

MORTGAGE MARKETS  
AND  
THE ENTERPRISES  
IN 2004

August 2005

## **Preface**

This Office of Federal Housing Enterprise Oversight (OFHEO) research paper reviews developments in the housing sector and the primary mortgage market, the secondary market activity of Fannie Mae and Freddie Mac, and the financial performance of the Enterprises in 2004. An appendix provides tables with historical data on the activities and performance of Fannie Mae and Freddie Mac, federally-established loan limits, mortgage interest rates, housing activity, and regional and national home prices, which provide a context for the survey of recent activity provided in the paper. The paper is part of OFHEO's ongoing effort to enhance public understanding of the nation's housing finance system.

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# **MORTGAGE MARKETS AND THE ENTERPRISES IN 2004**

## **SUMMARY**

The U.S. economy grew at a more moderate pace of 3.9 percent (measured fourth quarter to fourth quarter) in 2004. That growth is compared with a 4.4 percent rate of growth the year before. Labor market conditions improved, with the unemployment rate declining to 5.4 percent, the lowest since October 2001.

The Federal Reserve adopted a less accommodative stance in mid-2004 and raised the Federal Funds target rate for the first time since 2000. Short-term interest rates increased as a consequence, but longer-term rates remained relatively stable and mortgage interest rates continued to be low. Commitment rates on 30-year fixed-rate mortgages rose in early-2004 but, for the year, averaged just one basis point above their average in 2003. Housing starts and home sales set new records, whereas mortgage originations fell sharply as refinancing activity dropped off. House prices rose at a much faster pace in 2004 and helped to lift consumer spending, as cash-out refinancing continued to be popular. On the whole, the housing sector remained strong in 2004 and continued to prop up the U.S. economy.

Both Fannie Mae and Freddie Mac were beset with accounting and related internal issues in 2004. On December 21, 2004, following an investigation by OFHEO and a review by the Securities and Exchange Commission (SEC) of certain accounting practices at Fannie Mae, OFHEO found the Enterprise to be significantly undercapitalized under its capital standards as of September 30<sup>th</sup>; Fannie Mae's minimum capital requirement exceeded its core capital by \$2.98 billion. Subsequently, OFHEO directed Fannie Mae to implement a Capital Restoration Plan to bring its core capital into compliance with the minimum capital requirement plus a targeted surplus of 30 percent over that required level, as of September 30, 2005. Fannie Mae addressed the shortfall in December by issuing \$5 billion in preferred stock. However, that was not sufficient for OFHEO to change the Enterprise's capital classification at year-end 2004. Freddie Mac was adequately capitalized throughout 2004.

In addition to internal difficulties at the Enterprises, changes in the mortgage markets reduced growth opportunities for Fannie Mae and Freddie Mac in 2004. New business volume declined sharply at both Enterprises compared to the previous year. In addition, each Enterprise grew its portfolio at the lowest rate in well over a decade. Nevertheless, underlying business fundamentals of both Fannie Mae and Freddie Mac remained sound in 2004.

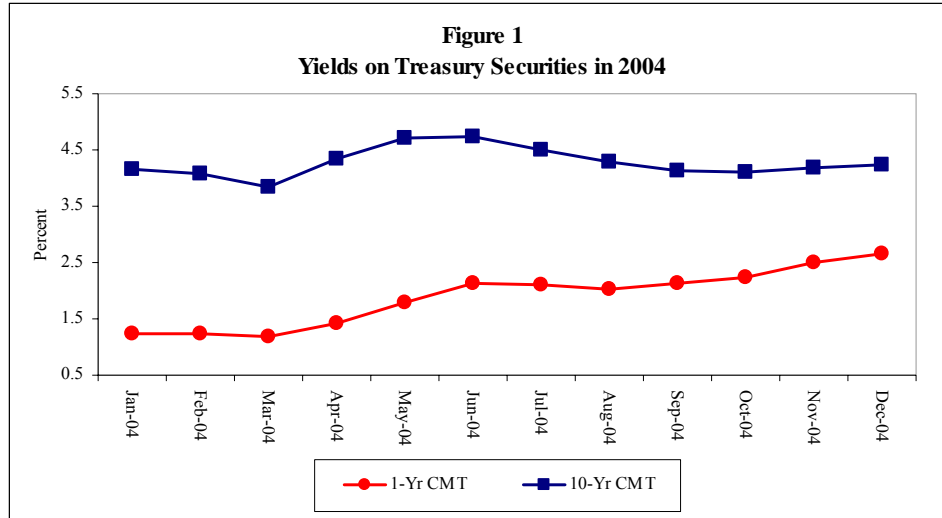
## **HOUSING AND PRIMARY MORTGAGE MARKET DEVELOPMENTS**

### **Economy Continues on Road to Recovery**

The economy continued to expand in 2004, making solid gains in output, employment, and income. Real gross domestic product (GDP) grew a solid, albeit more moderate, 3.9 percent, despite rising energy prices and declining net exports. Labor market conditions improved, with employers adding more than 2 million jobs during the year. The unemployment rate, which stood at 6.3 percent in June 2003, was 5.4 percent at the end of 2004, the lowest level since October 2001. Inflation picked up noticeably in 2004 because of a continuing surge in energy prices, but core inflation (inflation excluding the direct effects of food and energy prices) remained generally low.

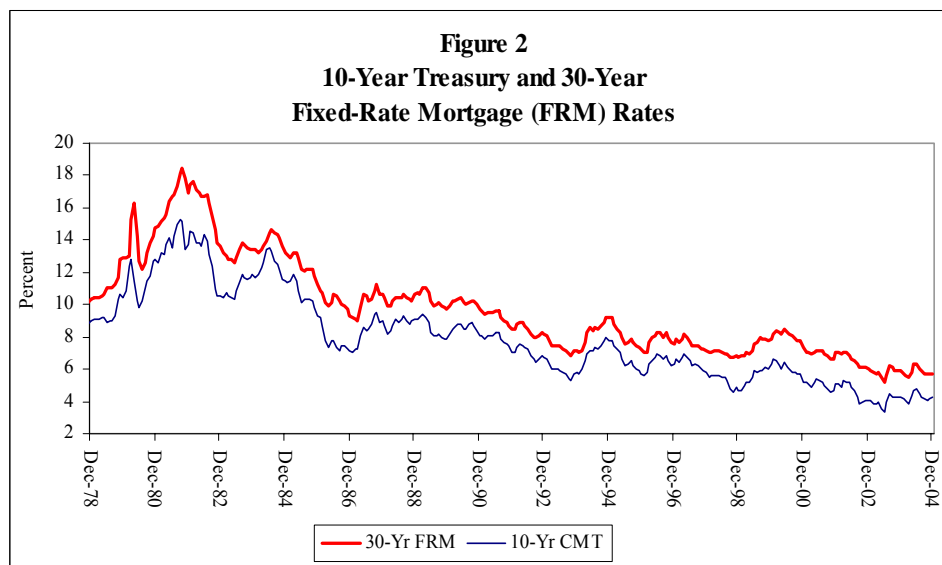
### **Federal Reserve Adopts More Neutral Stance; Mortgage Rates Remain Low**

The Federal Reserve, which had adopted an accommodative stance since the 2001 recession, began raising its target for the Federal Funds rate in mid-2004 at a very measured pace. That shift toward a more neutral stance was aimed at forestalling impending inflation. Between June and December, the Federal Reserve raised the Federal Funds target rate five times, resulting in an overall increase of 125 basis points, to 2.25 percent, the highest level since October 2001. Short-term interest rates began rising in the early part of the second quarter, in anticipation of the Federal Reserve's tightening. By the end of 2004, the yield on the 1-year Constant Maturity Treasury (CMT) was 2.7 percent, 150 basis points higher than at year-end 2003 and 60 basis points higher than the end of June, when the Federal Reserve first acted. However, after rising in the second quarter, long-term interest rates fell in the third quarter and were generally flat for the remainder of the year despite the Federal Reserve's tightening activity (Figure 1). The yield on the 10-year CMT was 4.6 percent on the day that the Federal Reserve first raised the Federal Funds target rate, and 4.2 percent at the end of the year. The different directions of the movements in short- and long-term interest rates caused the Treasury yield curve, which was steep at the start of 2004, to flatten in the second half of the year.

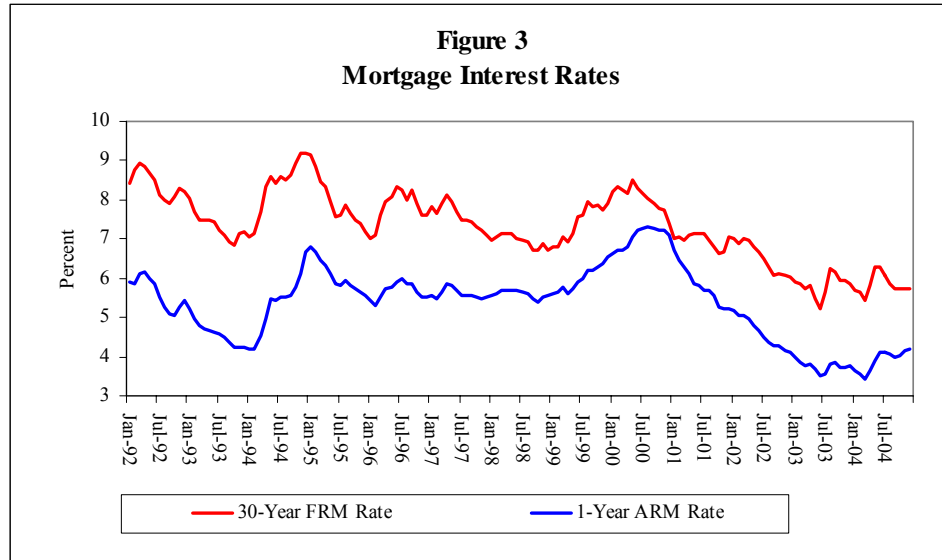


Source: Federal Reserve Board

Commitment rates on long-term fixed-rate mortgages (FRMs) typically follow the trend of long-term Treasury issues. Commitment rates on 30-year FRMs fell to a low of 5.5 percent in March before dramatically reversing course in the second quarter, rising to 6.3 percent in May and June. Thereafter, mortgage interest rates drifted downwards in the third quarter and were stable in the fourth. For the year, commitment rates on 30-year FRMs averaged 5.8 percent, basically unchanged from the year before (Figure 2). Commitment rates on adjustable-rate mortgages (ARMs) indexed to the 1-year Treasury rose from a low of 3.4 percent in March to 4.2 percent in November and December. Those rates averaged 3.9 percent for the year, up slightly from 3.8 percent in 2003 (Figure 3).



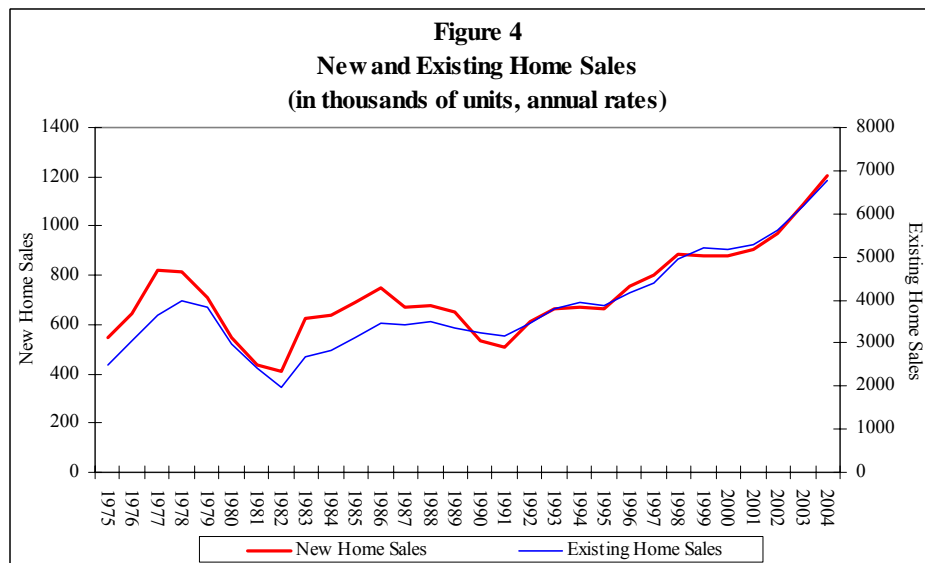
Sources: Federal Reserve System and Freddie Mac Primary Mortgage Market Survey



Source: Freddie Mac Primary Mortgage Market Survey

### Housing Activity Remains Strong

The strong economy and continued low mortgage rates led to record levels of housing activity in 2004. Approximately 1.65 million single-family (1-4) units were started, the highest volume recorded. Sales of new single-family homes rose for the fourth consecutive year to a record 1.2 millions units, up 10.8 percent from the prior year's record. Sales of existing single-family homes rose 9.7 percent to an all-time high of 6.8 million units. Collectively, sales of new and existing single-family homes exceeded the record set in 2003 by 9.9 percent (Figure 4). A surge in sales of second homes, investment properties, and vacation homes boosted home sales in 2004.



Sources: U.S. Bureau of the Census and National Association of Realtors



The market for multifamily (5+) units was not as strong in 2004. There were 303 thousand multifamily units started, 3.5 percent less than in 2003. The manufactured home market was the weakest component of the housing sector in 2004, as in recent years. According to data compiled by the Bureau of the Census, the number of new manufactured homes shipped in 2004 totaled 130,700, down slightly from the year before, which was the lowest level since 1962.

An increasing number of families became homeowners in 2004. According to the Bureau of the Census, the homeownership rate reached a record high of 69.2 percent in the fourth quarter, up from the record-setting 68.6 percent level reached one year earlier. Contributing to that gain was the proliferation of adjustable-rate and no-money-down mortgages, which enabled more borrowers to buy homes in 2004. The Bureau of the Census reported that the rental vacancy rate declined from 10.2 percent in the fourth quarter of 2003 to 10.0 percent one year later.

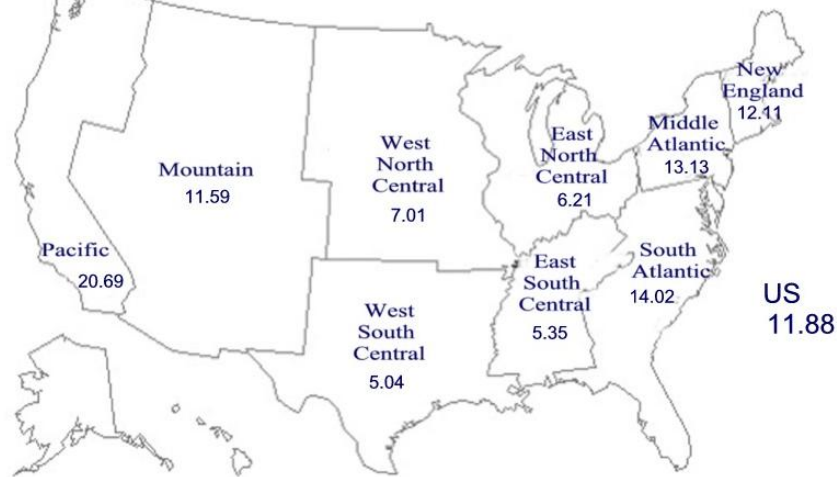
### **Strong Housing Demand and Continued Low Mortgage Rates Boost House Price Increases**

Home values continued to rise in 2004 at a more robust pace than in 2003. The average rate of increase in house prices, as measured by OFHEO's House Price Index,<sup>1</sup> reached double-digits for the first time since 1979. The average U.S. home price increase was 11.9 percent from the fourth quarter of 2003 to the fourth quarter of 2004, compared with 8.1 percent the year before. Regional differences in appreciation rates were pronounced (Figure 5). Five of the nine Census Divisions experienced double-digit rates of appreciation in 2004, compared to three the year before. The Pacific Census Division led the nation with an annual appreciation rate of 20.7 percent—almost twice the national average—followed by the South Atlantic Census Division (14.0 percent), the Middle Atlantic Census Division (13.1 percent), the New England Census Division (12.1 percent), and the Mountain Census Division (11.6 percent). The Mountain Census Division showed the strongest acceleration in appreciation, with more than double the rate of growth experienced in 2003. The Census Divisions at the low end of the appreciation spectrum all showed gains in excess of 5 percent, well above the rate of inflation in 2004. The fourth quarter of 2004 marked the 31st consecutive quarter in which prices in all nine Census Divisions appreciated. Over the past five years (2000-2004), U.S. home prices increased 50.3 percent.

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<sup>1</sup> The OFHEO house price index is based on analysis of data obtained from Fannie Mae and Freddie Mac from more than 29.7 million repeat transactions over the past 30 years. The house price index reflects price movements on a quarterly basis of sales or refinancings of single-family homes whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. OFHEO analyzes the combined mortgage record of these two government-sponsored enterprises, which form the nation's largest database of mortgage transactions.

**Figure 5**  
**One-Year Change in House Prices by Census Division**  
**Fourth Quarter 2003 to Fourth Quarter 2004**



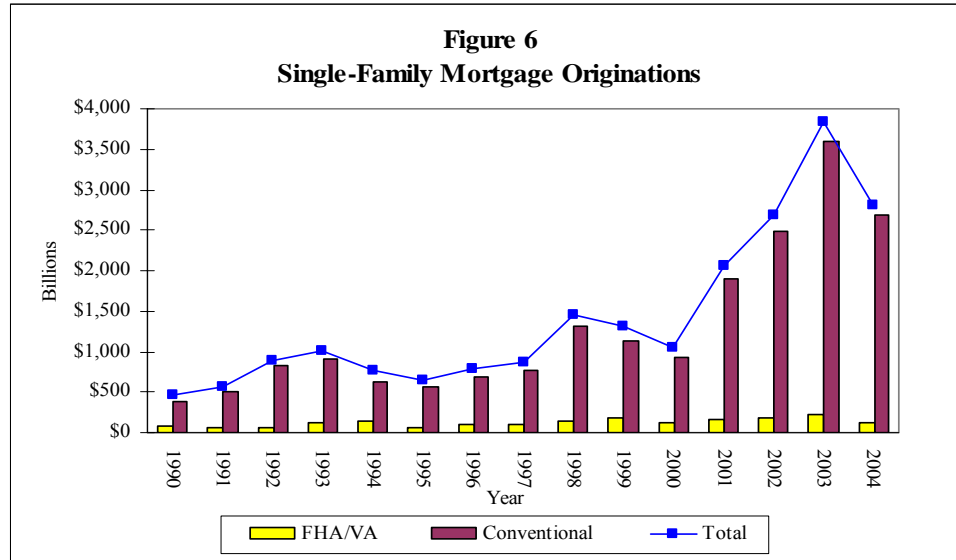
Housing affordability, as measured by the National Association of Realtors' (NAR) index,<sup>2</sup> decreased slightly in 2004 as the increase in home prices outpaced the increase in median family income. The NAR index was 132.6 in 2004 compared with 138.4 the year before. The index implies that one-half of the nation's households had at least 132.6 percent of the income needed to purchase a dwelling with the national annual median existing-home price in 2004 (\$184,100).

