

(AGM) Federal Agricultural Mortgage Corporation Class C

Govt Support Firms

Federal Agricultural Mortgage Corporation Class C: EJR affirms at A (Dev.)

Non-NRSRO Rating

Current Senior Rating	A
Projected Senior Rating	NR
Commercial Paper Rating	A1
Three Year Default Probability	1.5%
Three Year Recovery Rate	95.0%



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Federal Agricultural Mortgage Corporation Class C (AGM) is in the govt support firms sector and its operating income was \$16.6M for the quarter ending March 2020 vs. \$31.8M for the prior year. Net income for the March 2020 quarter was \$12.8M vs. the prior year's \$25.2M income.

Federal Agricultural Mortgage Corp., founded in 1987 and headquartered in Washington, DC., is a stockholder-owned, federally chartered corporation, which engages in the provision of a secondary market for agricultural real estate and rural housing mortgage loans, rural utility loans, and loans guaranteed by the United States Department of Agriculture. During Q1'20, AGM's net fell by 57.0% YOY, primarily due to \$9.2M in Losses on financial derivatives (due to fluctuations in long-term interest rates) and also due to increases in Non-Interest expense (+25.8% YOY at \$16.2M). Net Interest income (post loan loss provisioning) declined by 7.3% YOY to \$37.9M as benefits from slightly higher Net-Int income (+1.8% YOY at \$41.3M) were offset by a loan loss provisioning of \$3.4M (due to the adoption of CECL measures). The growth in net interest income was attributable to a decrease of 0.06% in net fair value changes from designated financial derivatives, an increase of 0.06% in funding and liquidity costs, partially offset by an increase of 0.03% in new business volume. AGM's outstanding business volume was \$21.5B as of March 2020, a net increase of \$421.4M from December 2019 - a pos. Given the slowdown and shutdown in operations, EJR expects increase in delinquencies and rise in loan loss provisioning. Total debt of s as of March 20 stood at ~\$22.2B and net debt is at ~\$18.0B. Given the backing of the U.S. Dept. of Agri, raising fresh equity should be possible to meet its debt repayment requirements, if required (appx \$11.56B due for redemption in 2020). We are affirming with a developing watch.

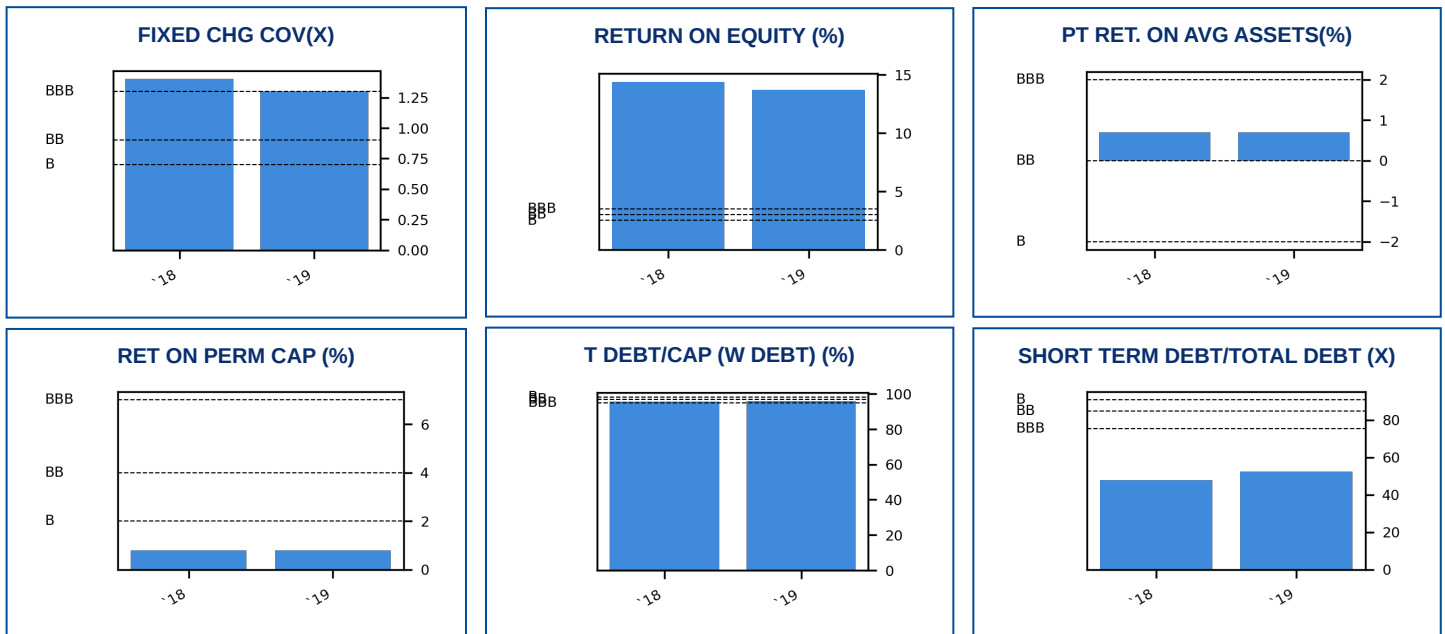
CREDIT POSITION	Annual Ratios		Ratios For 4 Rolling Quarters				
	Dec 18	Dec 19	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Fixed Chg Cov(x)	1.4	1.3	1.3	1.3	1.3	1.3	1.3
Return on Equity (%)	14.4	13.7	14.1	14.5	13.3	13.7	14.0
PT Ret. on Avg Assets(%)	0.7	0.7	0.7	0.7	0.6	0.6	0.5
Ret on Perm Cap (%)	0.8	0.8	0.8	0.8	0.7	0.7	0.6
T Debt/Cap (w Debt) (%)	95.6	96.0	95.8	95.9	96.2	96.0	96.8
Short Term Debt/Total Debt (x)	47.8	52.5	49.7	54.7	52.5	52.5	56.0
Implied Senior Rating	A-	A-	A-	A-	BBB+	BBB+	BBB+

