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 for public policy purposes. They are not included in the Federal budget because they are private companies. However, because of their public purpose, 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 Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation provide assistance to the secondary market for residential mortgages. 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.

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

—The Federal Agricultural Mortgage Corporation, under the supervision of the Farm Credit Administration, provides a secondary mortgage market for agricultural real estate and 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.

STUDENT LOAN MARKETING ASSOCIATION

STUDENT LOAN MARKETING ASSOCIATION

Status of Direct Loans (in millions of dollars)

	99–1500	1999 actual	2000 est.	2001 est.
1131	Direct loan obligations	14,023	5,989	9,146
1150	Total direct loan obligations	14,023	5,989	9,146
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	29,468	37,797	33,870
1231	Disbursements: Direct loan disbursements	14,023	8,989	9,146
	Repayments:			
1251	Repayments and prepayments	−3,986	−4,125	−3,364
1252	Proceeds from loan asset sales or discounted	−1,971	−9,000	−12,000
1264	Write-offs for default: Other adjustments, net	263	209	188
1290	Outstanding, end of year	37,797	33,870	27,840

The Student Loan Marketing Association (Sallie Mae) was created as a shareholder-owned government sponsored enterprise (GSE) 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 was privatized in 1997 pursuant to the authority granted by the Student Loan Marketing Association Reorganization Act of 1996. The GSE is a wholly owned subsidiary of SLM Holding Corporation and must wind down and be liquidated by September 30, 2008. Under legislation passed in 1998, if SLM Holding Corporation affiliates with a depository institution, the GSE must wind down within two years (unless such period is extended by the Department of the Treasury).

The GSE 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, the GSE is authorized, at the request of Federal officials, to make insured loans directly to students. The GSE is authorized to advance funds to State agencies that will provide loans to students. The GSE 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.

The GSE 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.

Generally, under the privatization legislation, the GSE cannot engage in any new business activities or acquire any additional program assets other than purchasing student loans and serving, at the request of the Secretary of Education, as a lender-of-last-resort. The GSE can continue to make warehousing advances under contractual commitments existing on August 7, 1997.

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. The 1999 loan volume amounts reflect the purchase of the Nellie Mae Corporation, including its $2.6 billion student loan portfolio.

ANNUAL LOAN ACTIVITY

[In millions of dollars]

Guaranteed student loans:	*1999 actual*	*2000 est.*	*2001 est.*
Stafford:			
Purchased	10,716	7,043	7,292
Warehoused	713	300	150
PLUS/SLS: Purchased	1,121	732	758
Consolidations	909	594	614
Health professions loans; Purchased	69		
Subtotal, Guaranteed student loans	13,528	8,669	8,814
Other	495	320	332
Total	14,023	8,989	9,146

Financing.—The GSE is financed by borrowing in the private debt markets and securitizing its assets. 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 adjust-

STUDENT LOAN MARKETING ASSOCIATION—Continued

able rate cumulative preferred stock is required to be redeemed prior to such date.

The financial data contained in this material relating to future periods represents estimates that have been prepared specifically for inclusion in the President's Budget. These data should not be viewed as official forecasts 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.

Statement of Operations (in millions of dollars)

99–1500		1998 actual	1999 actual	2000 est.	2001 est.
0101	Revenue	3,116	2,854	....	....
0102	Expense	–2,595	–2,391	....	....
0105	Net income or loss (–)	521	463	....	....

Balance Sheet (in millions of dollars)

99–1500		1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
	Investments in US securities:				
1102	Treasury securities, par	1,404	1,401	1,429	1,458
1104	Agency securities, par	....	....	....	....
1106	Receivables, net	669	942	848	678
1201	Investments in other securities, net	2,728	2,009	1,543	864
1206	Receivables, net	706	684	616	431
1207	Advances and prepayments	15	16	17	18
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	29,586	37,947	34,005	27,951
1603	Allowance for estimated uncollectible loans and interest (–)	–118	–150	–135	–111
1699	Value of assets related to direct loans	29,468	37,797	33,870	27,840
1801	Cash and other monetary assets	50	38	40	42
1803	Property, plant and equipment, net	182	172	180	189
1901	Other assets	358	435	457	480
1999	Total assets	35,580	43,494	39,000	32,000
	LIABILITIES:				
2202	Interest payable	300	293	264	238
2203	Debt	33,517	41,591	37,125	30,215
2207	Other	883	677	711	747
2999	Total liabilities	34,700	42,561	38,100	31,200
	NET POSITION:				
3300	Invested Capital	880	933	900	800
3999	Total net position	880	933	900	800
4999	Total liabilities and net position	35,580	43,494	39,000	32,000

