FEDERAL AGRICULTURAL MORTGAGE CORP
Form 10-K
March 16, 2015
As filed with the Securities and Exchange Commission on March 16, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

or

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

For the transition period from _____ to _____.
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)
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: Class B voting common stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

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 x No o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (17 C.F.R. §229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 | o | Accelerated filer | x |
| Non-accelerated filer | o | Smaller reporting company | o |

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

Yes o No x

The aggregate market value of the Class A voting common stock and Class C non-voting common stock held by non-affiliates of the registrant was $311,066,941 as of June 30, 2014, based upon the closing prices for the respective classes on June 30, 2014 reported by the New York Stock Exchange. For purposes of this information, the outstanding shares of Class C non-voting common stock owned by directors and executive officers of the registrant were deemed to be held by affiliates. The aggregate market value of the Class B voting common stock is not ascertainable due to the absence of publicly available quotations or prices for the Class B voting common stock as a result of the limited market for, and infrequency of trades in, Class B voting common stock and the fact that any such trades are privately negotiated transactions.

As of March 2, 2015, the registrant had outstanding 1,030,780 shares of Class A voting common stock, 500,301 shares of Class B voting common stock and 9,406,392 shares of Class C non-voting common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's 2015 Annual Meeting of Stockholders (portions of which are incorporated by reference into Part III of this Annual Report on Form 10-K).

Table of Contents

Table of Contents

FORWARD-LOOKING STATEMENTS

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

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

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

- the availability to Farmer Mac of debt and equity financing and, if available, the reasonableness of rates and terms;
- legislative or regulatory developments that could affect Farmer Mac or its sources of business;
- fluctuations in the fair value of assets held by Farmer Mac and its subsidiaries;
- the rate and direction of development of the secondary market for agricultural mortgage and rural utilities loans, including lender interest in Farmer Mac credit products and the secondary market provided by Farmer Mac;
- the general rate of growth in agricultural mortgage and rural utilities indebtedness;
- the impact of economic conditions, including the effects of drought and other weather-related conditions and fluctuations in agricultural real estate values, on agricultural mortgage lending and borrower repayment capacity;
- developments in the financial markets, including possible investor, analyst, and rating agency reactions to events involving government-sponsored enterprises, including Farmer Mac;
- changes in the level and direction of interest rates, which could, among other things, affect the value of collateral securing Farmer Mac's agricultural mortgage loan assets; and
- volatility in commodity prices relative to costs of production and/or export demand for U.S. agricultural products.

In light of these potential risks and uncertainties, no undue reliance should be placed on any forward-looking statements expressed in this report. Furthermore, Farmer Mac undertakes no obligation to release publicly the results of revisions to any forward-looking statements that may be made to reflect new

Table of Contents

information or any future events or circumstances, except as otherwise mandated by the U.S. Securities and Exchange Commission (the "SEC"). The information contained in this report is not necessarily indicative of future results.

PART I

Item 1. Business

GENERAL

The Federal Agricultural Mortgage Corporation ("Farmer Mac") is a stockholder-owned, federally chartered corporation that combines private capital and public sponsorship to serve a public purpose.  Congress has charged Farmer Mac with the mission of providing a secondary market for a variety of loans made to borrowers in rural America.  A secondary market is an economic arrangement in which the owners of financial assets, such as the originators of loans, may sell all or part of those assets or pay a fee to otherwise offset some or all of the inherent risks of holding the assets.  Farmer Mac's main secondary market activities are:

- purchasing eligible loans directly from lenders;
- providing advances against eligible loans by purchasing obligations secured by those loans;
- securitizing assets and guaranteeing the payment of principal and interest on the resulting securities that represent interests in, or obligations secured by, pools of eligible loans; and
- issuing long-term standby purchase commitments ("LTSPCs") for eligible loans.

Securities guaranteed by Farmer Mac may be retained by the seller of the underlying eligible loans, retained by Farmer Mac, or sold to third party investors.

Farmer Mac was established under federal legislation first enacted in 1988 and amended most recently in 2008 – Title VIII of the Farm Credit Act of 1971 (12 U.S.C. §§ 2279aa et seq.), which is sometimes referred to as Farmer Mac's charter.  Farmer Mac is known as a government-sponsored enterprise ("GSE") by virtue of the status conferred by its charter.  The charter provides that Farmer Mac has the power to establish, acquire, and maintain affiliates (as defined in the charter) under applicable state law to carry out any activities that otherwise would be performed directly by Farmer Mac.  Farmer Mac established its three existing subsidiaries, Farmer Mac II LLC, Farmer Mac Mortgage Securities Corporation, and Contour Valuation Services, LLC under that power.

Farmer Mac is an institution of the Farm Credit System (the "FCS"), which is composed of the banks, associations, and related entities, including Farmer Mac and its subsidiaries, regulated by the Farm Credit Administration ("FCA"), an independent agency in the executive branch of the United States government.  Although Farmer Mac (including its subsidiaries) is an institution of the FCS, it is not liable for any debt or obligation of any other institution of the FCS.  None of FCA, the FCS, or any other individual institution of the FCS is liable for any debt or obligation of Farmer Mac or its subsidiaries. The debts and obligations of Farmer Mac and its subsidiaries are not guaranteed by the full faith and credit of the United States.

Farmer Mac's two principal sources of revenue are:

- interest income earned on assets held on balance sheet, net of related funding costs and interest payments and receipts on financial derivatives; and

Table of Contents

- guarantee and commitment fees received in connection with outstanding guaranteed securities and LTSPCs.

Farmer Mac funds its purchases of eligible loans (including participation interests in eligible loans) and guaranteed securities primarily by issuing debt obligations of various maturities in the public capital markets. The proceeds of debt issuance are also used to fund liquidity investments that must comply with policies adopted by Farmer Mac's board of directors and with FCA regulations, which establish limitations on dollar amount, issuer concentration, and credit quality. Those regulations can be found at 12 C.F.R. §§ 652.1-652.45 (the "Liquidity and Investment Regulations"). Farmer Mac's regular debt issuance supports its access to the capital markets, and Farmer Mac's liquidity investment assets provide an alternative source of funds should market conditions be unfavorable. As of December 31, 2014, Farmer Mac had $4.9 billion of discount notes and $7.9 billion of medium-term notes outstanding. For more information about Farmer Mac's eligible loan assets and liquidity investment assets, as well as its financial performance and sources of capital and liquidity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Secondary Market

Farmer Mac's activities are intended to provide lenders with an efficient and competitive secondary market that enhances these lenders' ability to offer competitively-priced financing to rural borrowers. This secondary market is designed to increase the availability of long-term credit at stable interest rates to America's rural communities and to provide rural borrowers with the benefits of capital markets pricing and product innovation. The secondary market provided by Farmer Mac functions as a bridge between the national capital markets and the agricultural and rural credit markets by attracting new capital for financing rural borrowers.

Farmer Mac's purchases of both eligible loans and obligations secured by eligible loans, as well as Farmer Mac's guaranteed securities sold to third party investors, increase lenders' liquidity and lending capacity and provide a continuous source of funding for lenders that extend credit to borrowers in rural America. Farmer Mac's LTSPCs for eligible loans held by lenders, as well as Farmer Mac's guaranteed securities retained by lenders in exchange for the related securitized loans, result in lower regulatory capital requirements for the lenders and reduced borrower or commodity concentration exposure for some lenders, thereby expanding their lending capacity. By increasing the efficiency and competitiveness of rural finance, the secondary market provided by Farmer Mac has the potential to lower the interest rates paid on loans by rural borrowers.

The current economic and regulatory environment presents Farmer Mac with opportunities to market a mix of products to rural lenders in need of capital, liquidity, long-term fixed rate products, and portfolio diversification. As part of its outreach strategy, Farmer Mac listens to current and prospective rural lenders to identify their specific needs, with an emphasis on individual lender meetings, lender road shows, and face-to-face contact at state and national banking conferences. Farmer Mac seeks to maximize the use of technology to support these business development efforts.

Table of Contents

Lines of Business

Farmer Mac conducts its secondary market activities through four lines of business – Farm & Ranch, USDA Guarantees, Rural Utilities, and Institutional Credit. The loans eligible for the secondary market provided by Farmer Mac include:

- mortgage loans secured by first liens on agricultural real estate, including part-time farms and rural housing (comprising the assets eligible for the Farm & Ranch line of business);
- agricultural and rural development loans guaranteed by the United States Department of Agriculture ("USDA") (comprising the assets eligible for the USDA Guarantees line of business); and
- loans made by lenders organized as cooperatives to finance electrification and telecommunications systems in rural areas (comprising the assets eligible for the Rural Utilities line of business).

Farmer Mac also guarantees and purchases general obligations of lenders that are secured by pools of these types of eligible loans (comprising the assets eligible for the Institutional Credit line of business). As of December 31, 2014, the total outstanding business volume in all of Farmer Mac's lines of business was $14.6 billion.

Farm & Ranch

Under the Farm & Ranch line of business, Farmer Mac purchases eligible mortgage loans secured by first liens on agricultural real estate and rural housing. Farmer Mac also guarantees securities representing interests in pools of mortgage loans eligible for the Farm & Ranch line of business ("Farm & Ranch Guaranteed Securities"). Additionally, Farmer Mac commits to purchase, subject to the terms of the applicable LTSPC agreement, eligible Farm & Ranch mortgage loans. To be eligible, loans must meet Farmer Mac's credit underwriting, collateral valuation, documentation, and other specified standards that are discussed in "Business—Farmer Mac Lines of Business—Farm & Ranch." As of December 31, 2014, outstanding loans held by Farmer Mac and loans that either backed off-balance sheet Farm & Ranch Guaranteed Securities or were subject to LTSPCs totaled $5.4 billion.

USDA Guarantees

Under the USDA Guarantees line of business, Farmer Mac II LLC, a subsidiary of Farmer Mac, purchases the portions of certain agricultural, rural development, business and industry, and community facilities loans guaranteed by the USDA under the Consolidated Farm and Rural Development Act (7 U.S.C. §§ 1921 et seq.). Farmer Mac refers to these USDA-guaranteed portions of loans as "USDA Securities." Farmer Mac II LLC also purchases USDA Securities in exchange for issuing securities to third parties backed by those USDA Securities, which are then also guaranteed by Farmer Mac ("Farmer Mac Guaranteed USDA Securities"). As of December 31, 2014, outstanding USDA Securities and Farmer Mac Guaranteed USDA Securities totaled $1.8 billion, of which $41.8 million were Farmer Mac Guaranteed USDA Securities.

Rural Utilities

Under the Rural Utilities line of business, Farmer Mac's authorized activities are similar to those conducted under the Farm & Ranch line of business – purchases of, and guarantees of securities backed by, eligible rural utilities loans. To be eligible, loans must meet Farmer Mac's credit underwriting and

Table of Contents

other specified standards that are discussed in "Business—Farmer Mac Lines of Business—Rural Utilities." Although Farmer Mac has the ability to provide LTSPCs in the Rural Utilities line of business, none have been issued to date. As of December 31, 2014, the aggregate outstanding principal balance of rural utilities loans held was $1.0 billion. There currently are no guaranteed securities issued under the Rural Utilities line of business.

Institutional Credit

Under the Institutional Credit line of business, Farmer Mac purchases or guarantees general obligations of lenders that are secured by pools of the types of loans eligible for purchase under Farmer Mac's Farm & Ranch, USDA Guarantees, or Rural Utilities lines of business. AgVantage® is a registered trademark of Farmer Mac used to designate Farmer Mac's guarantees of securities related to these general obligations of lenders that are secured by pools of eligible loans and that comprise the Institutional Credit line of business. Farm & Ranch Guaranteed Securities, Farmer Mac Guaranteed USDA Securities, and AgVantage Securities are sometimes collectively referred to as "Farmer Mac Guaranteed Securities." For more information on the products currently offered under Farmer Mac's Institutional Credit line of business, see "Business—Farmer Mac Lines of Business—Institutional Credit." As of December 31, 2014, outstanding securities held or guaranteed by Farmer Mac in its Institutional Credit line of business totaled $6.4 billion.

Competition

Farmer Mac is the only Congressionally-chartered corporation established to provide a secondary market for agricultural mortgage loans, rural utilities loans, and USDA Securities. However, Farmer Mac does face indirect competition from a variety of sources. Historically, these sources have included other financial institutions that purchase, retain, or securitize the types of loans eligible for Farmer Mac's secondary market activities, including commercial and investment banks, insurance companies, and other FCS institutions. Farmer Mac also competes indirectly with originators of eligible loans who would prefer to retain the loans they originate rather than sell them into the secondary market. Farmer Mac is able to compete to acquire eligible loans due to the variety of products it offers and its ability to offer low-cost funding to its customers. This enables Farmer Mac to offer flexible financing options and products designed to meet the variety of needs faced by lending institutions related to capital requirements, liquidity, credit risk, and management of sector and geographic concentrations and borrower exposures. However, the relative competitiveness of the loan rates offered by Farmer Mac is affected by the ability of other lending institutions to subsidize their rates on the loan products with which Farmer Mac competes by price averaging with other types of loans or by low-return use of equity. Farmer Mac's ability to develop business with lending institutions is also affected by changes in the levels of available capital and liquidity of those institutions, the existence of alternative sources of funding and credit enhancement for those institutions, the rate of growth in the market for eligible loans, and demand for Farmer Mac's products.

Farmer Mac's competitive position is also affected by the willingness of originators to offer eligible loans for sale in the secondary market, as well as the types and variety of products offered by Farmer Mac's competitors to meet the needs of Farmer Mac's customer base. Farmer Mac's limits on borrower exposure and loan size, as well as the types of loans that are eligible for Farmer Mac's lines of business, also affect Farmer Mac's competitive position. Farmer Mac's ability to obtain low-cost funding in the debt markets is essential to its ability to maintain its competitive position with its customers. As a result, competition for debt investors with other debt-issuing institutions, such as the FCS, Federal Home Loan Banks, Fannie

Table of Contents

Mae, Freddie Mac, and highly-rated financial institutions, can impact the price and volume at which Farmer Mac issues debt and, consequently, its ability to offer savings to its customers in the form of competitive products.

Capital and Corporate Governance

Farmer Mac's basic capital and corporate governance structure is prescribed in its charter. The charter authorizes Farmer Mac to issue two classes of voting common stock, each of which elects one-third of Farmer Mac's 15-person board of directors. The charter also authorizes Farmer Mac to issue non-voting common stock. The classes of Farmer Mac's common stock that are currently outstanding and their relation to Farmer Mac's board of directors are described below.

- Class A voting common stock. The charter restricts ownership of Farmer Mac's Class A voting common stock to banks, insurance companies, and other financial institutions or similar entities that are not institutions of the FCS. The charter also provides that five members of Farmer Mac's 15-member board of directors are elected by a plurality of the votes of the Class A stockholders each year. The charter limits the amount of Class A voting common stock that may be owned by one holder to no more than 33 percent of the outstanding shares of Class A voting common stock. Farmer Mac is not aware of any regulation applicable to non-FCS financial institutions that requires a minimum investment in Farmer Mac's Class A voting common stock or that prescribes a maximum investment amount lower than the 33 percent limit set forth in the charter. Farmer Mac's Class A voting common stock is listed on the New York Stock Exchange under the symbol AGM.A.

- Class B voting common stock. The charter restricts ownership of Farmer Mac's Class B voting common stock to FCS institutions and also provides that five members of Farmer Mac's 15-member board of directors are elected by a plurality of the votes of the Class B stockholders each year. The charter does not contain any restrictions on the maximum number or percentage of outstanding shares of Class B voting common stock that may be held by an eligible stockholder, and Farmer Mac is not aware of any regulation applicable to FCS institutions that requires a minimum investment in its Class B voting common stock or that prescribes a maximum amount. Farmer Mac's Class B voting common stock, which has a limited market and trades infrequently, is not listed or quoted on any exchange or other quotation system, and Farmer Mac is not aware of any publicly available quotations or prices for this class of common stock.

- Class C non-voting common stock. The charter does not impose any ownership restrictions on Farmer Mac's Class C non-voting common stock, and shares of this class are freely transferable. Holders of the Class C common stock do not vote on the election of directors or any other matter. Farmer Mac's Class C non-voting common stock is listed on the New York Stock Exchange under the symbol AGM.

- Presidential director appointments. The remaining five members of Farmer Mac's board of directors are individuals who meet the qualifications specified in the charter and are appointed by the President of the United States with the advice and consent of the United States Senate. These appointed directors serve at the pleasure of the President of the United States.

The ownership of Farmer Mac's two classes of voting common stock is currently concentrated in a small number of institutions. Approximately 44 percent of the Class A voting common stock is held by three

Table of Contents

financial institutions, with 31 percent held by one institution. Approximately 97 percent of the Class B voting common stock is held by five FCS institutions (two of which are related to each other through a parent-subsidiary relationship). Farmer Mac believes that the concentration in the Class A voting common stock is a by-product of trading activity in the stock over time and is not by design under the charter or any regulatory mandate. Farmer Mac believes that the concentration in such a small number of holders of Class B voting common stock is a by-product of the limited number of eligible holders of that stock and the structure of the FCS, the number of institutions of which has decreased over time as a result of mergers and consolidations.

The dividend and liquidation rights of all three classes of Farmer Mac's common stock are the same. Dividends may be paid on Farmer Mac's common stock only when, as, and if declared by Farmer Mac's board of directors in its sole discretion, subject to compliance with applicable capital requirements and the payment of dividends on any outstanding preferred stock issued by Farmer Mac. Upon liquidation, dissolution, or winding up of the business of Farmer Mac, after payment and provision for payment of outstanding debt of Farmer Mac, the holders of shares of Farmer Mac's currently outstanding 5.875% Non-Cumulative Preferred Stock, Series A ("Series A Preferred Stock"), 6.875% Non-Cumulative Preferred Stock, Series B ("Series B Preferred Stock"), 6.000% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C ("Series C Preferred Stock"), and any other preferred stock then outstanding, would be paid at par value out of assets available for distribution, plus all declared and unpaid dividends, before the holders of shares of common stock received any payment. The assets of Farmer Mac II LLC are not directly available to satisfy the claims of Farmer Mac's creditors or stockholders. Those assets will only be available to the creditors and stockholders of Farmer Mac after all obligations owed to creditors of and equity holders in Farmer Mac II LLC have been satisfied. In addition, Farmer Mac II LLC has outstanding preferred stock, which is permanent equity of Farmer Mac II LLC and presented as "Non-controlling interest – preferred stock" within total equity on Farmer Mac's consolidated balance sheets. See "Business—Financing—Equity Issuance—Non-Controlling Interest in Farmer Mac II LLC." See also "Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities" for more information regarding Farmer Mac's common stock, and "Business—Financing—Equity Issuance" for more information on Farmer Mac's common stock and preferred stock.

Unlike some other GSEs, specifically other FCS institutions and the Federal Home Loan Banks, Farmer Mac is not structured as a cooperative owned exclusively by member institutions and established to provide services exclusively to its members. Rather, Farmer Mac, as a publicly-traded corporation, has a broader base of stockholders, including those who do not directly participate in the secondary market provided by Farmer Mac. Therefore, Farmer Mac seeks to fulfill its mission of serving the financing needs of rural America in a manner that is consistent with providing a return on the investment of its stockholders.

Farmer Mac's policy is to require financial institutions to own a requisite amount of Farmer Mac common stock, based on the size and type of institution, to participate in the Farm & Ranch line of business. As a result of this requirement, coupled with the ability of holders of Class A and Class B voting common stock to elect two-thirds of Farmer Mac's board of directors, Farmer Mac regularly conducts business with "related parties," including institutions affiliated with members of Farmer Mac's board of directors and institutions that own large amounts of Farmer Mac's voting common stock. Farmer Mac has adopted a Code of Business Conduct and Ethics that governs any conflicts of interest that may arise in these transactions, and Farmer Mac's policy is to require that any transactions with related parties be conducted in the ordinary course of business, with terms and conditions comparable to those available to any other counterparty not related to Farmer Mac. For more information about related party transactions, see

Table of Contents

"Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Related Party Transactions" and Note 3 to the consolidated financial statements.

Regulatory Oversight

Farmer Mac's charter assigns to FCA, acting through the separate Office of Secondary Market Oversight ("OSMO") within FCA, the responsibility for the examination of Farmer Mac and the general supervision of the safe and sound performance of the powers, functions, and duties vested in Farmer Mac by the charter. The charter also authorizes FCA, acting through OSMO, to apply its general enforcement powers to Farmer Mac. Farmer Mac (including its subsidiaries) is the only entity regulated by OSMO, which was created as a separate office in recognition of the different role that Farmer Mac plays in providing a secondary market, as compared to the roles of other FCS institutions as primary lenders. The Director of OSMO is selected by, and reports to, the FCA board. The FCA board approves the policies, regulations, charters, and enforcement activities applicable to other FCS institutions, which are the only eligible holders of Farmer Mac's Class B voting common stock. FCA has no regulatory authority over the financial institutions that are the eligible holders of Farmer Mac's Class A voting common stock.

Farmer Mac's charter requires an annual examination of the financial transactions of Farmer Mac and authorizes FCA to assess Farmer Mac for the cost of FCA's regulatory activities, including the cost of any examination. Each year, OSMO conducts an examination of Farmer Mac to evaluate its safety and soundness, compliance with applicable laws and regulations, and mission achievement. The examination includes a review of Farmer Mac's capital adequacy, asset quality, management performance, earnings, liquidity, and sensitivity to interest rate risk. Farmer Mac is also required to file quarterly reports of condition with OSMO. In addition, as a publicly-traded corporation, Farmer Mac is required to comply with the periodic reporting requirements of the SEC. For a more detailed discussion of Farmer Mac's regulatory and governmental relationships, see "—Government Regulation of Farmer Mac."

Capital

Farmer Mac's charter establishes three capital standards for Farmer Mac – minimum capital, critical capital, and risk-based capital. Farmer Mac is required to comply with the higher of the minimum capital requirement and the risk-based capital requirement. Also, in accordance with the FCA regulation on capital planning that became effective in January 2014, Farmer Mac's board of directors has adopted a policy for maintaining a sufficient level of Tier 1 capital and imposing restrictions on dividends and bonus payments in the event that Farmer Mac's Tier 1 capital falls below specified thresholds. For a discussion of Farmer Mac's capital requirements and its actual capital levels, as well as FCA's role in the establishment and monitoring of those requirements and levels, see "—Government Regulation of Farmer Mac—Regulation—Capital Standards," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet Review—Equity," and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Requirements."

Employees and Property

As of December 31, 2014, Farmer Mac employed 71 people, located primarily at its office at 1999 K Street, N.W., 4th Floor, Washington, D.C. 20006. Farmer Mac also maintains an office at 5408 NW 88$^{th}$ Street, Suite 120, Johnston, Iowa 50131. Farmer Mac's main telephone number is (202) 872-7700.

Table of Contents

Available Information

Farmer Mac makes available free of charge, through the "Investors" section of its internet website at www.farmermac.com, copies of materials it files with, or furnishes to, the SEC, including its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments, if any, to those filings, as soon as reasonably practicable after electronically filing those materials with, or furnishing those materials to, the SEC. Please note that all references to www.farmermac.com in this report are inactive textual references only. The information contained on Farmer Mac's website is not incorporated by reference into this report.

FARMER MAC LINES OF BUSINESS

The following tables present the outstanding balances and new business volume under Farmer Mac's four lines of business – Farm & Ranch, USDA Guarantees, Rural Utilities, and Institutional Credit:

Lines of Business - Outstanding Business Volume

| | As of December 31, 2014 | As of December 31, 2013 |
|---|---|---|
| | (in thousands) | |
| On-balance sheet: | | |
| Farm & Ranch: | | |
| Loans | $2,118,867 | $1,875,958 |
| Loans held in trusts: | | |
| Beneficial interests owned by third party investors | 421,355 | 259,509 |
| USDA Guarantees: | | |
| USDA Securities | 1,756,224 | 1,645,806 |
| Farmer Mac Guaranteed USDA Securities | 27,832 | 21,089 |
| Rural Utilities: | | |
| Loans | 718,213 | 698,010 |
| Loans held in trusts: | | |
| Beneficial interests owned by Farmer Mac | 267,396 | 354,241 |
| Institutional Credit: | | |
| AgVantage Securities | 5,410,413 | 5,066,855 |
| Total on-balance sheet | $10,720,300 | $9,921,468 |
| Off-balance sheet: | | |
| Farm & Ranch: | | |
| LTSPCs | $2,240,866 | $2,261,862 |
| Guaranteed Securities | 636,086 | 765,751 |
| USDA Guarantees: | | |
| Farmer Mac Guaranteed USDA Securities | 13,978 | 20,222 |
| Institutional Credit: | | |
| AgVantage Securities | 986,528 | 981,009 |
| Total off-balance sheet | $3,877,458 | $4,028,844 |
| Total | $14,597,758 | $13,950,312 |

New Business Volume – Farmer Mac Loan Purchases, Guarantees, and LTSPCs

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| Farm & Ranch: | | | |
| Loans | $697,824 | $824,881 | $570,346 |
| LTSPCs | 369,857 | 540,798 | 744,110 |
| USDA Guarantees: | | | |
| USDA Securities | 335,359 | 361,894 | 479,324 |
| Farmer Mac Guaranteed USDA Securities | 7,627 | — | 5,327 |
| Rural Utilities: | | | |
| Loans | 75,500 | 86,965 | 166,117 |
| Institutional Credit: | | | |
| AgVantage Securities | 1,279,655 | 1,273,500 | 984,406 |
| Total purchases, guarantees, and LTSPCs | $2,765,822 | $3,088,038 | $2,949,630 |

After an evaluation of Farmer Mac's overall portfolio of product offerings and reportable segments in accordance with applicable accounting guidance, Farmer Mac's management determined that Farmer Mac's operations consist of four reportable operating segments effective January 1, 2014 - Farm & Ranch, USDA Guarantees, Rural Utilities, and Institutional Credit. All prior period information has been recast to reflect the breakout of the Institutional Credit segment from both the Farm & Ranch and Rural Utilities segments. For additional financial information about Farmer Mac's lines of business, each of which is a reportable operating segment of Farmer Mac, see Note 14 to the consolidated financial statements. The following sections describe Farmer Mac's activities under each line of business.

Farm & Ranch

Under the Farm & Ranch line of business, Farmer Mac provides a secondary market for mortgage loans secured by first liens on agricultural real estate and rural housing by (1) purchasing and retaining eligible mortgage loans, (2) securitizing eligible mortgage loans and guaranteeing the timely payment of principal and interest on the resulting securities that represent interests in, or obligations secured by, pools of those loans, or (3) providing LTSPCs on designated eligible mortgage loans, subject to the terms of the applicable LTSPC agreement. Farmer Mac is compensated for these activities through net effective spread on loans and Farmer Mac Guaranteed Securities held on balance sheet, guarantee fees earned on Farmer Mac Guaranteed Securities, and commitment fees earned on loans in LTSPCs.

Loan Eligibility

To be eligible for the Farm & Ranch line of business, a loan is required to:

- be secured by a fee simple mortgage or a long-term leasehold mortgage, with status as a first lien on agricultural real estate, including part-time farms and rural housing, located within the United States;
- be an obligation of a citizen or national of the United States, an alien lawfully admitted for permanent residence in the United States, or a private corporation or partnership that is majority-owned by U.S. citizens, nationals, or legal resident aliens;

Table of Contents

- be an obligation of a person, corporation, or partnership having training or farming experience that is sufficient to ensure a reasonable likelihood that the loan will be repaid according to its terms; and
- meet the credit underwriting, collateral valuation, documentation, and other specified standards for the Farm & Ranch line of business. See "—Underwriting and Collateral Valuation (Appraisal) Standards" and "—Approved Lenders" for a description of these standards.

Eligible agricultural real estate consists of one or more parcels of land, which may be improved by permanently affixed buildings or other structures, that:

- is used for the production of one or more agricultural commodities or products; and
- either consists of a minimum of five acres or generates minimum annual receipts of $5,000.

Farmer Mac's charter authorizes a maximum loan size (adjusted annually for inflation) for an eligible Farm & Ranch loan secured by more than 1,000 acres of agricultural real estate. That maximum loan size was $12.0 million as of December 31, 2014 and increased to $12.3 million as of January 1, 2015. Although the charter does not prescribe a maximum loan size or a total borrower exposure for an eligible Farm & Ranch loan secured by 1,000 acres or less of agricultural real estate, Farmer Mac currently limits the size of those loans to:

- $30.0 million in cumulative exposure to any one borrower or related borrowers for transactions involving direct exposure to credit risk on loans (e.g., loan purchases, LTSPC transactions, and non-AgVantage Farm & Ranch Guaranteed Securities, which are not backed by a general obligation of a lender); and
- $75.0 million in cumulative exposure (with the amount of any direct borrower exposure described above also counting toward the $75.0 million limit) for AgVantage transactions, which involve the general obligation of a lender that is in turn secured by eligible loans, resulting in indirect exposure to credit risk on those loans. See "Farmer Mac Lines of Business—Institutional Credit."

Farmer Mac includes its part-time farm loans and rural housing loans in the Farm & Ranch line of business. Farmer Mac defines a "part-time farm" as agricultural real estate meeting the eligibility requirements described above on which is located a primary residence whose value is at least 30 percent of the property's aggregate value at origination. When analyzing borrower repayment capacity for part-time farm loans, Farmer Mac typically considers off-farm income as a more important factor than for Farm & Ranch loans that are not part-time farm loans. Part-time farm loans do not represent a significant part of Farmer Mac's business, with a total of $174.0 million of those loans in Farmer Mac's portfolio as of December 31, 2014.

For the rural housing portion of this line of business, an eligible loan must be secured by a mortgage on a one- to four-family, owner-occupied, moderately priced principal residence located in a community with a population of 2,500 or fewer. The current maximum purchase price or current appraised value for a dwelling, excluding the land to which the dwelling is affixed, that secures a rural housing loan is $269,807. That limit is generally adjusted annually based on changes in home values during the previous year, though it was not adjusted in 2014. In addition to the dwelling itself, an eligible rural housing loan can be secured by land associated with the dwelling having an appraised value of no more than 50 percent of the total appraised value of the combined property. Rural housing loans do not represent a significant part of Farmer Mac's business, with a total of $2.9 million of those loans in Farmer Mac's portfolio as of December 31, 2014.

Table of Contents

Summary of Farm & Ranch Transactions

During the year ended December 31, 2014, Farmer Mac added a total of $1.1 billion of new business volume under the Farm & Ranch line of business. That new business volume was partially offset by repayments on existing assets (principal paydowns and maturities) during the year, resulting in $5.4 billion of total outstanding business volume in this line of business as of December 31, 2014, including loans held and loans underlying Farm & Ranch Guaranteed Securities and LTSPCs.

During 2014, Farmer Mac purchased eligible loans from 166 entities (the top ten institutions generated 61 percent of the purchase volume) and placed loans under LTSPCs with 32 entities in the Farm & Ranch line of business. During 2013, Farmer Mac purchased eligible loans from 218 entities (the top ten institutions generated 53 percent of the purchase volume) and placed loans under LTSPCs with 25 entities. During 2012, Farmer Mac purchased eligible loans from 159 entities (the top ten institutions generated 54 percent of the purchase volume) and placed loans under LTSPCs with 33 entities.

The following table summarizes loans purchased or newly placed under LTSPCs under the Farm & Ranch line of business for each of the years ended December 31, 2014, 2013, and 2012:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| Loans | $697,824 | $824,881 | $570,346 |
| LTSPCs | 369,857 | 540,798 | 744,110 |
| Total | $1,067,681 | $1,365,679 | $1,314,456 |

The following table presents the outstanding balances of Farm & Ranch loans held and loans underlying Farm & Ranch Guaranteed Securities and LTSPCs as of the dates indicated:

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands) | |
| On-balance sheet: | | |
| Loans | $2,118,867 | $1,875,958 |
| Loans held in trusts: | | |
| Beneficial interests owned by third party investors | 421,355 | 259,509 |
| Total on-balance sheet | $2,540,222 | $2,135,467 |
| Off-balance sheet: | | |
| LTSPCs | 2,240,866 | 2,261,862 |
| Guaranteed Securities | 636,086 | 765,751 |
| Total off-balance sheet | $2,876,952 | $3,027,613 |
| Total | $5,417,174 | $5,163,080 |

Table of Contents

Loan Purchases

Farmer Mac offers loan products designed to increase the secondary market liquidity of agricultural real estate mortgage loans and the lending capacity of financial institutions that originate those loans.  Farmer Mac enters into mandatory delivery commitments to purchase loans and offers rates for those commitments daily.  Farmer Mac also purchases portfolios of newly originated and seasoned loans that are current in payment on a negotiated basis.  Farmer Mac purchases both fixed and adjustable rate loans that have a variety of maturities and often include balloon payments.  Loans purchased may sometimes include provisions that require a yield maintenance payment or some other form of prepayment penalty in the event a borrower prepays a loan (depending upon the level of interest rates at the time of prepayment).  Of the $697.8 million of loans purchased in the Farm & Ranch line of business during 2014, 59 percent included balloon payments and none included yield maintenance prepayment protection.  By comparison, of the $824.9 million of loans purchased in the Farm & Ranch line of business during 2013, 66 percent included balloon payments and none included yield maintenance prepayment protection.

