

**\$15,936,400**  
**FEDERAL AGRICULTURAL MORTGAGE CORPORATION**  
**FARMER MAC**

**GUARANTEED AGRICULTURAL MORTGAGE-BACKED SECURITIES**

The Guaranteed Agricultural Mortgage-Backed Securities offered hereby (the "AMBS" or "Certificates") evidence beneficial ownership interests in a trust fund (the "Trust Fund") consisting primarily of four Pools (each, a "Pool") of fixed-rate agricultural real estate mortgage loans ("Qualified Loans") having the characteristics set forth in ANNEX I hereto. As described herein, timely payment of interest on and principal of the Certificates is guaranteed by the Federal Agricultural Mortgage Corporation, a federally chartered instrumentality of the United States ("Farmer Mac"), pursuant to Title VIII of the Farm Credit Act of 1971, as amended. See "FARMER MAC GUARANTEE" herein. *(Continued on next page)*

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**THE OBLIGATIONS OF FARMER MAC UNDER ITS GUARANTEE ARE OBLIGATIONS SOLELY OF FARMER MAC AND ARE NOT OBLIGATIONS OF, AND ARE NOT GUARANTEED BY, THE FARM CREDIT ADMINISTRATION, THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES (OTHER THAN FARMER MAC), AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES.**

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**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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**Prospective investors in the Certificates should consider the factors discussed under "Risk Factors" in this Prospectus Supplement on Page S-7 and in the Prospectus on Page 13.**

Class Designation (1)	Original Principal Amount(2)	CUSIP Number	Pass-Through Rate	Payment Frequency	First Distribution Date	Final Distribution Date (4)
Pool AA1003	\$3,881,700	31316AAC5	(3)	Annual	January 25, 1997	January 25, 2012
Pool AS1004	6,002,400	31316EAD5	(3)	Semi-annual	January 25, 1997	January 25, 2012
Pool CA1002	1,170,000	31316QAB2	(3)	Annual	January 25, 1997	January 25, 2002
Pool CS1002	4,882,300	31316RAB0	(3)	Semi-annual	January 25, 1997	January 25, 2002

(1) Each Class of Certificates will separately evidence the Pool of Qualified Loans having the corresponding alpha-numerical designation. As described herein, each Class of Certificates will be entitled to all payments of interest and principal on the Qualified Loans included in the related Pool.

(2) Approximate, subject to a permitted variance as described herein.

(3) On each applicable Distribution Date, the Pass-Through Rate for each Class of Certificates will be a rate per annum equal to the weighted average of the Net Mortgage Rates (as defined herein) for the Qualified Loans in the related Pool. It is expected that the Pass-Through Rates per annum for the initial Interest Accrual Periods for each Class of Certificates will be approximately as follows: Class AA1003, 8.016%; Class AS1004, 7.857%; Class CA1002, 7.547%; and Class CS1002, 7.229%. See "DESCRIPTION OF THE CERTIFICATES -- Distributions -- Interest" herein.

(4) The Final Distribution Date for each Class of Certificates has been set to coincide with the latest maturing Qualified Loan in the related Pool.

The Certificates will be purchased from Farmer Mac Mortgage Securities Corporation (the "Depositor") by Bear, Stearns & Co. Inc. (the "Underwriter") and are being offered by the Underwriter from time to time in negotiated transactions, at varying prices to be determined at the time of sale. Proceeds to the Depositor from the sale of the Certificates will be approximately 100.63% of the aggregate initial Certificate Balances, plus accrued interest thereon from the Cut-off Date, before deducting expenses payable by the Depositor. See "METHOD OF DISTRIBUTION" herein.

The Certificates are offered subject to receipt and acceptance by the Underwriter, to prior sale and to the Underwriter's right to reject any order in whole or in part and to withdraw, cancel or modify the offer without notice. It is expected that the Certificates will be available through the book-entry system of the Federal Reserve Banks on or about November 26, 1996 (the "Closing Date").

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**BEAR, STEARNS & CO. INC.**

**The date of this Prospectus Supplement is November 21, 1996.**

Each Class of Certificates will relate to a separate Pool. Interest will accrue on each Class of Certificates at the respective rate per annum (each, a "Pass-Through Rate") described herein and will be distributable on each Distribution Date for such Class, commencing on the date specified on the cover hereof. On each applicable Distribution Date, the amount of interest distributable on each Certificate will equal interest accrued for the related Interest Accrual Period at the applicable Pass-Through Rate on the Certificate Balance thereof immediately prior to such Distribution Date.

Principal in respect of each Pool will be distributable to the related Class of Certificates on each Distribution Date for such Class to the extent and in the manner described herein.

The yield to maturity on the Certificates of each Class will be affected by the rate and timing of principal payments (including voluntary prepayments and prepayments resulting from Liquidated Qualified Loans (as defined herein)) on the Qualified Loans in the related Pool, which may be prepaid under the circumstances described herein. Investors in the Certificates offered hereby should consider, in the case of any Certificates purchased at a discount, the risk that a slower than anticipated rate of principal payments on the related Qualified Loans could result in actual yields that are lower than anticipated yields and, in the case of any Certificates purchased at a premium, the risk that a faster than anticipated rate of principal payments on the related Qualified Loans could result in actual yields that are lower than anticipated yields.

The Certificates offered hereby constitute Guaranteed Agricultural Mortgage-Backed Securities offered from time to time pursuant to a Prospectus dated June 26, 1996 of which this Prospectus Supplement is a part. This Prospectus Supplement does not contain complete information about the offering of the Certificates. Additional information is contained in the Prospectus and purchasers are urged to read both this Prospectus Supplement and the Prospectus in full. Sales of the Certificates may not be consummated unless the purchaser has received both this Prospectus Supplement and the Prospectus.

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There is currently no secondary market for the Certificates of any Class. The Underwriter intends to make a market in the Certificates but is not obligated to do so. There can be no assurance that any such market for the Certificates will develop or, if developed, will continue or will provide investors with sufficient liquidity of investment.

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Until 90 days after the date of this Prospectus Supplement, all dealers effecting transactions in the Certificates, whether or not participating in this distribution, may be required to deliver a Prospectus Supplement and the Prospectus to which it relates. This is in addition to the obligation of dealers to deliver a Prospectus and Prospectus Supplement when acting as underwriters and with respect to their unsold allotments or subscriptions.

## SUMMARY OF TERMS

*The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus Supplement and the Prospectus. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Prospectus.*

**Securities Offered** ..... Guaranteed Agricultural Mortgage-Backed Securities (the "Certificates").

The Certificates will be issued in four Classes, each having a Class designation corresponding to one of the four Pools identified on the cover page hereof. Each Class of Certificates will separately evidence the right to receive distributions in respect of the Pool having the corresponding alpha-numerical designation and will be issued in an original Class Certificate Balance equal to the original principal amount of such Pool set forth on the cover hereof. The initial Class Certificate Balance of each Class of Certificates is subject to a permitted variance of plus or minus 5%. See "ANNEX I: DESCRIPTION OF THE QUALIFIED LOAN POOLS" for detailed information on the Qualified Loans in each Pool.

**The Guarantor** ..... The Federal Agricultural Mortgage Corporation ("Farmer Mac") is a federally chartered instrumentality of the United States established by Title VIII of the Farm Credit Act of 1971, as amended (the "Farmer Mac Charter"). See "FEDERAL AGRICULTURAL MORTGAGE CORPORATION" in the Prospectus.

**The Depositor** ..... Farmer Mac Mortgage Securities Corporation, a Delaware corporation and wholly owned subsidiary of Farmer Mac, will act as depositor (the "Depositor") under the Trust Agreement. See "THE DEPOSITOR" herein.

**The Guarantee** ..... As described herein, the timely payment to Certificateholders of interest on and principal (including any balloon payments) of the Certificates is guaranteed by Farmer Mac. See "FARMER MAC GUARANTEE" herein.

**Not an Obligation of the United States** ..... Farmer Mac's obligations under the Farmer Mac Guarantee are not backed by the full faith and credit of the United States.

**The Master Servicer** ..... Farmer Mac will act as Master Servicer (the "Master Servicer") of the Qualified Loans. The Qualified Loans will be directly serviced by Equitable Agri-Business, Inc., a Delaware Corporation (the "Central Servicer") which will act on behalf of Farmer Mac pursuant to a Servicing Contract (as supplemented) between such parties. See "DESCRIPTION OF THE AGREEMENTS" herein.

**The Trustee** ..... First Trust National Association, a national banking association, will act as trustee (the "Trustee") pursuant to a Trust Agreement as supplemented by an Issue Supplement (collectively, the "Trust

Agreement"), each among Farmer Mac, the Depositor and the Trustee.

**Cut-off Date** ..... November 1, 1996.

**Closing Date** ..... On or about November 26, 1996.

**Distribution Dates** ..... Distributions to Holders of the Certificates of each Class will be made on a semi-annual or annual basis as specified below, on each January 25 or July 25, as applicable (unless such day is not a Business Day, whereupon such distribution will be made on the next following Business Day), commencing on the initial Distribution Date for such Class. The Distribution Dates for each Class are set forth below:

<u>Class</u>	<u>Frequency</u>	<u>Commencing On</u>
AA1003	Annual	January 25, 1997
AS1004	Semi-annual	January 25, 1997
CA1002	Annual	January 25, 1997
CS1002	Semi-annual	January 25, 1997

**Distributions on the Certificates**

*Interest.* Interest will accrue on the Certificates of each Class at the respective Pass-Through Rate described herein during each related Interest Accrual Period. On each applicable Distribution Date, interest will be distributable on each Class of Certificates in an aggregate amount equal to the interest accrued at the applicable Pass-Through Rate during the related Interest Accrual Period on the Class Certificate Balance of such Class immediately prior to such Distribution Date (as to each Class, the "Accrued Certificate Interest").

As to each Class and related Distribution Date, the "Interest Accrual Period" will be the period from the first day of the month of the preceding Distribution Date (or, in the case of the first Distribution Date for each Class, from the Cut-off Date) through the last day of the month preceding the month of such current Distribution Date. See "DESCRIPTION OF THE CERTIFICATES -- Distributions -- Interest" herein.

