GOVERNMENT-SPONSORED ENTERPRISES

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

—The Student Loan Marketing Association (Sallie Mae) is a for-profit financial corporation chartered by the 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.

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

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

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

STUDENT LOAN MARKETING ASSOCIATION

STUDENT LOAN MARKETING ASSOCIATION

Status of Direct Loans (in millions of dollars)

Identification code 99–1500–0–3–502		2004 actual	2005 est.	2006 est.
1111	Limitation on direct loans			
1131	Direct loan obligations	10,219		
1150	Total direct loan obligations	10,219		
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	27,923		
1231	Disbursements: Direct loan disbursements	10,219		
	Repayments:			
1251	Repayments and prepayments	−3,173		
1252	Proceeds from loan asset sales or discounted	−34,833		
1290	Outstanding, end of year	136		

Note: Consistent with Government-wide practice for GSEs, information for 2005 and 2006 was not required to be collected.

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. Sallie Mae was reorganized in 1997 pursuant to the authority granted by the Student Loan Marketing Association Reorganization Act of 1996. Under the Reorganization Act, the GSE became a wholly owned subsidiary of SLM Corporation and was required to be wound down and liquidated by January 30, 2008. On June 30, 2004, SLM Corporation first purchased FFELP student loans through non-GSE affiliates and, as a result, the GSE was required by statute to terminate purchases of FFELP student loans. Accordingly, the GSE is no longer a source of liquidity for SLM Corporation for the purchase of student loans and the GSE-related financing activities have primarily consisted of refinancing the remainder of its assets through non-GSE sources. As of September 2004, SLM Corporation had substantially completed the wind down of the GSE and, on November 1, 2004, it sent notices to the Secretary of Education and the Secretary of the Treasury that it intended to wind down and dissolve the GSE on December 31, 2004, three years in advance of the statutory deadline. The dissolution was completed on December 29, 2004. All GSE debt that remains outstanding upon completion of these wind down activities will be defeased through the creation of a fully collateralized trust, consisting of cash and financial instruments backed by the full faith and credit of the U.S. Government with cash flows that provide for the interest and principal obligations of the defeased debt.

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:	2004 actual
Stafford:	
Purchased	7,152
Warehoused	65
PLUS/SLS: Purchased	1,238
Subtotal, Guaranteed student loans	8,455
Health processing loans: Purchased	0
Other	1,764
Total	10,219

Balance Sheet (in millions of dollars)

Identification code 99–1500–0–3–502		2003 actual	2004 actual
	ASSETS:		
	Investments in US securities:		
1102	Treasury securities, par	1,731	534
1106	Receivables, net	429	13
1201	Investments in other securities, net	1,408	4,001
1206	Receivables, net	29	6
1207	Advances and prepayments	9	
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601	Direct loans, gross	27,971	136
1603	Allowance for estimated uncollectible loans and interest (–)	–48	
1699	Value of assets related to direct loans	27,923	136
1801	Cash and other monetary assets	12	3
1901	Other assets	224	2
1999	Total assets	31,765	4,695
	LIABILITIES:		
2202	Interest payable	265	54

STUDENT LOAN MARKETING ASSOCIATION—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–1500–0–3–502	2003 actual	2004 actual
2203 Debt	26,821	2,058
2207 Other	2,331	834
2999 Total liabilities	29,417	2,946
NET POSITION:		
3300 Invested Capital	2,348	1,749
3999 Total net position	2,348	1,749
4999 Total liabilities and net position	31,765	4,695

FEDERAL NATIONAL MORTGAGE ASSOCIATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–2500–0–3–371	2004 actual	2005 est.	2006 est.
1131 Direct loan obligations			
1150 Total direct loan obligations			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year			
Disbursements:			
1231 Direct loan disbursements			
1232 Purchase of loans assets			
1251 Repayments: Repayments and prepayments			
1264 Write-offs for default: Other adjustments, net			
1290 Outstanding, end of year			

Note: Consistent with Government-wide practice for GSEs, information for 2005 and 2006 was not required to be collected.