PEER RATIOS	Other NRSRO Sen.	Fixed Charge Cov(x)	ROE(%)	Ret on Avg Assets	Ret on Perm Cap(%)	T Debt/ Cap(%)	ST Debt/ Total Debt(%)	Ratio-Implied Rating
Freddie Mac	AAA	1.1	79.1	0.4	0.4	99.6	7.2	BBB
Federal National Mortgage Association	AAA	1.2	96.9	0.5	0.5	99.6	0.8	BBB+
Starwood Property Trust, Inc.	BB-	1.7	9.8	0.8	2.2	69.6	8.9	BBB+
Ocwen Financial Corporation	B-	3.3	(34.5)	(1.3)	2.9	95.7	13.5	BB-

Notes:

Annual and quarterly implied sen. ratings are smoothed using EJR's prior rating if any. Peers' implied ratings are also smoothed. Rating Change Anticipator (1 is best, 100 worst): 62.9, Last EJR Sen: A

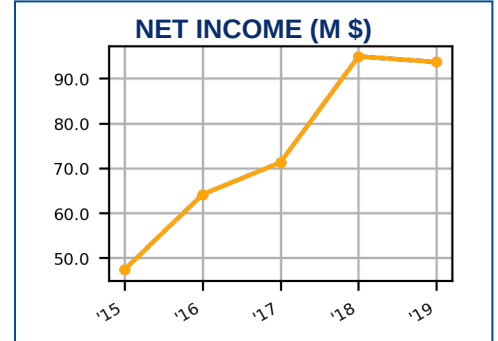
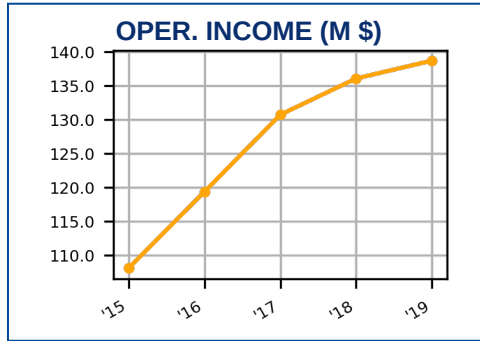
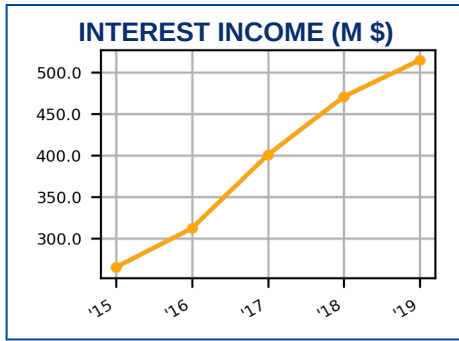
INDUSTRY RATIOS	AA	A	BBB	BB	B	CCC
Fixed Chg Cov(x)	2.3	1.8	1.3	0.9	0.7	0.5
Return on Equity (%)	4.5	4.0	3.5	3.0	2.5	2.0
PT Ret. on Avg Assets(%)	6.0	4.0	2.0	0.0	-2.0	-4.0
Ret on Perm Cap (%)	20.0	10.0	7.0	4.0	2.0	-2.0
T Debt/Cap (w Debt) (%)	85.0	90.0	95.0	97.0	98.2	100.0
Short Term Debt/Total Debt (x)	47.5	62.2	75.3	84.9	90.7	94.2