FEDERAL NATIONAL MORTGAGE ASSOCIATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

99–2500		1999 actual	2000 est.	2001 est.
1131	Direct loan obligations	201,660	133,917	152,021
1150	Total direct loan obligations	201,660	133,917	152,021
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	393,210	518,629	599,719
	Disbursements:			
1231	Direct loan disbursements	208,542	132,281	151,144
1232	Purchase of loans assets	19,258	335	362
1251	Repayments: Repayments and prepayments	−100,348	−51,525	−59,117
1264	Write-offs for default: Other adjustments, net	−2,033	....	....
1290	Outstanding, end of year	518,629	599,719	692,108

The Federal National Mortgage Association (Fannie Mae) is a federally-chartered, privately-owned company with a public mission to provide stability and to increase the liquidity of the residential mortgage market and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. 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, 1999, Fannie Mae held a net mortgage portfolio totaling $504 billion and had net outstanding guaranteed mortgage-backed securities of over $670 billion.

Through a federal charter, Congress has equipped Fannie Mae with certain attributes to help it carry out its public mission. 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 conditional access to a $2.25 billion line of credit from the U.S. Treasury. 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, is fully transferable, and trades on the New York, Midwest, and Pacific stock exchanges.

Fannie Mae was established in 1938 to assist private markets in providing a steady supply of funds for housing. Fannie Mae was originally a subsidiary of the Reconstruction Finance Corporation and was permitted to purchase only loans insured by the Federal Housing Administration (FHA). In 1954, Fannie Mae was restructured as a mixed ownership (part government, part private) corporation. 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."

In December 1995, the U.S. Department of Housing and Urban Development (HUD) set affordable housing goals for 1996–1999 and established 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 goal is 42 percent; the geographically targeted goal is 24 percent and the special affordable housing goal is 14 percent. Fannie Mae exceeded all of the housing goals in 1998 with low- and moderate-income purchases at 44.1 percent, geographically targeted purchases at 27 percent, and special affordable housing purchases at 14.3 percent.

HUD is publishing a proposed rule for public comment that would set new affordable housing goals for the period covering 2000 to 2003. After a transition period, the goals would be 50 percent for the low- and moderate-income goal, 31 percent for the geographically targeted goal, and 20 percent for the special affordable housing goal.

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 1999 was $17.9 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.

Through the third quarter of 1999, Fannie Mae earned $2.87 billion.

Income and retained earnings for the years ended September 30, 1998 and 1999 follow (in thousands of dollars):

	1998 actual	*1999 actual*
Gross revenue	30,510,100	35,255,700
Gross expenses	25,885,200	30,289,400
Income before Federal income tax	4,624,900	4,966,300
Federal income tax	1,365,800	1,280,300
Net income	3,259,100	3,686,000
Retained earnings, beginning of year	12,766,100	15,064,600
Dividends on common stock	(960,600)	(1,076,500)
Retained earnings, end of year	15,064,600	17,674,100

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.