The Federal National Mortgage Association (Fannie Mae) is a Government-sponsored enterprise (GSE) in the housing finance market. On September 10, 2003 and October 16, 2003, the Secretaries of the Departments of Housing and Urban Development and the Treasury announced a proposal to strengthen regulation of all the housing GSEs, including Fannie Mae.

As a housing GSE, Fannie Mae is a Federally-chartered, privately-owned company with a public mission to provide stability and to increase the liquidity of the residential mortgage market and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. 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.

Through a Federal charter, the 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 and debt issued by Fannie Mae are solely the corporation's obligations and are not backed by the full faith and credit of the U.S. Government. The common stock of the corporation is owned by the public, is fully transferable, and trades on the New York, Midwest, and Pacific stock exchanges.

Fannie Mae was established in 1938 to assist private markets in providing a steady supply of funds for housing. Fannie Mae was originally a subsidiary of the Reconstruction Finance Corporation and was permitted to purchase only loans insured by the Federal Housing Administration (FHA). In 1954, Fannie Mae was restructured as a mixed ownership (part government, part private) corporation. The 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, the Congress reaffirmed and clarified Fannie Mae's role in the housing finance system through charter act amendments included in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Act). Fannie Mae's charter purposes, as amended by the Act, are: "to provide stability in the secondary market for residential mortgages; respond appropriately to the private capital market; provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital for residential mortgage financing."

Balance Sheet (in millions of dollars)

Identification code 99–2500–0–3–371	2003 actual	2004 actual
ASSETS:		
1101 Fund balances		
Investments in US securities:		
1102 Treasury securities, par		
1104 Other		
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601 Direct loans (net of discount)		
1602 Federal Agencies		
1603 Allowance for estimated uncollectible loans and interest (–)		
1699 Value of assets related to direct loans		
1801 Cash and other monetary assets		
1803 Property, plant and equipment, net		
1999 Total assets		
LIABILITIES:		
2101 Accounts payable		
2102 Accrued interest payable		
2105 Other		
2203 Debt		
2204 Estimated liability for loan guarantees		
2206 Pension and other actuarial liabilities		
2207 Subtotal, Federal taxes payable		
2999 Total liabilities		
NET POSITION:		
3300 Cumulative results of operations		
3300 Change in Stockholder Equity		
3999 Total net position		
4999 Total liabilities and net position		

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–2501–0–3–371	2004 actual	2005 est.	2006 est.
1131 Direct loan obligations			
1150 Total direct loan obligations			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year			

1231	Disbursements: Direct loan disbursements			
1251	Repayments: Repayments and prepayments			
1290	Outstanding, end of year			

Note: Consistent with Government-wide practice for GSEs, information for 2005 and 2006 was not required to be collected.

According to accounting practices for private corporations, the mortgages in the pools of loans supporting the mortgage-backed securities are considered to be owned by the holders of these securities. Consequently, on the books of the Federal National Mortgage Association (Fannie Mae), these mortgages are not considered assets and the securities outstanding are not considered liabilities. However, the concepts of the budget of the U.S. Government consider these mortgages and mortgage-backed securities to be assets and liabilities, respectively, of Fannie Mae. For the purposes of this document, therefore, they are presented as assets and liabilities in the accompanying schedules. On the schedule of Status of Direct Loans for mortgage-backed securities, the items labeled "New loans" and "Recoveries: Repayments and prepayments" are budgetary terms. However, from Fannie Mae's perspective, these items are "Amounts issued" and "Amounts passed through to the holders of securities", respectively. Financial data for Fannie Mae is not presented here because Fannie Mae announced in December 2004 that it would have to restate financial results for 2001–2004.