Guarantees and Commitments

Farmer Mac offers two credit enhancement alternatives to direct loan purchases through the Farm & Ranch line of business that allow approved lenders the ability to retain the cash flow benefits of their loans and increase their liquidity and lending capacity: (1) LTSPCs and (2) Farm & Ranch Guaranteed Securities.  LTSPCs and securitization trusts where Farmer Mac is not the primary beneficiary result in the creation of off-balance sheet obligations for Farmer Mac. Historically, the only securitization trusts where Farmer Mac has not determined itself to be the primary beneficiary have been trusts containing 100 percent participation interests in loans that comprised an LTSPC pool prior to securitization, and in which the participating institution is not a related party to Farmer Mac. In performing Farmer Mac's purchase and guarantee obligations related to LTSPCs and Farm & Ranch Guaranteed Securities, payments made on the underlying loans or participation interests and liquidation of the related collateral (in the event of default under the terms of those assets) are intended to protect Farmer Mac against losses.

Both LTSPC and Farm & Ranch Guaranteed Securities transactions permit a lender to nominate from its portfolio an identified pool of loans, subject to review by Farmer Mac for conformity with its standards for Farm & Ranch loans.  In Farm & Ranch Guaranteed Securities and LTSPC transactions, the lender effectively transfers the credit risk on those eligible loans because, through Farmer Mac's guarantee or commitment to purchase, Farmer Mac assumes the ultimate credit risk of borrower defaults on the underlying loans. This type of risk transfer reduces a lender's credit and concentration risk exposures and, consequently, its regulatory capital requirements and loss reserve requirements.  The loans and participation interests underlying LTSPCs and Farm & Ranch Guaranteed Securities may include those with payment, maturity, and interest rate characteristics that differ from the loan products that Farmer Mac offers for purchase on a daily basis, but all are subject to the applicable standards described in "—Underwriting and Collateral Valuation (Appraisal) Standards."  See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Credit Risk – Loans and Guarantees."

LTSPCs.  An LTSPC commits Farmer Mac, subject to the terms of the applicable LTSPC agreement, to a future purchase of one or more loans from an identified pool of eligible loans that met Farmer Mac's standards at the time the transaction was entered into and Farmer Mac assumed the credit risk on the loans.  The LTSPC structure, which is not a guarantee of loans or securities, permits the lender to retain the loan pool in its portfolio until such time, if ever, as the lender elects to deliver some or all of the loans

Table of Contents

in the pool to Farmer Mac for purchase under the terms of the LTSPC agreement. As consideration for its assumption of the credit risk on loans underlying an LTSPC, Farmer Mac receives commitment fees payable monthly in arrears in an amount approximating what would have been the guarantee fees if the transaction were structured as Farm & Ranch Guaranteed Securities. Farmer Mac offers different options under LTSPC arrangements to meet the credit and liquidity needs of its counterparties. Some LTSPCs provide that the underlying loans can be converted into Farm & Ranch Guaranteed Securities at the option of the counterparty with no conversion fee paid to Farmer Mac. Some LTSPCs contain risk sharing arrangements that provide for the counterparty to absorb up to a specified amount (typically between one and three percent of the original principal balance of the loan pool) of any losses incurred on the loans in the pool. As of December 31, 2014 and 2013, approximately 7.4 percent and 6.3 percent, respectively, of total LTSPCs and Farm & Ranch Guaranteed Securities, including those consolidated as loans on Farmer Mac's balance sheet, contained risk sharing arrangements.

At a lender's request, Farmer Mac purchases loans subject to an LTSPC at:

- par if the loans become delinquent for either 90 days or 120 days (depending on the agreement) or are in material non-monetary default, with accrued and unpaid interest on the defaulted loans payable out of any future loan payments or liquidation proceeds; or

- a mark-to-market price or in exchange for Farm & Ranch Guaranteed Securities (if the loans are not delinquent), in accordance with the terms of the applicable agreement.

In 2014, Farmer Mac entered into $369.9 million of LTSPCs, compared to $540.8 million in 2013. In 2014, LTSPCs remained the preferred credit enhancement alternative for new off-balance sheet transactions, and they continue to be a significant portion of the Farm & Ranch line of business. During 2014 and 2013, there were no conversions of LTSPCs into Farm & Ranch Guaranteed Securities. As of December 31, 2014, Farmer Mac's outstanding LTSPCs covered 4,198 mortgage loans with an aggregate principal balance of $2.2 billion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Business Volume."

Farm & Ranch Guaranteed Securities. In Farm & Ranch Guaranteed Securities transactions, Farmer Mac guarantees securities representing interests in eligible Farm & Ranch loans or participation interests in those loans held by a trust or other entity. Farmer Mac guarantees the timely payment of interest and principal on the securities, which are either retained by Farmer Mac or sold to third parties. For those securities sold to third parties, the eligible loans or participation interests are often acquired from lenders in exchange for the Farm & Ranch Guaranteed Securities backed by those assets. As consideration for its assumption of the credit risk on the assets underlying the Farm & Ranch Guaranteed Securities, Farmer Mac receives guarantee fees based on the outstanding principal balance of the related securities.

Farmer Mac is obligated under its guarantee on the securities to make timely payments to investors of principal (including balloon payments) and interest based on the scheduled payments on the underlying loans, regardless of whether Farmer Mac or the related trust has actually received those scheduled payments. Farmer Mac's guarantee fees typically are collected out of installment payments made on the underlying loans until those loans have been repaid, purchased out of the trust, or otherwise liquidated (generally as a result of default). The aggregate amount of guarantee fees received on Farm & Ranch Guaranteed Securities depends on the amount of those securities outstanding and on the applicable guarantee fee rate, which Farmer Mac's charter caps at 50 basis points (0.50 percent) per year. The amount of Farm & Ranch Guaranteed Securities outstanding is influenced by the repayment rates on the

Table of Contents

underlying loans and by the rate at which Farmer Mac issues new Farm & Ranch Guaranteed Securities, including as a result of conversions from LTSPCs. In general, when the level of interest rates declines significantly below the interest rates on loans underlying Farm & Ranch Guaranteed Securities, the rate of prepayments is likely to increase. Conversely, when interest rates rise above the interest rates on the loans underlying Farm & Ranch Guaranteed Securities, the rate of prepayments is likely to decrease. In addition to changes in interest rates, the timing of principal payments on Farm & Ranch Guaranteed Securities also is influenced by a variety of economic, demographic, and other considerations, such as yield maintenance provisions that may be associated with the underlying loans. For more information about yield maintenance provisions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Interest Rate Risk."

Of the $14.6 billion outstanding principal balance of assets included in Farmer Mac's four lines of business as of December 31, 2014, $1.1 billion were in the form of Farm & Ranch Guaranteed Securities created from the deposit of eligible loan assets into securitization trusts that issue "pass-through" certificates representing interests in the underlying assets. This type of securitization structure may involve the deposit of either whole loans or loan participation interests into the trusts.

As of December 31, 2014, Farmer Mac had outstanding Farm & Ranch Guaranteed Securities of $421.4 million that represent interests in whole loans and $636.1 million that represent interests in loan participations as a result of conversions from LTSPCs. Both types of transactions involve the deposit of eligible assets into securitization trusts along with all of the rights under related agreements that provide for, among other things, remedies for any breaches of representations and warranties made by the lender and the servicing of the underlying assets. In each of these transactions, the related trust has issued securities that represent interests in the assets of the trust and that Farmer Mac guarantees as to the timely payment of principal and interest.

For Farm & Ranch Guaranteed Securities that result from the conversion of LTSPCs, a 100 percent participation in the cash flows associated with each loan formerly subject to the LTSPC, rather than the whole loan, is deposited into the securitization trust. These transactions involve loan participations for reasons unique to the counterparties that have elected these conversions, all of whom are members of the FCS. Loans made by FCS institutions to farmers and ranchers have, by statute, specified loan and collateral actions to which borrowers are entitled, known as "borrower rights." Farmer Mac does not have the ability to offer all of the prescribed borrower rights without the involvement of another FCS counterparty. In recognition of this and Farmer Mac's desire not to disrupt the borrower's relationship with the originating FCS lender and expectations about how the loan will be serviced, Farmer Mac developed the participation interest securitization structure for FCS loans with borrower rights. The deposit of participation interests into securitization trusts permits the legal ownership of the related loan to remain with the FCS counterparty, together with the servicing and borrower rights related to the loan. Farmer Mac, in its role as trustee, generally has the right to give or withhold consent to the exercise of remedies as to each related loan. The FCS servicers in these transactions are also the holders of the related Farm & Ranch Guaranteed Securities, which have the same economic benefit to the holder from a cash flow perspective as a securitization of whole loans. See "—Servicing" for more information about the servicing of loans underlying Farm & Ranch Guaranteed Securities.

For the years ended December 31, 2014 and 2013, Farmer Mac sold Farm & Ranch Guaranteed Securities in the amounts of $175.8 million and $150.4 million, respectively. No gains or losses resulted from these sales in either 2014 or 2013. During 2014 and 2013, there were no conversions of LTSPCs into Farm & Ranch Guaranteed Securities. As of December 31, 2014, Farmer Mac's outstanding Farm & Ranch

Table of Contents

Guaranteed Securities, which may or may not be consolidated on-balance sheet depending on the primary beneficiary determination described above, were backed by 3,992 mortgage loans with an aggregate principal balance of $1.1 billion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Business Volume."

Underwriting and Collateral Valuation (Appraisal) Standards

As required by Farmer Mac's charter, Farmer Mac has established underwriting, security appraisal, and repayment standards for eligible loans taking into account the nature, risk profile, and other differences between different categories of qualified loans. The charter prescribes that the following minimum standards must be applied to agricultural real estate mortgage loans in the Farm & Ranch line of business:

- provide that no loan with a loan-to-value ratio ("LTV") in excess of 80 percent may be eligible;
- require each borrower to demonstrate sufficient cash flow to adequately service the loan;
- require sufficient documentation standards;
- protect the integrity of the appraisal process for any loan; and
- confirm that the borrower is or will be actively engaged in agricultural production.

In addition to these minimum standards, agricultural mortgage loans on which Farmer Mac assumes direct credit exposure, such as loans purchased, subject to an LTSPC, or underlying Farm & Ranch Guaranteed Securities, are also typically required to meet more specific underwriting standards established by Farmer Mac, as described below.

Farmer Mac uses experienced internal agricultural credit underwriters and loan servicers along with external agricultural loan servicing and collateral valuation contractors to perform those respective functions on Farm & Ranch loans. Farmer Mac relies on the combined expertise of its own internal staff and those third-party service providers with which Farmer Mac has contracted to provide Farmer Mac with suitable resources for performing the necessary underwriting, collateral valuation, and servicing functions.

Underwriting. To manage Farmer Mac's credit risk and to provide guidance for the management, administration, and conduct of underwriting to all participating and potential Farm & Ranch lenders, Farmer Mac has adopted credit underwriting standards that vary by loan type and loan product. Farmer Mac developed these standards based on industry norms for similar mortgage loans and designed them to assess the creditworthiness of the borrower, as well as the risk to Farmer Mac for having assumed the credit risk on those loans. Furthermore, Farmer Mac requires Farm & Ranch lenders to make representations and warranties regarding the conformity of eligible mortgage loans to these standards and any other requirements that Farmer Mac may impose from time to time. Farmer Mac has the ability to require repurchase of the loan upon a material breach of these representations and warranties. The underwriting standards described in this section apply to Farmer Mac's Farm & Ranch loans other than part-time farm and rural housing loans, whose underwriting standards more closely resemble generally-accepted industry standards for residential lending, including fully verified repayment capacity and use of credit scores.

Farmer Mac's credit underwriting standards for Farm & Ranch loans generally require that the original LTV of any loan not exceed 70 percent. Farmer Mac requires lower original LTV thresholds for some categories of loans, such as loans secured by property located in certain Midwestern states, seasoned loans, and loans exceeding $5 million. Farmer Mac allows higher LTV thresholds for loans secured by a

Table of Contents

livestock facility and supported by a contract with an integrator (up to 75 percent original LTV) and rural housing and part-time farm loans secured primarily by owner-occupied residences (up to 80 percent original LTV). The original LTV of a loan is calculated by dividing the loan's principal balance at the time of guarantee, purchase, or commitment by the lower of the appraised value or the purchase price at the date of loan origination or, when available, updated appraised value at the time of guarantee, purchase, or commitment.

In the case of newly-originated Farm & Ranch loans, Farmer Mac's credit underwriting standards include:

- pro forma total debt service coverage ratio supported by historical profitability, including farm and non-farm income, of 1.25 or higher;
- pro forma debt-to-asset ratio of 50 percent or less; and
- pro forma ratio of current assets to current liabilities of 1.25 or higher.

Farmer Mac evaluates these standards on an ongoing basis based on current and anticipated market conditions, and adjusts these standards as Farmer Mac determines is necessary, while adhering closely to its core underwriting standards for repayment capacity, working capital (current ratio), and leverage (debt-to-asset ratio). Farmer Mac also implements interest rate shock tests for adjustable rate Farm & Ranch loans with initial reset periods of less than five years.

Farmer Mac includes its facility loans, such as dairy and processing facilities, in its Farm & Ranch line of business. Farmer Mac defines a facility loan as a loan secured by agricultural real estate with building improvements (other than a residence) that contribute more than 60 percent of the appraised value of the property. The credit underwriting standards for facility loans are the same as for other Farm & Ranch loans except that facility loans are required to have a more stringent total debt service coverage ratio, including farm and non-farm income, of 1.35 or higher.

Loans not exceeding $1 million that are secured by eligible collateral with original LTVs not greater than 55 percent made to borrowers with high credit scores and adequate financial resources may be accepted without further underwriting tests being applied.

Farmer Mac's underwriting standards provide for the acceptance of a loan that, in the judgment of the Farmer Mac underwriter, is a sound loan with a high probability of repayment in accordance with its terms even though the loan does not meet one or more of the underwriting ratios usually required for loans of that type. In those cases, Farmer Mac permits approval of a loan if it:

- has compensating strengths, which means it exceeds minimum requirements for one or more of the underwriting standards to a degree that compensates for noncompliance with one or more other standards; and
- is made to a producer of particular agricultural commodities or products in a segment of agriculture in which such compensating strengths are typical of the financial condition of sound borrowers in that segment.

Although underwriting approvals may be made based on compensating strengths, no loan will be approved if it does not at least meet all of the minimum standards prescribed by Farmer Mac's charter.

Farmer Mac's use of compensating strengths is not intended to provide a basis for waiving or lessening the requirement that eligible mortgage loans under the Farm & Ranch line of business be of consistently high

Table of Contents

quality. Loans approved on the basis of compensating strengths are fully underwritten and have experienced lower cumulative rates of loss following default compared to loans that were approved on the basis of conformance with all applicable underwriting ratios. During 2014, $305.7 million (28.6 percent) of the loans purchased or loans added under LTSPCs were approved based on compensating strengths ($11.8 million of which also had original LTVs of greater than 70 percent). As of December 31, 2014, a total of $2.2 billion (40.1 percent) of the outstanding balance of loans held and loans underlying LTSPCs and Farm & Ranch Guaranteed Securities were approved based on compensating strengths ($124.3 million of which had original LTVs of greater than 70 percent).

In the case of a seasoned loan, Farmer Mac considers sustained historical performance to be a reliable alternative indicator of a borrower's ability to pay the loan according to its terms. In the Farm & Ranch line of business, a seasoned loan generally will be deemed an eligible loan if:

- it has been outstanding for at least five years and has an LTV of 60 percent or less;
- there have been no payments more than 30 days past due during the three-year period immediately before the date the loan is either purchased by Farmer Mac or made subject to an LTSPC; and
- there have been no material restructurings or modifications for credit reasons during the previous five years.

A seasoned loan that has been outstanding for more than one year but less than five years must substantially comply with the applicable underwriting standards for newly originated loans as of the date the loan was originated by the lender.

Farmer Mac performs due diligence before purchasing, guaranteeing securities backed by, or committing to purchase seasoned loans, including:

- evaluating loan database information to determine conformity to the criteria set forth in the preceding paragraphs;
- confirming that loan file data conform to database information;
- validating supporting credit information in the loan files; and
- reviewing loan documentation and collateral valuations.

Farmer Mac performs these and other due diligence procedures using methods that consider the size, age, leverage, industry sector, and nature of the collateral for the loans.

Required documentation for all loans in the Farm & Ranch line of business includes a first lien mortgage or deed of trust, a written promissory note, and assurance of Farmer Mac's lien position through either a title insurance policy or title opinion from an experienced real estate attorney in any geographic area where title insurance is not the industry practice.

As Farmer Mac develops new credit products, it establishes underwriting guidelines for them. Those guidelines result in industry-specific measures that meet or exceed the minimum underwriting standards contained in Farmer Mac's charter and provide Farmer Mac with the flexibility to deliver the benefits of a secondary market to farmers, ranchers, and rural homeowners in diverse sectors of the rural economy. Farmer Mac does not require that each loan's compliance with the applicable underwriting standards be re-evaluated after Farmer Mac purchases the loan or approves it for inclusion in a pool that backs a guaranteed security or an LTSPC pool.

Table of Contents

Collateral Valuation Standards. Farmer Mac has adopted collateral valuation standards for newly originated loans purchased or underlying Farm & Ranch Guaranteed Securities or LTSPCs. Those standards require, among other things, that a current valuation be performed, or have been performed within the preceding 12 months, independently of the credit decision-making process. Farmer Mac generally requires appraisals to conform to the Uniform Standards of Professional Appraisal Practice ("USPAP") promulgated by the Appraisal Standards Board.

Farmer Mac's collateral valuation standards require that the valuation function be conducted or administered by an individual who meets specific qualification and competence criteria and who:

- is not associated, except by the engagement for the collateral valuation, with the credit underwriters making the loan decision, though the appraiser or evaluator and the credit underwriter may be directly or indirectly employed by a common employer;
- receives no financial or professional benefit of any kind by virtue of the report content, valuation, or credit decision made, or based on the valuation report; and
- has no present or contemplated future direct or indirect interest in the property serving or to serve as collateral.

Farmer Mac's collateral valuation standards require uniform reporting of reliable and credible opinions of the market value based on analyses of comparable property sales, including consideration of the property's income-producing capacity and, if relevant, the market's response to the cost of improvements, as well as information regarding market trends. For seasoned loans, Farmer Mac obtains collateral valuation updates as considered necessary in its assessment of collateral risk determined in the due diligence process. If a current or updated collateral valuation is required for a seasoned loan, the collateral valuation standards described above would apply.

Over the past decade, Farmer Mac has observed a continuing decrease in the number of qualified rural agricultural appraisers and an increase in the number of appraisers who work exclusively for specific lenders, which also tend to be the larger lenders. As a result of this development, Farmer Mac identified a need for qualified appraisers of agricultural real estate to be readily available to smaller lending institutions to provide access to timely and high quality appraisals of agricultural real estate, which would facilitate these lenders' access to the secondary market provided by Farmer Mac. To address this need, Farmer Mac formed a collateral valuation subsidiary, Contour Valuation Services, LLC ("Contour"), in October 2014. Contour's principal activity is to provide appraisal services related to agricultural real estate. As of December 31, 2014, Farmer Mac owned 65 percent of Contour, which represents an initial investment of $325,000. Conterra Holdings, LLC, Farmer Mac's business partner with experience in creating and managing a collateral valuation function, owns the remaining 35 percent of Contour. Although Farmer Mac owns the majority interest in Contour, Farmer Mac does not run the day-to-day operations of Contour and does not direct or supervise Contour’s appraisers. The President of Contour has general supervisory authority for the management of Contour’s business, subject to the oversight of a management committee to which Farmer Mac has appointed representatives in proportion to its ownership interest. Contour is not authorized to employ any individual who is also an employee of Farmer Mac. These safeguards were implemented in an effort to avoid potential conflicts of interest and to ensure that the appraisals performed by Contour are independent, consistent with Farmer Mac’s appraisal standards described above. In its initial stages of operation, Contour expects to strategically expand to provide collateral valuation services in targeted areas in an effort to meet the needs of Farmer Mac's lender customer base. The financial condition and results of Contour are reflected in the Corporate segment within Farmer Mac's consolidated financial statements.

Table of Contents

Portfolio Diversification

It is Farmer Mac's policy to diversify its portfolio of loans held and loans underlying Farm & Ranch Guaranteed Securities and LTSPCs, both geographically and by agricultural commodity/product. Farmer Mac directs its marketing efforts toward agricultural lenders throughout the nation to achieve commodity/product and geographic diversification in its exposure to credit risk. Farmer Mac evaluates its credit exposure in particular geographic regions and commodities/products relative to the total principal amount of all outstanding loans held and loans underlying LTSPCs and Farm & Ranch Guaranteed Securities.

Farmer Mac is not obligated to assume credit risk on every loan that meets its underwriting and collateral valuation standards submitted by an eligible participant. Farmer Mac may consider other factors, such as its overall portfolio diversification, commodity and farming forecasts, and risk management objectives, in deciding whether or not to accept a loan as part of the Farm & Ranch line of business. For example, if industry forecasts indicate possible weakness in a geographic area or agricultural commodity or product, Farmer Mac may decide not to purchase or commit to purchase an affected loan as part of managing Farmer Mac's overall portfolio exposure to areas of possible heightened risk exposure. Because Farmer Mac effectively assumes the credit risk on all loans under an LTSPC, Farmer Mac's commodity/product and geographic diversification disclosures reflect all loans under LTSPCs and any loans that have been purchased out of LTSPC pools. For information about the diversification of Farmer Mac's existing portfolio, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Credit Risk – Loans and Guarantees" and Note 8 to the consolidated financial statements.

Approved Lenders

As of December 31, 2014, Farmer Mac had 792 approved lenders eligible to participate in Farmer Mac's Farm & Ranch line of business, ranging from single-office to multi-branch institutions, spanning community banks, FCS institutions, mortgage companies, commercial banks, and insurance companies, compared to 669 eligible approved lenders as of December 31, 2013. In addition to participating directly in the Farm & Ranch line of business, some of the approved lenders facilitate indirect participation by other lenders by managing correspondent networks of lenders from which the approved lenders purchase loans to sell to Farmer Mac. As of December 31, 2014, of the 792 approved lenders eligible to participate,198 lenders had been active participants in the Farm & Ranch line of business during the previous 12 months by either selling at least one loan to Farmer Mac or entering into an LTSPC transaction with Farmer Mac.

To be considered for approval as a participant in the Farm & Ranch line of business, a lender must meet criteria that Farmer Mac establishes. Those criteria include the following requirements:

- own a requisite amount of Farmer Mac common stock according to a schedule prescribed for the size and type of institution;
- have, in the judgment of Farmer Mac, the ability and experience to make or purchase and sell loans eligible for Farmer Mac's Farm & Ranch line of business and service those loans in accordance with Farmer Mac's requirements either through the lender's own staff or through contractors and originators;
- maintain a minimum adjusted net worth; and

Table of Contents

- enter into a Seller/Servicer Agreement, which requires compliance with the terms of the Farmer Mac Seller/Servicer Guide, including providing representations and warranties regarding the eligibility of the loans and accuracy of loan data provided to Farmer Mac.

Servicing

Farmer Mac generally does not directly service the loans included in the Farm & Ranch line of business, although in some cases Farmer Mac may assume direct servicing for defaulted loans.  Farmer Mac serves in the role of master servicer for Farm & Ranch loans held by Farmer Mac and for whole loans underlying Farm & Ranch Guaranteed Securities. In that capacity, Farmer Mac contracts with other institutions, known as central servicers, to undertake the majority of the servicing responsibilities for the loans in accordance with Farmer Mac's specified servicing requirements. For these loans, the central servicer is typically not the same entity as the lender that sold the loans to Farmer Mac, and the originating lenders may retain some direct borrower contacts, referred to as "field servicing" functions. Field servicers may enter into contracts with Farmer Mac's central servicers that specify the retained servicing functions.

Loans related to the participation interests underlying Farm & Ranch Guaranteed Securities that result from the conversion of LTSPCs are serviced for the benefit of Farmer Mac, as trustee and guarantor, by the FCS institution that participated the loans to Farmer Mac. The servicer of those loans is usually also the holder of the related Farm & Ranch Guaranteed Securities. In those transactions, the FCS servicer is required to service the loans related to the securitized participation interests in a commercially reasonable manner and in substantial compliance with Farmer Mac's servicing requirements for Farm & Ranch loans. Those servicers are also required to give effect to all statutory borrower rights applicable to the loans and have shared power with Farmer Mac for some servicing actions to ensure this. The loans related to the Farm & Ranch Guaranteed Securities that result from the conversion of loans formerly subject to an LTSPC are the only loans included in the Farm & Ranch line of business that are subject to a shared power servicing provision.

Loans underlying LTSPCs are serviced by the holders of those loans in accordance with those lenders' servicing procedures, which are reviewed by Farmer Mac before entering into those transactions.

In summary, the substance of all servicing for loans in the Farm & Ranch line of business is performed in a manner consistent with Farmer Mac's servicing requirements, with some special servicing for the assets underlying Farm & Ranch Guaranteed Securities resulting from LTSPC conversions to accommodate the borrower rights regime unique to loans originated by FCS institutions.

USDA Guarantees

General

Farmer Mac initiated its USDA Guarantees line of business in 1991 after Congress revised Farmer Mac's charter to provide that:

- USDA-guaranteed portions of loans (which Farmer Mac refers to as "USDA Securities") guaranteed under the Consolidated Farm and Rural Development Act (7 U.S.C. § 1921 et seq.) are statutorily included in the definition of loans eligible for the secondary market programs provided by Farmer Mac;
- USDA Securities are exempted from the credit underwriting, collateral valuation, documentation, and other standards that other loans must meet to be eligible for the secondary market provided by

Table of Contents

Farmer Mac, and are exempted from any diversification and internal credit enhancement that may be required of pools of other eligible loans; and

- Farmer Mac is authorized to pool and issue Farmer Mac Guaranteed Securities backed by USDA Securities.

Since January 2010, nearly all purchases of USDA Securities have been made by Farmer Mac II LLC, a subsidiary of Farmer Mac that operates substantially all of the business related to the USDA Guarantees line of business. Farmer Mac operates only that part of the business that involves the issuance of Farmer Mac Guaranteed USDA Securities to investors other than Farmer Mac or Farmer Mac II LLC. Although Farmer Mac II LLC may issue securities in these transactions, Farmer Mac II LLC does not guarantee any USDA Securities it holds or any Farmer Mac Guaranteed USDA Securities issued by Farmer Mac or Farmer Mac II LLC.

Summary of USDA Guarantees Transactions

Farmer Mac guarantees the timely payment of principal and interest on Farmer Mac Guaranteed USDA Securities backed by USDA Securities. Farmer Mac does not guarantee the repayment of the USDA Securities themselves. During the years ended December 31, 2014, 2013, and 2012, Farmer Mac II LLC purchased approximately $343.0 million, $361.9 million, and $479.3 million, respectively, of USDA Securities, all of which were retained on its balance sheet. Farmer Mac did not purchase any USDA Securities in 2014 or 2013. During the year ended December 31, 2012, Farmer Mac purchased $5.3 million of USDA Securities. All of the USDA Securities purchased by Farmer Mac in 2012 (which exclude those purchased directly by Farmer Mac II LLC) were securitized and sold to lenders or other investors in the form of Farmer Mac Guaranteed USDA Securities. During 2014, 2013, and 2012, Farmer Mac and Farmer Mac II LLC conducted USDA Guarantees transactions with 185, 195, and 225 entities, respectively.

As of December 31, 2014 and 2013, $1.8 billion and $1.7 billion, respectively, of Farmer Mac Guaranteed USDA Securities and USDA Securities were outstanding. The following table presents activity in the USDA Guarantees line of business for each of the years indicated:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| Purchased and retained | $342,986 | $361,894 | $479,324 |
| Purchased and sold | — | — | 5,327 |
| Total | $342,986 | $361,894 | $484,651 |

Table of Contents

The following table presents the outstanding balance of USDA Securities and Farmer Mac Guaranteed USDA Securities as of the dates indicated:

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands) | |
| On-balance sheet: | | |
| USDA Securities | $1,756,224 | $1,645,806 |
| Farmer Mac Guaranteed USDA Securities | 27,832 | 21,089 |
| Off-balance sheet: | | |
| Farmer Mac Guaranteed USDA Securities | 13,978 | 20,222 |
| Total | $1,798,034 | $1,687,117 |

As of December 31, 2014, Farmer Mac had experienced no other-than-temporary impairment on any of its Farmer Mac Guaranteed USDA Securities or USDA Securities.

United States Department of Agriculture Guaranteed Loan Programs

The USDA, acting through its agencies, currently administers the federal rural credit programs first developed in the mid-1930s. The USDA makes direct loans and guarantees portions of loans made and serviced by USDA-qualified lenders for various purposes. The USDA's guarantee is supported by the full faith and credit of the United States. The USDA guarantees up to 95 percent of the principal amount of guaranteed loans. Through its USDA Guarantees line of business, Farmer Mac is one of several competing purchasers of USDA Securities representing the USDA-guaranteed portions of farm ownership loans, farm operating loans, business and industry loans, community facilities loans, and other loans. The guaranteed portions of these loans are fully guaranteed as to principal and interest by the USDA.

USDA Guarantees. Each USDA guarantee is a full faith and credit obligation of the United States and becomes enforceable if a lender fails to repurchase the portion of the loan that is guaranteed by the USDA from its holder within 30 days after written demand from the holder when:

- the borrower under the guaranteed loan is in default not less than 60 days in the payment of any principal or interest due on the USDA-guaranteed portion of the loan; or
- the lender has failed to remit to the holder the payment made by the borrower on the USDA-guaranteed portion of the loan or any related loan subsidy within 30 days after the lender's receipt of the payment.

If the lender does not repurchase the USDA-guaranteed portion as provided above, the USDA is required to purchase the unpaid principal balance of the USDA-guaranteed portion together with accrued interest (including any loan subsidy) to the date of purchase, less the lender's servicing fee, within 60 days after written demand upon the USDA by the holder. While the USDA guarantee will not cover the note interest to the holder on USDA-guaranteed portions accruing after 90 days from the date of the original demand letter of the holder to the lender requesting repurchase, Farmer Mac has established procedures to require prompt demand on the USDA to purchase USDA-guaranteed portions that have not been repurchased by the lender.

If, in the opinion of the lender (with the concurrence of the USDA) or in the opinion of the USDA, repurchase of the USDA-guaranteed portion is necessary to service the related guaranteed loan adequately,

Table of Contents

the holder is required to sell the USDA-guaranteed portion to the lender or USDA for an amount equal to the unpaid principal balance and accrued interest on such USDA-guaranteed portion less the lender's servicing fee. Federal regulations prohibit the lender from repurchasing USDA-guaranteed portions for arbitrage purposes.

Lenders. Any lender authorized by the USDA to obtain a USDA guarantee on a loan may participate in Farmer Mac's USDA Guarantees line of business. During 2014, 185 lenders, consisting mostly of community and regional banks, sold USDA Securities to Farmer Mac, compared to 195 lenders that did so during 2013.

Loan Servicing. The lender on each USDA guaranteed loan is required by regulation to retain the unguaranteed portion of the guaranteed loan, to service the entire underlying guaranteed loan, including the USDA-guaranteed portion, and to remain mortgagee and/or secured party of record. The USDA-guaranteed portion and the unguaranteed portion of the loan are to be secured by the same collateral with equal lien priority. The USDA-guaranteed portion of a loan cannot be paid later than, or in any way be subordinated to, the related unguaranteed portion.

Rural Utilities

General

Under its charter, Farmer Mac is permitted to purchase, and guarantee securities backed by, rural electric and telephone loans made by lenders organized as cooperatives to borrowers who have received or are eligible to receive loans under the Rural Electrification Act of 1936 ("REA"). The REA is administered by the Rural Utilities Service ("RUS"), an agency of the USDA. None of Farmer Mac's business to date under the Rural Utilities line of business has involved telecommunications loans. Farmer Mac's Rural Utilities line of business encompasses purchases of eligible rural utilities loans and guarantees of securities backed by those loans. Although Farmer Mac is also authorized to issue LTSPCs for pools of eligible rural utilities loans, no LTSPCs have been issued to date under the Rural Utilities line of business.

Summary of Rural Utilities Transactions

During the year ended December 31, 2014, Farmer Mac added $75.5 million of new Rural Utilities business, compared to $87.0 million and $166.1 million for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2014 and 2013, the aggregate outstanding principal balance of rural utilities loans held was $1.0 billion and $1.1 billion, respectively.