### **Single-Family Mortgage Originations Fall Sharply**

Whereas housing starts and sales set new records in 2004, originations of single-family mortgages fell sharply to \$2.8 trillion in 2004. That was 26.7 percent below the record level set in 2003, but still the second highest volume ever (Figure 6). Originations of single-family loans remained strong in 2004 because of continued generally low mortgage rates and a record volume of subprime lending. Originations surged in the second quarter and declined sharply in the third quarter, following the rise in mortgage rates in the second quarter. Production was flat in the final quarter of the year even though rates fell in the last half of the year.

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<sup>2</sup> This index measures affordability factors for all homebuyers making a 20 percent downpayment, with an index of 100 defined as the point where a median-income family has the exact amount of income needed to purchase a median-priced existing home.



Sources: Department of Housing and Urban Development and *Inside Mortgage Finance*

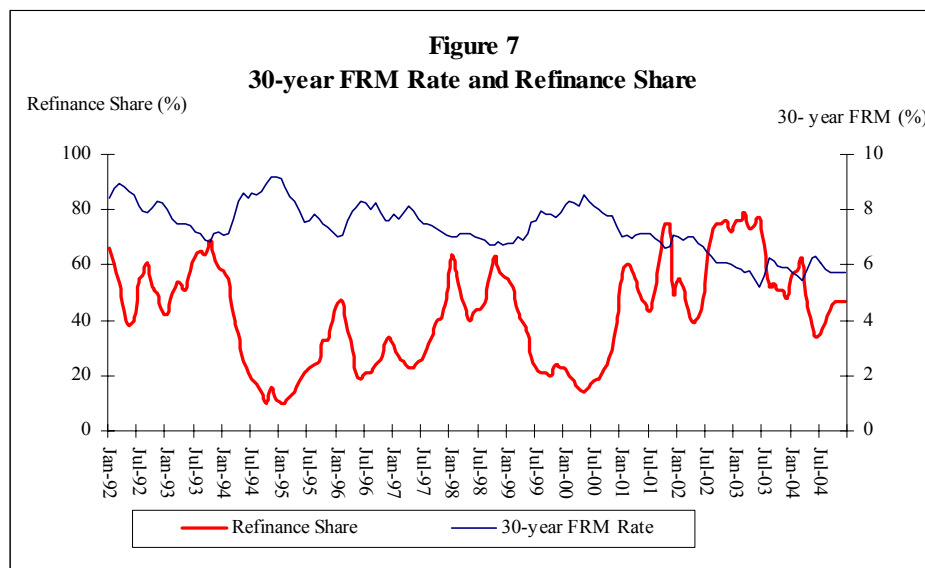
Originations of conventional single-family mortgages decreased 24 percent to \$2.7 trillion in 2004. Originations of loans insured by the Federal Housing Administration (FHA) and guaranteed by the Department of Veterans Affairs (VA) fell even more sharply to their lowest levels in years. FHA originations fell 43 percent in 2004, to \$93.7 billion, the lowest level since 2000. VA certifications decreased 47 percent, to \$35.3 billion, the lowest level since 2000 as well. The combined share of mortgages with FHA and VA backing, which had been on the decline since 2000, fell to less than 5.0 percent in 2004, the lowest level in decades. Net new insurance of conventional loans written by private mortgage insurers also fell in 2004, dropping 34.5 percent to a four-year low of \$263.8 billion.

Growth in the subprime market exceeded that in the primary mortgage market by a wide margin in 2004 and was a key driver behind one of the best years ever for originations. According to *Inside Mortgage Finance*, subprime originations increased 59.6 percent in 2004 to \$530 billion. Subprime loans accounted for some 18.9 percent of total single-family mortgages originated that year, compared with 8.7 percent the year before. The expansion of subprime lending provides access to credit to many borrowers who cannot obtain credit in the prime market.

While single-family mortgages originated declined sharply in 2004, so did prepayments. Thus, residential mortgage debt outstanding grew at a double-digit rate for the fourth consecutive year, by 13.4 percent to \$8.7 trillion, the highest annual rate of growth since 1986. At year's end, residential mortgage debt outstanding exceeded the nation's national debt. Households have shown a strong willingness to take on mortgage debt in recent years. Since the beginning of 2000, mortgage debt owed by households has grown almost 70 percent or \$3.1 trillion, to \$7.6 trillion. The increase in household mortgage debt is due to generally low mortgage rates and the rapid accumulation of equity in residential properties in recent years.

## End of Period of Declining Mortgage Rates Puts Break on Refinancings

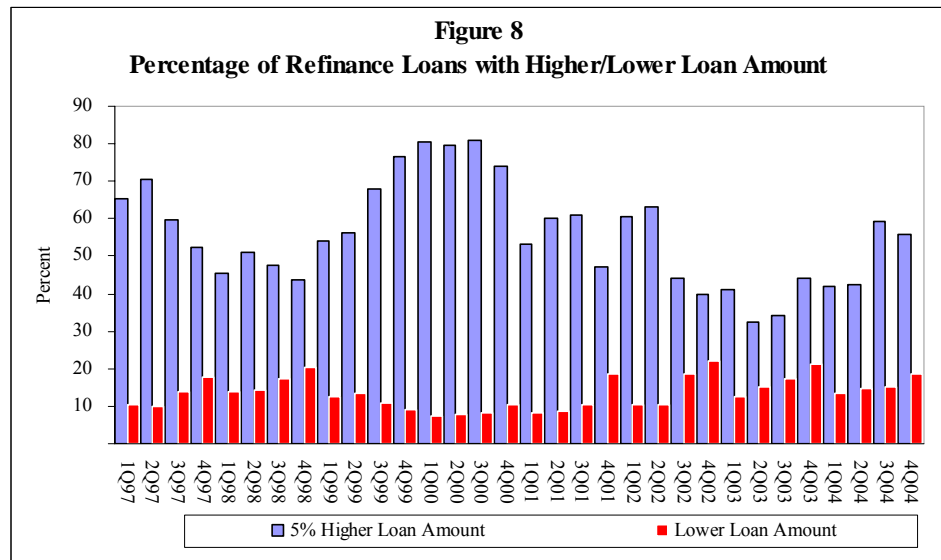
The relative stability of mortgage rates in 2004 led to a large drop in refinancing activity, which had surged in the previous three years as rates steadily declined. Refinance loans accounted for about 46 percent of originations in 2004, down from 65 percent the year before (Figure 7). According to Freddie Mac's Primary Mortgage Market Survey (PMMS), during 2004 the refinance share fell from 59 percent of single-family originations in the first quarter to 39 percent in the second and third quarters, following an up-tick in mortgage interest rates in the second quarter. Refinancings made a modest recovery in the fourth quarter following a decline in mortgage rates—rising to 47 percent—but fell short of the volume experienced earlier in the year.



Sources: Freddie Mac Primary Mortgage Market Survey

According to Freddie Mac's PMMS, about 46 percent of refinance mortgages had loan amounts at least 5 percent higher than the original loans, up from 36 percent in 2003 and down slightly from 47 percent in 2002 (Figure 8). The share of newly refinanced mortgage debt balances due to equity extraction through cash-out refinancing rose from 7.2 percent in 2003 to 13.1 percent in 2004. The latter was the highest share since the Enterprise began collecting data in 1993. The amount of equity cashed-out through the refinancing of prime, first-lien conventional mortgages totaled \$139.5 billion in 2004, down from \$146.9 billion the year before but higher than any other year since 1993. The principal balance of refinanced first-lien mortgages—inclusive of cash-out amounts, the consolidation of existing second mortgages or home equity lines of credit into the first lien, and origination costs that are financed—totaled \$181.9 billion in 2004, down from \$224.3 billion in 2003. In 2004, about 15 percent of refinanced mortgages had lower loan amounts, down from 16 percent in 2003 and 18 percent in 2002. Homeowners who refinanced in 2004 reduced their mortgage rates by 19 percent, on average, down from 26 percent in 2003 and 20 percent in 2002. The median age of loans refinanced increased from 1.8 years in 2003 to 2.1 years in 2004. The median price appreciation of the

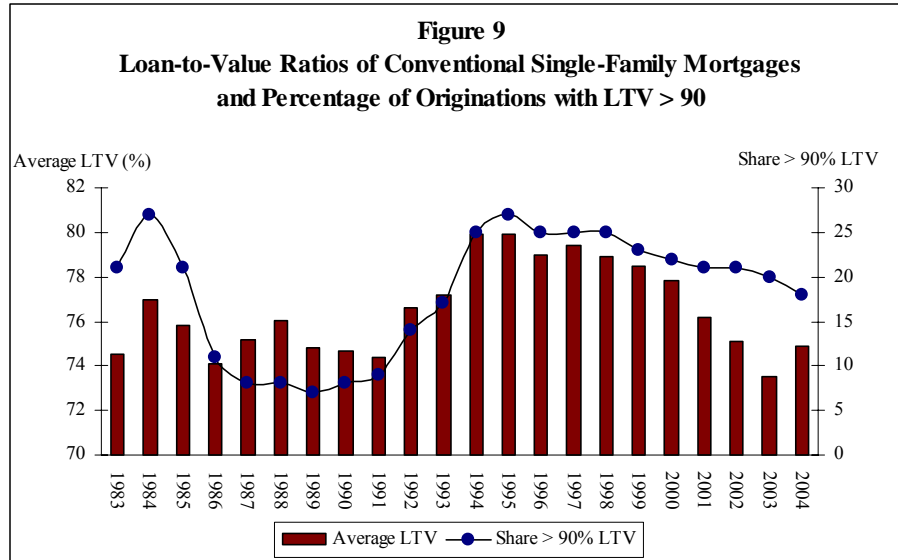
property from the time the original loan was made to the time it was refinanced increased from 5 percent in 2003 to 9 percent in 2004.



Source: Freddie Mac

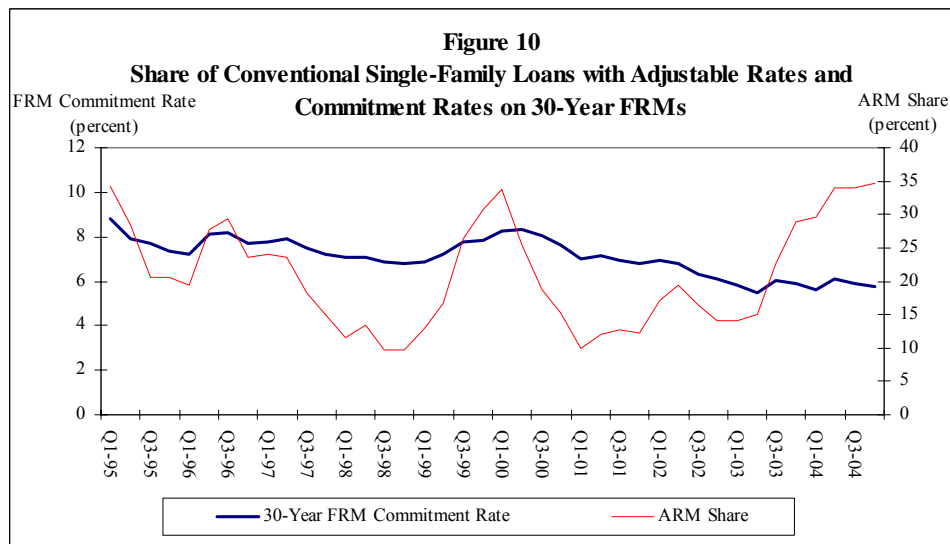
The Monthly Interest Rate Survey (MIRS) of the Federal Housing Finance Board, which tracks the terms of single-family, conventional, purchase-money originations, provides further information on the terms of newly originated mortgages. The survey also permits comparison of purchase-money loans with balances small enough to make them eligible for purchase by Fannie Mae and Freddie Mac (non-jumbo mortgages) and loans that have balances too large to make them eligible for purchase by the Enterprises (jumbo loans). According to MIRS, the non-jumbo share of total purchase-money originations, based on the number of loans, was 90 percent in 2004 compared to 93 percent the previous year. Based on the total dollar volume of loans, the non-jumbo share was 76 percent in 2004, down from 82 percent in 2003. The average non-jumbo loan increased 5.3 percent to \$155,155 in 2004, whereas the average jumbo loan increased 3.1 percent to \$470,557. The limit in 2004 for non-jumbo mortgages that financed one-unit single-family properties was \$333,700, up 3.4 percent from the limit in 2003.

According to MIRS, the average loan-to-value (LTV) ratio of single-family, conventional, purchase-money mortgages, which has declined steadily since reaching about 80 percent in 1994 and 1995, rose for the first time since 1997 to about 75 percent in 2004, up slightly from 74 percent in 2003 (Figure 9). The proportion of such loans with LTV ratios greater than 90 percent, which had peaked at 27 percent in 1984 and 1995, declined further in 2004, to 18 percent, the lowest level since 1993. Jumbo and non-jumbo loans had average LTV ratios of 77 and 75 percent, respectively, in 2004 compared to 76 and 73 percent, respectively, the year before.



Source: Federal Housing Finance Board Mortgage Interest Rate Survey

Whereas 2003 was a record year for refinancing activity, 2004 was a record year for ARM production. Despite the continued availability of long-term FRMs at rates generally below 6 percent, borrowers increasingly took out lower-cost ARMs in 2004. According to *Inside Mortgage Finance*, an estimated \$1.5 trillion of ARMs were originated in 2004. According to Freddie Mac’s PMMS, the ARM share of conventional single-family originations reached a high of 34 percent in 2004, up from 19 percent in 2003 and 17 percent in 2002 (Figure 10). The increase in ARM originations was driven by the continued popularity of hybrid ARMs and the increased demand for relatively new mortgage products such as interest-only ARMs. Hybrid ARMs have gained popularity over the last few years and dominated the ARM market in 2004 (Box A).



Source: Freddie Mac Primary Mortgage Market Survey

## **Box A**

### **The ARM Market in 2004**

Adjustable-rate mortgages (ARMs) first became popular in the early 1980s when interest rates were high and many borrowers could not afford to finance home purchases with fixed-rate loans. Since that time, ARMs have become a major financing alternative for homeowners. An ARM is a mortgage with an interest rate that is linked to an economic index, usually a short-term market yield. That rate—and monthly payments on the loan—are periodically adjusted up or down as the index fluctuates. Because borrowers assume the risk that interest rates (and their payments) will rise, lenders charge them a lower initial interest rate than on fixed-rate mortgages (FRMs). The lower initial rate is the primary reason for many borrowers to choose ARMs—it allows them to qualify for larger loans and buy higher-priced homes.

The market for ARMs flourished in 2004, despite historically low levels of long-term mortgage rates. According to Freddie Mac's Primary Mortgage Market Survey, ARMs accounted for 34 percent of single-family mortgages originated in 2004. That was the highest annual share since 1994, when the ARM share was 39 percent. The adjustable-rate share was highest in 1984, when ARMs accounted for upwards of 60 percent of originations.

ARMs tend to be popular when the yield curve is steep, and the yield curve continued to be steep in 2004, although some flattening occurred in the last half of the year (Figure A-1). In general, the wider the spread between rates on 30-year FRMs and ARMs, the higher the demand for ARMs. Conversely, when the spread between FRMs and ARMs narrows, the demand for ARMs falls. That was not exactly the case in 2004. The spread between FRMs and ARMs narrowed consistently during the last half of 2004, by approximately 80 basis points, yet the share of ARM originations was relatively constant during that period (Figure A-2).

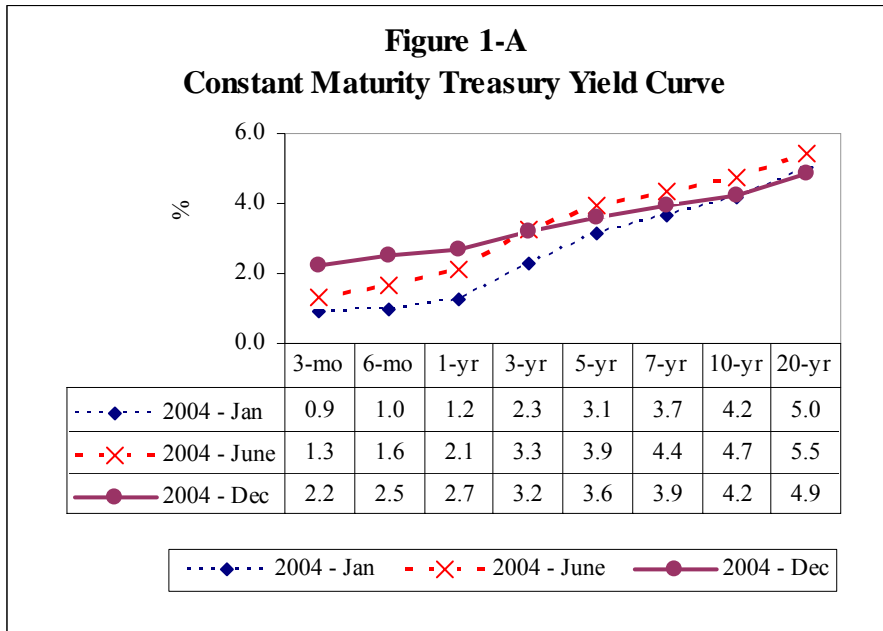
A number of factors contributed to the high demand for ARMs in 2004. First, with the rapid rise in home prices in recent years, borrowers have increasingly used ARMs in order to increase affordability, especially in areas where home prices are high. Second, whereas traditional ARMs—mortgages where the initial interest rate is fixed for less than three years—are still popular with borrowers, variants of those mortgages, including hybrid and interest-only (I/O) ARMs, have gained popularity because they provide borrowers with additional financing alternatives.

Hybrid ARMs blend the features of both fixed-rate and adjustable-rate mortgages. The hybrid structure has an initial fixed-rate period that ranges from three to 10 years (the initial reset period), after which the mortgage rate resets annually subject to periodic and lifetime rate caps and floors, as is the case for traditional ARMs. According to Freddie Mac, 5/1 hybrid ARMs accounted for an estimated 40 percent of ARMs originated in 2004. Hybrids are well suited for borrowers who expect to sell or refinance in less than 10 years and to mitigate the interest rate risk inherent in traditional ARMs. Those loans are also popular among first-time homeowners and young couples who are stretching to qualify for loans and aim to trade up to bigger homes in the near future, before the rates on their existing loans begin to adjust.

