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 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)

Identification code 99–1500–0–3–502	2001 actual	2002 est.	2003 est.
1111 Limitation on direct loans	....	....	....
1131 Direct loan obligations	12,088	13,097	15,250
1150 Total direct loan obligations	12,088	13,097	15,250
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	37,213	41,032	40,659
1231 Disbursements: Direct loan disbursements	12,088	13,097	15,250
Repayments:			
1251 Repayments and prepayments	−3,499	−3,857	−4,268
1252 Proceeds from loan asset sales or discounted	−4,942	−9,751	−14,750
1264 Write-offs for default: Other adjustments, net	172	138	124
1290 Outstanding, end of year	41,032	40,659	37,015

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 USA Education, Inc. and must wind down and be liquidated by September 30, 2008. Under legislation passed in 1998, if USA Education, Inc. 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.

ANNUAL LOAN ACTIVITY

[In millions of dollars]

Guaranteed student loans:	*2001 actual*	*2002 est.*	*2003 est.*
Stafford:			
Purchased	8,388	11,138	12,969
Warehoused	1,113	—	—
PLUS/SLS: Purchased	764	979	1,140
Subtotal, Guaranteed student loans	10,265	12,117	14,109
Other	1,823	980	1,141
Total	12,088	13,097	15,250

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 adjustable rate cumulative preferred stock, which was required to

STUDENT LOAN MARKETING ASSOCIATION—Continued

be redeemed prior to such date was redeemed on December 10, 2001.

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)

Identification code 99–1500–0–3–502		2000 actual	2001 actual	2002 est.	2003 est.
0101	Revenue	3,647	2,952		
0102	Expense	–3,160	–2,850		
0105	Net income or loss (–)	487	102		

Balance Sheet (in millions of dollars)

Identification code 99–1500–0–3–502		2000 actual	2001 actual	2002 est.	2003 est.
	ASSETS:				
	Investments in US securities:				
1102	Treasury securities, par	1,363	1,597	1,565	1,424
1104	Agency securities, par				
1106	Receivables, net	1,090	1,207	1,219	1,182
1201	Investments in other securities, net	2,393	4,829	2,327	1,109
1206	Receivables, net	916	1,669	1,686	1,635
1207	Advances and prepayments	21	11	12	12
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	37,317	41,185	40,811	37,153
1603	Allowance for estimated uncollectible loans and interest (–)	–104	–153	–152	–138
1699	Value of assets related to direct loans	37,213	41,032	40,659	37,015
1801	Cash and other monetary assets	134	71	71	69
1803	Property, plant and equipment, net *	163			
1901	Other assets	407	310	313	304
1999	Total assets	43,700	50,726	47,852	42,750
	LIABILITIES:				
2202	Interest payable	417	332	326	293
2203	Debt	41,501	47,321	44,681	39,905
2207	Other	707	1,762	1,726	1,553
2999	Total liabilities	42,625	49,415	46,733	41,751
	NET POSITION:				
3300	Invested Capital	1,075	1,311	1,119	999
3999	Total net position	1,075	1,311	1,119	999
4999	Total liabilities and net position	43,700	50,726	47,852	42,750

* In the first quarter of 2001, in accordance with the Privatization Act, the GSE transferred substantially all of its fixed assets and real estate to certain private non-GSE entities in USA education.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–2500–0–3–371		2001 actual	2002 est.	2003 est.
1131	Direct loan obligations	246,927	311,677	234,021
1150	Total direct loan obligations	246,927	311,677	234,021
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	587,600	700,484	818,161
	Disbursements:			
1231	Direct loan disbursements	235,339	301,883	233,494
1232	Purchase of loans assets	5,826	697	723
1251	Repayments: Repayments and prepayments	– 127,259	– 184,903	– 108,991
1264	Write-offs for default: Other adjustments, net	– 1,022		
1290	Outstanding, end of year	700,484	818,161	943,388

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, 2001, Fannie Mae held a net mortgage portfolio totaling $687 billion and had net outstanding guaranteed mortgage-backed securities of $817 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), and an exemption of its debt and mortgage securities from Securities and Exchange Commission registration requirements. An additional advantage is that the Secretary of the Treasury may purchase and hold up to $2.25 billion of securities issued by Fannie Mae under terms and conditions and at prices determined by the Secretary to be appropriate. Securities guaranteed 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. These goals were also in effect for 2000. Fannie Mae exceeded all of the housing goals in 2000 with low- and moderate-income purchases at 49 percent, geographically targeted purchases at 31 percent, and special affordable housing purchases at 19 percent.

