GOVERNMENT-SPONSORED ENTERPRISES

This chapter contains descriptions of the data on the Government-sponsored enterprises listed below. These enterprises were established and chartered by the Federal Government for public policy purposes. They are not included in the Federal Budget because they are private companies, and their securities are not backed by the full faith and credit of the Federal Government. However, because of their public purpose, detailed statements of financial condition are presented, to the extent such information is available, on a basis that is as consistent as practicable with the basis for the budget data of Government agencies. These statements are not reviewed by the President; they are presented as submitted by the enterprises.

—The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation provide assistance to the secondary market for residential mortgages.

—The Federal Home Loan Banks assist thrift institutions, banks, insurance companies, and credit unions in providing financing for housing and community development.

—Institutions of the Farm Credit System, the Agricultural Credit Bank, and Farm Credit Banks provide financial assistance to agriculture. They are supervised by the Farm Credit Administration.

—The Federal Agricultural Mortgage Corporation, under the supervision of the Farm Credit Administration, provides a secondary mortgage market for agricultural real estate and rural housing loans as well as for farm and business loans guaranteed by the U.S. Department of Agriculture.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Portfolio Programs

Status of Direct Loans (in millions of dollars)

Identification code 99–2500–0–3–371	2005 actual	2006 est.	2007 est.
1131 Direct loan obligations	....	....	....
1150 Total direct loan obligations	....	....	....
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	....	....	....
Disbursements:			
1231 Direct loan disbursements	....	....	....
1232 Purchase of loans assets	....	....	....
1251 Repayments: Repayments and prepayments	....	....	....
1264 Write-offs for default: Other adjustments, net	....	....	....
1290 Outstanding, end of year	....	....	....

Note: Consistent with Government-wide practice for GSEs, information for 2006 and 2007 was not required to be collected.

The Federal National Mortgage Association (Fannie Mae) is a Government-sponsored enterprise (GSE) in the housing finance market. In fall 2003, and again on April 7 and 13, 2005, the Secretaries of the Departments of Housing and Urban Development and the Treasury announced a proposal to strengthen regulation of all the housing GSEs, including Fannie Mae.

As a housing GSE, Fannie Mae is a Federally chartered, privately owned company with a public mission to provide stability and to increase the liquidity of the residential mortgage market and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. Fannie Mae engages primarily in two forms of business: investing in portfolios of residential mortgages and guaranteeing residential mortgage securities.

Through a Federal charter, the Federal Government has equipped Fannie Mae with certain advantages over wholly private firms in carrying out these activities. These include an exemption from State and local taxes (except real property taxes), and an exemption of its debt and mortgage securities from Securities and Exchange Commission registration requirements. An additional advantage is that the Secretary of the Treasury may purchase and hold up to $2.25 billion of securities issued by Fannie Mae under terms and conditions and at prices determined by the Secretary to be appropriate. Securities guaranteed and debt issued by Fannie Mae are solely the corporation's obligations and are not backed by the full faith and credit of the U.S. Government. The common stock of the corporation is owned by the public, is fully transferable, and trades on the New York, Midwest, and Pacific stock exchanges.

Fannie Mae was established in 1938 to assist private markets in providing a steady supply of funds for housing. Fannie Mae was originally a subsidiary of the Reconstruction Finance Corporation and was permitted to purchase only loans insured by the Federal Housing Administration (FHA). In 1954, Fannie Mae was restructured as a mixed ownership (part government, part private) corporation. Legislation directed the sale of the Government's remaining interest in Fannie Mae in 1968 and completed the transformation to private shareholder ownership in 1970. Using the proceeds from the sale of subordinated debentures, Fannie Mae paid the Treasury $216 million for the Government's preferred stock, which was retired, and for the Treasury's interest in the corporation's earned surplus. As a result, the corporation was taken off the Federal Budget.