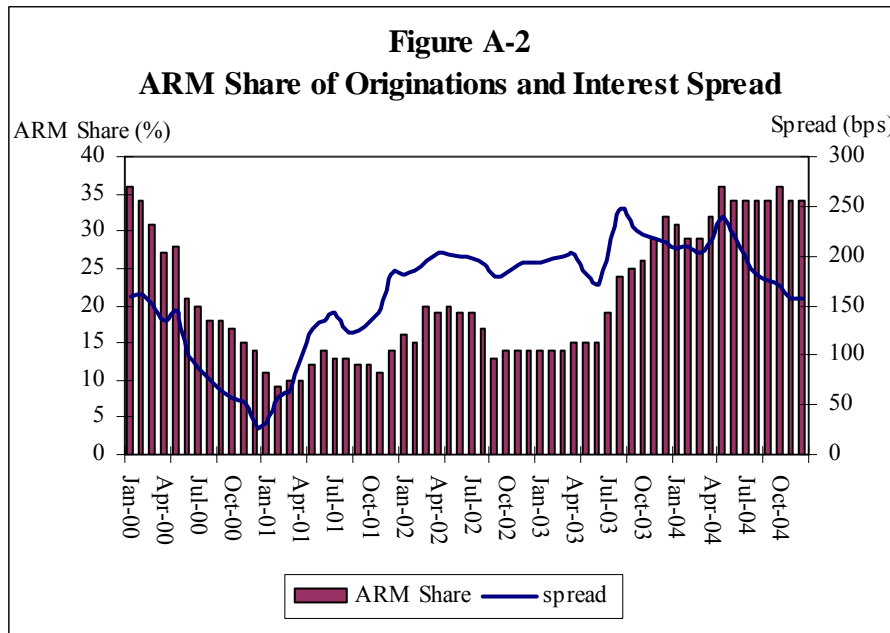
With I/O ARMs, the borrower makes only interest payments for a specified period, after which the monthly payment is adjusted so that the mortgage begins to amortize on a schedule that will take it to a zero balance at the end of the loan term. Borrowers in search of lower monthly payments to mitigate the effects of house price appreciation—which significantly outpaced income growth in 2004—were increasingly attracted to these mortgage products last year.

Another reason for the surge in ARM activity in 2004 was the increase in non-prime lending. Alt- A and subprime loans accounted for almost 20 percent of total single-family mortgages originated in 2004, and a large portion of those loans carried adjustable rates.

ARMs provide benefits to borrowers with a range of financing needs, but can be riskier than FRMs, particularly in a rising interest rate environment. For instance, if home prices fall as rates rise, some borrowers may wind up owing more than the value of their home. Even if the growth in home prices simply flattens or slows, some borrowers may be squeezed by rising mortgage payments. Upward adjustments to interest rates on ARMs and the corresponding increase in mortgage payments increase the probability of payment default, as borrowers may no longer be able to afford the new higher mortgage payments.



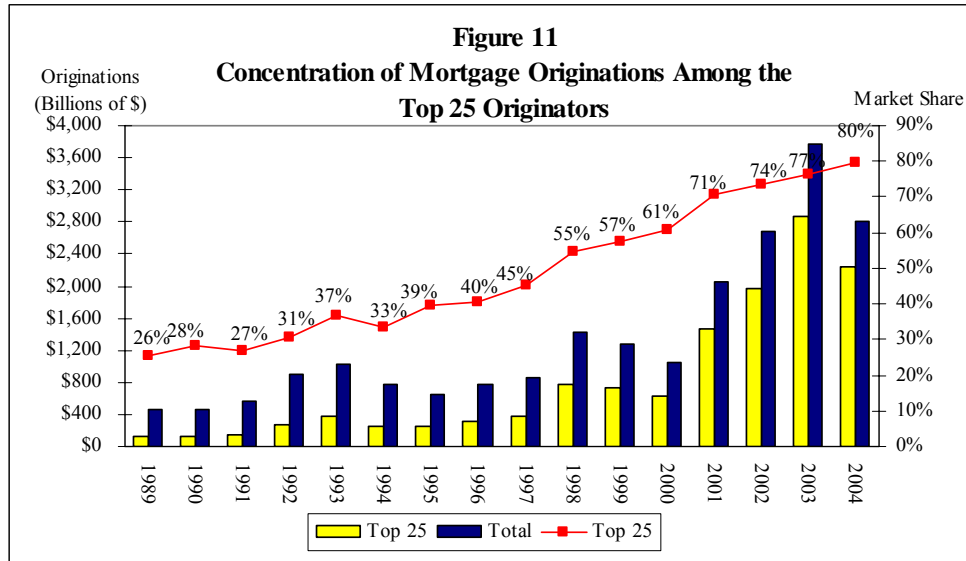
Source: Federal Reserve Board



Source: Freddie Mac Primary Mortgage Market Survey

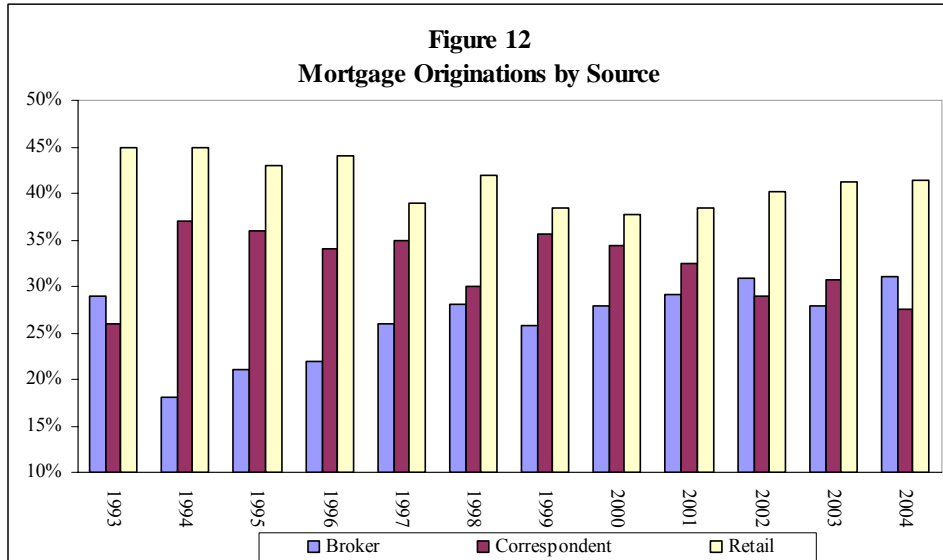


Consolidation in the mortgage industry continued in 2004. According to *Inside Mortgage Finance*, big lenders continued to expand their domination of the origination market in 2004, at a gradual but sturdy pace. In 2004, the top 25 lenders were responsible for about 80 percent of single-family mortgages originated, up from 77 percent in 2003. In 1994, the top 25 lenders accounted for only one-third of mortgages originated in that year (Figure 11).



Source: *Inside Mortgage Finance*

Lenders continued to rely on multiple channels of production to originate loans. Whereas the retail channel continues to dominate the market, accounting for 41.4 percent of total single-family originations in 2004; its share has averaged around 41 percent in the last three years. Within the wholesale market, brokers increased their share from 28 percent in 2003 to 31 percent in 2004. The share of correspondent lenders dropped to 27.6 percent, from 30.7 percent the year before. That was the lowest level since 1993 (Figure 12).



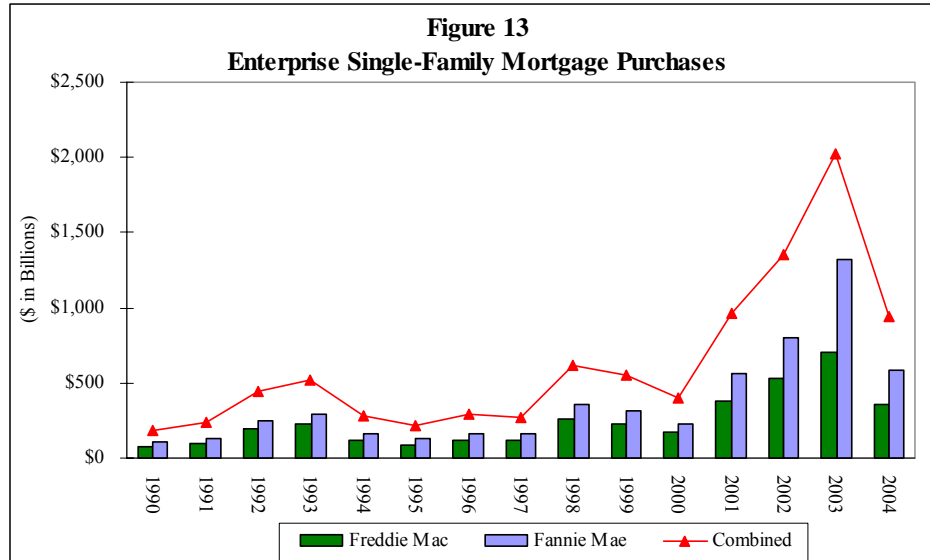
Source: *Inside Mortgage Finance*

## Secondary Market Activities of the Enterprises

### Enterprise Purchases Decline to Four-Year Low

Shifts in the primary mortgage market caused a marked decline in the role of Fannie Mae and Freddie Mac in 2004, as higher consumer demand for ARMs and a drop in total originations led to lower Enterprise mortgage purchases. Purchases by the Enterprises of single-family mortgages (defined to include cash purchases from lenders and swaps of whole loans for mortgage-backed securities, or MBS) fell to \$942.7 billion in 2004, a decrease of 53 percent from their combined purchases in 2003 (Figure 13). Collectively, the Enterprises' total single-family purchases represented 34 percent of single-family mortgages originated in 2004, compared to 53 percent in 2003. As a share of non-jumbo conventional originations, the Enterprises' single-family purchases fell from 66 percent in 2003 to 40 percent in 2004. The latter represents the lowest level since the 1980s.

Fannie Mae's purchases of single-family mortgages in 2004 were \$587.9 billion, down 56 percent from 2003, while Freddie Mac's purchases were \$354.8 billion, down 49 percent. Those totals represented the lowest purchase volumes by Fannie Mae and Freddie Mac since 2001 and 2000, respectively. The strong ARM market in 2004 reduced the number of mortgages available for sale in the secondary market, since originators are more eager to retain adjustable-rate loans on their balance sheets. Private mortgage securitizers continued to compete successfully with the Enterprises as secondary mortgage purchasers, increasing their market share by purchasing a high proportion of ARMs and subprime loans.

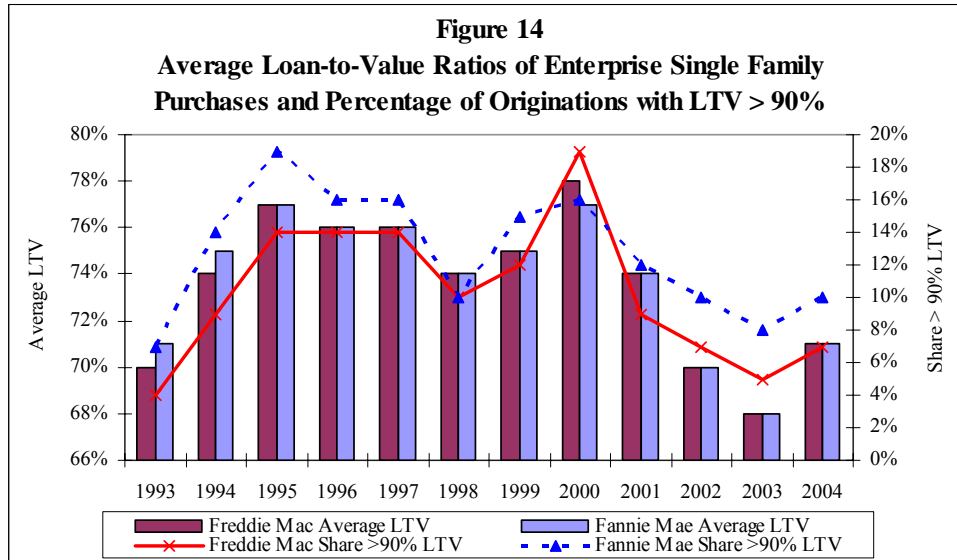


Sources: Fannie Mae and Freddie Mac

### **Credit Risk of Newly Acquired Single-Family Loans Affected by Primary Market Trends**

Trends in the primary market in 2004 changed the characteristics of single-family originations in ways that altered the credit risk of mortgages purchased by the Enterprises. In particular:

1. The refinance share of single-family mortgages purchased by the Enterprises fell in 2004. Fannie Mae's refinance share of purchases fell to 57 percent in 2004, down from 78 percent in 2003, while Freddie Mac's refinance share fell to 60 percent from 81 percent in the previous year. Refinance mortgages tend to be of higher credit quality than purchase loans.
2. The weighted average LTV ratio of single-family mortgages purchased by the Enterprises rose marginally in 2004 (Figure 14), increasing to 71 percent from 68 percent in 2003 for both Enterprises. The proportion of loans with LTV ratios greater than 90 percent increased to 10 percent of Fannie Mae's single-family purchases and 7 percent of Freddie Mac's single-family purchases, up from 8 percent and 5 percent, respectively, in 2003. Those changes reflect the lower volume of refinance mortgages purchased by the Enterprises in 2004.



- Adjustable-rate loans comprised a larger share of each Enterprise’s single-family purchases in 2004. ARMs represented 21.3 percent of Fannie Mae’s purchases, up from 9.8 percent in 2003, and 17.1 percent of Freddie Mac’s purchases, up from 11.7 percent in 2003. ARMs generally have a higher default rate than fixed-rate loans partly because the rates on ARMs, while originally low, may change over time. If payments rise, the risk of default also increases.

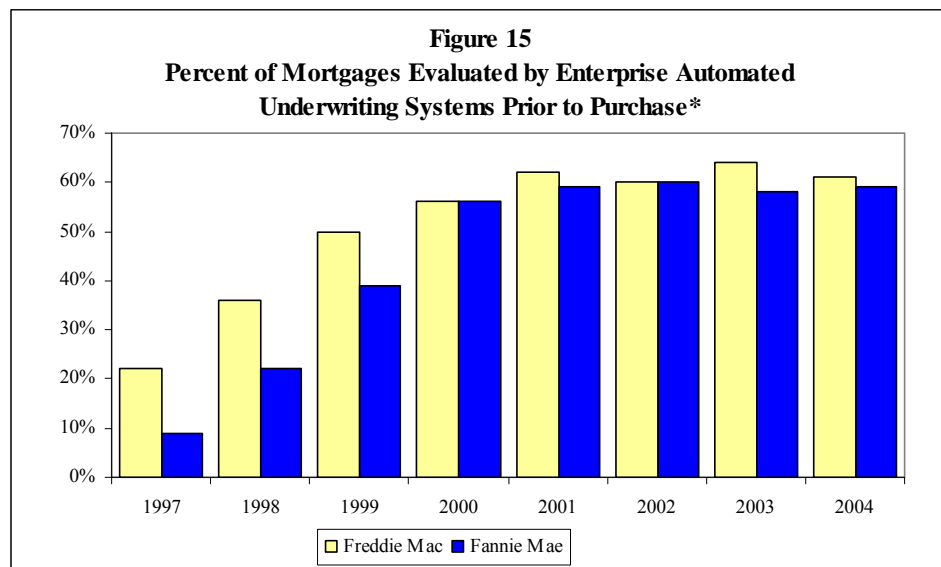
### **Enterprises Remain Active in Subprime and Alternative A Markets**

Fannie Mae and Freddie Mac continued to be active in the markets for subprime and Alternative A mortgages and MBS backed by those loans in 2004.<sup>3</sup> According to *Inside Mortgage Finance*, the Enterprises purchased \$175.4 billion in subprime MBS in 2004, representing 43.7 percent of those securities issued. Fannie Mae reported purchasing approximately \$49.3 billion of low-documentation loans—mortgages to borrowers with good credit who chose to avoid the normal paperwork associated with getting a mortgage—in 2004, down from \$73.2 billion in 2003. In addition, the Enterprise purchased \$17.6 billion of Expanded Approval/Timely Payment Reward Mortgages in 2004, down from \$27.1 billion in 2003. Under the Timely Payment Reward program, the interest rate on an A- loan is initially higher but is reduced if the borrower makes payments on time for 24 consecutive months.

<sup>3</sup> Alternative A loans generally are made to low-risk borrowers who choose to provide limited documentation and generally are not considered subprime mortgages.

## Enterprises Manage Single-Family Mortgage Credit Risk Actively

The Enterprises use automated underwriting systems (AUS) to assess the credit risk of single-family mortgages. Such systems combine LTV ratios, credit scores, and other loan and borrower characteristics to classify loans in terms of their relative risk of default. The percentage of loans processed through Freddie Mac's Loan Prospector (LP) decreased to 61 percent in 2004, down from 64 percent in 2003. Fifty-nine percent of Fannie Mae's 2004 single-family purchases were evaluated prior to purchase through its Desktop Underwriter (DU), up from 58 percent in 2003 (Figure 15).



Sources: Fannie Mae and Freddie Mac

\*Based on recently originated mortgages not included in structured transactions.

As part of its post-purchase quality control review process, Fannie Mae and Freddie Mac each uses its respective AUS to evaluate the credit quality of virtually all single-family mortgages that were not evaluated by the system prior to purchase. Particular focus is placed on performing quality control reviews of purchases identified as high-risk mortgages. Additionally, each Enterprise allows some large lenders to use their own AUS to evaluate mortgages prior to purchase. As a result, the data in Figure 15 understate the proportion of loans purchased by the Enterprises that were evaluated using automated underwriting prior to origination.

Fannie Mae and Freddie Mac also reduce their credit risk exposure by obtaining credit enhancements on higher-risk single-family mortgages. Credit enhancements include primary mortgage insurance on loans with original LTV ratios greater than 80 percent, and agreements in which lenders or other third parties pledge collateral or agree to accept losses on loans that default. In addition, a portion of the mortgages purchased by each Enterprise are insured by FHA or guaranteed by VA. Credit enhancements transform a portion of the credit risk associated with individual loans into counterparty risk. The

Enterprises manage counterparty risk by establishing eligibility requirements for and monitoring the condition of counterparties.

The percentage of Freddie Mac's conventional single-family credit book of business—mortgages held in portfolio and backing guaranteed MBS—with credit enhancements was 19 percent at year-end 2004, down from 21 percent at year-end 2003, and 27 percent at year-end 2002. The percentage of new Fannie Mae MBS issuances with lender-only and shared-risk credit enhancements was 6 percent in 2004.

