FEDERAL AGRICULTURAL MORTGAGE CORP
Form 8-K
January 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): January 23, 2003

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

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

| | |
|---|---|
| 1133 Twenty-First Street, N.W., Suite 600, Washington, D.C. | 20036 |
| (Address of principal executive offices) | (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 January 23, 2003.

Item 9. Regulation FD Disclosure.

On January 23, 2003, the Registrant issued a press release to announce the Registrant's financial results for fourth quarter 2002. The press release is filed as Exhibit 99 hereto and incorporated herein by reference.

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

Dated: January 24, 2003

EXHIBIT INDEX

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

Exhibit 99

FARMER MAC NEWS

FOR IMMEDIATE RELEASE
January 23, 2003

CONTACT
Jerome Oslick
202-872-7700

Farmer Mac Posts Solid Fourth Quarter Results

New Volume Exceeded $2 Billion for the Year

Washington, D.C. -- The Federal Agricultural Mortgage Corporation (Farmer Mac, NYSE: AGM and AGMA) today announced it achieved net income for fourth quarter 2002 of $2.8 million, or $0.23 per diluted share, and net income of $21.3 million, or $1.77 per diluted share, for the year. Excluding extraordinary gains and losses, net income was $4.1 million, or $0.34 per diluted share, and $20.4 million, or $1.69 per diluted share for fourth quarter 2002 and the year, respectively. Later in this release, Farmer Mac provides supplemental information about the impact of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"), which reduced net income by $1.8 million in fourth quarter 2002 and $2.5 million for the year.

Farmer Mac President and Chief Executive Officer Henry D. Edelman stated, "Farmer Mac's solid fourth quarter performance confirms the soundness of its business approach and its financial strength as it fulfills its Congressionally-mandated mission to serve America's farmers, ranchers and rural homeowners. We grew our 2002 new business volume by more than $2 billion, a 38% increase over the previous year and a new annual record.

"We are pleased with our business growth and financial performance during 2002, even though both were dampened by the effects of adverse publicity related to misinformation published in the media and on the internet. Current and prospective customers' interest in our business has picked up and earnings were helped by the receipt of yield maintenance payments that resulted from the declining interest rate environment throughout 2002. As we look forward to 2003, we are seeing slower borrower prepayments which, while representing an expected reduction of income related to the yield maintenance income that accompanies such prepayments, is a positive indicator of a longer-term stream of future interest income.

"Overall, we are gratified by the performance of the portfolio of loans underlying our guarantees and Long-Term Standby Purchase Commitments ("LTSPCs"). As we have noted in the past, Farmer Mac anticipates fluctuations in loan delinquencies, both in absolute 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, due to the semi-annual payment characteristics of most Farmer Mac loans. Consistent with that pattern, delinquencies at the end of the fourth quarter were lower than they were as of September 30, 2002 in both dollar and percentage terms. On a year-to-year basis, the absolute dollar amount of delinquencies increased and the percentage of delinquencies decreased, as expected. These trends resulted from the continued maturation of a significant segment of Farmer Mac's portfolio into its expected peak default years and the growth of the loan portfolio.

"While Farmer Mac's financial condition and business prospects are solid, current circumstances make it too early to comment on the market analyst's current projection for its financial performance in 2003."

Net Interest Income

Net interest income was $8.7 million for fourth quarter 2002 and $35.0 million for the year, compared to $7.2 million and $26.9 million for the same periods in 2001. The net interest yield, 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 88 basis points for fourth quarter 2002, compared to 88 basis points for fourth quarter 2001. The net interest yields for fourth quarter 2002 and fourth quarter 2001 included the benefits of yield maintenance payments of 5 basis points and 4 basis points, respectively. For 2002, the effects on net income and diluted earnings per share resulting from yield maintenance payments were $2.1 million and $0.17, respectively. The effect of FAS 140 for fourth quarter 2002 was a reclassification of approximately $1.1 million (11 basis points) of guarantee fee income as interest income compared to an immaterial amount for fourth quarter 2001. Adjusted to eliminate the effects of both yield maintenance and the effects of FAS 140, the net interest yields for fourth quarter 2002 and the year ended December 31, 2002 were 72 basis points and 78 basis points, respectively. Those figures compare to 84 basis points and 80 basis points for fourth quarter 2001 and the year ended December 31, 2001, respectively.

