, respectively. For second quarter 2003, the effects of yield maintenance payments on net income and diluted earnings per share were \$0.8 million and \$0.06 per diluted share, respectively, compared to \$0.9 million and \$0.07 per diluted share for first quarter 2003 and \$0.4 million and \$0.04 per diluted share for second quarter 2002.

Guarantee and Commitment Fees

Guarantee and commitment fees were \$5.1 million for second quarter 2003, compared to \$5.1 million for first quarter 2003 and \$4.7 million for second quarter 2002. The year-to-year increase in guarantee and commitment fees reflects an increase in the average balance of outstanding guarantees and

## Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

commitments. As discussed above, for second quarter 2003, \$1.1 million of guarantee fee income was reclassified as interest income in accordance with FAS 140, compared to \$1.1 million for first quarter 2003 and \$0.7 million for second quarter 2002.

### Operating Expenses

Compensation and employee benefits for second quarter 2003 were \$1.5 million, compared to \$1.4 million for first quarter 2003 and \$1.3 million for second quarter 2002. General and administrative expenses for second quarter 2003 were \$1.2 million, compared to \$1.2 million for first quarter 2003 and \$1.5 million for second quarter 2002. Regulatory fees for second quarter 2003 were \$0.4 million, compared to \$0.4 million for first quarter 2003 and \$0.2 million for second quarter 2002. Discussion of the provision for losses is covered under the topic of "Credit" later in this release.

### Capital

Farmer Mac's core capital totaled \$202.9 million as of June 30, 2003, compared to \$192.4 million as of March 31, 2003 and \$176.0 million as of June 30, 2002. The regulatory methodology for calculating core capital excludes the effects of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("FAS 115") and FAS 133, which are reported on Farmer Mac's balance sheet as accumulated other comprehensive income/(loss). Farmer Mac's core capital as of June 30, 2003 exceeded the statutory minimum capital requirement of \$138.8 million by \$64.1 million.

Farmer Mac is required to meet the capital standards of a risk-based capital stress test promulgated by the Farm Credit Administration ("RBC test"). The RBC test determines the amount of regulatory capital (core capital plus allowances for losses) Farmer Mac would need to maintain positive capital during a ten-year stress period while incurring credit losses equivalent to the highest historical two-year agricultural mortgage loss rates and an interest rate shock at the lesser of 600 basis points or 50 percent of the ten-year U.S. Treasury rate. The RBC test then adds to the resulting capital requirement an additional 30 percent for management and operational risk.

As of June 30, 2003, the RBC test generated an estimated risk-based capital requirement of \$50.4 million. Farmer Mac's regulatory capital of \$224.8 million exceeded that amount by approximately \$174.4 million. The \$7.5 million decrease in the risk-based capital requirement from \$57.9 million as of March 31, 2003 was a result of changes in the interest rate environment and the ageing of Farmer Mac's loan portfolio. Farmer Mac is required to hold capital at the higher of the statutory minimum capital requirement or the amount required by the RBC test.

### Credit

As of June 30, 2003, Farmer Mac's 90-day delinquencies totaled \$51.3 million, representing 1.06 percent of the principal balance of all loans held and loans underlying post-Farm Credit System Reform Act ("1996 Act") Farmer Mac I Guaranteed Securities and LTSPCs, compared to \$50.3 million and 1.12 percent, respectively, as of June 30, 2002. The 90-day delinquencies are loans 90 days or more past due, in foreclosure, restructured after delinquency, or in bankruptcy, excluding loans performing under either their original loan terms or a court-approved bankruptcy plan.