The credit losses each Enterprise incurs on its single-family credit book of business is sensitive to the prices of single-family homes. Freddie Mac estimated that, as of the end of 2004, an immediate 5 percent decline in home values would increase credit losses over the life of its loans by \$463 million, net of the beneficial effect of credit enhancements, compared with \$533 million at the end of 2003. Without credit enhancements, the lifetime loss sensitivity was \$794 million in 2004, down from \$926 million at the end of 2003. The net credit loss sensitivity as of the end of 2004, \$463 million, represented about 1.3 percent of Freddie Mac's core capital as of year's end and less than .04 percent of the Enterprise's conventional single-family mortgage credit book of business.

Fannie Mae estimated that, as of the end of 2004, an immediate 5 percent decline in home values would increase credit losses over the life of its loans by \$1.0 billion, net of the beneficial effects of credit enhancements, compared with \$1.1 billion at the end of 2003. Without credit enhancements, the lifetime loss sensitivity was \$2.4 billion in 2004, about the same as in 2003. The net credit loss sensitivity as of the end of 2004, \$1.0 billion, represented about 3 percent of Fannie Mae's core capital as of the end of the year.

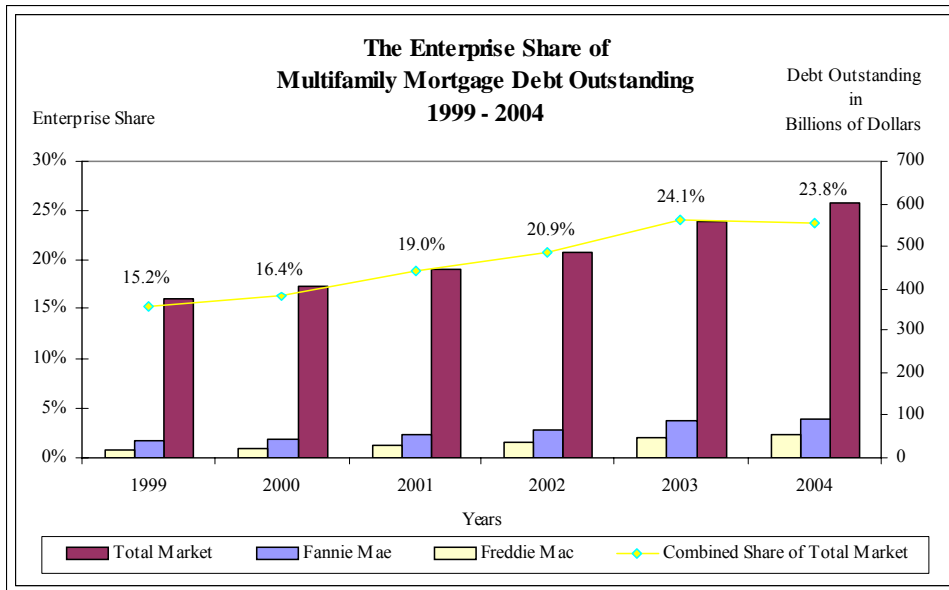
### **Enterprise Multifamily Funding Down 37 Percent**

Multifamily market activity fell for both Fannie Mae and Freddie Mac in 2004, following a record-setting year in 2003. Fannie Mae purchased \$16.4 billion in multifamily mortgages, down 46.9 percent from a record \$30.9 billion in 2003. Freddie Mac purchased \$12.7 billion in multifamily loans, a decline from \$15.3 billion in purchases the previous year. The Enterprises' combined purchases of multifamily mortgages totaled \$29.1 billion, down from \$46.2 billion the previous year (Figure 16). Most of the units financed with multifamily loans purchased by Fannie Mae and Freddie Mac count toward the affordable housing goals established by the Secretary of Housing and Urban Development (HUD). The Enterprises' combined share of both multifamily originations and multifamily mortgage debt outstanding declined in 2004 (Box B).

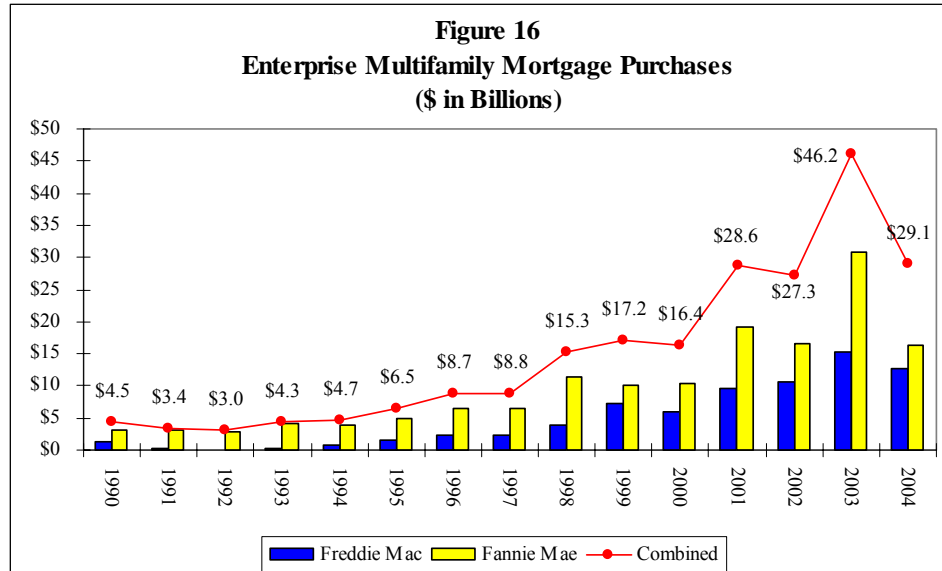
## Box B The Enterprises in the Multifamily Mortgage Market in 2004

Fannie Mae and Freddie Mac provided an important source of funds for newly originated multifamily mortgages in 2004, but played a less critical role in the multifamily market than in the previous year. According to the Mortgage Bankers Association, multifamily originations rose to \$50.4 billion in 2004, up from \$48.9 billion in 2003. Fannie Mae and Freddie Mac's combined acquisitions of \$29.1 billion represented 57.7 percent of all new multifamily loans in 2004, down from 94.4 percent in 2003. Most of that drop was due to a reduction in Fannie Mae's purchases and securitization of multifamily mortgages. That Enterprise cited heightened competition among investors and greater credit risk on new multifamily loans—evidenced by higher rental vacancy rates and lower ratios of net operating income to property values—as contributing to its reduced presence in the market.

The decline in purchases of multifamily loans by Fannie Mae and Freddie Mac caused their combined share of multifamily mortgage debt outstanding to decline slightly to 23.8 percent in 2004. The Enterprises continued to have the largest share of the secondary market for multifamily loans, however. In recent years the share of multifamily mortgage debt owned or securitized by Fannie Mae and Freddie Mac combined has surpassed the market shares of banks, savings institutions, and individuals (including investors in Real Estate Investment Trusts, or REITs).



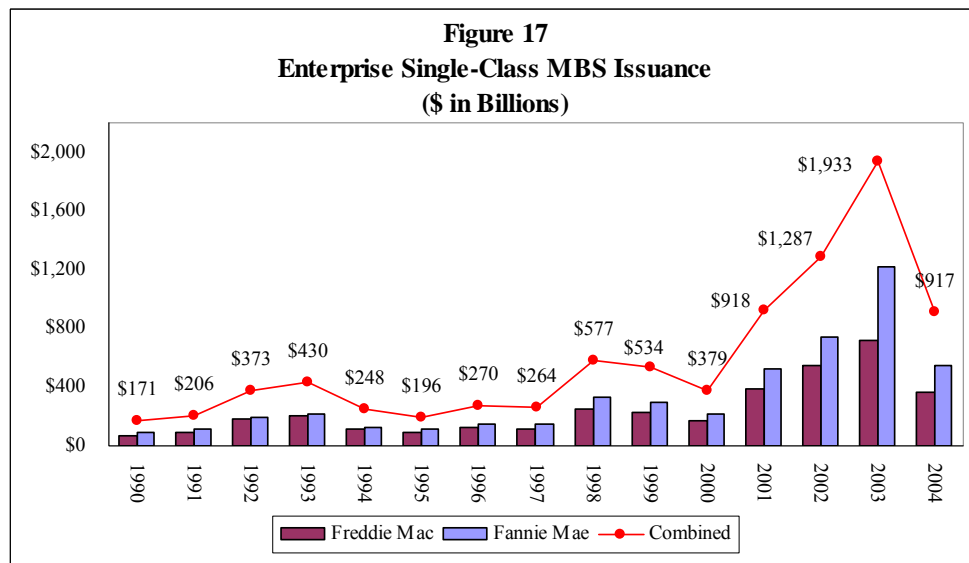
Source: OFHEO and Federal Reserve Board



Sources: Fannie Mae and Freddie Mac

### Issuances of Mortgage Securities Drop Sharply

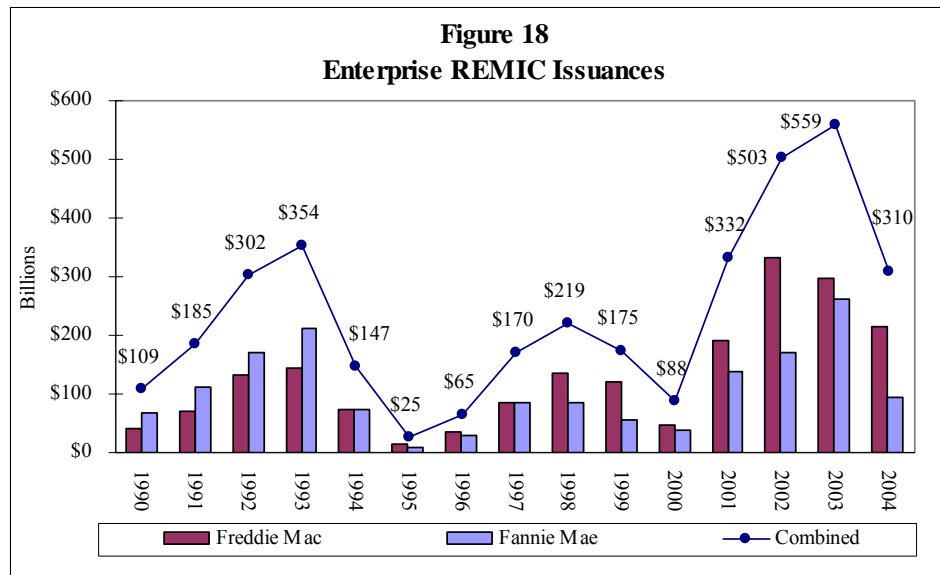
The decrease in mortgage purchases by Fannie Mae and Freddie Mac resulted in a lower volume of mortgage security issuances by the Enterprises. Combined, Fannie Mae and Freddie Mac issued \$917.4 billion in single-class MBS in 2004, less than half of the record-high \$1,933.4 billion issued in 2003 (Figure 17). Fannie Mae's issuances decreased 55 percent to \$552.3 billion. Single-class MBS issuance by Freddie Mac declined to \$365.1 billion in 2004, a decrease of 49 percent. Non-agency issuers increased their total issuances and market share to record levels in 2004, with a high proportion of those securities backed by subprime and adjustable-rate loans.



Sources: Fannie Mae and Freddie Mac



Multi-class mortgage securities consist primarily of Real Estate Investment Conduit (REMIC) offerings. The Enterprises' combined issuances of REMICs fell by 45 percent in 2004, to \$249 billion, from \$310 billion in 2003. Fannie Mae's issuance volume decreased 64 percent to \$95 billion; Freddie Mac's REMIC issuance volume declined 28 percent to \$215 billion (Figure 18). Despite the decrease in issuance at both Enterprises, combined outstanding multi-class securities increased 2 percent, to \$895 billion. That increase was due solely to Freddie Mac, which had a 12 percent increase in outstanding multi-class securities, to \$528 billion. Outstanding multi-class securities at Fannie Mae declined 9 percent to \$368 billion in 2004.



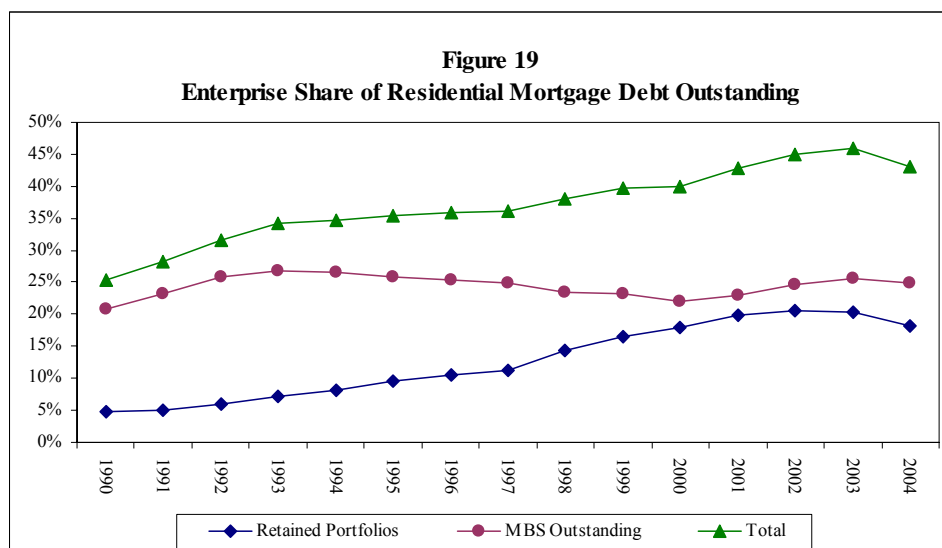
Sources: Fannie Mae and Freddie Mac

### Enterprise Share of Mortgage Debt Outstanding Declines

Due to a lower volume of refinancings in the primary market, each Enterprise experienced a lower level of portfolio liquidations in 2004. The liquidation rate on Fannie Mae's mortgage asset portfolio declined to 27 percent in 2004 from 53 percent in 2003. The liquidation rate on Freddie Mac's mortgage portfolio declined to 28 percent in 2004 from 45 percent in 2003. In recent years, each Enterprise replenished liquidated assets largely by purchasing sizable volumes of its own MBS issues. Both Enterprises significantly lowered the volume of those purchases in 2004. Fannie Mae purchased \$65 billion of its MBS, compared to \$348 billion in 2003 and \$245 billion in 2002. Freddie Mac purchased \$96 billion of its MBS, compared to \$267 billion and \$193 billion in the two previous years.

Fannie Mae's business volume (mortgage purchases and MBS issues acquired by others) fell 49 percent to \$725 billion, from a record-high \$1,423 billion in 2003, while Freddie Mac's business fell 41 percent to \$495 billion. Despite those declines, Fannie Mae MBS held by investors other than that Enterprise grew 8 percent in 2004, compared with a 26 percent growth rate in 2003. Freddie Mac MBS held by others rose by 13 percent in

2004, up from a 3 percent growth rate in the previous year. At the end of 2004, the Enterprises' combined book of business (MBS held by other investors plus mortgages and MBS held by each Enterprise other than MBS guaranteed by the other Enterprise) represented 43.8 percent of the total residential mortgage debt outstanding (\$8.7 trillion), down from 47.2 percent at the end of 2003 (Figure 19).



Sources: Fannie Mae, Freddie Mac, Federal Reserve Board

## FINANCIAL PERFORMANCE AND CONDITION OF THE ENTERPRISES<sup>4</sup>

### Earnings Fall at Freddie Mac

Changes in the volume and composition of mortgage market activity affected the financial performance of Freddie Mac in 2004. Originations of single-family mortgages fell sharply as refinancings slowed. Adjustable-rate loans comprised a much larger share of mortgages originated. Prepayments slowed as interest rates remained relatively stable. Competition increased in the secondary mortgage market. Those and other factors had a significant impact on the mortgage purchase volume, portfolio growth and composition, issuance of MBS, mortgage-to-debt option-adjusted spreads, and asset yields of Freddie Mac. Those factors, in turn, affected the Enterprise's earnings in 2004.

Freddie Mac reported net income of \$2.9 billion in 2004, down 39 percent from the \$4.8 billion reported for 2003, and lowest level since 2001 (Table A). The Enterprise showed a \$2.8 billion increase in total non-interest losses, reflecting an increase in derivative losses of \$4.5 billion, partially offset by a decrease in losses on investments of \$0.8

<sup>4</sup> In December 2004, the Securities and Exchange Commission (SEC) advised Fannie Mae that certain accounting practices followed for years 2001 through 2004 did not comply with Generally Accepted Accounting Principles (GAAP). The SEC directed Fannie Mae to restate financial statements issued for each of those years. Accordingly, there are no audited financial data with which to gauge the financial performance of Fannie Mae for 2004.

**Table A. Freddie Mac Financial Highlights****SELECTED FINANCIAL HIGHLIGHTS <sup>1</sup>**  
**(Dollars in Billions)**

<b>EARNINGS PERFORMANCE:</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Net Income (\$)	2.9	4.8	10.1	3.2	3.7
Net Interest Income (\$)	9.1	9.5	9.5	7.4	3.8
Guarantee Fees (\$)	1.4	1.7	1.5	1.4	1.2
Net Interest Margin (%) <sup>2</sup>	1.2	1.3	1.5	1.3	0.8
Average Guarantee Fee (bps) <sup>3</sup>	17.5	23.3	22.0	23.6	23.6
Return on Common Equity (%) <sup>4</sup>	10.2	17.2	47.2	20.2	39.0
Dividend Payout Ratio (%) <sup>5</sup>	30.7	15.6	6.2	18.9	20.0
<b>BALANCE SHEET POSITION:</b>					
Total Assets (\$)	795.3	803.4	752.2	641.1	459.3
Outstanding Debt (\$)	731.7	739.6	665.7	578.4	426.9
<b>Mortgages:</b>					
Mortgage Assets (\$)	664.6	660.5	589.9	503.8	385.5
MBS (\$) (excluding Freddie Mac MBS held in Portfolio)	852.3	752.2	729.8	653.1	576.1
Mortgage Assets as % of Total Mortgage Portfolio	43.8	46.8	44.7	43.6	40.1
<b>Capital:</b>					
Core Capital <sup>6</sup> /MBS plus Total Assets (%)	2.12	2.12	1.96	1.56	1.39
Core Capital/Total Assets (%)	4.40	4.11	3.85	3.15	3.13

Source: Freddie Mac

<sup>1</sup> For years 2001 through 2003, data are based on restated and revised financial results.<sup>2</sup> Taxable equivalent net interest income divided by average earning assets.<sup>3</sup> Guarantee fees divided by average MBS outstanding net of MBS held in portfolio.<sup>4</sup> Ratio computed as annualized net income available to common stockholders divided by the simple average of beginning and ending stockholders' equity, net of preferred stock (at redemption value).<sup>5</sup> Paid common dividends as a percentage of net income available to common stockholders.<sup>6</sup> The sum of (a) the stated value of outstanding common stock, (b) the stated value of outstanding noncumulative perpetual preferred stock, (c) paid-in capital, and (d) retained earnings, less Treasury stock.