Balance Sheet (in millions of dollars)

	99–2500	1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
1101	Fund balances	19	4		
	Investments in US securities:				
1102	Treasury securities, par	123	34		
1104	Other	68,714	36,498	44,772	48,800
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans (net of discount)	362,478	477,130	580,250	670,984
1602	Federal Agencies	13,854	27,367	4,164	4,081
1603	Allowance for estimated uncollectible loans and interest (–)	–254	–194	–188	–190
1699	Value of assets related to direct loans	376,078	504,303	584,226	674,875
1801	Cash and other monetary assets	9,974	10,513	10,622	12,029
1803	Property, plant and equipment, net	191	180		
1999	Total assets	455,099	551,532	639,620	735,704
	LIABILITIES:				
2101	Accounts payable	400	254		
2102	Accrued interest payable	5,544	6,574	7,198	8,341
2105	Other	8	11		
2203	Debt	430,582	524,879	609,566	702,060
2204	Estimated liability for loan guarantees	3,135	2,311	3,035	2,863
2206	Pension and other actuarial liabilities	225	288		
2207	Subtotal, Federal taxes payable	353	160		
2999	Total liabilities	440,247	534,477	619,799	713,264
	NET POSITION:				
	Cumulative results of operations:				
3300	Cumulative results of operations	15,065	17,674	20,730	24,170
3300	Change in Stockholder Equity	–213	–619	–909	–1,730
3999	Total net position	14,852	17,055	19,821	22,440
4999	Total liabilities and net position	455,099	551,532	639,620	735,704

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

	99–2501	1999 actual	2000 est.	2001 est.
1131	Direct loan obligations	297,503	208,781	228,595
1150	Total direct loan obligations	297,503	208,781	228,595
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	798,460	938,484	1,033,975
1231	Disbursements: Direct loan disbursements	348,792	208,781	228,595
1251	Repayments: Repayments and prepayments	−208,768	−113,290	−122,309
1290	Outstanding, end of year	938,484	1,033,975	1,140,261

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 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.

PORTFOLIO PROGRAMS—Continued

MORTGAGE-BACKED SECURITIES—Continued

Balance Sheet (in millions of dollars)

	99–2501	1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	799,006	939,092	1,034,576	1,140,862
1603	Allowance for estimated uncollectible loans and interest (–)	–546	–608	–601	–600
1699	Value of assets related to direct loans	798,460	938,484	1,033,975	1,140,261
1999	Total assets	798,460	938,484	1,033,975	1,140,261
	LIABILITIES:				
2104	Resources payable	798,460	938,484	1,033,975	1,140,261
2999	Total liabilities	798,460	938,484	1,033,975	1,140,261

FEDERAL HOME LOAN MORTGAGE CORPORATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

	99–4420	1999 actual	2000 est.	2001 est.
1131	Direct loan obligations	156,862	69,700	77,500
1150	Total direct loan obligations	156,862	69,700	77,500
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	216,522	315,968	355,811
1231	Disbursements: Direct loan disbursements	156,862	69,700	77,500
1251	Repayments: Repayments and prepayments	−57,416	−29,857	−37,492
1290	Outstanding, end of year	315,968	355,811	395,819

The 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. As of September 30, 1999, Freddie Mac held a mortgage portfolio totaling $315 billion and had outstanding guaranteed mortgage-backed securities of $739 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 conditional access to a $2.25 billion line of credit from the U.S. Treasury. 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 non-voting, 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. In December 1995, the U.S. Department of Housing and Urban Development (HUD) affordable housing goals for 1996–1999 and established 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, 42 percent meet the low- and moderate-income goal, 24 percent meet the geographically targeted goal, and 14 percent meet the special affordable goal.

Freddie Mac exceeded all of the housing goals in 1998 with low- and moderate-income purchases of 42.9 percent, geographically targeted purchases of 26.1 percent, special affordable purchases of 15.9 percent, and the multifamily portion of the special affordable purchases of $2.7 billion in qualifying multifamily mortgages.

HUD is publishing a proposed rule for public comment that would set new affordable housing goals for the period covering 2000 to 2003. After a transition period, the goals would be 50 percent for the low- and moderate-income goal, 31 percent for the geographically targeted goal, and 20 percent for the special affordable housing goal.

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.

Through the third quarter of 1999, Freddie Mac recorded net income of $1.63 billion.

