GOVERNMENT-SPONSORED ENTERPRISES

This chapter contains descriptions of and data on the Government-sponsored enterprises listed below. These enterprises were established and chartered by the Federal Government. They are not included in the Federal budget because they are classified as being private. However, because of their relationship to the Government, detailed statements of financial operations and 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 Student Loan Marketing Association is a for-profit financial corporation chartered by Congress in 1972 under the Higher Education Act (HEA) to help increase the availability of student loans. Sallie Mae carries out secondary market and other functions.

—The College Construction Loan Insurance Association was organized as a private, for-profit insurance corporation to guarantee and insure bonds and loans made for construction and renovation of college and university facilities. Pursuant to legislation enacted in 1996, the association was fully privatized in 1997 and is no longer a Government-sponsored enterprise.

—The Federal National Mortgage Association provides supplementary assistance to the secondary market for home mortgages. The Federal Home Loan Mortgage Corporation provides a secondary market for mortgage lenders. Both are supervised by the Department of Housing and Urban Development for their roles in helping to finance low-, moderate-, and middle-income housing; both are regulated for financial safety and soundness by the Office of Federal Housing Enterprise Oversight.

—The Banks for Cooperatives, 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 certain rural housing loans as well as for farm and business loans guaranteed by the U.S. Department of Agriculture.

—The Federal Home Loan Banks assist thrift institutions, banks, insurance companies, and credit unions in providing financing for housing and community development and are supervised by the Federal Housing Finance Board.

—The Financing Corporation functions as a financing vehicle for the FSLIC Resolution Fund. It operates under the supervision and control of the Federal Housing Finance Board.

—The Resolution Funding Corporation provided financing for the Resolution Trust Corporation (RTC) and is subject to the general oversight and direction of the Thrift Depositor Protection Oversight Board.

The Board of Governors of the Federal Reserve System is not a Government-sponsored enterprise, but its transactions also are not included in the budget because of its unique status in the conduct of monetary policy. The Board provides data on its administrative budget on a calendar year basis, which is included here for information. Its budget schedules and statements are not subject to review by the President.

DEPARTMENT OF EDUCATION

STUDENT LOAN MARKETING ASSOCIATION

Program and Financing (in millions of dollars)

Identification code 99–1500–0–3–502		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
	Operating expenses:			
00.01	Interest expense	2,590	2,461	2,584
00.02	Administrative expenses and taxes	710	586	615
00.91	Total operating expenses	3,300	3,047	3,199
	Capital investment:			
01.01	Loans, etc	10,019	8,224	8,106
01.02	Investments, dividends, and other assets	600	700	650
01.91	Total capital investment	10,619	8,924	8,756
10.00	Total obligations	13,919	11,971	11,955
	Budgetary resources available for obligation:			
22.00	New budget authority (gross)	13,919	11,971	11,955
23.95	New obligations	–13,919	–11,971	–11,955
	New budget authority (gross), detail:			
67.15	Authority to borrow (indefinite)	–4,294	–8,029	–6,045
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	18,213	20,000	18,000
70.00	Total new budget authority (gross)	13,919	11,971	11,955
	Change in unpaid obligations:			
72.41	Unpaid obligations, start of year: Obligated balance: U.S. Securities: Par value, start of year	1,291	1,382	1,340
73.10	New obligations	13,919	11,971	11,955
73.20	Total outlays (gross)	–13,828	–12,013	–11,888
74.41	Unpaid obligations, end of year: Obligated balance: U.S. Securities: Par value, end of year	1,382	1,340	1,407
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	13,828	12,013	11,888
	Offsets:			
	Against gross budget authority and outlays:			
88.40	Offsetting collections (cash) from: Non-Federal sources	–18,213	–20,000	–18,000
	Net budget authority and outlays:			
89.00	Budget authority	–4,294	–8,029	–6,045
90.00	Outlays	–4,385	–7,987	–6,112

Status of Direct Loans (in millions of dollars)

Identification code 99–1500–0–3–502		1997 actual	1998 est.	1999 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations exempt from limitation	10,019	8,224	8,106
1150	Total direct loan obligations	10,019	8,224	8,106
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	37,391	34,259	28,857
1231	Disbursements: Direct loan disbursements	10,019	8,224	8,106
	Repayments:			
1251	Repayments and prepayments	–4,565	–3,670	–2,596
1252	Proceeds from loan asset sales to the public or discounted	–8,626	–10,000	–10,000

STUDENT LOAN MARKETING ASSOCIATION—Continued

Status of Direct Loans (in millions of dollars)—Continued

Identification code 99–1500–0–3–502	1997 actual	1998 est.	1999 est.
1264 Write-offs for default: Other adjustments, net	40	44	48
1290 Outstanding, end of year	34,259	28,857	24,415

The Student Loan Marketing Association (Sallie Mae), a shareholder-owned corporation, was created by the Education Amendments of 1972 to expand funds available for student loans by providing liquidity to lenders engaged in the Federal Family Education Loan Program (FFELP), formerly the guaranteed student loan program (GSLP).

Sallie Mae provides liquidity through direct purchase of insured student loans from eligible lenders and through warehousing advances, which are loans to lenders secured by insured student loans, Government or agency securities, or other acceptable collateral. In capital shortage areas, Sallie Mae is authorized, at the request of Federal officials, to make insured loans directly to students. Sallie Mae is authorized to advance funds to State agencies that will provide loans to students. Sallie Mae is also authorized to provide a secondary market for noninsured loans; to serve as a guarantee agency in support of loan availability at the request of the Secretary of Education; to purchase and underwrite student loan revenue bonds; to provide certain additional services as determined by its board of directors to be supportive of the credit needs of students generally; and to provide financing for academic facilities and equipment.

Sallie Mae is authorized by the Health Professions Educational Assistance Act of 1976 to provide a secondary market for federally insured loans to graduate health professions students.

Operations.—The forecast data with respect to operations are based on certain general economic and specific FFELP loan volume assumptions and should not be relied upon as an official forecast of the corporation's future business.

ANNUAL LOAN ACTIVITY

[In millions of dollars]

	1997 actual	*1998 est.*	*1999 est.*
Guaranteed student loans:			
Stafford (formerly ''regular''):			
Purchased	7,288	6,622	6,587
Warehoused	668		
PLUS/SLS: Purchased	614	554	546
Subtotal, Guaranteed student loans	8,570	7,176	7,133
Health professions loans: Purchased	127	60	0
Other	1,322	988	975
Total	10,019	8,224	8,108

Financing.—Between 1974 and early 1982, Sallie Mae borrowed through the Federal Financing Bank. The Secretary of Education was authorized by the Education Amendments of 1980 to guarantee principal and interest on such obligations issued prior to October 1, 1985. Under an agreement with the Department of the Treasury reached in early 1981, Sallie Mae began borrowing directly in the private capital markets. Its last borrowing through the FFB and its last issuance of federally guaranteed obligations occurred in January 1982. During the first quarter of 1994, Sallie Mae prepaid all of the outstanding FFB debt. Its obligations today have certain characteristics, provided by charter, which give them ''agency'' status, but they are not federally insured or guaranteed.

Restructuring.—Pursuant to authority enacted in the Student Loan Marketing Association Act of 1996, Sallie Mae shareholders, on July 31, 1997, approved a plan to reorganize the corporation as a fully private, State chartered entity. Under the reorganization, which became effective on August 8, 1997, the shares of common stock of the GSE (Student Loan Marketing Association) were converted on a one-for-one basis to shares of the new Delaware chartered holding company (SLM Holding Corporation). The GSE became a wholly owned subsidiary of SLM Holding Corporation.

The legal status of the GSE's debt obligations, including State tax exemptions, are fully preserved. According to the authorizing legislation, the GSE must wind down and be liquidated by September 30, 2008. All obligations of the GSE remaining upon liquidation must be placed into a defeasance trust. The GSE's outstanding adjustable rate cumulative preferred stock is required to be redeemed prior to such date.

As required by legislation, the shareholders' approval of the restructuring plan resulted in the transfer of resources from Sallie Mae to the District of Columbia for school facility improvements. The District received a total of $41.8 million, of which $36.8 million came from the sale of Sallie Mae stock warrants issued to the District, and $5 million was a payment from the Association for its decision to retain ''Sallie Mae'' as a tradename.

Note.—The Sallie Mae Board of Directors does not consider it appropriate to forecast corporate revenue in a public document since such forecasts could be used for speculative purposes.

Statement of Operations (in millions of dollars)

Identification code 99–1500–0–3–502	1996 actual	1997 actual	1998 est.	1999 est.
0101 Revenue		3,808		
0102 Expense		–3,300		
0109 Net income		508		

Balance Sheet (in millions of dollars)

Identification code 99–1500–0–3–502	1996 actual	1997 actual	1998 est.	1999 est.
ASSETS:				
Federal assets:				
Investments in US securities:				
1102 Treasury securities, par	1,281	1,382	1,340	1,407
1104 Agency securities, par	10			
1106 Receivables, net	852	773	812	853
Non-Federal assets:				
1201 Investments in non-Federal securities, net	6,971	5,318	2,671	823
1206 Receivables, net	483	436	458	481
1207 Advances and prepayments	15	19	20	21
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross	37,538	34,384	28,962	24,504
1603 Allowance for estimated uncollectible loans and interest (–)	–147	–125	–105	–89
1699 Value of assets related to direct loans	37,391	34,259	28,857	24,415
Other Federal assets:				
1801 Cash and other monetary assets	35	91	95	100
1803 Property, plant and equipment, net	246	211	221	232
1901 Other assets	100	572	600	630
1999 Total assets	47,384	43,061	35,074	28,962
LIABILITIES:				
Non-Federal liabilities:				
2202 Interest payable	472	468	491	516
2203 Debt	45,252	40,230	32,642	26,582
2207 Other	643	1,110	1,166	1,224
2999 Total liabilities	46,367	41,808	34,299	28,322
NET POSITION:				
3200 Invested capital	1,017	1,253	775	640
3999 Total net position	1,017	1,253	775	640
4999 Total liabilities and net position	47,384	43,061	35,074	28,962

Object Classification (in millions of dollars)

Identification code 99–1500–0–3–502	1997 actual	1998 est.	1999 est.
11.1 Personnel compensation: Full-time permanent	63	46	41

12.1	Civilian personnel benefits	16	12	11
21.0	Travel and transportation of persons	5	4	4
23.3	Communications, utilities, and miscellaneous charges	17	12	11
25.1	Advisory and assistance services	22	16	14
25.2	Other services	357	256	230
31.0	Equipment	4	3	3
33.0	Loans	10,019	8,224	8,106
43.0	Interest, dividends, and taxes	3,416	3,398	3,535
99.9	Total obligations	13,919	11,971	11,955

COLLEGE CONSTRUCTION LOAN INSURANCE ASSOCIATION

The College Construction Loan Insurance Association (Connie Lee) was authorized by Public Law 99–498 on October 17, 1986. The Corporation was created to insure and reinsure bonds and loans of educational institutions which borrow funds to finance the acquisition, construction, or renovation of their facilities. The Association was incorporated in February 1987, under the District of Columbia Business Corporation Act.