In October 2000, HUD set new affordable housing goals for the period covering 2001 to 2003. The goals are 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 30 percent to cover management and operations risk. Total capital (shareholder's equity plus allowance for loan losses) at the end of September 2001 was $23.8 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.

For the four quarters ending September 2001, Fannie Mae earned $5.1 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.

Balance Sheet (in millions of dollars)

Identification code 99–2500–0–3–371		2000 actual	2001 actual	2002 est.	2003 est.
	ASSETS:				
1101	Fund balances	20	267		
	Investments in US securities:				
1102	Treasury securities, par	25	1,325		
1104	Other	55,130	58,342	59,500	71,879
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans (net of discount)	538,255	655,318	809,996	928,024
1602	Federal Agencies	33,349	31,684	6,187	13,678
1603	Allowance for estimated uncollectible loans and interest (–)	–199	–201	–200	–200
1699	Value of assets related to direct loans	571,405	686,801	815,983	941,502
1801	Cash and other monetary assets	11,345	19,686	17,452	19,307
1803	Property, plant and equipment, net	222	229		
1999	Total assets	638,147	766,650	892,934	1,032,688
	LIABILITIES:				
2101	Accounts payable	385	727		
2102	Accrued interest payable	7,509	8,628	10,655	12,532
2105	Other	15	17		
2203	Debt	607,039	726,992	849,176	982,323
2204	Estimated liability for loan guarantees	3,119	15,374	13,171	12,966
2206	Pension and other actuarial liabilities	362	402		
2207	Subtotal, Federal taxes payable	31	730		
2999	Total liabilities	618,460	752,871	873,002	1,007,821
	NET POSITION:				
	Cumulative results of operations:				
3300	Cumulative results of operations	20,769	24,541	29,460	35,086
3300	Change in Stockholder Equity	–1,083	–10,763	–9,528	–10,220
3999	Total net position	19,687	13,778	19,932	24,866
4999	Total liabilities and net position	638,147	766,650	892,934	1,032,688

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–2501–0–3–371		2001 actual	2002 est.	2003 est.
1131	Direct loan obligations	450,215	441,913	346,965
1150	Total direct loan obligations	450,215	441,913	346,965
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	1,020,828	1,228,131	1,369,168
1231	Disbursements: Direct loan disbursements	433,500	441,913	346,965
1251	Repayments: Repayments and prepayments	−226,197	−300,876	−207,091
1290	Outstanding, end of year	1,228,131	1,369,168	1,509,042

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.

Balance Sheet (in millions of dollars)

Identification code 99–2501–0–3–371		2000 actual	2001 actual	2002 est.	2003 est.
	ASSETS:				
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	1,021,437	1,227,528	1,369,770	1,509,643
1603	Allowance for estimated uncollectible loans and interest (–)	–609	–603	–602	–601
1699	Value of assets related to direct loans	1,020,828	1,226,925	1,369,168	1,509,042
1999	Total assets	1,020,828	1,226,925	1,369,168	1,509,042
	LIABILITIES:				
2104	Resources payable	1,020,828	1,228,131	1,369,168	1,509,042

PORTFOLIO PROGRAMS—Continued

MORTGAGE-BACKED SECURITIES—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–2501–0–3–371	2000 actual	2001 actual	2002 est.	2003 est.
2999 Total liabilities	1,020,828	1,228,131	1,369,168	1,509,042

FEDERAL HOME LOAN MORTGAGE CORPORATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–4420–0–3–371	2001 actual	2002 est.	2003 est.
1131 Direct loan obligations	191,203	220,700	149,978
1150 Total direct loan obligations	191,203	220,700	149,978
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	361,624	470,850	542,220
1231 Disbursements: Direct loan disbursements	191,203	220,700	149,978
1251 Repayments: Repayments and prepayments	−81,977	−149,330	−72,861
1290 Outstanding, end of year	470,850	542,220	619,337