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)

	99–4420	1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
1201	Investments in other securities, net	30,825	26,515	48,265	49,965
1206	Receivables, net	12,271	18,643	18,532	18,413
1207	Advances and prepayments	255	487	507	507
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Retained mortgage inventory	216,522	315,968	355,811	395,819
1603	Allowances (–)	–294	–467	–742	–1,179
1699	Value of assets related to direct loans	216,228	315,501	355,069	394,640
1801	Cash and other monetary assets	1,286	1,992	2,000	2,000
1803	Property, plant and equipment, net	1,153	1,251	1,384	1,571
1901	Other assets	1,238	496	1,351	1,856
1999	Total assets	263,256	364,885	427,108	468,952
	LIABILITIES:				
2101	Accounts payable	1	115		
2201	Accounts payable	804	2,146	3,002	2,951
2202	Interest payable	1,543	2,311	3,373	4,366
2203	Debt	236,387	341,014	403,441	442,529
2206	Pension and other actuarial liabilities	13	19	28	41
	Other:				
2207	Accrued payroll and benefits	62	82	108	142
2207	Accrued annual leave (funded or unfunded)	1	2	4	8
2207	Other Liabilities	15,157	8,056	4,117	4,266
2999	Total liabilities	253,968	353,745	414,073	454,303
	NET POSITION:				
3100	Invested capital	9,288	11,140	13,035	14,649
3999	Total net position	9,288	11,140	13,035	14,649
4999	Total liabilities and net position	263,256	364,885	427,108	468,952

Mortgage-Backed Securities

Status of Direct Loans (in millions of dollars)

	99–4440	1999 actual	2000 est.	2001 est.
1131	Direct loan obligations	270,798	162,000	188,900
1150	Total direct loan obligations	270,798	162,000	188,900
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	490,687	529,213	616,832
1231	Disbursements: Direct loan disbursements	270,798	162,000	188,900
1251	Repayments: Repayments and prepayments	−232,272	−74,381	−87,360
1290	Outstanding, end of year	529,213	616,832	718,372

Balance Sheet (in millions of dollars)

	99–4440	1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
1901	Underlying Mortgages	490,687	529,231	616,832	718,372
1999	Total assets	490,687	529,231	616,832	718,372
	LIABILITIES:				
2104	Resources payable	490,687	529,213	616,832	718,372
2999	Total liabilities	490,687	529,213	616,832	718,372

FARM CREDIT SYSTEM

The Farm Credit System is a government sponsored enterprise that provides privately financed credit to agricultural and rural communities. The major functional entities of the system are: (1) Agricultural Credit Bank (ACB), (2) Farm Credit Banks (FCB), and (3) direct lender associations. The history and specific functions of the bank entities are discussed after the presentation of financial schedules for each bank entity. As part of the Farm Credit System (FCS), these entities are regulated and examined by the Farm Credit Administration (FCA), an independent Federal agency. The administrative costs of FCA are 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).

Agricultural Credit Bank

On July 1, 1999, the remaining cooperative entity, the St. Paul Bank for Cooperatives, merged into 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 Bank for Cooperatives (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 is independently chartered to provide credit and related services nationwide to eligible cooperatives primarily engaged in farm supply, grain, marketing and proc-

AGRICULTURAL CREDIT BANK—Continued

essing (including sugar and dairy). CoBank also makes loans to rural utilities, including telecommunications companies and it provides international loans for the financing of agricultural exports.

Status of Direct Loans (in millions of dollars)

99–4130		1999 actual	2000 est.	2001 est.
1131	Direct loan obligations	49,522	50,000	50,000
1150	Total direct loan obligations	49,522	50,000	50,000
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	16,612	18,093	18,545
1231	Disbursements: Direct loan disbursements	49,503	50,000	50,000
1251	Repayments: Repayments and prepayments	−47,884	−49,532	−48,808
1263	Write-offs for default: Direct loans	−138	−16	−16
1290	Outstanding, end of year	18,093	18,545	19,721

Statement of Operations (in millions of dollars)

99–4130		1998 actual	1999 actual	2000 est.	2001 est.
0101	Total interest income	1,460	1,424	1,493	1,592
0102	Total interest expense	–1,103	–1,063	–1,116	–1,191
0105	Net income or loss (–)	357	361	377	401
0111	Other income	35	46	49	52
0112	Other expense	–201	–323	–246	–249
0115	Net income or loss (–)	–166	–277	–197	–197
0191	Total revenues	1,495	1,470	1,542	1,644
0192	Total expenses	–1,304	–1,386	–1,362	–1,440
0195	Total income or loss (–)	191	84	180	204
0199	Total comprehensive income	191	84	180	204