*Principal.* Principal in respect of each Pool will be distributed to the related Class of Certificates on each applicable Distribution Date in an aggregate amount equal to the Principal Distribution Amount for such Distribution Date and Pool. The "Principal Distribution Amount" for each Pool as of each applicable Distribution Date will equal the sum of (i) the principal portion of all scheduled payments (including any balloon payments) on the Qualified Loans in such Pool due during the preceding Due Period (as defined herein), (ii) the scheduled principal balance of each Qualified Loan included in such Pool which was purchased or became a Liquidated Qualified Loan during the preceding Due Period, and (iii) all full or partial principal prepayments received during the preceding Due Period. See "DESCRIPTION OF THE CERTIFICATES -- Distributions -- Principal" herein

*Yield Maintenance Charges.* Each Qualified Loan provides for the payment by the Borrower of a Yield Maintenance Charge (as defined herein) in connection with any prepayments, in whole or in part. The amount of any Yield Maintenance Charge in respect of the related Qualified Loan, to the extent collected by the Central Servicer, will be distributed to the Holders of the related Class of Certificates on each Distribution Date in the manner and to the extent described herein.

**Farmer Mac will not guarantee to Holders of the related Class of Certificates the collection of any Yield Maintenance Charge payable in connection with a principal prepayment on a Qualified Loan.** See "DESCRIPTION OF THE CERTIFICATES -- Distributions -- Yield Maintenance Charges" herein.

**Record Date** ..... The Record Date for each Distribution Date and Class of Certificates will be the close of business on the last Business Day of the month immediately preceding the month in which such Distribution Date occurs.

**The Trust Fund** ..... The Trust Fund corpus consists of: (i) four separate Pools of fixed-rate agricultural real estate mortgage loans (collectively, the "Qualified Loans"), (ii) the Farmer Mac Guarantee and (iii) the Collection Account and Certificate Account (each as defined in the Prospectus). See "DESCRIPTION OF THE QUALIFIED LOANS" herein.

**Optional Termination** ..... On any Distribution Date for any Class of Certificates, when the aggregate principal balance of the Qualified Loans in the Trust Fund is less than one percent thereof as of the Cut-off Date, the Master Servicer may purchase from the Trust Fund all remaining Qualified Loans and thereby effect an early retirement of the Certificates outstanding at such time. See "DESCRIPTION OF THE CERTIFICATES -- Optional Termination" herein and in the Prospectus.

**Certain Federal Income Tax Consequences** ..... The Trust Fund will be treated as a grantor trust for federal income tax purposes and no election will be made to treat the Trust Fund as a real estate mortgage investment conduit for federal income tax purposes. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" herein and in the Prospectus.

**ERISA Considerations** ..... The acquisition of a Certificate by a plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any individual retirement account ("IRA") or any other plan subject to Code Section 4975 could, in some instances, result in a prohibited transaction or other violations of the fiduciary responsibility provisions of ERISA and Code Section 4975. Prospective plan investors should consult with their legal advisors concerning the impact of ERISA and the Code, and the availability of any exemptions thereunder, prior to making an investment in the  
  
Certificates. See "ERISA CONSIDERATIONS" herein and in the Prospectus.

**Legal Investment** ..... The Certificates will constitute securities guaranteed by Farmer Mac for purposes of the Farmer Mac Charter and, as such, will, by statute, be legal investments for certain types of institutional investors to the extent that those investors are authorized under any applicable law to purchase, hold, or invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality of the United States. Investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether and the extent to which Certificates constitute legal investments for them. See "LEGAL INVESTMENT" herein and in the Prospectus.

## RISK FACTORS

Prospective investors in the Certificates should consider the following factors (together with the factors set forth in "RISK FACTORS" in the Prospectus) in connection with the purchase of such Certificates.

*Collection of Yield Maintenance Charges.* Farmer Mac will not guarantee to Holders of the related Class of Certificates the collection of any yield maintenance charge ("Yield Maintenance Charge") payable in connection with a principal prepayment on a Qualified Loan. The amount of any Yield Maintenance Charge in respect of the related Qualified Loan, to the extent collected by the Central Servicer, will be distributed to Holders of the related Class of Certificates on the related Distribution Date in the manner and to the extent described herein.

Under the Servicing Contract, the Central Servicer may not waive the collection of any Yield Maintenance Charge without the consent of Farmer Mac, as Master Servicer. It is Farmer Mac's policy generally not to consent to the waiver of the collection of a Yield Maintenance Charge unless the amount of such charge is unduly large relative to the unpaid principal balance of the related Qualified Loan. In such cases, and other circumstances that raise similar equitable concerns, Farmer Mac's policy is to require Central Servicers to attempt to collect a portion of such Yield Maintenance Charge in connection with any prepayment of principal; however, there may be situations in which Farmer Mac may consider it appropriate to waive any collection of a Yield Maintenance Charge. Generally, a principal prepayment resulting from the condemnation of, or casualty on, the related Mortgaged Property (as defined herein) will not be accompanied by a Yield Maintenance Charge. Because Farmer Mac does not guarantee the collection of such charges, the expected yield to investors in the Certificates may be sensitive to the extent such amounts are not collected. See "FARMER MAC GUARANTEE" herein.

*Relative Loan Sizes.* As of the Cut-off Date, Pool AA1003, Pool CA1002 and Pool CS1002 each includes a single Qualified Loan which constitutes approximately 32%, 66% and 47% (by principal balance), respectively, of the aggregate principal balance of such Pool. As a result, principal payments (including voluntary prepayments and prepayments due to defaults, liquidations and Guarantee Payments) on such Qualified Loans will have a disproportionate effect on the Pass-Through Rates and yields of the related Classes of Certificates. To the extent any such Qualified Loan bears interest at a Net Mortgage Rate in excess of the then applicable Pass-Through Rate for such Pool, principal payments on such loan will subsequently result in a lower Pass-Through Rate for such Pool. See "ANNEX I: DESCRIPTION OF THE QUALIFIED LOAN POOLS" at the end of this Prospectus Supplement for detailed information regarding such high balance loans.

*Limited Number of Loans.* As of the Cut-off Date, Pool AA1003, Pool AS1004, Pool CA1002 and Pool CS1002 include 7, 13, 2 and 7 Qualified Loans, respectively. As a result of the relatively low number of Qualified Loans in each such Pool, the payment experience of one or more Qualified Loans in each Pool may have a disproportionate effect on the Pass-Through Rates and yields of the related Classes of Certificates. Due to the relative lack of geographic diversity which results from the limited number of Qualified Loans in each Pool, a natural disaster or local economic conditions may adversely impact a significant number of Qualified Loans in a Pool. As a result, Holders may receive distributions of principal due to liquidation, condemnation or casualty of the related Mortgaged Property earlier than anticipated. Any such early receipt of principal may affect Holders' yields adversely. In particular, because Pool CA1002 includes only 2 Qualified Loans, the Pass-Through Rate and yield on the related Class of Certificates may be materially affected by any default or voluntary prepayment of either of such Qualified Loans. See "YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS" herein.

## DESCRIPTION OF THE QUALIFIED LOANS

The Trust Fund will consist primarily of approximately 29 Qualified Loans assigned to the Trust Fund by the Depositor. As described herein, the Qualified Loans will be divided into four separate Pools. For a more detailed description of certain characteristics of the Qualified Loans of each Pool, see "ANNEX I: DESCRIPTION OF THE QUALIFIED LOAN POOLS" at the end of this Prospectus Supplement. The aggregate outstanding principal balance of the Qualified Loans in the Trust Fund as of the Cut-off Date is \$15,936,400 (subject to the permitted variance per Pool as described herein). Each Qualified Loan is secured by a first-lien on Agricultural Real Estate (the "Mortgaged Properties"). The principal amount of any Qualified Loan in any Pool does not exceed \$2,300,000. "Agricultural Real Estate" is a parcel or parcels of land, which may be improved by buildings and machinery, fixtures and equipment or other structures permanently affixed to the parcel or parcels, that (a) are used for the production of one or more agricultural commodities and (b) consist of a minimum of five acres or are used in producing minimum annual receipts of \$5,000.

The Qualified Loans have original terms to maturity of either 5 or 15 years and current loan-to-value ratios of not more than 70%. All of the Qualified Loans meet Farmer Mac's Underwriting and Appraisal Standards (the "Underwriting Standards") with respect to newly originated loans. As used herein, a "current" loan-to-value ratio is based on an appraisal performed within one year prior to the acquisition of the related Qualified Loan by the Depositor. See "DESCRIPTION OF THE TRUST FUNDS -- Qualified Loans -- General" in the Prospectus.

The description of the Qualified Loans and the related Mortgaged Properties is based upon each Pool as constituted at the close of business on the Cut-off Date, as adjusted for any scheduled principal payments due on or before such date. Prior to the issuance of the Certificates, Qualified Loans may be removed from a Pool as a result of incomplete documentation or otherwise, if the Depositor deems such removal necessary or appropriate, or as a result of prepayments in full. A limited number of other Qualified Loans may be added to any Pool prior to the issuance of the Certificates unless including such Qualified Loans would materially alter the characteristics of such Pool as described herein. The Depositor believes that the information set forth herein will be representative of the characteristics of each Pool as it will be constituted at the time the Certificates are issued although the range of Mortgage Interest Rates and maturities and certain other characteristics of the Qualified Loans in such Pool may vary. Pursuant to the Sale Agreement, the Seller (as defined herein) has made certain representations and warranties with respect to the Qualified Loans and their origination in accordance with the Underwriting Standards. See "DESCRIPTION OF THE AGREEMENTS -- Representations and Warranties; Repurchases" in the Prospectus.

As described herein, the composition of the Qualified Loans in the Trust Fund is subject to adjustment, with the amount of such variance restricted as stated herein. The information set forth as to the Qualified Loans will be revised to reflect such adjustments, if any, and included in a Form 8-K to be filed with the Commission within 15 days after the Closing Date and be available to Holders of Certificates promptly thereafter through the facilities of the Commission as described under "AVAILABLE INFORMATION" in the Prospectus.