As of June 30, 2003, non-performing assets totaled \$80.2 million, representing 1.64 percent of the principal balance of all loans held and loans underlying post-1996 Act Farmer Mac I Guaranteed Securities and LTSPCs, compared to \$65.2 million (1.45 percent) as of June 30, 2002. Non-performing assets are loans 90 days or more past due, in foreclosure, restructured after delinquency,

## Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

in bankruptcy, or real estate owned ("REO"). As described in more detail below, the year-to-year increase in the principal balance of non-performing assets reflects a group of loans that, though the borrowers on those loans have filed for bankruptcy protection, are current under the original loan terms or a court-approved bankruptcy plan and certain segments of the portfolio that are cycling through foreclosure and into the asset category real estate owned, which completes the involuntary loan liquidation process.

The difference between the non-performing asset and 90-day delinquency measures is the exclusion of the real estate owned asset category and loans performing in bankruptcy from 90-day delinquencies. Unlike the non-performing asset measure, the 90-day delinquency measure takes into account only those outstanding loans on which borrowers are not current on their required payments and does not include loans that have been liquidated.

From quarter to quarter, Farmer Mac anticipates that 90-day delinquencies and non-performing assets will fluctuate, 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 semi-annual (January 1st and July 1st) payment characteristics of most Farmer Mac I loans.

As each cohort year of loan originations in Farmer Mac's portfolio of loans held and loans underlying LTSPCs and post-1996 Act Farmer Mac I Guaranteed Securities has entered, and started to exit, its peak default years, segments of the portfolio have begun to exhibit characteristics of a mature portfolio. For example, during 2001 and 2002, the portfolio had its first loans cycle through foreclosure and into the real estate owned asset category, which completes the involuntary loan liquidation process. As of June 30, 2003, Farmer Mac had \$17.2 million of real estate owned, compared to \$8.2 million as of March 31, 2003 and \$2.5 million as of June 30, 2002. The commodity and geographic diversification of the REO properties is consistent with the commodity and geographic diversification of the non-performing assets. Analysis of the portfolio by its geographic distribution indicates that non-performing assets, including REO, have been and are expected to be most prevalent in the loans concentrated in geographic areas and commodities that do not receive significant government support.

Prior to acquisition of property securing a loan, Farmer Mac devises a liquidation strategy that results in either an immediate sale or retention pending later sale. Farmer Mac evaluates these and other alternatives based upon the economics of the transactions and requirements of local law. Under the law in many states, borrowers whose mortgages have been foreclosed have a period of time, called a "redemption period," during which they have a right to re-acquire their property. In such cases, the redemption period results in a restriction on the marketability of the property and the most economically advantageous disposition strategy often includes a holding period beyond the expiration of the redemption period. As of June 30, 2003, approximately one-third of Farmer Mac's REO was subject to borrower redemption.

Farmer Mac analyzes each loan in its portfolio of non-performing assets to measure impairment, based on the fair value of the underlying collateral. As of June 30, 2003, Farmer Mac's analysis of its \$80.2 million of non-performing assets and their updated appraisals or other collateral valuations indicated that \$68.3 million of non-performing assets were adequately collateralized. On the remaining \$11.9 million of non-performing assets, loan-by-loan analyses considering updated collateral values indicated individual collateral shortfalls that totaled \$2.8 million. Farmer Mac allocated specific allowances in that amount to those loans. As of June 30, 2003, after the allocation of specific allowances to under-collateralized loans, Farmer Mac had additional non-specific or general allowances of \$19.1 million relating to inherent probable losses in the portfolio, with the total allowance for losses at \$21.9 million.

## Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

During second quarter 2003, Farmer Mac charged off \$1.3 million in losses against the allowance for losses. In certain collateral liquidation scenarios, Farmer Mac may recover amounts previously charged off or incur additional losses, if liquidation proceeds vary from previous estimates. Farmer Mac's total provision for losses was \$2.1 million for second quarter 2003, compared to \$2.1 million for first quarter 2003 and \$2.0 million for second quarter 2002. As of June 30, 2003, Farmer Mac's allowance for losses totaled \$21.9 million, or 45 basis points on the outstanding post-1996 Act loans, compared to \$21.1 million (44 basis points) as of March 31, 2003 and \$18.3 million (41 basis points) as of June 30, 2002. Based on Farmer Mac's analysis of its entire portfolio, individual loan-by-loan analyses, and loan collection experience, Farmer Mac believes that specific and inherent probable losses are covered adequately by its allowance for losses.