**Table B. Fannie Mae Financial Highlights**

**SELECTED FINANCIAL HIGHLIGHTS<sup>1</sup>**  
**(Dollars in Billions)**

<b>EARNINGS PERFORMANCE:</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Net Income (\$)	N/A	7.9	4.6	5.9	4.5
Net Interest Income (\$)	N/A	13.6	10.6	8.1	5.7
Guarantee Fees (\$)	N/A	2.4	1.8	1.5	1.4
Net Interest Margin (%) <sup>2</sup>	N/A	1.2	1.2	1.1	1.0
Average Guarantee Fee (bps) <sup>3</sup>	N/A	20.2	19.1	19.0	19.5
Return on Common Equity (%) <sup>4</sup>	N/A	49.9	30.1	39.8	25.6
Dividend Payout Ratio (%) <sup>5</sup>	N/A	23.0	20.9	23.0	26.0
<b>BALANCE SHEET POSITION:</b>					
Total Assets (\$)	N/A	1009.6	887.5	799.9	675.2
Outstanding Debt (\$)	N/A	961.7	851.0	763.5	642.7
<b>Mortgages:</b>					
Mortgage Assets (\$)	N/A	901.9	801.1	706.8	607.7
MBS (\$) (excluding Fannie Mae MBS held in Portfolio)	1402.8	1300.2	1029.5	859.0	706.7
Mortgage Assets as % of Total Mortgage Portfolio	N/A	41.0	43.8	45.1	46.2
<b>Capital:</b>					
Core Capital <sup>6</sup> /MBS plus Total Assets (%)	N/A	1.49	1.46	1.52	1.51
Core Capital/Total Assets (%)	N/A	3.41	3.16	3.15	3.08

Source: Fannie Mae

N/A = Not Available

<sup>1</sup>This information is subject to change as a result of a pending re-audit and restatement of Fannie Mae's financial statements.<sup>2</sup>Taxable equivalent core net interest income divided by average earning assets.<sup>3</sup>Guarantee fees divided by average MBS outstanding net of MBS held in portfolio.<sup>4</sup>Calculated as annualized net income available to common stockholders divided by average common stockholders' equity.<sup>5</sup>Paid common dividends as a percentage of net income available to common stockholders.<sup>6</sup>The sum of (a) the stated value of common stock, (b) the stated value of outstanding noncumulative perpetual preferred stock, (c) paid-in capital, and (d) retained earnings less treasury stock.

billion and a \$1.4 billion decrease in losses on early debt retirement. Similar to 2003, Freddie Mac quarterly earnings were volatile in 2004—results ranged from \$2.8 billion of income in the second quarter to a \$1.5 billion loss in the third quarter. The volatility of Freddie Mac's income was driven mostly by non-interest items, principally mark-to-market effects associated with derivatives not in hedge relationships. At the end of 2004, more than 80 percent of the derivatives (notional amount) that Freddie Mac used to manage interest rate risk were not accounted for in hedge relationships. Because most non-derivative assets and liabilities are not marked-to-market through earnings, changes in the value of derivatives used as economic hedges can affect reported profits significantly. The decline in profits reported for 2004 at Freddie Mac was mainly responsible for the reduced return on equity, which fell to 10.2 percent in 2004, the lowest level in decades.

The change in the fair value of Freddie Mac's net assets before capital transactions paints a somewhat more favorable picture of the Enterprise's financial performance in 2004. Fair value net worth increased 13.2 percent or \$3.6 billion in 2004, to \$30.9 billion. Adjusted for capital transactions (primarily dividend payments), total fair value net worth increased by \$4.6 billion. Core spread income from the retained mortgage portfolio and guarantee fees from the sold portfolio were chiefly responsible for the gain in fair value net worth achieved in 2004. However, a significant portion of the gain was also accounted for by tighter mortgage-to-debt option-adjusted spreads. That portion of the gain may not be sustainable over the long term. To the extent that assets and debt have the same ultimate maturities and are never sold, changes in the relative market prices of assets and debts will not affect the net economic benefits received over time.

### **Revenues and Interest Margins Fall at Freddie Mac**

Total revenues fell sharply at Freddie Mac in 2004, by 34 percent, to \$6.0 billion. As in all recent years, net interest income provided the bulk of the Enterprise's revenues. Freddie Mac's net interest income has been relatively flat over the past three years. Net interest income fell a modest 3.8 percent in 2004 to \$9.1 billion in 2004. The decline in net interest income was driven by a decline in net asset yields. Asset yields fell during the course of the year due to the liquidation of older, higher coupon mortgages and the replacement of those mortgages with current coupon mortgages with lower yields. The decline in asset yields in 2004 more than offset declines in debt costs and the positive impact of a 7.2 percent growth in the average portfolio balance.

Freddie Mac's non-interest income includes guarantee fees associated with the securitization of mortgages, derivative gains/losses, gains/losses on debt retirement, and gains/losses on guarantee assets and obligations. Guarantee fee income, one of the largest contributors to Enterprise earnings, declined by 16.4 percent at Freddie Mac in 2004, to \$1.4 billion. The decline was driven by a decrease in pre-2003 deferred fees (i.e., credit and buy-down fees) amortized to guarantee income. Those fees accounted for 5.7 percent of guarantee fee income booked in 2004 compared to 25.7 percent the year before. The average guarantee fee rate fell 5.8 basis points in 2004, to 17.5 basis

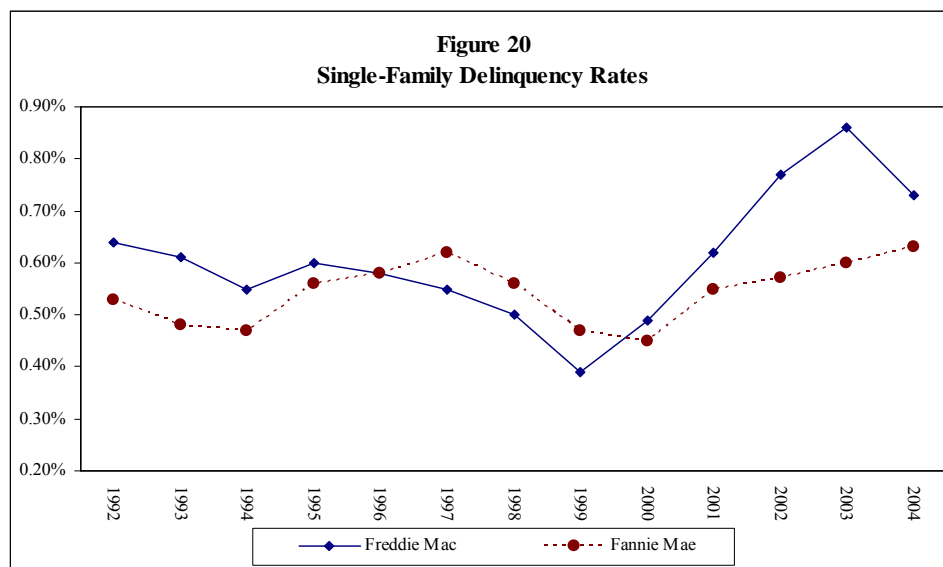
points—16.5 basis points owed to the contractual guarantee fee amount and 1.0 basis point attributed to amortization of deferred fees. The decline in the contractual guarantee fee amount was driven by new issuances with loan guarantee fees that were lower than the fees on MBS liquidated in the period. The decline in the guarantee fee rate more than offset the moderate growth in the Enterprise’s average outstanding MBS.

### Credit Losses Increase but Remain Low

Credit losses for Freddie Mac, which include charge-offs and foreclosed property expenses, totaled \$137 million in 2004, up from \$86 million the year before. The credit loss rate for Freddie Mac (credit losses as a percentage of the average total mortgage portfolio, excluding non-Freddie Mac securities) increased from 0.8 basis points in 2003 to a still low 1.1 basis points in 2004.

### Single-Family Delinquency Rates Remain Low but Recent Acquisitions May Cause Credit Risk to Increase in Future Years

Fannie Mae’s single-family delinquency rate drifted higher in 2004, increasing 3 basis points to a still low 0.63 percent. Unlike Fannie Mae, Freddie Mac’s single-family delinquency rate decreased throughout 2004, falling from 0.86 percent at the end of 2003 to 0.83 percent at the end of the first quarter of 2004 and 0.73 percent at the end of the third and fourth quarters (Figure 20). The current credit performance of the Enterprises is generally quite strong, as evidenced by the relatively low delinquency rates and historically low credit loss ratios. However, the Enterprises’ increased investment in ARMs and mortgage products with non-traditional features may expose them to higher levels of credit risk. For instance, as interest rates rise, all else equal, the cash flow requirement of ARM borrowers will increase as will the likelihood that those borrowers will not be able to meet the higher mortgage payments as mortgage rates adjust.



Sources: Fannie Mae and Freddie Mac

### **Administrative Expenses are Relatively Flat**

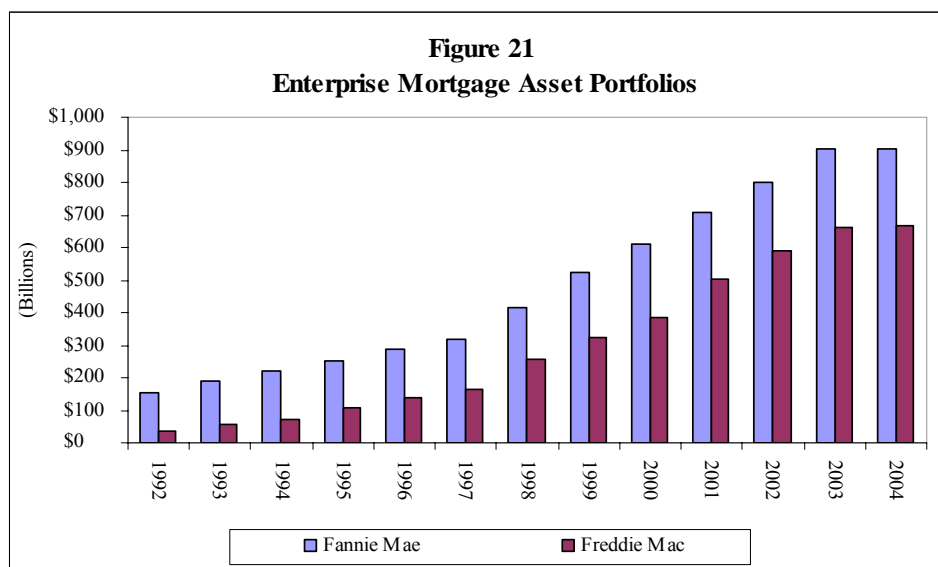
Freddie Mac's administrative expenses can be broadly defined to include salaries, employee benefits, professional services, occupancy, other administrative, and Other expenses. Other expenses include selected affordable housing transaction fees, amortization of credit enhancements, certain expenses related to the restatement (penalties and contingency), and special charitable contributions. After rising at a double-digit rate the year before, Freddie Mac's administrative expenses decreased by 3.0 percent in 2004. Salaries and employee benefits and professional services expenses were up sharply, by 44 percent to \$1.3 billion, but were largely offset by a decline in Other expenses, which fell by more than one-half to \$0.3 billion.

### **Freddie Mac's Balance Sheet Contracts; Mortgage Asset Portfolios of Both Enterprises Grow Slightly**

Freddie Mac showed a slight, 1.0 percent, or \$8.2 billion decline in total assets in 2004, to \$795.3 billion. That decline represented the first contraction in the Enterprise's balance sheet in more than 20 years. The decline in assets was driven by a decline in mortgage-related securities (MRS) held for trading purposes generally related to Freddie Mac's decision, in the last quarter of 2004, to terminate its market-making activities conducted through its Securities Sales & Trading Group (SS&TG).

Unlike prior years when Freddie Mac's mortgage portfolio grew at double-digit rates, the Enterprise's mortgage portfolio grew by a modest 0.6 percent or \$4 billion in 2004, to \$665 billion (Figure 21). The mortgage portfolio of Freddie Mac contracted in the first two quarters of 2004, grew in the third quarter, and contracted again in the final quarter of the year. Most of the growth resulted from increased investments in non-agency MRS, particularly floating rate products. There was a noticeable difference in 2004 in the composition of the Enterprise's mortgage portfolio, especially MRS. In particular, the unpaid principal balance (UPB) of the Enterprise's holdings of its securities declined by 9 percent to \$357 billion. Holdings of agency (Fannie Mae and Ginnie Mae) MRS declined 23 percent to \$60 billion. However, the most significant change in the composition of Freddie Mac's mortgage portfolio occurred in non-agency MRS. Those securities increased 53 percent, or \$60 billion, to \$175 billion at the end of 2004; they represented 27 percent of the MRS in the Enterprise's mortgage portfolio (UPB) at year's end, up from 18 percent at the end of the prior year.

Fannie Mae grew its mortgage portfolio by a modest 0.7 percent in 2004, the lowest rate of growth since 1987. The Enterprise's mortgage portfolio contracted in the first quarter, expanded in the second and third quarters, and was relatively stable in the final quarter of the year. The shift in the mix of originations toward ARMs; competition for mortgage assets from depository institutions; and the dramatic increase in issuance of private-label securities, which caused spreads to narrow, directly affected the Enterprise's portfolio purchase decisions and thus portfolio growth in 2004. Growth in Fannie Mae's mortgage portfolio was achieved primarily through investments in private-label and other MRS; the Enterprise reduced holdings of its own securities.



Sources: Fannie Mae and Freddie Mac

Quarterly average non-mortgage investments decreased at Freddie Mac in 2004. The Enterprise’s average balance decreased from \$122 billion in the first quarter of the year to \$99 billion in the fourth quarter. For the year, the Enterprise’s average non-mortgage investment balance represented about 14.7 percent of total average interest-earning assets, compared with 19.2 percent the year before. The decline in non-mortgage investments was driven by the termination of the operations of Freddie Mac’s SS&TG business unit and its external Money Manager program during the fourth quarter of 2004. Non-mortgage investments typically include U.S. Treasury and agency securities, federal funds, reverse repurchase agreements, commercial paper, municipal bonds, corporate debt, and asset-backed securities.

### **Enterprise Funding Requirements Fall with Decline in Portfolio Growth**

The amount and types of funding that Fannie Mae and Freddie Mac use depends on, among other things, the amount and types of assets they acquire for their respective mortgage portfolios. In addition to purchasing fewer mortgage assets more recently, the Enterprises have purchased an increasing amount of floating-rate assets because of the high volume of such products originated in recent years.

Total new debt issuance volume declined at both Enterprises in 2004 as total mortgage originations and Enterprise purchases declined. Combined, Fannie Mae and Freddie Mac issued \$3.3 trillion of new debt in 2004, down 9.4 percent from the previous year. Issuance of short-term debt totaled \$2.85 trillion in 2004, down 5.7 percent from the \$3.02 trillion issued in 2003. The Enterprises’ issuance of long-term debt totaled \$452 billion in 2004, down 27 percent from the \$620 billion issued in the previous year.



Fannie Mae's total debt issuance volume was down 11 percent, to \$2,308 billion in 2004. That decline was driven by an 8 percent or \$182 billion decline in short-term financing, and a 28 percent or \$96 billion decline in long-term financing. At year's end, Fannie Mae's total debt outstanding totaled \$945 billion. Freddie Mac's issuance volume decreased 6.0 percent to \$993 billion in 2004. The Enterprise increased its use of short-term debt by \$9 billion to \$794 billion. Issuance of long-term debt fell by 27 percent to \$200 billion in the year. Freddie Mac's outstanding debt totaled \$732 billion at year's end, down 1 percent from the end of 2003. Of that total, 39 percent was due within one year, down from 40 percent one year earlier. The combined outstanding debt of Fannie Mae and Freddie Mac decreased 1 percent in 2004, to \$1,676 billion.

Fannie Mae and Freddie Mac continued to issue sizable quantities of callable debt. The Enterprises' callable debt comprises a variety of structures—American, Bermudan and European-style call options—with a variety of final maturities and call lockout periods. Those features result in securities with a wide range of duration and convexity profiles. The Enterprises do not typically swap out the optionality of the callable debt they issue. Rather, they retain the optionality for asset-liability management purposes. Combined, Fannie Mae and Freddie Mac issued about \$300 billion of callable debt in 2004, compared to over \$400 billion of such debt the year before. The decline in the use of callable debt in 2004 reflected the less volatile interest-rate environment and lower portfolio liquidations, which reduced the Enterprises' need for optionality to hedge their prepayment risk.

### **Enterprises Continue to Manage Interest Rate Risk**

Fannie Mae and Freddie Mac rely on a mixture of callable debt and derivatives to mitigate their exposure to interest rate risk. Those cash and derivative instruments allow the Enterprises to reduce the effects of movements in the level of interest rates, changes in the shape of the yield curve, and changes in interest rate volatility. Derivative instruments used by the Enterprises for those purposes include interest rate swaps, swaptions, and futures.

With the tamer interest rate environment in 2004, both Fannie Mae and Freddie Mac adjusted their hedging strategies accordingly. As previously discussed, the Enterprises significantly reduced their use of callable debt. They also reduced their use of derivative contracts.<sup>5</sup> Fannie Mae reduced the notional amount of its derivative contracts by 34 percent, or \$348 billion, to \$689 billion. Much of that reduction reflects the elimination of combinations of swap contracts with roughly offsetting positions. The decline in interest rate volatility during 2004 also reduced the need for the Enterprises to use swaps to adjust the effective durations of their liabilities as the duration of mortgage assets changed.

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<sup>5</sup>All notional values provided in this section exclude credit derivatives; commitments to purchase mortgage loans, etc., pursuant to SFAS 133; and Freddie Mac's prepayment management agreement (see Appendix Tables 6 and 16).

Freddie Mac has reduced its derivatives book by almost one-half since the end of 2001. The notional amount of the Enterprise's derivative contracts then totaled \$1.1 trillion. By the end of 2004, that figure had fallen to \$599 billion. The notional amount outstanding decreased by 28 percent or \$227 billion in 2004. Most of that reduction reflected a decline in the Enterprise's use of interest rate swap and swaption contracts. Freddie Mac reduced its net pay-fixed swaps in response to shorter asset lives. The notional amount of those contracts fell by \$61 billion from the end of 2003 to the end of 2004, to \$11 billion. At the end of 2004, Freddie Mac was in a net receive-fixed position with respect to swaptions, in the amount of \$165 billion. That represented an increase of \$71 billion from the end of 2003. That increase stemmed from a decrease of 80 percent or \$98 billion in put swaptions. The reduction in put swaptions was accomplished primarily by terminating positions or allowing those positions to expire, and reflects less need to hedge convexity risk associated with fixed-rate MBS. In 2004, Freddie Mac increased investment in variable rate asset-backed securities (ABS) and collateralized mortgage obligations (CMO), primarily REMICS. Those securities generally do not have the negative convexity risk associated with fixed-rate MBS.