The following table summarizes new Rural Utilities business activity for each of the years ended December 31, 2014, 2013, and 2012:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| Loans | $75,500 | $86,965 | $166,117 |

Table of Contents

The following table presents the outstanding balances of rural utilities loans held as of the dates indicated:

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands) | |
| On-balance sheet: | | |
| Loans | $718,213 | $698,010 |
| Loans held in trusts: | | |
| Beneficial interests owned by Farmer Mac | 267,396 | 354,241 |
| Total | $985,609 | $1,052,251 |

Loan Eligibility

To be eligible for Farmer Mac's Rural Utilities line of business, a rural utilities loan (or an interest in such a loan) is required to:

- be made for an electric or telephone facility by a lender organized as a cooperative to a borrower that has received or is eligible to receive a loan under the REA;
- be performing and not more than 30 days delinquent; and
- meet Farmer Mac's underwriting standards described in more detail below.

Underwriting

Farmer Mac's charter does not specify minimum underwriting criteria for eligible rural utilities loans under the Rural Utilities line of business.  To manage Farmer Mac's credit risk, to mitigate the risk of loss from borrower defaults, and to provide guidance for the management, administration, and conduct of underwriting to participants in the Rural Utilities line of business, Farmer Mac has adopted credit underwriting standards that vary by loan product and by loan type, based on whether loans are made to electric distribution cooperatives or electric generation and transmission ("G&T") cooperatives.  These standards are based on industry norms for similar rural utilities loans and are designed to assess the creditworthiness of the borrower, as well as the risk to Farmer Mac.  Farmer Mac reviews lenders' credit submissions and analyzes borrowers' audited financial statements and financial and operating reports filed with RUS and the Federal Energy Regulatory Commission to confirm that loans meet Farmer Mac's underwriting standards for rural utilities loans.  Furthermore, Farmer Mac requires sellers of rural utilities loans to make representations and warranties regarding the conformity of eligible loans to these standards and any other requirements that Farmer Mac may impose from time to time.  Farmer Mac has the ability to require repurchase of the loan upon a material breach of these representations and warranties.

In addition to the loan eligibility criteria described above for rural utilities loans, Farmer Mac has developed different underwriting standards for rural utilities loans that depend on whether the borrower is an electric distribution cooperative or a G&T cooperative. Farmer Mac's credit underwriting standards for all rural utilities loans on which it assumes direct credit exposure (i.e., with no general obligation of a lender involved in the transaction) require:

- each borrower to demonstrate sufficient cash flow to adequately service the loan; and
- each borrower's leverage position to be adequate based on industry standards.

Table of Contents

In the case of a newly-originated loan to a distribution cooperative on which Farmer Mac assumes direct credit exposure, the borrower typically must, among other criteria set forth in Farmer Mac's credit underwriting standards, meet the following ratios (based on the average of the most recent three years):

- the ratio of long-term debt to "net utility plant" does not exceed 90 percent;
- the modified debt service coverage ratio (the cooperative's available cash plus patronage capital credits allocated to the cooperative, relative to debt expense) equals or exceeds 1.35; and
- the ratio of equity to total assets equals or exceeds 20 percent.

The "net utility plant" means the real and tangible personal property of a rural utilities borrower constituting the long-term assets of property, plant, and equipment (PPE), less depreciation, computed in accordance with applicable accounting requirements.

In the case of a newly-originated loan to a G&T cooperative on which Farmer Mac assumes direct credit exposure, the borrower typically must, among other criteria set forth in Farmer Mac's credit underwriting standards, meet the following ratios (based on the average of the most recent three years):

- the equity to total assets ratio equals or exceeds 10 percent;
- the modified debt service coverage ratio equals or exceeds 1.15;
- the debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) ratio does not exceed 12; and
- the aggregate members' equity to total capitalization ratio equals or exceeds 25 percent.

Since the inception of the Rural Utilities line of business in 2008, Farmer Mac has purchased only one loan that has not met all of the applicable underwriting standards for Rural Utilities loans described above.

The due diligence Farmer Mac performs before purchasing, or guaranteeing securities backed by, rural utilities loans includes:

- evaluating loan database information to determine conformity to Farmer Mac's underwriting standards;
- confirming that loan file data conforms to database information;
- validating supporting credit information in the loan files; and
- reviewing loan documentation.

Farmer Mac is not obligated to assume credit risk on every rural utilities loan submitted to Farmer Mac that meets its underwriting and collateral valuation standards. Farmer Mac may consider other factors, such as portfolio diversification, in deciding whether or not to accept the loans.

Collateral

It is customary in loans to distribution cooperatives and G&T cooperatives for the lender to take a security interest in substantially all of the borrower's assets. In cases in which Farmer Mac purchases a rural utilities loan with a pledge of all assets and a lender also has a lien on all assets, Farmer Mac verifies that a lien accommodation results in either a shared first lien or a first lien in favor of Farmer Mac. In cases where debt indentures are used, Farmer Mac determines if available collateral is adequate to support the loan program and Farmer Mac's investment. As of December 31, 2014, all of the rural utilities loans held by Farmer Mac consisted of loans with a pledge of all assets.

Table of Contents

Servicing

Farmer Mac generally does not directly service the rural utilities loans held in its portfolio. Those loans are serviced by a servicer designated by Farmer Mac. National Rural Utilities Cooperative Finance Corporation ("CFC") currently services all of the rural utilities loans in Farmer Mac's portfolio. CFC is a related party to Farmer Mac by virtue of CFC's stock ownership in Farmer Mac. As of December 31, 2014, CFC held approximately 8 percent of Farmer Mac's outstanding Class A voting common stock (5 percent of total voting shares). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Related Party Transactions."

Approved Lenders

Farmer Mac's charter requires eligible rural utilities loans be made by a lender organized as a cooperative. Currently, the only two rural utilities lenders that are cooperatives are CFC and CoBank, ACB ("CoBank"), an institution of the FCS. As of December 31, 2014, these cooperatives had approximately $21.5 billion in loans outstanding to distribution cooperatives and $7.8 billion in loans outstanding to G&T cooperatives. To date, CFC is the only lender to have participated in Farmer Mac's Rural Utilities line of business.

Portfolio Diversification

Rural utilities loans are made throughout the entire United States. Farmer Mac analyzes the geographic distribution of loans to cooperatives and considers regional concentration levels in connection with its business activities under the Rural Utilities program. As of December 31, 2014, Farmer Mac had direct credit exposure on 731 loans to electric cooperatives constituting $1.0 billion across 37 states.

Farmer Mac's charter does not prescribe a maximum loan size for an eligible rural utilities loan, but Farmer Mac currently has a $30.0 million limit in place for cumulative direct credit exposure on those loans (e.g., purchases of loans or guarantees of securities representing interests in loans) to any one borrower or related borrowers. For indirect credit exposures on rural utilities loans (e.g., AgVantage transactions), Farmer Mac's current limit is $75.0 million for cumulative loan exposure to any one borrower or related borrowers, with the amount of any direct exposure to a borrower also counting toward the $75.0 million limit. See "—Institutional Credit." As of December 31, 2014, Farmer Mac's direct credit exposure to rural utilities loans consisted of $966.3 million in loans to distribution cooperatives and $19.3 million in loans to G&T cooperatives.

Institutional Credit

Under the Institutional Credit line of business, Farmer Mac provides advances against eligible loans by guaranteeing and purchasing general obligations of institutions approved by Farmer Mac, which obligations are also secured by a pool of guaranteed securities or the types of loans eligible for one of Farmer Mac's other lines of business. Farmer Mac refers to these obligations as AgVantage® securities. Farmer Mac guarantees the timely payment of principal and interest on AgVantage securities and may retain AgVantage securities in its portfolio or sell them to third parties in the capital markets as Farmer Mac Guaranteed Securities.

Farmer Mac has direct credit exposure to the issuers of AgVantage securities and assumes the ultimate credit risk of issuer default on the AgVantage securities. Before approving an institution as an issuer in an AgVantage transaction, Farmer Mac assesses the institution's creditworthiness as well as its loan

Table of Contents

performance. Farmer Mac continues to monitor the counterparty risk assessment on an ongoing basis after the AgVantage security is issued. In addition to being a general obligation of the issuing institution, AgVantage securities must be secured by eligible loans or guaranteed securities in an amount at least equal to the outstanding principal amount of the security. As a result, Farmer Mac has indirect credit exposure to the loans or guaranteed securities that are pledged to secure the AgVantage securities, which would be available to Farmer Mac in the event of a default by the issuer.

Loans pledged under AgVantage securities are serviced by the issuers of the securities in accordance with that institution's servicing procedures. Farmer Mac reviews these servicing procedures before entering into those transactions. In AgVantage transactions, the issuer is required to remove from the pool of pledged collateral any loan that becomes more than 30 days delinquent in the payment of principal or interest and to substitute an eligible loan that is current in payment to maintain the minimum required collateralization level.

For AgVantage securities secured by loans eligible for Farmer Mac's Farm & Ranch line of business, Farmer Mac currently requires the general obligation to be overcollateralized, either by more eligible loans or any of the following types of assets:

- cash;
- securities issued by the U.S. Treasury or guaranteed by an agency or instrumentality of the United States; or
- other highly-rated securities.

The required collateralization level for the AgVantage securities secured by Farm & Ranch loans currently ranges from 102 percent to 120 percent. Within this range, Farmer Mac generally requires higher collateralization levels for securities issued by institutions without long-term debt ratings from a nationally recognized statistical rating organization ("NRSRO"). The required collateralization level is established at the time of issuance and does not change during the life of the AgVantage security.

For AgVantage securities that are secured by Farm & Ranch loans, Farmer Mac requires that the loans meet the minimum standards set forth in the charter for those types of loans and that the value is supported by either appraisals that conform to the USPAP or similar collateral valuation methods based upon Farmer Mac's evaluation of the lender's collateral valuation protocols and history. Although the charter does not prescribe a maximum loan size or a total borrower exposure for an eligible Farm & Ranch loan secured by 1,000 acres or less of agricultural real estate, Farmer Mac currently limits the size of those loans to $75.0 million in cumulative borrower exposure for AgVantage transactions.

In July 2014, Farmer Mac expanded the AgVantage product to a new type of issuer – institutional investors in agricultural assets that qualify as collateral for the types of loans eligible for the Farm & Ranch line of business. Farmer Mac refers to this product variation as the Farm Equity AgVantage® product. This product has similar requirements for AgVantage securities secured by Farm & Ranch loans described above, but Farmer Mac also requires that Farm Equity AgVantage transactions (1) generally maintain a higher collateralization level, through lower loan-to-value ratio thresholds and higher overcollateralization and (2) contain specified financial covenants for the life of the related Farm Equity AgVantage security to avoid default. As of December 31, 2014, Farmer Mac had $95.0 million of outstanding Farm Equity AgVantage securities.

Table of Contents

For AgVantage securities secured by loans eligible for Farmer Mac's Rural Utilities line of business, Farmer Mac requires:

- the counterparty issuing the general obligation to have a credit rating from an NRSRO that is at least investment grade, or be of comparable creditworthiness as determined through Farmer Mac's analysis;
- the collateral to be comprised of loans, or interests in loans, for electric or telephone facilities by a lender organized as a cooperative to a borrower that has received or is eligible to receive a loan under the REA;
- the collateral to be performing and not more than 30 days delinquent; and
- the collateralization (consisting of current, performing loans) to be maintained at the contractually prescribed level, in an amount at least equal to the outstanding principal amount of the security.

Although Farmer Mac has only indirect credit exposure on the rural utilities loans pledged to secure AgVantage securities, the same underwriting standards that apply to loans made to distribution cooperatives on which Farmer Mac assumes direct credit exposure also apply to loans made to distribution cooperatives that secure the general obligation of the lender in AgVantage transactions. See "—Rural Utilities—Underwriting." For loans made to G&T cooperatives that secure the general obligation of the issuer in AgVantage transactions, the G&T cooperative must either (1) have a rating from an NRSRO of BBB- (or equivalent rating) or better or (2) meet the following underwriting standards (based on the average of the most recent three years):

- the aggregate members' equity to total capitalization ratio equals or exceeds 25 percent;
- the modified debt service coverage ratio equals or exceeds 1.10; and
- the equity to total assets ratio equals or exceeds 10 percent.

Farmer Mac's charter does not prescribe a maximum loan size or a total borrower exposure for an eligible rural utilities loan, but Farmer Mac's current limit for AgVantage transactions is $75.0 million for cumulative loan exposure to any one borrower or related borrowers. Farmer Mac also permits up to 20 percent of rural utilities loans pledged to secure AgVantage securities to be unsecured or secured by less than all of the borrower's assets. As of December 31, 2014, all AgVantage securities secured by eligible rural utilities loans were issued by CFC, which is a related party to Farmer Mac by virtue of CFC's stock ownership in Farmer Mac. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Related Party Transactions."

As of December 31, 2014, Farmer Mac had not experienced any credit losses, nor had it been called upon to make a guarantee payment to third parties, on any of its AgVantage securities. For more information on Farmer Mac's AgVantage securities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Credit Risk – Institutional."

Summary of Institutional Credit Transactions

During the year ended December 31, 2014, Farmer Mac added a total of $1.3 billion of new business volume under the Institutional Credit line of business. That new business volume was partially offset by repayments on existing assets (principal paydowns and maturities) during the year, resulting in $6.4 billion of total outstanding business volume in this line of business as of December 31, 2014.

Table of Contents

As of December 31, 2014 and 2013, the outstanding principal amount of AgVantage securities held by Farmer Mac was $5.4 billion and $5.0 billion, respectively. As of both December 31, 2014 and 2013, the aggregate outstanding principal amount of off-balance sheet AgVantage securities sold to third parties totaled $1.0 billion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Business Volume" and "—Risk Management—Credit Risk – Institutional." The following table summarizes new Institutional Credit line of business activity for each of the years ended December 31, 2014, 2013, and 2012:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| AgVantage Securities | $1,279,655 | $1,273,500 | $984,406 |

The following table presents the outstanding principal amount of AgVantage securities held by Farmer Mac and sold to third parties as of the dates indicated:

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands) | |
| On-balance sheet: | | |
| AgVantage Securities | $5,410,413 | $5,066,855 |
| Off-balance sheet: | | |
| AgVantage Securities | 986,528 | 981,009 |
| Total | $6,396,941 | $6,047,864 |

FUNDING OF GUARANTEE AND LTSPC OBLIGATIONS

The principal sources of funding for the payment of Farmer Mac's obligations under its guarantees and LTSPCs are the fees Farmer Mac receives for its guarantees and commitments, net effective spread, proceeds of debt issuances, loan repayments, and maturities of AgVantage securities. Farmer Mac satisfies its obligations under LTSPCs and its guarantees by purchasing defaulted loans out of LTSPCs and from the related trusts for Farmer Mac Guaranteed Securities. Farmer Mac typically recovers a significant portion of the value of defaulted loans purchased either through borrower payments, loan payoffs, payments by third parties, or foreclosure and sale of the property securing the loans. Ultimate credit losses arising from Farmer Mac's guarantees and commitments are reflected in Farmer Mac's charge-offs against its allowance for losses, gains and losses on the sale of real estate owned ("REO"), which consists of real estate acquired through foreclosure, and fair value adjustments of REOs held. During 2014, Farmer Mac had net credit recoveries of $6,000, compared to net credit losses of $3.0 million during 2013. The higher net credit losses in 2013 were primarily due to the resolution of an ethanol loan that had been in workout for 3 years.

Farmer Mac's charter requires Farmer Mac to maintain in its accounts a portion of the guarantee fees it receives from its guarantee activities as a reserve against losses. As of December 31, 2014, this reserve against losses arising from Farmer Mac's guarantee activities was $36.9 million. Farmer Mac calculates the amount of this statutorily required reserve against losses arising from its guarantee activities based on the credit risk component of guarantee fees received on all Farmer Mac Guaranteed Securities, including AgVantage securities. This amount does not represent either anticipated credit losses or estimated

Table of Contents

probable credit losses and does not directly relate to either the allowance for loan losses or the reserve for losses in Farmer Mac's consolidated balance sheets. Rather, this is the amount that must be exhausted before Farmer Mac may issue obligations to the U.S. Treasury against the $1.5 billion that Farmer Mac is statutorily authorized to borrow from the U.S. Treasury to fulfill its guarantee obligations. That borrowing authority is not intended to be a routine funding source and has never been used. For a more detailed discussion of Farmer Mac's borrowing authority from the U.S. Treasury, see "Business—Farmer Mac's Authority to Borrow from the U.S. Treasury."

Farmer Mac's total outstanding guarantees and LTSPCs exceed the total of: (1) the amount held as an allowance for losses, (2) the amount maintained as a reserve against losses arising from guarantee activities, and (3) the amount Farmer Mac may borrow from the U.S. Treasury. However, Farmer Mac does not expect its future payment obligations under its guarantees and LTSPCs to exceed amounts available to satisfy those obligations, including access to the underlying collateral in the event of default. For information about Farmer Mac's allowance for losses, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Credit Risk – Loans and Guarantees" and Note 2(j) and Note 8 to the consolidated financial statements.

FINANCING

Debt Issuance

Farmer Mac's statutory charter authorizes Farmer Mac to issue debt obligations to purchase eligible loans, USDA Securities, and Farmer Mac Guaranteed Securities, and to maintain reasonable amounts for business operations, including adequate liquidity. Farmer Mac funds its purchases of eligible loan assets and liquidity investment assets primarily by issuing debt obligations of various maturities in the public capital markets. Farmer Mac also issues debt obligations to obtain funds to finance its transaction costs and its obligations under guarantees and LTSPCs. Farmer Mac's debt obligations include discount notes and fixed and floating rate medium-term notes, including callable notes.

The interest and principal on Farmer Mac's debt obligations are not guaranteed by, and do not constitute debts or obligations of, FCA or the United States or any agency or instrumentality of the United States other than Farmer Mac. Farmer Mac is an institution of the FCS, but is not liable for any debt or obligation of any other institution of the FCS. Likewise, neither the FCS nor any other individual institution of the FCS is liable for any debt or obligation of Farmer Mac. Income to the purchaser of a Farmer Mac discount note or medium-term note is not exempt under federal law from federal, state, or local taxation. Farmer Mac's discount notes and medium-term notes are not currently rated by an NRSRO.

Farmer Mac's board of directors has authorized the issuance of up to $15.0 billion of discount notes and medium-term notes (of which $12.8 billion was outstanding as of December 31, 2014), subject to periodic review of the adequacy of that level relative to Farmer Mac's borrowing needs. Farmer Mac invests the proceeds of its debt issuances in loan purchases, Farmer Mac Guaranteed Securities, and liquidity investment assets in accordance with policies established by its board of directors that comply with FCA's Liquidity and Investment Regulations, which establish limitations on dollar amount, issuer concentration, and credit quality. Farmer Mac's regular debt issuance supports its access to the capital markets, and Farmer Mac's liquidity investment assets provide an alternative source of funds should market conditions be unfavorable. Farmer Mac's current policies authorize liquidity investments in:

- obligations of or guaranteed by the United States;

Table of Contents

- obligations of GSEs;
- municipal securities;
- international and multilateral development bank obligations;
- money market instruments;
- diversified investment funds;
- asset-backed securities;
- corporate debt securities; and
- mortgage-backed securities.

For more information about Farmer Mac's outstanding investments and indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet Review" and Note 4 and Note 7 to the consolidated financial statements.

Equity Issuance

Farmer Mac's charter authorizes Farmer Mac to issue voting common stock, non-voting common stock, and non-voting preferred stock.  Only banks, other financial entities, insurance companies, and institutions of the FCS eligible to participate in one or more of Farmer Mac's lines of business may hold voting common stock.  No holder of Class A voting common stock may directly or indirectly be a beneficial owner of more than 33 percent of the outstanding shares of Class A voting common stock.  There are no restrictions on the maximum number or percentage of outstanding shares of Class B voting common stock that may be held by an eligible stockholder.  No ownership restrictions apply to Class C non-voting common stock or to any preferred stock issued by Farmer Mac, and those securities are freely transferable.

The dividend rights of all three classes of Farmer Mac's common stock are the same, and dividends may be paid on common stock only when, as, and if declared by Farmer Mac's board of directors in its sole discretion, subject to compliance with applicable capital requirements and the payment of dividends on outstanding preferred stock. Upon liquidation, dissolution, or winding up of the business of Farmer Mac, after payment and provision for payment of outstanding debt of Farmer Mac, the holders of shares of preferred stock would be paid at par value out of assets available for distribution, plus all declared and unpaid dividends, before the holders of shares of common stock received any payment.  The assets of Farmer Mac II LLC are not directly available to satisfy the claims of Farmer Mac's creditors or stockholders. Those assets will only be available to the creditors and stockholders of Farmer Mac after all obligations owed to creditors of and equity holders in Farmer Mac II LLC have been satisfied.

Common Stock

As of December 31, 2014, the following shares of Farmer Mac common stock were outstanding:

- 1,030,780 shares of Class A voting common stock;
- 500,301 shares of Class B voting common stock; and
- 9,406,267 shares of Class C non-voting common stock.

Farmer Mac may obtain additional capital from future issuances of voting and non-voting common stock and non-voting preferred stock. Farmer Mac did not repurchase any common stock during 2014 or 2013.

Table of Contents

The following table presents the dividends declared on Farmer Mac's common stock during and subsequent to 2014:

| Date Dividend Declared | Per Share Amount | For Holders Of Record As Of | Date Paid |
|---|---|---|---|
| February 6, 2014 | $0.14 | March 17, 2014 | March 31, 2014 |
| June 4, 2014 | $0.14 | June 16, 2014 | June 30, 2014 |
| August 8, 2014 | $0.14 | September 16, 2014 | September 30, 2014 |
| December 3, 2014 | $0.14 | December 19, 2014 | December 31, 2014 |
| February 5, 2015 | $0.16 | March 16, 2015 | * |

* The dividend declared on February 5, 2015 is scheduled to be paid on March 31, 2015.

Farmer Mac's ability to declare and pay common stock dividends could be restricted if it were to fail to comply with applicable capital requirements. See Note 9 to the consolidated financial statements and "Business—Government Regulation of Farmer Mac—Regulation—Capital Standards."

Preferred Stock

As of December 31, 2014, the following shares of Farmer Mac preferred stock were outstanding:

- 2,400,000 shares of Series A Preferred Stock, all of which were issued on January 17, 2013;
- 3,000,000 shares of Series B Preferred Stock, all of which were issued on March 25, 2014; and
- 3,000,000 shares of Series C Preferred Stock, all of which were issued on June 20, 2014.

The Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock (collectively referred to as the "Outstanding Preferred Stock") each has a par value of $25.00 per share and an initial liquidation preference of $25.00 per share. Since each of their respective issuances, Farmer Mac has not issued any additional shares of any series of Outstanding Preferred Stock. Each series of Outstanding Preferred Stock ranks senior to Farmer Mac's outstanding Class A voting common stock, Class B voting common stock, Class C non-voting common stock, and any other common stock of Farmer Mac issued in the future. The Series A Preferred Stock and the Series B Preferred Stock pay an annual dividend rate fixed at 5.875 percent and 6.875 percent, respectively, for the life of the securities. The Series C Preferred Stock pays an annual dividend rate of 6.000 percent from the date of issuance to and including the quarterly payment date occurring on July 17, 2024, and thereafter, at a floating rate equal to three-month LIBOR plus 3.260 percent. Dividends on all series of Outstanding Preferred Stock are non-cumulative, which means that if the Board of Directors has not declared a dividend before the applicable dividend payment date for any dividend period, such dividend will not be paid or cumulate, and Farmer Mac will have no obligation to pay dividends for such dividend period, whether or not dividends on any series of Outstanding Preferred Stock are declared for any future dividend period. Farmer Mac may pay dividends on the Outstanding Preferred Stock without paying dividends on any class or series of stock Farmer Mac may issue in the future that ranks junior to the Outstanding Preferred Stock. The Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock rank equally with each other and will rank equally with any other class or series of stock Farmer Mac may issue in the future of equal priority as to dividends and upon liquidation. Farmer Mac has the right, but not the obligation, to redeem some or all of the issued and outstanding shares of Series A Preferred Stock on and anytime after January 17, 2018, the Series B Preferred Stock on and anytime after April 17, 2019, and the Series C Preferred Stock on and anytime after July 18, 2024, all at a price equal to the then-applicable liquidation preference. The Outstanding

Table of Contents

Preferred Stock is considered Tier 1 capital for Farmer Mac. For more information on Farmer Mac's capital requirements, see "Business—Government Regulation of Farmer Mac—Regulation—Capital Standards."

Farmer Mac incurred direct costs of $1.7 million related to the issuance of the Series A Preferred Stock, direct costs of $1.9 million related to the issuance of the Series B Preferred Stock, and direct costs of $1.6 million related to the issuance of the Series C Preferred Stock. Farmer Mac used the proceeds from the sale of the Series A Preferred Stock to redeem and retire on January 17, 2013 Farmer Mac's then-outstanding shares of Series C Non-Voting Cumulative Preferred Stock, which is different than the Series C Preferred Stock that is currently outstanding and which had a par value and liquidation preference of $1,000 per share and had been issued in 2008 and 2009.

The following table presents the dividends declared and paid on Series A Preferred Stock during and subsequent to 2014:

| Date Dividend Declared | Per Share Amount | For Period Beginning | For Period Ending | Date Paid |
|---|---|---|---|---|
| February 6, 2014 | $0.3672 | January 18, 2014 | April 17, 2014 | April 17, 2014 |
| June 4, 2014 | $0.3672 | April 18, 2014 | July 17, 2014 | July 17, 2014 |
| August 8, 2014 | $0.3672 | July 18, 2014 | October 17, 2014 | October 17, 2014 |
| December 3, 2014 | $0.3672 | October 18, 2014 | January 17, 2015 | January 17, 2015 |
| February 5, 2015 | $0.3672 | January 18, 2015 | April 17, 2015 | * |

* The dividend declared on February 5, 2015 is scheduled to be paid on April 17, 2015.

The following table presents the dividends declared and paid on Series B Preferred Stock during and subsequent to 2014:

| Date Dividend Declared | Per Share Amount | For Period Beginning | For Period Ending | Date Paid |
|---|---|---|---|---|
| March 28, 2014 | $0.1050 | March 26, 2014 | April 17, 2014 | April 17, 2014 |
| June 4, 2014 | $0.4297 | April 18, 2014 | July 17, 2014 | July 17, 2014 |
| August 8, 2014 | $0.4297 | July 18, 2014 | October 17, 2014 | October 17, 2014 |
| December 3, 2014 | $0.4297 | October 18, 2014 | January 17, 2015 | January 17, 2015 |
| February 5, 2015 | $0.4297 | January 18, 2015 | April 17, 2015 | * |

* The dividend declared on February 5, 2015 is scheduled to be paid on April 17, 2015.

Table of Contents

The following table presents the dividends declared and paid on Series C Preferred Stock during and subsequent to 2014:

| Date Dividend Declared | Per Share Amount | For Period Beginning | For Period Ending | Date Paid |
|---|---|---|---|---|
| August 8, 2014 | $0.4875 | June 21, 2014 | October 17, 2014 | October 17, 2014 |
| December 3, 2014 | $0.3750 | October 18, 2014 | January 17, 2015 | January 17, 2015 |
| February 5, 2015 | $0.3750 | January 18, 2015 | April 17, 2015 | * |

* The dividend declared on February 5, 2015 is scheduled to be paid on April 17, 2015.

Non-Controlling Interest in Farmer Mac II LLC

On January 25, 2010, Farmer Mac completed a private offering of $250.0 million aggregate face amount of securities issued by a newly formed Delaware statutory trust. The trust securities, called Farm Asset-Linked Capital Securities or "FALConS," represent undivided beneficial ownership interests in 250,000 shares of Farmer Mac II LLC Preferred Stock. The Farmer Mac II LLC Preferred Stock has a liquidation preference of $1,000 per share.

Farmer Mac II LLC Preferred Stock is permanent equity of Farmer Mac II LLC and is presented as "Non-controlling interest – preferred stock" within total equity on the consolidated balance sheets of Farmer Mac. The Farmer Mac II LLC Preferred Stock does not constitute a Tier 1 capital-eligible security for Farmer Mac. Farmer Mac II LLC incurred $8.1 million of direct costs related to the issuance of the Farmer Mac II LLC Preferred Stock, which reduced the amount of non-controlling interest – preferred stock. The accrual of declared dividends is presented as "Net income attributable to non-controlling interest – preferred stock dividends" on the consolidated statements of operations on a pre-tax basis. The consolidated tax benefit is included in "income tax expense" on the consolidated statements of operations. In May 2014, Farmer Mac purchased in the open market $6.0 million of FALConS, representing undivided beneficial ownership interests in 6,000 shares of Farmer Mac II LLC Preferred Stock.

Dividends on the Farmer Mac II LLC Preferred Stock are payable if, when, and as declared by Farmer Mac II LLC's board of directors, quarterly, on a non-cumulative basis, on March 30, June 30, September 30, and December 30 of each year. From the date of issuance to but excluding the quarterly payment date occurring on March 30, 2015, the annual dividend rate on the Farmer Mac II LLC Preferred Stock is 8.875 percent. After consideration of the consolidated tax benefits to Farmer Mac, the net effective cost of the $250.0 million of the Farmer Mac II LLC Preferred Stock is currently 5.77 percent per year. From March 30, 2015 to but excluding the quarterly payment date occurring on March 30, 2020, the annual dividend rate on the Farmer Mac II LLC Preferred Stock will be 10.875 percent. Beginning on March 30, 2020, the dividend rate on the Farmer Mac II LLC Preferred Stock will be an annual rate equal to three-month LIBOR plus 8.211 percent. Dividends on the Farmer Mac II LLC Preferred Stock are non-cumulative, so dividends that are not declared for any payment date will not accrue.

Farmer Mac II LLC may redeem the Farmer Mac II LLC Preferred Stock on March 30 of 2015, 2016, 2017, 2018, and 2019 and on any quarterly payment date on or after March 30, 2020, in whole or in part, at a cash redemption price equal to the liquidation preference. Consistent with Farmer Mac's plan to increase its Tier 1 capital, Farmer Mac issued the Series B Preferred Stock and Series C Preferred Stock in 2014 and now plans to cause Farmer Mac II LLC to redeem all of the outstanding Farmer Mac II LLC Preferred Stock on March 30, 2015, the initial redemption date, using the proceeds of these two preferred

Table of Contents

stock offerings and cash on hand. Farmer Mac II LLC has already provided notice of its intent to redeem the Farmer Mac II LLC Preferred Stock on March 30, 2015, which will in turn trigger the redemption of all the outstanding FALConS securities on that same day. Additionally, the $8.1 million of direct costs related to the issuance of the Farmer Mac II LLC Preferred Stock will be recognized as expense in the period in which the Farmer Mac II LLC Preferred Stock is redeemed. Farmer Mac does not currently anticipate the need to issue any more preferred stock to fund the planned redemption of the Farmer Mac II LLC Preferred Stock. For more information on Farmer Mac's capital plan, see "Government Regulation of Farmer Mac—Capital Standards—Capital Adequacy Requirements."

The following table presents the dividends declared on Farmer Mac II LLC Preferred Stock during and subsequent to 2014:

| Date Dividend Declared | Per Share Amount | For Period Beginning | For Period Ending | Date Paid |
|---|---|---|---|---|
| February 6, 2014 | $22.1875 | December 30, 2013 | March 29, 2014 | March 31, 2014 |
| June 4, 2014 | $22.1875 | March 30, 2014 | June 29, 2014 | June 30, 2014 |
| August 8, 2014 | $22.1875 | June 30, 2014 | September 29, 2014 | September 30, 2014 |
| December 3, 2014 | $22.1875 | September 30, 2014 | December 29, 2014 | December 30, 2014 |
| February 5, 2015 | $22.1875 | December 30, 2014 | March 29, 2015 | * |

* The dividend declared on February 5, 2015 is scheduled to be paid on March 30, 2015.

FARMER MAC'S AUTHORITY TO BORROW FROM THE U.S. TREASURY

Farmer Mac is authorized to borrow up to $1.5 billion from the U.S. Treasury through the issuance of debt obligations to the U.S. Treasury. Any funds borrowed from the U.S. Treasury may be used solely for the purpose of fulfilling Farmer Mac's guarantee obligations. Farmer Mac's charter provides that the U.S. Treasury is required to purchase Farmer Mac's debt obligations up to the authorized limit if Farmer Mac certifies that:

- a portion of the guarantee fees assessed by Farmer Mac has been set aside as a reserve against losses arising out of Farmer Mac's guarantee activities in an amount determined by Farmer Mac's board of directors to be necessary and such reserve has been exhausted (that amount was $36.9 million as of December 31, 2014); and
- the proceeds of such obligations are needed to fulfill Farmer Mac's guarantee obligations.