ANNUAL INCOME STATEMENTS (MILLIONS \$)

Below are Federal Agricultural Mortgage Corporation Class C's annual income statements with the projected years based on our assumptions.

	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19
Interest Income	265	312	401	471	515
Interest Expense	139	172	243	319	413
Net Interest Income	126	140	158	151	102
Provisions for Loan Losses	0	1	2	0	4
Trading Account Profit	1	1	0	0	0
Commissions and Fees Earned	15	15	14	14	14
Other Operating Income	(5)	8	(6)	20	76
Non-Interest Expense	28	44	34	49	50
Operating Income	108	119	131	136	139
Net Non Operating Loss	0	0	0	0	0
Income Tax Expenses	34	42	46	28	29
Income Before XO Items	74	77	84	108	110
Extraordinary Item Net of Tax	0	0	0	0	0
Minority Interests	5	0	0	0	0
Consolidated Net Income	69	77	84	108	110
Total Cash Preferred Dividends	21	13	13	13	16
Net Income	47	64	71	95	94
Common Dividends/Distribution	20	11	15	25	30
Net Revenues	275	336	409	504	605
Comprehensive Income per Share	2.4	5.0	5.2	6.5	5.9
Basic EPS Before Abnormal Items	4.2	6.0	6.6	8.8	8.7
Basic EPS Before XO Items	4.2	6.0	6.6	8.8	8.7
Basic EPS	4.3	6.1	6.7	8.9	8.8
EBITDA	247	292	375	0	555



REVENUE & PROFITABILITY

The Company's interest income rose at an average rate of 18.87% over the last five years while Operating Margin fell to 1.0% for the fiscal year ending December 2019, below the 1.08% average over the prior four years. Return on Assets rose to 0.5%, above the 0.48% average for the prior years.

	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19
Interest Income (Millions USD)	265	312	401	471	515
Growth Rate (%)	14.9	17.8	28.4	17.5	9.4
Net Interest Income/Total Interest Income (%)	47.5	45.0	39.4	32.1	19.8
Loan Loss Coverage (%)	N/A	N/A	N/A	N/A	N/A
Pretax Return on Avg Assets (%)	0.7	0.8	0.8	0.7	0.7
Oper Return / Earning Assets (%)	1.1	1.1	1.1	1.1	1.0
Non-Interest Inc / Revs (%)	3.9	7.2	2.0	6.7	14.9
Efficiency Ratio (%)	20.6	26.9	20.2	26.3	25.9
Return on Assets (%)	0.4	0.5	0.5	0.6	0.5

LEVERAGE & ASSET LIQUIDITY

The Quick Asset Ratio has become stronger recently, rising to 3.7:1 for the FYE December 2019.

	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19
Quick Asset Ratio (%)	8.6	2.5	2.6	3.2	3.7
Quick Assets / ST Dep & Debt (%)	14.6	4.7	5.7	7.8	7.9
LT Debt/Capital (%)	90.0	89.0	91.3	91.9	91.9
T Debt/Cap (w Debt) (%)	96.2	95.5	95.6	95.6	96.0

ASSUMPTIONS FOR FINANCIALS

VALUATION DRIVER: Interest Income Growth

Federal Agricultural Mortgage Corporation Class C (AGM) has grown its interest income at 9.4% per annum in the last fiscal year. We expect the Company's revenues will grow approximately 7.6% per annum over the next couple of years and 6.8% per annum for the next couple of years thereafter.