Connie Lee's authorizing statute stated that "no obligation which is insured, guaranteed, or otherwise backed by the corporation, shall be deemed to be an obligation which is guaranteed by the full faith and credit of the United States."

Operations.—Connie Lee was structured to operate as a private corporation, subject to the same state laws and regulations as any other insurance company. Accordingly, Connie Lee secured insurance licenses in each of the various states in which it planned to conduct its insurance activities.

The Board of Directors authorized management to begin activities as a reinsuror of educational facilities bonds in 1988. Connie Lee reinsured its first bonds in December 1988. In the portion of fiscal year 1997 ending February 27, 1997 (date of stock sale for privatization), Connie Lee insured $390.2 million of debt service on bonds benefitting colleges, universities and teaching hospitals. Connie Lee also provided reinsurance on bonds representing $0.9 million of debt service.

INSURANCE AND REINSURANCE ACTIVITY

[In thousands of dollars]

Debt service insured:	*1997 actual*
Direct insurance	390,209
Reinsurance	899
Total	391,108

Financing.—In order to provide capitalization, the Secretary of Education, the Student Loan Marketing Association (Sallie Mae), and other investors were authorized to purchase stock in the corporation. Sallie Mae made an initial investment of $2 million in Connie Lee stock in fiscal year 1987. The Secretary of Education purchased $19.1 million in Connie Lee stock with funds appropriated for this purpose in fiscal year 1988. Subsequently, the corporation sold an additional $50.9 million of equity securities to Sallie Mae, increasing total capital of the corporation to $72.0 million. At the end of 1991, Connie Lee placed equity securities with private investors, providing sufficient incremental capital to obtain a triple-A credit rating necessary to engage in the financial guaranty business as a direct writer of insurance.

Management.—Connie Lee was governed by an eleven-member board of directors comprised of two directors appointed by the Secretary of the Treasury; two directors appointed by the Secretary of Education; three directors appointed by the Student Loan Marketing Association; and four directors elected by the corporation's shareholders, one of whom was required to be an administrator of a college or university.

Privatization.—Legislation was enacted in 1996 that privatized Connie Lee by repealing its enabling legislation and requiring the Federal Government to sell, and Connie Lee to purchase, the corporation's federally owned stock. This sale was completed on February 27, 1997, and the $18.3 million of proceeds were used to finance public elementary and secondary school facility construction and repair within the District of Columbia. Data on the corporation's financial position at the time of the stock sale is shown below.

The corporation will continue to insure debt of educational institutions, including Historically Black Colleges and Universities and academic institutions that have lower investment-grade credit ratings. Without the Federal restrictions previously imposed by legislation, the corporation will be able to guarantee bonds in other market sectors and diversify into new products and services.

Balance Sheet (in millions of dollars)

Identification code 99–9931–0–3–502		1996 actual	1997 actual*	1998 est.	1999 est.
	ASSETS:				
	Federal assets:				
	Investments in US securities:				
1102	Treasury securities, par	42	47		
1104	Agency securities, par	21	10		
	Non-Federal assets:				
1201	Investments in non-Federal securities, net	155	166		
1206	Receivables, net	9			
1207	Advances and prepayments	37	39		
	Other Federal assets:				
1801	Cash and other monetary assets	3	3		
1803	Property, plant and equipment, net	1	1		
1999	Total assets	268	266		
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	9	28		
2201	Non-Federal liabilities: Accounts payable	94	86		
2999	Total liabilities	103	114		
	NET POSITION:				
3200	Invested capital	165	152		
3999	Total net position	165	152		
4999	Total liabilities and net position	268	266		

* Data reflects financial position on February 27, 1997.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL NATIONAL MORTGAGE ASSOCIATION

PORTFOLIO PROGRAMS

Program and Financing (in millions of dollars)

Identification code 99–2500–0–3–371		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
	Operating expenses:			
00.01	Interest on borrowings from the public	21,847	24,348	27,592
00.02	Other costs	3,172	3,018	3,053
00.91	Total operating expenses	25,019	27,366	30,645
	Capital investment:			
01.01	Mortgage purchases and loans	65,206	80,123	87,593
01.02	Lease-Purchase Discounts	302		
01.91	Total capital investment	65,508	80,123	87,593
10.00	Total obligations	90,528	107,489	118,238
	Budgetary resources available for obligation:			
21.40	Unobligated balance available, start of year: Uninvested	464,644	498,942	509,435
22.00	New budget authority (gross)	124,826	117,982	152,589
23.90	Total budgetary resources available for obligation	589,470	616,924	662,024
23.95	New obligations	–90,528	–107,489	–118,238
24.40	Unobligated balance available, end of year: Uninvested	498,942	509,435	543,786
	New budget authority (gross), detail:			
67.10	Authority to borrow	61,390	76,295	118,069

FEDERAL NATIONAL MORTGAGE ASSOCIATION—Continued

PORTFOLIO PROGRAMS—Continued

Program and Financing (in millions of dollars)—Continued

Identification code 99–2500–0–3–371		1997 actual	1998 est.	1999 est.
67.15	Net increase or decrease in unlimited borrowing authorities	–4	....	....
67.90	Authority to borrow (total)	61,386	76,295	118,069
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	63,440	41,687	34,520
70.00	Total new budget authority (gross)	124,826	117,982	152,589
	Change in unpaid obligations:			
72.40	Unpaid obligations, start of year: Obligated balance: Total	6,866	9,057	4,684
73.10	New obligations	90,528	107,489	118,238
73.20	Total outlays (gross)	–88,337	–111,862	–117,601
74.40	Unpaid obligations, end of year: Obligated balance: Total	9,057	4,684	5,321
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	63,440	41,687	34,520
86.98	Outlays from permanent balances	24,897	70,175	83,081
87.00	Total outlays (gross)	88,337	111,862	117,601
	Offsets:			
	Against gross budget authority and outlays:			
	Offsetting collections (cash) from:			
88.00	Federal sources	–130	–130	–130
88.40	Non-Federal sources	–63,310	–41,557	–34,390
88.90	Total, offsetting collections (cash)	–63,440	–41,687	–34,520
	Net budget authority and outlays:			
89.00	Budget authority	61,386	76,295	118,069
90.00	Outlays	24,897	70,175	83,081

Status of Direct Loans (in millions of dollars)

Identification code 99–2500–0–3–371		1997 actual	1998 est.	1999 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations exempt from limitation	60,971	80,344	88,484
1150	Total direct loan obligations	60,971	80,344	88,484
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	293,037	321,711	366,030
	Disbursements:			
1231	Direct loan disbursements	60,290	79,623	87,093
1232	Purchase of loans assets from the public	4,916	500	500
1251	Repayments: Repayments and prepayments	–34,478	–35,804	–45,355
1264	Write-offs for default: Other adjustments, net	–2,054	....	....
1290	Outstanding, end of year	321,711	366,030	408,268

The Federal National Mortgage Association, (Fannie Mae) is a federally-chartered, privately-owned company with a public mission to play a leadership role in mortgage finance, to improve the liquidity of the residential mortgage market and increase the availability of mortgage credit to low-and moderate income families and areas underserved by private lending institutions. In carrying out its mission, Fannie Mae engages primarily in two forms of business: investing in portfolios of residential mortgages and guaranteeing residential mortgage securities. As of September 30, 1997, Fannie Mae held a net mortgage portfolio totaling $307 billion and had net outstanding guaranteed mortgage-backed securities of over $566 billion. Fannie Mae's portfolio purchases and MBS finance about one of every five mortgages in the country.

Through a federal charter, Congress has equipped Fannie Mae with certain attributes to help it carry out its public mission and help lower the cost of homeownership for low-, moderate-, and middle-income homebuyers. These include an exemption from state and local taxes (except real property taxes), an exemption of its debt and mortgage securities from Securities and Exchange Commission registration requirements, and potential access to U.S. Treasury funds. Fannie Mae's charter also prohibits the imposition of user fees. Fannie Mae pays federal income tax; its earnings as of third quarter suggest the company will pay approximately $1.2 billion for 1997. Securities guaranteed by Fannie Mae and debt issued by the company 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, if 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. Congress sold 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, 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 ("The 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."

Fannie Mae's primary customers are low-, moderate-, and middle-income families. In March of 1994, the company established its "$1 Trillion Initiative" to provide mortgage financing for low- and moderate-income families in underserved markets, and passed the halfway mark in 1997. The company's 28 Partnership Offices have delivered over $40 billion in targeted investments by tailoring Fannie Mae's products and services to meet the unique needs of the communities in which they are located. In addition, enhancements to the company's automated underwriting system (Desktop Underwriter 4.0) will lower underwriting costs, speed the approval process, and expand the availability of secondary market financing.

On December 1, 1995, the U.S. Department of Housing and Urban Development issued a final rule that sets the levels of the affordable housing goals for 1996–1999 and establishes the requirements for counting mortgage purchases to low- and moderate-income families and families living in underserved areas with specific census tract and minority concentration requirements. Under the regulations, the low- and moderate-income target is 42 percent; the underserved area goal is 24 percent for the 1997–1999 period. In addition, the special affordable housing goal requires the corporation to target 14 percent of its conventional mortgage business in 1997–1999 to very low-income families or low-income families in low-income areas; those amounts must include qualifying special affordable purchases on multifamily units totaling not less than $1.29 billion for each year. Fannie Mae exceeded its housing goals for 1994, 1995, and 1996 and expects to meet or exceed all of its goals for 1997.

The Act also established the Office of Federal Housing Enterprise Oversight (OFHEO), an independent office within HUD, headed by a Director who reports directly to the Congress. OFHEO has statutory responsibility for ensuring that Fannie Mae is adequately capitalized and operating in a safe and sound manner. Included among the express statutory authorities of the Director is the authority to conduct examinations of the financial health of the company and to issue minimum and risk-based capital standards. The minimum capital requirements are computed from statutorily established ratios that are applied to the assets and off-balance sheet risks of Fannie Mae. The risk-based capital standard determines the amount of capital that Fannie Mae must hold to withstand the impact of simultaneous adverse credit and interest rate stresses over a 10-year period, plus an additional amount to cover management and operations risk. Total capital (shareholder's equity plus allowance for loan losses) at the end of September 1997 was $14.1 billion. The company has continued to remain in compliance with applicable capital standards and has been deemed adequately capitalized by OFHEO since its first classification in June 1993.