### Interest Rate Risk

Farmer Mac measures its interest rate risk through several tests, including the sensitivity of Market Value of Equity ("MVE") and Net Interest Income ("NII") to uniform or "parallel" yield curve shocks. As of June 30, 2003, a parallel increase of 100 basis points across the entire U.S. Treasury yield curve would have increased MVE by 1.5 percent, while a parallel decrease of 100 basis points would have decreased MVE by 2.9 percent. As of June 30, 2003, a parallel increase of 100 basis points would have increased Farmer Mac's NII, a shorter-term measure of interest rate risk, by 6.6 percent, while a parallel decrease of 100 basis points would have decreased NII by 7.0 percent. Farmer Mac also measures the sensitivity of both MVE and NII to a variety of non-parallel interest rate shocks. As of June 30, 2003, Farmer Mac's MVE and NII were less sensitive to those non-parallel shocks than to parallel shocks. Farmer Mac's duration gap, another measure of interest rate risk, was minus 1.2 months.

The economic effects of derivatives, including interest rate swaps, are included in the MVE, NII and duration gap analyses. Farmer Mac uses derivatives principally as an alternative to traditional debt issuance in which it enters into contracts to pay fixed rates of interest and receive floating rates of interest from counterparties. These "floating-to-fixed interest rate swaps" are used to adjust the characteristics of Farmer Mac's short-term debt to match more closely the cash flow and duration characteristics of its longer-term mortgage assets, thereby reducing interest rate risk, and also to derive an overall lower effective fixed-rate cost of borrowing than would otherwise be available in the conventional debt market. As of June 30, 2003, Farmer Mac had \$703.0 million notional amount of floating-to-fixed interest rate swaps for terms ranging from one month to 15 years. In addition, Farmer Mac enters into interest rate swaps to adjust the characteristics of its assets and liabilities to match more closely, on a cash flow and duration basis, thereby reducing interest rate risk. As of June 30, 2003, Farmer Mac had \$478.7 million of such interest rate swaps.

Farmer Mac uses derivatives for hedging purposes, not for speculative purposes. All of Farmer Mac's derivative transactions are conducted through standard, collateralized agreements that limit Farmer Mac's potential credit exposure to any counterparty. As of June 30, 2003, Farmer Mac had no uncollateralized net exposure to any counterparty.

### Derivatives and Financial Statement Effects of FAS 133

Farmer Mac accounts for its derivatives under FAS 133, which became effective January 1, 2001. The implementation of FAS 133 resulted in significant accounting changes to both the consolidated statements of operations and balance sheets. During second quarter 2003, the increase in net after-tax income resulting from FAS 133 was \$2.6 million and the net after-tax decrease in accumulated other comprehensive income was \$6.5 million. During first quarter 2003, the increase in net after-tax income resulting from FAS 133 was \$2.5 million and the net after-tax increase in accumulated other comprehensive income

## Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

was \$1.1 million. For second quarter 2002, the decreases in net after-tax income and accumulated other comprehensive income resulting from FAS 133 were \$0.1 million and \$14.6 million, respectively. Accumulated other comprehensive income is not a component of Farmer Mac's regulatory core capital.

