FEDERAL AGRICULTURAL MORTGAGE CORP
Form 10-Q
August 10, 2009

As filed with the Securities and Exchange Commission on
August 10, 2009

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

FORM 10-Q

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

For the quarterly period ended June 30, 2009

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)
1133 Twenty-First Street, N.W., Suite 600 Washington, D.C.	20036
(Address of principal executive offices)	(Zip code)

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

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

Yes x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

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

Yes ¨ No x

As of August 3, 2009 the registrant had 1,030,780 shares of Class A Voting Common Stock, 500,301 shares of Class B Voting Common Stock and 8,609,233 shares of Class C Non-Voting Common Stock outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

The following information concerning Farmer Mac's interim unaudited condensed consolidated financial statements is included in this report beginning on the pages listed below:

FEDERAL AGRICULTURAL MORTGAGE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2009	December 31, 2008
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 362,858	$ 278,412
Investment securities:		
Available-for-sale, at fair value	836,540	1,072,096
Trading, at fair value	185,437	163,763
Total investment securities	1,021,977	1,235,859
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	2,124,281	1,511,694
Trading, at fair value	895,131	939,550
Total Farmer Mac Guaranteed Securities	3,019,412	2,451,244
Loans:		
Loans held for sale, at lower of cost or fair value	613,126	66,680
Loans held for investment, at amortized cost	38,360	718,845
Allowance for loan losses	(1,810)	(10,929)
Total loans, net of allowance	649,676	774,596
Real estate owned, at lower of cost or fair value	41,561	606
Financial derivatives, at fair value	15,452	27,069
Interest receivable	53,796	73,058
Guarantee and commitment fees receivable	56,083	61,109
Deferred tax asset, net	39,820	87,793
Prepaid expenses and other assets	62,049	117,561
Total Assets	$ 5,322,684	$ 5,107,307
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Liabilities:		
Notes payable:		
Due within one year	$ 3,262,856	$ 3,757,099
Due after one year	1,535,362	887,999
Total notes payable	4,798,218	4,645,098
Financial derivatives, at fair value	123,286	181,183
Accrued interest payable	38,759	40,470
Guarantee and commitment obligation	50,572	54,954
Accounts payable and accrued expenses	20,839	20,532
Reserve for losses	7,496	5,506
Total Liabilities	5,039,170	4,947,743
Mezzanine Equity:		
Series B redeemable preferred stock, par value $1,000,150,000 shares authorized, issued and outstanding	144,216	144,216
Stockholders' Equity:		
Preferred stock:		

Series C, stated at redemption/liquidation value, $1,000 per share, 75,000 shares authorized, 40,000 and 9,200 issued and outstanding as of June 30, 2009 and December 31, 2008, respectively	40,000	9,200
Common stock:		
Class A Voting, $1 par value, no maximum authorization	1,031	1,031
Class B Voting, $1 par value, no maximum authorization	500	500
Class C Non-Voting, $1 par value, no maximum authorization	8,607	8,601
Additional paid-in capital	95,961	95,572
Accumulated other comprehensive loss	(12,546)	(47,412)
Retained earnings/(accumulated deficit)	5,745	(52,144)
Total Stockholders' Equity	139,298	15,348
Total Liabilities, Mezzanine Equity and Stockholders' Equity	$ 5,322,684	$ 5,107,307

See accompanying notes to condensed consolidated financial statements.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(in thousands, except per share amounts)			
Interest income:				
Investments and cash equivalents	$ 7,049	$ 35,402	$ 15,958	$ 76,910
Farmer Mac Guaranteed Securities	25,805	19,767	53,564	38,537
Loans	8,896	11,643	19,381	23,474
Total interest income	41,750	66,812	88,903	138,921
Total interest expense	21,849	42,454	45,562	96,625
Net interest income	19,901	24,358	43,341	42,296
Recoveries for loan losses	5,693	-	2,159	-
Net interest income after provision for loan losses	25,594	24,358	45,500	42,296
Non-interest income/(loss):				
Guarantee and commitment fees	7,908	6,659	15,318	13,293
Gains/(losses) on financial derivatives	21,528	31,050	23,239	(10,670)
Gains/(losses) on trading assets	35	(17,268)	31,660	(7,157)
Other-than-temporary impairment - credit losses	(2,292)	(5,344)	(2,373)	(5,344)
(Losses)/gains on sale of available-for-sale investment securities	(300)	150	2,850	150
Gains on sale of loans and Farmer Mac Guaranteed Securities	-	-	1,581	-
Other income	101	662	335	1,123
Non-interest income/(loss)	26,980	15,909	72,610	(8,605)
Non-interest expense:				
Compensation and employee benefits	3,572	3,929	7,597	7,579
General and administrative	2,986	2,242	5,900	4,270
Regulatory fees	512	512	1,025	1,025
Real estate owned operating costs, net	(16)	38	5	87
(Recoveries)/provision for losses	(529)	-	1,990	-
Non-interest expense	6,525	6,721	16,517	12,961
Income before income taxes	46,049	33,546	101,593	20,730
Income tax expense	16,534	11,555	34,624	6,436
Net income	29,515	21,991	66,969	14,294
Preferred stock dividends	(4,130)	(560)	(8,066)	(1,120)
Net income available to common stockholders	$ 25,385	$ 21,431	$ 58,903	$ 13,174
Earnings per common share and dividends:				
Basic earnings per common share	$ 2.50	$ 2.15	$ 5.81	$ 1.33
Diluted earnings per common share	$ 2.49	$ 2.13	$ 5.80	$ 1.31
Common stock dividends per common share	$ 0.05	$ 0.10	$ 0.10	$ 0.20