## DESCRIPTION OF THE CERTIFICATES

### General

The Certificates will be issued pursuant to a Trust Agreement dated as of June 1, 1996 as supplemented by an Issue Supplement dated as of November 1, 1996 (collectively, the "Trust Agreement"), each among Farmer Mac, the Depositor and the Trustee. Reference is made to the Prospectus for important additional information regarding the terms and conditions of the Trust Agreement and the Certificates. See "DESCRIPTION OF THE CERTIFICATES" and "DESCRIPTION OF THE AGREEMENTS" in the Prospectus. The Certificates are issued as a separate series under the Trust Agreement with a series designation corresponding to their date of issuance. The Certificates will be



issued in the aggregate original Certificate Balance specified on the cover page hereof and each Class of Certificates will be issued in an initial Class Certificate Balance corresponding to the original principal amount of the related Pool set forth on the cover. Each Class of Certificates is subject to a permitted variance of plus or minus 5%. The Certificates will evidence beneficial ownership interests in a trust fund (the "Trust Fund") consisting primarily of (i) four separate Pools described in ANNEX I hereto; (ii) the Farmer Mac Guarantee; and (iii) the Collection Account and Certificate Account. Each Pool is evidenced by a single Class of Certificates bearing the same alpha-numerical designation as the underlying Pool. Distributions of interest and principal on each Class of Certificates will be calculated with reference to the Qualified Loans in the related Pool.

Farmer Mac has established a six-digit alpha-numerical pool numbering system to identify certain characteristics of the Qualified Loans in each Pool and to facilitate Certificateholders' access to the factor and other loan information to be published periodically by Farmer Mac with respect to the Pools. The first three digits are "loan identifiers." The first digit is a letter that denotes the maximum original term to maturity of the Qualified Loans in the Pool. The second digit is a letter that denotes the scheduled payment frequency with respect to the Qualified Loans in the Pool. The third digit is a number that denotes the first month in a calendar year in which a Distribution Date for such Pool occurs. The last three digits sequentially designate Pools with the same three loan identifiers. The table below summarizes Farmer Mac's pool numbering system:

<u>1st Digit</u>	<u>2nd Digit</u>	<u>3rd Digit</u>
A=15 year	A=Annual	1=January
B=7 year	S=Semi-annual	2=April
C=5 year	Q=Quarterly	3=July
		4=October

### **Book-Entry Certificates**

The Certificates will be issued in book-entry form, and beneficial interests therein will be held by investors through the book-entry system of the Federal Reserve Banks (the "Fed book-entry system"), in minimum denominations in Certificate Balances of \$1,000 and integral multiples of \$1 in excess thereof.

The Certificates will be maintained on the Fed book-entry system in a manner that permits separate trading and ownership. Each Class of Certificates has been assigned a CUSIP number and will be tradable separately under such CUSIP number. The CUSIP number for each Class is specified on the cover hereof.

In accordance with the procedures established for the Fed book-entry system, the Federal Reserve Banks will maintain book-entry accounts with respect to the Certificates and make distributions on the Certificates on behalf of the Master Servicer on the applicable Distribution Dates by crediting Holders' accounts at the Federal Reserve Banks.

Such entities whose names appear on the book-entry records of a Federal Reserve Bank as the entities for whose accounts such Certificates have been deposited are herein referred to as "Certificateholders" or "Holders." A Holder is not necessarily the beneficial owner of a Certificate. Beneficial owners will ordinarily hold Certificates through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. See "DESCRIPTION OF THE CERTIFICATES -- The Fed System" in the Prospectus.

*Issuance of the Certificates in book-entry form may reduce the liquidity of such Certificates in the secondary market since certain investors may be unwilling to purchase Certificates for which they cannot obtain physical certificates. See "RISK FACTORS -- Limited Liquidity" in the Prospectus.*

## Distributions

*General.* Distributions of principal and interest on the Certificates will be made on a semi-annual or annual basis as specified for such Class, on each January 25 or July 25 commencing on January 25, 1997. If any such day is not a Business Day (that is, a day other than Saturday, Sunday or a day on which the Federal Reserve Bank of New York authorizes banking institutions in the Second Federal Reserve District to be closed, or banking institutions in New York are authorized or obligated by law to be closed or Farmer Mac is closed), distributions will be made on the next succeeding Business Day to persons in whose names the Certificates are registered on the applicable Record Date. The "Record Date" for any Class and related Distribution Date will be the close of business on the last Business Day of the month preceding the month in which such Distribution Date occurs.

The "Distribution Dates" for each Class of Certificates are as follows:

<u>Class</u>	<u>Payment Frequency (Accrual Period)</u>	<u>Commencing On</u>
AA1003	Annual	January 25, 1997
AS1004	Semi-annual	January 25, 1997
CA1002	Annual	January 25, 1997
CS1002	Semi-annual	January 25, 1997

*Interest.* Interest on the Certificates of each Class will be distributed on each Distribution Date for such Class in an aggregate amount equal to the Accrued Certificate Interest for such Distribution Date and Class. "Accrued Certificate Interest" for each Distribution Date and Class will equal the amount of interest accrued during the related Interest Accrual Period at the applicable Pass-Through Rate on the Class Certificate Balance of such Class immediately prior to such Distribution Date. Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. As of any date of determination, the "Class Certificate Balance" of any Class of Certificates will equal the sum of the Certificate Balances of all Certificates of the same Class and the "Certificate Balance" of any Certificate as of any date of determination will equal the original Certificate Balance thereof less all amounts distributed thereon in respect of principal on preceding Distribution Dates.

The Interest Accrual Periods for each Class will depend on the payment frequency of such Class. As to any Class and related Distribution Date, the "Interest Accrual Period" will be the period from the first day of the month of the month of the preceding Distribution Date (or, in the case of the first Distribution Date for each Class, from the Cut-off Date) through the last day of the month preceding the month of such current Distribution Date.

Interest will accrue on the Certificates of each Class at a variable rate per annum (the "Pass-Through Rate") equal to the weighted average of the Net Mortgage Rates of the Qualified Loans included in the related Pool. For purposes hereof, the "Net Mortgage Rate" for each Qualified Loan will equal the interest rate thereon (the "Mortgage Interest Rate") less a rate representing the combined fees of the Central Servicer, Master Servicer, Field Servicer and Farmer Mac as guarantor (such amount, the "Administrative Fee Rate"). The weighted average Administrative Fee Rate as of the Cut-off Date for each Pool is set forth in ANNEX I hereto. The Pass-Through Rate for each Pool and Distribution Date is calculated by (1) multiplying the outstanding balance of each Qualified Loan in such Pool by its Net Mortgage Rate to derive such Qualified Loan's weighted interest amount ("Weighted Interest Amount"); (2) dividing the sum of all such Pool's Weighted Interest Amounts by the Class Certificate Balance of the related Class of Certificates, before giving effect to the distribution of principal on the related Distribution Date; and (3) truncating such interest rate to three decimal places. It is expected that the Pass-Through Rates per annum for the initial Interest Accrual Periods for each Class of Certificates will be approximately as follows: Class AA1003, 8.016%; Class AS1004, 7.857%; Class CA1002, 7.547%; and Class CS1002, 7.229%.

*Principal.* Principal in respect of each Class will be distributed on each applicable Distribution Date in an aggregate amount equal to the Principal Distribution Amount for the related Pool on such Distribution Date. On each Distribution Date, the "Principal Distribution Amount" for each Pool as of each applicable Distribution Date will equal the sum of (i) the principal portion of all scheduled payments (including any balloon payments) on the Qualified Loans in such Pool due during the preceding Due Period, (ii) the scheduled principal balance of each Qualified Loan included in such Pool which was repurchased or became a Liquidated Qualified Loan during the preceding Due Period, and (iii) all full or partial principal prepayments received during the preceding Due Period. The "Due Period" for each Pool and Distribution Date will commence on the second day of the month of the preceding Distribution Date (or, in the case of the first Distribution Date for each Class, on the day following the Cut-off Date) and will end on the first day of the month of such current Distribution Date. A "Liquidated Qualified Loan" is generally any defaulted Qualified Loan as to which it has been determined that all amounts to be received thereon have been recovered.

*Certificate Pool Factors.* As soon as practicable following the fifth Business Day of each month of a Distribution Date, Farmer Mac will publish or otherwise make available for each applicable Pool of Qualified Loans, among other things, the factor (carried to eight decimal places) which, when multiplied by the original Certificate Balance of a Certificate evidencing an interest in such Pool, will equal the remaining principal balance of such Certificate after giving effect to the distribution of principal to be made on the Distribution Date in such month.

*Yield Maintenance Charges.* In the event a Borrower is required to pay a Yield Maintenance Charge, to the extent such payment is collected by the Central Servicer, the Master Servicer will distribute such amount, adjusted to the related Net Mortgage Rate as described below, to Holders of the related Class of Certificates. Each Yield Maintenance Charge has been designed to mitigate reinvestment losses to the noteholder on the prepaid amount of any Qualified Loan. Generally, such charge represents the excess of reinvestment earnings at the related Mortgage Interest Rate (net of servicing fee rates) on such prepaid amount (i.e., the amount that would have been received by the related noteholder in the absence or prepayment) over earnings calculated at a prevailing interest rate (a specified Treasury yield) on such prepaid amount. Amounts passed through to Certificateholders in respect of Yield Maintenance Charges will be calculated on the basis of the related Net Mortgage Rate rather than the Mortgage Interest Rate. The distribution of any Yield Maintenance Charge to Certificateholders will not reduce the Certificate Balance of the related Certificates. Farmer Mac will not guarantee to Holders of the related Class of Certificates the collection of any Yield Maintenance Charge payable in connection with a principal payment on a Qualified Loan. See "FARMER MAC GUARANTEE" herein.

## **Advances**

The Central Servicer will not be required to advance its own funds with respect to delinquent Qualified Loans. Because Farmer Mac guarantees timely distributions to Holders of interest on the Certificates and the full Principal Distribution Amount (including any balloon payments), the fact that the Central Servicer is not required to make any such advance will not affect distributions of interest and principal to such Holders.

## **FARMER MAC GUARANTEE**

Pursuant to the Trust Agreement, Farmer Mac will guarantee (the "Farmer Mac Guarantee") the timely distribution of interest accrued on the Certificates and the distribution of the full Principal Distribution Amount (including any balloon payments) for the related Pool and Distribution Date. In addition, Farmer Mac is obligated to distribute on a timely basis the outstanding Class Certificate Balance of each Class of Certificates in full no later than the related Final Distribution Date (as set forth on the cover hereof), whether or not sufficient funds are available in the Certificate Account. The Farmer Mac Guarantee will not cover the distribution to Holders of the related Class of Certificates of any uncollected Yield Maintenance Charge. See "RISK FACTORS" herein.