### Forward-Looking Statements

In addition to historical information, this release includes forward-looking statements that reflect management's current expectations for Farmer Mac's future financial results, business prospects and business developments. Management's expectations for Farmer Mac's future necessarily involve assumptions, estimates and the evaluation of risks and uncertainties. Various factors could cause actual events or results to differ materially from those expectations. Some of the important factors that could cause Farmer Mac's actual results to differ materially from management's expectations include uncertainties regarding: (1) the rate and direction of development of the secondary market for agricultural mortgage loans; (2) the possible establishment of additional statutory or regulatory restrictions on Farmer Mac that could hamper its growth or restrain its profitability; (3) substantial changes in interest rates, agricultural land values, commodity prices, export demand for U.S. agricultural products and the general economy; (4) protracted adverse weather, market or other conditions affecting particular geographic regions or particular commodities related to agricultural mortgage loans backing Farmer Mac I Guaranteed Securities or under LTSPCs; (5) legislative or regulatory developments or interpretations of Farmer Mac's statutory charter that could adversely affect Farmer Mac or the ability of certain lenders to participate in its programs or the terms of any such participation; (6) Farmer Mac's access to the debt markets at favorable rates and terms; (7) the possible effect of the risk-based capital requirement, which could, under certain circumstances, be in excess of the statutory minimum capital level; (8) the outcome of the pending review of Farmer Mac by the General Accounting Office; (9) borrower preferences for fixed-rate agricultural mortgage indebtedness; (10) lender interest in Farmer Mac credit products and the Farmer Mac secondary market; (11) competitive pressures in the purchase of agricultural mortgage loans and the sale of agricultural mortgage-backed and debt securities; or (12) the effects on the agricultural economy of any changes in federal assistance for agriculture. Other factors are discussed in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission ("SEC") on March 27, 2003 and Farmer Mac's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, as filed with the SEC on May 15, 2003. The forward-looking statements contained herein represent management's expectations as of the date of this release. Farmer Mac undertakes no obligation to release publicly the results of any revisions to the forward-looking statements included herein to reflect events or circumstances after today, or to reflect the occurrence of unanticipated events, except as otherwise mandated by the SEC.

Farmer Mac is a stockholder-owned instrumentality of the United States chartered by Congress to establish a secondary market for agricultural real estate and rural housing mortgage loans and to facilitate capital market funding for USDA-guaranteed farm program and rural development loans. Farmer Mac's Class C non-voting and Class A voting common stocks are listed on the New York Stock Exchange under the symbols AGM and AGM.A, respectively. Additional information about Farmer Mac (as well as the Form 10-K and Form 10-Q referenced above) is available on Farmer Mac's website at [www.farmermac.com](http://www.farmermac.com). The conference call to discuss Farmer Mac's second quarter 2003 earnings and this press release will be webcast on Farmer Mac's website beginning at 11:00 a.m. eastern time, Thursday, July 24, 2003, and an audio recording of that call will be available for two weeks on Farmer Mac's website after the call is concluded.

\* \* \* \*

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

Federal Agricultural Mortgage Corporation  
Consolidated Balance Sheets  
(in thousands)

	June 30, 2003	December 31, 2002
	----- (unaudited)	----- (audited)
<b>Assets:</b>		
Cash and cash equivalents	\$ 620,581	\$ 723,800
Investment securities	976,330	830,409
Farmer Mac Guaranteed Securities	1,543,039	1,608,507
Loans	1,005,403	966,123
Allowance for loan losses	(3,102)	(2,662)
	-----	-----
Loans, net	1,002,301	963,461
Real estate owned, net of valuation allowance of \$0.6 million, \$0.6 million and zero	17,241	5,031
Financial derivatives	4,751	317
Interest receivable	56,171	65,276
Guarantee and commitment fees receivable	4,648	5,938
Deferred tax asset	10,106	9,666
Prepaid expenses and other assets	32,679	10,510
	-----	-----
Total assets	\$ 4,267,847	\$ 4,222,915
	-----	-----
<b>Liabilities and Stockholders' Equity:</b>		
Notes payable:		
Due within one year	\$ 2,863,112	\$ 2,895,746
Due after one year	1,026,864	985,318
	-----	-----
Total notes payable	3,889,976	3,881,064
Financial derivatives	98,433	94,314
Accrued interest payable	29,349	29,756
Accounts payable and accrued expenses	29,227	17,453
Reserve for losses	18,169	16,757
	-----	-----
Total liabilities	4,065,154	4,039,344
Preferred stock	35,000	35,000
Common stock at par	11,790	11,638
Additional paid-in capital	84,504	82,527
Accumulated other comprehensive income/(loss)	(203)	(407)
Retained earnings	71,602	54,813
	-----	-----
Total Stockholders' Equity	202,693	183,571
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 4,267,847	\$ 4,222,915
	-----	-----