The Federal Home Loan Mortgage Corporation (Freddie Mac), is a federally-charted, shareholder-owned, private company with a public mission to provide stability and increase the liquidity of the residential mortgage market, and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. 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, 2001, Freddie Mac held a net mortgage portfolio totaling $471 billion and had net outstanding guaranteed mortgage-backed securities of $636 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), and an exemption for their debt and mortgage securities from SEC filing registration requirements. An additional advantage is that the Secretary of the Treasury may purchase and hold up to $2.25 billion of securities issued by Freddie Mac under terms and conditions and at prices determined by the Secretary to be appropriate. Securities guaranteed 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 serves 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 and 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. Additionally, within the special affordable goal was a multifamily mortgage purchase target for Freddie Mac of $1.0 billion. In an October 2000 rule, HUD applied the 1996–1999 goals to 2000 and established new goals for 2001–2003: 50 percent for the low- and moderate-income goal, 31 percent for the geographically targeted goal, 20 percent for the special affordable housing goal and a multifamily target for Freddie Mac of $2.1 billion.

Freddie Mac exceeded all of the housing goals in 2000 with low- and moderate-income purchases of 50 percent, geographically targeted purchases of 29 percent, special affordable purchases of 21 percent, and the multifamily portion of the special affordable purchases of $2.4 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. OFHEO published risk-based capital standards in September 2001 that become fully enforceable in September 2002.

For the four quarters ending September 2001, Freddie Mac recorded net income of $3.4 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)

Identification code 99–4420–0–3–371		2000 actual	2001 actual	2002 est.	2003 est.
	ASSETS:				
1201	Investments in other securities, net	48,593	65,964	74,324	72,104
1206	Receivables, net	22,107	22,762	24,948	24,688
1207	Advances and prepayments	945	2,170	2,507	2,769
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Retained mortgage inventory	359,638	475,213	541,876	619,053
1603	Allowances (–)	–334	–327	–341	–349
1699	Value of assets related to direct loans	359,304	474,886	541,535	618,704
1801	Cash and other monetary assets	224	583	657	637
1803	Property, plant and equipment, net	656	774	913	1,077
1901	Other assets	1,517	4,768	3,026	3,267
1999	Total assets	433,346	571,907	647,910	723,246
	LIABILITIES:				
2101	Accounts payable	227	763	448	884
2201	Accounts payable	1,823	1,457	970	523
2202	Interest payable	2,988	4,452	7,141	9,065
2203	Debt	406,794	531,312	605,384	677,220
2206	Pension and other actuarial liabilities	26	75	82	89
	Other:				
2207	Accrued payroll and benefits	60	35	38	42
2207	Accrued annual leave (funded or unfunded)	2	2	2	2
2207	Other Liabilities	8,234	19,305	14,058	13,800
2999	Total liabilities	420,154	557,401	628,123	701,625
	NET POSITION:				
3100	Invested capital	13,192	14,506	19,787	21,621
3999	Total net position	13,192	14,506	19,787	21,621
4999	Total liabilities and net position	433,346	571,907	647,910	723,246

Mortgage-Backed Securities

Status of Direct Loans (in millions of dollars)

Identification code 99–4440–0–3–371		2001 actual	2002 est.	2003 est.
1131	Direct loan obligations	212,151	280,188	158,895
1150	Total direct loan obligations	212,151	280,188	158,895
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	559,242	635,844	674,631
1231	Disbursements: Direct loan disbursements	212,151	280,188	158,895
1251	Repayments: Repayments and prepayments	−135,549	−241,401	−102,239
1290	Outstanding, end of year	635,844	674,631	731,287

Balance Sheet (in millions of dollars)

Identification code 99–4440–0–3–371		2000 actual	2001 actual	2002 est.	2003 est.
	ASSETS:				
1901	Underlying Mortgages	559,242	635,844	674,631	731,287
1999	Total assets	559,242	635,844	674,631	731,287
	LIABILITIES:				
2104	Resources payable	559,242	635,844	674,631	731,287
2999	Total liabilities	559,242	635,844	674,631	731,287

FARM CREDIT SYSTEM

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

CoBank, ACB is headquartered in Denver, Colorado and serves eligible cooperatives nationwide, and provides funding to Agricultural Credit Associations (ACAs) in one of its regions. CoBank, ACB is the only Agricultural Credit Bank in the Farm Credit System. 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 processing (including sugar and dairy). CoBank also makes loans to rural utilities, including telecommunications companies and it provides international loans for the financing of agricultural exports.