Farmer Mac's obligations under the Farmer Mac Guarantee are obligations solely of Farmer Mac and are not backed by the full faith and credit of the United States. Furthermore, Farmer Mac anticipates that its future contingent

liabilities in respect of guarantees of outstanding securities backed by agricultural mortgage loans will greatly exceed its resources, including its limited ability to borrow from the United States Treasury. See "OUTSTANDING GUARANTEES" herein and "FEDERAL AGRICULTURAL MORTGAGE CORPORATION" in the Prospectus.

### **OUTSTANDING GUARANTEES**

As of November 1, 1996, Farmer Mac had outstanding guarantees on approximately \$611.5 million aggregate principal amount of securities (including approximately \$197.3 of securities evidencing assets which are guaranteed by the Secretary of the United States Department of Agriculture). Farmer Mac is authorized to borrow up to \$1,500,000,000 from the Secretary of the Treasury, subject to certain conditions, to enable Farmer Mac to fulfill its guarantee obligations. See "FEDERAL AGRICULTURAL MORTGAGE CORPORATION" in the Prospectus. As of November 1, 1996, Farmer Mac had not borrowed any amounts from the Secretary of the Treasury to fund guarantee payments.

### **YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS**

The rate of payment of principal on a Class of Certificates and the yield to maturity of such Class will correspond directly to the rate of payments of principal on the Qualified Loans in the related Pool. The rate of payments of principal of the Qualified Loans will in turn be affected by the rate of principal prepayments thereon by Borrowers, by liquidations of defaulted Qualified Loans, by repurchases as a result of defective documentation and breaches of representations and warranties or for certain other reasons. There is little or no historical data available to provide assistance in estimating the rate of prepayments and defaults on loans secured by Agricultural Real Estate generally or the Qualified Loans particularly.

In the case of Qualified Loans, social, economic, political, trade, geographic, climatic, demographic, legal and other factors may influence prepayments and defaults, including the age of the Qualified Loans, the geographic distribution of the related Mortgaged Properties, the payment terms of the Qualified Loans, the characteristics of the borrowers, weather, economic conditions generally and in the geographic area in which the Mortgaged Properties are located, enforceability of due-on-sale clauses, servicing decisions, the availability of mortgage funds, the extent of the borrowers' net equity in the Mortgaged Properties, mortgage market interest rates in relation to the effective interest rates on the Qualified Loans and other unforeseeable variables, both domestic and international, affecting particular commodity groups and the farming industry in general. Generally, if prevailing interest rates fall significantly below the interest rates on the Qualified Loans, the Qualified Loans are likely to be subject to higher prepayments than if prevailing rates remain at or above the interest rates on such Qualified Loans. Conversely, if prevailing interest rates rise above the interest rates on the Qualified Loans, the rate of prepayment would be expected to decrease. There can be no certainty as to the rate or prepayments on the Qualified Loans during any period or over the lives of the Certificates. The rate of default on the Qualified Loans will also affect the rate of payment of principal on the Qualified Loans. Prepayments, liquidations and repurchases of the Qualified Loans will result in distributions to Holders of the related Class of Certificates of amounts which would otherwise be distributed over the remaining terms of the Qualified Loans.

All of the Qualified Loans impose Yield Maintenance Charges that, if enforced by the Central Servicer, could be a deterrent to prepayments. Under the Servicing Contract (as defined herein), the Central Servicer may not waive the collection of any Yield Maintenance Charge without the consent of Farmer Mac, as Master Servicer. It is Farmer Mac's policy generally not to consent to the waiver of the collection of a Yield Maintenance Charge unless the amount of such charge is unduly large relative to the unpaid principal balance of the related Qualified Loan. In such cases, and other circumstances that raise similar equitable concerns, Farmer Mac's policy is to require Central Servicers to attempt to collect a portion of such Yield Maintenance Charge in connection with any prepayment of principal; however, there may be situations in which Farmer Mac may consider it appropriate to waive any collection of a Yield Maintenance Charge. With respect to each Qualified Loan, any Yield Maintenance Charge payable in connection with a prepayment thereon, whether in whole or in part, will be calculated with reference to United States Treasury

securities in a manner designed to mitigate reinvestment losses, if any, that would otherwise be incurred by the noteholder in connection with such prepayment.

Because Farmer Mac does not guarantee the collection of any Yield Maintenance Charge, the expected yield to investors in the Certificates may be sensitive in varying degrees to the extent such amounts are not collected.

The required payment of any Yield Maintenance Charge may not be a sufficient disincentive to prevent the voluntary prepayment of the related Qualified Loan and, even if collected, may be insufficient to offset fully the adverse effects on the anticipated yield thereon arising out of the corresponding principal payment.

In addition, all of the Qualified Loans include "due-on-sale" clauses; however, it is generally the policy of the Central Servicer not to enforce such clauses unless the transferor of the related Mortgaged Property does not meet the Underwriting Standards of Farmer Mac. The Servicing Contract does not require any such enforcement. In addition, at the request of the Borrower, the Central Servicer may allow the partial release of a Mortgaged Property provided the collateral property is reappraised and a partial prepayment is made such that the resulting loan-to-value ratio is no greater than 70% and the cash flows from the remaining property are sufficient to service the remaining debt. Such partial release may result in a prepayment in part (together with any required Yield Maintenance Charge, calculated as described herein) on the related Qualified Loan and a corresponding reamortization of the unpaid principal balance of such Qualified Loan to the maturity date for such loan. Any Qualified Loan as to which a partial release occurs will remain in the Trust Fund.

The yield to investors in the Certificates of a Class will be sensitive to the rate and timing of principal payments (including prepayments) of the Qualified Loans in the related Pool, which generally can be prepaid at any time, subject to the restrictions and prepayment penalties described above. In addition, the yield to maturity on a Certificate may vary depending on the extent to which such Certificate is purchased at a discount or premium. Holders of the Certificates should consider, in the case of any Certificates purchased at a discount, the risk that a slower than anticipated rate of principal payments on the related Qualified Loans could result in an actual yield that is lower than the anticipated yield and, in the case of any Certificates purchased at a premium, the risk that a faster than anticipated rate of principal payments on the related Qualified Loans could result in an actual yield that is lower than the anticipated yield, particularly if any Yield Maintenance Charge is not distributed to such Holders.

The timing of changes in the rate of prepayments on the Qualified Loans may significantly affect an investor's actual yield to maturity, even if the average rate of principal payments is consistent with an investor's expectation. In general, the earlier a prepayment of principal of the related Qualified Loans, the greater the effect on an investor's yield to maturity. The effect on an investor's yield of principal payments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the issuance of the Certificates may not be offset by a subsequent like decrease (or increase) in the rate of principal payments. An investor must make an independent decision as to the appropriate prepayment scenario to be used in deciding whether to purchase the Certificates.

Investors should consider the risk that rapid rates of prepayments on the Qualified Loans, and therefore of principal payments on the related Class of Certificates, may coincide with periods of low prevailing interest rates. During such periods, the effective interest rates on securities in which an investor may choose to reinvest amounts received as principal payments on such investor's Certificate may be lower than the applicable Pass-Through Rate. Conversely, slow rates of prepayments on the Qualified Loans, and therefore of principal payments on the related Class of Certificates, may coincide with periods of high prevailing interest rates. During such periods, the amount of principal payments available to an investor for reinvestment at such high prevailing interest rates may be relatively low.

The Pass-Through Rate for each Class of Certificates will equal the weighted average of the Net Mortgage Rates of the Qualified Loans in the related Pool. Prepayments of Qualified Loans with relatively higher Mortgage Interest Rates, particularly if such Qualified Loans have larger unpaid principal balances, will reduce the Pass-

Through Rate for the related Class of Certificates from that which would have existed in the absence of such prepayments. In addition, the Qualified Loans in a Pool will not prepay at the same rate or at the same time. Qualified Loans with relatively higher Mortgage Interest Rates may prepay at faster rates than Qualified Loans with relatively lower Mortgage Interest Rates in response to a given change in market interest rates. If such differential prepayments were to occur, the yield on the related Class of Certificates would be adversely affected.

The effective yield to the holders of the Certificates will be lower than the yield otherwise produced by the applicable purchase price and Pass-Through Rate because the distributions of principal, if any, and interest will not be payable to such holders until the 25th day of the month following the period in which interest accrues (without any additional distribution of interest or earnings thereon in respect of such delay).

## **DESCRIPTION OF THE AGREEMENTS**

The Certificates will be issued pursuant to the Trust Agreement. Farmer Mac will act as Master Servicer of the Qualified Loans. The Qualified Loans will be directly serviced by Equitable Agri-Business, Inc., a Delaware corporation, (the "Central Servicer"), acting on behalf of Farmer Mac pursuant to a Servicing Contract (as supplemented) between it and Farmer Mac (the "Servicing Contract"). The Central Servicer may subcontract the performance of certain of its servicing duties to a subservicer. In addition, each of the sellers (the "Sellers") of the Qualified Loans has transferred and assigned its respective Qualified Loans to the Depositor pursuant to a separate Selling and Servicing Agreement (a "Sale Agreement"). The Sale Agreement includes certain representations and warranties of the related Seller respecting the related Qualified Loans which representations and warranties and the remedies for their breach will be assigned by Farmer Mac to the Trustee for the benefit of Certificateholders pursuant to the Trust Agreement. See "DESCRIPTION OF THE AGREEMENTS -- Representations and Warranties; Repurchases" in the Prospectus.

### **Trustee**

The Trustee for the Certificates will be First Trust National Association, a national banking association organized and existing under the federal laws of the United States with an office at 180 East Fifth Street, St. Paul, Minnesota 55101.

### **Servicing and Other Compensation And Payment of Expenses**

The Central Servicer will be paid a servicing fee calculated on a loan-by-loan basis. Additional servicing compensation in the form of assumption fees or similar fees (other than late payment charges) will be retained by the Central Servicer. The Depositor, the Master Servicer and the Central Servicer are obligated to pay all expenses incurred in connection with their respective responsibilities under the Trust Agreement and the Servicing Contract (subject to reimbursement for liquidation expenses), including the fees of the Trustee, and also including, without limitation, the various other items of expense enumerated in the Prospectus. See "DESCRIPTION OF THE CERTIFICATES" in the Prospectus.