Federal Agricultural Mortgage Corporation  
Consolidated Statements of Operations  
(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
	-----		-----	

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income:				
Investments and cash equivalents	\$ 8,574	\$ 10,556	\$ 17,751	\$ 2,404
Farmer Mac Guaranteed Securities	18,688	22,541	38,200	4,184
Loans	13,288	10,394	26,137	1,465
Total interest income	40,550	43,491	82,088	8,053
Interest expense	31,395	34,641	63,481	6,666
Net interest income	9,155	8,850	18,607	1,387
Provision for loan losses	(1,416)	-	(2,624)	(560)
Net interest income after provision for loan losses	7,739	8,850	15,983	837
Guarantee and commitment fees	5,111	4,723	10,205	2,404
Gains/(Losses) on financial derivatives and trading assets	3,879	(230)	7,635	1,465
Gains on the repurchase of debt	-	897	-	-
Miscellaneous income	138	368	389	138
Total revenues	16,867	14,608	34,212	12,244
Expenses:				
Compensation and employee benefits	1,465	1,324	2,905	1,465
General and administrative	1,213	1,499	2,404	1,213
Regulatory fees	382	197	765	382
Provision for losses	697	2,022	1,592	697
Total operating expenses	3,757	5,042	7,666	3,757
Income before income taxes	13,110	9,566	26,546	8,487
Income tax expense	4,184	2,944	8,636	4,184
Net income	8,926	6,622	17,910	4,303
Preferred stock dividends	(560)	(336)	(1,120)	(560)
Net income available to common stockholders	\$ 8,366	\$ 6,286	\$ 16,790	\$ 3,743
Earnings per common share:				
Basic earnings per common share	\$ 0.71	\$ 0.55	\$ 1.44	\$ 0.71
Diluted earnings per common share	\$ 0.70	\$ 0.52	\$ 1.40	\$ 0.70

Federal Agricultural Mortgage Corporation  
Supplemental Information

The following tables present quarterly and annual information regarding loan purchases, guarantees and LTSPCs, outstanding guarantees and LTSPCs and non-performing assets and 90-day delinquencies.

Farmer Mac Purchases, Guarantees and Commitments

Farmer Mac I

Loans and  
Guaranteed

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

	Securities	LTSPCs	Farmer Mac II	Total
(in thousands)				
For the quarter ended:				
June 30, 2003	\$ 65,615	\$ 179,025	\$ 77,636	\$ 322,276
March 31, 2003	59,054	166,574	41,893	267,521
December 31, 2002	62,841	395,597	38,714	497,152
September 30, 2002	58,475	140,157	37,374	236,006
June 30, 2002	551,690	280,904	57,769	890,363
March 31, 2002	74,875	338,821	39,154	452,850
December 31, 2001	62,953	237,292	51,056	351,301
September 30, 2001	75,135	246,472	42,396	364,003
June 30, 2001	85,439	499,508	57,012	641,959
March 31, 2001	48,600	49,695	47,707	146,002
For the year ended:				
December 31, 2002	747,881	1,155,479	173,011	2,076,371
December 31, 2001	272,127	1,032,967	198,171	1,503,265

Farmer Mac Outstanding Loans, Guarantees and Commitments (1)