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	June 30, 2009	June 30, 2008
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 66,969	$ 14,294
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of premiums and discounts on loans, investments and Farmer Mac Guaranteed Securities	2,207	2,752
Amortization of debt premiums, discounts and issuance costs	8,116	47,430
Proceeds from repayment and sale of trading investment securities	472	628
Purchases of loans held for sale	(53,045)	(30,685)
Proceeds from repayment of loans held for sale	16,117	5,792
Net change in fair value of trading securities and financial derivatives	(77,939)	7,408
Amortization of SFAS 133 transition adjustment on financial derivatives	89	156
Other-than-temporary impairment - credit losses	2,373	5,344
Gains on sale of loans and Farmer Mac Guaranteed Securities	(1,581)	(150)
Gains on sale of available-for-sale investment securities	(2,850)	-
Total provision for losses	(169)	-
Deferred income taxes	37,164	(3,537)
Stock-based compensation expense	1,543	2,284
Decrease in interest receivable	19,262	15,503
Decrease in guarantee and commitment fees receivable	5,026	2,181
Decrease in other assets	42,734	131
Decrease in accrued interest payable	(1,711)	(2,071)
Decrease in other liabilities	(7,686)	(8,122)
Net cash provided by operating activities	57,091	59,338
Cash flows from investing activities:		
Purchases of available-for-sale investment securities	-	(1,017,845)
Purchases of Farmer Mac Guaranteed Securities	(949,480)	(221,053)
Purchases of loans held for investment	(14,670)	(60,621)
Purchases of defaulted loans	(5,602)	(1,189)
Proceeds from repayment of available-for-sale investment securities	129,265	296,048
Proceeds from repayment of Farmer Mac Guaranteed Securities	137,572	152,670
Proceeds from repayment of loans	34,252	65,262
Proceeds from sale of available-for-sale investment securities	153,100	288,275
Proceeds from sale of loans held	358,953	-
Proceeds from sale of Farmer Mac Guaranteed Securities	17,224	13,876
Net cash used in investing activities	(139,386)	(484,577)
Cash flows from financing activities:		
Proceeds from issuance of discount notes	27,760,730	74,710,734
Proceeds from issuance of medium-term notes	2,074,185	1,011,944
Payments to redeem discount notes	(27,974,911)	(73,636,115)
Payments to redeem medium-term notes	(1,715,000)	(1,050,000)
Tax benefit from tax deductions in excess of compensation cost recognized	-	175
Proceeds from common stock issuance	17	3,368
Purchases of common stock	-	(830)
Proceeds from preferred stock issuance	30,800	-

Dividends paid	(9,080)	(3,108)
Net cash provided by financing activities	166,741	1,036,168
Net increase in cash and cash equivalents	84,446	610,929
Cash and cash equivalents at beginning of period	278,412	101,445
Cash and cash equivalents at end of period	$ 362,858	$ 712,374

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Accounting Policies

The interim unaudited condensed consolidated financial statements of the Federal Agricultural Mortgage Corporation (“Farmer Mac” or the “Corporation”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). These interim unaudited condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial condition and the results of operations and cash flows of Farmer Mac for the interim periods presented. Certain information and footnote disclosures normally included in the annual consolidated financial statements have been condensed or omitted as permitted by SEC rules and regulations. The December 31, 2008 condensed consolidated balance sheet presented in this report has been derived from the Corporation’s audited 2008 consolidated financial statements. Management believes that the disclosures are adequate to present fairly the condensed consolidated financial position, condensed consolidated results of operations and condensed consolidated cash flows as of the dates and for the periods presented. These interim unaudited condensed consolidated financial statements should be read in conjunction with the audited 2008 consolidated financial statements of Farmer Mac included in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 16, 2009. Results for interim periods are not necessarily indicative of those that may be expected for the fiscal year. Below is a summary of Farmer Mac’s significant accounting policies.