Balance Sheet (in millions of dollars)

99–4130		1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
1201	Cash and investment securities	3,892	3,755	3,848	4,093
1206	Accrued interest receivable on loans	190	182	187	198
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	16,612	18,093	18,545	19,721
1603	Allowance for estimated uncollectible loans and interest (–)	–294	–314	–322	–342
1699	Value of assets related to direct loans	16,318	17,779	18,223	19,379
1803	Property, plant and equipment, net	204	159	178	178
1999	Total assets	20,604	21,875	22,436	23,848
	LIABILITIES:				
2104	Resources payable	206	167	174	178
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	18,079	19,468	19,954	21,220
2201	Notes payable and other interest-bearing liabilities	437	351	360	383
2202	Accrued interest payable	186	228	234	248
2999	Total liabilities	18,908	20,214	20,722	22,029
	NET POSITION:				
3300	Cumulative results of operations	1,697	1,660	1,714	1,818
3999	Total net position	1,697	1,660	1,714	1,818
4999	Total liabilities and net position	20,605	21,874	22,436	23,847

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

99–4130	1998 actual	1999 actual	2000 est.	2001 est.
Beginning balance of net worth	1,582	1,697	1,660	1,714
Capital stock and participations issued	7	5	5	5
Capital stock and participations retired	40	80	90	65
Net income	191	84	179	204
Cash/Dividends/Patronage Distributions	–48	–27	–40	–40
Other, net	5	(19)	0	0
Ending balance of net worth	1,697	1,660	1,714	1,818

Financing Activities (in millions of dollars)

99–4130	1998 actual	1999 actual	2000 est.	2001 est.
Beginning balance of outstanding system obligations	**18,573**	**18,079**	**19,468**	**19,954**
Consolidated systemwide and other bank bonds issued	9,686	11,875	12,000	12,000
Consolidated systemwide and other bank bonds retired	11,073	9,657	11,913	11,235
Consolidated systemwide notes, net	893	–829	400	500
Ending balance of outstanding system obligations	18,079	19,468	19,954	21,220

FARM CREDIT BANKS

Status of Direct Loans (in millions of dollars)

99–4160		1999 actual	2000 est.	2001 est.
1131	Direct loan obligations	38,051	40,530	39,957
1150	Total direct loan obligations	38,051	40,530	39,957
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	44,061	45,823	46,966
1231	Disbursements: Direct loan disbursements	38,015	40,483	39,402
1251	Repayments: Repayments and prepayments	−36,182	−39,340	−37,429
1264	Write-offs for default: Other adjustments, net	−71		
1290	Outstanding, end of year	45,823	46,966	48,939

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, Sacramento, California; 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, 1999 provided funds to 50 Federal Land Credit Associations (FLCA), 60 Production Credit Associations (PCAs), and 49 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 October 1, 1999, 18 Federal Land Bank Associations originated and serviced long-term real estate loans for 2 of the 6 FCBs. 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)

99–4160		1998 actual	1999 actual	2000 est.	2001 est.
0101	Total interest income	3,348	3,317	3,413	3,562
0102	Total interest expense	–2,652	–2,662	–2,885	–3,085
0105	Net income or loss (–)	696	655	528	477
0111	Other income	55	59	41	43
0112	Other expenses	–279	–325	–251	–244
0115	Net income or loss (–)	–224	–266	–210	–201
0191	Total revenues	3,403	3,376	3,454	3,605
0192	Total expenses	–2,931	–2,987	–3,136	–3,329
0195	Total income or loss (–)	472	389	318	276
0199	Total comprehensive income	472	389	318	276

Balance Sheet (in millions of dollars)