### **Optional Termination**

The Master Servicer may effect an early termination of the Trust Fund on any Distribution Date after the date on which the aggregate principal balance of Qualified Loans in the Trust Fund is reduced to less than one percent thereof as of the Cut-off Date by repurchasing all the Qualified Loans at a price equal to 100% of the principal balance of the Qualified Loans plus accrued interest thereon at the applicable Mortgage Interest Rate, determined as provided in the Trust Agreement. The Master Servicer will distribute the proceeds thereof to Holders of the then outstanding Classes of Certificates on the next succeeding Distribution Date for any Class whether or not such Distribution Date is a Distribution Date for all such Classes of Certificates. See "DESCRIPTION OF CERTIFICATES -- Termination" in the Prospectus.

## **Servicing Contract**

The Central Servicer has agreed to service the Qualified Loans pursuant to a Master Central Servicing Contract between Farmer Mac and the Central Servicer. See "DESCRIPTION OF THE AGREEMENTS" in the Prospectus.

## **Repurchases of Qualified Loans**

Under the Trust Agreement, Farmer Mac, as Master Servicer, will have the right (without obligation and in its discretion) to repurchase from the Trust Fund, upon payment of the purchase price provided in the Trust Agreement, any Qualified Loan at any time after such loan becomes and remains delinquent as to any scheduled payment for a period of ninety days. Farmer Mac will also have a similar right to purchase from the Trust Fund any property acquired by the Trust Fund upon foreclosure or comparable conversion of any Qualified Loan. See also "DESCRIPTION OF THE AGREEMENTS -- Representations and Warranties; Repurchases" in the Prospectus.

## **THE DEPOSITOR**

Farmer Mac Mortgage Securities Corporation, the Depositor, is a wholly owned subsidiary of Farmer Mac and was incorporated in the State of Delaware in May 1992. The principal executive offices of the Depositor are located at 919 18th Street, N.W., Washington, D.C. 20006.

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

No election will be made to treat the Trust Fund as a "real estate mortgage conduit" ("REMIC") for federal income tax purposes. In the opinion of Brown & Wood LLP, counsel for the Depositor, (i) the Trust Fund will be treated as a grantor trust for federal income tax purposes; (ii) a Certificate owned by a real estate investment trust representing an interest in Qualified Loans will be considered to represent "real estate assets" within the meaning of Code Section 856(c)(5)(A), and interest income on the Qualified Loans will be considered "interest on obligations secured by mortgages on real property" within the meaning of Code Section 856(c)(3)(B), to the extent that the Qualified Loans represented by that Certificate are of a type described in such Code section; and (iii) a Certificate owned by a REMIC will represent "obligation[s] ... which [are] principally secured by an interest in real property" within the meaning of Code Section 860G(a)(3) to the extent that the Qualified Loans represented by that Certificate are of a type described in such Code section. The Holders of the Certificates will be treated as owners of their pro rata interest in the assets of the Trust Fund with respect to the related Pool. If the value of the real property securing a Qualified Loan is lower than the amount of such Qualified Loan, any such Qualified Loan may not qualify in its entirety under the foregoing Code sections. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" in the Prospectus. Investors should consult their tax advisors before acquiring the Certificates.

## **ERISA CONSIDERATIONS**

The acquisition of Certificates by a plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any individual retirement account ("IRA") or any other plan subject to Code Section 4975 could, in some instances, result in a prohibited transaction or other violations of the fiduciary responsibility provisions of ERISA and Code Section 4975.

As discussed under the caption "ERISA CONSIDERATIONS" in the Prospectus, applicable regulations provide a broad ERISA plan asset exception for a Plan's (as defined in the Prospectus) purchase and holding of "government guaranteed mortgage pool certificates." The term "guaranteed governmental mortgage pool certificate" is defined as a certificate backed by, or evidencing an interest in, specified mortgages or participation interests therein, and with respect to which interest and principal payable pursuant to the certificate is guaranteed by the United States

or an agency or instrumentality thereof. Representatives of the United States Department of Labor (the "DOL") have stated informally that the governmental mortgage pool provision was not intended to cover securities guaranteed by entities other than the three entities mentioned in the exemption (which do not include Farmer Mac) and that they do not interpret this provision to include securities guaranteed by Farmer Mac. Nevertheless, Brown & Wood LLP, counsel to Farmer Mac, has advised Farmer Mac that the Certificates satisfy the conditions set forth in the Final Regulations (as defined in the Prospectus) and thus will qualify as "guaranteed governmental mortgage pool certificates" as defined therein.

If the government guaranteed mortgage pool exception does not apply, one of five other prohibited transaction class exemptions issued by the DOL, which are based on the status of the Plan fiduciary making the decision to acquire the Certificates and the circumstances under which such decision is made, might provide a prohibited transaction exemption for a particular Plan desiring to invest in the Certificates, i.e., PTCE 84-14 (Class Exemption for Plan Asset Transactions Determined by Independent Qualified Professional Asset Managers), PTCE 96-23 (Class Exemption for Plan Asset Transactions Determined by In-House Asset Managers), PTCE 91-38 (Class Exemption for Certain Transactions Involving Bank Collective Investment Funds), PTCE 90-1 (Class Exemption for Certain Transactions Involving Insurance Company Pooled Separate Accounts) or PTCE 95-60 (Class Exemption for Certain Transactions Involving Insurance Company General Accounts). There can be no assurance that any of these class exemptions will apply with respect to any particular Plan desiring to invest in the Certificates or, even if it were to apply, that the exemption would apply to all transactions involving the Trust Fund.

Before purchasing a Certificate in reliance on either the government guaranteed mortgage pool exception or any of the above referenced class exemptions, a fiduciary of a Plan should itself confirm that the requirements set forth in such exception and/or class exemptions would be satisfied.

Prospective Plan investors should consult with their legal advisors concerning the impact of ERISA and the Code, and the potential consequences in their specific circumstances, prior to making an investment in the Certificates. Moreover, each Plan fiduciary should determine whether under the general fiduciary standards of investment prudence and diversification, an investment in the Certificates is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. See "ERISA CONSIDERATIONS" in the Prospectus.

## **LEGAL INVESTMENT**

The Certificates will constitute securities guaranteed by Farmer Mac for purposes of the Farmer Mac Charter and, as such, will, by statute, be legal investments for certain types of institutional investors to the extent that those investors are authorized under any applicable law to purchase, hold, or invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality of the United States. Investors whose investment authority is subject to legal restrictions should consult their own legal advisors to determine whether and the extent to which specific Classes of the Certificates constitute legal investments for them.

## **METHOD OF DISTRIBUTION**

Subject to the terms and conditions set forth in the Underwriting Agreement among Farmer Mac, the Depositor and Bear, Stearns & Co. Inc. (the "Underwriter"), the Certificates offered hereby are being purchased from the Depositor by the Underwriter upon issuance. Distribution of the Certificates will be made by the Underwriter from time to time in negotiated transactions or otherwise at varying prices to be determined at the time of sale. Proceeds to the Depositor from the sale of the Certificates will be approximately 100.63% of the aggregate initial Certificate Balance of the Certificates, plus accrued interest thereon from the Cut-off Date to the Closing Date, but before deducting issuance expenses payable by the Depositor. To the extent provided in the Underwriting Agreement, if proceeds to the Underwriter from the offering of the Certificates exceed certain levels, the purchase price for the Certificates payable to the Depositor by the Underwriter will be increased. Any such increase to the proceeds to the



Depositor will be included on a Form 8-K to be filed with the Commission within 15 days after the Closing Date and be available to Holders of Certificates promptly thereafter through the facilities of the Commission as described under "AVAILABLE INFORMATION" in the Prospectus. In connection with the purchase and sale of the Certificates offered hereby, the Underwriter may be deemed to have received compensation from the Depositor in the form of underwriting discounts.

In addition to purchasing the Certificates pursuant to the Underwriting Agreement, the Underwriter and its affiliates have several business relationships with Farmer Mac. Michael C. Nolan, a Managing Director of Bear, Stearns & Co. Inc., is a director of Farmer Mac.

The Underwriting Agreement provides that Farmer Mac and the Depositor will indemnify the Underwriter against certain civil liabilities under the Securities Act of 1933 or contribute to payments the Underwriter may be required to make in respect thereof.

### **INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The consolidated financial statements of Farmer Mac for the year ended December 31, 1995 included as an exhibit to its Annual Report on Form 10-K for the year ended December 31, 1995, and the unaudited financial statements of Farmer Mac for the nine-month period ended September 30, 1996 included as an exhibit to its Quarterly Report on Form 10-Q for the period ended September 30, 1996, each of which has been filed with the Commission by Farmer Mac, are hereby incorporated by reference in this Prospectus Supplement.

All financial statements of Farmer Mac included in documents filed by Farmer Mac pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 subsequent to the date of this Prospectus Supplement and prior to the termination of the offering of the Certificates shall be deemed to be incorporated by reference into this Prospectus Supplement and to be a part hereof.

### **EXPERTS**

The consolidated balance sheets of Farmer Mac as of December 31, 1995 and 1994 and related consolidated statements of operations and cash flows for each of the years in the three-year period ended December 31, 1995, have been incorporated by reference herein and in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The report of KPMG Peat Marwick LLP covering the December 31, 1995 financial statements contains an explanatory paragraph regarding regulatory capital as described in Note 3 to such financial statements.

### **LEGAL MATTERS**

Certain legal matters relating to the Certificates will be passed upon for the Depositor by the General Counsel of Farmer Mac and by Brown & Wood LLP, Washington, D.C. and for the Underwriter by Stroock & Stroock & Lavan, New York, New York. Brown & Wood LLP has also acted as special tax counsel to the Trust Fund.

## INDEX OF PRINCIPAL TERMS

Unless the context indicates otherwise, the following terms shall have the meanings set forth on the pages indicated below:

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## **ANNEX I: DESCRIPTION OF QUALIFIED LOAN POOLS**

The description of the Qualified Loans and the related Mortgaged Properties set forth below is based upon each Pool as constituted at the close of business on the Cut-off Date, as adjusted for the scheduled principal payments due before such date. Prior to the issuance of the Certificates, Qualified Loans may be removed from each Pool as a result of incomplete documentation or otherwise, if the Depositor deems such removal necessary or appropriate, or as a result of prepayments in full. A limited number of other Qualified Loans may be added to each Pool prior to the issuance of the Certificates unless including such Qualified Loans would materially alter the characteristics of such Pool as described herein. The Depositor believes that the information set forth herein will be representative of the characteristics of the related Pool as it will be constituted at the time the Certificates are issued although the range of Mortgage Interest Rates and maturities and certain other characteristics of the Qualified Loans in such Pool may vary.