Balance Sheet (in millions of dollars)

Identification code 99–2501–0–3–371		2003 actual	2004 actual
	ASSETS:		
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601	Direct loans, gross		
1603	Allowance for estimated uncollectible loans and interest (–)		
1699	Value of assets related to direct loans		
1999	Total assets		
	LIABILITIES:		
2104	Resources payable		
2999	Total liabilities		
4999	Total liabilities and net position		

FEDERAL HOME LOAN MORTGAGE CORPORATION

Portfolio Programs

Status of Direct Loans (in millions of dollars)

Identification code 99–4420–0–3–371		2004 actual	2005 est.	2006 est.
1131	Direct loan obligations			
1150	Total direct loan obligations			
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year			
1231	Disbursements: Direct loan disbursements			
1251	Repayments: Repayments and prepayments			
1290	Outstanding, end of year			

Note: Consistent with Government-wide practice for GSEs, information for 2005 and 2006 was not required to be collected.

The Federal Home Loan Mortgage Corporation (Freddie Mac) is a Government-sponsored enterprise (GSE) in the housing finance market. On September 10, 2003 and October 16, 2003, the Secretaries of the Departments of Housing and Urban Development and the Treasury announced a proposal to strengthen regulation of all the housing GSEs, including Freddie Mac.

As a housing GSE, Freddie Mac is a Federally-charted, shareholder-owned, private company with a public mission to provide stability and increase the liquidity of the residential mortgage market, and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. 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.

Through a Federal charter, the 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 its debt and mortgage securities from Securities and Exchange Commission registration requirements. An additional advantage is that the Secretary of the Treasury may purchase and hold up to $2.25 billion of securities issued by Freddie Mac under terms and conditions and at prices determined by the Secretary to be appropriate. Securities guaranteed and debt issued by Freddie Mac are explicitly not backed by the full faith and credit of the U.S. Government. The common stock of the corporation is owned by private shareholders is fully transferable, and trades on the New York and Pacific stock exchanges.

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

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

While financial data for 2003 is presented here, Freddie Mac announced on November 1, 2004 that it would not report full-year audited 2004 results until March 31, 2005.

Balance Sheet (in millions of dollars)

Identification code 99–4420–0–3–371		2003 actual	2004 actual
	ASSETS:		
	Investments in US securities:		
1102	Treasury securities, par		
1201	Investments in other securities, net	116,837	
1206	Receivables, net	9,987	
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601	Direct loans, gross	661,157	
1603	Allowance for estimated uncollectible loans and interest (–)	–183	
1699	Value of assets related to direct loans	660,974	
1801	Cash and other monetary assets	27,740	
1803	Property, plant and equipment, net	569	
1901	Other assets	20,606	
1999	Total assets	836,713	
	LIABILITIES:		
2101	Accounts payable	6	
2202	Interest payable	5,352	
2203	Debt	757,004	
2207	Other	42,207	
2999	Total liabilities	804,569	

PORTFOLIO PROGRAMS—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–4420–0–3–371	2003 actual	2004 actual
NET POSITION:		
3100 Appropriated capital	32,144	
3999 Total net position	32,144	
4999 Total liabilities and net position	836,713	

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–4440–0–3–371	2004 actual	2005 est.	2006 est.
1111 Limitation on direct loans			
1131 Direct loan obligations			
1150 Total direct loan obligations			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year			
1231 Disbursements: Direct loan disbursements			
1251 Repayments: Repayments and prepayments			
1290 Outstanding, end of year			

Note: Consistent with Government-wide practice for GSEs, information for 2005 and 2006 was not required to be collected.