Status of Direct Loans (in millions of dollars)

Identification code 99–4130–0–3–351		2001 actual	2002 est.	2003 est.
1131	Direct loan obligations	63,879	50,000	50,000
1150	Total direct loan obligations	63,879	50,000	50,000

Agricultural Credit Bank—Continued

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

Identification code 99–4130–0–3–351		2001 actual	2002 est.	2003 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	19,270	19,588	20,333
1231	Disbursements: Direct loan disbursements	63,763	50,000	50,000
1251	Repayments: Repayments and prepayments	−63,359	−49,215	−49,136
1263	Write-offs for default: Direct loans	−86	−41	−41
1290	Outstanding, end of year	19,588	20,333	21,156

Statement of Operations (in millions of dollars)

Identification code 99–4130–0–3–351		2000 actual	2001 actual	2002 est.	2003 est.
0101	Total interest income	1,715	1,689	1,769	1,851
0102	Total interest expense	–1,323	–1,223	–1,280	–1,340
0105	Net income or loss (–)	392	466	489	511
0111	Other income	39	41	43	45
0112	Other expense	–257	–301	–306	–317
0115	Net income or loss (–)	–218	–260	–263	–272
0191	Total revenues	1,754	1,730	1,812	1,896
0192	Total expenses	–1,580	–1,524	–1,586	–1,657
0195	Total income or loss (–)	174	206	226	239
0199	Total comprehensive income	174	206	226	239

Balance Sheet (in millions of dollars)

Identification code 99–4130–0–3–351		2000 actual	2001 actual	2002 est.	2003 est.
	ASSETS:				
1201	Cash and investment securities	4,318	4,775	4,956	5,157
1206	Accrued interest receivable on loans	203	174	181	188
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	19,270	19,588	20,333	21,155
1603	Allowance for estimated uncollectible loans and interest (–)	–321	–324	–336	–350
1699	Value of assets related to direct loans	18,949	19,264	19,997	20,805
1803	Property, plant and equipment, net	167	450	443	480
1999	Total assets	23,637	24,663	25,577	26,630
	LIABILITIES:				
2104	Resources payable	301	363	375	395
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	20,971	21,275	22,083	22,977
2201	Notes payable and other interest-bearing liabilities	302	604	627	652
2202	Accrued interest payable	310	222	231	240
2999	Total liabilities	21,884	22,464	23,316	24,264
	NET POSITION:				
3300	Cumulative results of operations	1,753	2,199	2,260	2,366
3999	Total net position	1,753	2,199	2,260	2,366
4999	Total liabilities and net position	23,637	24,663	25,576	26,630

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

99–4130	2000 actual	2001 actual	2002 est.	2003 est.
Beginning balance of net worth	1,660	1,753	2,199	2,260
Capital stock and participations issued		300		
Capital stock and participations retired	–53	–58	–73	–44
Net income	174	207	226	240
Cash/Dividends/Patronage Distributions	–36	–47	–80	–80
Other, net	8	45	–12	–10
Ending balance of net worth	1,753	2,199	2,260	2,366

Financing Activities (in millions of dollars)

99–4130	2000 actual	2001 actual	2002 est.	2003 est.
Beginning balance of outstanding system obligations	19,468	20,971	21,275	22,083
Consolidated systemwide and other bank bonds issued	6,155	7,038	7,000	7,000
Consolidated systemwide and other bank bonds retired	–3,859	–6,897	–6,392	–6,306
Consolidated systemwide notes, net	–792	162	200	200
Ending balance of outstanding system obligations	20,971	21,275	22,083	22,977

Farm Credit Banks

Status of Direct Loans (in millions of dollars)

Identification code 99–4160–0–3–371		2001 actual	2002 est.	2003 est.
1131	Direct loan obligations	73,564	64,728	58,775
1150	Total direct loan obligations	73,564	64,728	58,775
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	46,693	52,445	55,011
1231	Disbursements: Direct loan disbursements	73,483	64,676	58,735
1251	Repayments: Repayments and prepayments	−67,724	−62,110	−56,258
1264	Write-offs for default: Other adjustments, net	−7		
1290	Outstanding, end of year	52,445	55,011	57,488