VALUATION DRIVER: Net Interest Margin

The Company's net interest margin has been more than its peers and we assumed no growth in net interest margin over the next two years.

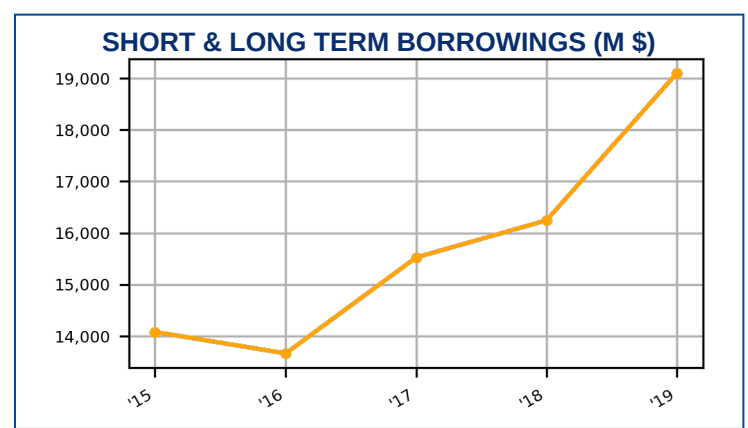
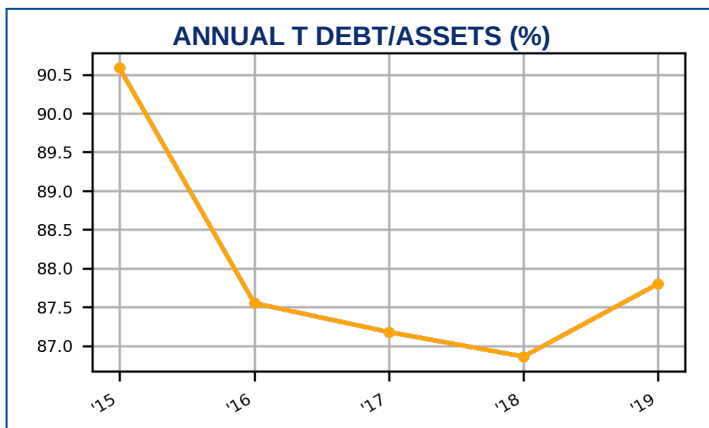
	ASSUMPTIONS			
	Peer Median	Company Average	Years 1 & 2	Years 3, 4, 5
Interest Income Growth (%)	2.2	9.4	7.6	6.8
Interest Expense (Rate %)	2.8	2.2	2.2	2.2
Net Interest Margin (% of earning assets)	0.3	0.7	0.7	0.0
Provisions for Loan Losses (% of earning assets)	(0.0)	0.0	0.0	0.0
Trading Account Profit Growth (%)	(100.0)	302.5	0.0	0.0
Commissions and Fees Earned Growth (%)	13.6	(2.2)	(2.2)	0.0
Other Operating Income Growth (%)	85.9	284.9	284.9	0.0
Non Interest Expense Growth (%)	5.5	2.5	2.5	2.5
Net Non Operating Loss Growth (%)	(11.2)	0.0	0.0	0.0
Income Tax Rate (%)	5.9	21.0	21.0	22.0
Special Items (Millions \$)	0.0	0.0	0.0	0.0
Cash & Near Cash Growth (%)	17.7	42.1	6.0	6.0
Accounts & Notes Receivable Growth (%)	6.2	7.8	7.8	7.8
Marktable Secs. & ST Investments Growth (%)	0.0	0.0	0.0	0.0
Loans & Mortgages Growth (%)	(2.8)	0.0	0.0	0.0
Real Estate Investments Growth (%)	0.0	0.0	0.0	0.0
Other Long Term Investments Growth (%)	33.5	10.6	7.6	0.0
Long Term Investments Before Reserves Growth (%)	(2.6)	10.6	10.6	10.6
Loan Loss Reserves (% of earning assets)	0.1	0.0	0.0	0.0
Loan Net of Reserves Growth (%)	0.0		0.0	0.0
Net Fixed Assets Growth (%)	(8.4)	0.0	0.0	0.0
Other Assets Growth (%)	0.0	0.0	0.0	0.0
Demand Deposits Growth (%)	0.0	0.0	0.0	0.0
Short-Term Borrowings Growth (%)	7.1	29.2	29.2	0.0
Customer Deposits Growth (%)	0.0	0.0	7.8	7.8
Other Short-Term Liabilities Growth (%)	0.0	0.0	0.0	0.0
Long-Term Borrowings Growth (%)	4.5	7.0	7.0	0.0
Deferred Tax Liability Growth (%)	0.0	543.6	13.1	13.1
Other Long-Term Liabilities Growth (%)	0.0	6.7	6.7	6.7
Shares Sold (% of shares out.)	0.0	0.3	0.2	0.2
Additional ST Debt (Millions \$)	0.0	0.0	0.0	0.0