Balance Sheet (in millions of dollars)

Identification code 99–4440–0–3–371	2003 actual	2004 actual
ASSETS:		
1901 Underlying Mortgages		
1999 Total assets		
LIABILITIES:		
2104 Resources payable		
2999 Total liabilities		

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL HOME LOAN BANKS

Status of Direct Loans (in millions of dollars)

Identification code 99–4200–0–3–371	2004 actual	2005 est.	2006 est.
1111 Limitation on direct loans			
1131 Direct loan obligations			
1150 Total direct loan obligations			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year			
1231 Disbursements: Direct loan disbursements			
1251 Repayments: Repayments and prepayments			
1264 Write-offs for default: Other adjustments, net			
1290 Outstanding, end of year			

Note: Consistent with Government-wide practice for GSEs, information for 2005 and 2006 was not required to be collected.

The Federal Home Loan Bank System is a Government-sponsored enterprise (GSE) in the housing finance market. On September 10, 2003 and October 16, 2003, the Secretaries of the Departments of Housing and Urban Development and the Treasury announced a proposal to strengthen regulation of all the housing GSEs, including the Federal Home Loan Bank System.

The Federal Home Loan Banks were chartered by the Federal Home Loan Bank Board under the authority of the Federal Home Loan Bank Act of 1932 (Act). The 12 Federal Home Loan Banks (FHLBanks) are under the supervision of the Federal Housing Finance Board (FHFB). The common mission of FHLBanks is to facilitate the extension of credit through their members. To accomplish this mission, FHLBanks make loans, called advances, and provide other credit products and services to their 8,122 member commercial banks, savings associations, insurance companies, and credit unions. Advances and letters of credit must be fully secured by eligible collateral and long-term advances may be made only for the purpose of providing funds for residential housing finance. However, "community financial institutions" may also use long-term advances to finance small businesses, small farms, and small agribusinesses. Additionally, specialized advance programs provide funds for community reinvestment and affordable housing programs. All regulated financial depositories and insurance companies engaged in residential housing finance are eligible for membership. Each FHLBank operates in a geographic district designated by the Board and together FHLBanks cover all of the United States, as well as the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

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

The capital stock of the Federal Home Loan Banks is owned entirely by the members. Initially the U.S. Government purchased stock of the banks in the amount of $125 million. The banks had repurchased the Government's investment in full by mid-1951.

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

In 2002, the Administration requested all GSEs, including FHLBanks, to voluntarily register their equity securities with the Securities and Exchange Commission (SEC). This voluntary registration is part of the Administration's efforts to have GSEs undergo the same scrutiny process as other corporate enterprises. While FHLBanks have still not registered with SEC, FHFB adopted a rule on June 23, 2004 that will require each FHLBank to register a class of its stock by June 30, 2005. (Freddie Mac similarly has failed to commence registration with SEC, in spite of its prior commitment to do so. Fannie Mae registered with the SEC effective March 31, 2003.)

Financial data for the Federal Home Loan Banks (FHLBs) is not presented here because the FHLBs announced through their Office of Finance in December 2004 that the consolidated financial statements for the FHLBs for 2002 and 2003, and the first two quarters of 2004 will need to be restated.

Balance Sheet (in millions of dollars)

Identification code 99–4200–0–3–371	2003 actual	2004 actual
ASSETS:		
Investments in US securities:		
1102 Treasury securities, net		
1201 Investments in other securities, net		
1206 Accounts receivable		
1401 Net value of assets related to direct loans receivable: Direct loans receivable, gross		
1801 Cash and other monetary assets		

1803	Property, plant and equipment, net	....	....
1901	Other assets	....	....
1999	Total assets	....	....
	LIABILITIES:		
2101	REFCORP and Affordable Housing Program	....	....
2202	Interest payable	....	....
2203	Debt	....	....
2207	Deposit funds and other borrowings	....	....
2207	Other	....	....
2999	Total liabilities	....	....
	NET POSITION:		
3100	Invested capital	....	....
3999	Total net position	....	....
4999	Total liabilities and net position	....	....