The composition of each Qualified Loan Pool is subject to adjustment, with the amount of such variance restricted to no more than 5% of the aggregate principal balance of the Qualified Loans in such Pool, as stated herein. The information set forth as to the Qualified Loans will be revised to reflect such adjustments and included on a Form 8-K to be filed with the Commission within 15 days after the Closing Date and be available to Holders of Certificates promptly thereafter through the facilities of the Commission as described under "AVAILABLE INFORMATION" in the Prospectus.

Percentages in the following tables have been rounded and, therefore, the total of the percentages in any given column may not add to 100%.

### **DESCRIPTION OF POOL AA1003**

The Qualified Loans in Pool AA1003 will have had individual principal balances as of the Cut-off Date of not less than \$250,000 and not more than \$1,250,000. None of the Qualified Loans in Pool AA1003 will have been originated prior to July 1, 1996 and all have a scheduled maturity of January 1, 2012. The Qualified Loans in Pool AA1003 will have a weighted average Administrative Fee Rate as of the Cut-off Date of approximately 1.251%.

All of the Qualified Loans in Pool AA1003 require the payment of a Yield Maintenance Charge in connection with any principal prepayment, in whole or in part, made prior to the maturity date of each such Qualified Loan.

Two of the Qualified Loans in Pool AA1003 (approximately 18% by aggregate outstanding principal balance as of the Cut-off Date) provide for the annual payment of principal and interest on a level basis to fully amortize each such Qualified Loan over its stated term. All of the remaining Qualified Loans in Pool AA1003 are balloon loans which provide for regular annual payments of principal and interest computed on the basis of an amortization term that is longer than the related term to stated maturity, with a "balloon" payment (each, a "Balloon Payment") due at stated maturity that will be significantly larger than the annual payments (each, a "Qualified Balloon Loan").

One Qualified Loan included in Pool AA1003 constitutes 32% (by principal balance as of the Cut-off Date) of the aggregate principal amount of such Pool. Such Qualified Loan has the following additional characteristics (in each case, as of the Cut-off Date):

Principal Balance.....	\$1,250,000
Mortgage Interest Rate .....	9.150%
Net Mortgage Rate.....	7.860%
Year of Maturity.....	2012
Loan-to-Value Ratio.....	58%
Original term to Maturity.....	15 years

The Mortgaged Property securing such Qualified Loan is located in the State of Montana; the primary commodities produced on such property are hay, wheat and beef cattle and calves. The loan is a Qualified Balloon Loan, with an amortization schedule of 25 years. The total debt service coverage ratio (which ratio gives effect to all sources of income) for such loan is 2.51. See "RISK FACTORS -- "Relative Loan Sizes."

The following tables set forth additional information with respect to the Qualified Loans included in Pool AA1003, in each case as of the Cut-off Date. Percentages are based on the aggregate principal balance of Qualified Loans in Pool AA1003.

**Pool - AA1003**  
**Distribution by Cut-off Date Principal Balance**

Cut-off Date Principal Balance	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
\$ 200,001 to \$ 300,000 .....	2	\$ 530,000	14%
300,001 to 400,000 .....	1	341,700	9
400,001 to 500,000 .....	1	450,000	12
500,001 to 600,000 .....	1	510,000	13
700,001 to 800,000 .....	1	800,000	21
1,200,001 to 1,300,000 .....	1	1,250,000	32
<b>Total</b>	<b>7</b>	<b>\$ 3,881,700</b>	<b>100%</b>

Average Loan Amount	\$ 554,529
Minimum Amount	\$ 250,000
Maximum Amount	\$ 1,250,000

**Pool - AA1003**  
**Distribution by Mortgage Interest Rate**

Mortgage Interest Rate	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
9.001 % to 9.250 % .....	4	\$ 2,121,700	55%
9.251 to 9.500 .....	3	1,760,000	45
<b>Total</b>	<b>7</b>	<b>\$ 3,881,700</b>	<b>100%</b>

Weighted Average Mortgage Interest Rate	9.267%
Minimum Mortgage Interest Rate	9.050%
Maximum Mortgage Interest Rate	9.450%

**Pool - AA1003**  
**Distribution by Net Mortgage Rate**

Net Mortgage Rate	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut- off Date
7.751 % to 8.000 % .....	4	\$ 2,490,000	64%
8.001 to 8.250 .....	2	591,700	15
8.251 to 8.500 .....	1	800,000	21
<b>Total</b>	<b>7</b>	<b>\$ 3,881,700</b>	<b>100%</b>

Weighted Average Net Mortgage Rate	8.016%
Minimum Net Mortgage Rate	7.860%
Maximum Net Mortgage Rate	8.340%

**Pool - AA1003**  
**Distribution by Remaining Amortization Term**

Remaining Amortization Term	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
168 to 180 .....	2	\$ 700,000	18%
288 to 300 .....	5	3,181,700	82
<b>Total</b>	<b>7</b>	<b>\$ 3,881,700</b>	<b>100%</b>

Weighted Average Remaining Amortization Term	278 months
Minimum Remaining Amortization Term	180 months
Maximum Remaining Amortization Term	300 months

**Pool - AA1003**  
**Distribution by Amortization Type**

Year of Maturity	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date	Weighted Average Cut-off Date Loan-to-Value Ratio	Weighted Average Balloon-to-Value Ratio (1)
Fully Amortizing	2012 .....	2 \$ 700,000	18 %	59%	0%
Balloon Loans	2012 .....	5 3,181,700	82	60	42
<b>Total</b>	<b>7</b>	<b>\$ 3,881,700</b>	<b>100%</b>	<b>60%</b>	

(1) The Weighted Average Balloon-to-Value Ratio represents the percentage of the weighted average of the Balloon Payments of the Qualified Balloon Loans in the Pool to the weighted average appraised value of the related Mortgaged Properties

**Pool - AA1003**  
**Distribution by Cut-off Date Loan-to-Value Ratio**

<b>Loan-to-Value Ratio</b>	<b>Number of Loans</b>	<b>Aggregate Principal Balance As of Cut-off Date</b>	<b>Percentage of Aggregate Principal Balance As of Cut-off Date</b>	<b>Cumulative Percentage</b>
45.01% to 50.00% .....	1	\$ 341,700	9 %	9 %
55.01 to 60.00 .....	3	2,210,000	57	66
60.01 to 65.00 .....	2	1,050,000	27	93
65.01 to 70.00 .....	1	280,000	7	100
<b>Total</b>	<b>7</b>	<b>\$ 3,881,700</b>	<b>100 %</b>	

Weighted Average Loan-to-Value Ratio	60%
Minimum Loan-to-Value Ratio	45%
Maximum Loan-to-Value Ratio	70%

**Pool - AA1003**  
**Distribution by Total Debt Coverage Ratio (1)**

<b>Debt Coverage Ratio</b>	<b>Number of Loans</b>	<b>Aggregate Principal Balance As of Cut-off Date</b>	<b>Percentage of Aggregate Principal Balance As of Cut-off Date</b>	<b>Cumulative Percentage</b>
1.26 to 1.50 .....	5	\$ 2,381,700	61 %	61%
2.51 to 2.75 .....	1	1,250,000	32	94
3.01 to 3.25 .....	1	250,000	6	100
<b>Total</b>	<b>7</b>	<b>\$ 3,881,700</b>	<b>100%</b>	

Weighted Average Total Debt Coverage Ratio	1.85
Minimum Total Debt Coverage Ratio	1.31
Maximum Total Debt Coverage Ratio	3.01

(1) Total Debt Coverage Ratio is the ratio determined by dividing the borrower's total annual net income (net of living expenses and taxes) from all sources by the borrower's total annual debt service obligations (including capital lease payments).



**Pool - AA1003**  
**Distribution by Commodity Group (1)**

Commodity Group	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
Cattle and Calves	3	\$ 967,510	25 %
Cotton/Tobacco	1	120,000	3
Feed Grains	2	632,500	16
Food Grains	3	674,090	17
Oilseeds	1	80,000	2
Permanent Plantings	2	700,000	18
Potatoes, Tomatoes, and Other Vegetables	1	107,100	3
Sugarbeets, Cane and Other Crops	3	600,500	15
<b>Total</b>	<b>16</b>	<b>\$ 3,881,700</b>	<b>100%</b>

(1) The number of loans in each commodity group will not equal the total number of loans because a Mortgaged Property may be used to produce multiple commodities and thus the related Qualified Loan may be allocated to more than one commodity group. As to any Qualified Loan allocated to more than one commodity group, the principal balance thereof is allocated among commodity groups based on the proportion of the Mortgaged Property used for the production of each commodity.

**Pool - AA1003**  
**Distribution by States**

State	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
California	1	\$ 250,000	6 %
Kentucky	1	800,000	21
Montana	3	1,871,700	48
Washington	2	960,000	25
<b>Total</b>	<b>7</b>	<b>\$ 3,881,700</b>	<b>100 %</b>

## DESCRIPTION OF POOL AS1004

The Qualified Loans in Pool AS1004 will have had individual principal balances as of the Cut-off Date of not less than \$93,000 and not more than \$1,000,000. None of the Qualified Loans in Pool AS1004 will have been originated prior to July 1, 1996 and all have a scheduled maturity of January 1, 2012. The Qualified Loans in Pool AS1004 will have a weighted average Administrative Fee Rate as of the Cut-off Date of approximately 1.181%.

All of the Qualified Loans in Pool AS1004 require the payment of a Yield Maintenance Charge in connection with any principal prepayment, in whole or in part, made prior to the maturity date of each such Qualified Loan.

Four of the Qualified Loans in Pool AS1004 (approximately 30% by aggregate outstanding principal balance as of the Cut-off Date) provide for the semi-annual payment of principal and interest on a level basis to fully amortize each such Qualified Loan over its stated term. All of the remaining Qualified Loans in Pool AS1004 are balloon loans which provide for regular semi-annual payments of principal and interest computed on the basis of an amortization term that is longer than the related term to stated maturity, with a "balloon" payment (each, a "Balloon Payment") due at stated maturity that will be significantly larger than the semi-annual payments (each, a "Qualified Balloon Loan").

The following tables set forth additional information with respect to the Qualified Loans included in Pool AS1004, in each case as of the Cut-off Date. Percentages are based on the aggregate principal balance of Qualified Loans in Pool AS1004.