ANNUAL BALANCE SHEETS (MILLIONS \$)

Below are Federal Agricultural Mortgage Corporation Class C's balance sheets with the projected years based on our assumptions. While its total debt is assumed to rise from \$19.1B to \$19.9B.

ASSETS	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19
Cash & Near Cash	1,210	265	302	425	604
Accounts & Notes Receivable	153	162	195	220	238
Marketable Secs. & ST Investments	0	0	0	0	0
Mortgage Loans	0	0	0	0	0
Real Estate Investments	0	0	0	0	0
Other Long-Term Investments	10,123	10,572	11,997	12,518	13,847
Long-Term Investments before Reserves	10,123	10,572	11,997	12,518	13,847
Loan Loss Reserves	0	0	0	0	0
Loans Net of Reserves	10,125	10,572	11,997	12,518	13,847
Net Fixed Assets	0	0	0	0	0
Other Assets	0	0	0	0	0
Additional Assets	4,053	4,608	5,312	5,538	7,064
Total Assets	15,541	15,606	17,806	18,701	21,752
Earning Assets	10,278	10,733	12,192	12,518	13,847

LIABILITIES	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19
Demand Deposits	0	0	0	0	0
Short-Term Borrowings	9,111	8,440	8,090	7,757	10,019
Customer Deposits	0	0	0	0	0
Other Short Term Liabilities	0	0	0	0	0
Long-Term Borrowings	4,967	5,223	7,433	8,487	9,080
Deferred Tax Liability	1	0	14	7	43
Other Long-Term Liabilities	908	1,299	1,562	1,698	1,811
Other Liabilities	0	0	0	0	0
Total Liabilities	14,987	14,962	17,098	17,948	20,953
Total Preferred Equity	205	205	205	205	228
Minority Interest	0	0	0	0	0
Share Capital & APIC	129	129	130	129	130
Retained Earnings & Other Equity	220	309	374	418	441
Total Shareholders & Equity	554	644	708	753	799
Total Liabilities & Equity	15,541	15,606	17,806	18,701	21,752
Shares Outstanding	11	11	11	11	11



U.S. SECURITIES AND EXCHANGE COMMISSION RULE 17g-7(a) DISCLOSURE

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:

For the issue Federal Agricultural Mortgage Corporation Class C with the ticker of AGM we have assigned the senior unsecured rating of A. There are three notches in our rating categories (e.g., A- A, and A+) except for AAA and those deep into speculative grade, i.e., CC, C, and D do not have notches.

2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:

We are using the methodology version #15 available via egan-jones.com under the tab at the bottom of the page "Methodologies".

3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:

The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to page 3 of this Rating Analysis Report.

4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:

Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer. EJR ratings

- Are not intended to address the value, price, price stability, liquidity, suitability, or merit of an investment;
- Do not address investment merit, whether a particular rated security is suitable for a particular investor or suitable for an investor's risk tolerance;
- Do not address whether the expected return of a particular investment is adequate for the inherent risk;
- Do not address whether the market value of the security will remain stable over time; and
- Are not exact measures of the probability of default but are instead expressions of the relative credit risk of issuers and debt instruments.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:

Our rating is dependent on numerous factors including the reliability, accuracy, and quality of the data relied upon in determining the credit rating. The data/information (collectively "Information") is sourced from publicly-available 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources. In some cases, the Information is limited because of issues such as short operating histories, lack of reported data, delay in reporting data, restatements, inaccurate accounting, and other issues. Such shortcomings are not always readily apparent.