Fannie Mae has pursued its housing mission vigorously and productively while continuing to maintain its financial strength. It provides liquidity and stability to the mortgage market. It also passes on reduced mortgage interest rates to homebuyers—according to some studies between 25 and 50 basis points. Meanwhile, Fannie Mae has remained profitable. Through the third quarter of 1997, it earned $2.26 billion.

The forecast data contained in this material has been developed based on certain general economic assumptions prevalent in the third quarter of 1997 and should not be construed as an official forecast for Fannie Mae.

Income and retained earnings for the years ended September 30, 1996 and 1997 follow (in thousands of dollars):

	1996 actual	*1997 actual*
Gross revenue	24,404,500	27,065,400
Gross expenses	21,008,700	22,931,500
Income before Federal income tax	3,395,800	4,133,900
Federal income tax	1,000,300	1,225,000
Net income	2,395,500	2,908,900
Retained earnings, beginning of year	9,123,000	10,718,300
Dividends on common stock	− 800,200	− 862,300
Retained earnings, end of year	10,718,300	12,764,900

Balance Sheet (in millions of dollars)

Identification code 99–2500–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
	Federal assets:				
1101	Fund balances with Treasury	650	124	11	20
	Investments in US securities:				
1102	Treasury securities, par	21	26		
1104	Other	53,933	64,364	71,475	77,004
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Public: direct loans (net of discount)	267,105	294,402	340,175	381,502
1602	Federal Agencies	10,164	12,635	4,473	4,441
1603	Allowance for estimated uncollectible loans and interest (–)	–253	–281	279	275
1699	Value of assets related to direct loans	277,016	306,756	344,927	386,218
	Other Federal assets:				
1801	Cash and other monetary assets	6,725	7,750	7,151	7,546
1803	Property, plant and equipment, net	190	205		
1999	Total assets	338,534	379,225	423,564	470,788
	LIABILITIES:				
	Federal liabilities:				
2101	Accounts payable	550	511		
2102	Accrued interest payable	4,429	4,622	5,710	6,079
2105	Other	6	9		
	Non-Federal liabilities:				
2203	Debt	319,153	358,003	401,216	446,884
2204	Estimated Federal liability for loan guarantees, credit reform	1,936	2,330	2,573	2,508
2206	Pension and other actuarial liabilities	178	202		
2207	Subtotal, Federal taxes payable	15	190		
2999	Total liabilities	326,267	365,867	409,499	455,471
	NET POSITION:				
3300	Cumulative results of operations	10,718	12,765	15,023	17,422
3600	Change In Stockholder Equity	1,549	593	–958	–2,105
3999	Total net position	12,267	13,358	14,065	15,317
4999	Total liabilities and net position	338,534	379,225	423,564	470,788

Object Classification (in millions of dollars)

Identification code 99–2500–0–3–371		1997 actual	1998 est.	1999 est.
21.0	Travel and transportation of persons	18	16	17
23.3	Communications, utilities, and miscellaneous charges	12	13	14
24.0	Printing and reproduction	6		
25.1	Advisory and assistance services	92	99	109
	Other services:			
25.2	Other services—Non-Federal employment compensation	351	397	434
25.2	Other services	1,680	1,459	1,339
26.0	Supplies and materials	4		
31.0	Equipment	80	79	87
33.0	Investments and loans	65,508	80,123	87,593
43.0	Interest and dividends	22,777	25,303	28,645
99.9	Total obligations	90,528	107,489	118,238

MORTGAGE-BACKED SECURITIES

Program and Financing (in millions of dollars)

Identification code 99–2501–0–3–371		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
00.01	Capital investment: Commitments to issue MBS	279,880	160,817	156,883
10.00	Total obligations (object class 33.0)	279,880	160,817	156,883
	Budgetary resources available for obligation:			
22.00	New budget authority (gross)	279,880	160,817	156,883
23.95	New obligations	–279,880	–160,817	–156,883
	New budget authority (gross), detail:			
67.15	Corporate borrowing authority	200,734	64,156	59,419
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	79,146	96,661	97,463
70.00	Total new budget authority (gross)	279,880	160,817	156,883
	Change in unpaid obligations:			
72.40	Unpaid obligations, start of year: Obligated balance: Uninvested	155,523	301,700	255,245
73.10	New obligations	279,880	160,817	156,883
73.20	Total outlays (gross)	–133,703	–207,272	–156,883
74.40	Unpaid obligations, end of year: Obligated balance: Uninvested	301,700	255,245	255,245
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	79,146	96,661	97,463
86.98	Outlays from permanent balances	54,557	110,611	59,420
87.00	Total outlays (gross)	133,703	207,272	156,883
	Offsets:			
	Against gross budget authority and outlays:			
88.40	Offsetting collections (cash) from: Non-Federal sources	–79,146	–96,661	–97,463
	Net budget authority and outlays:			
89.00	Budget authority	200,734	64,156	59,420
90.00	Outlays	54,557	110,611	59,420

FEDERAL NATIONAL MORTGAGE ASSOCIATION—Continued

MORTGAGE-BACKED SECURITIES—Continued

Status of Direct Loans (in millions of dollars)

Identification code 99–2501–0–3–371	1997 actual	1998 est.	1999 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans	....	....	....
1131 Direct loan obligations exempt from limitation	279,880	160,817	156,883
1150 Total direct loan obligations	279,880	160,817	156,883
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	636,362	690,919	801,530
1231 Disbursements: Direct loan disbursements	133,703	207,272	156,883
1251 Repayments: Repayments and prepayments	–79,146	–96,661	–97,463
1290 Outstanding, end of year	690,919	801,530	860,950

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 the Corporation's perspective, these items are "Amounts issued" and "Amounts passed through to the holders of securities", respectively.

The forecast data contained in this material has been developed based on certain general economic assumptions prevalent in the third quarter of 1997 and should not be construed as an official forecast of the Corporation's position.

Balance Sheet (in millions of dollars)

Identification code 99–2501–0–3–371	1996 actual	1997 actual	1998 est.	1999 est.
ASSETS:				
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross	636,883	691,438	802,051	861,476
1603 Allowance for estimated uncollectible loans and interest (–)	–521	–519	–521	–526
1699 Value of assets related to direct loans	636,362	690,919	801,530	860,950
1999 Total assets	636,362	690,919	801,530	860,950
LIABILITIES:				
2104 Federal liabilities: Resources payable to Treasury	636,362	690,919	801,530	860,950
2999 Total liabilities	636,362	690,919	801,530	860,950

FEDERAL HOME LOAN MORTGAGE CORPORATION

PORTFOLIO PROGRAMS

Program and Financing (in millions of dollars)

Identification code 99–4420–0–3–371	1997 actual	1998 est.	1999 est.
Obligations by program activity:			
Operating expenses:			
00.01 Interest expense and provision for loan loss	11,011	13,531	16,628
00.02 Administration	483	549	624
00.91 Total operating expenses	11,494	14,080	17,252
01.01 Capital investment: Mortgage purchases for portfolio	36,040	39,644	43,608
10.00 Total obligations	47,534	53,724	60,860
Budgetary resources available for obligation:			
21.40 Unobligated balance available, start of year: Uninvested	23,815	13,654	7,828
22.00 New budget authority (gross)	45,263	54,854	63,653
22.60 Redemption of debt	–7,890	–6,956	–6,133
23.90 Total budgetary resources available for obligation	61,188	61,552	65,348
23.95 New obligations	–47,534	–53,724	–60,860
24.40 Unobligated balance available, end of year: Uninvested	13,654	7,828	4,488
New budget authority (gross), detail:			
67.15 Net change in borrowing authorities	23,216	33,927	43,789
68.00 Spending authority from offsetting collections: Offsetting collections (cash)	22,047	20,927	19,864
70.00 Total new budget authority (gross)	45,263	54,854	63,653
Change in unpaid obligations:			
72.40 Unpaid obligations, start of year: Obligated balance: Uninvested	548	3,101	9,923
73.10 New obligations	47,534	53,724	60,860
73.20 Total outlays (gross)	–44,981	–46,902	–52,672
74.40 Unpaid obligations, end of year: Obligated balance: Uninvested	3,101	9,923	18,111
Outlays (gross), detail:			
86.97 Outlays from new permanent authority	23,906	30,147	40,026
86.98 Outlays from permanent balances	21,075	16,755	12,646
87.00 Total outlays (gross)	44,981	46,902	52,672
Offsets:			
Against gross budget authority and outlays:			
88.40 Offsetting collections (cash) from: Non-Federal sources	–22,047	–20,927	–19,864
Net budget authority and outlays:			
89.00 Budget authority	23,216	33,927	43,789
90.00 Outlays	22,934	25,975	32,808

Status of Direct Loans (in millions of dollars)

Identification code 99–4420–0–3–371	1997 actual	1998 est.	1999 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans	....	....	....
1131 Direct loan obligations exempt from limitation	36,040	39,644	43,608
1150 Total direct loan obligations	36,040	39,644	43,608
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	129,427	157,165	190,848
1231 Disbursements: Direct loan disbursements	36,040	39,644	43,608
1251 Repayments: Repayments and prepayments	–8,302	–5,961	–2,706
1290 Outstanding, end of year	157,165	190,848	231,750

Federal Home Loan Mortgage Corporation (Freddie Mac), is a federally-charted, private shareholder-owned 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. In carrying out its mission, Freddie Mac engages primarily in two forms of business: investing in portfolios of residential mortgages and guaranteeing residential mortgage securities. At the end of 1996, Freddie Mac held a net mortgage portfolio totaling nearly $138 billion and had outstanding guaranteed mortgage-backed securities of more than $554 billion.

Through a federal charter, Congress 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), an exemption for their debt and mortgage securities from SEC filing registration requirements, and a potential access to U.S. Treasury funds. Freddie Mac does pay federal income tax, however, and securities guaranteed by Freddie Mac and debt issued by the company are explicitly 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 and Pacific stock exchanges.

Freddie Mac was established in 1970 under the Emergency Home Finance Act. 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 served as a conduit facilitating the flow of investment dollars from the capital markets to mortgage lenders, and ultimately, to homebuyers, increasing the amount of mortgage credit available and making it more affordable.