Although Fannie Mae and Freddie Mac are major end-users of interest rate derivatives, there has been a decline in the Enterprises' position in that market in recent years in both relative and absolute terms. Specifically, based on data compiled by the Bank for International Settlements (BIS), as of June 30, 2004, the combined notional amount of the Enterprises' interest rate derivatives represented 5.2 percent of over-the-counter (OTC) single-currency, dollar-denominated interest rate derivatives of all end-users. That was down from more than 7.5 percent three years earlier. As a share of the notional amounts of end-user financial institutions—a relevant universe of comparable entities—the combined contracts of Fannie Mae and Freddie Mac constituted 6.5 percent as of June 30, 2004, down from 10.5 percent three years earlier. By the end of 2004, those amounts had declined to 3.8 and 4.1 percent, respectively. Those changes reflect not only the tremendous growth in dollar denominated interest rate derivatives in recent years, but also the Enterprises' reduced use of OTC interest-rate derivatives in recent periods.

Fannie Mae and Freddie Mac actively manage and hedge their exposure to interest rate risk to keep their exposure within prescribed management limits. Both Enterprises make monthly disclosures of their exposure to interest rate risk using various risk measurement tools. Fannie Mae currently discloses information on its effective duration gap. That tool measures the difference between the duration of portfolio assets and liabilities. A positive duration gap indicates a greater exposure to declining interest rates, whereas a negative duration signals a greater exposure to rising interest rates. Fannie Mae's effective duration gap ranged from a negative two months to positive three months during 2004. It averaged plus one month during the first half of the year, negative one month during the second half, and zero months for the year, which was well within the Enterprise's target range of minus to plus six months.

Freddie Mac discloses results from two tools it uses to measure and monitor its exposure to interest rate risk: Portfolio Market Value Sensitivity (PMVS) and duration gap. PMVS measures the estimated percentage decline in the market value of the Enterprise's equity resulting from a given adverse instantaneous change in interest rates of 25 and 50

basis points. During 2004, portfolio sensitivity to a 50 basis point interest rate shock ranged from a low of 1 percent to a high of 3 percent, and averaged 2 percent for the year. Freddie Mac's average duration gap ranged between zero and minus one month throughout 2004 and averaged zero months for the year. Those results were consistent with the Enterprise's historical interest rate risk metrics.

### **Freddie Mac Meets Capital Requirements Throughout the Year; Fannie Mae Deemed Significantly Undercapitalized**

Fannie Mae and Freddie Mac are subject to capital adequacy standards established by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the Act). The regulatory framework incorporates two quantitative assessments of capital: a minimum- and risk-based capital standard. The Act requires the OFHEO Director to determine the capital level and classification of the Enterprises not less than quarterly, and to report the results to Congress. OFHEO classifies the Enterprises as adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized. Federal statute requires the Enterprises to meet both the minimum- and risk-based capital standards to be classified as adequately capitalized.

Minimum capital represents an essential amount of capital needed to protect an Enterprise against broad categories of business risk. For purposes of minimum capital, an Enterprise is considered adequately capitalized if core capital equals or exceeds its minimum capital requirement. That requirement equals 2.5 percent of assets plus 0.45 percent of adjusted off-balance sheet obligations.

Each Enterprise's risk-based capital requirement is the amount of total capital—core capital plus a general allowance for loan losses less specific reserves—that the Enterprise must hold to absorb projected losses resulting from adverse interest rate and credit risk conditions specified by statute, plus 30 percent mandated by statute to cover management and operations risk. The risk-based capital standard is based on stress test results calculated for the two statutorily prescribed interest rate scenarios, one in which 10-year Treasury yields rise 75 percent (up-rate scenario) and another in which they fall 50 percent (down-rate scenario). The interest rate movements in both scenarios are generally capped at 600 basis points. Each Enterprise's risk-based capital requirement is the amount of total capital that would enable it to survive the stress test in whichever scenario is more adverse for that Enterprise, plus 30 percent of that amount to cover management and operations risk.

The contraction in Freddie Mac's balance sheet and minimal growth in its off-balance sheet obligations in 2004 helped to keep the Enterprise's minimum capital requirement at roughly the year-end 2003 level. Freddie Mac's minimum capital requirement was \$24.1 billion at year-end 2004, 1.5 percent or \$0.4 billion higher than the requirement at the end of 2003 (Figure 25). The Enterprise's capital surplus was \$10.9 billion at the end of

2004, or 45.1 percent of its required minimum capital.<sup>6</sup> The capital surplus grew by \$1.7 billion (year-over-year) due to higher retained earnings.

As of December 31, 2004, Freddie Mac's risk-based capital requirement was \$11.1 billion, more than twice the level for the comparable year-earlier period (\$5.4 billion) and the highest level since the Enterprises became subject to that requirement. However, Freddie Mac's total capital of \$34.7 billion at the end of 2004 far exceeded its risk-based capital requirement, by \$23.6 billion. The comparable values for the fourth quarter of 2003 were \$33.4 billion and \$28.0 billion, respectively (Figure 23). Thus, notwithstanding higher minimum and risk-based capital requirements in 2004, Freddie Mac maintained enough capital to comply with both of OFHEO's capital standards. As a result, Freddie Mac was determined to be adequately capitalized during all periods in 2004.

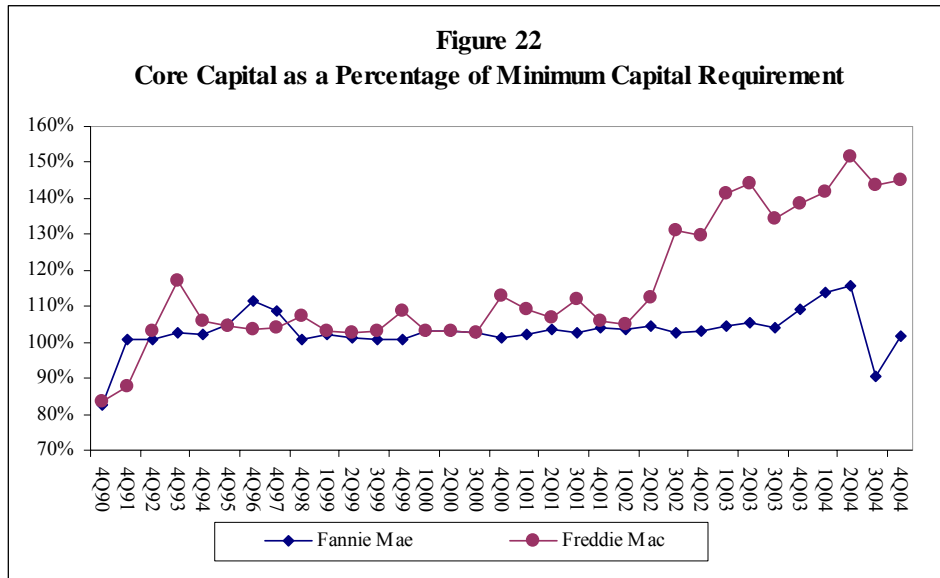
In 2004 OFHEO's risk-based capital stress test indicated greater differences than in 2003 in Freddie Mac's relative sensitivity at the end of each quarter to the upward and downward movements in interest rates assumed in that test. Specifically, the Enterprise was bound by the down-rate stress test in the first two quarters of the year, indicating more sensitivity to declining interest rates, and by the up-rate stress test in the last two quarters of the year, indicating greater exposure to rising interest rates. The difference between the total capital required by Freddie Mac to survive the up- and down-rate stress tests increased from quarter to quarter in 2004, rising from \$0.1 billion in the first quarter to \$8.3 billion in the fourth.

Following an investigation into certain accounting practices and internal controls at Fannie Mae, OFHEO, on December 21, 2004, determined Fannie Mae to be significantly undercapitalized under OFHEO's capital standards as of September 30, 2004. As of that date, Fannie Mae's minimum capital requirement was determined to exceed its core capital by \$2.98 billion. Subsequent to being classified as significantly undercapitalized, Fannie Mae was directed to submit to OFHEO a Capital Restoration Plan providing for compliance with its minimum capital requirement, as well as a 30 percent surplus capital requirement by September 30, 2005. The Capital Restoration Plan provides for a small "cushion" of capital above the 30 percent surplus on September 30, 2005 as a contingency against events that might affect the Enterprise's implementation of its ability to achieve the 30 percent surplus level. Fannie Mae began improving its capital position in December 2004 by issuing \$5.0 billion in preferred stock. At the end of 2004, Fannie Mae's adjusted core capital exceeded its minimum capital by \$475 million, and its total capital exceeded its estimated risk-based capital requirement by \$25.8 billion. Despite those results, OFHEO found Fannie Mae to be significantly undercapitalized for the fourth quarter 2004 because the small core capital surplus at the end of 2004 left little room for discrepancies and could be reversed, given the significant control weaknesses

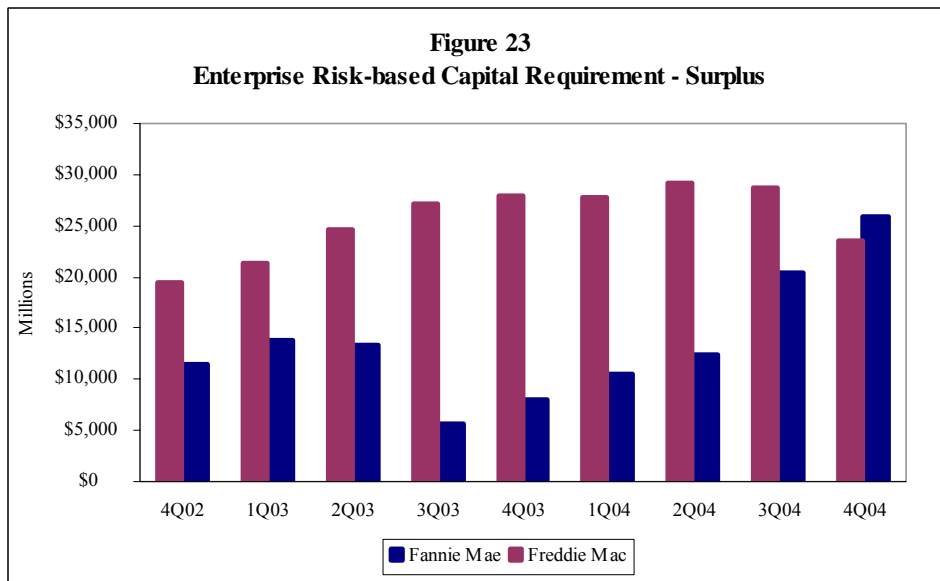
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<sup>6</sup> OFHEO imposed a capital surcharge of 30 percent of the minimum capital surplus for Freddie Mac in January 2004 due to increased operational risk.

and remaining uncertainties associated with the ongoing review of the Enterprise's financial controls and accounting policies.<sup>7</sup>



Source: OFHEO



Source: OFHEO

<sup>7</sup> Fannie Mae's capital classifications are based on estimated financial information provided by the Enterprise and the application of accounting policies currently under review by OFHEO. The capital classifications also utilized current best estimates as certified and represented by Fannie Mae management of its financial condition, including adjustments for additional accounting errors. The capital classifications are subject to change as additional information becomes available such as Fannie Mae's certification of its financial statements and OFHEO's completion of its review of Fannie Mae's accounting policies and practices.

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**Table 1. Fannie Mae Mortgage Purchases<sup>1</sup>**

Period	Business Activity (\$ in Millions)			
	Purchases			
	Single-Family (\$)	Multifamily (\$)	Total Mortgages <sup>2</sup> (\$)	Mortgage-Related Securities <sup>3</sup> (\$)
4Q04	127,757	4,608	132,365	38,260
3Q04	129,923	3,862	133,785	51,083
2Q04	186,611	4,944	191,555	66,220
1Q04	143,635	2,980	146,615	20,822
Annual Data				
2004	587,926	16,394	604,320	176,385
2003	1,322,026	30,878	1,352,904	408,625
2002	800,316	16,611	816,927	268,934
2001	567,673	19,131	586,804	209,124
2000	227,069	10,377	237,446	129,716
1999	316,136	10,012	326,148	169,905
1998	354,920	11,428	366,348	147,260
1997	159,921	6,534	166,455	50,317
1996	164,456	6,451	170,907	46,743
1995	126,003	4,966	130,969	36,258
1994	158,229	3,839	162,068	25,905
1993	289,826	4,135	293,961	6,606
1992	248,603	2,956	251,559	5,428
1991	133,551	3,204	136,755	3,080
1990	111,007	3,180	114,187	1,451
1989	80,510	4,325	84,835	Not Available
1988	64,613	4,170	68,783	Before 1990
1987	73,942	1,733	75,675	
1986	77,223	1,877	79,100	
1985	42,543	1,200	43,743	
1984	27,713	1,106	28,819	
1983	26,339	140	26,479	
1982	25,929	10	25,939	
1981	6,827	2	6,829	
1980	8,074	27	8,101	
1979	10,798	9	10,807	
1978	12,302	3	12,305	
1977	4,650	134	4,784	
1976	3,337	295	3,632	
1975	3,646	674	4,320	
1974	4,746	2,273	7,019	
1973	4,170	2,082	6,252	
1972	2,596	1,268	3,864	
1971	2,742	1,298	4,040	

Source: Fannie Mae

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Cash purchases plus securitizations; excludes non-Fannie Mae mortgage-related securities and repurchased Fannie Mae MBS.

<sup>3</sup> Not included in total mortgage purchases. Includes purchases of Fannie Mae MBS for the retained mortgage portfolio.

Table 1a. Fannie Mae Mortgage Purchases Detail, By Type of Loan<sup>1</sup>

Period	Purchases (\$ in Millions) <sup>2</sup>											
	Single-Family Mortgages					Multifamily Mortgages						
	Conventional		FHA/VA		Total Single-Family Mortgages (\$)	Conventional		FHA/RHS		Total Multifamily Mortgages (\$)		
Fixed-Rate <sup>3</sup> (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Fixed-Rate <sup>4</sup> (\$)		Adjustable-Rate (\$)	Total (\$)	FHA/RHS (\$)	Multifamily Mortgages (\$)			
2004	461,757	121,171	51	582,979	1,074	3,873	4,947	587,926	15,643	751	16,394	604,320
2003	1,190,831	126,760	93	1,317,684	1,298	3,044	4,342	1,322,026	18,648	12,230	30,878	1,352,904
2002	730,659	66,772	41	797,472	1,296	1,548	2,844	800,316	13,950	2,661	16,611	816,927
2001	534,115	25,648	1,137	560,900	5,671	1,102	6,773	567,673	17,849	1,282	19,131	586,804
2000	187,236	33,809	726	221,771	4,378	920	5,298	227,069	9,127	1,250	10,377	237,446
1999	293,188	12,138	1,198	306,524	8,529	1,084	9,613	316,137	8,858	1,153	10,011	326,148
1998	334,367	14,273	1	348,641	5,768	511	6,279	354,920	10,844	584	11,428	366,348
1997	136,329	21,095	3	157,427	2,062	432	2,494	159,921	5,936	598	6,534	166,455
1996	146,154	15,550	3	161,707	2,415	334	2,749	164,456	6,199	252	6,451	170,907
1995	104,901	17,978	9	122,888	3,009	106	3,115	126,003	4,677	289	4,966	130,969
1994	139,815	16,340	8	156,163	1,953	113	2,066	158,229	3,620	219	3,839	162,068
1993	274,402	14,420	29	288,851	855	120	975	289,826	3,919	216	4,135	293,961
1992	226,332	21,001	136	247,469	1,055	79	1,134	248,603	2,845	111	2,956	251,559
1991	114,321	17,187	705	132,213	1,300	38	1,338	133,551	3,183	21	3,204	136,755
1990	95,011	14,528	654	110,193	799	15	814	111,007	3,165	15	3,180	114,187
1989	60,794	17,692	521	79,007	1,489	14	1,503	80,510	4,309	16	4,325	84,835
1988	35,767	27,492	433	63,692	823	98	921	64,613	4,149	21	4,170	68,783
1987	60,434	10,675	139	71,248	2,649	45	2,694	73,942	1,463	270	1,733	75,675
1986	58,251	7,305	498	66,054	11,155	14	11,169	77,223	1,877	0	1,877	79,100
1985	29,993	10,736	871	41,600	927	16	943	42,543	1,200	0	1,200	43,743
1984	17,998	8,049	937	26,984	729	927	729	27,713	1,106	0	1,106	28,819
1983	18,136	4,853	1,408	24,397	1,942	0	1,942	26,339	12	12	140	26,479
1982	19,311	3,210	1,552	24,073	1,856	0	1,856	25,929	10	10	10	25,939
1981	4,260	107	176	4,543	2,284	0	2,284	6,827	0	2	2	6,829
1980	2,802	0	0	2,802	5,272	0	5,272	8,074	0	27	27	8,101
1979	5,410	0	0	5,410	5,388	0	5,388	10,798	0	9	9	10,807
1978	5,682	0	0	5,682	6,620	0	6,620	12,302	0	3	3	12,305
1977	2,366	0	0	2,366	6,620	0	6,620	4,650	0	3	3	4,784
1976	2,513	0	0	2,513	824	0	824	3,337	0	295	295	3,632
1975	547	0	0	547	3,099	0	3,099	3,646	0	674	674	4,320
1974	1,128	0	0	1,128	3,618	0	3,618	4,746	0	2,273	2,273	7,019
1973	939	0	0	939	3,231	0	3,231	4,170	0	2,082	2,082	6,252
1972	55	0	0	55	2,541	0	2,541	2,596	0	1,268	1,268	3,864
1971	0	0	0	0	2,742	0	2,742	2,742	0	1,298	1,298	4,040

Source: Fannie Mae

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.  
<sup>2</sup> Cash purchases plus securitizations; excludes non-Fannie Mae mortgage-related securities and repurchased Fannie Mae MBS.  
<sup>3</sup> Includes balloons/resets.  
<sup>4</sup> Includes loans guaranteed by the Rural Housing Service.