In 1992, the Congress reaffirmed and clarified Fannie Mae's role in the housing finance system through charter act amendments included in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Act). Fannie Mae's charter purposes, as amended by the Act, are: "to provide stability in the secondary market for residential mortgages; respond appropriately to the private capital market; provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital for residential mortgage financing." For additional discussion and analyses of Fannie Mae, please see the *Analytical Perspectives* volume of the Budget documents.

Balance Sheet (in millions of dollars)

Identification code 99–2500–0–3–371	2004 actual	2005 actual
ASSETS:		
1101 Fund balances	....	....
Investments in US securities:		
1102 Treasury securities, par	....	....
1104 Other	....	....

PORTFOLIO PROGRAMS—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–2500–0–3–371	2004 actual	2005 actual
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601 Direct loans (net of discount)	....	....
1602 Federal Agencies	....	....
1603 Allowance for estimated uncollectible loans and interest (–)	....	....
1699 Value of assets related to direct loans	....	....
1801 Cash and other monetary assets	....	....
1803 Property, plant and equipment, net	....	....
1999 Total assets	....	....
LIABILITIES:		
2101 Accounts payable	....	....
2102 Accrued interest payable	....	....
2105 Other	....	....
2203 Debt	....	....
2204 Estimated liability for loan guarantees	....	....
2206 Pension and other actuarial liabilities	....	....
2207 Subtotal, Federal taxes payable	....	....
2999 Total liabilities	....	....
NET POSITION:		
3300 Cumulative results of operations	....	....
3300 Change in Stockholder Equity	....	....
3999 Total net position	....	....
4999 Total liabilities and net position	....	....

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–2501–0–3–371	2005 actual	2006 est.	2007 est.
1131 Direct loan obligations	....	....	....
1150 Total direct loan obligations	....	....	....
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	....	....	....
1231 Disbursements: Direct loan disbursements	....	....	....
1251 Repayments: Repayments and prepayments	....	....	....
1290 Outstanding, end of year	....	....	....

Note: Consistent with Government-wide practice for GSEs, information for 2006 and 2007 was not required to be collected.

According to accounting practices for private corporations, the mortgages in the pools of loans supporting the mortgage-backed securities are considered to be owned by the holders of these securities. Consequently, on the books of the Federal National Mortgage Association (Fannie Mae), these mortgages are not considered assets and the securities outstanding are not considered liabilities. However, the concepts of the budget of the U.S. Government consider these mortgages and mortgage-backed securities to be assets and liabilities, respectively, of Fannie Mae. For the purposes of this document, therefore, they are presented as assets and liabilities in the accompanying schedules. On the schedule of Status of Direct Loans for mortgage-backed securities, the items labeled "New loans" and "Recoveries: Repayments and prepayments" are budgetary terms. However, from Fannie Mae's perspective, these items are "Amounts issued" and "Amounts passed through to the holders of securities", respectively.

Financial data for Fannie Mae is not presented here because Fannie Mae announced in December 2004 that it would have to restate financial results for 2001–2004. The restatement is not likely to be completed prior to the second half of calendar year 2006.

Balance Sheet (in millions of dollars)

Identification code 99–2501–0–3–371	2004 actual	2005 actual
ASSETS:		
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601 Direct loans, gross	....	....
1603 Allowance for estimated uncollectible loans and interest (–)	....	....
1699 Value of assets related to direct loans	....	....
1999 Total assets	....	....
LIABILITIES:		
2104 Resources payable	....	....
2999 Total liabilities	....	....
4999 Total liabilities and net position	....	....

FEDERAL HOME LOAN MORTGAGE CORPORATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–4420–0–3–371	2005 actual	2006 est.	2007 est.
1131 Direct loan obligations	....	....	....
1150 Total direct loan obligations	....	....	....
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	....	....	....
1231 Disbursements: Direct loan disbursements	....	....	....
1251 Repayments: Repayments and prepayments	....	....	....
1290 Outstanding, end of year	....	....	....