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. Thirteen board members are elected annually by shareholders and five are annually appointed by the President of the United States. In addition, FIRREA converted Freddie Mac's 60 million shares of nonvoting, senior participating preferred stock into voting common stock. As a result, the corporation was taken off the federal budget.

FIRREA also clarified Freddie Mac's role in the housing finance delivery system through amendments to its charter act. Specifically, FIRREA established Freddie Mac's public mission: "to provide stability in the secondary market for residential mortgages; respond appropriately to the private capital market; and 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. The Federal Housing Enterprise Financial Safety and Soundness Act of 1992 ("The Act") added to Freddie Mac's public mission the promotion of "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."

The Act also established affordable housing goals that are designed to improve the flow of mortgage funds to low- and moderate-income families in central cities, rural areas, and other underserved areas. On December 1, 1995, the U.S. Department of Housing and Urban Development (HUD) issued a final rule that sets the levels of the goals for 1996–1999 and establishes the requirements for counting mortgage purchases for meeting these goals. The goals provide that, of the total number of dwelling units financed by Freddie Mac's mortgage purchases, 40 percent meet the low- and moderate-income goal in 1996 and 42 percent in each of 1997, 1998, and 1999; 21 percent meet the special affordable goal in 1996 and 24 percent in each of 1997, 1998 and 1999; and 12 percent meet the special affordable goals in 1996 and 14 percent in each of 1997, 1998 and 1999, including at least $988 million in qualifying multifamily mortgage purchases in each year from 1996 through 1999.

In 1996, Freddie Mac met the low- and moderate-income goal of 40 percent with purchases of 41 percent, the underserved area goal of 21 percent with purchases of 25 percent, the special affordable goal of 12 percent with purchases of 14 percent, and the multifamily portion of the special affordable goal of $988 million with purchases of more than $1 billion in qualifying multifamily mortgages.

The Act also enhanced the regulatory oversight of Freddie Mac by establishing the Office of Federal Housing Enterprise Oversight (OFHEO), an independent office within HUD, headed by a Director appointed by the President. OFHEO is responsible for ensuring that Freddie Mac is adequately capitalized and operating in a safe and sound manner. Included among the express statutory authorities of the Director is the authority to conduct examinations of the financial health of the company and to issue minimum and risk-based capital standards. The minimum capital requirements are computed from statutorily established ratios that are applied to the assets and off-balance sheet risks of Freddie Mac. The risk-based capital standard determines the amount of capital that Freddie Mac must hold to withstand the impact of simultaneous adverse credit and interest rate stresses over a 10-year period, plus an additional amount to cover management and operations risk.

Meanwhile, Freddie Mac has remained profitable. Freddie Mac recorded net income of $1.24 billion in 1996, a 14 percent increase over 1995 earnings of $1.091 billion. While accepting and managing higher interest rate risk, Freddie Mac has expanded its investments in retained mortgages from only $34 billion in 1992 to nearly $138 billion at the end of 1996 in an effort to generate higher overall returns.

The financial data contained in this material relating to future periods represent estimates that have been prepared specifically for inclusion in the President's budget. These data should not be viewed as an official forecast of the corporation's future position, nor should they be used as a basis for making financial or investment decisions relating to the corporation. The data have been developed on the basis of certain economic assumptions that are subject to periodic review and revision. Consequently, the estimates are subject to forecast error and actual results from future business operations are likely to differ from these data.

According to generally accepted accounting principles utilized by private corporations, the mortgages in the pools of loans supporting PCs are considered to be owned by the holder of these securities. Therefore, Freddie Mac does not show these mortgages as assets. However, the budget philosophy of the United States Government includes these mortgages and mortgages pass-through securities as assets and liabilities, respectively, of Freddie Mac. For the purpose of this document, therefore, they are presented as assets and liabilities in the accompanying schedules. On the Status of Direct Loans schedule for mortgage pass-through securities, the items labeled "Disbursements" and "Repayments" are budgetary terms. However, from Freddie Mac's perspective, these amounts represent "Sales of PCs" and "Amounts passed through to PC holders," respectively.

Balance Sheet (in millions of dollars)

Identification code 99–4420–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
1101	Federal assets: Fund balances with Treasury	2,689	....	....	....
	Non-Federal assets:				
1201	Investments in non-Federal securities, net	3,158	713	161	36
1206	Receivables, net	8,801	9,004	9,602	15,746
1207	Advances and prepayments	583	482	398	328
	Other Federal assets:				
1801	Cash and other monetary assets	17,420	5,992	13,352	29,752
1802	Inventories and related properties	129,427	157,165	190,848	231,750
1803	Property, plant and equipment, net	906	869	860	866
1901	Other assets	....	10,050	5,798	3,345
1999	Total assets	162,984	184,275	221,019	281,823
	LIABILITIES:				
2101	Federal liabilities: Accounts payable	1	84	84	84
	Non-Federal liabilities:				
2201	Accounts payable	764	856	959	1,074

FEDERAL HOME LOAN MORTGAGE CORPORATION—Continued

PORTFOLIO PROGRAMS—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–4420–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
2202	Interest payable	1,492	1,719	1,981	2,283
2203	Debt	146,954	160,051	190,848	243,338
2206	Pension and other actuarial liabilities	7,233	7	16	37
	Other:				
2207	Accrued payroll and benefits	38	45	53	62
2207	Accrued annual leave (funded or unfunded)	2	2	2	2
2207	Other Liabilities	....	14,363	19,215	26,298
2999	Total liabilities	156,484	177,127	213,158	273,178
	NET POSITION:				
3200	Invested capital	6,500	7,148	7,861	8,645
3999	Total net position	6,500	7,148	7,861	8,645
4999	Total liabilities and net position	162,984	184,275	221,019	281,823

Object Classification (in millions of dollars)

Identification code 99–4420–0–3–371		1997 actual	1998 est.	1999 est.
21.0	Travel and transportation of persons	11	13	15
23.3	Communications, utilities, and other rent	33	34	35
24.0	Printing and reproduction	4	5	6
	Other services:			
25.2	Other services—Non-Federal employment compensation	289	325	366
25.2	Other services	133	158	187
26.0	Supplies and materials	13	14	15
33.0	Mortgage purchases for portfolio	36,040	39,644	43,608
43.0	Interest and provision for loan losses	11,011	13,531	16,628
99.9	Total obligations	47,534	53,724	60,860

MORTGAGE-BACKED SECURITIES

Program and Financing (in millions of dollars)

Identification code 99–4440–0–3–371		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
00.01	Capital investment: Issue (sales) of participation certification	103,600	106,708	109,909
10.00	Total obligations (object class 33.0)	103,600	106,708	109,909
	Budgetary resources available for obligation:			
22.00	New budget authority (gross)	103,600	106,708	109,909
23.95	New obligations	–103,600	–106,708	–109,909
	New budget authority (gross), detail:			
67.15	Corporate borrowing authority (net PC pool change)	–1,295	–1,291	–1,287
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	104,895	107,999	111,196
70.00	Total new budget authority (gross)	103,600	106,708	109,909
	Change in unpaid obligations:			
73.10	New obligations	103,600	106,708	109,909
73.20	Total outlays (gross)	–103,600	–106,708	–109,909
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	103,600	106,708	109,909
	Offsets:			
	Against gross budget authority and outlays:			
88.40	Offsetting collections (cash) from: Non-Federal sources	–104,895	–107,999	–111,196
	Net budget authority and outlays:			
89.00	Budget authority	–1,295	–1,291	–1,287
90.00	Outlays	–1,295	–1,291	–1,287

Status of Direct Loans (in millions of dollars)

Identification code 99–4440–0–3–371		1997 actual	1998 est.	1999 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations exempt from limitation	103,600	106,708	109,909
1150	Total direct loan obligations	103,600	106,708	109,909
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	471,310	470,015	468,724
1231	Disbursements: Direct loan disbursements	103,600	106,708	109,909
1251	Repayments: Repayments and prepayments	–104,895	–107,999	–111,196
1290	Outstanding, end of year	470,015	468,724	467,437

Balance Sheet (in millions of dollars)

Identification code 99–4440–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
1901	Other Federal assets: Underlying Mortgages	471,310	470,015	468,724	467,437
1999	Total assets	471,310	470,015	468,724	467,437
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	471,310	470,015	468,724	467,437
2999	Total liabilities	471,310	470,015	468,724	467,437

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) Banks for Cooperatives (BC), (2) Agricultural Credit Bank (ACB), (3) Farm Credit Banks (FCB), and (4) 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 currently financed by assessments of system institutions. System banks finance loans primarily 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. Limited Federal assistance is provided to support interest payments on special FCS Financial Assistance Corporation (FAC) debt obligations (see discussion of FAC elsewhere in this document).

BANKS FOR COOPERATIVES

Program and Financing (in millions of dollars)

Identification code 99–4120–0–3–351		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
	Operating expenses:			
00.01	Administrative expenses	6	7	7
00.02	Interest on borrowings	135	137	149
00.03	Insurance premiums	3	1	....
00.04	Provision for loan losses	49	....	....
00.06	Income tax expense	1	7	7
00.07	Other expenses	10	11	12
00.91	Total operating expenses	204	163	175

01.01	Capital investment: Direct loans	14,942	15,523	16,026
10.00	Total obligations	15,146	15,686	16,201
	Budgetary resources available for obligation:			
21.40	Unobligated balance available, start of year: Uninvested	2,281	2,171	2,191
22.00	New budget authority (gross)	15,306	15,706	16,280
22.60	Redemption of debt	–270		
23.90	Total budgetary resources available for obligation	17,317	17,877	18,471
23.95	New obligations	–15,146	–15,686	–16,201
24.40	Unobligated balance available, end of year: Uninvested	2,171	2,191	2,270
	New budget authority (gross), detail:			
67.15	Net borrowing		15	106
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	15,306	15,691	16,174
70.00	Total new budget authority (gross)	15,306	15,706	16,280
	Change in unpaid obligations:			
73.10	New obligations	15,146	15,686	16,201
73.20	Total outlays (gross)	–15,146	–15,686	–16,201
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	15,146	15,686	16,201
	Offsets:			
	Against gross budget authority and outlays:			
88.40	Offsetting collections (cash) from: Non-Federal sources	–15,306	–15,691	–16,174
	Net budget authority and outlays:			
89.00	Budget authority		15	106
90.00	Outlays	–160	–5	27

Status of Direct Loans (in millions of dollars)

Identification code 99–4120–0–3–351		1997 actual	1998 est.	1999 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans			
1131	Direct loan obligations exempt from limitation	14,942	15,523	16,026
1150	Total direct loan obligations	14,942	15,523	16,026
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	2,222	2,026	2,065
1231	Disbursements: Direct loan disbursements	14,941	15,523	16,026
1251	Repayments: Repayments and prepayments	–15,098	–15,482	–15,950
1263	Write-offs for default: Direct loans	–39	–2	–2
1290	Outstanding, end of year	2,026	2,065	2,139

Note.—Direct loan balances exclude nonaccrual loans and sales contracts.