### Pool - AS1004 Distribution by Cut-off Date Principal Balance

Cut-off Date Principal Balance	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
\$ 1 to \$100,000 .....	1	\$ 93,000	2%
100,001 to 200,000 .....	3	462,000	8
300,001 to 400,000 .....	2	757,000	13
400,001 to 500,000 .....	1	486,000	8
500,001 to 600,000 .....	4	2,304,400	38
800,001 to 900,000 .....	1	900,000	15
900,001 to 1,000,000 .....	1	1,000,000	17
<b>Total</b>	<b>13</b>	<b>\$ 6,002,400</b>	<b>100.00%</b>
Average Loan Amount		\$ 461,723	
Minimum Amount		\$ 93,000	
Maximum Amount		\$ 1,000,000	

**Pool - AS1004**  
**Distribution by Mortgage Interest Rate**

Mortgage Interest Rate			Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut- off Date
8.251 %	to	8.500 % .....	1	\$ 1,000,000	17%
8.501	to	8.750 .....	1	170,000	3
8.751	to	9.000 .....	3	818,000	14
9.001	to	9.250 .....	6	3,138,400	52
9.251	to	9.500 .....	1	390,000	6
9.501	to	9.750 .....	1	486,000	8
<b>Total</b>			13	<b>\$ 6,002,400</b>	<b>100%</b>

Weighted Average Mortgage Interest Rate	9.038%
Minimum Mortgage Interest Rate	8.500%
Maximum Mortgage Interest Rate	9.520%

**Pool - AS1004**  
**Distribution by Net Mortgage Rate**

Net Mortgage Rate			Number of Loans	Aggregate Principal Balance As of Cut- off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
7.251 %	to	7.500 % .....	1	\$ 1,000,000	17 %
7.501	to	7.750 .....	4	942,400	16
7.751	to	8.000 .....	3	1,565,000	26
8.001	to	8.250 .....	5	2,495,000	42
<b>Total</b>			13	<b>\$ 6,002,400</b>	<b>100 %</b>

Weighted Average Net Mortgage Rate	7.857%
Minimum Net Mortgage Rate	7.430%
Maximum Net Mortgage Rate	8.140%

**Pool - AS1004**  
**Distribution by Remaining Amortization Term**

Remaining Amortization Term			Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
168	to	180 .....	4	\$ 1,787,000	30%
288	to	300 .....	9	4,215,400	70
Total			13	\$ 6,002,400	100%

Weighted Average Remaining Amortization Term	264 months
Minimum Remaining Amortization Term	180 months
Maximum Remaining Amortization Term	300 months

**Pool - AS1004**  
**Distribution by Amortization Type**

	Year of Maturity	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date	Weighted Average Cut-off Date Loan- to-Value Ratio	Weighted Average Balloon-to Value Ratio (1)
Fully Amortizing	2012 .....	4	\$ 1,787,000	30%	49%	0%
Balloon Loans	2012 .....	9	4,215,400	70	61	42
Total		13	\$ 6,002,400	100%	58%	

(1) The Weighted Average Balloon-to-Value Ratio represents the percentage of the weighted average of the Balloon Payments of the Qualified Balloon Loans in the Pool to the weighted average appraised value of the related Mortgaged Properties

**Pool - AS1004**  
**Distribution by Cut-off Date Loan-to-Value Ratio**

Loan-to-Value Ratio			Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date	Cumulative Percentage
35.01%	to	40.00% .....	1	\$ 142,000	2%	2 %
40.01	to	45.00 .....	3	1,556,000	26	28
45.01	to	50.00 .....	2	750,000	12	41
60.01	to	65.00 .....	3	1,268,000	21	62
65.01	to	70.00 .....	4	2,286,400	38	100
Total			13	\$ 6,002,400	100%	

Weighted Average Loan-to-Value Ratio	58%
Minimum Loan-to-Value Ratio	39%
Maximum Loan-to-Value Ratio	70%

**Pool - AS1004**  
**Distribution by Total Debt Coverage Ratio (1)**

Debt Coverage Ratio			Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date	Cumulative Percentage
1.26	to	1.50 .....	8	\$ 3,971,000	66%	66%
1.51	to	1.75 .....	1	367,000	6	72
1.76	to	2.00 .....	1	93,000	2	74
2.01	to	2.25 .....	1	900,000	15	89
3.51	to	3.75 .....	1	529,400	9	98
5.26	to	5.50 .....	1	142,000	2	100
Total			13	\$ 6,002,400	100%	

Weighted Average Total Debt Coverage Ratio	1.78
Minimum Total Debt Coverage Ratio	1.26
Maximum Total Debt Coverage Ratio	5.39

(1) Total Debt Coverage Ratio is the ratio determined by dividing the borrower's total annual net income (net of living expenses and taxes) from all sources by the borrower's total annual debt service obligations (including capital lease payments).

**Pool - AS1004**  
**Distribution by Commodity Group (1)**

Commodity Group	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
Cattle and Calves	2	\$ 487,000	8%
Cotton/Tobacco	2	471,000	8
Feed Grains	9	2,842,860	47
Food Grains	3	640,940	11
Oilseeds	4	490,600	8
Permanent Plantings	3	1,070,000	18
<b>Total</b>	<b>23</b>	<b>\$ 6,002,400</b>	<b>100%</b>

(1) The number of loans in each commodity group will not equal the total number of loans because a Mortgaged Property may be used to produce multiple commodities and thus the related Qualified Loan may be allocated to more than one commodity group. As to any Qualified Loan allocated to more than one commodity group, the principal balance thereof is allocated among commodity groups based on the proportion of the Mortgaged Property used for the production of each commodity.

**Pool - AS1004**  
**Distribution by States**

State	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
California	2	\$ 312,000	5%
Georgia	1	1,000,000	17
Illinois	2	1,200,000	20
Kansas	1	529,400	9
Kentucky	1	575,000	10
Minnesota	1	93,000	2
Montana	1	486,000	8
Nebraska	1	390,000	6
Ohio	1	150,000	2
Utah	1	367,000	6
Washington	1	900,000	15
<b>Total</b>	<b>13</b>	<b>\$ 6,002,400</b>	<b>100%</b>

## DESCRIPTION OF POOL CA1002

The two Qualified Loans in Pool CA1002 will have had individual principal balances as of the Cut-off Date of \$400,000 and \$770,000 respectively. Neither of the Qualified Loans in Pool CA1002 will have been originated prior to July 1, 1996 and both have a scheduled maturity of January 1, 2002. The Qualified Loans in Pool CA1002 will have a weighted average Administrative Fee Rate as of the Cut-off Date of approximately 1.323%.

Both of the Qualified Loans in Pool CA1002 require the payment of a Yield Maintenance Charge in connection with any principal prepayment, in whole or in part, made prior to the maturity date of each such Qualified Loan.

Both of the Qualified Loans in Pool CA1002 are balloon loans which provide for regular annual payments of principal and interest computed on the basis of an amortization term that is longer than the related term to stated maturity, with a "balloon" payment (each, a "Balloon Payment") due at stated maturity that will be significantly larger than the annual payments (each, a "Qualified Balloon Loan").

Pool CA1002 consists of two Qualified Loans constituting 66% and 34 % (by principal balance of the Cut-off Date), respectively, of the aggregate principal amount of such Pool. The following tables set forth additional information with respect to the Qualified Loans included in Pool CA1002, in each case as of the Cut-off Date. Percentages are based on the aggregate principal balance of Qualified Loans in Pool CA1002.

### Pool - CA1002 Distribution by Cut-off Date Principal Balance

Cut-off Date Principal Balance	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
\$ 300,001 to \$ 400,000 .....	1	\$ 400,000	34%
700,001 to 800,000 .....	1	770,000	66
<b>Total</b>	<b>2</b>	<b>\$ 1,170,000</b>	<b>100%</b>

Average Loan Amount	\$ 585,000
Minimum Amount	\$ 400,000
Maximum Amount	\$ 770,000

**Pool - CA1002**  
**Distribution by Mortgage Interest Rate**

Mortgage Interest Rate			Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
8.501%	to	8.750% .....	1	\$ 400,000	34%
8.751	to	9.000 .....	1	770,000	66
<b>Total</b>			<b>2</b>	<b>\$ 1,170,000</b>	<b>100%</b>

Weighted Average Mortgage Interest Rate	8.870%
Minimum Mortgage Interest Rate	8.620%
Maximum Mortgage Interest Rate	9.000%

**Pool - CA1002**  
**Distribution by Net Mortgage Rate**

Net Mortgage Rate			Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
7.251%	to	7.500% .....	1	\$ 400,000	34%
7.501	to	7.750 .....	1	770,000	66
<b>Total</b>			<b>2</b>	<b>\$ 1,170,000</b>	<b>100%</b>

Weighted Average Net Mortgage Rate	7.547%
Minimum Net Mortgage Rate	7.330%
Maximum Net Mortgage Rate	7.660%



**Pool - CA1002**  
**Distribution by Amortization Type**

	<b>Year of Maturity</b>	<b>Number of Loans</b>	<b>Aggregate Principal Balance As of Cut-off Date</b>	<b>Percentage of Aggregate Principal Balance As of Cut-off Date</b>	<b>Weighted Average Cut-off Date Loan-to-Value Ratio</b>	<b>Weighted Average Balloon-to-Value Ratio (1)</b>
Balloon Loans	2002 .....	2	\$ 1,170,000	100%	67%	57%
<b>Total</b>		<b>2</b>	<b>\$ 1,170,000</b>	<b>100%</b>		

(1) The Weighted Average Balloon-to-Value Ratio represents the percentage of the weighted average of the Balloon Payments of the Qualified Balloon Loans in the Pool to the weighted average appraised value of the related Mortgaged Properties

**Pool - CA1002**  
**Distribution by Remaining Amortization Term**

<b>Remaining Amortization Term</b>	<b>Number of Loans</b>	<b>Aggregate Principal Balance As of Cut-off Date</b>	<b>Percentage of Aggregate Principal Balance As of Cut-off Date</b>
168 to 180 .....	2	\$ 1,170,000	100%
<b>Total</b>	<b>2</b>	<b>\$ 1,170,000</b>	<b>100%</b>

Weighted Average Remaining Amortization Term	180 months
Minimum Remaining Amortization Term	180 months
Maximum Remaining Amortization Term	180 months

**Pool - CA1002**  
**Distribution by Cut-off Date Loan-to-Value Ratio**

Loan-to-Value Ratio	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date	Cumulative Percentage
60.01% to 65.00% .....	1	\$ 400,000	34%	34%
65.01 to 70.00 .....	1	770,000	66	100
<b>Total</b>	<b>2</b>	<b>\$ 1,170,000</b>	<b>100%</b>	

Weighted Average Loan-to-Value Ratio	67%
Minimum Loan-to-Value Ratio	62%
Maximum Loan-to-Value Ratio	70%

**Pool - CA1002**  
**Distribution by Total Debt Coverage Ratio (1)**

Debt Coverage Ratio	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date	Cumulative Percentage
1.26 to 1.50 .....	2	\$ 1,170,000	100%	100%
<b>Total</b>	<b>2</b>	<b>\$ 1,170,000</b>	<b>100%</b>	

Weighted Average Total Debt Coverage Ratio	1.43
Minimum Total Debt Coverage Ratio	1.40
Maximum Total Debt Coverage Ratio	1.50

(1) Total Debt Coverage Ratio is the ratio determined by dividing the borrower's total annual net income (net of living expenses and taxes) from all sources by the borrower's total annual debt service obligations (including capital lease payments).