Guarantee Fees

Guarantee fees, which include commitment fees, were $5.1 million for fourth quarter 2002 and $19.3 million for the year - both new records. This compares to $4.5 million and $15.8 million for fourth quarter 2001 and the year ended December 31, 2001, respectively. The relative increase in guarantee fees reflects an increase in the average balance of outstanding guarantees and commitments. For fourth quarter 2002, $1.1 million of guarantee fee income was reclassified as interest income in accordance with FAS 140. That amount compares to an immaterial amount for fourth quarter 2001.

Operating Expenses

For presentation in the Consolidated Statements of Operations beginning with fourth quarter 2002, Farmer Mac has segregated its Provision for Losses into two components:

o Provision for Loan Losses, which records probable losses on loans held for investment and is presented as a reduction to Net Interest Income; and

o Provision for Losses, which records probable losses on loans underlying Farmer Mac I Guaranteed Securities and LTSPCs and is presented as a component of Operating Expenses.

Prior period information has been reclassified to conform to the current period presentation. Operating expenses for fourth quarter 2002 totaled $4.2 million compared to $4.1 million for fourth quarter 2001. Although quarterly operating expenses are in line with fourth quarter 2001, they reflect a decrease from third quarter 2002 operating expenses of $5.6 million. The decrease in operating expenses in fourth quarter 2002, compared to third quarter 2002, primarily reflects a decrease in legal and consulting fees as the adverse publicity about Farmer Mac diminished more quickly than anticipated; the actual costs incurred for associated legal and consulting fees for third quarter 2002 were approximately $300,000 less than expected. Nevertheless, events associated with the publicity previously noted could cause Farmer Mac to incur higher than expected legal and consulting fees in future quarters. Management expects general and administrative expenses per quarter in 2003 to range between $1.0

million and $1.2 million. The net change in operating expenses in fourth quarter 2002, compared to fourth quarter 2001, reflects an increase in regulatory fees partially offset by decreases in compensation and general and administrative costs. The Farm Credit Administration ("FCA"), the federal agency with direct regulatory authority over Farmer Mac, has advised Farmer Mac that its regulatory assessment for October 1, 2002 through September 30, 2003 will be an estimated $1.4 million, an increase from the $0.7 million estimate for October 1, 2001 through September 30, 2002, during which actual costs incurred were more than $0.9 million. Operating expenses as a percentage of total revenues, excluding gains and losses on financial derivatives and trading assets, were 31 percent for fourth quarter 2002, compared to 37 percent for third quarter 2002 and 36 percent for fourth quarter 2001.

Provision for Income Taxes

The provision for income taxes totaled $1.9 million for fourth quarter 2002 and $9.3 million for the year, compared to $2.3 million and $8.4 million for the same periods in 2001. The decrease in Farmer Mac's effective tax rate from 33.1 percent in 2001 to 29.9 percent in 2002 reflects the effects of certain tax-advantaged investment securities.

Extraordinary Item

During fourth quarter 2002, Farmer Mac recognized a net after-tax extraordinary loss of $1.3 million resulting from the repurchase of $41.0 million of outstanding Farmer Mac debt. As with previous repurchases during 2002, the debt securities repurchased were replaced with new funding to the same maturity dates at more attractive interest rates. This preserves Farmer Mac's asset-liability match and reduces future interest expense. The combined net after-tax extraordinary gain resulting from the repurchase of outstanding Farmer Mac debt in 2002 was $0.9 million.