Pursuant to the Agricultural Credit Act of 1987, stockholders in 11 of 13 Banks for Cooperatives voted in 1988 to merge into a single National Bank for Cooperatives. On January 1, 1995, the Springfield Bank for Cooperatives also merged with other entities, as discussed below, to form the first Agricultural Credit Bank. The remaining Cooperative entity, the St. Paul Bank for Cooperatives, 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.) Loans are also made to rural utilities, including telecommunications companies. The financial schedules below reflect the operations of the St. Paul Bank for Cooperatives. Loans are made for both seasonal and long-term needs.

Statement of Operations (in millions of dollars)

Identification code 99–4120–0–3–351		1996 actual	1997 actual	1998 est.	1999 est.
0101	Total interest income	200	192	196	212
0102	Total interest expense	–137	–135	–137	–149
0109	Net interest income	63	57	59	63
0111	Other income	13	16	13	12
0112	Other expenses	–32	–68	–25	–26
0119	Net income	–19	–52	–12	–14
0191	Total revenues	213	208	209	224
0192	Total expenses	–169	–202	–162	–175
0199	Net income or loss	44	6	47	49

Balance Sheet (in millions of dollars)

Identification code 99–4120–0–3–351		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
	Non-Federal assets:				
1201	Cash and investment securities	356	306	308	340
1206	Accrued interest receivable on loans	41	36	47	50
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	2,222	2,027	2,066	2,140
1603	Allowance for estimated uncollectible loans and interest (–)	–34	–64	–60	–58
1699	Value of assets related to direct loans	2,188	1,963	2,006	2,082
1803	Other Federal assets: Property, plant and equipment, net	119	132	125	132
1999	Total assets	2,704	2,437	2,486	2,604
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	34	23	22	23
	Non-Federal liabilities:				
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	2,336	2,067	2,080	2,157
2201	Notes payable and other interest-bearing liabilities	35	37	37	37
2202	Accrued interest payable	20	21	21	22
2999	Total liabilities	2,425	2,148	2,160	2,239
	NET POSITION:				
3300	Cumulative results of operations	279	290	326	365
3999	Total net position	279	290	326	365
4999	Total liabilities and net position	2,704	2,438	2,486	2,604

Note.—Loans to cooperatives include nonaccrual loans and sales contracts.

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

Identification code 99–4120–0–3–351	1996 actual	1997 actual	1998 est.	1999 est.
Beginning balance of net worth	**246**	**279**	**290**	**326**
Capital stock and participations issued	11	6	5	7
Capital stock and participations retired	–8			–3
Surplus retired				
Net income	44	6	47	49
Cash/Dividends/Patronage Distributions	–14	–1	–16	–14
Other, net				
Ending balance of net worth	**279**	**290**	**326**	**365**

Financing Activities (in millions of dollars)

Identification code99–4120–0–3–351	1996 actual	1997 actual	1998 est.	1999 est.
Beginning balance of outstanding system obligation	**2,452**	**2,364**	**2,094**	**2,109**
Consolidated systemwide and other bank bonds issued	2,662	2,622	2,600	2,637
Consolidated systemwide and other bank bonds retired	–2,603	–2,696	–2,683	–2,587
Consolidated systemwide notes, net	–147	–196	98	27
Ending balance of outstanding system obligations	**2,364**	**2,094**	**2,109**	**2,186**

BANKS FOR COOPERATIVES—Continued

Object Classification (in millions of dollars)

Identification code 99–4120–0–3–351		1997 actual	1998 est.	1999 est.
11.1	Personnel compensation: Personnel compensation and benefits	5	6	7
23.2	Cost of space occupied and equipment	1	1	1
25.2	Other services	3	1	
33.0	Investments and loans	14,942	15,523	16,026
43.0	Interest and dividends	135	137	149
92.0	Undistributed expenses	60	18	18
99.9	Total obligations	15,146	15,686	16,201

AGRICULTURAL CREDIT BANKS

Program and Financing (in millions of dollars)

Identification code 99–4130–0–3–351		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
	Operating expenses:			
00.01	Administrative expenses	39	41	45
00.02	Interest on borrowings	970	998	1,097
00.03	Insurance premiums	14	14	16
00.04	Provision for loan losses	22	23	25
00.06	Income tax expense	33	34	38
00.07	Other expenses	69	71	78
00.91	Total operating expenses	1,147	1,181	1,299
01.01	Capital investment: direct loans	40,668	48,000	49,000
10.00	Total obligations	41,815	49,181	50,299
	Budgetary resources available for obligation:			
21.40	Unobligated balance available, start of year: Uninvested	2,796	3,412	3,302
22.00	New budget authority (gross)	42,431	49,071	50,449
23.90	Total budgetary resources available for obligation	45,227	52,483	53,751
23.95	New obligations	–41,815	–49,181	–50,299
24.40	Unobligated balance available, end of year: Uninvested	3,412	3,302	3,452
	New budget authority (gross), detail:			
67.15	Authority to borrow (indefinite)	523	494	890
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	41,908	48,577	49,559
70.00	Total new budget authority (gross)	42,431	49,071	50,449
	Change in unpaid obligations:			
73.10	New obligations	41,815	49,181	50,299
73.20	Total outlays (gross)	–41,815	–49,181	–50,299
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	41,815	49,071	50,299
86.98	Outlays from permanent balances		110	
87.00	Total outlays (gross)	41,815	49,181	50,299
	Offsets:			
	Against gross budget authority and outlays:			
88.40	Offsetting collections (cash) from: Non-Federal sources	–41,908	–48,577	–49,559
	Net budget authority and outlays:			
89.00	Budget authority	523	494	890
90.00	Outlays	–93	604	740

On January 1, 1995, the National Bank for Cooperatives, the Springfield Bank for Cooperatives, and the Farm Credit Bank of Springfield consolidated to form an Agricultural Credit Bank (ACB), known as CoBank ACB. This bank is headquartered in Denver, Colorado and serves eligible cooperatives nationwide, and provides funding to Agricultural Credit Associations (ACAs) in one of its regions. An ACB operates under statutory authority that combines the authorities of a FCB and a BC. In exercising its FCB authority, CoBank ACB's charter limits its lending to ACAs located in the region previously served by the Farm Credit Bank of Springfield. As an entity lending to Cooperatives, CoBank engages in the same business activities as the St. Paul Bank for Cooperatives 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		1997 actual	1998 est.	1999 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans			
1131	Direct loan obligations exempt from limitation	40,670	48,000	49,000
1150	Total direct loan obligations	40,670	48,000	49,000
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	14,914	14,961	15,710
1231	Disbursements: Direct loan disbursements	40,668	48,000	49,000
1251	Repayments: Repayments and prepayments	–40,617	–47,246	–48,097
1263	Write-offs for default: Direct loans	–3	–5	–5
1290	Outstanding, end of year	14,961	15,710	16,608

Statement of Operations (in millions of dollars)

Identification code 99–4130–0–3–351		1996 actual	1997 actual	1998 est.	1999 est.
0101	Total interest income	1,317	1,268	1,306	1,436
0102	Total interest expense	–1,008	–970	–999	–1,099
0109	Net interest income	309	298	307	337
0111	Other income	26	23	24	26
0112	Other expense	–198	–178	–183	–201
0119	Net income	–172	–155	–159	–175
0191	Total revenues	1,343	1,291	1,330	1,462
0192	Total expenses	–1,206	–1,148	–1,182	–1,300
0199	Net income or loss	137	143	148	162

Balance Sheet (in millions of dollars)

Identification code 99–4130–0–3–351		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
	Non-Federal assets:				
1201	Cash and investment securities	2,915	3,452	3,250	3,350
1206	Accrued interest receivable on loans	167	170	178	188
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	14,914	14,962	15,710	16,608
1603	Allowance for estimated uncollectible loans and interest (–)	–208	–228	–233	–245
1699	Value of assets related to direct loans	14,706	14,734	15,477	16,363
1803	Other Federal assets: Property, plant and equipment, net	139	124	118	129
1999	Total assets	17,927	18,480	19,023	20,030
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	129	122	126	125
	Non-Federal liabilities:				
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	15,946	16,469	16,963	17,853
2201	Notes payable and other interest-bearing liabilities	391	362	373	392
2202	Accrued interest payable	180	161	166	175
2999	Total liabilities	16,646	17,114	17,628	18,545
	NET POSITION:				
3200	Invested capital	1,281	1,366	1,395	1,485
3999	Total net position	1,281	1,366	1,395	1,485
4999	Total liabilities and net position	17,927	18,480	19,023	20,030

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

Identification code 99–4130–0–3–351	1996 actual	1997 actual	1998 est.	1999 est.
Beginning balance of net worth	**1,213**	**1,281**	**1,365**	**1,395**
Capital stock and participations issued			1	1
Capital stock and participations retired	–38	–39	–84	–39
Net income	138	144	148	163
Cash/Dividends/Patronage Distributions	–32	–34	–35	–35
Other, net		13		
Ending balance of net worth	**1,281**	**1,365**	**1,395**	**1,485**

Financing Activities (in millions of dollars)

Identification code 99–4130–0–3–351	1996 actual	1997 actual	1998 est.	1999 est.
Beginning balance of outstanding system obligations	**15,264**	**15,946**	**16,469**	**16,963**
Consolidated systemwide and other bank bonds issued	10,663	7,548	8,200	8,300
Consolidated systemwide and other bank bonds retired	–7,041	–8,420	–8,106	–7,910
Consolidated systemwide notes, net	–2,940	1,395	400	500
Ending balance of outstanding system obligations	**15,946**	**16,469**	**16,963**	**17,853**

Object Classification (in millions of dollars)

Identification code 99–4130–0–3–351		1997 actual	1998 est.	1999 est.
12.1	Personnel compensation and benefits	34	35	39
23.2	Cost of space occupied and equipment	5	5	6
25.2	Other services	14	14	16
33.0	Investments and loans	40,668	48,000	49,000
43.0	Interest and dividends	970	999	1,099
92.0	Undistributed expenses	124	128	139
99.9	Total obligations	41,815	49,181	50,299

FARM CREDIT BANKS

Program and Financing (in millions of dollars)

