

FEDERAL AGRICULTURAL MORTGAGE CORP  
Form 10-Q  
May 02, 2019

As filed with the Securities and Exchange Commission on May 2, 2019

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

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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, 2019  
Commission File Number 001-14951

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

(Exact name of registrant as specified in its charter)

Federally chartered instrumentality of the United States 52-1578738

(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification number)

1999 K Street, N.W., 4th Floor, Washington, D.C. 20006  
(Address of principal executive offices) (Zip code)  
(202) 872-7700

(Registrant's telephone number, including area code)

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes  No

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Exchange on which registered
Class A voting common stock	AGM.A	New York Stock Exchange
Class C non-voting common stock	AGM	New York Stock Exchange
5.875% Non-Cumulative Preferred Stock, Series A	AGM.PRA	New York Stock Exchange
6.875% Non-Cumulative Preferred Stock, Series B	AGM.PRB	New York Stock Exchange
6.000% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C	AGM.PRC	New York Stock Exchange

As of April 25, 2019, the registrant had outstanding 1,030,780 shares of Class A voting common stock, 500,301 shares of Class B voting common stock and 9,167,448 shares of Class C non-voting common stock.

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PART I

Item 1. Financial Statements

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

	As of March 31, 2019	December 31, 2018
	(in thousands)	
Assets:		
Cash and cash equivalents	\$376,122	\$425,256
Investment securities:		
Available-for-sale, at fair value	2,457,978	2,217,852
Held-to-maturity, at amortized cost	45,032	45,032
Total Investment Securities	2,503,010	2,262,884
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	6,441,624	5,974,497
Held-to-maturity, at amortized cost	2,040,415	2,096,618
Total Farmer Mac Guaranteed Securities	8,482,039	8,071,115
USDA Securities:		
Trading, at fair value	9,487	9,999
Held-to-maturity, at amortized cost	2,125,312	2,166,174
Total USDA Securities	2,134,799	2,176,173
Loans:		
Loans held for investment, at amortized cost	4,480,511	4,004,968
Loans held for investment in consolidated trusts, at amortized cost	1,566,330	1,517,101
Allowance for loan losses	(6,753)	(7,017)
Total loans, net of allowance	6,040,088	5,515,052
Real estate owned, at lower of cost or fair value	1,253	128
Financial derivatives, at fair value	6,053	7,487
Interest receivable (includes \$11,727 and \$19,783, respectively, related to consolidated trusts)	143,877	180,080
Guarantee and commitment fees receivable	39,913	40,366
Deferred tax asset, net	3,994	6,369
Prepaid expenses and other assets	66,629	9,418
Total Assets	\$19,797,777	\$18,694,328
Liabilities and Equity:		
Liabilities:		
Notes payable:		
Due within one year	\$8,571,615	\$7,757,050
Due after one year	8,679,287	8,486,647
Total notes payable	17,250,902	16,243,697
Debt securities of consolidated trusts held by third parties	1,567,195	1,528,957
Financial derivatives, at fair value	22,203	19,633
Accrued interest payable (includes \$9,647 and \$17,125, respectively, related to consolidated trusts)	94,420	96,743
Guarantee and commitment obligation	38,288	38,683
Accounts payable and accrued expenses	59,433	11,891
Reserve for losses	2,038	2,167
Total Liabilities	19,034,479	17,941,771

## 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	73,044	73,044
Series C, par value \$25 per share, 3,000,000 shares authorized, issued and outstanding	73,382	73,382

## 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, 9,157,841 shares and 9,137,550 shares outstanding, respectively	9,158	9,138
Additional paid-in capital	118,841	118,822
Accumulated other comprehensive income, net of tax	21,254	24,956
Retained earnings	407,755	393,351
Total Equity	763,298	752,557
Total Liabilities and Equity	\$ 19,797,777	\$ 18,694,328

The accompanying notes are an integral part of these consolidated financial statements.

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

	For the Three Months Ended March 31, March 31, 2019 2018 (in thousands, except per share amounts)	
Interest income:		
Investments and cash equivalents	\$18,707	\$11,463
Farmer Mac Guaranteed Securities and USDA Securities	85,411	62,430
Loans	51,397	45,653
Total interest income	155,515	119,546
Total interest expense	114,916	76,317
Net interest income	40,599	43,229
Release of loan losses	264	431
Net interest income after release of loan losses	40,863	43,660
Non-interest income:		
Guarantee and commitment fees	3,513	3,499
Losses on financial derivatives	(360 )	(3,850 )
Gains on trading securities	44	16
Other income	493	574
Non-interest income	3,690	239
Non-interest expense:		
Compensation and employee benefits	7,606	6,654
General and administrative	4,596	4,326
Regulatory fees	688	625
Real estate owned operating costs, net	—	16
(Release of)/provision for reserve for losses	(129 )	21
Non-interest expense	12,761	11,642
Income before income taxes	31,792	32,257
Income tax expense	6,622	6,438
Net income attributable to Farmer Mac	25,170	25,819
Preferred stock dividends	(3,296 )	(3,295 )
Net income attributable to common stockholders	\$21,874	\$22,524
Earnings per common share:		
Basic earnings per common share	\$2.05	\$2.12
Diluted earnings per common share	\$2.03	\$2.10

The accompanying notes are an integral part of these consolidated financial statements.

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

	For the Three Months Ended March 31, March 31, 2019 2018 (in thousands)	
Net income	\$25,170	\$25,819
Other comprehensive income before taxes:		
Net unrealized gains on available-for-sale securities	3,241	21,228
Net changes in held-to-maturity securities	(2,262 )	(1,310 )
Net unrealized (losses)/gains on cash flow hedges	(5,665 )	6,663
Other comprehensive (loss)/income before tax	(4,686 )	26,581
Income tax benefit/(expense) related to other comprehensive (loss)/income	984	(5,582 )
Other comprehensive (loss)/income net of tax	(3,702 )	20,999
Comprehensive income attributable to Farmer Mac	\$21,468	\$46,818

The accompanying notes are an integral part of these consolidated financial statements.



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

	Preferred Stock		Common Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Shares	Amount	Paid-In	Comprehensive	Earnings	Equity
	(in thousands)				Capital	Income/(Loss)		
Balance as of December 31, 2017	8,400	\$204,759	10,619	\$10,619	\$118,979	\$51,085	\$322,704	\$708,146
Cumulative effect from change in hedge accounting	—	—	—	—	—	27	471	498
Balance as of January 1, 2018	8,400	\$204,759	10,619	\$10,619	\$118,979	\$51,112	\$323,175	\$708,644
Net income:								
Attributable to Farmer Mac	—	—	—	—	—	—	25,819	25,819
Other comprehensive income, net of tax	—	—	—	—	—	20,999	—	20,999
Cash dividends:								
Preferred stock	—	—	—	—	—	—	(3,295)	(3,295)
Common stock (cash dividend of \$0.58 per share)	—	—	—	—	—	—	—	—