Note: Consistent with Government-wide practice for GSEs, information for 2006 and 2007 was not required to be collected.

The Federal Home Loan Mortgage Corporation (Freddie Mac) is a Government-sponsored enterprise (GSE) in the housing finance market. In fall 2003, and again on April 7 and 13, 2005, the Secretaries of the Departments of Housing and Urban Development and the Treasury announced a proposal to strengthen regulation of all the housing GSEs, including Freddie Mac.

As a housing GSE, Freddie Mac is a Federally-charted, shareholder-owned, private company with a public mission to provide stability and increase the liquidity of the residential mortgage market, and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. Freddie Mac engages primarily in two forms of business: investing in portfolios of residential mortgages and guaranteeing residential mortgage securities.

Through a Federal charter, the Federal Government has equipped Freddie Mac with certain advantages over wholly private firms in carrying out these activities. These advantages include an exemption from State and local taxes (except real property taxes), and an exemption for its debt and mortgage securities from Securities and Exchange Commission registration requirements. An additional advantage is that the Secretary of the Treasury may purchase and hold up to $2.25 billion of securities issued by Freddie Mac under terms and conditions and at prices determined by the Secretary to be appropriate. Securities guaranteed and debt issued by Freddie Mac are explicitly not backed by the full faith and credit of the U.S. Government. The common stock of the corporation is owned by private shareholders, is fully transferable, and trades on the New York and Pacific stock exchanges.

Freddie Mac was established in 1970 under the Emergency Home Finance Act. The Congress chartered Freddie Mac to provide mortgage lenders with an organized national secondary market enabling them to manage their conventional mortgage portfolio more effectively and gain indirect access to a ready source of additional funds to meet new demands for mortgages. Freddie Mac serves as a conduit facilitating the flow of investment dollars from the capital markets to mortgage lenders, and ultimately, to homebuyers.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) significantly changed the corporate governance of Freddie Mac. The company's three member Board of Directors, which had corresponded with the Federal Home Loan Bank Board, was replaced with an eighteen member Board of Directors. In addition, FIRREA converted Freddie Mac's 60 million shares of non-voting, senior participating preferred stock into voting common stock.

While financial data for 2004 is presented here, Freddie Mac announced on November 8, 2005 that it would reduce net income for the first half of calendar year 2005 and expects to release full-year 2005 results by March 2006. For additional discussion and analyses of Freddie Mac, please see the *Analytical Perspectives* volume of the Budget documents.

Balance Sheet (in millions of dollars)

Identification code 99–4420–0–3–371	2004 actual	2005 actual
ASSETS:		
1201 Investments in other securities, net	91,196	
1206 Receivables, net	10,479	
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601 Direct loans, gross	672,762	
1603 Allowance for estimated uncollectible loans and interest (–)	–113	
1699 Value of assets related to direct loans	672,649	
1801 Cash and other monetary assets	11,570	
1803 Property, plant and equipment, net	687	
1901 Other assets	21,175	
1999 Total assets	807,756	
LIABILITIES:		
2101 Accounts payable	4	
2202 Interest payable	5,517	
2203 Debt	747,171	
2207 Other	23,392	
2999 Total liabilities	776,084	
NET POSITION:		
3100 Invested capital	31,672	
3999 Total net position	31,672	
4999 Total liabilities and net position	807,756	

Mortgage-Backed Securities

Status of Direct Loans (in millions of dollars)

Identification code 99–4440–0–3–371	2005 actual	2006 est.	2007 est.
1111 Limitation on direct loans			
1131 Direct loan obligations			
1150 Total direct loan obligations			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year			
1231 Disbursements: Direct loan disbursements			
1251 Repayments: Repayments and prepayments			
1290 Outstanding, end of year			

Note: Consistent with Government-wide practice for GSEs, information for 2006 and 2007 was not required to be collected.