Capital

Farmer Mac's core capital totaled $184.0 million as of December 31, 2002, compared to $126.0 million as of December 31, 2001 and $181.1 million as of September 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. Farmer Mac's core capital as of December 31, 2002 exceeded the statutory minimum capital requirement of $137.1 million by $46.9 million.

The Corporation is required to meet the capital standards of a risk-based capital stress test promulgated by the FCA ("RBC test"). That 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 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 December 31, 2002, the RBC test generated a regulatory capital requirement of $73.4 million. Farmer Mac's regulatory capital of $204.0 million exceeded that amount by approximately $130.6 million. The $14.0 million increase in the risk-based capital requirement from September 30, 2002 ($59.4 million) to December 31, 2002 was a result of the growth of Farmer Mac's loan portfolio. The Corporation is required to hold capital at the higher of the statutory minimum capital requirement or the amount required by the RBC test.

Average return on common equity excluding extraordinary items was 10.6

percent for fourth quarter 2002, compared to 16.6 percent for fourth quarter 2001. The effects of FAS 133 and FAS 115 reduced the average return on common equity by 5.4 percent for fourth quarter 2002 and 0.5 percent for fourth quarter 2001.

Credit

As of December 31, 2002, Farmer Mac I loans purchased, guaranteed or committed to be purchased under its LTSPC Program since the enactment in 1996 of changes to Farmer Mac's statutory charter ("post-1996 Act loans"), both on- and off-balance sheet, that were 90 days or more past due, in foreclosure, in bankruptcy (including loans performing under the original terms of the loan or an approved bankruptcy plan) and REO ("real estate owned") represented 1.54 percent of the current outstanding principal balance of all post-1996 Act loans and totaled $74.1 million (including $12.9 million of loans performing under the original terms of the loan or an approved bankruptcy plan). This compares to 2.03 percent ($91.3 million, including $6.7 million of loans performing under the original terms of the loan or an approved bankruptcy plan) as of September 30, 2002 and 1.70 percent ($59.8 million, including $1.9 million of loans performing under the original terms of the loan or an approved bankruptcy plan) as of December 31, 2001. The year-to-year increase in dollars of delinquencies reflects the continued maturation of a significant segment of Farmer Mac's portfolio into its expected peak default years. The year-to-year decline in the ratio of delinquencies to outstanding guarantees and commitments reflects the growth of the portfolio.

Farmer Mac conducts loan-by-loan analyses of delinquencies to update or discount the value of the collateral supporting each individual loan relative to the total amount due, including principal, interest and expenses. In the event that the revised collateral value does not support the total amount due, Farmer Mac allocates a specific allowance to the loan. Farmer Mac charges off losses against its allowance for losses when management believes a loss has occurred, but no later than when the Corporation takes possession of the property. As of December 31, 2002, Farmer Mac's loan-by-loan analysis of the revised collateral values for its $74.1 million of delinquent loans indicated that $62.0 million of the delinquent loans were adequately collateralized, while $12.1 million had insufficient collateral to cover principal, interest and expenses. Farmer Mac has specifically allocated $2.0 million of the allowance to those under-collateralized loans. As of December 31, 2002, after the allocation of specific allowances for losses to those under-collateralized loans, Farmer Mac had additional general allowances for losses of $18.0 million, bringing total allowances to $20.0 million.

Based on Farmer Mac's loan-by-loan analyses, loan collection experience, and continuing provisions for the allowance for losses, Farmer Mac believes that ongoing losses will be covered adequately by the allowance for losses. During fourth quarter 2002, 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 fourth quarter 2002, compared to $2.0 million for third quarter 2002 and $2.0 million for fourth quarter 2001. As of December 31, 2002, Farmer Mac's allowance for losses totaled $20.0 million, or 42 basis points on the outstanding post-1996 Act loans, compared to $19.1 million (42 basis points) as of September 30, 2002 and $15.9 million (45 basis points) as of December 31, 2001.