Any debt obligations issued by Farmer Mac under this authority would bear interest at a rate determined by the U.S. Treasury, taking into consideration the average rate on outstanding marketable obligations of the United States as of the last day of the last calendar month ending before the date of the purchase of the obligations from Farmer Mac. Farmer Mac would be required to repurchase any of its debt obligations held by the U.S. Treasury within a "reasonable time." As of December 31, 2014, Farmer Mac had not used this borrowing authority and does not expect to use this borrowing authority in the future.

The United States government does not guarantee payments due on Farmer Mac Guaranteed Securities, funds invested in the equity or debt securities of Farmer Mac, any dividend payments on shares of Farmer Mac stock, or the profitability of Farmer Mac.

GOVERNMENT REGULATION OF FARMER MAC

39

Table of Contents

General

Farmer Mac was created by federal statute in 1988 in the aftermath of the collapse of the agricultural credit delivery system. Farmer Mac's primary committees of jurisdiction in Congress – the Committee on Agriculture of the U.S. House of Representatives and the U.S. Senate Committee on Agriculture, Nutrition and Forestry – added requirements for Farmer Mac that had not been included in any of the other statutes establishing other GSEs. Unlike the other existing GSEs at the time, Farmer Mac was required to be regulated by an independent regulator, FCA, which has the authority to regulate Farmer Mac's safety and soundness. The statute creating Farmer Mac expressly requires that qualified loans meet minimum credit and appraisal standards that represent sound loans to profitable businesses. The enabling legislation also did not contain a specific federal securities law exemption as had been given to the housing GSEs, which had the effect of requiring Farmer Mac to comply with the periodic reporting requirements of the SEC, including filing annual and quarterly reports on the financial status of Farmer Mac and current reports when there are significant developments. Farmer Mac's statutory charter also requires offerings of Farmer Mac Guaranteed Securities to be registered under the Securities Act of 1933 and related regulations (collectively, the "Securities Act"), unless an exemption for an offering is available that is not related to Farmer Mac's status as an instrumentality of the United States.

Since Farmer Mac's creation, Congress has amended Farmer Mac's charter four times:

- in 1990 to create the USDA Guarantees line of business;
- in 1991 to clarify Farmer Mac's authority to purchase its guaranteed securities, establish OSMO as Farmer Mac's financial regulator, and set minimum regulatory capital requirements for Farmer Mac;
- in 1996 to remove certain barriers to and restrictions on Farmer Mac's operations to be more competitive (e.g., allowing Farmer Mac to buy loans directly from lenders and issue guaranteed securities representing 100 percent of the principal of the purchased loans and modifying capital requirements); and
- in 2008 to authorize Farmer Mac to purchase, and guarantee securities backed by, loans made by lenders organized as cooperatives to borrowers to finance electrification and telecommunications systems in rural areas.

Farmer Mac's authorities and regulatory structure were not revised by subsequent legislation adopted in 2008 to regulate other GSEs.

Regulation

Office of Secondary Market Oversight (OSMO)

As an institution of the FCS, Farmer Mac (including its subsidiaries) is subject to the regulatory authority of FCA. Farmer Mac's charter assigns to FCA, acting through OSMO, the responsibility for the examination of Farmer Mac and the general supervision of the safe and sound performance of the powers, functions, and duties vested in Farmer Mac by its charter. The charter also authorizes FCA, acting through OSMO, to apply its general enforcement powers to Farmer Mac. The Director of OSMO is selected by and reports to the FCA board. Farmer Mac's charter requires an annual examination of the financial transactions of Farmer Mac and authorizes FCA to assess Farmer Mac for the cost of its regulatory activities, including the cost of any examination. Farmer Mac is required to file quarterly reports of condition with FCA.

Table of Contents

Capital Standards

General Requirements. Farmer Mac's charter establishes three capital standards for Farmer Mac:

- Statutory minimum capital requirement. Farmer Mac's minimum capital level is an amount of core capital (stockholders' equity less accumulated other comprehensive income plus non-controlling interest – preferred stock) equal to the sum of 2.75 percent of Farmer Mac's aggregate on-balance sheet assets, as calculated for regulatory purposes, plus 0.75 percent of Farmer Mac's aggregate off-balance sheet obligations, specifically including:

  the unpaid principal balance of outstanding Farmer Mac Guaranteed Securities;
  instruments issued or guaranteed by Farmer Mac that are substantially equivalent to Farmer Mac Guaranteed Securities, including LTSPCs; and
  other off-balance sheet obligations of Farmer Mac.

- Statutory critical capital requirement. Farmer Mac's critical capital level is an amount of core capital equal to 50 percent of the total minimum capital requirement at that time.

- Risk-based capital. The charter directs FCA to establish a risk-based capital stress test for Farmer Mac, using specified stress-test parameters.

Farmer Mac is required to comply with the higher of the minimum capital requirement and the risk-based capital requirement.

The risk-based capital stress test promulgated by FCA is intended to determine the amount of regulatory capital (core capital plus the allowance for losses) that Farmer Mac would need to maintain positive capital during a ten-year period in which:

- annual losses occur at a rate of default and severity "reasonably related" to the rates of the highest sequential two years in a limited U.S. geographic area; and
- interest rates increase to a level equal to the lesser of 600 basis points or 50 percent of the ten-year U.S. Treasury rate, and interest rates remain at such level for the remainder of the period.

The risk-based capital stress test then adds an additional 30 percent to the resulting capital requirement for management and operational risk.

As of December 31, 2014, Farmer Mac's statutory minimum and critical capital requirements were $421.3 million and $210.7 million, respectively, and its actual core capital level was $766.3 million, $345.0 million above the statutory minimum capital requirement and $555.6 million above the statutory critical capital requirement. Based on the risk-based capital stress test, Farmer Mac's risk-based capital requirement as of December 31, 2014 was $121.6 million and Farmer Mac's regulatory capital of $776.4 million exceeded that amount by approximately $654.8 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Requirements" for a presentation of Farmer Mac's current regulatory capital position.

Enforcement Levels. Farmer Mac's charter directs FCA to classify Farmer Mac within one of four enforcement levels for purposes of determining compliance with the capital standards established by

Table of Contents

Farmer Mac's charter. As of December 31, 2014, Farmer Mac was classified as within level I – the highest compliance level.

Failure to comply with the applicable required capital level in the charter would result in Farmer Mac being classified as within level II (below the applicable risk-based capital level, but above the minimum capital level), level III (below the minimum capital level, but above the critical capital level) or level IV (below the critical capital level). In the event that Farmer Mac were classified as within level II, III or IV, the charter requires the Director of OSMO to take a number of mandatory supervisory measures and provides the Director with discretionary authority to take various optional supervisory measures depending on the level in which Farmer Mac is classified. The mandatory measures applicable to levels II and III include:

- requiring Farmer Mac to submit and comply with a capital restoration plan;
- prohibiting the payment of dividends if such payment would result in Farmer Mac being reclassified as within a lower level and requiring the pre-approval of any dividend payment even if such payment would not result in reclassification as within level IV; and
- reclassifying Farmer Mac as within one level lower if it does not submit a capital restoration plan that is approved by the Director, or the Director determines that Farmer Mac has failed to make, in good faith, reasonable efforts to comply with such a plan and fulfill the schedule for the plan approved by the Director.

If Farmer Mac were classified as within level III, then, in addition to the foregoing mandatory supervisory measures, the Director of OSMO could take any of the following discretionary supervisory measures:

- imposing limits on any increase in, or ordering the reduction of, any obligations of Farmer Mac, including off-balance sheet obligations;
- limiting or prohibiting asset growth or requiring the reduction of assets;
- requiring the acquisition of new capital in an amount sufficient to provide for reclassification as within a higher level;
- terminating, reducing, or modifying any activity the Director determines creates excessive risk to Farmer Mac; or
- appointing a conservator or a receiver for Farmer Mac.

Farmer Mac's charter does not specify any supervisory measures, either mandatory or discretionary, to be taken by the Director in the event Farmer Mac were classified as within level IV.

The Director of OSMO has the discretionary authority to reclassify Farmer Mac to a level that is one level below its then current level (for example, from level I to level II) if the Director determines that Farmer Mac is engaging in any action not approved by the Director that could result in a rapid depletion of core capital or if the value of property subject to mortgages backing Farmer Mac Guaranteed Securities has decreased significantly.

Capital Adequacy Requirements. Under FCA's rule on capital planning that became effective on January 3, 2014, Farmer Mac must develop and submit to OSMO for approval annually a plan for capital that considers the sources and uses of Farmer Mac's capital, addresses capital projections under stress scenarios, assesses Farmer Mac's overall capital adequacy, and incorporates a Farmer Mac board-approved policy on capital adequacy. In accordance with this regulation, Farmer Mac's board of directors has established a policy that will require Farmer Mac to maintain an adequate level of "Tier 1" capital,

Table of Contents

consisting of retained earnings, paid-in-capital, common stock, qualifying preferred stock, and accumulated other comprehensive income allocable to "non-program" investments that are not included in the Farm & Ranch, USDA Guarantees, Rural Utilities, and Institutional Credit lines of business. Under this policy, Farmer Mac must maintain at all times during 2015 a Tier 1 capital ratio of not less than 4.25 percent of risk-weighted assets, calculated using an advanced internal ratings based ("AIRB") asset risk weighting regime that is consistent with current Basel-based principles, with the minimum Tier 1 capital ratio increasing by 0.25 percent annually to reach 5.0 percent in 2018.

The policy also requires Farmer Mac to maintain a "capital conservation buffer" of additional Tier 1 capital of more than 2.5 percent of risk-weighted assets. If the capital conservation buffer drops to various levels at or below 2.5 percent, as shown in the table below, the policy requires Farmer Mac to restrict distributions of current quarter Tier 1-eligible dividends and any discretionary bonus payments to an amount not to exceed the corresponding payout percentage specified in the table below, which represents the percentage of the cumulative core earnings for the four quarters immediately preceding the distribution date:

| Capital Conservation Buffer<br>(percentage of risk-weighted assets) | Payout Percentage<br>(percentage of four quarters' accumulated core earnings) |
|---|---|
| greater than 2.5% | No limitation |
| greater than 1.875% to and including 2.5% | 60% |
| greater than 1.25% to and including 1.875% | 40% |
| greater than 0.625% to and including 1.25% | 20% |
| equal to or less than 0.625% | 0% (no payout permitted) |

These distribution restrictions will remain for so long as the Tier 1 capital conservation buffer remains at or below the minimum level of 2.5 percent, and Farmer Mac's board of directors may consider other factors, such as GAAP earnings and other regulatory requirements, in determining whether to restrict capital distributions, including dividends and bonus payments. As of December 31, 2014, Farmer Mac's Tier 1 capital ratio was 11.3%. Farmer Mac does not expect its compliance on an ongoing basis with FCA's final rule on capital planning, including Farmer Mac's policy on Tier 1 capital, to materially affect Farmer Mac's operations or financial condition.

## Item 1A. Risk Factors

Farmer Mac's business activities, financial performance, and results of operations are, by their nature, subject to a number of risks and uncertainties, including those related to access to the capital markets, the agricultural sector, the rural utilities industry, the regulatory environment, and the level of prevailing interest rates and overall market conditions. The following risk factors could materially affect Farmer Mac's financial condition and operating results and should be considered in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K, including the risks and uncertainties described in the "Forward-Looking Statements" section. Furthermore, because new risk factors likely will emerge from time to time, management can neither predict all such risk factors nor assess the effects of such factors on Farmer Mac's business, operating results, and financial condition or the extent to which any factor, or combination of factors, may affect Farmer Mac's actual results and financial condition. If any of the following risks

Table of Contents

materialize, Farmer Mac's business, financial condition, or results of operations could be materially and adversely affected. Farmer Mac undertakes no obligation to update or revise this risk factor discussion, except as required by law.

An inability to access the equity and debt capital markets could have a material adverse effect on Farmer Mac's business, operating results, financial condition, and capital levels.

Farmer Mac's ability to operate its business, meet its obligations, generate asset volume growth, and fulfill its statutory mission depends on Farmer Mac's capacity to remain adequately capitalized through the issuance of equity securities and to issue substantial amounts of debt frequently and at favorable rates. The issuance of equity and debt securities in the U.S. financial markets are primary sources of Farmer Mac's capitalization and funding for Farmer Mac's purchases of eligible loan assets and liquidity investment assets and for repaying or refinancing existing debt. Moreover, one of the primary sources of Farmer Mac's revenue is the net interest income earned from the difference, or "spread," between the return received on assets held and the related borrowing costs. Farmer Mac's ability to obtain funds through the issuance of equity and debt securities, at favorable rates and terms, depends on many factors, including:

- Farmer Mac's corporate structure established by its charter, including its status as a government-sponsored enterprise, or GSE, and perceptions about the viability of stockholder-owned GSEs in general;
- compliance with applicable statutory, regulatory, and board-approved capital requirements and any measures imposed by Farmer Mac's regulator or board of directors if Farmer Mac failed to comply with those requirements;
- Farmer Mac's financial results and changes in its financial condition;
- public perception of the risks to and financial prospects of Farmer Mac's business;
- prevailing conditions in the capital markets;
- competition from other issuers of GSE equity or debt; and
- legislative or regulatory actions relating to Farmer Mac's business, including any actions that would affect Farmer Mac's GSE status.

Factors affecting the agricultural sector or the rural utilities industry may negatively affect borrowers' profitability and, as a consequence, their ability to repay their loans on which Farmer Mac has assumed credit risk.

External factors beyond Farmer Mac's control that could negatively affect borrowers' profitability could cause Farmer Mac to experience increased delinquency and default rates within its loan portfolio, including, but not limited to:

- severe protracted or sudden adverse weather conditions, animal and plant disease outbreaks, restrictions on water supply, limited access to transportation to move agricultural products to markets, or other conditions affecting particular geographic regions or industries;
- volatility in production expenses, including in commodity or fuel prices or labor costs or availability within any particular industry;
- fluctuations in currency exchange markets or changes in the global economy that would reduce export demand for U.S. agricultural products;
- slow or negative economic growth, which could reduce demand for U.S. agricultural products;

Table of Contents

- adverse changes in interest rates, agricultural land values, or other factors that may affect delinquency levels and credit losses on agricultural real estate mortgage loans;
- changes in the general economy that could affect the availability of off-farm sources of income and prices of real estate for borrowers; and
- economic conditions that may negatively affect the market for electricity in rural areas and consequently limit the ability of rural electric cooperatives to provide electricity or raise rates to achieve profitable levels.

Farmer Mac's business, operating results, financial condition, and capital levels may be materially and adversely affected by external factors that may affect the price or marketability of Farmer Mac's products or Farmer Mac's ability to offer its products and services.

Farmer Mac's business, operating results, financial condition, and capital levels may be materially and adversely affected by external factors, including adverse changes in the capital markets or changes in public policy, that may affect the price or marketability of Farmer Mac's products and services or Farmer Mac's ability to offer its products and services, including, but not limited to:

- disruptions in the capital markets, which could adversely affect the value and performance of Farmer Mac's eligible loan assets and investment securities, liquidity position, and ability to access funding at favorable levels or to raise capital;
- competitive pressures in the purchase of loans eligible for Farmer Mac's lines of business and the sale of Farmer Mac Guaranteed Securities and debt securities;
- changes in interest rates that may increase the basis risk of Farmer Mac's hedging instruments, thereby increasing its funding costs; and
- legislative or regulatory developments or interpretations of Farmer Mac's statutory charter that could adversely affect Farmer Mac or its ability to offer new products, the ability or motivation of certain lenders to participate in Farmer Mac's lines of business or the terms of any such participation, or increase the cost of related corporate activities.

Farmer Mac's business development, profitability, and capital depend on the continued growth of the secondary market for agricultural real estate mortgage loans and for rural utilities loans, which may be constrained by a number of factors.

Continued growth in Farmer Mac's business and future profitability may be constrained by conditions that limit the need or ability for lenders to obtain the benefits of the secondary market provided by Farmer Mac, including, but not limited to:

- reduced growth rates in the agricultural mortgage market caused by prevailing conditions in the overall economy;
- the increase in capital levels or the availability of other sources of capital for customers of Farmer Mac;
- decreased demand for mortgage lending due to borrower liquidity;
- the acceptance by Federal Home Loan Banks of agricultural real estate mortgage loans as collateral;
- the historical preference of many agricultural lending institutions to retain loans in their portfolios rather than to sell them into the secondary market;

Table of Contents

- the small number of business partners that currently provide a significant portion of Farmer Mac's business volume, resulting in vulnerability as existing business volume pays down or matures and the status of these business partners evolves; and
- expanded funding alternatives available to rural utilities.

The loss of business from key business partners or customers could adversely affect Farmer Mac's business and result in a decrease in its revenues and profits.

Farmer Mac's business and ability to generate revenues and profits largely depends on its ability to purchase eligible loans or place eligible loans under guarantees or purchase commitments. Farmer Mac conducts a significant portion of its business with a small number of business partners. This results in vulnerability as existing assets pay down or mature and the status and needs of Farmer Mac's business partners evolve. In 2014, ten institutions generated approximately 61 percent of loan purchase volume in the Farm & Ranch line of business. As of December 31, 2014, approximately 97.6 percent of the $6.4 billion outstanding principal amount of AgVantage securities were issued by five institutions. Transactions with CFC have represented 100 percent of business volume under Farmer Mac's Rural Utilities line of business since its inception in 2008. Farmer Mac's ability to maintain the current relationships with its business partners or customers and the business generated by those business partners or customers is significant to Farmer Mac's business. Consequently, the loss of business from any one of Farmer Mac's key business partners could negatively impact Farmer Mac's revenues and profitability. Furthermore, Farmer Mac may not be able to replace the loss of business of a key business partner or customer with alternate sources of business due to limitations on the types of assets eligible for the secondary market provided by Farmer Mac under its charter, which could adversely affect Farmer Mac's business and result in a decrease in its revenues and profits.

The failure of an issuer to pay the outstanding principal amount or to issue new AgVantage securities upon the maturity of outstanding AgVantage securities could negatively affect Farmer Mac's liquidity position and income.

As of December 31, 2014, Farmer Mac had $6.4 billion of AgVantage securities outstanding, of which $0.7 billion and $1.3 billion will be maturing in 2015 and 2016, respectively. AgVantage securities are guaranteed by Farmer Mac as to the timely payment of interest and principal. The terms of most AgVantage securities do not require the periodic payment of principal based on amortization schedules and instead have fixed maturity dates when the secured general obligation is due. If the issuer of a maturing AgVantage security defaults and does not pay the outstanding principal amount due upon maturity, Farmer Mac's liquidity position could be negatively affected because Farmer Mac will be required to obtain funds in a significant amount to pay the holder of the AgVantage security or, for AgVantage securities owned by Farmer Mac, to pay off the debt securities used to fund the purchase of the AgVantage securities. Farmer Mac's income could also be adversely affected if the issuer of a maturing AgVantage security does not issue new AgVantage securities to replace the maturing securities and Farmer Mac does not find alternate sources of business, or if the net interest margin earned by Farmer Mac on new AgVantage securities that replace maturing AgVantage securities is lower than the margin earned on the maturing AgVantage securities.

Table of Contents

Farmer Mac is a GSE that may be materially and adversely affected by legislative or political developments, which may affect the ongoing operations or continued existence of GSEs.

Farmer Mac is a GSE that is governed by a statutory charter, which is subject to amendment by the U.S. Congress at any time, and regulated by government agencies. Although Farmer Mac is not aware of any pending legislative proposals that would adversely affect either the manner in which Farmer Mac conducts its business or the status of Farmer Mac as a GSE at this time, Farmer Mac's ability to effectively conduct its business is subject to risks and uncertainties related to legislative or political developments that may affect the status or operations of GSEs generally. From time to time, legislative initiatives may be commenced that, if successful, could result in the enactment of legislation or the promulgation of regulations that could negatively affect the status of Farmer Mac as a GSE or the manner in which Farmer Mac operates. Farmer Mac cannot predict whether any legislative proposals related to the housing GSEs would also address the continued GSE status of Farmer Mac or modify the current operating structure or authorities of Farmer Mac in any material way. Implementation of any such proposal could have a material and adverse effect on Farmer Mac's business, operating results, financial condition, and capital levels. See "Government Regulation of Farmer Mac" in Item 1 of this Annual Report on Form 10-K for additional discussion on the rules and regulations governing Farmer Mac's activities.

Farmer Mac is subject to capital requirements that are subject to change, and failure to meet those requirements could result in supervisory measures or the inability of Farmer Mac to declare dividends, or otherwise materially and adversely affect Farmer Mac's business, operating results, or financial condition.

Farmer Mac is required by statute and regulation to maintain certain capital levels.  Any inability by Farmer Mac to meet these capital requirements could result in supervisory measures by FCA, adversely affect Farmer Mac's ability to declare dividends on its common and preferred stock, or otherwise materially and adversely affect Farmer Mac's business, operating results, or financial condition.  In addition, as required by an FCA regulation on capital planning, Farmer Mac has adopted a policy to maintain a sufficient level of Tier 1 capital and to impose restrictions on paying Tier 1-eligible dividends in the event that Tier 1 capital falls below specified thresholds. For more information on Farmer Mac's capital requirements, including the Tier 1 capital requirement, see "Business—Government Regulation of Farmer Mac—Regulation—Capital Standards." Factors that could adversely affect the adequacy of Farmer Mac's capital levels in the future, and which may be beyond Farmer Mac's control, include:

- the potential for any other-than-temporary impairment charges;
- adverse changes in interest rates or credit spreads;
- the potential need to increase the level of the allowance for losses on eligible loan assets in the future;
- legislative or regulatory actions that increase Farmer Mac's applicable capital requirements; and
- changes in U.S. generally accepted accounting principles ("GAAP").

Farmer Mac is exposed to credit risk on its eligible loan assets, the repayment of which may depend on factors outside of Farmer Mac's or the borrower's control, and widespread repayment shortfalls on loans could have a material adverse effect on Farmer Mac's financial condition, results of operations, and liquidity.

Farmer Mac's earnings depend significantly on the performance of its eligible loan assets and the spread between the interest, guarantee fees, and commitment fees earned on such assets and interest paid on

Table of Contents

Farmer Mac's obligations and liabilities. Farmer Mac assumes the ultimate credit risk of borrower defaults on the agricultural mortgage and rural utilities loans it holds, as well as the loans underlying LTSPCs and non-AgVantage Farmer Mac Guaranteed Securities. Widespread repayment shortfalls on loans in the Farm & Ranch line of business or Rural Utilities line of business could result in losses on loans held or require Farmer Mac to pay under its guarantees and LTSPCs, which could have a material adverse effect on Farmer Mac's financial condition, results of operations, and liquidity.

In the Farm & Ranch line of business, repayment of eligible loans typically depends on the success of the related farming operation, which, in turn, depends on many variables and factors over which farmers may have little or no control, such as weather conditions, animal and plant disease outbreaks, restrictions on water supply, economic conditions (both domestic and international), and political conditions. Farmer Mac's credit risk may also increase in the case of a loan with a balloon payment due at maturity if the borrower seeks to refinance but is unable to do so. As of December 31, 2014, 65.8 percent of the loans in the Farm & Ranch line of business included balloon payments. In addition, loans to borrowers in industries that have had historically higher delinquency rates relative to Farmer Mac's overall portfolio may present a higher risk of delinquency in future periods. For example, as of December 31, 2014, loans to borrowers in the permanent plantings and part-time farm categories comprised a combined 20.2 percent of the Farm & Ranch portfolio, but delinquencies in these combined categories comprised 51.3 percent of the aggregate delinquencies for all commodity categories. As of December 31, 2014, loans to borrowers in the Agricultural Storage and Processing category (including ethanol facilities) comprised 2.0 percent of the Farm & Ranch portfolio, but cumulative net credit losses for this category comprised 39.3 percent of the cumulative net credit losses for all categories.

In the Rural Utilities line of business, eligible utilities operations include the distribution of electricity, the generation and transmission of electricity, and telecommunications. Each type of utility operation has different inherent risks associated with it, but all share a common risk posed by potential changes in public and regulatory policies. Business cash flows can be disrupted as a result of storms, though distribution cooperatives have in place cost-sharing arrangements with providers in other regions that mitigate this exposure. Historically, natural disasters have often resulted in disaster area declarations and financial aid to utilities providers through the Federal Emergency Management Agency and other conduits, although there can be no assurance that any such aid would be available in the event of any future natural disaster. The electrical distribution and generation sectors can be adversely affected by changes in fuel costs and prices received from consumers, as well as by contractual power obligations that do not match up with supply or demand. In the event that Farmer Mac purchases telecommunications loans in the future, the depth and pace of technological change in the telecommunications industry can also provide significant challenges, as the industry requires heavy capital investment and correct judgments about the sustainability of new technologies in an area with many competitors.

Farmer Mac Guaranteed Securities and LTSPCs expose Farmer Mac to significant contingent liabilities, and Farmer Mac's ability to fulfill its obligations under its guarantees and LTSPCs may be limited.

Farmer Mac's guarantee and purchase commitment obligations to third parties, including Farmer Mac Guaranteed Securities and LTSPCs, are obligations of Farmer Mac only and are not backed by the full faith and credit of the United States, FCA, or any other agency or instrumentality of the United States other than Farmer Mac. As of December 31, 2014, Farmer Mac had $3.9 billion of contingent liabilities related to Farmer Mac Guaranteed Securities and LTSPCs issued to third parties, which represents Farmer Mac's exposure if all loans underlying these guarantees and LTSPCs defaulted and Farmer Mac recovered no value from the related collateral. Farmer Mac's principal sources of funds for payments on all of its liabilities, including claims that may arise under its guarantees and LTSPCs, are the liquid assets held by Farmer Mac (including cash and cash equivalents), guarantee and commitment fees, interest payments on assets held by Farmer Mac, loan repayments, repayment of principal amounts due upon maturity of AgVantage securities, and proceeds from the issuance of debt securities. If all of the loans underlying Farmer Mac's guarantees and LTSPCs defaulted and Farmer Mac recovered no value from the related collateral, the sources of funds for payment on these guarantees and LTSPCs could be substantially less than the aggregate amount of the corresponding liabilities. It is difficult to quantify at any particular point in time the funds that would be available from interest payments, loan repayments, and maturing AgVantage securities for payment on Farmer Mac's guarantees and LTSPCs, and Farmer Mac's ability to issue debt as a source of repayment would be subject to its ability to access the debt markets and market conditions at that time. As of December 31, 2014, Farmer Mac held cash, cash equivalents, and other investment securities with a fair value of $3.3 billion that could be used as a source of funds for payment on its obligations. Although Farmer Mac believes that it remains well-collateralized on the assets underlying its guarantee and purchase commitment obligations to third parties and that the estimated probable losses for these obligations remain low relative to the amount available for payment of claims on these obligations, Farmer Mac's total contingent liabilities for these obligations exceed the amount it may have available for payment of claims on these obligations. See "Management's Discussion and Analysis—Risk Management—Credit Risk – Loans and Guarantees" for more information on Farmer Mac's management of credit risk.

Farmer Mac is exposed to swap counterparty credit risk on its non-cleared swaps that could materially and adversely affect its business, operating results, and financial condition.

Farmer Mac relies on interest rate swap contracts and hedging arrangements to effectively manage its interest rate risk. In managing this swap counterparty credit risk on non-cleared swaps, Farmer Mac contracts only with counterparties that have investment grade credit ratings, establishes and maintains collateral requirements that are scaled based upon credit ratings, and enters into netting agreements. However, failure to perform under a non-cleared derivatives contract by one or more of Farmer Mac's counterparties could disrupt Farmer Mac's hedging operations, particularly if Farmer Mac were entitled to a termination payment under the terms of the contract that it did not receive, or if Farmer Mac were unable to reposition the swap with a new counterparty. Of the $6.8 billion combined notional amount of interest rate swaps, $2.9 billion were not cleared through swap clearinghouses as of December 31, 2014. As of December 31, 2014, Farmer Mac's credit exposure to interest rate swap counterparties was $6.1 million excluding netting arrangements and $0.4 million including netting arrangements.

Farmer Mac is exposed to counterparty credit risk on AgVantage securities that could materially and adversely affect its business, operating results, and financial condition.

Farmer Mac is exposed to credit risk from issuers of AgVantage securities. Each AgVantage security is a general obligation of an issuing institution secured by eligible loans in an amount at least equal to the outstanding principal amount of the security and guaranteed by Farmer Mac. However, most of Farmer Mac's AgVantage exposure is concentrated in a small number of issuers. Farmer Mac seeks to manage its risk to AgVantage counterparties by reviewing each institution for which Farmer Mac has AgVantage exposure and requiring those institutions to meet Farmer Mac's standards for creditworthiness. In addition, Farmer Mac requires some level of overcollateralization (currently between 102 percent and 120 percent of the principal amount of the securities issued) for AgVantage securities secured by Farm & Ranch loans. As of December 31, 2014, nearly all of the AgVantage securities outstanding had been issued by five counterparties. A default by any of these counterparties could have a significant adverse effect on Farmer Mac's business, operating results, and financial condition.

Farmer Mac is exposed to counterparty credit risk on its investment securities that could materially and adversely affect its business, operating results, and financial condition.

Farmer Mac maintains an investment portfolio that can be drawn upon for liquidity needs. In addition to cash and cash equivalents (such as U.S. Treasury securities and short-term money market instruments), this portfolio consists of investment securities, including securities guaranteed by U.S. Government agencies and GSEs, GSE-issued preferred stock, corporate debt obligations, and auction-rate certificates. Though some of these investment securities do not qualify for purposes of calculating liquidity under the regulatory requirements prescribed by FCA, they still may be drawn upon for Farmer Mac's liquidity needs. Farmer Mac regularly reviews concentration limits to ensure that its investments are appropriately diversified and comply with policies approved by Farmer Mac's board of directors and with applicable FCA regulations, but Farmer Mac is still exposed to credit risk from issuers of the investment securities it holds. For example, as of December 31, 2014, Farmer Mac held at fair value, as part of its liquidity investment portfolio, $40.1 million of corporate debt securities, $96.3 million of asset-backed securities principally backed by U.S. Government-guaranteed student loans (including $40.6 million of auction-rate certificates), and $398.6 million of investment securities guaranteed by GSEs. A default by multiple issuers of investment securities held by Farmer Mac, or by a single issuer of investment securities in which Farmer Mac is more heavily concentrated, could have an adverse effect on Farmer Mac's business, operating results, and financial condition.

Farmer Mac is exposed to interest rate risk that could materially and adversely affect its business, operating results, and financial condition.

Farmer Mac is subject to interest rate risk due to the possible timing differences in the cash flows of the assets it holds and related liabilities. Farmer Mac's primary strategy for managing interest rate risk is to fund asset purchases with liabilities that have similar duration and cash flow characteristics so that they will perform similarly as interest rates change. Through Farmer Mac's issuances of debt securities in the form of discount notes and medium-term notes coupled with interest rate swap contracts that adjust the characteristics of the debt issued, Farmer Mac seeks to match its liabilities closely with the cash flow and duration characteristics of its loans and other assets. However, the ability of borrowers to prepay their loans prior to the scheduled maturities increases the risk of asset and liability cash flow mismatches. In a changing interest rate environment, these cash flow mismatches could reduce Farmer Mac's earnings if assets repay sooner than expected and the resulting cash flows must be reinvested in lower-yielding investments, particularly if Farmer Mac's related funding costs cannot be correspondingly repaid. In addition, if assets repay more slowly than anticipated and the associated debt issued to fund the assets must be reissued at a higher yield, Farmer Mac's earnings could be adversely affected. As of December 31, 2014, of all the eligible loan assets held on Farmer Mac's balance sheet, $5.0 billion had a fixed interest rate and $5.7 billion had an adjustable interest rate.

Changes in interest rates relative to Farmer Mac's management of interest rate risk through derivatives may cause volatility in financial results and capital levels and adversely affect net interest income.

Farmer Mac enters into financial derivatives transactions to hedge interest rate risks inherent in its business and applies fair value accounting to its financial derivatives transactions. Although Farmer Mac's financial derivatives provide effective economic hedges of interest rate risk, accounting guidance requires

Table of Contents

changes in the fair values of financial derivatives to be reflected in net income. As interest rates increase or decrease, the fair value of Farmer Mac's derivatives changes based on the position Farmer Mac holds relative to the specific characteristics of the derivative. Application of the accounting guidance on financial derivatives could contribute to volatility in Farmer Mac's earnings under GAAP, particularly if the financial derivative is not designated in a hedging relationship. Another consequence of the changes in the fair values of financial derivatives being accounted for in earnings is the resulting effect on Farmer Mac's regulatory core capital that is available to meet Farmer Mac's statutory minimum capital requirement. Adverse changes in the fair values of Farmer Mac's financial derivatives would reduce the amount of core capital available to meet this requirement, which could result in regulatory enforcement action against Farmer Mac if it were unable to meet the requirement. In 2014 and 2013, Farmer Mac recorded unrealized losses of $21.8 million and gains of $33.9 million, respectively, for fair value changes on its financial derivatives not designated in a hedging relationship as a result of movements in interest rates during the year. Although derivative instruments designated in fair value hedging relationships may lessen exposure to changes in the fair value of assets or liabilities, any differences arising from fair value changes that are not offset could result in hedge ineffectiveness and adversely affect Farmer Mac's earnings under GAAP.