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

Farmer Mac considers highly liquid investment securities with original maturities of three months or less at the time of purchase to be cash equivalents. Changes in the balance of cash and cash equivalents are reported in the condensed consolidated statements of cash flows. The following table sets forth information regarding certain cash and non-cash transactions for the six months ended June 30, 2009 and 2008.

	For the Six Months Ended June 30, 2009	June 30, 2008
	(in thousands)	
Cash paid for:		
Interest	$ 42,465	$ 57,410
Income taxes	10,000	21,500
Non-cash activity:		
Transfer of loans held for investment to real estate owned	40,955	-
Loans acquired and securitized as Farmer Mac Guaranteed Securities	17,224	1,390
Transfers of investment securities from available-for-sale to trading from the effect of adopting SFAS 159	-	600,468
Transfers of Farmer Mac II Guaranteed Securities from held-to-maturity to trading from the effect of adopting SFAS 159	-	428,670
Transfers of available-for-sale investment securities to available-for-sale Farmer Mac Guaranteed Securities - Rural Utilities	-	902,420
Transfers of trading investment securities to trading Farmer Mac Guaranteed Securities - Rural Utilities	-	459,026
Transfers of Farmer Mac I Guaranteed Securities to loans held for sale	288,012	-
Transfers of loans held for investment to loans held for sale	617,072	-

(b) Allowance for Losses

As of June 30, 2009, Farmer Mac maintained an allowance for losses to cover estimated probable losses on loans held and loans underlying LTSPCs, Farmer Mac I Guaranteed Securities and Farmer Mac Guaranteed Securities – Rural Utilities in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (“SFAS 5”) and Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan, as amended (“SFAS 114”).

The allowance for losses is increased through periodic provisions for loan losses that are charged against net interest income and provisions for losses that are charged to non-interest expense and is reduced by charge-offs for actual losses, net of recoveries. 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.

Farmer Mac’s methodology for determining its allowance for losses incorporates the Corporation’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 the purposes of the loss allowance methodology, the loans in Farmer Mac’s portfolio of loans and loans underlying Farmer Mac I 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 underlying LTSPCs and (2) loans held and loans underlying Farmer Mac I Guaranteed Securities. The calculated loss rates are applied to the current classification distribution of unimpaired loans in Farmer Mac’s portfolio to estimate inherent losses, 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 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.

Farmer Mac separately evaluates the cooperative lender obligations and loans underlying its Farmer Mac Guaranteed Securities – Rural Utilities to determine if there are probable losses inherent in the securities or the underlying rural utilities loans.

Farmer Mac also analyzes impaired assets in its portfolio for impairment under SFAS 114. Farmer Mac's impaired assets include:

- non-performing assets (loans 90 days or more past due, in foreclosure, restructured, in bankruptcy – including loans performing under either their original loan terms or a court-approved bankruptcy plan);
- loans for which Farmer Mac had adjusted the timing of borrowers' payment schedules, but still expects to collect all amounts due and has not made economic concessions; and
- additional performing loans that have previously been delinquent or are secured by real estate that produces agricultural commodities or products currently under stress.

For loans with an updated appraised value, other updated collateral valuation or management's estimate of discounted collateral value, this analysis includes the measurement of the fair value of the underlying collateral for individual loans relative to the total recorded investment, including principal, interest and advances. In the event that the collateral value does not support the total recorded investment, Farmer Mac provides a specific allowance for the difference between the recorded investment and its fair value, less estimated costs to liquidate the collateral. For the remaining impaired assets without updated valuations, this analysis is performed in the aggregate in consideration of the similar risk characteristics of the assets and historical statistics.

Management believes that its use of this methodology produces a reliable estimate of probable losses, as of the balance sheet date, for all loans held and loans underlying Farmer Mac I Guaranteed Securities and LTSPCs and Farmer Mac Guaranteed Securities - Rural Utilities in accordance with SFAS 5 and SFAS 114.