Farmer Mac I					
Post-1996 Act					
	Loans and Guaranteed Securities	LTSPCs	Pre-1996 Act	Farmer Mac II	Total
(in thousands)					
As of:					
June 30, 2003	\$ 2,108,180	\$2,790,480	\$ 28,057	\$ 668,899	\$ 5,595,6
March 31, 2003	2,111,861	2,732,620	29,216	650,152	5,523,8
December 31, 2002	2,168,994	2,681,240	31,960	645,790	5,527,9
September 30, 2002	2,127,460	2,407,469	35,297	630,452	5,200,6
June 30, 2002	2,180,948	2,336,886	37,873	617,503	5,173,2
March 31, 2002	1,655,485	2,126,485	41,414	592,836	4,416,2
December 31, 2001	1,658,716	1,884,260	48,979	595,156	4,187,1
September 30, 2001	1,605,160	1,731,861	58,813	608,944	4,004,7
June 30, 2001	1,572,800	1,537,061	65,709	579,251	3,754,8

Outstanding Balance of Loans Held and Loans Underlying  
On-Balance Sheet Post-1996 Act Farmer Mac Guaranteed Securities

	Fixed Rate (10-yr. Wtd. Avg. Term)	5-to-10-Year ARMs and Resets	1-Month-to-3-Year ARMs	Total
(in thousands)				
As of:				
June 30, 2003	\$ 889,839	\$ 1,064,824	\$ 511,700	\$ 2,466,

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

March 31, 2003	880,316	1,057,310	515,910	2,453,
December 31, 2002	1,003,434	981,548	494,713	2,479,
September 30, 2002	1,000,518	934,435	498,815	2,433,
June 30, 2002	1,016,997	892,737	516,892	2,426,
March 31, 2002	751,222	797,780	350,482	1,899,
December 31, 2001	764,115	790,948	302,169	1,857,

Non-performing Assets and 90-Day Delinquencies

	Outstanding Post-1996 Act Loans, Guarantees and LTSPCs	Non- Performing Assets (2)	Percentage	Less: REO and Performing Bankruptcies	De
(dollars in thousands)					
As of:					
June 30, 2003	\$ 4,875,059	\$ 80,169	1.64%	\$ 28,883	
March 31, 2003	4,820,887	94,822	1.97%	18,662	
December 31, 2002	4,821,634	75,308	1.56%	17,094	
September 30, 2002	4,506,330	91,286	2.03%	11,460	
June 30, 2002	4,489,735	65,196	1.45%	14,931	
March 31, 2002	3,754,171	87,097	2.32%	7,903	
December 31, 2001	3,428,176	58,279	1.70%	3,743	
September 30, 2001	3,318,796	71,686	2.16%	5,183	
June 30, 2001	3,089,460	53,139	1.72%	4,274	
March 31, 2001	2,562,374	67,134	2.62%	2,154	

Distribution of Post-1996 Act  
Non-performing Assets by Original LTV Ratio  
as of June 30, 2003

(dollars in thousands)		
Original LTV Ratio	Non-performing Assets	Percentage
0.00% to 40.00%	\$ 10,106	13%
40.01% to 50.00%	10,788	13%
50.01% to 60.00%	26,421	33%
60.01% to 70.00%	29,897	37%
70.01% to 80.00%	2,264	3%
80.01% +	693	1%
Total	\$ 80,169	100%

Distribution of Post-1996 Act Non-performing Assets  
by Loan Origination Date  
as of June 30, 2003

(dollars in thousands)		
Loan Origination	Non-performing	Outstanding Guarantees

Edgar Filing: FEDERAL AGRICULTURAL MORTGAGE CORP - Form 8-K

Date	Assets	and LTSPCs	Percentage
Before 1994	\$ 4,076	\$ 643,596	0.63%
1994	610	157,836	0.39%
1995	3,452	148,556	2.32%
1996	12,552	347,339	3.61%
1997	15,846	397,069	3.99%
1998	14,725	672,812	2.19%
1999	12,846	714,419	1.80%
2000	9,123	425,374	2.14%
2001	6,570	609,014	1.08%
2002	-	579,485	0.00%
2003	369	179,559	0.21%
Total	\$ 80,169	\$ 4,875,059	1.64%