Identification code 99–4160–0–3–371		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
	Operating expenses:			
00.01	Administrative expenses	106	97	101
00.02	Interest on borrowings	2,482	2,607	2,749
00.03	Insurance premiums	8	10	8
00.04	Provision for loan losses	8	–3	–4
00.05	Losses/gains on property	–2	–1	1
00.06	Other expenses	185	149	171
00.91	Total operating expenses	2,787	2,858	3,026
01.01	Capital investment: Direct loans	43,441	38,985	40,492
10.00	Total obligations	46,228	41,843	43,518
	Budgetary resources available for obligation:			
21.40	Unobligated balance available, start of year: Uninvested	7,125	7,445	7,857
22.00	New budget authority (gross)	46,548	42,255	45,680
23.90	Total budgetary resources available for obligation	53,673	49,700	53,537
23.95	New obligations	–46,228	–41,843	–43,518
24.40	Unobligated balance available, end of year: Uninvested	7,445	7,857	10,019
	New budget authority (gross), detail:			
67.15	Authority to borrow (indefinite)	1,646	1,353	3,252
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	44,902	40,902	42,428
70.00	Total new budget authority (gross)	46,548	42,255	45,680
	Change in unpaid obligations:			
73.10	New obligations	46,228	41,843	43,518
73.20	Total outlays (gross)	–46,228	–41,843	–43,518
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	46,228	41,843	43,518
	Offsets:			
	Against gross budget authority and outlays:			
88.40	Offsetting collections (cash) from: Non-Federal sources	–44,902	–40,902	–42,428
	Net budget authority and outlays:			
89.00	Budget authority	1,646	1,353	3,252
90.00	Outlays	1,326	941	1,090

Status of Direct Loans (in millions of dollars)

Identification code 99–4160–0–3–371		1997 actual	1998 est.	1999 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans			
1131	Direct loan obligations exempt from limitation	43,481	38,358	39,759
1150	Total direct loan obligations	43,481	38,358	39,759
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	39,216	41,025	42,421
1231	Disbursements: Direct loan disbursements	43,441	38,985	40,492
1251	Repayments: Repayments and prepayments	–41,632	–37,589	–38,982
1290	Outstanding, end of year	41,025	42,421	43,931

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. The FCBs operate under statutory authority that combines the prior authorities of the FLB and the FICB. No merger occurred in the Jackson district in 1988 because the FLB 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, the FICB of Jackson merged with the FCB of Columbia on October 1, 1993. Mergers and consolidations of FCBs across district lines, that began in 1992 continued through mid-1995. As a result of this restructuring activity, 6 FCBs headquartered in the following cities, remain: AgFirst FCB, Columbia, South Carolina; AgAmerica FCB, Spokane, Washington; AgriBank FCB, St. Paul, Minnesota; FCB of Wichita, Wichita, Kansas; FCB of Texas, Austin, Texas; and Western FCB, Sacramento, California.

The FCBs serve as discount banks and as of October 1, 1997 provided funds to 31 Federal Land Credit Associations (FLCA), 64 Production Credit Associations (PCAs), and 60 Agricultural Credit Associations (ACAs). These direct lender associations, in turn, make short-term production loans (PCAs and ACAs) and long-term real estate loans (FLCAs and ACAs) to eligible farmers and ranchers. Also, as of January 1, 1996, 51 Federal Land Bank Associations originated and serviced long-term real estate loans for 2 of the 6 FCBs that have no affiliated FLCAs. 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 the 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 the FLB's was repaid in 1947.

Statement of Operations (in millions of dollars)

Identification code 99–4160–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
0101	Total interest income	3,111	3,207	3,292	3,424

FARM CREDIT BANKS—Continued

Statement of Operations (in millions of dollars)—Continued

Identification code 99–4160–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
0102	Total interest expense	–2,356	–2,482	–2,607	–2,749
0109	Net interest income	755	725	685	675
0111	Other income	47	53	21	22
0112	Other expenses	–314	–304	–252	–277
0119	Net income	–267	–251	–231	–255
0191	Total revenues	3,158	3,260	3,313	3,446
0192	Total expenses	–2,670	–2,786	–2,859	–3,026
0199	Net income or loss	488	474	454	420

Balance Sheet (in millions of dollars)

Identification code 99–4160–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
	Non-Federal assets:				
1201	Cash and investment securities	7,487	7,627	7,714	7,651
1206	Accrued Interest Receivable	781	781	793	817
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	39,198	40,998	42,394	43,904
1603	Allowance for estimated uncollectible loans and interest (–)	–494	–484	–459	–452
1699	Value of assets related to direct loans	38,704	40,514	41,935	43,452
1803	Other Federal assets: Property, plant and equipment, net	653	613	592	590
1999	Total assets	47,625	49,535	51,034	52,510
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	272	239	239	237
	Non-Federal liabilities:				
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	41,941	43,588	44,942	46,242
2201	Notes payable and other interest-bearing liabilities	667	821	930	1,037
2202	Accrued interest payable	455	483	485	501
2999	Total liabilities	43,335	45,131	46,596	48,017
	NET POSITION:				
3200	Invested capital	4,290	4,404	4,438	4,494
3999	Total net position	4,290	4,404	4,438	4,494
4999	Total liabilities and net position	47,625	49,535	51,034	52,511

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

Identification code 99–4160–0–3–371	1996 actual	1997 actual	1998 est.	1999 est.
Beginning balance of net worth	**4,129**	**4,290**	**4,414**	**4,448**
Capital stock and participations issued	77	43	31	29
Capital stock and participations retired	–99	–41	–52	–36
Net income	432	474	454	421
Cash/Dividends/Patronage Distributions	–251	–365	–393	–362
Other, net	2	13	–6	4
Ending balance of net worth	**4,290**	**4,414**	**4,448**	**4,504**

Financing Activities (in millions of dollars)

Identification code 99–4160–0–3–371	1996 actual	1997 actual	1998 est.	1999 est.
Beginning balance of outstanding system obligations	**38,585**	**41,940**	**43,587**	**44,940**
Consolidated systemwide and other bank bonds issued	40,400	41,162	43,839	45,358
Consolidated systemwide and other bank bonds retired	–38,437	–39,344	–43,403	–44,858
Consolidated systemwide notes, net	1,392	–171	917	797
Ending balance of outstanding system obligations	**41,940**	**43,587**	**44,940**	**46,237**

Object Classification (in millions of dollars)

Identification code 99–4160–0–3–371		1997 actual	1998 est.	1999 est.
11.1	Personnel compensation: Full-time permanent	88	79	82
23.2	Cost of space occupied and equipment	18	19	19
25.2	Other services	8	10	8
33.0	Investments and loans	43,441	38,985	40,492
43.0	Interest and dividends	2,482	2,607	2,749
92.0	Undistributed expenses	191	143	168
99.9	Total obligations	46,228	41,843	43,518

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

Program and Financing (in millions of dollars)

Identification code 99–4180–0–3–351		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
00.01	Administrative expenses	7	10	13
00.02	Federal Income Taxes	....	1	3
10.00	Total obligations	7	11	16
	Budgetary resources available for obligation:			
21.40	Unobligated balance available, start of year: Uninvested	12	16	20
22.00	New budget authority (gross)	11	15	22
23.90	Total budgetary resources available for obligation	23	31	42
23.95	New obligations	–7	–11	–16
24.40	Unobligated balance available, end of year: Uninvested	16	20	26
	New budget authority (gross), detail:			
68.00	Spending authority from offsetting collections (gross): Offsetting collections (cash)	11	15	22
	Change in unpaid obligations:			
73.10	New obligations	7	11	16
73.20	Total outlays (gross)	–7	–11	–16
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	7	11	16
	Offsets:			
	Against gross budget authority and outlays:			
88.40	Offsetting collections (cash) from: Non-Federal sources	–11	–15	–22
	Net budget authority and outlays:			
89.00	Budget authority	....	....	....
90.00	Outlays	–4	–4	–6

Farmer Mac is authorized under the Farm Credit Act of 1971 (the Act), as amended by the Agricultural Credit Act of 1987, to create a secondary market for agricultural real estate and rural home mortgages that meet minimum credit standards (qualified loans). 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 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, and 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 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 the lenders, poolers or investors as had been required under its original authority. The 1996 Act also increased Farmer Mac's capital requirements over time and expanded the regulatory authorities of the FCA.

Farmer Mac operates through two programs, "Farmer Mac I," which involves qualified loans, and "Farmer Mac II," which involves guaranteed portions of USDA guaranteed loans. Farmer Mac operates by: (i) purchasing newly originated or existing qualified loans or guaranteed portions from lenders; and (ii) 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. Increased competition among agricultural lenders, stimulated by access to the secondary market, should result in more favorable rates and terms for agricultural borrowers.

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 comes from several sources: sale of common and preferred stock; issuance of debt obligations; gain on sale of guaranteed loan-backed securities; guarantee fees; and income from investments. 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.

The Act provides for the actuarial soundness of the guarantee fee to be reviewed annually by the Comptroller General in a report to Congress. The soundness of the Farmer Mac I program is maintained through the application of multiple procedures. First, all loans are screened against Farmer Mac's credit underwriting and appraisal standards. Second, Farmer Mac assesses annual guarantee fees set at levels determined, with the assistance of computer modeling tools to evaluate Farmer Mac's portfolio under conditions of economic stress, to be adequate for potential risks undertaken. Third, Farmer Mac controls interest rate risk through matched funding and requirement of yield maintenance provisions for mortgages that prepay. Fourth, Farmer Mac's portfolio of loans and guaranteed securities must conform to geographic and commodity diversification standards set by the Board. Fifth, Farmer Mac maintains an allowance for loan losses determined to be adequate to cover anticipated losses. Lastly, Farmer Mac must maintain core and risk based capital as provided in the Act and FCA regulations. In the Farmer Mac II program, the risks are minimal because only the USDA guaranteed portions of loans are purchased and funding is matched to effectively eliminate interest rate risk.

Available funds of Farmer Mac are invested in U.S. agency securities or other high-grade commercial investments. No stock dividends are allowed under the Act until the Board determines that an adequate loss reserve has been funded to back Farmer Mac guarantees.

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". The 1996 Act removed requirements that loan originators or other third parties maintain cash reserves or subordinated securities in connection with the issuance of Farmer Mac's guaranteed 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 the FCA's Office of Secondary Market Oversight (OSMO). OSMO is responsible for examination of and rulemaking for Farmer Mac, including the determination of the stress test to evaluate the adequacy of Farmer Mac's capital and the establishment of risk-based capital requirements after February 1999. The 1996 amendments to the Farmer Mac title expanded FCA's regulatory authority to include provisions for establishing a conservatorship or receivership, if necessary, and provided for increased levels of core capital phased in over three years. As of September 30, 1997, Farmer Mac's total capital exceeds regulatory and statutory requirements. Lastly, during the capital phase-in period the U.S. Treasury and FCA jointly monitor Farmer Mac's financial condition and report to Congress biannually, as requested by Congress in connection with the enactment of the 1996 Act.