Balance Sheet (in millions of dollars)

Identification code 99–4440–0–3–371	2004 actual	2005 actual
ASSETS:		
1901 Underlying Mortgages		
1999 Total assets		
LIABILITIES:		
2104 Resources payable		
2999 Total liabilities		

FEDERAL HOME LOAN BANK SYSTEM

Federal Home Loan Banks

Status of Direct Loans (in millions of dollars)

Identification code 99–4200–0–3–371	2005 actual	2006 est.	2007 est.
1131 Direct loan obligations			
1150 Total direct loan obligations			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year			
1231 Disbursements: Direct loan disbursements			
1251 Repayments: Repayments and prepayments			
1264 Write-offs for default: Other adjustments, net			
1290 Outstanding, end of year			

The Federal Home Loan Bank System is a Government-sponsored enterprise (GSE) in the housing finance market. In fall 2003, and again on April 7 and 13, 2005, the Secretaries of the Departments of Housing and Urban Development and the Treasury announced a proposal to strengthen regulation of all the housing GSEs, including the Federal Home Loan Bank System.

The Federal Home Loan Banks were chartered by the Federal Home Loan Bank Board under the authority of the Federal Home Loan Bank Act of 1932 (Act). The 12 Federal Home Loan Banks (FHLBanks) are under the supervision of the Federal Housing Finance Board (FHFB). The common mission of FHLBanks is to facilitate the extension of credit through their members. To accomplish this mission, FHLBanks make loans, called advances, and provide other credit products and services to their 8,149 member commercial banks, savings associations, insurance companies, and credit unions. Advances and letters of credit must be fully secured by eligible collateral and long-term advances may be made only for the purpose of providing funds for residential housing finance. However, "community financial institutions" may also use long-term advances to finance small businesses, small farms, and small agribusinesses. Additionally, specialized advance programs provide funds for community reinvestment and affordable housing programs. All regulated financial depositories and insurance companies engaged in residential housing finance are eligible for membership. Each FHLBank operates in a geographic district designated by the Board and together FHLBanks cover all of the United States, as well as the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

The principal source of funds for the lending operation is the sale of consolidated obligations to the public. The consolidated obligations are not guaranteed by the U.S. Government as to principal or interest. Other sources of lendable funds include members' deposits and capital. Funds not immediately needed for advances to members are invested.

The capital stock of the Federal Home Loan Banks is owned entirely by the members. Initially the U.S. Government purchased stock of the banks in the amount of $125 million.

FEDERAL HOME LOAN BANKS—Continued

The banks had repurchased the Government's investment in full by mid-1951.

The Act, as amended in 1989, requires each FHLBank to operate an Affordable Housing Program (AHP). Each FHLBank provides subsidies in the form of direct grants or below-market rate advances for members that use the funds for qualifying affordable housing projects. FHLBank System sets aside for its AHPs the greater of $100 million annually or 10 percent of net income. The Act, as amended in 1999, also requires that FHLBanks contribute 20 percent of net earnings annually to assist in the payment of interest on bonds issued by the Resolution Funding Corporation.

In 2002, the Administration requested all GSEs, including FHLBanks, to voluntarily register their equity securities with the Securities and Exchange Commission (SEC). This voluntary registration is part of the Administration's efforts to have GSEs undergo the same scrutiny process as other corporate enterprises. FHFB adopted a rule on June 23, 2004 that requires each FHLBank to register a class of its stock. Only five of the twelve FHLBanks compiled by 2005. (Freddie Mac has failed to commence registration with SEC, in spite of its prior commitment to do so. Fannie Mae registered with the SEC effective March 31, 2003, but suspended filing financial statements with the SEC on November 15, 2004.)

Financial data for the FHLBanks are not presented here because following discussions with the SEC, six of the twelve FHLBanks have announced their intent to restate their 2001–2004 financial statements.

For additional discussion and analyses of the FHLBanks, please see the *Analytical Perspectives* volume of the Budget.