Changes in interest rates as well as certain credit events may trigger collateralization requirements for Farmer Mac under its derivatives contracts, which could adversely affect Farmer Mac's liquidity position and operating results.

Farmer Mac uses derivatives contracts to help manage its interest rate risk. Changes in interest rates have required, and in the future may require, Farmer Mac to post cash or investment securities to its derivative counterparties to reflect the changes in fair market values of Farmer Mac's derivatives as a result of the changes in interest rates. For example, as of December 31, 2014, Farmer Mac posted $46.6 million of cash as collateral for its derivatives in net liability positions. Farmer Mac's derivatives contracts contain provisions establishing minimum threshold collateral amounts below which Farmer Mac is not required to post collateral. These threshold collateral amounts range between $15 million and $25 million, but may be reduced to zero upon the occurrence of specified credit events such as insolvency, receivership, failure to make a payment under the contract when due, or failure to continue as an instrumentality of the United States. If changes in interest rates were to result in a significant decrease in the fair value of Farmer Mac's derivatives, Farmer Mac would be required to post a significant amount of cash, cash equivalents, or investment securities, possibly within a short period of time, to satisfy its obligations under its derivatives contracts. The amount required to be posted would increase if Farmer Mac also experienced a credit event triggering full collateralization of its derivatives positions without any minimum threshold. As of December 31, 2014, the amount that would have been required for full collateralization of Farmer Mac's derivatives positions given the fair value of Farmer Mac's derivatives at that time was $46.8 million. If Farmer Mac were required to fully collateralize its derivatives position in an adverse interest rate environment, it could have a negative effect on Farmer Mac's liquidity position and operating results.

Incorrect estimates and assumptions by management in preparing financial statements could adversely affect Farmer Mac's business, operating results, reported assets and liabilities, financial condition, and capital levels.

Incorrect estimates and assumptions by management in connection with the preparation of Farmer Mac's consolidated financial statements could adversely affect the reported amounts of assets and liabilities and the reported amounts of income and expenses. The preparation of Farmer Mac's consolidated financial statements requires management to make certain critical accounting estimates and assumptions that could

Table of Contents

affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting periods. For example, as of December 31, 2014, Farmer Mac's assets and liabilities recorded at fair value included financial instruments valued at $5.5 billion whose fair values were estimated by management in the absence of readily determinable fair values (in other words, level 3). These financial instruments measured as level 3 represented 38 percent of total assets and 73 percent of financial instruments measured at fair value as of December 31, 2014. Further information regarding fair value measurement is included in "Management's Discussion and Analysis—Critical Accounting Policies—Fair Value Measurement." If management makes incorrect assumptions or estimates, Farmer Mac may understate or overstate reported financial results, which could materially and adversely affect Farmer Mac's business, operating results, reported assets and liabilities, financial condition, and capital levels.

Changes in the value or composition of Farmer Mac's investment securities could adversely affect Farmer Mac's business, operating results, financial condition, and capital levels.

Deterioration in financial or credit market conditions could reduce the fair value of Farmer Mac's investment securities, particularly those securities that are less liquid and more subject to market variability. Some securities owned by Farmer Mac, including auction-rate certificates and GSE subordinated debt, do not have well-established secondary trading markets, making it more difficult to estimate current fair values for those securities. Adverse financial market conditions may further compound the challenges of estimating fair values for Farmer Mac's securities, as was the case in 2008 after widespread failure of the auction mechanism that had been established to provide liquidity for the auction-rate certificates that Farmer Mac currently holds.

Farmer Mac relies on market observations to determine the fair value of its investment securities, although the market data Farmer Mac relies upon may not reflect the actual sale conditions that Farmer Mac would face when selling its investment securities. For example, the market value of auction-rate certificates held by Farmer Mac depends in large part on the amounts and timing of the expected cash flows on these securities, which may be highly uncertain. Therefore, a change in the amounts or timing of cash flows could materially alter the market price of those securities. Subsequent valuations of these and other investment securities, in light of factors then prevailing, may result in significant changes in the value of Farmer Mac's investment securities. For example, the current market values for the auction-rate certificates and GSE subordinated debt held by Farmer Mac are significantly below their amortized cost due to widening credit spreads after purchase. As of December 31, 2014, the fair values of Farmer Mac's auction-rate certificates and GSE subordinated debt were $40.6 million and $66.3 million, respectively, compared to Farmer Mac's amortized cost of $46.6 million and $70.0 million, respectively, for each of these classes of investment securities.

Farmer Mac also relies on internal models to estimate the fair values of its investment securities and to determine whether credit losses exist, which requires Farmer Mac to exercise judgment about estimates and assumptions used in the models. If Farmer Mac uses incorrect estimates or assumptions in the internal models it develops to estimate the fair value of its investment securities, those models could adversely affect reported income during the reporting period.

If Farmer Mac decides to sell securities in its investment portfolio, the price ultimately realized will depend on the demand and liquidity in the market at the time of sale. Farmer Mac's inability to sell the securities in its investment portfolio at or above their estimated fair values could adversely affect Farmer Mac's business, operating results, financial condition, and capital levels.

Table of Contents

Farmer Mac's ability to attract and retain qualified employees is critical to the success of its business, and failure to do so may materially adversely affect Farmer Mac's performance or financial condition.

Farmer Mac relies on its employees' breadth and depth of knowledge of agricultural and rural utilities lending, financial products, and other areas of expertise to run its business operations successfully. A significant disruption in the continuity of Farmer Mac's employees would require Farmer Mac to expend resources to replace personnel and could result in a loss of productivity in the interim. If Farmer Mac is unable to continue to retain and attract qualified employees, Farmer Mac's performance or financial condition could be materially adversely affected.

Any failure, interruption, or breach in Farmer Mac's information systems or technology, including the occurrence of successful cyber incidents or a deficiency in Farmer Mac's cyber security, could result in a loss of business, damage to Farmer Mac's reputation, the disclosure or misuse of confidential or proprietary information, or increased costs or liability to Farmer Mac, which could adversely affect Farmer Mac's business, operating results, or financial condition.

Farmer Mac relies heavily on information systems and other technology, including from third parties, to conduct and manage its business operations. As Farmer Mac's reliance on technology has increased, so have the risks posed to its systems, including the effect of events that would threaten the confidentiality, integrity, or availability of Farmer Mac's information resources, known as cyber incidents. Farmer Mac has undertaken remedial measures and devotes significant resources to regularly implement, maintain, and upgrade its information systems and network with backup systems and other safeguards (including a business continuity plan) to diminish these risks and risks that Farmer Mac's information system and network assets could be used to unlawfully gain access to third-party network systems. However, Farmer Mac may not be able to prevent, address on a timely and adequate basis, or fully mitigate the negative effects of any failure or interruption of Farmer Mac's information systems or network, including these backup systems and safeguards, on Farmer Mac's business, operating results, or financial condition. A failure or interruption in any of Farmer Mac's information systems, backup infrastructure, or other technology could result in a disruption or malfunction of its operations, which could adversely affect Farmer Mac's ability to do business with its approved lenders or other counterparties, result in financial loss, or cause damage to Farmer Mac's reputation.

The secure transmission, processing, and storage of Farmer Mac's approved lenders' and other counterparties' confidential, proprietary, and other information through online and network systems and applications is instrumental to Farmer Mac's operations. Any action that results in unauthorized access to Farmer Mac's information systems and networks by third parties, including through computer viruses, malicious code, cyber-attacks, or other information security breaches, could disrupt Farmer Mac's operations, corrupt its data, or result in the misappropriation, unauthorized release, loss, or destruction of the confidential, proprietary, or other information of its approved lenders and other counterparties. Similar to many other financial institutions, Farmer Mac faces regular attempts by third parties to gain unauthorized access to its systems. Farmer Mac has experienced at least one cyber incident in which a relatively small number of its computing devices were exposed to malware through email. In that instance, the operational interruption and remediation costs were immaterial to Farmer Mac's business operations and, to Farmer Mac's knowledge, no unauthorized access to Farmer Mac's or its customers' confidential, proprietary, or other information was obtained. However, any future instance in which unauthorized access to Farmer Mac's networks, accounts, or sensitive information is obtained could cause Farmer Mac to experience prolonged operational interruption, damage to its reputation, material loss of business, legal liability, or increased costs from private data exposure, which could adversely affect Farmer Mac's business, operating results, or financial condition.

Farmer Mac depends on third-party vendors, including loan servicers, to protect confidential information from unauthorized access and dissemination, and these vendors' failure to do so could result in liability for Farmer Mac or damage Farmer Mac's reputation, which could have a negative effect on Farmer Mac's business, operating results, or financial condition.

Farmer Mac relies on third-party vendors, including loan servicers, to perform various functions for Farmer Mac. In the course of these activities, these vendors collect and have access to a variety of confidential or proprietary information, including information about the lenders that participate in Farmer Mac's lines of business and personal financial information about the borrowers with loans included in one of Farmer Mac's lines of business. Any unauthorized access to a vendor's information systems and networks by third parties, including through computer viruses, malicious code, cyber attacks, or other information security breaches, could result in the misappropriation and unauthorized release of the confidential or proprietary information entrusted to Farmer Mac. Also, any vendor's employees or agents that have access to confidential or proprietary information could inadvertently disseminate the information to unauthorized third parties. Any unauthorized access to or dissemination of confidential or proprietary customer information could result in liability for Farmer Mac or damage Farmer Mac's reputation, either of which could have a negative effect on Farmer Mac's business, operating results, or financial condition.

If Farmer Mac's management of risk associated with its eligible loan assets and investment securities is not effective, its business, operating results, financial condition, and capital levels could be materially adversely affected.

Events in the financial markets since 2008 leading to heightened volatility and tightened liquidity and credit have challenged financial institutions, including Farmer Mac, to adapt and further develop profitability and risk management models adequate to address a wider range of possible market developments. Farmer Mac's techniques and strategies may not be effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that Farmer Mac fails to identify or anticipate. Some of Farmer Mac's qualitative tools and metrics for managing risk are based upon its use of observed historical market behavior. Farmer Mac applies statistical and other tools to these observations to quantify its risks. These tools and metrics may fail to predict future or unanticipated risk. Such failures could, for example, arise from factors Farmer Mac did not anticipate or correctly evaluate in its models. In addition, Farmer Mac's quantified modeling does not take into account all risks. Farmer Mac's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. The inability of Farmer Mac to effectively identify and manage the risks inherent in its business could have a material adverse effect on its business, operating results, financial condition, and capital levels.

The trading price for Farmer Mac's Class C non-voting common stock may be volatile due to market influences, trading volume, or the effects of equity awards for Farmer Mac's officers, directors, and employees.
The trading price of Farmer Mac's Class C non-voting common stock has at times experienced substantial price volatility and may continue to be volatile. For example, from January 2014 to December 2014, the closing price of the stock ranged from $26.40 per share to $35.82 per share. The trading price may

Table of Contents

fluctuate in response to various factors, including short sales, hedging, or stock market influences in general that are unrelated to Farmer Mac's operating performance. In addition, as a component of compensation for officers, directors, and employees, Farmer Mac typically grants equity awards each year that are based on the Class C non-voting common stock, including stock appreciation rights and restricted stock that vest over time or upon the achievement of specified performance goals. Sales of stock acquired upon vesting or the exercise of equity awards by Farmer Mac's officers, directors, or employees, whether pursuant to an established trading plan or otherwise, could adversely affect the trading price of Farmer Mac's Class C non-voting common stock. These factors may be exacerbated during periods of low trading volume for Farmer Mac's Class C non-voting common stock, which averaged approximately 32,000 shares daily during 2014, and may have a prolonged negative effect on its trading price or increase price volatility.

Farmer Mac's efforts to pursue its Congressional mission of providing a secondary market for loans made to borrowers in rural America may adversely affect its business, operating results, and financial condition.

Congress created Farmer Mac to provide for a secondary market for agricultural mortgage loans, loans to rural utilities cooperatives, and the guaranteed portions of USDA-guaranteed loans. In pursuing this mission, Farmer Mac's secondary market activities are designed to:

- increase the availability of long-term credit to rural borrowers at stable interest rates;
- provide greater liquidity and lending capacity in extending credit to rural borrowers; and
- provide an arrangement for new lending by facilitating capital market investments in long-term funding for rural borrowers, including funds at fixed rates of interest.

Although Farmer Mac strives to undertake its mission-related activities in a manner consistent with providing a positive return to Farmer Mac's stockholders, it is possible that these activities may contribute to a lower return to stockholders than if Farmer Mac's sole purpose were to maximize stockholder value. In addition, it is possible that the entities that regulate Farmer Mac could seek to alter Farmer Mac's mission-related activities in the future or place limits on its liquidity investments that provide liquidity for Farmer Mac's mission-related activities. If this were to happen, and Farmer Mac were required to undertake activities involving greater risk to satisfy its Congressional mission, Farmer Mac's business, operating results, and financial condition could be adversely affected.

A few stockholders who own large amounts of Farmer Mac voting common stock may seek to influence Farmer Mac's business, strategy, or board composition, and the interests of these stockholders may differ from the interests of Farmer Mac or other holders of Farmer Mac's common stock.

The ownership of Farmer Mac's two classes of voting common stock is currently concentrated in a small number of institutions. Approximately 44 percent of Farmer Mac's Class A voting common stock is held by three financial institutions, with 31 percent held by one institution. Approximately 97 percent of Farmer Mac's Class B voting common stock is held by five FCS institutions (two of which are related to each other through a parent-subsidiary relationship). Three of those five FCS institutions may be deemed to have entered into a voting arrangement regarding the election of directors to Farmer Mac's board of directors.

Many holders of Farmer Mac's voting common stock are rural lenders that may compete directly with each other. At times, some of these voting stockholders may also view Farmer Mac as an indirect competitor because Farmer Mac's secondary market activities often provide attractive funding and effective risk management tools that help many lenders compete in the origination of eligible rural loans. As long as Farmer

Table of Contents

Mac's Class A and Class B voting common stock is highly concentrated in a small number of institutions, there is the potential that these institutions will seek to influence Farmer Mac's business, strategy, or board composition in a way that may not be in the best interests of either Farmer Mac or all other stockholders. Furthermore, the interests of the holders of Farmer Mac's Class A and Class B voting common stock may not be fully aligned with each other or the interests of Farmer Mac's Class C non-voting common stockholders, and this could lead to a strategy that is not in the best interests of Farmer Mac or all of its stockholders. The holders of Farmer Mac's Class A voting common stock and the holders of Farmer Mac's Class B voting common stock each have the right to elect one third of the membership of Farmer Mac's Board. Accordingly, each of these stockholder classes has the potential to significantly influence Farmer Mac's business and strategy in a manner that may not be in the best interests of all stockholders.
Any of the risks described in this section could materially and adversely affect Farmer Mac's business, operating results, financial condition, capital levels, and future earnings. For additional discussion about Farmer Mac's risk management, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" in Item 7 of this Annual Report on Form 10-K.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Farmer Mac maintains its principal office at 1999 K Street, N.W., 4th Floor, Washington, D.C. 20006, under the terms of a sublease that began on October 1, 2011 and ends on August 30, 2024. Farmer Mac also maintains an office located at 5408 NW 88th Street, Suite 120, Johnston, Iowa 50131, under the terms of a lease that began on July 1, 2013 and ends on June 30, 2018. Farmer Mac's offices are suitable and adequate for its current and currently anticipated needs.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

(a)Farmer Mac has three classes of common stock outstanding: Class A voting common stock, Class B voting common stock, and Class C non-voting common stock. Ownership of Class A voting common stock is restricted to banks, insurance companies, and other financial institutions or similar entities that are not institutions of the FCS. Ownership of Class B voting common stock is restricted to institutions of the FCS. There are no ownership restrictions on the Class C non-voting common stock. Under the terms of the original public offering of the Class A and Class B voting common stock, Farmer Mac reserved the right to redeem at book value any shares of either class held by an ineligible holder.

56

Farmer Mac's Class A voting common stock and Class C non-voting common stock are listed on the New York Stock Exchange under the symbols AGM.A and AGM, respectively. The Class B voting common stock, which has a limited market and trades infrequently, is not listed or quoted on any exchange or other quotation system, and Farmer Mac is not aware of any publicly available quotations or prices for that class of common stock.

As of March 2, 2015, there were 1,008 registered owners of the Class A voting common stock, 77 registered owners of the Class B voting common stock, and 941 registered owners of the Class C non-voting common stock.

The information below represents the high and low closing sales prices for shares of both the Class A and Class C common stock for the periods indicated below, as reported by the New York Stock Exchange:

| | Sales Prices | | | |
|---|---|---|---|---|
| | Class A Stock | | Class C Stock | |
| | High | Low | High | Low |
| | (per share) | | | |
| 2015 | | | | |
| First quarter (through March 2, 2015) | $26.75 | $19.64 | $32.80 | $26.43 |
| 2014 | | | | |
| Fourth quarter | $24.98 | $20.03 | $33.82 | $26.40 |
| Third quarter | 26.50 | 22.75 | 33.75 | 28.34 |
| Second quarter | 28.50 | 22.60 | 35.82 | 29.52 |
| First quarter | 28.55 | 22.41 | 33.37 | 29.36 |
| 2013 | | | | |
| Fourth quarter | $32.33 | $26.49 | $36.04 | $32.78 |
| Third quarter | 32.50 | 25.98 | 35.65 | 29.04 |
| Second quarter | 27.75 | 21.80 | 32.19 | 26.96 |
| First quarter | 29.50 | 23.36 | 37.72 | 30.79 |

The dividend rights of all three classes of Farmer Mac's common stock are the same, and dividends may be paid on common stock only when, as, and if declared by Farmer Mac's board of directors in its sole discretion, subject to compliance with applicable capital requirements and payment of dividends on any outstanding preferred stock. On February 2, 2012, Farmer Mac's board of directors declared a quarterly dividend of $0.10 per share on Farmer Mac's common stock payable for first quarter 2012. That dividend rate was paid quarterly through fourth quarter 2012. On February 6, 2013, Farmer Mac's board of directors declared a quarterly dividend of $0.12 per share on Farmer Mac's common stock payable for first quarter 2013. That dividend rate was paid quarterly through fourth quarter 2013. On February 6, 2014, Farmer Mac's board of directors declared a quarterly dividend of $0.14 per share on Farmer Mac's common stock payable for first quarter 2014. That dividend rate was paid quarterly through fourth quarter 2014. On February 5, 2015, Farmer Mac's board of directors declared a quarterly dividend of $0.16 per share on Farmer Mac's common stock payable on March 31, 2015.

Farmer Mac expects to continue to pay comparable quarterly cash dividends for the foreseeable future, subject to the outlook and indicated capital needs of Farmer Mac and the determination of the board of directors. Farmer Mac's ability to pay dividends on its common stock is subject to the payment of dividends on its outstanding preferred stock. Farmer Mac's ability to declare and pay dividends could also be restricted if it were to fail to comply with applicable capital requirements. See "Business—Government Regulation of Farmer Mac—Regulation—Capital Standards." In addition, applicable FCA regulations require Farmer Mac to provide FCA with 15 days' advance notice of certain capital distributions.

Information about securities authorized for issuance under Farmer Mac's equity compensation plans appears under "Equity Compensation Plans" in Farmer Mac's definitive proxy statement to be filed on or about April 24, 2015. That portion of the definitive proxy statement is incorporated by reference into this Annual Report on Form 10-K.

Farmer Mac is a federally chartered instrumentality of the United States, and its common stock is exempt from registration under Section 3(a)(2) of the Securities Act. Two types of transactions related to Farmer Mac's common stock occurred during fourth quarter 2014 that were not registered under the Securities Act and not otherwise reported on a Current Report on Form 8-K:

- On October 3, 2014, pursuant to Farmer Mac's policy that permits directors of Farmer Mac to elect to receive shares of Class C non-voting common stock in lieu of their cash retainers, Farmer Mac issued an aggregate of 118 shares of its Class C non-voting common stock to the three directors who elected to receive such stock in lieu of a portion of their cash retainers. The number of shares issued to the directors was calculated based on a price of $32.14 per share, which was the closing price of the Class C non-voting common stock on September 30, 2014, the last business day of the third quarter, as reported by the New York Stock Exchange.

- On December 1, 2014, Farmer Mac granted stock appreciation rights related to 2,000 shares of Class C non-voting common stock under Farmer Mac's 2008 Omnibus Incentive Plan. Those stock appreciation rights were granted to one employee as incentive compensation, have an exercise price of $29.37 per share, and will "cliff" vest on November 30, 2017.

Performance Graph. The following graph compares the performance of Farmer Mac's Class A voting common stock and Class C non-voting common stock with the performance of the New York Stock Exchange Composite Index (the "NYSE Comp") and the Standard & Poor's 500 Diversified Financials Index (the "S&P 500 Div Fin") over the period from December 31, 2009 to December 31, 2014. The graph assumes that $100 was invested on December 31, 2009 in each of: Farmer Mac's Class A voting common stock; Farmer Mac's Class C non-voting common stock; the NYSE Comp; and the S&P 500 Div Fin. The graph also assumes that all dividends were reinvested into the same securities throughout the past five years. Farmer Mac obtained the information contained in the performance graph from SNL Financial.

This performance graph shall not be deemed to be "soliciting material" or to be "filed" with the SEC, and this performance graph shall not be incorporated by reference into any of Farmer Mac's filings under the Securities Act or the Securities Exchange Act of 1934 and related regulations, or any other document, whether made before or after the date of this report and irrespective of any general incorporation language contained in a filing or document (except to the extent Farmer Mac specifically incorporates this section by reference into a filing or document).

(b) Not applicable.

(c) Farmer Mac did not repurchase any shares of its common stock during 2014, 2013, or 2012.

Table of Contents

Item 6. Selected Financial Data

The selected consolidated financial data presented below is summarized from Farmer Mac's consolidated balance sheet data as of December 31, 2014 and the five-year period then ended, as well as selected results of operations data for the five-year period then ended. This data should be reviewed in conjunction with the audited consolidated financial statements and related notes and with "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report on Form 10-K.

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| Summary of Financial Condition: | 2014 | 2013 | 2012 | 2011 | 2010 |
| | (dollars in thousands) | | | | |
| Cash and cash equivalents | $1,363,387 | $749,313 | $785,564 | $817,046 | $729,920 |
| Investment securities | 1,939,188 | 2,484,075 | 2,499,629 | 2,184,490 | 1,763,329 |
| Farmer Mac Guaranteed Securities | 5,453,901 | 5,091,600 | 4,766,258 | 4,289,272 | 2,907,264 |
| USDA Securities | 1,771,532 | 1,612,013 | 1,590,783 | 1,491,905 | 1,317,444 |
| Loans, net | 3,520,075 | 3,193,248 | 2,729,774 | 2,894,156 | 2,558,599 |
| Total assets | 14,287,821 | 13,361,780 | 12,622,201 | 11,883,508 | 9,479,914 |
| Notes payable: | | | | | |
| Due within one year | 7,353,953 | 7,338,781 | 6,567,366 | 6,087,879 | 4,509,419 |
| Due after one year | 5,471,186 | 5,001,169 | 5,034,739 | 4,104,882 | 3,430,656 |
| Total liabilities | 13,505,992 | 12,787,311 | 12,029,239 | 11,328,975 | 9,001,037 |
| Stockholders' equity | 545,801 | 332,616 | 351,109 | 312,680 | 237,024 |
| Non-controlling interest - preferred stock | 236,028 | 241,853 | 241,853 | 241,853 | 241,853 |
| Capital: | | | | | |
| Statutory minimum capital requirement | $421,328 | $398,531 | $374,037 | $348,649 | $300,996 |
| Core capital | 766,296 | 590,671 | 518,993 | 475,163 | 460,602 |
| Capital in excess of minimum capital requirement | 344,968 | 192,140 | 144,956 | 126,514 | 159,606 |
| Selected Financial Ratios: | | | | | |
| Return on average assets (1) | 0.28 % | 0.55 % | 0.36 % | 0.13 % | 0.28 % |
| Return on average common equity (2) | 12.43 % | 25.30 % | 16.00 % | 6.34 % | 13.88 % |
| Average equity to assets (3) | 3.18 % | 2.63 % | 2.71 % | 2.57 % | 2.77 % |
| Average total equity to assets (4) | 4.91 % | 4.49 % | 4.68 % | 4.84 % | 5.25 % |

(1) Calculated as net income attributable to common stockholders divided by the simple average of beginning and ending total assets.

(2) Calculated as net income attributable to common stockholders divided by the simple average of beginning and ending stockholders' equity, net of preferred stock, at redemption value.

(3) Calculated as the simple average of beginning and ending stockholders' equity divided by the simple average of beginning and ending total assets.

(4) Calculated as the simple average of beginning and ending stockholders' equity and non-controlling interest - preferred stock divided by the simple average of beginning and ending total assets.

Table of Contents

| Summary of Operations: | For the Year Ended December 31, 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | (in thousands, except per share amounts) | | | | |
| Interest Income: | | | | | |
| Net interest income after provision for loan losses | $60,815 | $98,603 | $118,289 | $120,695 | $94,150 |
| Non-interest income: | | | | | |
| Guarantee and commitment fees | 25,187 | 26,958 | 24,963 | 24,821 | 24,091 |
| Gains/(losses) on financial derivatives, hedging activities and trading assets | 16,983 | 30,945 | (19,522) | (89,190) | (11,889) |
| (Losses)/gains on asset sales and debt repurchases | (238) | 3,575 | 18 | 269 | 266 |
| Gains on the sale of real estate owned | 137 | 1,236 | 878 | 974 | 10 |
| Lower of cost or fair value adjustment on loans held for sale | — | — | (5,943) | 8,887 | (8,748) |
| Other income | 1,714 | 3,057 | 3,341 | 6,850 | 1,244 |
| Non-interest income/(loss) | 43,783 | 65,771 | 3,735 | (47,389) | 4,974 |
| Non-interest expense | 31,492 | 33,107 | 30,908 | 28,659 | 32,627 |
| Income before income taxes | 73,106 | 131,267 | 91,116 | 44,647 | 66,497 |
| Income tax expense | 2,824 | 33,752 | 22,156 | 5,797 | 13,797 |
| Net income | 70,282 | 97,515 | 68,960 | 38,850 | 52,700 |
| Less: Net income attributable to non-controlling interest - preferred stock dividends | (22,192) | (22,187) | (22,187) | (22,187) | (20,707) |
| Preferred stock dividends | (9,839) | (3,495) | (2,879) | (2,879) | (4,129) |
| Loss on retirement of preferred stock | — | — | — | — | (5,784) |
| Net income attributable to common stockholders | $38,251 | $71,833 | $43,894 | $13,784 | $22,080 |
| Allowance for Losses Activity: | | | | | |
| (Release of)/provision for losses | $(3,166) | $448 | $1,875 | $(2,347) | $4,310 |
| Net charge-offs/(recoveries) | 41 | 4,004 | 2,501 | 252 | (1,618) |
| Ending balance | 10,127 | 13,334 | 16,890 | 17,516 | 20,115 |
| Earnings Per Common Share and Dividends: | | | | | |
| Basic earnings per common share | $3.50 | $6.64 | $4.19 | $1.32 | $2.16 |
| Diluted earnings per common share | 3.37 | 6.41 | 3.98 | 1.28 | 2.08 |
| Common stock dividends per common share | 0.56 | 0.48 | 0.40 | 0.20 | 0.20 |

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial information included in this report is consolidated to include the accounts of Farmer Mac and its three subsidiaries – Farmer Mac Mortgage Securities Corporation, Farmer Mac II LLC, and Contour Valuation Services, LLC. This discussion and analysis of financial condition and results of operations should be read together with Farmer Mac's consolidated financial statements and the related notes to the consolidated financial statements for the fiscal years ended December 31, 2014, 2013, and 2012.

### Overview

Farmer Mac increased its outstanding business volume by 5 percent during 2014 to $14.6 billion as of December 31, 2014, including a net increase of $592.9 million during fourth quarter 2014. Farmer Mac maintained its high asset quality throughout 2014 and credit performance metrics improved from already favorable levels throughout the year, resulting in a decline in 90-day delinquencies to 0.35 percent of the Farm & Ranch portfolio at year end. Consistent with the trend over the past several years, Farmer Mac increased the quarterly dividend on its common stock for first quarter 2015, the fourth consecutive year of dividend increases, supported by Farmer Mac's earnings and capital position. As part of a capital structure

61

Table of Contents

initiative described below, Farmer Mac enhanced its Tier 1 capital position by issuing a total of $150.0 million of preferred stock during the first half of 2014. Farmer Mac II LLC intends to redeem all of the outstanding Farmer Mac II LLC Preferred Stock on March 30, 2015, the initial redemption date for those securities, which will trigger a redemption of all outstanding FALConS securities on the same day.

The cash management and liquidity initiative implemented during 2014 enabled Farmer Mac to be accepted as a counterparty to the Federal Reserve's reverse repurchase facility in January 2015 and also resulted in Farmer Mac recognizing $13.0 million in total tax benefits for the year. After netting the related incremental after-tax financing costs over the term of the initiative with the tax benefits recognized during the year, Farmer Mac's full-year, net economic benefit of the cash management and liquidity initiative was $11.4 million in 2014. For more information about the cash management and liquidity initiative and its effect on interest expense, realized trading gains, and tax benefits, see "—Cash Management and Liquidity Initiative."

Net Income and Core Earnings

Farmer Mac's net income attributable to common stockholders for 2014 was $38.3 million, compared to $71.8 million and $43.9 million, respectively, for 2013 and 2012. The decrease compared to the previous years was mostly attributable to the effects of unrealized fair value changes on financial derivatives and hedged assets, which was a $6.5 million after-tax loss in 2014, compared to a $29.4 million after-tax gain in 2013, and a $4.3 million after-tax gain in 2012. Also contributing to the decrease in 2014 compared to 2013 and 2012 was an increase in preferred stock dividend payments of $6.3 million. The higher preferred stock dividend payments related to the issuances of Series B Preferred Stock during first quarter 2014 and the issuance of Series C Preferred Stock during second quarter 2014, which were issued as part of Farmer Mac's capital structure initiative in advance of the time they were needed to fund the redemption of Farmer Mac II LLC Preferred Stock in March 2015. The decrease was offset in part by the decrease in income tax expense that was primarily attributable to an increase in the recognition of tax benefits from applying capital loss carryforwards to capital gains, which primarily resulted from the cash management and liquidity initiative in 2014 and the recognition of other capital gains within the investment portfolio. The total tax benefit was $13.5 million in 2014 compared to $2.7 million in 2013.

Farmer Mac's non-GAAP core earnings for 2014 were $53.0 million, compared to $54.9 million in 2013 and $49.6 million in 2012. The following table provides a reconciliation of GAAP net income attributable to common stockholders to core earnings. The table also includes an additional presentation that excludes from core earnings the effects of two short-term initiatives implemented in 2014: (1) the cash management and liquidity initiative; and (2) a capital structure initiative under which Farmer Mac reduced its risk by taking advantage of favorable market conditions to issue preferred stock in advance of the time it was needed to fund the planned March 30, 2015 redemption of all outstanding Farmer Mac II LLC Preferred Stock (presented as "Non-controlling interest - preferred stock" within equity on Farmer Mac's consolidated balance sheets). When removing the effects of these two initiatives from core earnings, the resulting amount for 2014 was $47.9 million, compared to $54.9 million in 2013 and $49.6 million in 2012. For more information about the composition of core earnings and core earnings excluding indicated items, see "—Results of Operations."

Table of Contents

Table 1
Reconciliation of Net Income Attributable to Common Stockholders to Core Earnings and Core Earnings Excluding Indicated Items

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| Net income attributable to common stockholders | $38,251 | $71,833 | $43,894 |
| Less the after-tax effects of: | | | |
| Unrealized (losses)/gains on financial derivatives and hedging activities | (6,480) | 29,368 | 4,325 |
| Gains/(losses) on trading assets | 1,038 | (533) | 200 |
| Amortization of premiums/discounts and deferred gains on assets consolidated at fair value | (9,457) | (12,467) | (7,266) |
| Net effects of settlements on agency forward contracts | 103 | 573 | 856 |
| Lower of cost or fair value adjustment on loans held for sale | — | — | (3,863) |
| Sub-total | (14,796) | 16,941 | (5,748) |
| Core earnings | $53,047 | $54,892 | $49,642 |
| | | | |
| Less the after-tax effects of: | | | |
| Cash Management and Liquidity Initiative: | | | |
| Realized gains on securities sold, not yet purchased | 24,070 | — | — |
| Interest expense related to securities purchased under agreements to resell and securities sold, not yet purchased | (25,595) | — | — |
| Tax benefits related to cash management and liquidity initiative | 12,961 | — | — |
| Sub-total | 11,436 | — | — |
| Capital Structure Initiative: | | | |
| Net increase in preferred dividends due to pre-funding of preferred stock issuances in advance of calling Farmer Mac II LLC Preferred Stock (1) | (6,318) | — | — |
| Core earnings excluding indicated items | $47,929 | $54,892 | $49,642 |

(1) Amounts for 2014 reflect the changes from Farmer Mac's capital structure as of December 31, 2013, which consisted of $60.0 million of Series A Preferred Stock and $250.0 million of Farmer Mac II LLC Preferred Stock, in addition to common stock, additional paid-in capital, accumulated other comprehensive income, and retained earnings. The capital structure effects of pre-funding include issuances of $75.0 million of Series B Preferred Stock on March 25, 2014 and $75.0 million of Series C Preferred Stock on June 20, 2014 and the purchase of $6.0 million of FALConS from certain holders on May 14, 2014.