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 December 31, 2002, a parallel increase of 100 basis points across the entire U.S. Treasury yield curve would have increased MVE by 5.9 percent, while a parallel decrease of 100 basis points would have decreased MVE by 7.1 percent. As of December 31, 2002, a parallel increase of 100 basis points would have increased Farmer Mac's NII, a shorter-term measure of interest rate risk, by 6.8 percent, while a parallel decrease of 100 basis points would have decreased NII by 6.7 percent. Farmer Mac also measures the sensitivity of both MVE and NII to a variety of non-parallel interest rate shocks. Farmer Mac's MVE and NII were less sensitive to those non-parallel shocks than to parallel shocks. Finally, Farmer Mac's duration gap, a static measure of interest rate risk, was minus 3.6 months as of December 31, 2002.

The economic effects of derivatives, including interest rate swaps, are included in the MVE, NII and duration gap analyses. Farmer Mac's principal use of derivatives is 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 December 31, 2002, Farmer Mac had $714.1 million notional amount of floating-to-fixed interest rate swaps for terms ranging from 2 to 15 years. In addition, Farmer Mac enters into interest rate swaps to adjust the characteristics of its assets to match more closely the cash flow and duration characteristics of its shorter-term financing thereby reducing interest rate risk. As of December 31, 2002, Farmer Mac had $369.8 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 December 31, 2002, 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 fourth quarter 2002, the reduction in net after-tax income resulting from FAS 133 was $1.8 million and the net after-tax decrease in accumulated other comprehensive income was $16.9 million. For fourth quarter 2001, the increases in net after-tax income and accumulated other comprehensive income resulting from FAS 133 were $0.2 million and $7.6 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 the development of the secondary market for agricultural mortgage loans; (2) the effect on the agricultural economy resulting from low commodity prices, weak demand for U.S. agricultural products and crop damage from natural disasters; (3) the effect on the agricultural economy of federal assistance for agriculture provided for in the Farm Bill enacted last Spring; (4) the possible effect of the risk-based capital requirement which could, under certain circumstances, be in excess of the statutory minimum capital level; (5) the possible establishment of additional legislative or regulatory restrictions on Farmer Mac; (6) the outcome of the pending analysis of Farmer Mac by the General Accounting Office; and (7) Farmer Mac's continuing access to the debt markets at favorable rates and terms. Other factors are discussed in Farmer Mac's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the Securities and Exchange Commission ("SEC") on March 27, 2002, and Farmer Mac's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, as filed with the SEC on November 14, 2002. 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 and Class A common stocks are listed on the New York Stock Exchange under the symbols AGM and AGMA, 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. The conference call to discuss Farmer Mac's fourth quarter 2002 earnings and this press release will be webcast on Farmer Mac's website beginning at 11:00 a.m. eastern time, Friday, January 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.

Federal Agricultural Mortgage Corporation
Consolidated Balance Sheets
(in thousands)

| | December 31, 2002 | December 31, 2001 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $ 723,800 | $ 437,831 |
| Investment securities | 830,409 | 1,007,954 |
| Farmer Mac guaranteed securities | 1,608,507 | 1,690,049 |
| Loans | 966,123 | 199,682 |
| Allowance for loan losses | (2,662) | (1,352) |
| Real estate owned (net of valuation allowance of $0.6 million and zero) | 5,031 | 2,457 |
| Financial derivatives | - | 15 |
| Interest receivable | 65,276 | 56,253 |
| Guarantee fees receivable | 5,938 | 6,004 |
| Prepaid expenses and other assets | 20,176 | 16,963 |
| Total assets | $ 4,222,598 | $ 3,415,856 |
| Liabilities and stockholders' equity: | | |
| Notes payable: | | |
| Due within one year | $ 2,860,746 | $ 2,233,267 |
| Due after one year | 1,020,318 | 968,463 |