Balance Sheet (in millions of dollars)

Identification code 99–4200–0–3–371		2004 actual	2005 actual
	ASSETS:		
	Investments in US securities:		
1102	Treasury securities, net	....	....
1201	Investments in other securities, net	....	....
1206	Accounts receivable	....	....
1401	Net value of assets related to direct loans receivable: Direct loans receivable, gross	....	....
1801	Cash and other monetary assets	....	....
1803	Property, plant and equipment, net	....	....
1901	Other assets	....	....
1999	Total assets	....	....
	LIABILITIES:		
2101	REFCORP and Affordable Housing Program	....	....
2202	Interest payable	....	....
2203	Debt	....	....
2207	Deposit funds and other borrowings	....	....
2207	Other	....	....
2999	Total liabilities	....	....
	NET POSITION:		
3100	Invested capital	....	....
3999	Total net position	....	....
4999	Total liabilities and net position	....	....

Note: Consistent with Government-wide practice for GSEs, information for 2006 and 2007 was not required to be collected.

FARM CREDIT SYSTEM

The Farm Credit System is a Government-sponsored enterprise that provides privately financed credit to agricultural and rural communities. The major functional entities of the system are: 1) Agricultural Credit Bank (ACB); 2) Farm Credit Banks (FCB); and 3) direct lender associations. The history and specific functions of the bank entities are discussed after the presentation of financial schedules for each bank entity. As part of the Farm Credit System (FCS), these entities are regulated and examined by the Farm Credit Administration (FCA), an independent Federal agency. The administrative costs of FCA are financed by assessments of system institutions and the Federal Agricultural Mortgage Corporation. System banks finance loans from sales of bonds to the public and their own capital funds. The system bonds issued by the banks are not guaranteed by the U.S. Government either as to principal or interest. The bonds are backed by an insurance fund, administered by the Farm Credit System Insurance Corporation (FCSIC), an independent Federal agency that collects insurance premiums from member banks to pay its administrative expenses and fund insurance reserves. All of the banks' current operating expenses are paid from their own income and do not require budgetary resources from the Federal Government.

AGRICULTURAL CREDIT BANK

CoBank, ACB is headquartered in Denver, Colorado and serves eligible cooperatives nationwide, and provides funding to Agricultural Credit Associations (ACAs) in two of its regions. CoBank, ACB is the only Agricultural Credit Bank (ACB) in the Farm Credit System. An ACB operates under statutory authority that combines the authorities of a Farm Credit Bank (FCB) and a Bank for Cooperatives (BC). In exercising its FCB authority, CoBank, ACB's charter limits its lending to ACAs located in the northeast and northwest regions of the country. As an entity lending to Cooperatives, CoBank is independently chartered to provide credit and related services nationwide to eligible cooperatives primarily engaged in farm supply, grain, marketing, and processing (including sugar and dairy). CoBank also makes loans to rural utilities, including telecommunications companies and it provides international loans for the financing of agricultural exports.

Status of Direct Loans (in millions of dollars)

Identification code 99–4130–0–3–351		2005 actual	2006 est.	2007 est.
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations	88,938	89,000	91,000
1150	Total direct loan obligations	88,938	89,000	91,000
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	23,270	25,122	25,373
1231	Disbursements: Direct loan disbursements	88,932	89,000	91,000
1251	Repayments: Repayments and prepayments	−87,049	−88,719	−90,719
1263	Write-offs for default: Direct loans	−31	−30	−30
1290	Outstanding, end of year	25,122	25,373	25,624

Balance Sheet (in millions of dollars)