Table of Contents

The table below analyzes the performance of Farmer Mac's underlying business apart from the effects of the two initiatives.

Table 2
Year to Year Changes in Core Earnings Excluding Indicated Items

| | Changes from 2013 to 2014 | Changes from 2012 to 2013 |
|---|---|---|
| | (in thousands) | |
| Previous respective year's core earnings excluding indicated items | $54,892 | $49,642 |
| Changes in after-tax effects of: | | |
| Net effective spread | (1,333) | (849) |
| Net credit related income (1) | 1,838 | 972 |
| Guarantee and commitment fees | (422) | 845 |
| Gains on sale of available-for-sale investment securities and gains on repurchase of debt | (2,479) | 2,312 |
| Operating expenses | (1,191) | 543 |
| Other tax benefits | (2,112) | 2,698 |
| Other components (2) | (1,264) | (1,271) |
| Sub-total | (6,963) | 5,250 |
| Core earnings excluding indicated items for the years ended December 31, 2014 and 2013 | $47,929 | $54,892 |

(1) The change in net credit related income was primarily attributable to the after-tax difference between the net release from/provision for the allowance for losses, which was a $2.1 million after-tax release in 2014, $0.3 million after-tax provision in 2013, and $1.2 million after-tax provision in 2012.
(2) Represents other income, hedging costs, and other miscellaneous items.

The decrease in core earnings excluding indicated items in 2014 relative to 2013 was due in large part to several unique items that decreased net effective spread, gains on available-for-sale investment securities and gains on repurchase of debt, and other tax benefits, as well as an increase in operating expenses. The decrease in gains on sale of available-for-sale investment securities and gains on repurchase of debt was a result of a $2.0 million after-tax gain from the sale of a single investment security in 2013 on which Farmer Mac also realized tax benefits of $1.1 million, as well as a $1.0 million after-tax gain from the repurchase of debt, neither of which recurred in 2014. The reduction in other tax benefits was a result of a $2.1 million recognition of tax benefits from applying capital loss carryforwards to capital gains recognized on investment securities in 2013, compared to $0.9 million of similar tax benefits in 2014. The increase in operating expenses in 2014 compared to 2013 was primarily attributable to an increase in compensation expense and other costs related to corporate initiatives. For additional information on year-to-year changes in core earnings and core earnings excluding indicated items, see "—Results of Operations."

Farmer Mac's net effective spread was $103.2 million (83 basis points) in 2014, compared to $105.3 million (86 basis points) in 2013 and $106.6 million (95 basis points) in 2012. The decrease in net effective spread in 2014 compared to 2013 and 2012 is primarily attributable to the loss of $2.1 million in preferred dividend income (2 basis points) resulting from the October 2014 redemption of CoBank preferred stock. The reduction in net effective spread in 2014 and 2013 compared to 2012 was attributable to the effects of double financing of certain assets and repayments of existing investment securities and Farm & Ranch loans with higher spreads relative to the new securities and loans added throughout 2013 and 2014. The double financing resulted from the early recasting of certain rural utilities loans and the early refinancing of maturing AgVantage securities during first quarter 2014 and fourth quarter 2013, which led to a $1.3 million decrease (1 basis point) in net effective spread in 2014 and a $0.7 million decrease (1 basis point) in 2013. The original funding for those recast and refinanced assets matured at the end of first quarter 2014. In the absence of the redemption of the CoBank preferred stock and the

64

impact of the double financing, net effective spread in 2014 would have increased relative to 2013 as Farmer Mac increased its spreads on certain Farm & Ranch loan products in second quarter 2014 and also benefited from a decrease in the amount of unscheduled prepayments on the loans in its portfolio and the fact that new loans purchased in 2014 generally earned higher spreads than the spreads on the loans that did prepay during the year.

Business Volume

Farmer Mac added $2.8 billion of new business volume during 2014. The new business volume included purchases of AgVantage securities of $1.3 billion, Farm & Ranch loan purchases of $697.8 million, Farm & Ranch LTSPCs of $369.9 million, and USDA Securities purchases of $335.4 million. Taking into account maturities and paydowns on existing assets, Farmer Mac's outstanding business volume was $14.6 billion as of December 31, 2014, an increase of $647.4 million from December 31, 2013 and an increase of $1.6 billion compared to December 31, 2012.

Capital

As of December 31, 2014, Farmer Mac's core capital level was $766.3 million, $345.0 million above the minimum capital level required by Farmer Mac's charter.  As of December 31, 2013, Farmer Mac's core capital level was $590.7 million, which was $192.2 million above the minimum capital requirement. Farmer Mac enhanced its Tier 1 capital position through issuances of the Series B Preferred Stock and the Series C Preferred Stock during the first half of 2014 and also increased its retained earnings in 2014. Based on this strengthened capital position and consistent with Farmer Mac's recapitalization plans, Farmer Mac intends to use the proceeds of the recent preferred stock offerings and cash on hand for Farmer Mac II LLC to redeem all of the outstanding Farmer Mac II LLC Preferred Stock on March 30, 2015, the initial redemption date for those securities, which will trigger a redemption of all outstanding FALConS on the same day. Farmer Mac does not currently anticipate that any further issuance of preferred stock will be needed to fund the planned redemption of the Farmer Mac II LLC Preferred Stock, which does not constitute a Tier 1 capital-eligible security.

Credit Quality

Farmer Mac continues to maintain very favorable credit metrics. During 2014, Farmer Mac reduced its allowance for losses by $3.2 million, primarily due to the continued decline in the balance of its ethanol portfolio resulting from loan maturities and prepayments, as well as a general improvement in the quality of the ethanol loans remaining in Farmer Mac's portfolio. As of December 31, 2014, Farmer Mac's 90-day delinquencies were $18.9 million (0.35 percent of the Farm & Ranch portfolio), down from $28.3 million (0.55 percent of the Farm & Ranch portfolio) as of December 31, 2013, and $33.3 million (0.70 percent of the Farm & Ranch portfolio) as of December 31, 2012.

Critical Accounting Policies and Estimates

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

Table of Contents

Allowance for Losses

Farmer Mac maintains an allowance for losses to cover estimated probable losses incurred as of the balance sheet date on loans held for investment ("allowance for loan losses") and loans that underlie off-balance sheet Farmer Mac Guaranteed Securities and LTSPCs ("reserve for losses") based on available information. For purposes of this accounting policy, the allowance for loan losses and the reserve for losses are described collectively as the "allowance for losses" because the estimation methodology is identical for loans that are held for investment and for loans that underlie off-balance sheet Farmer Mac Guaranteed Securities and LTSPCs. Disaggregation by commodity type is performed, where appropriate, in analyzing the need for an allowance for losses.

The allowance for loan losses is increased through periodic provisions for loan losses that are charged against net interest income and the reserve for losses is increased through provisions for losses that are charged to non-interest expense. Both the allowance for loan losses and reserve for losses are reduced by charge-offs for actual losses, net of recoveries. Charge-offs represent losses on the outstanding principal balance, any interest payments previously accrued or advanced, and expected costs of liquidation. Negative provisions, or releases of allowance for losses, are recorded in the event that the estimate of probable losses as of the end of a period is lower than the estimate at the beginning of the period.

The total allowance for losses consists of a general allowance for losses and a specific allowance for individually identified impaired loans.

General Allowance for Losses

Farm & Ranch

Farmer Mac's methodology for determining its general allowance for losses incorporates Farmer Mac's automated loan classification system. That system scores loans based on criteria such as historical repayment performance, indicators of current financial condition, loan seasoning, loan size, and loan-to-value ratio. For purposes of the loss allowance methodology, the loans in Farmer Mac's portfolio of loans and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs have been scored and classified for each calendar quarter since first quarter 2000. The allowance methodology captures the migration of loan scores across concurrent and overlapping three-year time horizons and calculates loss rates separately within each loan classification for (1) loans held for investment and (2) loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs. The calculated loss rates are applied to the current classification distribution of unimpaired loans in Farmer Mac's portfolio to estimate probable losses, based on the assumption that the historical credit losses and trends used to calculate loss rates will continue in the future. Management evaluates this assumption by taking into consideration various factors, including:

- economic conditions;
- geographic and agricultural commodity/product concentrations in the portfolio;
- the credit profile of the portfolio;
- delinquency trends of the portfolio;
- historical charge-off and recovery activities of the portfolio; and
- other factors to capture current portfolio trends and characteristics that differ from historical experience.

Table of Contents

Management believes that this methodology produces a reasonable estimate of probable losses, as of the balance sheet date, for all loans included in the Farm & Ranch line of business, including loans held for investment and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs.

Rural Utilities

Farmer Mac separately evaluates the rural utilities loans it holds for investment to estimate any probable losses inherent in those assets. Farmer Mac has not provided an allowance for losses for the portfolio segment related to the Rural Utilities program based on the credit quality of the collateral supporting rural utilities assets.

Specific Allowance for Impaired Loans

Farmer Mac individually analyzes certain loans in its portfolio for impairment. Farmer Mac's individually impaired loans generally include loans 90 days or more past due, in foreclosure, restructured, in bankruptcy, and certain performing loans that have previously been delinquent or are secured by real estate that produces agricultural commodities or products that are currently under stress.

For individually identified impaired loans with an updated appraisal, other updated collateral valuation, or management's estimate of discounted collateral value, this analysis compares the measurement of the fair value of the collateral to the total recorded investment in the loan. The total recorded investment in the loan includes principal, interest, and advances, net of any charge-offs. In the event that an individually analyzed loan's collateral value does not equal or exceed its total recorded investment, Farmer Mac provides a specific allowance for loss in the amount of the difference between the recorded investment and fair value, less estimated costs to liquidate the collateral. Estimated selling costs are based on historical selling costs incurred by Farmer Mac or management's best estimate of selling costs for a particular property. For individually identified impaired loans without updated valuations, this analysis is performed in the aggregate considering similar risk characteristics of the loans and historical statistics. Farmer Mac considers appraisals that are more than two years old as of the reporting date not to be updated for purposes of individually analyzing loans.

Farmer Mac uses a risk-based approach in determining the necessity of obtaining updated appraisals on impaired loans. For example, larger exposures associated with highly improved and specialized collateral will generally receive updated appraisals once the loans are identified as impaired. In addition, updated appraisals are always obtained during the foreclosure process. Depending on the risk factors associated with the loan and underlying collateral, which can vary widely depending on the circumstances of the loan and collateral, this can occur early in the foreclosure process, while in other instances this may occur just prior to the transfer of title. As part of its routine credit review process, Farmer Mac often will exercise judgment in discounting an appraised value due to local real estate trends or the condition of the property (e.g., following an inspection by Farmer Mac or the servicer). In addition, a property's appraised value may be discounted based on the market's reaction to Farmer Mac's asking price for sale of the property.

Further information regarding the allowance for losses is included in "—Risk Management—Credit Risk – Loans and Guarantees" and Note 2(j) to the consolidated financial statements.

Table of Contents

Fair Value Measurement

A significant portion of Farmer Mac's assets consists of financial instruments that are measured at fair value in the consolidated balance sheets. For financial instruments that are complex in nature or for which observable inputs are not available, the measurement of fair value requires management to make significant judgments and assumptions. These judgments and assumptions, as well as changes in market conditions, may have a material impact on the consolidated balance sheets and statements of operations.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price) and establishes a hierarchy for ranking fair value measurements. In determining fair value, Farmer Mac uses various valuation approaches, including market and income approaches. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. When available, the fair value of Farmer Mac's financial instruments is based on quoted market prices, valuation techniques that use observable market-based inputs, or unobservable inputs that are corroborated by market data. Pricing information obtained from third parties is internally validated for reasonableness prior to use in the consolidated financial statements.

When observable market prices are not readily available, Farmer Mac estimates fair value using techniques that rely on alternate market data or internally developed models using significant inputs that are generally less readily observable. Market data includes prices of financial instruments with similar maturities and characteristics, interest rate yield curves, measures of volatility, and prepayment rates. If market data needed to estimate fair value is not available, Farmer Mac estimates fair value using internally-developed models that employ a discounted cash flow approach. Even when market assumptions are not readily available, Farmer Mac's assumptions reflect those that market participants would likely use in pricing the asset or liability at the measurement date.

Farmer Mac's assets and liabilities presented at fair value in the consolidated balance sheets on a recurring basis include investment securities, Farmer Mac Guaranteed Securities, USDA Securities, and financial derivatives. The changes in fair value from period to period are recorded either in the consolidated statements of comprehensive income as other comprehensive (loss)/income, net of tax or in the consolidated statements of operations as gains/(losses) on financial derivatives and hedging activities or gains/(losses) on trading assets.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The hierarchy has the following three levels to classify fair value measurements:

| | |
|---|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. |
| Level 2 | Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. |
| Level 3 | Prices or valuations that require unobservable inputs that are significant to the fair value measurement. |

As of December 31, 2014, Farmer Mac's assets and liabilities recorded at fair value included financial instruments valued at $5.5 billion whose fair values were estimated by management in the absence of

Table of Contents

readily determinable fair values (i.e., level 3). These financial instruments measured as level 3 represented 38 percent of total assets and 73 percent of financial instruments measured at fair value as of December 31, 2014.

Assets underlying (or, in the case of USDA Securities, consisting of) these financial instruments measured as level 3 primarily include the following:

| Type of Financial Instrument | Underlying Assets |
|---|---|
| AgVantage Securities | General obligations of various issuers that are secured by agricultural real estate loans or rural utilities loans eligible under the Farm & Ranch or Rural Utilities lines of business, as applicable. |
| Farmer Mac Guaranteed USDA Securities | Portions of loans guaranteed by the USDA pursuant to the Consolidated Farm Rural Development Act. |
| USDA Securities | Portions of loans guaranteed by the USDA pursuant to the Consolidated Farm Rural Development Act. |
| Auction-rate certificates ("ARCs") | Guaranteed student loans that are backed by the full faith and credit of the United States. |

See Note 13 to the consolidated financial statements for more information about fair value measurement.

Cash Management and Liquidity Initiative

Farmer Mac implemented a cash management and liquidity initiative in second quarter 2014 to diversify its short term investment alternatives and position itself for eligibility to participate in the fixed-rate, full-allotment overnight reverse repurchase facility (the “RRP Facility”) of the Federal Reserve Bank of New York. Effective January 16, 2015, the Federal Reserve Bank of New York accepted Farmer Mac as a counterparty in the RRP Facility. Approved participants in the RRP Facility are eligible to make short-term loans to the Federal Reserve secured by U.S. Treasury securities by entering into repurchase ("repo") transactions with the Federal Reserve’s trading desk. Farmer Mac believes that participation in the RRP Facility will provide Farmer Mac with key benefits, including:

- diversifying Farmer Mac’s short-term investment alternatives by providing a cost-effective alternative to other sources of short-term investments that can be used in significant size and that is likely to be available even in times of stress in the financial markets; and
- reducing Farmer Mac’s counterparty risk compared to the typical commercial counterparty risk inherent in similar transactions with non-governmental entities.

This initiative involved establishing a significant term repo investment, as well as an associated financing liability of securities sold, not yet purchased. As of December 31, 2014, Farmer Mac had closed these term repo asset and related financing liability positions. For 2014, Farmer Mac incurred a total of $39.4 million in interest expense related to the financing costs of this initiative and realized $37.0 million of gains from the securities sold, not yet purchased. The initiative produced a $13.0 million tax benefit as of December 31, 2014 from capital loss carryforwards that previously had a full valuation allowance against them, which was recorded as a reduction to income tax expense in 2014. Farmer Mac's full-year, net

Table of Contents

economic benefit of the cash management and liquidity initiative was $11.4 million in 2014, after netting the related incremental after-tax net financing costs over the term of the initiative with the tax benefit recognized in 2014. The interest expense, realized fair value changes, and the tax benefits of this initiative are included as part of core earnings, just as the investment portfolio losses that generated the related capital loss carryforwards were included in core earnings when the losses occurred in 2008 and 2009. The interest expense is excluded from net effective spread because the associated benefit is not similarly recorded in net effective spread, but rather through tax benefits.

The reasons why Farmer Mac implemented the cash management and liquidity initiative to diversify its short term investment alternatives and position itself for eligibility to participate in the RRP Facility relate to the nature of Farmer Mac's liquidity investment portfolio and Farmer Mac's outlook for its future investments in money market funds. Farmer Mac typically maintains significant balances of cash and cash equivalents and historically has invested in government and prime money market funds as a way to hold portions of its cash equivalents in a cost-effective manner that would reduce the financing expense of its short-term investments. After considering the reform of money market fund regulations for several years, the SEC approved amendments to money market fund regulations in July 2014 that were substantially similar to those proposed in June 2013. Specifically, these new rules will require institutional prime money market funds to mark their shares to fair value each day and operate with a floating net asset value (NAV) and non-government money market funds to adopt liquidity fees and temporary suspensions of redemptions, known as “gates,” to reduce redemptions in times of stress in the financial markets. As a result of the SEC's 2013 proposal and subsequent adoption of the amendments to money market fund regulations, Farmer Mac determined that institutional prime money market funds and certain non-government money market funds would no longer be one of its best short-term investment alternatives and, as a result, is continuing to seek to diversify its short-term investment alternatives, recognizing that a floating NAV could raise significant operational implications related to the potential daily fluctuation in value and that the imposition of the proposed liquidity fees and gates could adversely affect liquidity at the time it was most needed. In particular, Farmer Mac expects that direct investments in repos, a form of collateralized lending, will be a central and growing component of its strategy for investing in short-term liquid assets. Repos are generally considered one of the safest and most liquid investment products, which is why they are categorized as a “Level 1” instrument for purposes of Farmer Mac’s liquidity regulations.

In consideration of the expected future importance to Farmer Mac of repo transactions, particularly if short-term interest rates increase, Farmer Mac enhanced its repo investment capabilities and the associated infrastructure during late 2013 and early 2014. Starting in second quarter 2014, Farmer Mac significantly increased the size of its repo investment activity as part of the cash management and liquidity initiative designed to better position Farmer Mac to apply for acceptance to participate in the RRP Facility. Farmer Mac submitted its application for the RRP Facility in November 2014 and was accepted as a counterparty in January 2015.

Segment Reporting

After an evaluation of Farmer Mac's overall portfolio of product offerings and reportable segments in accordance with applicable accounting guidance, Farmer Mac's management determined that Farmer Mac's operations consist of four reportable operating segments effective January 1, 2014 – Farm & Ranch, USDA Guarantees, Rural Utilities, and Institutional Credit. All prior period information has been recast to reflect the breakout of the Institutional Credit segment from both the Farm & Ranch and Rural Utilities

Table of Contents

segments. For more information on Farmer Mac's reportable business segments, see Note 14 to the consolidated financial statements.

Results of Operations

Farmer Mac's net income attributable to common stockholders for 2014 was $38.3 million, or $3.37 per diluted common share, compared to $71.8 million, or $6.41 per diluted common share, for 2013 and $43.9 million, or $3.98 per diluted common share, for 2012. Farmer Mac's non-GAAP core earnings for 2014 were $53.0 million, or $4.67 per diluted common share, compared to $54.9 million, or $4.90 per diluted common share, for 2013 and $49.6 million, or $4.51 per diluted common share, for 2012. Farmer Mac's non-GAAP core earnings excluding items related to the cash management and liquidity initiative and the capital structure initiative in 2014 were $47.9 million, or $4.22 per diluted common share.

Farmer Mac uses core earnings to measure corporate economic performance and develop financial plans because, in management's view, core earnings is a useful alternative measure in understanding Farmer Mac's economic performance, transaction economics, and business trends. Core earnings principally differs from net income attributable to common stockholders by excluding the effects of fair value accounting guidance, which are not expected to have a cumulative net impact on financial condition or results of operations reported in accordance with GAAP if the related financial instruments are held to maturity, as is generally expected. Core earnings also differs from net income attributable to common stockholders by excluding specified infrequent or unusual transactions that Farmer Mac believes are not indicative of future operating results and that may not reflect the trends and economic financial performance of Farmer Mac's core business. Although the interest expense, realized gains, and tax benefits for 2014 related to the cash management and liquidity initiative are not expected to significantly affect Farmer Mac's earnings beyond 2014, these items are included as part of core earnings because they reflect Farmer Mac's economic financial performance and significantly contribute to cash profitability and retained earnings while the initiative is in effect. The inclusion of the effects of the cash management and liquidity initiative in core earnings is also consistent with the inclusion in core earnings of the investment portfolio losses recognized in 2008 and 2009 that generated the capital loss carryforwards related to the tax benefits recognized in 2014.

In management's view, core earnings excluding items related to the cash management and liquidity initiative and the capital structure initiative is another useful alternative measure in understanding Farmer Mac's profitability because the measure excludes these short-term initiatives that are not expected to significantly affect Farmer Mac's financial performance beyond 2014. Farmer Mac believes that this alternative measure facilitates useful comparisons of financial performance between 2014 and to prior years when these initiatives were not in effect and therefore had no effect on Farmer Mac's financial performance. Core earnings excluding the indicated items principally differs from net income attributable to common stockholders by excluding the items discussed above that are also excluded from core earnings (primarily the effects of fair value accounting guidance and specified transactions that may not reflect Farmer Mac's economic financial performance) and then also excluding the effects of the cash management and liquidity initiative and the capital structure initiative.

These non-GAAP financial measures may not be comparable to similarly labeled non-GAAP financial measures disclosed by other companies. Farmer Mac's disclosure of these non-GAAP measures is intended to be supplemental in nature, and is not meant to be considered in isolation from, as a substitute for, or as more important than, the related financial information prepared in accordance with GAAP.

Table of Contents

A reconciliation of Farmer Mac's net income attributable to common stockholders to core earnings is presented in the following table along with a breakdown of the composition of core earnings:

Table 3
Reconciliation of Net Income Attributable to Common Stockholders to Core Earnings

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands, except per share amounts) | | |
| Net income attributable to common stockholders | $38,251 | $71,833 | $43,894 |
| Less the after-tax effects of: | | | |
| Unrealized (losses)/gains on financial derivatives and hedging activities | (6,480) | 29,368 | 4,325 |
| Gains/(losses) on trading assets (1) | 1,038 | (533) | 200 |
| Amortization of premiums and deferred gains on assets consolidated at fair value (2) | (9,457) | (12,467) | (7,266) |
| Net effect of settlements on agency forward contracts | 103 | 573 | 856 |
| Lower of cost or fair value adjustment on loans held for sale | — | — | (3,863) |
| Sub-total | (14,796) | 16,941 | (5,748) |
| Core earnings | $53,047 | $54,892 | $49,642 |
| | | | |
| Composition of Core Earnings: | | | |
| Revenues: | | | |
| Net effective spread | $103,200 | $105,251 | 106,557 |
| Guarantee and commitment fees | 27,273 | 27,922 | 26,622 |
| Other (3) | (4,216) | 3,421 | 501 |
| Total revenues | 126,257 | 136,594 | 133,680 |
| | | | |
| Credit related expenses: | | | |
| (Release of)/provision for losses | (3,166) | 448 | 1,875 |
| REO operating expenses | 110 | 423 | 134 |
| Gains on sale of REO | (137) | (1,236) | (878) |
| Total credit related income | (3,193) | (365) | 1,131 |
| | | | |
| Operating expenses: | | | |
| Compensation and employee benefits | 19,009 | 17,817 | 19,186 |
| General and administrative | 12,197 | 11,563 | 11,123 |
| Regulatory fees | 2,381 | 2,375 | 2,281 |
| Total operating expenses | 33,587 | 31,755 | 32,590 |
| | | | |
| Net earnings | 95,863 | 105,204 | 99,959 |
| Income tax expense (4) | 10,785 | 24,630 | 25,251 |
| Non-controlling interest | 22,192 | 22,187 | 22,187 |
| Preferred stock dividends | 9,839 | 3,495 | 2,879 |
| Core earnings | $53,047 | $54,892 | $49,642 |
| | | | |
| Core earnings per share: | | | |
| Basic | $4.86 | $5.07 | $4.74 |
| Diluted | 4.67 | 4.90 | 4.51 |
| Weighted-average shares: | | | |

| | | | |
|---|---|---|---|
| Basic | 10,914 | 10,816 | 10,479 |
| Diluted | 11,360 | 11,209 | 11,019 |

(1) Excludes realized gains related to securities sold, not yet purchased of $37.0 million during 2014.

Table of Contents

(2) Includes $7.5 million and $10.3 million related to the acceleration of premium amortization in 2014 and 2013, respectively, due to significant refinancing activity in the Rural Utilities line of business. Includes $4.0 million related to the acceleration of premium amortization in 2012 due to significant refinancing activity and prepayments in the USDA Guarantees and Rural Utilities lines of business.

(3) Includes $39.4 million of interest expense related to securities purchased under agreements to resell and securities sold, not yet purchased and $37.0 million of realized gains on securities sold, not yet purchased during 2014. Includes $3.1 million of realized gains from the sale of an available-for-sale investment security during 2013.

(4) Includes the reduction of $13.0 million of tax valuation allowance against capital loss carryforwards related to capital gains on securities sold, not yet purchased during 2014, a reduction in tax valuation allowance of $0.9 million and $2.1 million associated with certain gains on investment portfolio assets during 2014 and 2013, respectively, and the reduction of $1.1 million of tax valuation allowance against capital loss carryforwards related to realized gains from the sale of an available-for-sale investment security during 2013.

For 2014, the aggregate effect of the cash management and liquidity initiative was after-tax expense of $25.6 million and after-tax income, including a tax benefit, of $37.0 million, respectively, and the effect of the capital structure initiative was additional after-tax expense of $6.3 million. For additional information regarding the components and changes in core earnings and core earnings excluding indicated items, see "—Overview."

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

Net Interest Income. Net interest income was $59.9 million for 2014, $98.1 million for 2013, and $122.0 million for 2012. The decrease in net interest income in 2014 compared to 2013 was primarily attributable to interest expense of $39.4 million associated with securities purchased under agreements to resell and securities sold, not yet purchased (related to Farmer Mac's cash management and liquidity initiative described under "—Cash Management and Liquidity Initiative") and the loss of $2.1 million of preferred dividends due to the October 2014 redemption of the CoBank preferred stock. Included in net interest income for 2014 and 2013 was the acceleration of amortization of $11.6 million and $15.9 million, respectively, in premiums associated with certain Rural Utilities loans that were recast into other loan products in first quarter 2014 and fourth quarter 2013. The decrease in net interest income in 2013 compared to 2012 was primarily attributable to lower net effective spread that resulted from repayments of Farm & Ranch loans that had higher spreads than new loan purchases and the acceleration of amortization of $15.9 million in premiums associated with certain Rural Utilities loans that were recast into other loan products in fourth quarter 2013. In addition, reduced interest income on Farmer Mac Guaranteed Securities resulting from the designation of certain interest rate swaps in fair value hedge relationships during third quarter 2012 for which the interest settlements are recorded in margin, reduced net interest income in 2013. The interest rate swaps are used to hedge against the risk of changes in fair values of certain AgVantage securities due to changes in the designated benchmark interest rate (e.g., LIBOR). The accrual of the contractual amounts due on these interest rate swaps is included as an adjustment to the yield of the hedged items and is reported in interest income for 2013, but only for the second half of 2012, when the related hedge designation became effective. The overall net interest yield was 44 basis points for 2014 (86 basis points excluding the acceleration of amortization of premiums associated with recasting certain Rural Utilities loans and the interest expense associated with securities purchased under agreements to resell and securities sold, not yet purchased), compared to 79 basis points for 2013 (92 basis points excluding the acceleration of amortization of premiums associated with recasting certain Rural Utilities loans), and 105 basis points for 2012.

The following table provides information regarding interest-earning assets and funding for the years ended December 31, 2014, 2013, and 2012. The average balance of non-accruing loans is included in the average balance of loans, Farmer Mac Guaranteed Securities, and USDA Securities presented, though the related income is accounted for on a cash basis. Therefore, as the average balance of non-accruing loans and the income received increases or decreases, the net interest yield will fluctuate accordingly. The

73

Table of Contents

average balance of loans in consolidated trusts with beneficial interests owned by third parties is disclosed in the net effect of consolidated trusts and is not included in the average balances of interest-earning assets and interest-bearing liabilities. The interest income and expense associated with these trusts are shown in the net effect of consolidated trusts. The lower average rate earned on cash and investments reflects a higher average balance due to positions in securities purchased under agreements to resell (repos) entered into beginning in second quarter 2014 as part of Farmer Mac's cash management and liquidity initiative, re-investing higher yielding investment securities which matured or were called during 2014 into lower yielding assets, and slightly lower short-term market rates during 2014 compared to 2013 and 2012. The lower average rate on loans, Farmer Mac Guaranteed Securities, and USDA Securities during 2014 is due to the decline in market rates reflected in the rates on loans and AgVantage securities acquired, reset, or refinanced during the past year and the acceleration of amortization in premiums associated with certain Rural Utilities loans. The lower average rate on notes payable within one year is consistent with general trends in average short-term rates during the period presented. The downward trend in the average rate on notes payable due after one year reflects the retirement of older debt and the issuance of new debt at lower market rates. The upward trend in other interest-bearing liabilities represents positions in securities sold, not yet purchased entered into beginning in second quarter 2014. Securities sold, not yet purchased consist of high coupon fixed rate U.S. Treasury securities. For more information about Farmer Mac's cash management and liquidity initiative and securities purchased under agreements to resell and securities sold, not yet purchased, see "—Cash Management and Liquidity Initiative."

Table 4

| | For the Year Ended December 31, 2014 | | | December 31, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Income/ Expense | Average Rate | Average Balance | Income/ Expense | Average Rate | Average Balance | Income/ Expense | Average Rate |
| | (dollars in thousands) | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Cash and investments (1) | $3,659,527 | $17,269 | 0.47 % | $2,897,795 | $21,940 | 0.76 % | $3,020,264 | $24,729 | 0.82 % |
| Loans, Farmer Mac Guaranteed Securities and USDA Securities (2) | 9,729,840 | 199,367 | 2.05 % | 9,302,145 | 205,556 | 2.21 % | 8,225,582 | 221,949 | 2.70 % |
| Total interest-earning assets | 13,389,367 | 216,636 | 1.62 % | 12,199,940 | 227,496 | 1.86 % | 11,245,846 | 246,678 | 2.19 % |
| Funding: | | | | | | | | | |
| Notes payable due within one year | 4,592,329 | 6,995 | 0.15 % | 4,532,662 | 7,939 | 0.18 % | 5,266,520 | 9,707 | 0.18 % |
| Notes payable due after one year (3) | 7,230,908 | 112,866 | 1.56 % | 7,140,897 | 122,399 | 1.71 % | 5,516,953 | 116,649 | 2.11 % |
| Other interest-bearing liabilities (4) | 909,261 | 39,007 | 4.29 % | — | — | — % | — | — | — % |
| Total interest-bearing liabilities (5) | 12,732,498 | 158,868 | 1.25 % | 11,673,559 | 130,338 | 1.12 % | 10,783,473 | 126,356 | 1.17 % |
| Net non-interest-bearing funding | 656,869 | — | | 526,381 | — | | 462,373 | — | |
| Total funding | 13,389,367 | 158,868 | 1.19 % | 12,199,940 | 130,338 | 1.07 % | 11,245,846 | 126,356 | 1.12 % |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Net interest income/yield prior to consolidation of certain trusts | 13,389,367 | 57,768 | 0.43 % | 12,199,940 | 97,158 | 0.80 % | 11,245,846 | 120,322 | 1.07 % |
| Net effect of consolidated trusts (6) | 358,017 | 2,086 | 0.58 % | 167,227 | 964 | 0.58 % | 392,046 | 1,658 | 0.42 % |
| Adjusted net interest income/yield | $13,747,384 | $59,854 | 0.44 % | $12,367,167 | $98,122 | 0.79 % | $11,637,892 | $121,980 | 1.05 % |

(1) Average balance includes $906.4 million of securities purchased under agreements to resell in 2014. Includes $0.4 million of interest expense related to securities purchased under agreements to resell in 2014.