**Table 1b. Fannie Mae Purchases of Mortgage-Related Securities<sup>1</sup>**

Period	Purchases (\$ in millions) <sup>2</sup>								
	Fannie Mae Securities (\$)	Others' Securities						Mortgage Revenue Bonds (\$)	Total Mortgage-Related Securities (\$)
		Freddie Mac (\$)	Ginnie Mae (\$)	Private-Label			Total Private-Label (\$)		
				Home Equity <sup>3</sup> (\$)	Manufactured Housing (\$)	Other (\$)			
4Q04	8,129	1,594	0	21,638	0	5,296	26,934	1,603	38,260
3Q04	15,419	5,696	0	20,628	0	7,990	28,618	1,350	51,083
2Q04	34,083	6,472	0	14,409	0	9,252	23,661	2,004	66,220
1Q04	7,094	1,012	0	9,925	0	1,624	11,549	1,167	20,822
Annual Data									
2004	64,725	14,774	0	66,600	0	24,162	90,762	6,124	176,385
2003	348,413	19,955	36	25,769	0	8,207	33,976	6,245	408,625
2002	245,039	7,957	4,425	5,543	56	1,617	7,216	4,297	268,934
2001	180,582	20,072	333	1,466	Not Available	2,047	3,513	4,624	209,124
2000	104,904	10,171	2,493	Not Available	Before 2002	8,466	8,466	3,682	129,716
1999	125,498	6,861	17,561	Before 2001		16,511	16,511	3,474	169,905
1998	104,728	21,274	2,738			15,721	15,721	2,799	147,260
1997	39,033	2,119	3,508			4,188	4,188	1,469	50,317
1996	41,263	779	2,197			777	777	1,727	46,743
1995	30,432	2,832	20			752	752	2,222	36,258
1994	21,660	571	2,321			0	0	1,353	25,905
1993	6,275	0	0			0	0	331	6,606
1992	4,930	0	0			0	0	498	5,428
1991	2,384	0	0			0	0	696	3,080
1990	977	0	0			0	0	474	1,451

Source: Fannie Mae

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Not included in total mortgage purchases. Includes purchases of Fannie Mae MBS for the retained mortgage portfolio.

<sup>3</sup> Purchases include securities specifically identified as home equity or seconds. Other security purchases may include some underlying loans that are home equity or seconds.

**Table 2. Fannie Mae MBS Issuances<sup>1</sup>**

Period	Business Activity (\$ in Millions)			
	MBS Issuances			
	Single-Family MBS (\$)	Multifamily MBS (\$)	Total MBS (\$)	Multiclass MBS <sup>2</sup> (\$)
4Q04	115,575	1,648	117,223	20,144
3Q04	127,059	1,416	128,475	16,216
2Q04	171,123	2,066	173,189	34,690
1Q04	131,686	1,724	133,410	23,636
Annual Data				
2004	545,443	6,854	552,297	94,686
2003	1,196,561	23,018	1,219,579	260,919
2002	727,257	12,338	739,595	170,795
2001	514,621	13,801	528,422	139,403
2000	204,066	7,596	211,662	39,544
1999	292,192	8,497	300,689	55,160
1998	315,120	11,028	326,148	84,147
1997	143,615	5,814	149,429	85,415
1996	144,201	5,668	149,869	30,780
1995	106,269	4,187	110,456	9,681
1994	128,385	2,237	130,622	73,365
1993	220,485	959	221,444	210,630
1992	193,187	850	194,037	170,205
1991	111,488	1,415	112,903	112,808
1990	96,006	689	96,695	68,291
1989	66,489	3,275	69,764	41,715
1988	51,120	3,758	54,878	17,005
1987	62,067	1,162	63,229	9,917
1986	60,017	549	60,566	2,400
1985	23,142	507	23,649	Not Issued
1984	13,087	459	13,546	Before 1986
1983	13,214	126	13,340	
1982	13,970	Not Issued	13,970	
1981	717	Before 1983	717	

Source: Fannie Mae

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Includes Real Estate Mortgage Investment Conduits (REMICs) and stripped MBS.

**Table 3. Fannie Mae Earnings<sup>1</sup>**

Period	Earnings (\$ in Millions)							
	Net Interest Income <sup>2</sup>	Guarantee Fee Income	Average Guarantee Fee	Administrative Expenses	Credit-Related Expenses <sup>3</sup>	Net Income	Return on Equity <sup>4</sup>	
	(\$)	(\$)	(basis points)	(\$)	(\$)	(\$)	(\$)	
4Q04	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
3Q04	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2Q04	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
1Q04	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Annual Data								
2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2003	13,569	2,411	20.2	1,463	112	7,905	49.9	
2002	10,566	1,816	19.1	1,219	92	4,619	30.1	
2001	8,090	1,482	19.0	1,017	78	5,894	39.8	
2000	5,674	1,351	19.5	905	94	4,448	25.6	
1999	4,894	1,282	19.3	800	127	3,912	25.2	
1998	4,110	1,229	20.2	708	261	3,418	25.2	
1997	3,949	1,274	22.7	636	375	3,056	24.6	
1996	3,592	1,196	22.4	560	409	2,725	24.1	
1995	3,047	1,086	22.0	546	335	2,144	20.9	
1994	2,823	1,083	22.5	525	378	2,132	24.3	
1993	2,533	961	21.3	443	305	1,873	25.3	
1992	2,058	834	21.2	381	320	1,623	26.5	
1991	1,778	675	21.0	319	370	1,363	27.7	
1990	1,593	536	21.1	286	310	1,173	33.7	
1989	1,191	408	21.3	254	310	807	31.1	
1988	837	328	21.6	218	365	507	25.2	
1987	890	263	22.1	197	360	376	24	
1986	384	175	23.8	175	306	105	10	
1985	139	112	25.6	142	206	(7)	(1)	
1984	(90)	78	26.2	112	86	(71)	(7)	
1983	(9)	54	26.3	81	48	49	5	
1982	(464)	16	27.2	60	36	(192)	(19)	
1981	(429)	0	25.0	49	(28)	(206)	(17)	
1980	21	Not Available	Not Available	44	19	14	0.9	
1979	322	Before 1981	Before 1981	46	35	162	11.3	
1978	294			39	36	209	16.5	
1977	251			32	28	165	15.3	
1976	203			30	25	127	13.8	
1975	174			27	16	115	14.1	
1974	142			23	17	107	14.7	
1973	180			18	12	126	20.3	
1972	138			13	5	96	18.8	
1971	49			15	4	61	14.4	

Source: Fannie Mae

N/A = not available

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Interest income net of interest expense.

<sup>3</sup> Credit-related expenses include the provision for losses and foreclosed property expenses.

<sup>4</sup> Calculated as annualized net income available to common stockholders divided by average common stockholders' equity.

**Table 4. Fannie Mae Balance Sheet<sup>1</sup>**

End of Period	Balance Sheet (\$ in Millions)								Mortgage-Backed Securities Outstanding (\$ in Millions)	
	Total Assets <sup>2</sup>	Total Retained Mortgage Portfolio <sup>3</sup>	Non-Mortgage Investments <sup>4</sup>	Debt Outstanding	Shareholders' Equity	Core Capital <sup>5</sup>	Fair Value of Net Assets	Total MBS Outstanding <sup>6</sup>	Multiclass MBS Outstanding <sup>7</sup>	
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
4Q04	N/A	N/A	N/A	N/A	N/A	32,641	N/A	1,402,761	368,567	
3Q04	N/A	N/A	N/A	N/A	N/A	28,856	N/A	1,377,680	374,179	
2Q04	N/A	N/A	N/A	N/A	N/A	36,115	N/A	1,360,045	385,151	
1Q04	N/A	N/A	N/A	N/A	N/A	35,701	N/A	1,345,892	394,149	
Annual Data										
2004	N/A	N/A	N/A	N/A	N/A	32,641	N/A	1,402,761	367,567	
2003	1,009,569	901,880	59,493	961,732	22,373	34,405	31,582	1,300,166	405,772	
2002	887,515	801,122	39,293	850,982	16,288	28,079	22,130	1,029,456	401,486	
2001	799,948	706,803	65,982	763,467	18,118	25,182	22,675	858,965	392,457	
2000	675,224	607,731	52,347	642,682	20,838	20,827	20,677	706,722	334,508	
1999	575,308	523,103	37,299	547,619	17,629	17,876	20,525	679,145	335,514	
1998	485,146	415,434	58,515	460,291	15,453	15,465	14,885	637,143	361,613	
1997	391,673	316,592	64,596	369,774	13,793	13,793	15,982	579,138	388,360	
1996	351,041	286,528	56,606	331,270	12,773	12,773	14,556	548,173	339,798	
1995	316,550	252,868	57,273	299,174	10,959	10,959	11,037	513,230	353,528	
1994	272,508	220,815	46,335	257,230	9,541	9,541	10,924	486,345	378,733	
1993	216,979	190,169	21,396	201,112	8,052	8,052	9,126	471,306	381,865	
1992	180,978	156,260	19,574	166,300	6,774	Not Applicable	9,096	424,444	312,369	
1991	147,072	126,679	9,836	133,937	5,547	Before 1993	Not Available	355,284	224,806	
1990	133,113	114,066	9,868	123,403	3,941		Before 1992	288,075	127,278	
1989	124,315	107,981	8,338	116,064	2,991			216,512	64,826	
1988	112,258	100,099	5,289	105,459	2,260			170,097	26,660	
1987	103,459	93,665	3,468	97,057	1,811			135,734	11,359	
1986	99,621	94,123	1,775	93,563	1,182			95,568	Not Available	
1985	99,076	94,609	1,466	93,985	1,009			54,552	Before 1987	
1984	87,798	84,135	1,840	83,719	918			35,738		
1983	78,383	75,247	1,689	74,594	1,000			25,121		
1982	72,981	69,356	2,430	69,614	953			14,450		
1981	61,578	59,629	1,047	58,551	1,080			717		
1980	57,879	55,589	1,556	54,880	1,457			Not Issued		
1979	51,300	49,777	843	48,424	1,501			Before 1981		
1978	43,506	42,103	834	40,985	1,362					
1977	33,980	33,252	318	31,890	1,173					
1976	32,393	31,775	245	30,565	983					
1975	31,596	30,820	239	29,963	861					
1974	29,671	28,666	466	28,168	772					
1973	24,318	23,589	227	23,003	680					
1972	20,346	19,652	268	19,239	559					
1971	18,591	17,886	349	17,672	460					

Source: Fannie Mae

N/A = not available

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Beginning in 1998, the guaranty liability for MBS held in the portfolio is classified as a liability.

<sup>3</sup> Gross retained portfolio net of unamortized purchase premium, discounts and deferred price adjustments, and, beginning in 2002, unrealized gain/loss on available-for-sale securities. The amounts for 1999 through 2002 include certain loans held for investment that were previously classified as non-mortgage investments.

<sup>4</sup> Values for years 1999 through 2003 exclude securities included in new balance sheet line item, "Loans held for securitization and sale", and in the retained mortgage portfolio.

<sup>5</sup> The sum of (a) the stated value of common stock, (b) the stated value of outstanding noncumulative perpetual preferred stock, (c) paid-in capital, and (d) retained earnings, less treasury stock.

<sup>6</sup> Total Fannie Mae MBS outstanding net of Fannie Mae MBS in the retained mortgage portfolio.

<sup>7</sup> Includes REMICs and stripped MBS.

Table 4a. Fannie Mae Total MBS Outstanding Detail<sup>1</sup>

End of Period	Single-Family Mortgages (\$ in Millions)						Multifamily Mortgages (\$ in Millions)				Total MBS Outstanding <sup>2</sup> (\$)
	Conventional			FHAVVA			Conventional		FHARHS		
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Total (\$)	Conventional (\$)	FHARHS (\$)	Total Multifamily (\$)	
4Q04	1,152,758	183,799	58	1,336,615	1,968	984	2,953	62,870	323	63,193	1,402,761
3Q04	1,141,466	168,291	68	1,309,825	2,673	1,047	3,721	63,800	334	64,134	1,377,680
2Q04	1,118,324	172,088	79	1,290,491	3,023	1,131	4,154	65,054	346	65,400	1,360,045
1Q04	1,111,077	163,999	94	1,275,170	3,299	1,255	4,553	65,807	362	66,169	1,345,892
Annual Data											
2004	1,152,758	183,799	58	1,336,615	1,968	984	2,953	62,870	323	63,193	1,402,761
2003	1,074,917	154,019	109	1,229,045	3,499	1,319	4,818	65,938	365	66,303	1,300,166
2002	879,113	92,485	338	971,936	5,147	1,262	6,409	50,127	984	51,111	1,029,456
2001	737,121	62,617	772	800,510	12,246	1,300	13,546	43,728	1,181	44,909	858,965
2000	599,999	61,495	1,165	662,659	6,778	1,298	8,076	35,207	780	35,987	706,722
1999	586,069	51,474	1,212	638,755	7,159	1,010	8,169	31,518	703	32,221	679,145
1998	545,680	56,903	98	602,681	5,340	587	5,927	28,378	157	28,535	637,143
1997	483,982	70,106	7	554,095	3,872	213	4,085	20,824	134	20,958	579,138
1996	460,866	65,682	9	526,557	4,402	191	4,593	16,912	111	17,023	548,173
1995	431,755	63,436	13	495,204	5,043	91	5,134	12,579	313	12,892	513,230
1994	415,692	55,780	18	471,490	5,628	0	5,628	8,908	319	9,227	486,345
1993	405,383	49,987	28	455,398	7,549	0	7,549	8,034	325	8,359	471,306
1992	360,619	45,718	43	406,380	9,438	0	9,438	8,295	331	8,626	424,444
1991	290,038	45,110	89	335,237	11,112	0	11,112	8,599	336	8,935	355,284
1990	225,981	42,443	121	268,545	11,380	0	11,380	7,807	343	8,150	288,075
1989	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	216,512
1988	Before 1990	Before 1990	Before 1990	Before 1990	Before 1990	Before 1990	Before 1990	Before 1990	Before 1990	Before 1990	170,097
1987											135,734
1986											95,568
1985											54,552
1984											35,738
1983											25,121
1982											14,450
1981											717
1980											Not Issued Before 1981

Source: Fannie Mae

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Total Fannie Mae MBS outstanding net of Fannie Mae MBS in the retained mortgage portfolio.

**Table 5. Fannie Mae Retained Mortgage Portfolio Detail<sup>1</sup>**

(\$ in Millions)						
End of Period	Whole Loans <sup>2,3</sup> (\$)	Fannie Mae Securities <sup>2</sup> (\$)	Other Mortgage-Related Securities <sup>2</sup> (\$)	Unamortized Premiums, Discounts, Deferred Adjustments, and Unrealized Gains/Losses on Available-for-Sale Securities <sup>4</sup> (\$)	Total Retained Mortgage Portfolio (\$)	
4Q04	246,838	492,855	164,862	N/A	N/A	
3Q04	243,206	514,737	146,600	N/A	N/A	
2Q04	238,873	518,964	133,373	N/A	N/A	
1Q04	235,980	532,137	112,794	N/A	N/A	
Annual Data						
2004	246,838	492,855	164,862	N/A	N/A	
2003	234,699	556,880	106,859	3,442	901,880	
2002	189,151	508,831	96,168	6,972	801,122	
2001	167,388	431,484	110,035	(2,104)	706,803	
2000	152,634	351,066	106,551	(2,520)	607,731	
1999	149,231	281,714	93,122	(964)	523,103	
1998	155,779	197,375	61,361	919	415,434	
1997	160,102	130,444	26,132	(86)	316,592	
1996	167,891	102,607	16,554	(525)	286,528	
1995	171,481	69,729	12,301	(643)	252,868	
1994	170,909	43,998	7,150	(1,242)	220,815	
1993	163,149	24,219	3,493	(692)	190,169	
1992	134,597	20,535	2,987	(1,859)	156,260	
1991	109,251	16,700	3,032	(2,304)	126,679	
1990	101,797	11,758	3,073	(2,562)	114,066	
1989	95,729	11,720	3,272	(2,740)	107,981	
1988	92,220	8,153	2,640	(2,914)	100,099	
1987	89,618	4,226	2,902	(3,081)	93,665	
1986	94,167	1,606	2,060	(3,710)	94,123	
1985	97,421	435	793	(4,040)	94,609	
1984	87,205	477	427	(3,974)	84,135	
1983	77,983	Not Available	273	(3,009)	75,247	
1982	71,777	Before 1984	37	(2,458)	69,356	
1981	61,411		1	(1,783)	59,629	
1980	57,326		1	(1,738)	55,589	
1979	51,096		1	(1,320)	49,777	
1978	43,315		Not Available	(1,212)	42,103	
1977	34,377		Before 1979	(1,125)	33,252	
1976	32,937			(1,162)	31,775	
1975	31,916			(1,096)	30,820	
1974	29,708			(1,042)	28,666	
1973	24,459			(870)	23,589	
1972	20,326			(674)	19,652	
1971	18,515			(629)	17,886	

Source: Fannie Mae

N/A = not available

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Unpaid principal balance.

<sup>3</sup> The balance of whole loans at December 31, 1999 through December 31, 2002 includes certain loans held for investment that were previously classified as non-mortgage investments and excludes loans held for securitization or sale.

<sup>4</sup> Beginning in 2002, includes unrealized gains/losses on available-for-sale securities.