The following table summarizes the changes in the components of Farmer Mac's allowance for losses for the three and six months ended June 30, 2009 and 2008:

	June 30, 2009			June 30, 2008		
	Allowance for Loan Losses	Reserve for Losses	Total Allowance for Losses	Allowance for Loan Losses	Reserve for Losses	Total Allowance for Losses
		(in thousands)			(in thousands)	
For the Three Months Ended:						
Beginning balance	$ 13,228	$ 8,025	$ 21,253	$ 1,651	$ 2,197	$ 3,848
Provision/(recovery) for losses	(5,693)	(529)	(6,222)	-	-	-
Charge-offs	(5,725)	-	(5,725)	(69)	-	(69)
Recoveries	-	-	-	10	-	10
Ending balance	$ 1,810	$ 7,496	$ 9,306	$ 1,592	$ 2,197	$ 3,789
For the Six Months Ended:						
Beginning balance	$ 10,929	$ 5,506	$ 16,435	$ 1,690	$ 2,197	$ 3,887
Provision/(recovery) for losses	(2,159)	1,990	(169)	-	-	-
Charge-offs	(7,725)	-	(7,725)	(108)	-	(108)
Recoveries	765	-	765	10	-	10
Ending balance	$ 1,810	$ 7,496	$ 9,306	$ 1,592	$ 2,197	$ 3,789

No allowance for losses has been provided for loans underlying AgVantage securities or securities issued under the Farmer Mac II program ("Farmer Mac II Guaranteed Securities"). Each AgVantage security is a general obligation of an issuing institution approved by Farmer Mac and is collateralized by eligible loans in an amount at least equal to the outstanding principal amount of the security. As of June 30, 2009, there were no probable losses inherent in Farmer Mac's AgVantage securities due to the credit quality of the obligors, as well as the underlying collateral. As of June 30, 2009, Farmer Mac had not experienced any credit losses on any AgVantage securities. The guaranteed portions collateralizing Farmer Mac II Guaranteed Securities are guaranteed by the United States Department of Agriculture ("USDA"). Each USDA guarantee is an obligation backed by the full faith and credit of the United States. As of June 30, 2009, Farmer Mac had not experienced any credit losses on any Farmer Mac II Guaranteed Securities.

The table below summarizes the components of Farmer Mac's allowance for losses as of June 30, 2009 and December 31, 2008:

	June 30, 2009	December 31, 2008
	(in thousands)	
Allowance for loan losses	$ 1,810	$ 10,929
Reserve for losses:		
On-balance sheet Farmer Mac I Guaranteed Securities	-	869
Off-balance sheet Farmer Mac I Guaranteed Securities	1,703	535
LTSPCs	5,793	4,102
Farmer Mac Guaranteed Securities - Rural Utilities	-	-
Total	$ 9,306	$ 16,435

As of June 30, 2009, Farmer Mac individually analyzed $112.1 million of its $152.8 million of impaired assets for collateral shortfalls against updated appraised values, other updated collateral valuations or discounted values. Farmer Mac evaluated the remaining $40.7 million of impaired assets for which updated valuations were not available in the aggregate in consideration of their similar risk characteristics and historical statistics. Farmer Mac's specific allowance for under-collateralized assets was $1.5 million as of June 30, 2009 and $8.6 million as of December 31, 2008. Farmer Mac's non-specific or general allowances were $7.8 million as of both June 30, 2009 and December 31, 2008.

Farmer Mac recognized interest income of approximately $0.6 million and $1.7 million on impaired loans during the three and six months ended June 30, 2009, respectively, compared to $0.9 million and $2.1 million, respectively, during the same periods in 2008. During the three and six months ended June 30, 2009, Farmer Mac's average investment in impaired loans was $142.4 million and $136.2 million, respectively, compared to $43.6 million and $41.3 million, respectively, for the same periods in 2008.

(c) Financial Derivatives

Farmer Mac enters into financial derivative transactions principally to protect against risk from the effects of market price or interest rate movements on the value of certain assets, future cash flows or debt issuance, not for trading or speculative purposes. Farmer Mac enters into interest rate swap contracts to adjust the characteristics of its short-term debt to match more closely the cash flow and duration characteristics of its longer-term mortgage and other assets, and also to adjust the characteristics of its long-term debt to match more closely the cash flow and duration characteristics of its short-term assets, thereby reducing interest rate risk and often times deriving an overall lower effective cost of borrowing than would otherwise be available to Farmer Mac in the conventional debt market. Farmer Mac also recognizes certain contracts and commitments as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative as promulgated by Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended ("SFAS 133").