99–4160		1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
1201	Cash and investment securities	8,727	9,590	9,554	9,636
1206	Accrued Interest Receivable	809	790	698	703
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	44,061	45,823	46,967	48,984
1603	Allowance for estimated uncollectible loans and interest (–)	–446	–358	–254	–244
1699	Value of assets related to direct loans	43,615	45,465	46,713	48,740
1803	Property, plant and equipment, net	629	336	332	334
1999	Total assets	53,780	56,181	57,297	59,413
	LIABILITIES:				
2104	Resources payable	196	222	248	249
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	47,714	50,087	51,905	54,074
2201	Notes payable and other interest-bearing liabilities	901	902	324	192
2202	Accrued interest payable	502	547	534	548
2999	Total liabilities	49,313	51,758	53,011	55,063
	NET POSITION:				
3300	Cumulative results of operations	4,467	4,423	4,285	4,350
3999	Total net position	4,467	4,423	4,285	4,350
4999	Total liabilities and net position	53,780	56,181	57,296	59,413

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

99–4160	1998 actual	1999 actual	2000 est.	2001 est.
Beginning balance of net worth	4,404	4,467	4,423	4,285
Capital stock and participations issued	67	68	92	36
Capital stock and participations retired	87	124	184	18
Surplus Retired	....	....	85	....
Net income	472	389	318	276
Cash/Dividends/Patronage Distributions	(383)	(342)	(267)	(230)
Other, net	–7	–35	–12	....
Ending balance of net worth	4,467	4,423	4,285	4,350

Financing Activities (in millions of dollars)

99–4160	1998 actual	1999 actual	2000 est.	2001 est.
Beginning balance of outstanding system obligations	43,588	47,714	50,087	53,646
Consolidated systemwide and other bank bonds issued	51,216	43,119	44,444	45,020
Consolidated systemwide and other bank bonds retired	48,689	39,878	38,882	41,175
Consolidated systemwide notes, net	1,599	–868	–2,003	34
Ending balance of outstanding system obligations	47,714	50,087	53,646	57,524

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

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

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

FINANCING

Financial support and funding for Farmer Mac's operations come from several sources: sale of common and preferred stock; issuance of debt obligations; 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.

Farmer Mac must maintain core and risk based capital as provided in the Act and FCA regulations.

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

FEDERAL AGRICULTURAL MORTGAGE CORPORATION—Continued

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 establishment of risk-based capital requirements by regulation. On November 12, 1999, FCA published a notice of proposed rulemaking, stress test, and a request for public comments. Following the comment period, a final risk-based capital rule and stress test will be developed by FCA and published in the *Federal Register*. 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, 1999, Farmer Mac's total capital exceeds regulatory and statutory requirements. Lastly, in connection with the enactment of the 1996 Act, Congress requested, during Farmer Mac's transition to the expanded capital requirements thereunder, that FCA, in a cooperative effort with the U.S. Treasury, monitor Farmer Mac's financial condition and report to Congress semiannually.

Status of Guaranteed Loans (in millions of dollars)

99–4180		1999 actual	2000 est.	2001 est.
2111	Limitation on guaranteed loans	1,662	2,077	2,597
2131	Guaranteed loan commitments	1,662	2,077	2,597
2150	Total guaranteed loan commitments	3,324	4,154	5,194
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	1,048	2,057	3,318
2231	Disbursements of new guaranteed loans	1,662	2,077	2,597
2251	Repayments and prepayments	−653	−816	−1,021
2290	Outstanding, end of year	2,057	3,318	4,894
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	2,057	3,318	4,894

Statement of Operations (in millions of dollars)

99–4180		1998 actual	1999 actual	2000 est.	2001 est.
	Revenue:				
0101	Net Interest Income	6	14	18	22
0101	Guarantee Fee Income	2	6	8	10
0101	Gain on Security Issuance	2			
0102	Expense	–7	–14	–18	–23
0105	Net income or loss (–)	3	6	8	9
0199	Total comprehensive income	3	7	9	9

Balance Sheet (in millions of dollars)