| | | |
|---|---|---|
| Total notes payable | 3,881,064 | 3,201,730 |
| Financial derivatives | 93,997 | 20,762 |
| Accrued interest payable | 29,756 | 26,358 |
| Accounts payable and accrued expenses | 17,453 | 18,037 |
| Reserve for losses | 16,757 | 14,532 |
| Total liabilities | 4,039,027 | 3,281,419 |
| Preferred stock | 35,000 | - |
| Common stock at par | 11,639 | 11,564 |
| Additional paid-in capital | 82,527 | 80,960 |
| Accumulated other comprehensive (loss)/income | (407) | 8,395 |
| Retained earnings | 54,812 | 33,518 |
| Stockholders' equity | 183,571 | 134,437 |
| Total liabilities and stockholders' equity | $ 4,222,598 | $ 3,415,856 |

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

| | Three Months Ended | | |
|---|---|---|---|
| | Dec. 31, 2002 | Dec. 31, 2001 | Dec. 20 |
| Interest income: | | | |
| Investments and cash equivalents | $ 9,682 | $ 11,494 | $ 40, |
| Farmer Mac guaranteed securities | 21,383 | 25,234 | 89, |
| Loans | 12,578 | 2,525 | 39, |
| Total interest income | 43,643 | 39,253 | 170, |
| Interest expense | 34,914 | 32,056 | 135, |
| Net interest income | 8,729 | 7,197 | 35, |
| Provision for loan losses | 389 | 300 | 1, |
| Net interest income after provision for loan losses | 8,340 | 6,897 | 33, |
| Gains/(Losses) on financial derivatives and trading assets | (2,903) | 317 | (4, |
| Other income: | | | |
| Guarantee fees | 5,114 | 4,534 | 19, |
| Miscellaneous | 114 | 140 | 1, |
| Total other income | 5,228 | 4,674 | 20, |
| Total revenues | 10,665 | 11,888 | 49, |
| Expenses: | | | |
| Compensation and employee benefits | 1,238 | 1,454 | 5, |
| Provision for losses | 1,759 | 1,686 | 6, |
| Regulatory fees | 383 | 23 | 1, |
| General and administrative | 781 | 957 | 5, |
| Total operating expenses | 4,161 | 4,120 | 18, |

| | | | |
|---|---|---|---|
| Income before income taxes | 6,504 | 7,768 | 31, |
| Income tax provision | 1,854 | 2,287 | 9, |
| Net income before cumulative effect of change in accounting principles and extraordinary item | 4,650 | 5,481 | 21, |
| Cumulative effect of change in accounting principles, net of tax | - | - | |
| Extraordinary gain/(loss), net of tax | (1,313) | - | |
| Net income | 3,337 | 5,481 | 22, |
| Preferred stock dividends | 560 | - | 1, |
| Net income available to common stockholders | $ 2,777 | $ 5,481 | $ 21, |
| Earnings per share: | | | |
| Basic earnings per share | $ 0.24 | $ 0.48 | $ 1 |
| Diluted earnings per share | $ 0.23 | $ 0.46 | $ 1 |
| Earnings per share before cumulative effect of change in accounting principles and extraordinary item: | | | |
| Basic earnings per share | $ 0.35 | $ 0.48 | $ 1 |
| Diluted earnings per share | $ 0.34 | $ 0.46 | $ 1 |

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 delinquencies.

Farmer Mac Purchases, Guarantees and LTSPCs

| | Farmer Mac I | | | |
|---|---|---|---|---|
| | Loans & AMBS | LTSPC | Farmer Mac II | Total |
| | (in thousands) | | | |
| For the quarter ended: | | | | |
| 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 Guarantees and LTSPCs (1)