(2) Includes $11.6 million and $15.9 million, respectively, related to the acceleration of premium amortization in first quarter 2014 and fourth quarter 2013 due to significant refinancing activity in the Rural Utilities line of business. Excludes interest income of $13.9 million, $7.9 million, and $18.0 million in 2014, 2013, and 2012 respectively, related to consolidated trusts with beneficial interests owned by third parties.

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

(4) Represents securities sold, not yet purchased.

(5) Excludes interest expense of $11.8 million, $6.9 million, and $16.3 million in 2014, 2013, and 2012, respectively, related to consolidated trusts with beneficial interests owned by third parties.

(6) Includes the effect of consolidated trusts with beneficial interests owned by third parties.

Table of Contents

The following table sets forth information regarding changes in the components of Farmer Mac's net interest income for the periods indicated. For each category, information is provided on changes attributable to changes in volume (change in volume multiplied by old rate) and changes in rate (change in rate multiplied by old volume). Combined rate/volume variances, the third element of the calculation, are allocated based on their relative size. The decreases in income due to changes in rate reflect the reset of variable rate investments and adjustable rate mortgages to lower rates, positions in securities purchased under agreements to resell with a slightly negative rate of return, the acceleration of premium amortization in first quarter 2014 and fourth quarter 2013 due to significant refinancing activity in the Rural Utilities line of business, and the acquisition of new lower-yielding investments, loans, Farmer Mac Guaranteed Securities, and USDA Securities, as described above. The increase in expense due to changes in rate reflects the interest expense associated with high coupon U.S. Treasury securities sold, but not yet purchased, partially offset by decreased cost of funding due to lower interest rates in the debt markets. The increases due to changes in volume reflect the increase in on-balance sheet assets during 2014 compared to 2013.

Table 5

| | 2014 vs 2013<br>Increase/(Decrease) Due to | | | 2013 vs 2012<br>Increase/(Decrease) Due to | | |
|---|---|---|---|---|---|---|
| | Rate | Volume | Total | Rate | Volume | Total |
| | (in thousands) | | | | | |
| Income from interest-earning assets: | | | | | | |
| Cash and investments (1) | $(9,544) | $4,873 | $(4,671) | $(1,814) | $(975) | $(2,789) |
| Loans, Farmer Mac Guaranteed Securities and USDA Securities (2) | (15,374) | 9,185 | (6,189) | (43,235) | 26,842 | (16,393) |
| Total | (24,918) | 14,058 | (10,860) | (45,049) | 25,867 | (19,182) |
| Expense from other interest-bearing liabilities (3) | 16,101 | 12,429 | 28,530 | (6,135) | 10,117 | 3,982 |
| Change in net interest income prior to consolidation of certain trusts (4) | $(41,019) | $1,629 | $(39,390) | $(38,914) | $15,750 | $(23,164) |

(1) Includes $0.4 million of interest expense and an average balance of $906.4 million related to securities purchased under agreements to resell in 2014.

(2) Includes $11.6 million and $15.9 million, respectively, related to the acceleration of premium amortization in first quarter 2014 and fourth quarter 2013 due to significant refinancing activity in the Rural Utilities line of business.

(3) Includes $39.0 million of interest expense and an average balance of $909.3 million related to securities sold, not yet purchased in 2014.

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

The net interest yield includes the amortization of premiums and discounts on assets consolidated at fair value and interest expense related to securities purchased under agreements to resell and securities sold, not yet purchased. The net interest yield excludes the accrual of income and expense related to the contractual amounts due on financial derivatives that are not designated in hedging relationships. The following paragraphs describe the effects of these items on the net interest yield and the table below presents them as adjustments to reconcile to the net effective spread Farmer Mac earns on the difference between its interest-earning assets and its net funding costs, including payments for income and expense related to derivative financial instruments that are not designated as hedging instruments in a hedge accounting relationship ("undesignated financial derivatives").

Farmer Mac uses interest rate swaps to manage its interest rate risk exposure by synthetically modifying the interest rate reset or maturity characteristics of certain assets and liabilities. The accrual of the contractual amounts due on interest rate swaps designated in fair value hedge accounting relationships is included as an adjustment to the yield of the hedged item and is included in interest income. For interest

75

Table of Contents

rate swaps not designated in hedge accounting relationships, Farmer Mac records the income or expense related to the accrual of the contractual amounts due in "(Losses)/gains on financial derivatives and hedging activities" on the consolidated statements of operations. Farmer Mac includes the accrual of the contractual amounts due for undesignated financial derivatives in its calculation of net effective spread.

Farmer Mac's net interest income and net interest yield include net yield adjustments related to the amortization of premiums and discounts on assets consolidated at fair value. These premiums and discounts are amortized as adjustments to yield in interest income over the contractual or estimated remaining lives of the underlying assets. Farmer Mac excludes these amounts from net effective spread because they either do not reflect actual cash premiums paid for the assets at acquisition or are not expected to have an economic effect on Farmer Mac's financial performance if the assets are held to maturity, as is generally expected. Farmer Mac's net interest income also includes interest expense related to securities purchased under agreements to resell and securities sold, not yet purchased. Farmer Mac excludes these amounts from net effective spread because their associated benefits are not similarly recorded in net interest income, but rather through tax benefits.

Prior to 2013, Farmer Mac excluded yield maintenance payments received upon the payoff of certain borrowers' loans from its calculation of net effective spread. These payments were excluded because the timing and size of the payments vary greatly and the variations in these payments are not necessarily indicative of positive or negative trends in Farmer Mac's financial results. However, beginning in 2013 Farmer Mac no longer excludes these yield maintenance payments from its calculation of net effective spread because Farmer Mac generally reinvests these yield maintenance payments, along with the prepaid balance of the underlying loans, in other interest-earning assets. Yield maintenance payments were immaterial to Farmer Mac's net effective spread for 2014 and 2013.

The following table presents the net effective spread between Farmer Mac's interest-earning assets and its net funding costs. This spread is measured by including income or expense related to undesignated financial derivatives (the income or expense related to financial derivatives designated in hedging relationships is already included in net interest income) and excluding the amortization of premiums and discounts on assets consolidated at fair value and the interest expense related to securities purchased under agreements to resell and securities sold, not yet purchased. Farmer Mac's net effective spread was $103.2 million for 2014, compared to $105.3 million and $106.6 million, respectively, for 2013 and 2012. In percentage terms, net effective spread for 2014 was 0.83 percent, compared to 0.86 percent and 0.95 percent, respectively, for 2013 and 2012. The decrease in net effective spread in 2014 compared to 2013 and 2012 is primarily attributable to the loss of $2.1 million in preferred dividend income resulting from the October 2014 redemption of CoBank preferred stock (2 basis points). Also contributing to the decrease in 2014 compared to 2013 was a $2.2 million decrease in interest income received from non-accruing Farm & Ranch loans. Additionally, net effective spread in 2014 and 2013 decreased compared to 2012 in part due to the $1.3 million impact in 2014 and $0.7 million impact in 2013 of double financing related to the recasting of certain rural utilities loans into longer-term loans and the early refinancing of AgVantage securities in first quarter 2014 (1 basis point impact to 2014) and fourth quarter 2013 (1 basis point impact to 2013). The original funding for those refinanced and recast assets remained in place through the end of first quarter 2014. The decrease in net effective spread compared to 2012 was also due to repayments of existing investment securities and Farm & Ranch loans with higher spreads relative to the new securities and loans added throughout 2013 and 2014. See Note 14 to the consolidated financial statements for more information regarding net effective spread from Farmer Mac's individual business segments. Additionally, see "—Supplemental Information" for quarterly net effective spread by line of business.

Table of Contents

Table 6

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| | Dollars | Yield | Dollars | Yield | Dollars | Yield |
| | (dollars in thousands) | | | | | |
| Net interest income/yield prior to consolidation of certain trusts (1)(2) | $57,768 | 0.46 % | $97,158 | 0.80 % | $120,322 | 1.07 % |
| Expense related to undesignated financial derivatives | (9,425) | (0.07)% | (12,325) | (0.10)% | (25,596) | (0.23)% |
| Yield maintenance fees | — | — % | — | — % | (1,187) | (0.01)% |
| Amortization of premiums on assets consolidated at fair value (2) | 15,482 | 0.12 % | 20,418 | 0.16 % | 13,018 | 0.12 % |
| Interest expense related to securities purchased under agreements to resell and securities sold, not yet purchased | 39,375 | 0.32 % | — | — % | — | — % |
| Net effective spread | $103,200 | 0.83 % | $105,251 | 0.86 % | $106,557 | 0.95 % |

(1) For 2014, net interest yield is adjusted to remove the average balance of $0.9 billion related to securities purchased under agreements to resell.

(2) Includes $11.6 million and $15.9 million, respectively, related to the acceleration of premium amortization in first quarter 2014 and fourth quarter 2013 due to significant refinancing activity in the Rural Utilities line of business.

Release of and Provision for Allowance for Loan Losses and Reserve for Losses.

The following is a summary of the changes in the allowance for loan losses and the reserve for losses for each year in the three-year period ended December 31, 2014:

Table 7

| | Allowance for Loan Losses | Reserve for Losses | Total Allowance for Losses |
|---|---|---|---|
| | (in thousands) | | |
| Balance as of January 1, 2012 | $10,161 | $7,355 | $17,516 |
| Provision for/(release of) losses | 3,691 | (1,816) | 1,875 |
| Charge-offs | (2,501) | — | (2,501) |
| Balance as of December 31, 2012 | $11,351 | $5,539 | $16,890 |
| (Release of)/provision for losses | (481) | 929 | 448 |
| Charge-offs | (4,004) | — | (4,004) |
| Balance as of December 31, 2013 | $6,866 | $6,468 | $13,334 |
| Release of losses | (961) | (2,205) | (3,166) |
| Charge-offs | (86) | — | (86) |
| Recoveries | 45 | — | 45 |
| Balance as of December 31, 2014 | $5,864 | $4,263 | $10,127 |

The net releases of the allowance for loan losses recorded during 2014 were primarily related to a decrease in the general allowance for loan losses due to substantial paydowns of on-balance sheet ethanol loans, as well as a general improvement in the quality of the ethanol loans remaining in the portfolio. The net releases of the allowance for losses recorded during 2013 were primarily related to a decrease in the general allowance for loan losses due to improved credit quality in the on-balance sheet Farm & Ranch portfolio. The charge-offs recorded in 2013 included a $3.6 million charge-off related to one ethanol loan that was foreclosed during first quarter 2013 and for which Farmer Mac recorded a gain on sale of $1.1 million upon sale of the REO property in second quarter 2013. The provisions for the allowance for loan

Table of Contents

losses recorded during 2012 resulted primarily from a specific allowance of $3.2 million from the purchase of one defaulted ethanol loan under the terms of an LTSPC agreement during fourth quarter 2012. Prior to purchasing that defaulted ethanol loan, there was a specific allowance in the reserve for losses in the amount of $3.2 million related to that individual loan. As of December 31, 2014, Farmer Mac's total allowance for loan losses was $5.9 million, compared to $6.9 million as of December 31, 2013. See "—Risk Management—Credit Risk – Loans and Guarantees."

The releases of the reserve for losses recorded during 2014 were primarily attributable to paydowns of ethanol loans underlying LTSPCs as well as a general improvement in the quality of the ethanol loans underlying LTSPCs. The provisions for the reserve for losses recorded in 2013 were primarily attributable to increased estimated probable losses inherent in Farmer Mac's non-ethanol related Agricultural Storage and Processing loans (e.g., grain elevators and cold storage) due to an enhancement in Farmer Mac's loss methodology that takes into consideration the more developed and specialized nature of these types of properties. The releases of the reserve for losses recorded during 2012 primarily resulted from the purchase of one defaulted ethanol loan, under the terms of an LTSPC agreement during fourth quarter 2012. The purchase of that individual defaulted ethanol loan resulted in a specific release from the reserve for losses in the amount of $3.2 million described above, offset partially by increases to the reserve for losses during 2012. As of December 31, 2014, Farmer Mac's reserve for losses was $4.3 million, compared to $6.5 million as of December 31, 2013. See "—Risk Management—Credit Risk – Loans and Guarantees."

Guarantee and Commitment Fees. Guarantee and commitment fees, which compensate Farmer Mac for assuming the credit risk on loans underlying Farmer Mac Guaranteed Securities and LTSPCs, were $25.2 million for 2014, compared to $27.0 million and $25.0 million, respectively, for 2013 and 2012. The decrease in guarantee and commitment fees in 2014 compared to 2013 was primarily attributable to a lower average guarantee fee rate on AgVantage securities and a lower average balance outstanding for Farm & Ranch Guaranteed Securities. The increase in guarantee and commitment fees in 2013 compared to 2012 was primarily attributable to the deconsolidation of $460.3 million of Farm & Ranch guaranteed securities in second quarter 2012 because of a change in related party status (due to an executive of the related party leaving Farmer Mac's board of directors) and new business volume of Farm & Ranch loans placed under LTSPCs throughout 2012 and 2013.

Losses and Gains on Financial Derivatives and Hedging Activities. The effect of unrealized and realized gains and losses on Farmer Mac's financial derivatives and hedging activities was net losses of $21.6 million for 2014, compared to net gains of $31.8 million for 2013 and net losses of $19.8 million for 2012. Farmer Mac has designated certain interest rate swaps in fair value hedge relationships.

Table of Contents

The components of gains and losses on financial derivatives and hedging activities for the years ended 2014, 2013, and 2012 are summarized in the following table:

Table 8

| | For the Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| | (in thousands) | | |
| Fair value hedges: | | | |
| Unrealized gains/(losses) due to fair value changes: | | | |
| Financial derivatives (1) | $(2,729) | $29,538 | $(404) |
| Hedged items | 14,520 | (18,230) | 6,388 |
| Gains on hedging activities | 11,791 | 11,308 | 5,984 |
| No hedge designation: | | | |
| Unrealized (losses)/gains due to fair value changes | (21,760) | 33,873 | 669 |
| Realized: | | | |
| Expense related to financial derivatives | (9,425) | (12,325) | (25,596) |
| Losses due to terminations or net settlements | (2,252) | (1,092) | (886) |
| (Losses)/gains on financial derivatives not designated in hedging relationships | (33,437) | 20,456 | (25,813) |
| (Losses)/gains on financial derivatives and hedging activities | $(21,646) | $31,764 | $(19,829) |

(1) Included in the assessment of hedge effectiveness as of December 31, 2014, but excluded from the amounts in the table, were losses of $11.6 million for the year ended December 31, 2014, attributable to the fair value of the swaps at the inception of the hedging relationship. Accordingly, the amounts recognized as hedge ineffectiveness for the year ended December 31, 2014 were losses of $0.2 million. The comparable amounts as of December 31, 2013 were losses of $11.8 million for the year ended December 31, 2013, attributable to the fair value of the swaps at the inception of the hedging relationship and, accordingly, gains of $0.5 million for the year ended December 31, 2013, attributable to hedge ineffectiveness. The comparable amounts as of December 31, 2012 were losses of $6.1 million for the year ended December 31, 2012, attributable to the fair value of the swaps at the inception of the hedging relationship and, accordingly, gains of $0.1 million for the year ended December 31, 2013, attributable to hedge ineffectiveness.

Changes in the fair values of Farmer Mac's open derivative positions for both designated and undesignated hedges are captured in the table above in unrealized (losses)/gains due to fair value changes and are primarily the result of fluctuations in long-term interest rates. For financial derivatives designated in fair value hedges, changes in the fair values of the hedged items attributable to the hedged risk are also included in the table above in unrealized (losses)/gains due to fair value changes. The accrual of periodic cash settlements for interest paid or received from Farmer Mac's interest rate swaps that are not designated in hedging relationships is shown as expense related to financial derivatives. Payments or receipts to terminate derivative positions or net cash settled forward sales contracts on the debt of other GSEs and U.S. Treasury futures that are not designated in hedging relationships are included in losses due to terminations or net settlements.

Gains and Losses on Trading Securities. During 2014, Farmer Mac recorded realized and unrealized gains on trading securities of $38.6 million, compared to unrealized losses of $0.8 million and unrealized gains of $0.3 million during 2013 and 2012, respectively. Of the total gains recognized during 2014, $37.0 million related to realized gains on securities sold, not yet purchased as part of Farmer Mac's cash management and liquidity initiative. During 2014, $1.2 million of gains related to financial assets selected to be carried at fair value with changes in fair value included in earnings (the fair value option), compared to recorded losses of $1.3 million during 2013 and recorded gains of $44,000 during 2012. Farmer Mac has not elected to account for any financial assets under the fair value option since

2008. For more information about the cash management and liquidity initiative and its effect on unrealized trading gains, see "—Cash Management and Liquidity Initiative."

Losses and Gains on Sale of Available-for-Sale Investment Securities. During 2014, Farmer Mac realized net losses of $0.2 million, compared to net realized gains of $2.1 million and $18,000, respectively, during 2013 and 2012. The net losses in 2014 related to sales of two auction-rate certificates at a price of 97 percent of par, resulting in realized losses of $0.8 million, which were partially offset by realized gains from sales of other securities from the available-for-sale investment portfolio. The gains in 2013 primarily were the result of a sale of a mortgage-backed security from the available-for-sale investment portfolio, which resulted in a $3.1 million gain.

Gains on the repurchase of debt. No debt repurchases were made in 2014 or 2012. During 2013, Farmer Mac repurchased $29.1 million of outstanding debt at a gain of $1.5 million.

Gains on Sale of Real Estate Owned. During 2014, 2013, and 2012, Farmer Mac realized gains of $0.1 million, $1.2 million, and $0.9 million, respectively, from the sales of real estate owned.

Lower of Cost or Fair Value Adjustment on Loans Held for Sale.  During 2012, Farmer Mac recorded unrealized losses of $5.9 million. The unrealized losses recorded in 2012 primarily resulted from a decrease in the fair value of certain loans held for sale as mortgage spreads widened and long-term interest rates increased at the end of fourth quarter 2012. Effective January 1, 2013, Farmer Mac transferred $674.0 million of loans from held for sale to held for investment because it intends to hold those loans for the foreseeable future.

Other Income. Other income totaled $1.7 million in 2014, compared to $3.1 million and $3.3 million in 2013 and 2012, respectively. Other income during 2014, 2013, and 2012 included the recognition of $0.9 million, $1.2 million, and $1.8 million, respectively, of gains previously deferred in accumulated other comprehensive income related to fair value changes of certain available-for-sale securities contributed to Farmer Mac II LLC in 2010, and other miscellaneous items. Additionally, the decrease in other income in 2014 was primarily attributable to the collection, in 2013, of $0.4 million in late fees upon final payoff of a defaulted loan and a decrease in other miscellaneous fee income.

Compensation and Employee Benefits.  Compensation and employee benefits were $19.0 million in 2014 compared to $17.8 million and $19.2 million in 2013 and 2012, respectively. The increase in compensation and employee benefits in 2014 compared to 2013 was due primarily to increased headcount and annual salary adjustments. The increase in annual salary adjustments reflects a change to the allocation of total compensation elements for Farmer Mac's executive officers in 2014 that resulted in a shift in compensation opportunity toward base salary and annual cash compensation and a commensurate reduction in the targeted value of equity-based long-term incentive compensation. The decrease in compensation and employee benefits during 2013 compared to 2012 was due primarily to a severance payment in fourth quarter 2012 to the former President and Chief Executive Officer, offset partially by increases in employee headcount and in the cost of employee health insurance.

General and Administrative Expenses.  General and administrative expenses, including legal, audit, and consulting fees, were $12.2 million for 2014, compared to $11.6 million and $11.1 million, respectively, for 2013 and 2012. The increase in general and administrative expenses in 2014 compared to 2013 were primarily attributable to consulting fees associated with Farmer Mac's cash management and liquidity initiative and other miscellaneous consulting fees related to corporate strategic goals. The increase in general and administrative expenses in 2013 compared to 2012 was primarily attributable to higher costs for consulting and information technology associated with general corporate activities.

Table of Contents

Regulatory Fees. Regulatory fees (which consist of the fees paid to FCA) were $2.4 million in 2014, compared to $2.4 million and $2.3 million, respectively, in 2013 and 2012. FCA has advised Farmer Mac that its estimated fees for the federal fiscal year ending September 30, 2015 will be $2.4 million ($0.6 million per federal fiscal quarter), which will not be a material increase from the prior federal fiscal year. After the end of a federal government fiscal year, FCA may revise its prior year estimated assessments to reflect actual costs incurred, and has issued both additional assessments and refunds in the past.

Income Tax Expense. Income tax expense totaled $2.8 million in 2014, compared to income tax expense of $33.8 million and $22.2 million, respectively, for 2013 and 2012. The consolidated tax benefit of the dividends declared on Farmer Mac II LLC Preferred Stock, which is presented as "Net income attributable to non-controlling interest – preferred stock dividends" on the consolidated statements of operations on a pre-tax basis and the reduction of $13.0 million of valuation allowance against deferred tax assets resulting from capital gains on securities sold, not yet purchased, were the primary reasons Farmer Mac's effective tax rate was lower than the statutory federal rate of 35 percent. For more information about the impact on income taxes related to securities sold, not yet purchased, see "—Cash Management and Liquidity Initiative."

Farmer Mac carried a valuation allowance of $2.1 million as of December 31, 2014 and $37.9 million as of December 31, 2013. During 2014, Farmer Mac reduced its deferred tax valuation allowance by $13.5 million primarily from the recognition of capital gains on securities sold, not yet purchased. The remaining valuation allowance against deferred tax assets that arose from capital loss carryforwards relating to capital losses incurred during 2009 on Farmer Mac's investments in Fannie Mae preferred stock, Lehman Brothers Holdings Inc. senior debt securities, and other GSE preferred stock expired on December 31, 2014 and Farmer Mac removed $22.3 million of deferred tax assets and the related deferred tax asset valuation allowance to reflect the expired loss carryforwards. For more information about income taxes, see Note 10 to the consolidated financial statements.

Business Volume. During 2014, Farmer Mac added $2.8 billion of new business volume compared to $3.1 billion in 2013, and $2.9 billion in 2012. Specifically, Farmer Mac:

- purchased $697.8 million of newly originated Farm & Ranch loans;
- added $369.9 million of Farm & Ranch loans under LTSPCs;
- purchased $335.4 million of USDA Securities;
- purchased $7.6 million of Farmer Mac Guaranteed USDA Securities
- purchased $75.5 million of Rural Utilities loans; and
- purchased $1.3 billion of AgVantage securities.

Of the AgVantage securities new business volume for 2014, $95.0 million was purchased under Farm Equity AgVantage facilities with agricultural real estate investment funds, which were Farmer Mac's first transactions with this type of entity as an issuer of AgVantage securities.

Farmer Mac's outstanding business volume was $14.6 billion as of December 31, 2014, an increase of $647.4 million from December 31, 2013 primarily attributable to portfolio growth of on-balance sheet Farm & Ranch loans and AgVantage securities. Aggregate repayments (principal paydowns and maturities) were $2.1 billion in 2014, compared to $2.2 billion in 2013.

Table of Contents

The following table sets forth purchases of non-delinquent eligible loans, new LTSPCs, and new guarantees during the periods indicated in the Farm & Ranch, USDA Guarantees, and Rural Utilities lines of business, as well as purchases of AgVantage securities in the Institutional Credit line of business:

Table 9

New Business Volume - Farmer Mac New Purchases, Guarantees, and LTSPCs

| | For the Year Ended | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Farm & Ranch: | | | |
| Loans | $697,824 | $824,881 | $570,346 |
| LTSPCs | 369,857 | 540,798 | 744,110 |
| USDA Guarantees: | | | |
| USDA Securities | 335,359 | 361,894 | 479,324 |
| Farmer Mac Guaranteed USDA Securities | 7,627 | — | 5,327 |
| Rural Utilities: | | | |
| Loans | 75,500 | 86,965 | 166,117 |
| Institutional Credit: | | | |
| AgVantage | 1,279,655 | 1,273,500 | 984,406 |
| Total purchases, guarantees, and LTSPCs | $2,765,822 | $3,088,038 | $2,949,630 |

The decrease in volume in the Farm & Ranch line of business for 2014 compared to 2013 reflects a return to volume levels more consistent with historical trends, contrasted by higher demand in 2013 from borrowers seeking to refinance into longer-term financing at fixed rates in a low interest rate environment. The decrease in USDA Securities volume in 2014 was the result of more lenders retaining these guaranteed assets in their portfolio during the year. Rural Utilities loan volume remains low, with modest variances from period to period, due to reduced demand associated with slow historical economic growth and greater energy efficiency in recent years. The changes in AgVantage securities volume is primarily driven by the generally larger transaction sizes for that product and the fluctuating funding and liquidity needs of Farmer Mac's customer network and scheduled maturity amounts.

The purchase price of non-delinquent eligible loans and portfolios is their respective fair value based on current market interest rates and Farmer Mac's target net yield. The purchase price includes an amount to compensate Farmer Mac for credit risk that is similar to the guarantee or commitment fees it receives for assuming credit risk on loans underlying Farmer Mac Guaranteed Securities and LTSPCs. Based on market conditions, Farmer Mac either retains the loans it purchases or securitizes them and retains or sells Farmer Mac Guaranteed Securities backed by those loans. Historically, Farmer Mac has retained the vast majority of loans it has purchased. The weighted-average age of the Farm & Ranch non-delinquent eligible loans purchased and retained (excluding the purchases of defaulted loans) during 2014 and 2013 was less than one year and those loans had a weighted-average term to maturity at purchase of 18.7 years and 17.2 years, respectively. Of those loans, 59 percent and 66 percent, respectively, had principal amortization periods longer than the maturity date, resulting in balloon payments at maturity, with a weighted-average remaining term to maturity of 15.4 years for both years.

During 2014, 2013, and 2012, Farmer Mac securitized some of the Farm & Ranch loans it had purchased and sold the resulting Farmer Mac Guaranteed Securities in the amount of $175.8 million, $150.4 million, and $32.7 million, respectively. Farmer Mac consolidates these loans and presents them as "Loans held

Table of Contents

for investment in consolidated trusts, at amortized cost" on the consolidated balance sheets. In 2014, 2013, and 2012, $147.2 million, $120.4 million, and $5.3 million, respectively, of Farmer Mac Guaranteed Securities were sold to Zions First National Bank ("Zions"), which is a related party to Farmer Mac. See "—Related Party Transactions" and Note 3 to the consolidated financial statements for more information about related party transactions.

The following table sets forth information regarding the Farmer Mac Guaranteed Securities issued during the periods indicated:

Table 10

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| Loans securitized and sold as Farm & Ranch Guaranteed Securities | $175,754 | $150,417 | $32,736 |
| Farmer Mac Guaranteed USDA Securities | — | — | 5,327 |
| AgVantage Securities | 1,279,655 | 1,273,500 | 984,406 |
| Total Farmer Mac Guaranteed Securities Issuances | $1,455,409 | $1,423,917 | $1,022,469 |

The following table sets forth information regarding outstanding volume in each of Farmer Mac's four lines of business as of the dates indicated:

Table 11

Lines of Business - Outstanding Business Volume

| | As of December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| Farm & Ranch: | | | |
| Loans | $2,118,867 | $1,875,958 | 1,519,415 |
| Loans held in trusts: | | | |
| Beneficial interests owned by Farmer Mac | — | — | 39 |
| Beneficial interests owned by third party investors | 421,355 | 259,509 | 160,397 |
| Guaranteed Securities | 636,086 | 765,751 | 911,370 |
| LTSPCs | 2,240,866 | 2,261,862 | 2,156,068 |
| USDA Guarantees: | | | |
| USDA Securities | 1,756,224 | 1,645,806 | 1,559,683 |
| Farmer Mac Guaranteed USDA Securities | 41,810 | 41,311 | 55,896 |
| Rural Utilities: | | | |
| Loans | 718,213 | 698,010 | 663,097 |
| Loans held in trusts: | | | |
| Beneficial interests owned by Farmer Mac | 267,396 | 354,241 | 368,848 |
| Institutional Credit: | | | |
| AgVantage Securities | 6,396,941 | 6,047,864 | 5,620,375 |
| Total | $14,597,758 | $13,950,312 | $13,015,188 |

Table of Contents

The following table summarizes by maturity date the scheduled principal amortization of loans held, loans underlying off-balance sheet Farmer Mac Guaranteed Securities (excluding AgVantage securities) and LTSPCs, USDA Securities, and Farmer Mac Guaranteed USDA Securities as of December 31, 2014:

Table 12
Schedule of Principal Amortization

| | Loans Held | Loans Underlying Off-Balance Sheet Farmer Mac Guaranteed Securities and LTSPCs | USDA Securities and Farmer Mac Guaranteed USDA Securities | Total |
|---|---|---|---|---|
| | (in thousands) | | | |
| 2015 | $191,214 | $262,071 | $217,324 | $670,609 |
| 2016 | 173,130 | 228,535 | 142,330 | 543,995 |
| 2017 | 173,644 | 212,400 | 114,841 | 500,885 |
| 2018 | 197,477 | 202,525 | 130,654 | 530,656 |
| 2019 | 160,619 | 183,515 | 108,537 | 452,671 |
| Thereafter | 2,627,933 | 1,789,720 | 1,084,348 | 5,502,001 |
| Total | $3,524,017 | $2,878,766 | $1,798,034 | $8,200,817 |

Of the $14.6 billion outstanding principal balance of volume included in Farmer Mac's four lines of business as of December 31, 2014, $6.4 billion were AgVantage securities included in the Institutional Credit line of business. Unlike business volume in the form of purchased loans, USDA Securities, and loans underlying LTSPCs and non-AgVantage Farmer Mac Guaranteed Securities, most AgVantage securities do not require periodic payments of principal based on amortization schedules and instead have fixed maturity dates when the secured general obligation is due. The following table summarizes by maturity date the outstanding principal amount of both on- and off-balance sheet AgVantage securities as of December 31, 2014:

Table 13

AgVantage Balances by Year of Maturity

| | As of December 31, 2014 |
|---|---|
| | (in thousands) |
| 2015 | $731,875 |
| 2016 | 1,334,415 |
| 2017 | 1,466,578 |
| 2018 | 790,478 |
| 2019 | 314,389 |
| Thereafter (1) | 1,759,206 |
| Total | $6,396,941 |

(1) Includes various maturities ranging from 2020 to 2044.

The weighted-average remaining maturity of the outstanding AgVantage securities shown in the table above was 3.9 years as of December 31, 2014. As a general matter, if maturing AgVantage securities are

Table of Contents

not replaced with new AgVantage securities, either from the same issuer or from new business, or if the spread earned by Farmer Mac on new AgVantage securities that replace maturing AgVantage securities is lower than the spread earned on the maturing securities, Farmer Mac's income could be adversely affected.

As part of fulfilling its guarantee obligations for Farm & Ranch Guaranteed Securities and commitments to purchase eligible loans underlying LTSPCs, Farmer Mac purchases defaulted loans, all of which are at least 90-days delinquent or in material non-monetary default at the time of purchase, out of the loan pools underlying those securities and LTSPCs, and records the purchased loans as such on its balance sheet. The purchase price for a defaulted loan purchased out of a pool of loans backing Farm & Ranch Guaranteed Securities is the then-current outstanding principal balance of the loan plus accrued and unpaid interest. The purchase price for a defaulted loan purchased under an LTSPC is the then-current outstanding principal balance of the loan, with accrued and unpaid interest on the defaulted loan payable out of any future loan payments or liquidation proceeds as received. The purchase price of a defaulted loan is not an indicator of the expected loss on that loan; many other factors affect expected loss, if any, on any loan so purchased. The weighted-average age of delinquent loans purchased out of securitized pools and LTSPCs was 7 years during 2014 and 11 years and 5 years during 2013 and 2012, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Credit Risk – Loans and Guarantees."

The following table presents Farmer Mac's purchases of defaulted loans underlying Farm & Ranch Guaranteed Securities and LTSPCs for the periods indicated:

Table 14

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | (in thousands) | | |
| Defaulted loans purchased underlying Farm & Ranch Guaranteed Securities owned by third party investors | $— | $6,667 | $8,933 |
| Defaulted loans purchased underlying LTSPCs | 705 | 37 | 8,091 |
| Total loan purchases | $705 | $6,704 | $17,024 |

For information regarding eligible participants in Farmer Mac's lines of business, see "Business—Farmer Mac Lines of Business."

Related Party Transactions. As provided by Farmer Mac's statutory charter, only banks, insurance companies, and other financial institutions or similar entities may hold Farmer Mac's Class A voting common stock, and only institutions of the FCS may hold Farmer Mac's Class B voting common stock. Farmer Mac's charter also provides that holders of Class A voting common stock elect five members of Farmer Mac's 15-member board of directors and that holders of Class B voting common stock elect five members of the board of directors. The ownership of Farmer Mac's two classes of voting common stock is currently concentrated in a small number of institutions. Approximately 44 percent of the Class A voting common stock is held by three financial institutions, with 31 percent held by one institution. Approximately 97 percent of the Class B voting common stock is held by five FCS institutions (two of which are related to each other through a parent-subsidiary relationship).