Status of Guaranteed Loans (in millions of dollars)

Identification code 99–4180–0–3–351		1997 actual	1998 est.	1999 est.
	Position with respect to appropriations act limitation on commitments:			
2111	Limitation on guaranteed loans made by private lenders	....	....	....
2131	Guaranteed loan commitments exempt from limitation	302	528	924
2150	Total guaranteed loan commitments	302	528	924
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	598	814	1,208
2231	Disbursements of new guaranteed loans	302	528	924
2251	Repayments and prepayments	–86	–134	–213
2290	Outstanding, end of year	814	1,208	1,919
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	814	1,208	1,919

Statement of Operations (in millions of dollars)

Identification code 99–4180–0–3–351		1996 actual	1997 actual	1998 est.	1999 est.
	Revenue:				
0101	Net Interest Income	3	6	7	7
0101	Guarantee Fee Income	1	2	4	7
0101	Gain on Security Issuance	1	2	4	7
0101	Other Income	1	....	....	1
0102	Expense	–5	–7	–11	–16
0109	Net income or loss (–)	1	3	4	6
0199	Net income or loss	1	3	4	6

Balance Sheet (in millions of dollars)

Identification code 99–4180–0–3–351		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
	Non-Federal assets:				
1201	Investment in securities	502	647	717	804
1206	Receivables, net	3	3	3	3
1207	Advances and prepayments	1	2	2	2
	Net value of assets related to direct loans receivable:				
1401	Direct loans receivable, gross	13	461	529	593
1402	Interest receivable	15	15	15	15
1499	Net present value of assets related to direct loans	28	476	544	608
1801	Other Federal assets: Cash and other monetary assets	69	246	246	246
1999	Total assets	603	1,374	1,512	1,663

FEDERAL AGRICULTURAL MORTGAGE CORPORATION—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–4180–0–3–351		1996 actual	1997 actual	1998 est.	1999 est.
	LIABILITIES:				
	Non-Federal liabilities:				
2201	Accounts payable	2	2	2	2
2202	Interest payable	7	8	8	8
2203	Debt	546	1,313	1,426	1,571
2204	Liabilities for loan guarantees	1	1	1	1
2999	Total liabilities	556	1,324	1,437	1,582
	NET POSITION:				
3200	Invested capital	47	50	75	81
3999	Total net position	47	50	75	81
4999	Total liabilities and net position	603	1,374	1,512	1,663

Object Classification (in millions of dollars)

Identification code 99–4180–0–3–351		1997 actual	1998 est.	1999 est.
11.1	Personnel compensation: Personnel compensation and benefits	3	5	6
25.2	Other services	4	5	7
92.0	Undistributed	....	1	3
99.9	Total obligations	7	11	16

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL HOME LOAN BANKS

Program and Financing (in millions of dollars)

Identification code 99–4200–0–3–371		1997 actual	1998 est.	1999 est.
	Obligations by program activity:			
	Operating expenses:			
00.01	Administrative expenses including FHFB assessments	237	237	237
00.02	Affordable Housing program	131	131	131
00.03	Interest on consolidated obligations and loss on debt retirement	14,585	14,486	14,486
00.04	Interest on members' deposits and other borrowings	846	846	846
00.05	Payment to REFCORP	300	300	300
00.06	Cash dividends on capital stock	638	638	638
00.91	Total operating expenses	16,737	16,638	16,638
	Capital investment:			
01.01	Investment in bank premises	11	11	11
01.04	Net increase in advances	28,526	10,910	11,564
01.05	Net increase in investments	13,856	4,760	4,219
01.06	Repurchase of capital stock	2,584	2,600	2,600
01.91	Total capital investment	44,978	18,281	18,394
10.00	Total obligations	61,714	34,918	35,031
	Budgetary resources available for obligation:			
21.40	Unobligated balance available, start of year: Authority to borrow	....	381	473
22.00	New budget authority (gross)	62,095	35,011	35,127
23.90	Total budgetary resources available for obligation	62,095	35,392	35,600
23.95	New obligations	–61,714	–34,918	–35,031
24.40	Unobligated balance available, end of year: Authority to borrow	381	473	568
	New budget authority (gross), detail:			
67.15	Authority to borrow (indefinite)	40,650	15,165	15,247
68.00	Spending authority from offsetting collections: Offsetting collections (cash)	21,445	19,846	19,880
70.00	Total new budget authority (gross)	62,095	35,011	35,127
	Change in unpaid obligations:			
	Unpaid obligations, start of year:			
	Obligated balance:			
	Uninvested:			
72.40	Uninvested	358	457	457
72.40	Authority to borrow	3,648	4,107	4,205
72.41	U.S. Securities: Par value	1,695	1,739	1,791
72.99	Total unpaid obligations, start of year	5,701	6,303	6,453
73.10	New obligations	61,714	34,918	35,031
73.20	Total outlays (gross)	–61,112	–34,768	–34,878
	Unpaid obligations, end of year:			
	Obligated balance:			
	Uninvested:			
74.40	Uninvested	457	457	457
74.40	Authority to borrow	4,107	4,205	4,305
74.41	U.S. Securities: Par value	1,739	1,791	1,844
74.99	Total unpaid obligations, end of year	6,303	6,453	6,606
	Outlays (gross), detail:			
86.97	Outlays from new permanent authority	61,112	34,768	34,878
	Offsets:			
	Against gross budget authority and outlays:			
88.40	Offsetting collections (cash) from: Collections from non-Federal sources	–21,445	–19,846	–19,880
	Net budget authority and outlays:			
89.00	Budget authority	40,650	15,165	15,247
90.00	Outlays	39,667	14,922	14,998

Status of Direct Loans (in millions of dollars)

Identification code 99–4200–0–3–371		1997 actual	1998 est.	1999 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations exempt from limitation	980,417	1,039,240	1,101,600
1150	Total direct loan obligations	980,417	1,039,240	1,101,600
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	153,302	181,828	192,738
1231	Disbursements: Direct loan disbursements	980,417	1,039,240	1,101,600
1251	Repayments: Repayments and prepayments	–951,891	–1,028,330	–1,090,036
1290	Outstanding, end of year	181,828	192,738	204,302

The 12 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 (the Act). The FHLBanks are under the supervision of the Federal Housing Finance Board. The common mission of the FHLBanks is to facilitate the extension of credit through their members in order to provide access to housing for all Americans and to improve the quality of their communities. To accomplish this mission, the FHLBanks make loans, called advances, and provide other credit products and services to their nearly 6,418 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. 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 the 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.

Advances outstanding on September 30, 1997 totaled approximately $181.8 billion, a net increase of approximately $28.5 billion from the September 30, 1996 level of $153.3 billion.

The principal source of funds for the lending operation is the sale of consolidated obligations to the public. On September 30, 1997, $284.5 billion of these obligations were outstanding. 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. Deposits totaled $15.3 billion and total capital amounted to $18.4 billion as of September 30, 1997. 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. The banks had repurchased the Government's investment in full by mid-1951.

The operating expenses of the FHLBanks are paid from their own income and are not included in the budget of the United States. Included in these expenses are the assessments by the Finance Board to cover its administrative and other costs. The Finance Board's budget and expenditures, however, are included in the budget of the United States.

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. The FHLBank system sets aside for its AHPs a minimum of $100 million annually. The Act also requires that the FHLBanks contribute $300 million annually to assist in the payment of interest on bonds issued by the Resolution Funding Corportion.

The forecast data for 1998 and 1999 contained in this material represents estimates and should not be construed as an official forecast of the FHLBanks System's future position.

Statement of Operations (in millions of dollars)

Identification code 99–4200–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
0101	Revenue	15,712	17,286	17,184	17,184
0102	Expense (excludes payments to REFCORP)	–14,364	–15,799	–15,699	–15,699
0109	Net income	1,348	1,487	1,485	1,485

Balance Sheet (in millions of dollars)

Identification code 99–4200–0–3–371		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
	Investments in US securities:				
1102	Federal assets: Treasury securities, net	1,695	1,739	1,791	1,844
	Non-Federal assets:				
1201	Investments in non-Federal securities, net	121,996	135,852	140,612	144,831
1206	Accounts receivable	3,883	4,604	4,742	4,884
1401	Net value of assets related to direct loans receivable: Direct loans receivable, gross	153,302	181,828	192,738	204,302
	Other Federal assets:				
1801	Cash and other monetary assets	358	457	457	457
1803	Property, plant and equipment, net	156	149	149	149
1901	Other assets	339	304	304	304
1999	Total assets	281,728	324,933	340,793	356,771
	LIABILITIES:				
2101	Federal liabilities: REFCORP and AHP	388	439	440	440
	Non-Federal liabilities:				
2201	Accounts payable	234	205	205	205
2202	Interest payable	4,259	4,970	5,119	5,272
2203	Debt	243,533	284,545	299,710	314,957
	Other:				
2207	Deposit funds and other borrowings	16,038	15,676	15,676	15,676
2207	Other	820	689	689	689
2999	Total liabilities	265,272	306,524	321,839	337,239
	NET POSITION:				
3200	Invested capital	16,456	18,408	18,954	19,532
3999	Total net position	16,456	18,408	18,954	19,532
4999	Total liabilities and net position	281,728	324,933	340,793	356,771

Object Classification (in millions of dollars)

Identification code 99–4200–0–3–371		1997 actual	1998 est.	1999 est.
11.1	Personnel compensation: Full-time permanent	100	100	100
12.1	Civilian personnel benefits	22	22	22
21.0	Travel and transportation of persons	6	6	6
23.3	Communications, utilities, and other rent	16	16	16
24.0	Printing and reproduction	7	7	7
25.2	Other services	86	86	86
31.0	Equipment	7	7	7
32.0	Land and structures	4	4	4
	Investments and loans:			
33.0	Net increase in advances	28,526	10,910	11,564
33.0	Net increase in investments	13,856	4,760	4,219
41.0	Subsidies (Affordable Housing Program)	131	131	131
	Interest and dividends:			
43.0	Interest and cash dividends	16,069	15,969	15,969
43.0	REFCORP interest	300	300	300
92.0	Repurchase of capital stock (gross)	2,584	2,600	2,600
99.9	Total obligations	61,714	34,918	35,031

FINANCING CORPORATION

The Financing Corporation (FICO) is a mixed-ownership government corporation, chartered by the Federal Home Loan Bank Board pursuant to the Federal Savings and Loan Insurance Corporation Recapitalization Act of 1987, as amended (the "Act"). FICO's sole purpose was to function as a financing vehicle for the FSLIC Resolution Fund, formerly the Federal Savings and Loan Insurance Corporation (FSLIC). FICO operates under the supervision and control of the Federal Housing Finance Board (the "Finance Board"). Pursuant to the Act, FICO was authorized to issue debentures, bonds and other obligations subject to limitations contained in the Act, the net proceeds of which were to be used solely to purchase capital certificates issued by the FSLIC Resolution Fund, or to refund any previously issued obligations. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 terminated the FICO's borrowing authority.