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, 2001 provided funds to 21 Federal Land Credit Associations (FLCA), 13 Production Credit Associations (PCAs), and 81 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. 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		2000 actual	2001 actual	2002 est.	2003 est.
0101	Total interest income	3,610	3,631	3,220	3,471
0102	Total interest expense	–3,037	–3,076	–2,737	–3,005
0105	Net income or loss (–)	573	555	483	466
0111	Other income	61	79	46	44
0112	Other expenses	–233	–225	–210	–192
0115	Net income or loss (–)	–172	–146	–164	–148
0191	Total revenues	3,671	3,710	3,266	3,515
0192	Total expenses	–3,270	–3,301	–2,947	–3,197
0195	Total income or loss (–)	401	409	319	318
0199	Total comprehensive income	401	409	319	318

Balance Sheet (in millions of dollars)

Identification code 99–4160–0–3–371		2000 actual	2001 actual	2002 est.	2003 est.
	ASSETS:				
1201	Cash and investment securities	9,978	10,431	10,829	11,250
1206	Accrued Interest Receivable	770	677	708	738
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	46,693	52,446	55,451	58,363
1603	Allowance for estimated uncollectible loans and interest (–)	–244	–252	–258	–260
1699	Value of assets related to direct loans	46,449	52,194	55,193	58,103
1803	Property, plant and equipment, net	298	396	348	343
1999	Total assets	57,495	63,698	67,078	70,434
	LIABILITIES:				
2104	Resources payable	176	443	459	457
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	52,115	58,010	61,242	64,410
2201	Notes payable and other interest-bearing liabilities	313	360	365	421
2202	Accrued interest payable	514	447	452	475
2999	Total liabilities	53,118	59,260	62,518	65,763
	NET POSITION:				
3300	Cumulative results of operations	4,377	4,437	4,559	4,671
3999	Total net position	4,377	4,437	4,559	4,671
4999	Total liabilities and net position	57,495	63,697	67,077	70,434

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

99–4160	2000 actual	2001 actual	2002 est.	2003 est.
Beginning balance of net worth	4,423	4,377	4.437	4,559
Capital stock and participations issued	153	93	106	85
Capital stock and participations retired	–241	–142	–81	–71
Surplus Retired	....	–9	....	....
Net income	401	409	320	317
Cash/Dividends/Patronage Distributions	–268	–289	–218	–218
Other, net	–92	–1	–5	–1
Ending balance of net worth	4,377	4,437	4,559	4,671

Financing Activities (in millions of dollars)

99–4160	2000 actual	2001 actual	2002 est.	2003 est.
Beginning balance of outstanding system obligations	50,082	52,115	58,010	61,245
Consolidated systemwide and other bank bonds issued	29,024	38,723	39,252	39,706
Consolidated systemwide and other bank bonds retired	–30,817	–34,342	–36,735	–36,839
Consolidated systemwide notes, net	3,825	1,514	718	306
Ending balance of outstanding system obligations	52,115	58,010	61,245	64,418

Federal Agricultural Mortgage Corporation
(Farmer Mac)

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 United States Department of Agriculture (USDA). The Farmer Mac title was further amended in 1991 to clarify Farmer Mac's authority to issue debt obligations, provide for the establishment of minimum capital standards, 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 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.

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.

As of September 30, 2001, Farmer Mac's total capital exceeded statutory requirements. In May of 2001 FCA published a final rule for risk based regulatory capital that allows for a one-year grace period before implementation. Therefore, as of May 2002, Farmer Mac must maintain risk-based regulatory capital as provided in 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 determines that an adequate loss reserve has been funded to back Farmer Mac guarantees.

(FARMER MAC)—Continued

GUARANTEES

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

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

REGULATION

Farmer Mac is federally regulated by the FCA's Office of Secondary Market Oversight (OSMO). OSMO is responsible for the supervision, examination of and rulemaking for Farmer Mac.