6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:

EJR does not utilize third-party due diligence.

7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:

Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:

EJR uses 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources for ratings on publicly-traded issuers.

9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7:

The information is generally high quality and readily available.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:

EJR is not paid to determine this credit rating.

11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:

Non-performing Loans and Credit Losses- A material increase in non-performing loans and/or credit losses could prompt us to lower or the rating up to several notches.

Net Interest Margins - A material decline in the issuer's realized net interest margins could prompt us to reduce our rating up to several notches; the level of the rating cut would depend on the magnitude of the decline and a review of other possibly offsetting factors.

Regulatory/ Licensing Issues - A material deterioration in the issuer's regulatory posture is likely to impact credit quality and resulting rating with a decline of up to several notches.

Funding Costs and Availability - A material change in cost and availability of funds (i.e., liquidity) for the issuer, its customers and suppliers is likely to impact credit quality and resulting rating change of up to several notches.

Business Levels/ GDP - A material change in overall business activity or GDP could prompt us to raise or lower the rating. Most changes in GDP do not result in a rating change of more than one notch because these changes occur in small increments over time.

Leverage Increase - A material increase in leverage for the issuer and major customers could prompt us to adjust our the ratings up to several notches.

Cyber/System Disruptions - Material and prolonged disruptions in the issuer's and/or customers' and/or suppliers' systems is likely to cause us to reduce our rating up to several notches or in extreme cases, withdraw our rating.

Corporate Events - A material corporate event (such as a major acquisition, sale, or share buyback) is likely to cause us to change our rating up to several notches depending on various factors such as the counter party, the method of financing, the timing, and a variety of other related factors.

Asset Values - A material decline in asset values could prompt us to reduce our ratings up to several notches although normally such changes take place over several years and provide time for adjustment. An exception would be a catastrophic event such as a war or economic collapse in which case we might be compelled to take more rapid action.

12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:

EJR credit rating is an opinion about the relative creditworthiness of an entity or an instrument. Exhibit 1 of Form NRSRO provides information on credit rating definitions and observed default rates in credit ratings performance measurement statistics. (https://www.egan-jones.com/public/annual_certifications.aspx)

Historical performance of credit ratings is disclosed on the Firm's web site. (<https://www.egan-jones.com/17g-7>)

13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:

Below is a summary of the import of the assumptions which independently would have the greatest impact on our "ratio-implied rating":

	Assumptions			Resulting Ratio-Implied Rating		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Interest Income Growth %	7.6	11.6	3.6	A+	AA-	A+
Interest Expense (% of outstanding debt)	2.2	0.0	5.2	A+	AA-	A-
Provisions for Loan Losses (% of earning assets)	0.0	0.0	3.0	A+	AA-	A
Commissions & Fees Earned Growth %	-2.2	0.0	0.0	A+	AA-	A+
Loan Loss Reserves (% of Earn. Assets)	0.0	0.0	2.0	A+	AA-	A+

14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:

This credit rating is not assigned to an asset-backed security.

Comments on the Difference between the Model and Assigned Rating

We have assigned a rating of A whereas the ratio-implied rating for the most recent historic period (Mar '20) is BBB+. Regarding the difference between the rating assigned and the rating for the most recent historic period: Please see additional comments in this report and our assumptions. (Note, assigned ratings reflect the judgment of EJR's analysts.)

Comments on Industry Ratios

We have not made any adjustments in the industry ratios at this time.

CUSIPs and EJR ratings

637432MG7 rated A; 637432MB8 rated NR; 637432MC6 rated NR; 637432MH5 rated A; 637432MF9 rated A; 637432MJ1 rated A; 637432MD4 rated NR; 637432MK8 rated A; 637432ME2 rated NR

Attestation Form

In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:

1. No Part of the credit rating was influenced by any other business activities,
2. The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
3. The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Prepared By

Date Prepared




Subramanian NG
Sr. Credit Rating Analyst

07/21/20

Reviewed By

Date Reviewed



Jenna Beck
Manager, Credit Rating Analyst

07/22/20

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