Farmer Mac manages the interest rate risk related to loans it has committed to acquire, but has not yet purchased and permanently funded, through the use of forward sale contracts on the debt of other government-sponsored enterprises ("GSEs"), futures contracts involving U.S. Treasury securities and interest rate swap contracts. Farmer Mac uses forward sale contracts on GSE securities to reduce its interest rate exposure to changes in both U.S. Treasury rates and spreads on Farmer Mac debt. The notional amounts of these contracts are determined based on a duration-matched hedge ratio between the hedged item and the hedge instrument. Gains or losses generated by these hedge transactions should offset changes in funding costs.

All financial derivatives are recorded on the balance sheet at fair value as a freestanding asset or liability in accordance with SFAS 133. Farmer Mac does not designate its financial derivatives as fair value hedges or cash flow hedges; therefore, the changes in the fair values of financial derivatives are reported as gains or losses on financial derivatives in the condensed consolidated statements of operations.

The following tables summarize information related to Farmer Mac's financial derivatives as of June 30, 2009 and December 31, 2008:

June 30, 2009

	Notional Amount	Fair Value Asset	Fair Value (Liability)	Weighted-Average Pay Rate	Weighted-Average Receive Rate	Weighted-Average Forward Price	Weighted-Average Remaining Life (in years)
	(dollars in thousands)						
Interest rate swaps:							
Pay fixed callable	$ 129,980	$ -	$ (3,037)	5.61%	0.95%		7.74
Pay fixed non-callable	1,207,273	-	(109,117)	5.17%	0.89%		5.20
Receive fixed callable	300,000	441	-	0.79%	1.36%		0.95
Receive fixed non-callable	2,680,559	15,326	(9,674)	0.87%	1.80%		2.16
Basis swaps	277,474	422	(3,411)	2.29%	1.15%		3.04
Agency forwards	30,142	-	(203)			98.47	
Treasury futures	2,400	1	-			116.33	
Credit valuation adjustment	-	(738)	2,156				
Total financial derivatives	$ 4,627,828	$ 15,452	$ (123,286)	2.21%	1.47%		

December 31, 2008

	Notional Amount	Fair Value Asset	Fair Value (Liability)	Weighted-Average Pay Rate	Weighted-Average Receive Rate	Weighted-Average Forward Price	Weighted-Average Remaining Life (in years)
	(dollars in thousands)						
Interest rate swaps:							
Pay fixed callable	$ 208,958	$ -	$ (6,646)	5.51%	3.23%		7.66
	1,311,218	-	(169,040)	5.21%	3.05%		5.33

Pay fixed non-callable							
Receive fixed callable	606,500	1,727	(65)	2.91%	3.20%		1.28
Receive fixed non-callable	1,347,069	25,269	(94)	2.23%	2.28%		1.43
Basis swaps	206,863	45	(3,734)	3.84%	3.28%		4.31
Agency forwards	74,998	-	(1,604)			105.85	
Treasury futures	2,500	28	-			126.88	
Total financial derivatives	$ 3,758,106	$ 27,069	$ (181,183)	3.68%	2.82%		

In the normal course of business, collateral requirements contained in Farmer Mac's derivative contracts are enforced by Farmer Mac and its counterparties. Upon enforcement of the collateral requirements, the amount of collateral posted is typically based on the net fair value of all derivative contracts with the counterparty, i.e., derivative assets net of derivative liabilities at the counterparty level. If Farmer Mac were to be in violation of certain provisions of the derivative contracts, the related counterparty could request payment or full collateralization on the derivative contracts. As of June 30, 2009, the fair value of Farmer Mac's derivatives in a net liability position at the counterparty level, which includes accrued interest but excludes any adjustment for nonperformance risk, was $126.3 million. As of June 30, 2009, Farmer Mac posted assets with a fair value of $49.4 million as collateral for its derivatives in net liability positions. If Farmer Mac had breached certain provisions of the derivative contracts as of June 30, 2009, it could have been required to settle its obligations under the agreements or post additional collateral of $76.9 million.

The following table summarizes the effects of Farmer Mac's financial derivatives on the condensed consolidated statements of operations for the three and six months ended June 30, 2009 and 2008:

	Gains/(Losses) on Financial Derivatives			
	For the Three Months Ended		For the Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(in thousands)			
Interest rate swaps	$ 21,720	$ 30,582	$ 24,380	$ (10,566)
Agency forwards	(199)	534	(1,078)	215
Treasury futures	84			