Status of Guaranteed Loans (in millions of dollars)

Identification code 99–4180–0–3–351		2001 actual	2002 est.	2003 est.
2131	Guaranteed loan commitments	2,597	2,306	1,000
2150	Total guaranteed loan commitments	2,597	2,306	1,000
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	3,318	4,894	6,000
2231	Disbursements of new guaranteed loans	2,597	2,306	1,000
2251	Repayments and prepayments	− 1,021	− 1,200	− 1,000
2290	Outstanding, end of year	4,894	6,000	6,000
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	4,894	6,000	6,000

Statement of Operations (in millions of dollars)

Identification code 99–4180–0–3–351		2000 actual	2001 actual	2002 est.	2003 est.
	Revenue:				
0101	Net Interest Income	18	22	25	25
0101	Guarantee Fee Income	8	10	12	12
0101	Gain on Security Issuance	....	....	....	....
0102	Expense	–18	–23	–27	–27
0105	Net income or loss (–)	8	9	10	10
0199	Total comprehensive income	8	9	10	10

Balance Sheet (in millions of dollars)

Identification code 99–4180–0–3–351		2000 actual	2001 actual	2002 est.	2003 est.
	ASSETS:				
1201	Investment in securities	853	853	853	853
1206	Receivables, net	3	4	4	4
1207	Advances and prepayments	15	18	18	18
	Net value of assets related to direct loans receivable:				
1401	Direct loans receivable, gross	1,598	1,998	2,198	2,198
1402	Interest receivable	37	46	55	55
1499	Net present value of assets related to direct loans	1,635	2,044	2,253	2,253
1801	Cash and other monetary assets	476	89	100	100
1999	Total assets	2,982	3,008	3,228	3,228
	LIABILITIES:				
2201	Accounts payable	4	6	7	7
2202	Interest payable	15	18	21	21
2203	Debt	2,861	2,870	3,074	3,064
2204	Liabilities for loan guarantees	7	9	11	11
2999	Total liabilities	2,887	2,903	3,113	3,103
	NET POSITION:				
3300	Invested capital	95	105	115	125
3999	Total net position	95	105	115	125
4999	Total liabilities and net position	2,982	3,008	3,228	3,228

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL HOME LOAN BANKS

Status of Direct Loans (in millions of dollars)

Identification code 99–4200–0–3–371		2001 actual	2002 est.	2003 est.
1131	Direct loan obligations	4,144,928	4,144,928	4,144,928
1150	Total direct loan obligations	4,144,928	4,144,928	4,144,928
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	444,505	489,413	489,413
1231	Disbursements: Direct loan disbursements	4,144,928	4,144,928	4,144,928
1251	Repayments: Repayments and prepayments	–4,100,020	–4,144,928	–4,144,928
1290	Outstanding, end of year	489,413	489,413	489,413

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 7,897 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 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, 2001 totaled approximately $467 billion, a net increase of approximately $37 billion from the September 30, 2000 level of $430 billion.

The principal source of funds for the lending operation is the sale of consolidated obligations to the public. On September 30, 2001, $611 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 $29 billion and total capital amounted to $33 billion as of September 30, 2001. 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 net income. The Act, as amended in 1999, 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 2002 and 2003 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	2000 actual	2001 actual	2002 est.	2003 est.
0101 Revenue	36,461	36,404	36,404	36,404
0102 Expense (includes payments to REFCORP)	–34,239	–34,312	–34,282	–34,282
0105 Net income or loss (–)	2,222	2,092	2,122	2,122

Balance Sheet (in millions of dollars)

Identification code 99–4200–0–3–371	2000 actual	2001 actual	2002 est.	2003 est.
ASSETS:				
Investments in US securities:				
1102 Treasury securities, net	232	206	206	206
1201 Investments in other securities, net	177,913	193,470	193,470	193,470
1206 Accounts receivable	10,583	3,248	3,248	3,248
1401 Net value of assets related to direct loans receivable: Direct loans receivable, gross	444,505	489,413	489,413	489,413
1801 Cash and other monetary assets	410	1,013	1,013	1,013
1803 Property, plant and equipment, net	119	126	126	126
1901 Other assets	204	3,712	3,712	3,712
1999 Total assets	633,966	691,188	691,188	691,188
LIABILITIES:				
2101 REFCORP and Affordable Housing Program	737	778	778	778
2201 Accounts payable	91	....	....	....
2202 Interest payable	11,016	5,538	5,538	5,538
2203 Debt	577,057	611,338	611,338	611,338
Other:				
2207 Deposit funds and other borrowings	869	10,839	10,839	10,839
2207 Other	13,617	29,571	29,571	29,571
2999 Total liabilities	603,387	658,064	658,064	658,064
NET POSITION:				
3100 Invested capital	30,579	33,124	33,124	33,124
3999 Total net position	30,579	33,124	33,124	33,124
4999 Total liabilities and net position	633,966	691,188	691,188	691,188