FARM CREDIT SYSTEM

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

Agricultural Credit Bank

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

Status of Direct Loans (in millions of dollars)

Identification code 99–4130–0–3–351		2004 actual	2005 est.	2006 est.
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations	70,969	71,000	72,000
1150	Total direct loan obligations	70,969	71,000	72,000
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	23,463	23,270	24,433
1231	Disbursements: Direct loan disbursements	70,928	71,000	72,000
1251	Repayments: Repayments and prepayments	−71,071	−69,794	−69,638
1263	Write-offs for default: Direct loans	−50	−43	−35
1290	Outstanding, end of year	23,270	24,433	26,760

Balance Sheet (in millions of dollars)

Identification code 99–4130–0–3–351		2003 actual	2004 actual
	ASSETS:		
1201	Cash and investment securities	5,916	6,877
1206	Accrued interest receivable on loans	112	117
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601	Direct loans, gross	23,463	23,269
1603	Allowance for estimated uncollectible loans and interest (–)	–435	–431
1699	Value of assets related to direct loans	23,028	22,838
1803	Property, plant and equipment, net	428	196
1999	Total assets	29,484	30,028
	LIABILITIES:		
2104	Resources payable	309	388
2201	Consolidated systemwide and other bank bonds	25,448	26,040
2201	Notes payable and other interest-bearing liabilities	1,003	586
2202	Accrued interest payable	132	144
2999	Total liabilities	26,892	27,158
	NET POSITION:		
3300	Cumulative results of operations	2,592	2,870
3999	Total net position	2,592	2,870
4999	Total liabilities and net position	29,484	30,028

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

99–4130	2003 actual	2004 actual	2005 est.	2006 est.
Beginning balance of net worth	2,286,988	2,591,868	2,869,656	2,927,970
Capital stock and participations issued	229,149	200,063	98	149
Capital stock and participations retired	102,255	76,829	101,182	106,400
Net income	256,453	277,865	282,197	287,881
Cash/Dividends/Patronage Distributions	–92,275	–105,608	–122,799	–125,000
Other, net	13,808	–17,703	....	....
Ending balance of net worth	2,591,868	2,869,656	2,927,970	2,984,600

Financing Activities (in thousands of dollars)

99–4130	2003 actual	2004 actual	2005 est.	2006 est.
Beginning balance of outstanding system obligations	22,512,882	25,448,279	26,040,303	27,342,318
Consolidated systemwide and other bank bonds issued	13,957,965	8,010,499	8,500,000	10,000,000
Consolidated systemwide and other bank bonds retired	8,973,747	6,707,741	7,297,985	7,495,970
Consolidated systemwide notes, net	–1,756,495	–597,642	100,000	100,000
Other (Net)	–292,326	–113,092	....	....
Ending balance of outstanding system obligations	25,448,279	26,040,303	27,342,318	29,946,348

Farm Credit Banks

Status of Direct Loans (in millions of dollars)

Identification code 99–4160–0–3–371		2004 actual	2005 est.	2006 est.
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations	79,858	75,715	78,775
1150	Total direct loan obligations	79,858	75,715	78,775
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	58,353	60,762	63,747
1231	Disbursements: Direct loan disbursements	79,846	79,433	82,700
1251	Repayments: Repayments and prepayments	−77,431	−76,448	−79,651

FARM CREDIT BANKS—Continued

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

Identification code 99–4160–0–3–371	2004 actual	2005 est.	2006 est.
1264 Write-offs for default: Other adjustments, net	−6		
1290 Outstanding, end of year	60,762	63,747	66,796

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

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

FCBs serve as discount banks and as of October 1, 2004 provided funds to 11 Federal Land Credit Associations (FLCA) and 81 Agricultural Credit Associations (ACAs). These direct lender associations, in turn, make short-term production loans and long-term real estate loans to eligible farmers and ranchers. FCBs can also lend to local financing institutions, including commercial banks, as authorized by the Farm Credit Act of 1971, as amended.