Identification code 99–4130–0–3–351		2004 actual	2005 actual
	ASSETS:		
1201	Cash and investment securities	6,877	7,184
1206	Accrued interest receivable on loans	117	169
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601	Direct loans, gross	23,269	25,122
1603	Allowance for estimated uncollectible loans and interest (–)	–431	–435
1699	Value of assets related to direct loans	22,838	24,687
1803	Property, plant and equipment, net	196	261
1999	Total assets	30,028	32,301
	LIABILITIES:		
2104	Resources payable	388	675
2201	Consolidated systemwide and other bank bonds	26,040	28,342
2201	Notes payable and other interest-bearing liabilities	586	124
2202	Accrued interest payable	144	253
2999	Total liabilities	27,158	29,394

	NET POSITION:		
3300	Cumulative results of operations	2,870	2,907
3999	Total net position	2,870	2,907
4999	Total liabilities and net position	30,028	32,301

Statement of Changes in Net Worth (in thousands of dollars)

99–4130	2004 actual	2005 actual	2006 est.	2007 est.
Beginning balance of net worth	2,591,868	2,869,656	2,907,259	2,978,607
Capital stock and participations issued	200,063	6,269	1,098	1,103
Capital stock and participations retired	76,829	67,534	51,000	56,000
Net income	277,865	281,828	280,250	286,235
Cash/Dividends/Patronage Distributions	(105,608)	(152,720)	(159,000)	(164,000)
Other, net	(17,703)	(30,240)	0	0
Ending balance of net worth	2,869,656	2,907,259	2,978,607	3,045,945

Financing Activities (in thousands of dollars)

99–4130	2004 actual	2005 actual	2006 est.	2007 est.
Beginning balance of outstanding system obligations	25,448,279	26,040,308	28,341,749	28,625,167
Consolidated systemwide and other bank bonds issued	8,010,499	11,221,891	11,500,000	12,000,000
Consolidated systemwide and other bank bonds retired	6,707,741	9,378,220	11,316,582	11,816,583
Consolidated systemwide notes, net	(597,642)	311,845	100,000	100,000
Other (Net)	(113,092)	145,930	0	0
Ending balance of outstanding system obligations	26,040,303	28,341,749	28,625,167	28,908,584

Farm Credit Banks

Status of Direct Loans (in millions of dollars)

Identification code 99–4160–0–3–371		2005 actual	2006 est.	2007 est.
1111	Limitation on direct loans			
1131	Direct loan obligations	103,814	107,629	113,088
1150	Total direct loan obligations	103,814	107,629	113,088
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	60,762	66,801	70,099
1231	Disbursements: Direct loan disbursements	103,812	107,734	113,198
1251	Repayments: Repayments and prepayments	−97,775	−104,436	−109,343
1264	Write-offs for default: Other adjustments, net	2		
1290	Outstanding, end of year	66,801	70,099	73,954

Note.—Loans outstanding at end of year do not include nonaccrual loans and sales contracts.

The Agricultural Credit Act of 1987 (1987 Act) required the Federal Land Banks (FLBs) and Federal Intermediate Credit Banks (FICBs) to merge into a Farm Credit Bank (FCB) in each of the 12 Farm Credit districts. FCBs operate under statutory authority that combines the prior authorities of a FLB and of a FICB. No merger occurred in the Jackson district in 1988 because the FLB of Jackson was in receivership. Pursuant to section 410(e) of the 1987 Act, as amended by the Farm Credit Banks Safety and Soundness Act of 1992, FICB of Jackson merged with FCB of Columbia on October 1, 1993. Mergers and consolidations of FCBs across district lines that began in 1992 have continued to date. As a result of this restructuring activity, 4 FCBs, headquartered in the following cities, remain: AgFirst FCB, Columbia, South Carolina; AgriBank FCB, St. Paul, Minnesota; U.S. AgBank, FCB, Wichita, Kansas; and FCB of Texas, Austin, Texas.

FCBs serve as discount banks and as of October 1, 2005 provided funds to 11 Federal Land Credit Associations (FLCA) and 85 Agricultural Credit Associations (ACAs). These direct lender associations, in turn, make short-term production loans and long-term real estate loans to eligible farmers and ranchers, and their cooperatives; farm-related business; and rural homeowners. FCBs can also lend to local financing institutions, including commercial banks, as authorized by the Farm Credit Act of 1971, as amended.