The Act provided formulas pursuant to which the Federal Home Loan Banks made capital contributions to FICO at the direction of the Finance Board for the purchase of FICO capital stock. FICO used the proceeds received from the sales of such capital stock to purchase non-interest bearing securities for deposit in a segregated account as required by the Act. The non-interest bearing securities held in the segregated account will be the primary source of repayment of the principal of the FICO obligations. Securities in the segregated account are kept separate from other FICO accounts and funds but are not specifically pledged as collateral for the payment of obligations. The primary source of payment of interest on the obligations is the receipt of assessments imposed on and collected from institutions' accounts which are insured by the Bank Insurance Fund (the "BIF") and the Savings Association Insurance Fund (the "SAIF").

Statement of Operations (in millions of dollars)

Identification code 99–4033–0–3–373		1996 actual	1997 actual	1998 est.	1999 est.
0101	Revenue	906	915	926	938
0102	Expense	–795	–795	–795	–795
0109	Net income	111	120	131	143

Balance Sheet (in millions of dollars)

Identification code 99–4033–0–3–373		1996 actual	1997 actual	1998 est.	1999 est.
	ASSETS:				
	Investments in US securities:				
1102	Federal assets: Segregated accounts investment, net	1,355	1,475	1,606	1,749
	Other Federal assets:				
1801	Cash, cash equivalents, and interest receivable	281	266	266	266

FINANCING CORPORATION—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–4033–0–3–373	1996 actual	1997 actual	1998 est.	1999 est.
1901 Other assets	12	12	11	11
1999 Total assets	1,648	1,753	1,883	2,026
LIABILITIES:				
Non-Federal liabilities:				
2202 Interest payable	236	236	236	236
2203 Debt	8,142	8,144	8,145	8,146
2207 Other	85	69	67	65
2999 Total liabilities	8,463	8,449	8,448	8,447
NET POSITION:				
3100 FICO capital stock purchased by FHLBanks	680	680	680	680
Invested capital:				
3200 FSLIC capital certificates	–7,568	–7,568	–7,568	–7,568
3200 FSLIC nonvoting capital stock	–603	–603	–603	–603
3300 Cumulative results of operations	675	796	927	1,069
3999 Total net position	–6,816	–6,695	–6,564	–6,422
4999 Total liabilities and net position	1,647	1,754	1,884	2,025

RESOLUTION FUNDING CORPORATION

The Resolution Funding Corporation (the "REFCORP") is a mixed-ownership government corporation established by Title V of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The sole purpose of REFCORP was to provide financing for the Resolution Trust Corporation (the "RTC"). Pursuant to FIRREA, REFCORP was authorized to issue debentures, bonds, and other obligations, subject to limitations contained in the Act and regulations established by the Thrift Depositor Protection Oversight Board. The proceeds of the debt (less any discount, plus any premium, net of issuance cost) were used solely to purchase nonredeemable capital certificates of the RTC or to refund any previously issued obligations.

REFCORP is subject to the general oversight and direction of the Thrift Depositor Protection Oversight Board. The day-to-day operations of REFCORP are under the management of a three-member Directorate comprised of the Director of the Office of Finance of the Federal Home Loan Banks and two members selected by the Oversight Board from among the presidents of the twelve Federal Home Loan Banks ("the FHLBanks"). Members of the Directorate serve without compensation, and REFCORP is not permitted to have any paid employees.

FIRREA and the regulations adopted by the Thrift Depositor Protection Oversight Board provide formulas pursuant to which the Federal Home Loan Banks made capital contributions to REFCORP's Principal Fund and continue to make interest payments on outstanding REFCORP obligations. FIRREA also provides that the U.S. Treasury cover any interest shortfall. Funds designated for the Principal Funds were used to purchase zero-coupon bonds. The zero-coupon bonds will be held in the Principal Fund and are the primary source of repayment of the principal of the obligations at maturity.

Statement of Operations (in millions of dollars)

Identification code 99–4029–0–3–373	1996 actual	1997 actual	1998 est.	1999 est.
0101 Revenue	2,925	2,940	2,967	2,995
0102 Expense	–2,633	–2,626	–2,626	–2,626
0109 Net income	292	314	341	369

Balance Sheet (in millions of dollars)

Identification code 99–4029–0–3–373	1996 actual	1997 actual	1998 est.	1999 est.
ASSETS:				
Investments in US securities:				
1102 Federal assets: Principal fund account investment, net	3,856	4,168	4,504	4,868
1206 Non-Federal assets: Assessments receivable for interest expense	888	888	881	881
1901 Other Federal assets: Other assets	1			
1999 Total assets	4,745	5,056	5,385	5,749
LIABILITIES:				
Non-Federal liabilities:				
2202 Accrued interest payable on long-term obligations	888	888	881	881
2203 Debt	30,074	30,072	30,069	30,067
2999 Total liabilities	30,962	30,960	30,950	30,948
NET POSITION:				
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513	2,513	2,513
Invested capital:				
3200 RTC nonredeemable capital certificates	–31,286	–31,286	–31,286	–31,286
3200 Contributed capital—principal fund assessments	1,057	1,057	1,057	1,057
3300 Cumulative results of operations	1,499	1,813	2,152	2,519
3999 Total net position	–26,217	–25,903	–25,564	–25,197
4999 Total liabilities and net position	4,745	5,057	5,386	5,751

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 99–4450–0–3–803	1996 actual	1997 est.	1998 est.
Obligations by program activity:			
09.01 Monetary and economic policy	73	74	81
09.02 Services to financial institutions and the public	4	4	4
09.03 Supervision and regulation of financial institutions	66	67	71
09.04 System policy direction and oversight	32	33	35
09.09 Subtotal: Board operating expenses	175	178	191
09.10 Office of Inspector General operating expenses	3	3	3
10.00 Total obligations	178	181	194
Budgetary resources available for obligation:			
21.40 Unobligated balance available, start of year: Uninvested	–2		
22.00 New budget authority (gross)	180	181	194
23.90 Total budgetary resources available for obligation	178	181	194
23.95 New obligations	–178	–181	–194
New budget authority (gross), detail:			
68.00 Spending authority from offsetting collections (gross): Offsetting collections (cash)	180	181	194
Change in unpaid obligations:			
72.40 Unpaid obligations, start of year: Obligated balance: Uninvested	18	26	26
73.10 New obligations	178	181	194
73.20 Total outlays (gross)	–170	–181	–194
74.40 Unpaid obligations, end of year: Obligated balance: Uninvested	26	26	26
Outlays (gross), detail:			
86.97 Outlays from new permanent authority	155	165	179
86.98 Outlays from permanent balances	15	16	15
87.00 Total outlays (gross)	170	181	194
Offsets:			
Against gross budget authority and outlays:			
88.40 Offsetting collections (cash) from: Non-Federal sources	–180	–181	–194

	Net budget authority and outlays:			
89.00	Budget authority			
90.00	Outlays	–10		

The figures presented may differ from other Board financial material because they are prepared in accordance with OMB guidelines which vary from the Board's budget and accounting procedures.

The Federal Reserve System operates under the provisions of the Federal Reserve Act of 1913, as amended, and other acts of Congress.

Program.—To carry out its responsibilities under the Act, the Board determines general monetary, credit, and operating policies for the System as a whole and formulates the rules and regulations necessary to carry out the purposes of the Federal Reserve Act. The Board's principal duties consist of exerting an influence over credit conditions and supervising the Federal Reserve banks and member banks.

Financing.—Under the provisions of section 10 of the Federal Reserve Act, the Board of Governors levies upon the Federal Reserve banks, in proportion to their capital and surplus, an assessment sufficient to pay its estimated expenses. The Board, under the Act, determines and prescribes the manner in which its obligations are incurred and its expenses paid. Funds derived from assessments are deposited in the Federal Reserve Bank of Richmond, and the Act provides that such funds "shall not be construed to be Government funds or appropriated moneys." No Government appropriation is required to support operations of the Board.

The information presented pertains to Board operations only. Expenditures made on behalf of the Federal Reserve banks for production, issuance, retirement, and shipment of Federal Reserve notes are not included, since they are reimbursed in full by the Federal Reserve banks.

Balance Sheet (in millions of dollars)

Identification code 99–4450–0–3–803		1996 actual	1997 est.	1998 est.
	ASSETS:			
1206	Non-Federal assets: Receivables, net	5	7	7
	Other Federal assets:			
1801	Cash in bank	16	15	15
1803	Property, plant and equipment, net	121	123	123
1999	Total assets	142	145	145
	LIABILITIES:			
	Non-Federal liabilities:			
2201	Accounts payable and accrued liabilities	26	26	26
2206	Pension and other actuarial liabilities	20	21	21
2999	Total liabilities	46	47	47
	NET POSITION:			
3200	Invested capital	121	123	123
3300	Cumulative results of operations	–25	–25	–25
3999	Total net position	96	98	98
4999	Total liabilities and net position	142	145	145

Object Classification (in millions of dollars)

Identification code 99–4450–0–3–803		1996 actual	1997 est.	1998 est.
	Reimbursable obligations:			
	Personnel compensation:			
11.1	Full-time permanent	100	102	106
11.3	Other than full-time permanent	2	2	2
11.5	Other personnel compensation	2	2	2
11.9	Total personnel compensation	104	106	110
12.1	Civilian personnel benefits	17	18	16
21.0	Travel and transportation of persons	5	5	5
23.3	Communications, utilities, and miscellaneous charges	10	10	10
24.0	Printing and reproduction	3	3	3
25.1	Advisory and assistance services	3	2	2
25.2	Other services	16	16	22
26.0	Supplies and materials	6	6	8
31.0	Equipment	11	12	15
99.0	Subtotal, reimbursable obligations	175	178	191
25.2	Allocation Account: Other services	3	3	3
99.9	Total obligations	178	181	194