Unlike some other GSEs, specifically other FCS institutions and the Federal Home Loan Banks, Farmer Mac is not structured as a cooperative owned exclusively by member institutions and established to

Table of Contents

provide services exclusively to its members.  Farmer Mac, as a stockholder-owned, publicly-traded corporation, seeks to fulfill its mission of serving the financing needs of agriculture and rural America in a manner that is consistent with providing a return on the investment of its stockholders, including those who do not directly participate in the secondary market provided by Farmer Mac.  Farmer Mac's policy is to require financial institutions to own a requisite amount of common stock, based on the size and type of institution, to participate in the Farm & Ranch line of business.  As a result of this requirement, coupled with the ability of holders of Class A and Class B voting common stock to elect two-thirds of Farmer Mac's board of directors, Farmer Mac regularly conducts business with "related parties," including institutions affiliated with members of Farmer Mac's board of directors and institutions that own large amounts of Farmer Mac's voting common stock.  Farmer Mac has adopted a Code of Business Conduct and Ethics that governs any conflicts of interest that may arise in these transactions, and Farmer Mac's policy is to require that any transactions with related parties be conducted in the ordinary course of business, with terms and conditions comparable to those available to any other counterparty not related to Farmer Mac.

The following table summarizes the material relationships between Farmer Mac and certain related parties.  The related parties listed in the table below consist of (1) all holders of at least five percent of a class of Farmer Mac voting common stock as of December 31, 2014 and (2) other institutions that are considered "related parties" through an affiliation with a Farmer Mac director and that have conducted business with Farmer Mac during the two years ended December 31, 2014.  The table below does not specify any relationships based on the ownership of non-voting common stock or preferred stock.

Table of Contents

Table 15

| Name of Institution | Ownership of Farmer Mac Voting Common Stock | Affiliation with Any Farmer Mac Directors | Primary Aspects of Institution's Business Relationship with Farmer Mac |
|---|---|---|---|
| AgFirst Farm Credit Bank | 84,024 shares of Class B voting common stock (16.79% of outstanding Class B stock and 5.49% of total voting common stock outstanding) | None | In 2014 and 2013, Farmer Mac earned approximately $0.7 million and $1.2 million, respectively, in fees attributable to transactions with AgFirst, primarily commitment fees for LTSPCs. |
| AgGeorgia Farm Credit, ACA | Less than 5% ownership | Former Farmer Mac director Dan Raines was a director of AgGeorgia during 2014. | Farmer Mac entered into $20.2 million and $27.5 million of new LTSPCs with AgGeorgia during 2014 and 2013, respectively. Farmer Mac received $0.1 million of commitment fees during both 2014 and 2013. |
| AgriBank, FCB | 201,621 shares of Class B voting common stock (40.30% of outstanding Class B stock and 13.17% of total voting common stock outstanding) | Farmer Mac director Richard H. Davidson is currently a director of AgriBank, and Farmer Mac director James B. McElroy is a former director of AgriBank. | No Farmer Mac business through any of its lines of business was conducted between the parties. |
| Bath State Bank | Less than 5% ownership | Farmer Mac director Dennis L. Brack is a director of Bath State Bank and Bath State Bancorp, the holding company of Bath State Bank. | Farmer Mac purchased $4.5 million and $9.3 million in USDA Securities from Bath State Bank in 2014 and 2013, respectively. |
| CoBank, ACB | 163,253 shares of Class B voting common stock (32.63% of outstanding Class B stock and 10.66% of total voting common stock outstanding) | Farmer Mac director Douglas E. Wilhelm served as an executive officer of CoBank until June 30, 2012. Mr. Wilhelm is also currently a party to a services agreement with CoBank, under which he serves as an employee of CoBank. | No Farmer Mac business through any of its lines of business was conducted between the parties. |

Table of Contents

| Name of Institution | Ownership of Farmer Mac Voting Common Stock | Affiliation with Any Farmer Mac Directors | Primary Aspects of Institution's Business Relationship with Farmer Mac |
|---|---|---|---|
| Farm Credit Bank of Texas (FCBT) | 38,503 shares of Class B voting common stock (7.70% of outstanding Class B stock and 2.52% of total voting common stock outstanding) | Farmer Mac director Thomas W. Hill served as an executive officer of FCBT until November 2010. Mr. Hill is also currently a party to a services agreement with FCBT, under which he serves as an employee of FCBT. | In 2014 and 2013, Farmer Mac earned approximately $0.2 million, respectively, in fees attributable to transactions with FCBT, primarily commitment fees for LTSPCs.<br><br>In 2014 and 2013, FCBT retained approximately $0.4 million and $0.5 million, respectively, in servicing fees for its work as a Farmer Mac central servicer. |
| First Dakota National Bank (First Dakota) | Less than 5% ownership | Farmer Mac director Dennis Everson is a director of First Dakota and also served as Branch Administration Director of First Dakota until December 2012. | Farmer Mac purchased $35.1 million and $61.6 million in loans from First Dakota in 2014 and 2013, respectively, and entered into $1.0 million of new LTSPCs with First Dakota in 2013.<br><br>In 2014 and 2013, First Dakota retained approximately $0.8 million and $0.6 million, respectively, in servicing fees for its work as a Farmer Mac servicer. |

Table of Contents

| Name of Institution | Ownership of Farmer Mac Voting Common Stock | Affiliation with Any Farmer Mac Directors | Primary Aspects of Institution's Business Relationship with Farmer Mac |
|---|---|---|---|
| National Rural Utilities Cooperative Finance Corporation (CFC) | 81,500 shares of Class A voting common stock (7.91% of outstanding Class A stock and 5.32% of total voting common stock outstanding) | None | Transactions with CFC represent 100 percent of business volume under the Rural Utilities line of business since its inception in 2008, and 100 percent of the AgVantage securities secured by rural utilities loans that have been issued to date.<br>Transactions with CFC during 2014 and 2013 represented 32.7 percent and 29.4 percent, respectively, of Farmer Mac's total purchases for those years. Transactions with CFC represented 18.7 percent and 18.6 percent, respectively, of Farmer Mac's total outstanding business volume as of December 31, 2014 and 2013.<br>In 2014 and 2013, Farmer Mac earned guarantee fees of approximately $3.2 million and $4.1 million, respectively, attributable to transactions with CFC.<br>In 2014 and 2013, Farmer Mac earned interest income of $12.7 million and $23.7 million, respectively, attributable to AgVantage transactions with CFC.<br>In both 2014 and 2013, CFC retained approximately $3.4 million in servicing fees for its work as a Farmer Mac central servicer.<br>CFC is currently the only servicer of rural utilities loans in the Rural Utilities line of business and securing AgVantage securities in the Institutional Credit line of business. |
| The Vanguard Group, Inc. | 53,995 shares of Class A voting common stock (5.24% of outstanding Class A stock and 3.53% of total voting common stock outstanding) | None | No Farmer Mac business through any of its lines of business was conducted between the parties. |

Table of Contents

| Name of Institution | Ownership of Farmer Mac Voting Common Stock | Affiliation with Any Farmer Mac Directors | Primary Aspects of Institution's Business Relationship with Farmer Mac |
|---|---|---|---|
| Zions First National Bank | 322,100 shares of Class A voting common stock (31.25% of outstanding Class A stock and 21.04% of total voting common stock outstanding) | None | In 2014 and 2013, Farmer Mac's purchases of loans from Zions under the Farm & Ranch line of business represented approximately 22.3 percent and 25.5 percent, respectively, of Farm & Ranch loan purchase volume for those years. Those purchases represented 14.6 percent and 15.4 percent, respectively, of total Farm & Ranch business volume for those years. The purchases of USDA Securities from Zions under the USDA Guarantees line of business represented approximately 12.4 percent and 3.6 percent, respectively, of that program's purchases for the year ended December 31, 2014 and 2013. The purchases of AgVantage Securities from Zions under the Institutional Credit line of business represented approximately 3.9 percent of that program's purchases for the year ended December 31, 2014. There were no purchases of AgVantage Securities from Zions for the year ended December 31, 2013. Transactions with Zions represented 5.9 percent and 5.1 percent, respectively, of Farmer Mac's total outstanding business volume as of December 31, 2014 and 2013.<br>In 2014 and 2013, Zions retained approximately \$8.4 million and \$7.0 million, respectively, in servicing fees for its work as a Farmer Mac servicer. |

As discussed in more detail in Note 2(q) to the consolidated financial statements, Farmer Mac’s consolidated financial statements include the accounts of VIEs in which Farmer Mac determines itself to be the primary beneficiary, including securitization trusts where Farmer Mac shares the power to make decisions regarding default mitigation with a related party. In the event that related party status changes, consolidation or deconsolidation of securitization trusts may occur. For more information about related party transactions, see Note 3 to the consolidated financial statements.

Outlook

Farmer Mac continues to provide a stable source of liquidity, capital, and risk management tools as the secondary market that helps meet the financing needs of rural America. While the pace of Farmer Mac's growth will depend on the capital and liquidity needs of the participants in the rural financing business, Farmer Mac foresees opportunities for continued growth. More specifically, Farmer Mac believes that its Farm & Ranch, USDA Guarantees, Rural Utilities, and Institutional Credit lines of business all have opportunities for growth, driven by several key factors:

•

As agricultural lenders face increased equity capital requirements under new regulatory frameworks, or seek to reduce exposure due to lending limits or concentration limits, Farmer Mac can provide relief for those institutions through loan purchases, guarantees, or LTSPCs.

- As the overall economy recovers, rural utilities generally may experience an increase in demand for power, which can lead to more investment and borrowing needs in that industry.

Table of Contents

- As a result of targeted marketing and product development efforts, Farmer Mac's lender network and customer base continues to expand, which may generate additional demand for Farmer Mac's products from new sources.

Farmer Mac believes that these growth opportunities will be important in replacing income earned on the loans and other assets as they mature, pay down, or are reinvested at lower spreads.

Agricultural Sector. The agricultural sector includes many diverse industries that respond in different ways to changes in economic conditions. Those individual industries often are affected differently, sometimes positively and sometimes negatively, by prevailing domestic and global economic factors and regional weather conditions. This results in cycles where one or more industries may be under stress at the same time that others are not. In addition, borrowers that rely on non-farm sources of income as a significant percentage of overall income may experience stress associated with weakness in the general economy. The profitability of agricultural industries is also affected by commodity inventories and their associated market prices, which can vary largely as a result of weather patterns, access to water supply, and harvest conditions that may affect supply. The strength of the U.S. dollar relative to other worldwide currencies could also potentially adversely affect the demand for certain U.S. agricultural exports, which may result in producers receiving lower commodity prices.

Farmer Mac continues to monitor land values and commodity prices in response to cyclical swings. Although farmland values and commodity prices have declined recently in some sectors, primarily in the Midwest, Farmer Mac believes that its portfolio remains sufficiently diversified, both geographically and by commodity, and that its portfolio has generally demonstrated historically high credit quality and low delinquency rates to endure reasonably foreseeable volatility in farmland values and commodity prices. Farmer Mac also continues to closely monitor sector profitability, economic conditions, and agricultural land value and geographic trends to tailor underwriting practices to changing conditions. For more information about the loan balances and loan-to-value ratios for Farm & Ranch loans in Farmer Mac's portfolio as of December 31, 2014, see "—Risk Management—Credit Risk – Loans and Guarantees."

The western part of the United States, including California, continues to experience drought conditions, with the water level in many California reservoirs at historically low levels. Although to date Farmer Mac has not observed any material effect on its portfolio from drought conditions, the persistence of extreme drought conditions in the western states could have an adverse effect on Farmer Mac’s delinquency rates or loss experience. This is particularly true in the permanent plantings sector, where the value of the related collateral is closely tied to the production value and capability of the permanent plantings, and in the dairy sector, which may experience increased feed costs as water is diverted away from hay acreage commonly relied upon by dairy producers and toward land supporting other agricultural commodities. Farmer Mac continues to monitor the drought and its effects on the agricultural industries located in the western states, as well as its effects on Farmer Mac's Farm & Ranch line of business.

Farmer Mac also continues to monitor the establishment and evolution of legislation and regulations that affect farmers, ranchers, and rural lenders. Many federal agricultural policies previously in effect have been altered with the enactment of the Agricultural Act of 2014, including those affecting crop subsidies, crop insurance, and other aspects of agricultural production. Farmer Mac will continue to monitor the effects of these altered federal agricultural policies as the USDA adopts final regulations implementing the Agricultural Act of 2014.

Table of Contents

Farmer Mac's marketing efforts directed towards the Farm & Ranch line of business focus on lenders that have demonstrated a commitment to agricultural lending based on their lending history. Farmer Mac directs its outreach efforts to these lenders through direct personal contact, which is facilitated through Farmer Mac's frequent participation in state and national banking conferences, its alliances with the American Bankers Association and the Independent Community Bankers of America, and its business relationships with members of the Farm Credit System. In connection with lenders' evolving financing needs in the Farm & Ranch line of business, Farmer Mac has experienced continuing stable demand for its longer-term fixed rate loan products, as well as recent demand for certain of its shorter-term floating rate loan products driven by a rise in interest rates. Demand for Farmer Mac's secondary market tools could also increase as rural lenders adapt to new and changing regulations, which may require lenders to obtain more liquidity and capital to continue their lending practices.

Farmer Mac also directs marketing efforts towards the agricultural industry by trying to identify and develop relationships with potential issuers of AgVantage securities who can pledge Farm & Ranch loans as collateral to obtain financing as part of Farmer Mac's Institutional Credit line of business. As part of these efforts, Farmer Mac has recently increased its focus on wholesale financing for institutional investors in agricultural assets that qualify as eligible collateral under Farmer Mac's charter. In July 2014, Farmer Mac expanded its AgVantage product to this new type of issuer and refers to this product variation as the Farm Equity AgVantage product. Farmer Mac directs its outreach efforts to these potential issuers through its business relationships within the agricultural community and through executive outreach to institutions whose profile presents opportunity to benefit from wholesale financing. As institutional investment in agricultural assets continues to grow, Farmer Mac believes that it is in a unique position to help increase access to capital for these types of counterparties and thereby provide a new source of capital to benefit rural America. Farmer Mac designed the Farm Equity AgVantage product to provide an efficient, low-cost source of financing tailored to meet the needs of institutional investors that can be adapted to many different types of organizational structures and for both public and private institutional investors. Although this product is in the early stages of development, Farmer Mac believes there is opportunity to expand this type of business as both the trend toward institutional investment in agricultural assets and awareness of the Farm Equity AgVantage product continue to grow.  For more information about the Farm Equity AgVantage product, see "Business—Farmer Mac Lines of Business—Institutional Credit" and "—Risk Management—Credit Risk – Institutional."

Rural Utilities Industry. Reduced demand for capital within the rural utilities industry has increased competition for Farmer Mac's customer base from lenders that either are not eligible to participate in Farmer Mac's Rural Utilities line of business or for other reasons choose not to participate in that line of business. The rural utilities industry may experience needs for financing over the next several years to make improvements in response to environmental and clean energy policies and to refinance government loans made by the USDA's Rural Utilities Service. Domestic economic indicators also continue to show modest growth, and as the economy strengthens, Farmer Mac believes that demand for rural utilities loans may increase. Farmer Mac also foresees opportunities for growth pertaining to the rural utilities industry within Farmer Mac's Institutional Credit line of business related to the increasing trend in the past year of rural utilities cooperatives beginning to refinance debt away from the Rural Utilities Service to market-based lenders, including rural utilities cooperative lenders. Farmer Mac has the opportunity to help these lenders as they seek lower-cost wholesale financing alternatives, which could allow them to become more competitive in pursuing these refinancing opportunities.

Table of Contents

Balance Sheet Review

Assets.  Farmer Mac's total assets as of December 31, 2014 were $14.3 billion, compared to $13.4 billion as of December 31, 2013.  The increase in total assets was primarily attributable to an increase in cash and cash equivalents and net new purchases of Farm & Ranch loans and Farmer Mac Guaranteed Securities.

As of December 31, 2014, Farmer Mac had $1.4 billion of cash and cash equivalents and $1.9 billion of investment securities, compared to $749.3 million of cash and cash equivalents and $2.5 billion of investment securities as of December 31, 2013. As of December 31, 2014, Farmer Mac had $5.5 billion of Farmer Mac Guaranteed Securities, $1.8 billion of USDA Securities, and $3.5 billion of loans, net of allowance. This compares to $5.1 billion of Farmer Mac Guaranteed Securities, $1.6 billion of USDA Securities, and $3.2 billion of loans, net of allowance, as of December 31, 2013.

Liabilities.  Farmer Mac's total liabilities increased to $13.5 billion as of December 31, 2014 from $12.8 billion as of December 31, 2013.  The increase in liabilities was primarily attributable to an increase in long-term notes payable. For further information about notes payable, see Note 7 to the consolidated financial statements.

Equity.  As of December 31, 2014, Farmer Mac had total equity of $781.8 million, comprised of stockholders' equity of $545.8 million and non-controlling interest – preferred stock of $236.0 million.  As of December 31, 2013, Farmer Mac had total equity of $574.5 million, comprised of stockholders' equity of $332.6 million and non-controlling interest – preferred stock of $241.9 million.  The increase in total equity during 2014 was the result of the issuances of $75.0 million of Series B Preferred Stock in March 2014 and $75.0 million of Series C Preferred Stock in June 2014, an increase in retained earnings, and an increase in accumulated other comprehensive income due to increases in the fair value of available-for-sale securities. These increases in the fair value of available-for-sale securities were driven primarily by lower U.S. Treasury rates.

Risk Management

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

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

Farmer Mac generally assumes 100 percent of the credit risk on loans held in the Farm & Ranch and Rural Utilities lines of business and loans underlying LTSPCs and Farmer Mac Guaranteed Securities in the Farm & Ranch line of business. Farmer Mac has direct credit exposure to loans in non-AgVantage transactions and indirect credit exposure to loans that secure AgVantage transactions because AgVantage securities represent a general obligation of an issuer that is in turn secured by qualified loans.  The credit exposure of Farmer Mac and Farmer Mac II LLC on USDA Securities, including those underlying Farmer Mac Guaranteed USDA Securities, is covered by the full faith and credit of the United States.  Therefore, Farmer Mac believes that Farmer Mac and Farmer Mac II LLC have little or no credit risk exposure in the USDA Guarantees line of business because of the USDA guarantee.  As of December 31, 2014, neither Farmer Mac nor Farmer Mac II LLC had experienced any credit losses on

Table of Contents

any business under the USDA Guarantees line of business, and neither expects to incur any such losses in the future.

Farmer Mac has established underwriting, collateral valuation, and documentation standards for agricultural real estate mortgage loans and rural utilities loans. Farmer Mac believes that these standards mitigate the risk of loss from borrower defaults and provide guidance about the management, administration, and conduct of underwriting and appraisals to all participating and potential lenders. These standards were developed on the basis of industry norms for agricultural real estate mortgage loans and rural utilities loans and are designed to assess the creditworthiness of the borrower, as well as the value of the collateral securing the loan. Farmer Mac evaluates and adjusts these standards on an ongoing basis based on current and anticipated market conditions. For more information about Farmer Mac's underwriting and collateral valuation standards, see "Business—Farmer Mac Lines of Business—Farm & Ranch—Underwriting and Collateral Valuation (Appraisal) Standards" and "Business—Farmer Mac Lines of Business—Rural Utilities—Underwriting."

Farmer Mac requires approved lenders to make representations and warranties regarding the conformity of eligible agricultural mortgage and rural utilities loans to Farmer Mac's standards, the accuracy of loan data provided to Farmer Mac, and other requirements related to the loans. Sellers are responsible to Farmer Mac for breaches of those representations and warranties, and Farmer Mac has the ability to require a seller to cure, replace, or repurchase a loan sold or transferred to Farmer Mac if any breach of a representation or warranty is discovered that was material to Farmer Mac's decision to purchase the loan or that directly or indirectly causes a default or potential loss on a loan sold or transferred by the seller to Farmer Mac. Farmer Mac has not required a seller to cure or repurchase a loan purchased by Farmer Mac for breach of a representation or warranty in the last three years. In addition to relying on the representations and warranties of lenders, Farmer Mac also underwrites all of the agricultural mortgage loans (other than rural housing and part-time farm mortgage loans) and rural utilities loans that it holds in its portfolio. For rural housing and part-time farm mortgage loans, Farmer Mac relies on representations and warranties from the seller that those loans conform to Farmer Mac's specified underwriting criteria without exception. For more information about Farmer Mac's loan eligibility requirements, see "Business—Farmer Mac Lines of Business—Farm & Ranch—Loan Eligibility" and "Business—Farmer Mac Lines of Business—Rural Utilities—Loan Eligibility."

Under contracts with Farmer Mac and in consideration for servicing fees, Farmer Mac-approved central servicers service loans in accordance with Farmer Mac's requirements. Central servicers are responsible to Farmer Mac for serious errors in the servicing of those loans. If a central servicer materially breaches the terms of its servicing agreement with Farmer Mac, such as failing to forward payments received or releasing collateral without Farmer Mac's consent, or experiences insolvency or bankruptcy, Farmer Mac has the right to terminate the servicing relationship for a particular loan or the entire portfolio serviced by the central servicer. In addition, Farmer Mac can proceed against the central servicer in arbitration or exercise any remedies available to it under law. In the last three years, Farmer Mac has not exercised any remedies or taken any formal action against any central servicers. For more information about Farmer Mac's servicing requirements, see "Business—Farmer Mac Lines of Business—Farm & Ranch—Servicing" and "Business—Farmer Mac Lines of Business—Rural Utilities—Servicing."

Farmer Mac's AgVantage securities are general obligations of institutions approved by Farmer Mac and are secured by eligible loans in an amount at least equal to the outstanding principal amount of the security. Farmer Mac excludes the loans that secure AgVantage securities from the credit risk metrics it discloses because Farmer Mac has only indirect credit risk on those loans and because of the other characteristics of AgVantage securities that mitigate credit risk. Those characteristics include a general

Table of Contents

obligation of an issuing institution approved by Farmer Mac, the required collateralization level for the securities, and the requirement for delinquent loans to be removed from the pool of pledged loans and replaced with current eligible loans. As such, all AgVantage securities are secured by current loans representing at least 100 percent of the outstanding amount of these securities. As of December 31, 2014, Farmer Mac had not experienced any credit losses on any AgVantage securities and does not expect to incur any such losses in the future. See "—Credit Risk – Institutional" for more information about Farmer Mac's credit risk on AgVantage securities.

Farmer Mac has developed different underwriting standards for rural utilities loans that depend on whether direct or indirect credit exposure is assumed on a loan and whether the borrower is an electric distribution cooperative or a G&T cooperative. As of December 31, 2014, there were no delinquencies in Farmer Mac's portfolio of rural utilities loans, and Farmer Mac has not experienced any credit losses on rural utilities loans since Congress authorized Farmer Mac's Rural Utilities line of business in 2008. Based on this performance, Farmer Mac excludes the loans in the Rural Utilities line of business from the credit risk metrics it discloses. Farmer Mac's direct credit exposure to rural utilities loans as of December 31, 2014 was $985.6 million across 37 states, of which $966.3 million were loans to electric distribution cooperatives and $19.3 million were loans to G&T cooperatives. Farmer Mac also had indirect credit exposure to the rural utilities loans securing AgVantage securities and included in the Institutional Credit line of business, some of which are loans to G&T cooperatives. For more information, see "—Credit Risk – Institutional."

Farmer Mac maintains an allowance for loan losses to cover estimated probable losses on loans held and a reserve for losses to cover estimated probable losses on loans underlying LTSPCs and off-balance sheet Farm & Ranch Guaranteed Securities. The methodology that Farmer Mac uses to determine the level of its allowance for losses is described in Note 2(j) to the consolidated financial statements. Management believes that this methodology produces a reasonable estimate of probable losses, as of the balance sheet date, for all loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs.

The following table summarizes the components of Farmer Mac's allowance for losses as of December 31, 2014 and 2013:

Table 16

| | As of December 31, 2014 | As of December 31, 2013 |
|---|---|---|
| | (in thousands) | |
| Allowance for loan losses | $5,864 | $6,866 |
| Reserve for losses: | | |
| Off-balance sheet Farm & Ranch Guaranteed Securities | 261 | 356 |
| LTSPCs | 4,002 | 6,112 |
| Total allowance for losses | $10,127 | $13,334 |

Table of Contents

The following table summarizes the changes in the components of Farmer Mac's allowance for each year in the five-year period ended December 31, 2014:

Table 17

| | Allowance for Loan Losses | Reserve for Losses | Total Allowance for Losses |
|---|---|---|---|
| | (in thousands) | | |
| Balance as of January 1, 2010 | $6,292 | $7,895 | $14,187 |
| Provision for losses | 1,893 | 2,417 | 4,310 |
| Charge-offs | (605) | — | (605) |
| Recoveries | 2,223 | — | 2,223 |
| Balance as of December 31, 2010 | $9,803 | $10,312 | $20,115 |
| Provision for/(release of) losses | 610 | (2,957) | (2,347) |
| Charge-offs | (252) | — | (252) |
| Balance as of December 31, 2011 | $10,161 | $7,355 | $17,516 |
| Provision for/(release of) losses | 3,691 | (1,816) | 1,875 |
| Charge-offs | (2,501) | — | (2,501) |
| Balance as of December 31, 2012 | $11,351 | $5,539 | $16,890 |
| (Release of)/provision for losses | (481) | 929 | 448 |
| Charge-offs | (4,004) | — | (4,004) |
| Balance as of December 31, 2013 | $6,866 | $6,468 | $13,334 |
| Release of losses | (961) | (2,205) | (3,166) |
| Charge-offs | (86) | — | (86) |
| Recoveries | 45 | — | 45 |
| Balance as of December 31, 2014 | $5,864 | $4,263 | $10,127 |

Activity affecting the allowance for loan losses and reserve for losses is discussed in "—Results of Operations—Release of and Provision for Allowance for Loan Losses and Reserve for Losses." As of December 31, 2014, Farmer Mac's allowances for losses totaled $10.1 million, or 19 basis points of the outstanding principal balance of loans held for investment and loans underlying LTSPCs and off-balance sheet Farm & Ranch Guaranteed Securities, compared to $13.3 million, or 26 basis points, as of December 31, 2013.

As of December 31, 2014, Farmer Mac's 90-day delinquencies were $18.9 million (0.35 percent of the Farm & Ranch portfolio), compared to $28.3 million (0.55 percent of the Farm & Ranch portfolio) as of December 31, 2013. Those 90-day delinquencies were comprised of 29 delinquent loans as of December 31, 2014, compared with 40 delinquent loans as of December 31, 2013. When analyzing the overall risk profile of its lines of business, Farmer Mac takes into account more than the Farm & Ranch loan delinquency percentages provided above. The lines of business also include AgVantage securities and rural utilities loans, neither of which have any delinquencies, and USDA Securities, which are backed by the full faith and credit of the United States. Across all of Farmer Mac's lines of business, 90-day delinquencies represented 0.13 percent of total outstanding business volume as of December 31, 2014, compared to 0.20 percent as of December 31, 2013.

Table of Contents

The following table presents historical information regarding Farmer Mac's 90-day delinquencies in the Farm & Ranch line of business compared to the principal balance of all Farm & Ranch loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs:

Table 18

| | Farm & Ranch Line of Business (1) | 90-Day Delinquencies | Percentage |
|---|---|---|---|
| | (dollars in thousands) | | |
| As of: | | | |
| December 31, 2014 | $5,417,174 | $18,917 | 0.35 % |
| September 30, 2014 | 5,314,437 | 24,661 | 0.46 % |
| June 30, 2014 | 5,310,664 | 25,911 | 0.49 % |
| March 31, 2014 | 5,293,975 | 29,437 | 0.56 % |
| December 31, 2013 | 5,163,080 | 28,296 | 0.55 % |
| September 30, 2013 | 5,035,748 | 33,042 | 0.66 % |
| June 30, 2013 | 4,917,489 | 33,922 | 0.69 % |
| March 31, 2013 | 4,782,609 | 39,663 | 0.83 % |
| December 31, 2012 | 4,747,289 | 33,263 | 0.70 % |

(1) Excludes agricultural mortgage loans pledged to secure AgVantage securities.

The 90-day delinquency measure includes loans 90 days or more past due as well as loans in foreclosure, loans restructured after delinquency, and non-performing loans where the borrower is in bankruptcy. Farmer Mac's 90-day delinquency rates were at historical lows as of December 31, 2014 due to strong economic and market conditions in the agricultural industry generally. Farmer Mac expects some fluctuations in its 90-day delinquencies and the eventual reversion closer to historical averages over time.

As of December 31, 2014, Farmer Mac individually analyzed $29.7 million of the $84.1 million of recorded investment in impaired loans for collateral shortfalls against updated appraised values, other updated collateral valuations, or discounted values. For the remaining $54.4 million of impaired assets for which updated valuations were not available, Farmer Mac evaluated them in the aggregate in consideration of their similar risk characteristics and historical statistics. Farmer Mac recorded specific allowances of $2.6 million for undercollateralized assets as of December 31, 2014. Farmer Mac's non-specific or general allowances were $7.5 million as of December 31, 2014.

Loans in the Farm & Ranch line of business are all secured by first liens on agricultural real estate. Accordingly, Farmer Mac's exposure on a loan is limited to the difference between (1) the total of the accrued interest, advances, and the principal balance of a loan and (2) the value of the property less the cost to sell. Measurement of that excess or shortfall is the best predictor and determinant of loss, compared to other measures that evaluate the efficiency of a particular farm operator. Debt service ratios depend upon farm operator efficiency and leverage, which can vary widely within a geographic region, commodity type, or an operator's business and farming skills. A loan's original loan-to-value ratio is one of many factors Farmer Mac considers in evaluating loss severity and is calculated by dividing the loan principal balance at the time of guarantee, purchase, or commitment by the appraised value at the date of loan origination or, when available, updated appraised value at the time of guarantee, purchase, or commitment. Other factors include, but are not limited to, other underwriting standards, commodity and farming forecasts, and regional economic and agricultural conditions.

Table of Contents

Loan-to-value ratios depend upon the market value of a property, as determined in accordance with Farmer Mac's collateral valuation standards. As of December 31, 2014 and 2013, the average unpaid loan balance for loans outstanding in the Farm & Ranch line of business (excluding agricultural real estate loans that secured AgVantage securities) was $462,000 and $426,000, respectively. The original loan-to-value ratio is based on the original appraised value that has not been indexed to provide a current market value or reflect amortization of loans. The weighted average original loan-to-value ratio for Farm & Ranch loans purchased during 2014 was 43 percent, compared to 44 percent for loans purchased in 2013. The weighted average original loan-to-value ratio for all Farm & Ranch loans held and all loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs was approximately 47 percent as of December 31, 2014 and 49 percent as of December 31, 2013. The weighted-average original loan-to-value ratio for all 90-day delinquencies was 46 percent as of December 31, 2014 and 45 percent as of December 31, 2013.

The weighted average current loan-to-value ratio, which is the loan-to-value ratio based on original appraised value but which reflects loan amortization since purchase, for Farm & Ranch loans held and loans underlying off-balance sheet Farm & Ranch Guaranteed Securities and LTSPCs was approximately 44 percent as of December 31, 2014 and 38 percent as of December 31, 2013.

Table of Contents

The following table presents outstanding Farm & Ranch loans held and loans underlying LTSPCs and off-balance sheet Farm & Ranch Guaranteed Securities and 90-day delinquencies as of December 31, 2014 by year of origination, geographic region, commodity/collateral type, and original loan-to-value ratio:

Table 19
Farm & Ranch 90-Day Delinquencies as of December 31, 2014

| | Distribution of Farm & Ranch Line of Business | | Farm & Ranch Line of Business | 90-Day Delinquencies (1) | Percentage | |
|---|---|---|---|---|---|---|
| | (dollars in thousands) | | | | | |
| By year of origination: | | | | | | |
| Before 2001 | 5 | % | $252,419 | $2,864 | 1.13 | % |
| 2001 | 2 | % | 105,357 | 1,125 | 1.07 | % |
| 2002 | 2 | % | 130,087 | 1,384 | 1.06 | % |
| 2003 | 3 | % | 152,530 | 3,147 | 2.06 | % |
| 2004 | 3 | % | 172,383 | 491 | 0.28 | % |
| 2005 | 4 | % | 236,881 | 756 | 0.32 | % |
| 2006 | 4 | % | 225,148 | — | — | % |
| 2007 | 4 | % | 213,342 | 6,374 | 2.99 | % |
| 2008 | 5 | % | 282,078 | 1,587 | 0.56 | % |
| 2009 | 4 | % | 195,816 | 196 | 0.10 | % |
| 2010 | 6 | % | 305,033 | 993 | 0.33 | % |
| 2011 | 8 | % | 422,732 | — | — | % |
| 2012 | 15 | % | 804,597 | — | — | % |
| 2013 | 21 | % | 1,161,379 | — | — | % |
| 2014 | 14 | % | 757,392 | — | — | % |
| Total | 100 | % | $5,417,174 | | | |