All the capital stock of FICB's, from organization in 1923 to December 31, 1956, was held by the U.S. Government. The 1956 Act provided a long-range plan for the eventual ownership of the credit banks by the production credit associations and the gradual retirement of the Government's investment in the banks. This retirement was accomplished in full on December 31, 1968. The last of the Government capital that had been invested in FLB's was repaid in 1947.

Balance Sheet (in millions of dollars)

Identification code 99–4160–0–3–371		2004 actual	2005 actual
	ASSETS:		
1201	Cash and investment securities	15,576	19,513
1206	Accrued Interest Receivable	418	581
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601	Direct loans, gross	60,762	66,801
1603	Allowance for estimated uncollectible loans and interest (–)	–130	–19
1699	Value of assets related to direct loans	60,632	66,782
1803	Property, plant and equipment, net	329	321
1999	Total assets	76,955	87,197
	LIABILITIES:		
2104	Resources payable	235	397
2201	Consolidated systemwide and other bank bonds	71,078	80,993
2201	Notes payable and other interest-bearing liabilities	734	368
2202	Accrued interest payable	388	592
2999	Total liabilities	72,435	82,350
	NET POSITION:		
3300	Cumulative results of operations	4,520	4,847
3999	Total net position	4,520	4,847
4999	Total liabilities and net position	76,955	87,197

Statement of Changes in Net Worth (in thousands of dollars)

99–4160	2004 actual	2005 actual	2006 est.	2007 est.
Beginning balance of net worth	4,188,851	4,520,633	4,846,675	5,078,212
Capital stock and participations issued	431,832	237,099	39,318	16,815
Capital stock and participations retired	169,946	118,560	207	0
Surplus Retired	(276)	4,257	0	0
Net income	389,137	521,660	441,717	488,292
Cash/Dividends/Patronage Distributions	(313,854)	(286,298)	(264,199)	(274,363)
Other, net	(663)	(23,602)	14,908	(8,516)
Ending balance of net worth	4,520,633	4,846,675	5,078,212	5,300,440

Financing Activities (in thousands of dollars)

99–4160	2004 actual	2005 actual	2006 est.	2007 est.
Beginning balance of outstanding system obligations	67,415,911	71,077,982	80,993,251	84,991,701
Consolidated systemwide and other bank bonds issued	32,598,885	37,670,028	29,197,506	34,139,338
Consolidated systemwide and other bank bonds retired	29,918,762	28,143,701	25,773,029	30,214,242
Consolidated systemwide notes, net	985	383,675	573,973	812,590
Other, net	(3,212)	5,267	0	0
Ending balance of outstanding system obligations	71,077,982	80,993,251	84,991,701	89,729,387

Federal Agricultural Mortgage Corporation

(Farmer Mac)

Farmer Mac is authorized under the Farm Credit Act of 1971 (Act), as amended by the Agricultural Credit Act of 1987, to create a secondary market for agricultural real estate and rural home mortgages. The Farmer Mac title of the Act was amended by the 1990 farm bill to authorize Farmer Mac to purchase, pool, and securitize the guaranteed portions of farmer program, rural business, and community development loans guaranteed by the United States Department of Agriculture (USDA). The Farmer Mac title was further amended in 1991 to clarify Farmer Mac's authority to issue debt obligations, provide for the establishment of minimum capital standards, establish the Office of Secondary Market Oversight at the Farm Credit Administration (FCA), and expand the agency's rulemaking authority. Most recently, the Farm Credit System Reform Act of 1996 (1996 Act) amended the Farmer Mac title to allow Farmer Mac to purchase loans directly from lenders and to issue and guarantee mortgage-backed securities without requiring that a minimum cash reserve or subordinated (first loss) interest be maintained by poolers as had been required under its original authority. The 1996 Act expanded FCA's regulatory authority to include provisions for establishing a conservatorship or receivership, if necessary, and provided for increased core capital requirements at Farmer Mac phased in over three years.