| | Farmer Mac I | | | | |
|---|---|---|---|---|---|
| | Post-1996 Act | | | | |
| | Loans & AMBS(2) | LTSPC | Pre-1996 Act | Farmer Mac II | T |
| | (in thousands) | | | | |
| As of: | | | | | |
| December 31, 2002 | $2,168,994 | $2,681,240 | $ 31,960 | $ 645,790 | $ 5,52 |
| September 30, 2002 | 2,127,460 | 2,407,469 | 35,297 | 630,452 | 5,20 |
| June 30, 2002 | 2,180,948 | 2,336,886 | 37,873 | 617,503 | 5,17 |
| March 31, 2002 | 1,655,485 | 2,126,485 | 41,414 | 592,836 | 4,41 |
| December 31, 2001 | 1,658,716 | 1,884,260 | 48,979 | 595,156 | 4,18 |
| September 30, 2001 | 1,605,160 | 1,731,861 | 58,813 | 608,944 | 4,00 |
| June 30, 2001 | 1,572,800 | 1,537,061 | 65,709 | 579,251 | 3,75 |
| March 31, 2001 | 1,466,443 | 1,083,528 | 72,646 | 549,003 | 3,17 |

Outstanding Balance of On-Balance Sheet Farmer Mac I and II Loans and Guaranteed Sec

| | Fixed Rate | 5-to-10-Year ARMs & Resets | 1-Month-to-3-Year ARMs |
|---|---|---|---|
| | (in thousands) | | |
| As of: | | | |
| December 31, 2002 | $ 1,003,434 | $ 981,548 | $ 494,713 |
| September 30, 2002 | 1,000,518 | 934,435 | 498,815 |
| June 30, 2002 | 1,016,997 | 892,737 | 516,892 |
| March 31, 2002 | 751,222 | 797,780 | 350,482 |
| December 31, 2001 | 764,115 | 790,948 | 302,169 |

Post-1996 Act Loan Delinquencies (3)

| | Delinquencies | Outstanding Guarantees and LTSPCs | Percentage |
|---|---|---|---|
| | (dollars in thousands) | | |
| As of: | | | |
| December 31, 2002 | $ 74,141 | $ 4,821,634 | 1.54% |
| September 30, 2002 | 91,286 | 4,506,330 | 2.03% |
| June 30, 2002 | 65,196 | 4,489,735 | 1.45% |

| | | | |
|---|---|---|---|
| March 31, 2002 | 87,097 | 3,754,171 | 2.32% |
| December 31, 2001 | 59,807 | 3,518,476 | 1.70% |
| September 30, 2001 | 71,686 | 3,318,796 | 2.16% |
| June 30, 2001 | 53,139 | 3,089,460 | 1.72% |
| March 31, 2001 | 67,134 | 2,562,374 | 2.62% |

Distribution of Post-1996 Act Loan Delinquencies
by Original LTV Ratio
as of December 31, 2002

(dollars in thousands)

| Original LTV Ratio | Delinquencies | Percentage |
|---|---|---|
| 0.00% to 40.00% | $ 2,740 | 4% |
| 40.01% to 50.00% | 14,734 | 20% |
| 50.01% to 60.00% | 28,267 | 38% |
| 60.01% to 70.00% | 22,967 | 31% |
| 70.01% to 80.00% | 3,543 | 5% |
| 80.01% + | 1,890 | 2% |
| Total | $ 74,141 | 100% |

Distribution of Post-1996 Act Loan Delinquencies
by Loan Origination Date
as of December 31, 2002

(dollars in thousands)

| Loan Origination Date | Delinquencies | Outstanding Guarantees and LTSPCs | Delinquency Rate |
|---|---|---|---|
| Before 1994 | $ 4,525 | $ 696,624 | 0.65% |
| 1994 | - | 171,407 | 0.00% |
| 1995 | 3,098 | 155,668 | 1.99% |
| 1996 | 13,002 | 355,671 | 3.66% |
| 1997 | 16,477 | 386,658 | 4.26% |
| 1998 | 14,391 | 707,075 | 2.04% |
| 1999 | 12,770 | 744,708 | 1.71% |
| 2000 | 6,077 | 437,433 | 1.39% |
| 2001 | 3,597 | 626,647 | 0.57% |
| 2002 | 204 | 539,743 | 0.04% |
| Total | $ 74,141 | $4,821,634 | 1.54% |