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

Balance Sheet (in millions of dollars)

Identification code 99–4160–0–3–371	2003 actual	2004 actual
ASSETS:		
1201 Cash and investment securities	13,931	15,576
1206 Accrued Interest Receivable	382	418
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:		
1601 Direct loans, gross	58,353	60,762
1603 Allowance for estimated uncollectible loans and interest (–)	–151	–130
1699 Value of assets related to direct loans	58,202	60,632
1803 Property, plant and equipment, net	408	329
1999 Total assets	72,923	76,955
LIABILITIES:		
2104 Resources payable	335	235
2201 Consolidated systemwide and other bank bonds	67,640	71,078
2201 Notes payable and other interest-bearing liabilities	409	734
2202 Accrued interest payable	355	388
2999 Total liabilities	68,739	72,435
NET POSITION:		
3300 Cumulative results of operations	4,184	4,520
3999 Total net position	4,184	4,520
4999 Total liabilities and net position	72,923	76,955

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

99–4160	2003 actual	2004 actual	2005 est.	2006 est.
Beginning balance of net worth	3,750,211	4,183,851	4,520,633	4,776,205
Capital stock and participations issued	517,671	431,832	30,193	31,313
Capital stock and participations retired	186,310	169,946	123	
Surplus Retired	963	–276		
Net income	351,895	389,137	416,099	441,115
Cash/Dividends/Patronage Distributions	–353,902	–313,854	–230,290	–250,512
Other, net	105,249	–663	39,693	5,735
Ending balance of net worth	4,183,851	4,520,633	4,776,205	5,003,856

Financing Activities (in thousands of dollars)

99–4160	2003 actual	2004 actual	2005 est.	2006 est.
Beginning balance of outstanding system obligations	53,785,021	67,415,911	71,047,982	75,137,321
Consolidated systemwide and other bank bonds issued	55,508,867	32,343,885	42,086,804	46,658,492
Consolidated systemwide and other bank bonds retired	37,369,535	29,918,782	38,422,430	44,159,009
Consolidated systemwide notes, net	–4,283,442	985,180	424,965	324,000
Ending balance of outstanding system obligations	67,415,911	71,077,982	75,137,321	77,960,804

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

(FARMER MAC)

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

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

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

Financing

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

As of September 30, 2004, Farmer Mac's core capital exceeded statutory requirements. Additionally, Farmer Mac's regulatory capital (core capital plus the allowance for loan loses) exceeded the amount of required regulatory capital as determined by the risk-based capital rule, with which Farmer Mac was required to be in compliance on May 23, 2002.

Guarantees

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

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

Regulation

Farmer Mac is Federally regulated by FCA'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		2004 actual	2005 est.	2006 est.
2111	Limitation on guaranteed loans			
2131	Guaranteed loan commitments	830		
2150	Total guaranteed loan commitments	830		
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	5,642	5,549	5,549
2231	Disbursements of new guaranteed loans	830		
2251	Repayments and prepayments	−923		
2290	Outstanding, end of year	5,549	5,549	5,549
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	830		

Balance Sheet (in millions of dollars)

Identification code 99–4180–0–3–351		2003 actual	2004 actual
	ASSETS:		
1201	Investment in securities	1,083	949
1206	Receivables, net	39	54
1207	Advances and prepayments	18	
	Net value of assets related to direct loans receivable:		
1401	Direct loans receivable, gross	2,501	2,244
1402	Interest receivable	42	38
1499	Net present value of assets related to direct loans	2,543	2,282
1801	Cash and other monetary assets	513	500
1999	Total assets	4,196	3,785
	LIABILITIES:		
2201	Accounts payable	98	75
2202	Interest payable	30	26
2203	Debt	3,838	3,424
2204	Liabilities for loan guarantees	26	32
2999	Total liabilities	3,992	3,557
	NET POSITION:		
3300	Invested capital	204	228
3999	Total net position	204	228
4999	Total liabilities and net position	4,196	3,785