Farmer Mac operates through two core programs, "Farmer Mac I," which involves mortgage loans secured by first liens on agricultural real estate or rural housing (qualified loans), and "Farmer Mac II," which involves the guaranteed portions of USDA guaranteed loans. Farmer Mac operates by: i) purchasing, or committing to purchase, newly originated or existing qualified loans or guaranteed portions from lenders; ii) purchasing "AgVantage" bonds backed by qualified loans or guaranteed portions from lenders; and iii) exchanging qualified loans or guaranteed portions for guaranteed securities. Loans purchased by Farmer Mac are aggregated into pools that back Farmer Mac guaranteed securities which are held by Farmer Mac or sold into the capital markets. Farmer Mac is intended to attract new capital for financing qualified loans and guaranteed portions, foster increased long-term, fixed-rate lending, and provide greater liquidity to agricultural and rural lenders.

Farmer Mac is governed by a 15 member Board of Directors. Ten Board members are elected by stockholders, including five by the Farm Credit System and five by commercial lenders. Five are appointed by the President, subject to Senate confirmation.

Financing

Financial support and funding for Farmer Mac's operations come from several sources: sale of common and preferred stock; issuance of debt obligations; and net income from operations. Under procedures specified in the Act, Farmer Mac may issue obligations to the U.S. Treasury in a cumulative amount not to exceed $1.5 billion to fulfill its guarantee obligations.

As of September 30, 2005, Farmer Mac's core capital exceeded statutory requirements. Additionally, Farmer Mac's regulatory capital (core capital plus the allowance for loan loses) exceeded the amount of required regulatory capital as determined by the risk-based capital rule, with which Farmer Mac was required to be in compliance on May 23, 2002.

Guarantees

Farmer Mac provides a guarantee of timely payment of principal and interest on securities backed by qualified loans or pools of qualified loans. These securities are not guaranteed by the United States, and are not "government securities".

Farmer Mac is subject to reporting requirements under securities laws and its guaranteed mortgage-backed securities are subject to registration with the Securities and Exchange Commission under the 1933 and 1934 Securities Acts.

Regulation

Farmer Mac is Federally regulated by FCA, acting through its Office of Secondary Market Oversight (OSMO). FCA is responsible for the supervision, examination of, and rule-making for Farmer Mac.

Status of Guaranteed Loans (in millions of dollars)

Identification code 99–4180–0–3–351		2005 actual	2006 est.	2007 est.
2111	Limitation on guaranteed loans			
2131	Guaranteed loan commitments	559		
2150	Total guaranteed loan commitments	559		
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	5,549	5,126	5,126
2231	Disbursements of new guaranteed loans	559		
2251	Repayments and prepayments	–982		
2290	Outstanding, end of year	5,126	5,126	5,126
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	811		

Balance Sheet (in millions of dollars)

Identification code 99–4180–0–3–351		2004 actual	2005 actual
	ASSETS:		
1201	Investment in securities	949	1,594
1206	Receivables, net	54	40
	Net value of assets related to direct loans receivable:		
1401	Direct loans receivable, gross	2,244	2,140
1402	Interest receivable	38	45
1499	Net present value of assets related to direct loans	2,282	2,185
1801	Cash and other monetary assets	500	438
1999	Total assets	3,785	4,257
	LIABILITIES:		
2201	Accounts payable	75	48
2202	Interest payable	26	25
2203	Debt	3,424	3,928
2204	Liabilities for loan guarantees	32	19
2999	Total liabilities	3,557	4,020
	NET POSITION:		
3300	Invested capital	228	237
3999	Total net position	228	237
4999	Total liabilities and net position	3,785	4,257