**Pool - CA1002**  
**Distribution by Commodity Group (1)**

Commodity Group	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
Feed Grains	1	\$770,000	66%
Permanent Plantings	1	400,000	34
Total	2	\$ 1,170,000	100%

- (1) The number of loans in each commodity group will not equal the total number of loans because a Mortgaged Property may be used to produce multiple commodities and thus the related Qualified Loan may be allocated to more than one commodity group. As to any Qualified Loan allocated to more than one commodity group, the principal balance thereof is allocated among commodity groups based on the proportion of the Mortgaged Property used for the production of each commodity.

**Pool - CA1002**  
**Distribution by States**

State	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
Idaho	1	\$ 770,000	66%
Washington	1	400,000	34
Total	2	\$ 1,170,000	100%

## DESCRIPTION OF POOL CS1002

The Qualified Loans in Pool CS1002 will have had individual principal balances as of the Cut-off Date of not less than \$120,000 and not more than \$2,300,000. None of the Qualified Loans in Pool CS1002 will have been originated prior to July 1, 1996. The Qualified Loans in Pool CS1002 will have a weighted average Administrative Fee Rate as of the Cut-off Date of approximately 1.265%.

All of the Qualified Loans in Pool CS1002 require the payment of a Yield Maintenance Charge in connection with any principal prepayment, in whole or in part, made prior to the maturity date of each such Qualified Loan.

All of the Qualified Loans in Pool CS1002 are balloon loans which provide for regular semi-annual payments of principal and interest computed on the basis of an amortization term that is longer than the related term to stated maturity, with a "balloon" payment (each, a "Balloon Payment") due at stated maturity that will be significantly larger than the semi-annual payments (each, a "Qualified Balloon Loan").

One Qualified Loan included in Pool CS1002 constitutes 47% (by principal balance as of the Cut-off Date) of the aggregate principal amount of such Pool. Such Qualified Loan has the following additional characteristics (in each case, as of the Cut-off Date):

Principal Balance.....	\$2,300,000
Mortgage Interest Rate .....	8.60%
Net Mortgage Rate.....	7.13%
Year of Maturity.....	2002
Loan-to-Value Ratio.....	50%
Original term to Maturity.....	5 years

The Mortgaged Property securing such Qualified Loan is located in the State of Oregon; the primary commodities produced on such property are sugar beets and wheat. The loan is a Qualified Balloon Loan, with an amortization schedule of 25 years. The total debt service coverage ratio (which ratio gives effect to all sources of income) for such loan is 1.40. See "RISK FACTORS -- "Relative Loan Sizes."

The following tables set forth additional information with respect to the Qualified Loans included in Pool CS1002, in each case as of the Cut-off Date. Percentages are based on the aggregate principal balance of Qualified Loans in Pool CS1002.

**Pool - CS1002**  
**Distribution by Cut-off Date Principal Balance**

Cut-off Date Principal Balance		Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
\$ 100,001	to \$ 200,000	2	\$ 266,300	5%
200,001	to 300,000	1	250,000	5
300,001	to 400,000	1	306,000	6
700,001	to 800,000	1	760,000	16
900,001	to 1,000,000	1	1,000,000	20
2,200,001	to 2,300,000	1	2,300,000	47
<b>Total</b>		<b>7</b>	<b>\$ 4,882,300</b>	<b>100%</b>

Average Loan Amount	\$ 697,471
Minimum Amount	\$ 120,000
Maximum Amount	\$ 2,300,000

**Pool - CS1002**  
**Distribution by Mortgage Interest Rate**

Mortgage Interest Rate		Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
8.001 %	to 8.250 %	1	\$ 760,000	16%
8.251	to 8.500	3	1,426,000	29
8.501	to 8.750	2	2,550,000	52
8.751	to 9.000	1	146,300	3
<b>Total</b>		<b>7</b>	<b>\$ 4,882,300</b>	<b>100%</b>

Weighted Average Mortgage Interest Rate	8.494%
Minimum Mortgage Interest Rate	8.160%
Maximum Mortgage Interest Rate	8.800%

**Pool - CS1002**  
**Distribution by Net Mortgage Rate**

Net Mortgage Rate			Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
7.001%	to	7.250% .....	4	\$ 3,486,000	71%
7.251	to	7.500 .....	2	1,250,000	5
7.501	to	7.750 .....	1	146,300	23
Total			7	\$ 4,882,300	100%

Weighted Average Net Mortgage Rate	7.229%
Minimum Net Mortgage Rate	7.070%
Maximum Net Mortgage Rate	7.720%

**Pool - CS1002**  
**Distribution by Remaining Amortization Term**

Remaining Amortization Term			Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
168	to	180 .....	5	\$ 2,332,300	48 %
288	to	300 .....	2	2,550,000	52
Total			7	\$ 4,882,300	100%

Weighted Average Remaining Amortization Term	243 months
Minimum Remaining Amortization Term	180 months
Maximum Remaining Amortization Term	300 months

**Pool - CS1002**  
**Distribution by Amortization Type**

	<b>Year of Maturity</b>	<b>Number of Loans</b>	<b>Aggregate Principal Balance As of Cut-off Date</b>	<b>Percentage of Aggregate Principal Balance As of Cut-off Date</b>	<b>Weighted Average Cut-off Date Loan-to-Value Ratio</b>	<b>Weighted Average Balloon-to-Value Ratio (1)</b>
Balloon Loans	2001 .....	2	\$ 1,010,000	21%	52%	44%
Balloon Loans	2002 .....	5	3,872,300	79	56	49
<b>Total</b>		<b>7</b>	<b>\$ 4,882,300</b>	<b>100%</b>	<b>55%</b>	

Weighted Average Maturity Date	1/1/02
Minimum Maturity Date	7/1/01
Maximum Maturity Date	1/1/02

(1) The Weighted Average Balloon-to-Value Ratio represents the percentage of the weighted average of the Balloon Payments of the Qualified Balloon Loans in the Pool to the weighted average appraised value of the related Mortgaged Properties

**Pool - CS1002**  
**Distribution by Cut-off Date Loan-to-Value Ratio**

<b>Loan-to-Value Ratio</b>	<b>Number of Loans</b>	<b>Aggregate Principal Balance As of Cut-off Date</b>	<b>Percentage of Aggregate Principal Balance As of Cut-off Date</b>	<b>Cumulative Percentage</b>
40.01% to 45.00% .....	1	\$ 250,000	5%	5%
45.01 to 50.00 .....	1	2,300,000	47	52
50.01 to 55.00 .....	1	760,000	16	68
60.01 to 65.00 .....	1	1,000,000	20	88
65.01 to 70.00 .....	3	572,300	12	100
<b>Total</b>	<b>7</b>	<b>\$ 4,882,300</b>	<b>100%</b>	

Weighted Average Loan-to-Value Ratio	55%
Minimum Loan-to-Value Ratio	43%
Maximum Loan-to-Value Ratio	70%

**Pool - CS1002**  
**Distribution by Total Debt Coverage Ratio (1)**

Debt Coverage Ratio	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date	Cumulative Percentage
1.26 to 1.50 .....	3	\$ 2,670,000	55%	55%
2.26 to 2.50 .....	1	1,000,000	20	75
2.76 to 3.00 .....	1	306,000	6	81
5.01 to 5.25 .....	1	760,000	16	97
5.26 to 5.50 .....	1	146,300	3	100
<b>Total</b>	<b>7</b>	<b>\$ 4,882,300</b>	<b>100%</b>	

Weighted Average Total Debt Coverage Ratio	2.42
Minimum Total Debt Coverage Ratio	1.40
Maximum Total Debt Coverage Ratio	5.33

- (1) Total Debt Coverage Ratio is the ratio determined by dividing the borrower's total annual net income (net of living expenses and taxes) from all sources by the borrower's total annual debt service obligations (including capital lease payments).

**Pool - CS1002**  
**Distribution by Commodity Group (1)**

Commodity Group	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
Cattle and Calves	1	\$ 250,000	5
Food Grains	1	1,150,000	24%
Permanent Plantings	7	2,332,300	48
Sugarbeets, Cane and Other Crops	1	1,150,000	24
<b>Total</b>	<b>10</b>	<b>\$ 4,882,300</b>	<b>100%</b>

- (1) The number of loans in each commodity group will not equal the total number of loans because a Mortgaged Property may be used to produce multiple commodities and thus the related Qualified Loan may be allocated to more than one commodity group. As to any Qualified Loan allocated to more than one commodity group, the principal balance thereof is allocated among commodity groups based on the proportion of the Mortgaged Property used for the production of each commodity.



**Pool - CS1002**  
**Distribution by States**

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State	Number of Loans	Aggregate Principal Balance As of Cut-off Date	Percentage of Aggregate Principal Balance As of Cut-off Date
California	5	\$ 2,332,300	48%
Oregon	2	2,550,000	52
Total	7	\$ 4,882,300	100%

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**\$15,936,400**

**Farmer Mac**

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**Guaranteed Agricultural  
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Securities**

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**PROSPECTUS SUPPLEMENT**

**Bear, Stearns & Co. Inc.**

Until 90 days after the date of this Prospectus Supplement, all dealers effecting transactions in the Certificates offered hereby, whether or not participating in this distribution, may be required to deliver a Prospectus Supplement and Prospectus to which it relates. This is in addition to the obligation of dealers to deliver a Prospectus Supplement and Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

**November 21, 1996**