99–4180		1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
1201	Investment in securities	622	853	853	853
1206	Receivables, net	2	3	3	4
1207	Advances and prepayments	5	12	15	18
	Net value of assets related to direct loans receivable:				
1401	Direct loans receivable, gross	614	1,278	1,598	1,998
1402	Interest receivable	17	30	37	46
1499	Net present value of assets related to direct loans	631	1,308	1,635	2,044
1801	Cash and other monetary assets	435	506	476	89
1999	Total assets	1,695	2,682	2,982	3,008
	LIABILITIES:				
2201	Accounts payable	8	4	4	6
2202	Interest payable	7	12	15	18
2203	Debt	1,598	2,573	2,861	2,870
2204	Liabilities for loan guarantees	3	6	7	9
2999	Total liabilities	1,616	2,595	2,887	2,903
	NET POSITION:				
3300	Invested capital	79	87	95	105
3999	Total net position	79	87	95	105
4999	Total liabilities and net position	1,695	2,682	2,982	3,008

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL HOME LOAN BANKS

Status of Direct Loans (in millions of dollars)

99–4200		1999 actual	2000 est.	2001 est.
1111	Limitation on direct loans			
1131	Direct loan obligations	2,181,262	2,181,262	2,181,262
1150	Total direct loan obligations	2,181,262	2,181,262	2,181,262
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	245,647	366,842	368,885
1231	Disbursements: Direct loan disbursements	2,181,262	2,181,262	2,181,262
1251	Repayments: Repayments and prepayments	2,060,067	2,179,219	2,179,219
1290	Outstanding, end of year	366,842	368,885	370,928

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. To accomplish this mission, the FHLBanks make loans, called advances, and provide other credit products and services to their 7,226 member commercial banks, savings associations, insurance companies, and credit unions. Advances and letters of credit must be fully secured by eligible collateral and long-term advances may be made only for the purpose of providing funds for residential housing finance. However, "community financial institutions" may also use long-term advances to finance small businesses, small farms, and small agri-businesses. Additionally, specialized advance programs provide funds for community reinvestment and affordable housing programs. All regulated financial depositories, "community financial institutions," 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, 1999 totaled approximately $367 billion, a net increase of approximately $120 billion from the September 30, 1998 level of $246 billion.

The principal source of funds for the lending operation is the sale of consolidated obligations to the public. On September 30, 1999, $477 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 $16 billion and total capital amounted to $27 billion as of September 30, 1999. 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 the greater of $100 million annually or 10 percent of the preceding year's net income. The Act also requires that the FHLBanks contribute 20 percent of net earnings annually to assist in the payment of interest on bonds issued by the Resolution Funding Corporation.

The forecast data for 2000 and 2001 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)

99–4200		1998 actual	1999 actual	2000 est.	2001 est.
0101	Revenue	20,408	24,596	24,596	24,596
0102	Expense (excludes payments to REFCORP)	–18,810	–22,553	–22,553	–22,553
0105	Net income or loss (–)	1,598	2,043	2,043	2,043

Balance Sheet (in millions of dollars)

99–4200		1998 actual	1999 actual	2000 est.	2001 est.
	ASSETS:				
	Investments in US securities:				
1102	Treasury securities, net	433	233	233	233
1201	Investments in other securities, net	135,167	155,471	155,471	155,471
1206	Accounts receivable	5,944	8,057	8,057	8,057
1401	Net value of assets related to direct loans receivable: Direct loans receivable, gross	246,107	366,842	368,885	370,928
1801	Cash and other monetary assets	422	399	399	399
1803	Property, plant and equipment, net	146	88	88	88
1901	Other assets	175	261	261	261
1999	Total assets	388,394	531,351	533,394	535,437
	LIABILITIES:				
2101	REFCORP and Affordable Housing Program	510	580	580	580
2201	Accounts payable	165	59	59	59
2202	Interest payable	6,427	8,709	8,709	8,709
2203	Debt	336,262	477,472	477,472	477,472
	Other:				
2207	Deposit funds and other borrowings	23,550	16,147	16,147	16,147
2207	Other	354	1,452	1,452	1,452
2999	Total liabilities	367,268	504,419	504,419	504,419
	NET POSITION:				
3100	Invested capital	21,126	26,932	28,975	31,018
3999	Total net position	21,126	26,932	28,975	31,018
4999	Total liabilities and net position	388,394	531,351	533,394	535,437