**Table 5a. Fannie Mae Retained Mortgage Portfolio Detail - Part 1, Whole Loans<sup>1</sup>**

End of Period	Whole Loans (\$ in Millions) <sup>2,3</sup>									
	Single-Family					Multifamily				Total Whole Loans (\$)
	Conventional					Total FHA/VA <sup>5</sup>	Conventional (\$)	FHA/RHS (\$)	Total (\$)	
	Fixed-Rate <sup>3,4</sup>	Adjustable-Rate	Seconds	Total	Total					
(\$)	(\$)	(\$)	(\$)	(\$)						
4Q04	192,418	17,301	175	209,894	9,964	26,083	897	26,980	246,838	
3Q04	192,801	16,511	176	209,488	9,102	23,678	938	24,616	243,206	
2Q04	192,511	15,172	197	207,880	8,328	21,679	985	22,665	238,873	
1Q04	193,855	13,878	217	207,950	7,651	19,348	1,031	20,379	235,980	
Annual Data										
2004	192,418	17,301	175	209,894	9,964	26,083	897	26,980	246,838	
2003	194,654	13,185	231	208,070	7,063	18,475	1,091	19,566	234,699	
2002	160,553	9,045	524	170,122	5,458	12,217	1,354	13,571	189,151	
2001	140,454	10,410	917	151,781	5,069	8,987	1,551	10,538	167,388	
2000	125,786	13,244	480	139,510	4,763	6,547	1,814	8,361	152,634	
1999	130,614	6,058	176	136,848	4,472	5,564	2,347	7,911	149,231	
1998	135,351	7,633	206	143,190	4,404	5,590	2,595	8,185	155,779	
1997	134,543	10,389	268	145,200	4,631	7,388	2,883	10,271	160,102	
1996	137,507	12,415	323	150,245	4,739	9,756	3,151	12,907	167,891	
1995	137,032	14,756	423	152,211	4,780	11,175	3,315	14,490	171,481	
1994	133,882	16,475	537	150,894	4,965	11,681	3,369	15,050	170,909	
1993	123,308	19,175	772	143,255	5,305	11,143	3,446	14,589	163,149	
1992	91,500	22,637	1,355	115,492	6,097	9,407	3,601	13,008	134,597	
1991	69,130	19,763	2,046	90,939	6,962	7,641	3,709	11,350	109,251	
1990	61,873	19,558	1,851	83,282	8,524	6,142	3,849	9,991	101,797	
1989	55,638	20,751	1,614	78,003	9,450	3,926	4,350	8,276	95,729	
1988	53,090	20,004	1,561	74,655	10,480	2,699	4,386	7,085	92,220	
1987	55,913	13,702	1,421	71,036	11,652	2,448	4,482	6,930	89,618	
1986	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	94,167	
1985	Before 1987	Before 1987	Before 1987	Before 1987	Before 1987	Before 1987	Before 1987	Before 1987	97,421	
1984									87,205	
1983									77,983	
1982									71,777	
1981									61,411	
1980									57,326	
1979									51,096	
1978									43,315	
1977									34,377	
1976									32,937	
1975									31,916	
1974									29,708	
1973									24,459	
1972									20,326	
1971									18,515	

Source: Fannie Mae

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Unpaid principal balance.

<sup>3</sup> The balance of whole loans at December 31, 1999 through December 31, 2002 includes certain loans held for investment that were previously classified as non-mortgage investments and excludes loans held for securitization or sale.

<sup>4</sup> Includes balloon/reset loans.

<sup>5</sup> Includes loans guaranteed by the Rural Housing Service.

Table 5a. Fannie Mae Retained Mortgage Portfolio Detail - Part 2a, Mortgage-Related Securities<sup>1</sup>

End of Period	Mortgage-Related Securities (\$ in Millions) <sup>2</sup>									
	Total Fannie Mae Securities (\$)	Others' Securities							Total Private Label (\$)	Total Others' Securities (\$)
		Freddie Mac (\$)	Ginnie Mae (\$)	Home Equity <sup>3</sup> (\$)	Manufactured Housing (\$)	Other (\$)	Private-Label			
4Q04	492,855	37,801	4,053	64,802	6,382	29,568	100,752	142,606		
3Q04	514,737	38,011	4,547	49,818	6,654	25,936	82,408	124,966		
2Q04	518,964	34,138	5,191	46,536	6,942	19,422	72,900	112,229		
1Q04	532,137	30,323	6,096	36,722	7,338	11,785	55,845	92,264		
<b>Annual Data</b>										
2004	492,855	37,801	4,053	64,802	6,382	29,568	100,752	142,606		
2003	556,880	31,152	6,974	29,640	7,604	10,978	48,222	86,348		
2002	508,831	32,826	15,587	9,992	9,525	8,600	28,117	76,530		
2001	431,484	42,921	19,138	7,571	Not Available	22,008	29,579	91,638		
2000	351,066	33,290	23,768	9,472	Before 2002	24,794	34,266	91,324		
1999	281,714	25,577	23,701	Not Available		31,673	31,673	80,951		
1998	197,375	23,453	8,636	Before 2000		19,585	19,585	51,676		
1997	130,444	5,262	7,696			5,554	5,554	18,512		
1996	102,607	3,623	4,780			1,486	1,486	9,889		
1995	69,729	3,233	2,978			747	747	6,958		
1994	43,998	564	3,182			1	1	3,747		
1993	24,219	Not Available	972			2	2	974		
1992	20,535	Before 1994	168			3	3	171		
1991	16,700		180			93	93	273		
1990	11,758		191			352	352	543		
1989	11,720		202			831	831	1,033		
1988	8,153		26			810	810	836		
1987	4,226		Not Available			1,036	1,036	1,036		
1986	1,606		Before 1988			1,591	1,591	1,591		
1985	435					Not Available	Not Available	Not Available		
1984	477					Before 1986	Before 1986	Before 1986		
1983	Not Available									
	Before 1984									

Source: Fannie Mae

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Unpaid principal balance.

<sup>3</sup> Balances incorporate securities identified as home equity or seconds. Other securities may include some underlying loans which are home equity or seconds.



**Table 5a. Fannie Mae Retained Mortgage Portfolio Detail - Part 2b, Mortgage-Related Securities<sup>1</sup>**

End of Period	Mortgage-Related Securities (\$ in Millions)		Unamortized Premiums, Discounts, Deferred Adjustments, and Unrealized Gains/Losses on Available-for-Sale Securities <sup>3</sup>	Total Retained Mortgage Portfolio
	Mortgage Revenue Bonds <sup>2</sup>	Total Mortgage-Related Securities		
	(\$)	(\$)	(\$)	(\$)
4Q04	22,256	657,717	N/A	N/A
3Q04	21,634	661,337	N/A	N/A
2Q04	21,144	652,337	N/A	N/A
1Q04	20,530	644,931	N/A	N/A
Annual Data				
2004	22,256	657,717	N/A	N/A
2003	20,510	663,738	3,442	901,880
2002	19,638	604,999	6,972	801,122
2001	18,397	541,519	(2,104)	706,803
2000	15,227	457,617	(2,520)	607,731
1999	12,171	374,836	(964)	523,103
1998	9,685	258,736	919	415,434
1997	7,620	156,576	(86)	316,592
1996	6,665	119,161	(525)	286,527
1995	5,343	82,030	(643)	252,868
1994	3,403	51,148	(1,242)	220,815
1993	2,519	27,712	(692)	190,169
1992	2,816	23,522	(1,859)	156,260
1991	2,759	19,732	(2,304)	126,679
1990	2,530	14,831	(2,562)	114,066
1989	2,239	14,992	(2,740)	107,981
1988	1,804	10,793	(2,914)	100,099
1987	1,866	7,128	(3,081)	93,665
1986	469	Not Available	(3,710)	94,123
1985	Not Available	Before 1986	(4,040)	95,250
1984	Before 1986		(3,974)	84,695
1983			(3,009)	75,782
1982			(2,458)	69,842
1981			(1,783)	59,949
1980			(1,738)	55,878
1979			(1,320)	49,777
1978			(1,212)	42,103
1977			(1,125)	33,252
1976			(1,162)	31,775
1975			(1,096)	30,821
1974			(1,042)	28,665
1973			(870)	23,579
1972			(674)	19,650
1971			(629)	17,886

Source: Fannie Mae

N/A = not available

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Unpaid principal balance.

<sup>3</sup> Beginning in 2002, includes unrealized gains/losses on available-for-sale securities.

**Table 6. Fannie Mae Financial Derivatives<sup>1</sup>**

End of Period	Financial Derivatives - Notional Amount Outstanding (\$ in Millions)						
	Interest Rate Swaps (\$)	Interest Rate Caps, Floors, and Corridors (\$)	Foreign Currency Contracts (\$)	OTC Futures, Options, and Forward Rate Agreements (\$)	Mandatory Mortgage Purchase & Sell Commitments (\$)	Other (\$)	Total (\$)
4Q04	242,459	104,150	10,743	331,400	34,131	0	722,883
3Q04	516,999	123,500	8,452	340,345	51,327	0	1,040,623
2Q04	533,657	129,950	5,814	332,156	42,902	0	1,044,479
1Q04	500,904	135,650	5,392	324,900	64,445	0	1,031,291
Annual Data							
2004	242,459	104,150	10,743	331,400	34,131	0	722,883
2003	569,884	130,350	4,712	335,650	38,492	0	1,079,088
2002	246,508	122,393	4,019	283,675	Not Available Before 2003	0	656,595
2001	299,953	75,893	8,493	148,800		0	533,139
2000	227,651	33,663	9,511	53,915		0	324,740
1999	192,032	28,950	11,507	41,081		1,400	274,970
1998	142,846	14,500	12,995	13,481		3,735	187,557
1997	149,673	100	9,968	0		1,660	161,401
1996	158,140	300	2,429	0		350	161,219
1995	125,679	300	1,224	29		975	128,207
1994	87,470	360	1,023	0		1,465	90,317
1993	49,458	360	1,023	0		1,425	52,265
1992	24,130	0	1,177	0		1,350	26,658
1991	9,100	0	Not Available	50		1,050	10,200
1990	4,800	0	Before 1992	25		1,700	6,525

Source: Fannie Mae

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

**Table 7. Fannie Mae Non-Mortgage Investments<sup>1</sup>**

End of Period	Non-Mortgage Investments (\$ in Millions) <sup>2</sup>						Total (\$)
	Federal Funds and Eurodollars (\$)	Asset Backed Securities (\$)	Repurchase Agreements <sup>3</sup> (\$)	Commercial Paper and Corporate Debt (\$)	Other (\$)		
4Q04	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3Q04	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2Q04	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1Q04	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data							
2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	12,575	26,900	111	16,743	3,164	59,493	
2002	1,548	22,311	181	14,075	1,178	39,293	
2001	16,089	20,937	808	23,805	4,343	65,982	
2000	7,539	17,512	87	8,893	18,316	52,347	
1999	4,837	19,207	122	1,723	11,410	37,299	
1998	7,926	20,993	7,556	5,155	16,885	58,515	
1997	19,212	16,639	6,715	11,745	10,285	64,596	
1996	21,734	14,635	4,667	6,191	9,379	56,606	
1995	19,775	9,905	10,175	8,629	8,789	57,273	
1994	17,593	3,796	9,006	7,719	8,221	46,335	
1993	4,496	3,557	4,684	0	8,659	21,396	
1992	6,587	4,124	3,189	0	5,674	19,574	
1991	2,954	2,416	2,195	0	2,271	9,836	
1990	5,329	1,780	951	0	1,808	9,868	
1989	5,158	1,107	0	0	2,073	8,338	
1988	4,125	481	0	0	683	5,289	
1987	2,559	25	0	0	884	3,468	
1986	1,530	0	0	0	245	1,775	
1985	1,391	0	0	0	75	1,466	
1984	1,575	0	0	0	265	1,840	
1983	1,462	0	0	0	227	1,689	
1982	1,799	0	0	0	631	2,430	
1981	Not Available	Not Available	Not Available	Not Available	Not Available	1,047	
1980	Before 1982	Before 1982	Before 1982	Before 1982	Before 1982	1,556	
1979						843	
1978						834	
1977						318	
1976						245	
1975						239	
1974						466	
1973						227	
1972						268	
1971						349	

Source: Fannie Mae

N/A = not available

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Prior to 1982, the majority of non-mortgage investments were comprised of U.S. government securities and agency securities.

<sup>3</sup> As of 1999, Repurchase Agreements consist primarily of overnight investments that mature daily. Values for 1999 through 2003 exclude securities included in "Loans held for securitization and sale" and the retained mortgage portfolio.

**Table 8. Fannie Mae Asset - Liability Mix<sup>1</sup>**

End of Period	Asset - Liability Ratios					
	Asset Mix			Liability Mix		
	Total Retained Mortgage Portfolio / Total Assets (%)	Non-Mortgage Investments / Total Assets (%)	Callable Debt / Total Effective Long-Term Debt <sup>2</sup> (%)	Total Effective Long-Term Debt / Total Debt <sup>3</sup> (%)		
4Q04	N/A	N/A	N/A	N/A	N/A	
3Q04	N/A	N/A	N/A	N/A	N/A	
2Q04	N/A	N/A	N/A	N/A	N/A	
1Q04	N/A	N/A	N/A	N/A	N/A	
Annual Data						
2004	N/A	N/A	N/A	N/A	N/A	
2003	89.3	5.9	73.9	72.6		
2002	90.3	4.4	73.5	76.6		
2001	88.4	8.2	48.2	82.2		
2000	90.0	7.8	45.4	84.6		
1999	90.9	6.5	45.0	87.1		
1998	85.6	12.1	42.9	76.4		
1997	80.8	16.5	46.4	79.4		
1996	81.6	16.1	47.5	80.5		
1995	79.9	18.1	48.0	73.9		
1994	81.0	17.0	54.6	72.6		
1993	87.6	9.9	58.1	80.0		
1992	86.3	10.8	48.8	77.9		
1991	86.1	6.7	36.0	85.5		
1990	85.7	7.4	21.9	82.6		
1989	86.9	6.7	10.1	80.1		
1988	89.2	4.7	3.6	78.7		
1987	90.5	3.4	Not Available	Not Available		
1986	94.5	1.8	Before 1988	Before 1988		
1985	95.5	1.5				
1984	95.8	2.1				
1983	96.0	2.2				
1982	95.0	3.3				
1981	96.8	1.7				
1980	96.0	2.7				
1979	97.0	1.6				
1978	96.8	1.9				
1977	97.9	0.9				
1976	98.1	0.8				
1975	97.5	0.8				
1974	96.6	1.6				
1973	97.0	1.0				
1972	96.6	1.3				
1971	96.2	1.8				

Source: Fannie Mae

N/A = not available

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> In 1999 through 2003, pay-fixed swaptions are included in callable debt. Previous periods have not been restated.

<sup>3</sup> Total effective long-term debt represents debt with an effective repricing date greater than one year.

**Table 9. Fannie Mae Mortgage Asset Quality<sup>1</sup>**

End of Period	Mortgage Asset Quality					
	Single-Family Delinquency Rate <sup>2</sup> (%)	Multifamily Delinquency Rate <sup>3</sup> (%)	Credit Losses / Total MBS Outstanding plus Retained Mortgage Portfolio <sup>4</sup> (%)	REO / Total MBS Outstanding plus Retained Mortgage Portfolio <sup>5</sup> (%)	Credit-Enhanced Outstanding / Total MBS Outstanding plus Retained Mortgage Portfolio <sup>6</sup> (%)	
4Q04	0.63	0.10	N/A	N/A	N/A	
3Q04	0.59	0.12	N/A	N/A	N/A	
2Q04	0.57	0.14	N/A	N/A	N/A	
1Q04	0.58	0.17	N/A	N/A	N/A	
Annual Data						
2004	0.63	0.10	N/A	N/A	N/A	
2003	0.60	0.27	0.01	0.07	24.3	
2002	0.57	0.05	0.01	0.06	29.6	
2001	0.55	0.27	0.01	0.04	34.2	
2000	0.45	0.07	0.01	0.05	40.4	
1999	0.47	0.11	0.01	0.06	20.9	
1998	0.56	0.23	0.03	0.08	17.5	
1997	0.62	0.37	0.04	0.10	12.8	
1996	0.58	0.68	0.05	0.11	10.5	
1995	0.56	0.81	0.05	0.08	10.6	
1994	0.47	1.21	0.06	0.10	10.2	
1993	0.48	2.34	0.04	0.10	10.6	
1992	0.53	2.65	0.04	0.09	15.6	
1991	0.64	3.62	0.04	0.07	22.0	
1990	0.58	1.70	0.06	0.09	25.9	
1989	0.69	3.20	0.07	0.14	Not Available	
1988	0.88	6.60	0.11	0.15	Before 1990	
1987	1.12	Not Available	0.11	0.18		
1986	1.38	Before 1988	0.12	0.22		
1985	1.48		0.13	0.32		
1984	1.65		0.09	0.33		
1983	1.49		0.05	0.35		
1982	1.41		0.01	0.20		
1981	0.96		0.01	0.13		
1980	0.90		0.01	0.09		
1979	0.56		0.02	0.11		
1978	0.55		0.02	0.18		
1977	0.46		0.02	0.26		
1976	1.58		0.03	0.27		
1975	0.56		0.03	0.51		
1974	0.51		0.02	0.52		
1973	Not Available		0.00	0.61		
1972	Before 1974		0.02	0.98		
1971			0.01	0.59		

Source: Fannie Mae

N/A = not available

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> Beginning with 1998, data include all seriously delinquent conventional loans with and without third-party credit enhancement. Prior to 1998, data include loans for which Fannie Mae has primary risk of loss. Data prior to 1992 include loans in relief or bankruptcy, even if they are less than 90 days delinquent.

<sup>3</sup> Beginning in 1998, data include all loans that are two or more months delinquent. Data prior to 1998 include loans for which Fannie Mae has primary risk of loss.

<sup>4</sup> Credit losses are charge-offs plus real estate owned expense; average balances used to calculate ratios subsequent to 1994; quarterly data are annualized.

<sup>5</sup> Real estate owned balances reflect end-of-period amounts. Beginning with 1995, data reflect adoption of SFAS 114.

<sup>6</sup> Beginning in 2000, "credit-enhanced" is expanded to include primary mortgage insurance. Prior to 2000, reflect proportion of the retained mortgage portfolio with additional recourse from a third party to accept some or all of the expected losses on defaulted mortgages.

Table 10. Fannie Mae Capital<sup>1</sup>

End of Period	Capital (\$ in Millions)										
	Minimum Capital Requirement			Risk-Based Capital Requirement			Market Capitalization <sup>6</sup>	Core Capital/Total Assets	Core Capital / Total MBS Outstanding plus Total Assets	Common Share Dividend Payout Rate <sup>7</sup>	
	Core Capital <sup>1</sup>	Minimum Capital Requirement	Minimum Capital Surplus (Deficit) <sup>2</sup>	Total Capital <sup>3</sup>	Risk-Based Capital Requirement <sup>4</sup>	Risk-Based Capital Surplus (Deficit) <sup>5</sup>					(%)
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(%)	(%)	(%)	
4Q04	32,641	32,166	475	35,878	10,039	25,839	N/A	N/A	N/A	N/A	
3Q04	28,856	31,837	(2,981)	38,762	18,342	20,420	N/A	N/A	N/A	N/A	
2Q04	36,115	31,188	4,927	36,862	24,391	12,471	69,075	N/A	N/A	N/A	
1Q04	35,701	31,354	4,347	36,481	25,961	10,520	72,158	N/A	N/A	N/A	
Annual Data											
2004	32,641	32,166	475	35,878	10,039	25,839	N/A	N/A	N/A	N/A	
2003	34,405	31,520	2,885	35,182	27,221	7,960	72,838	3.41	1.49	23.0	
2002	28,079	27,203	877	28,871	17,434	11,437	63,612	3.16	1.46	20.9	
2001	25,182	24,182	1,000	25,976	Not Applicable	Not Applicable	79,281	3.15	1.52	23.0	
2000	20,827	20,294	533	21,634	Before 2002	Before 2002	86,643	3.08	1.51	26.0	
1999	17,876	17,770	106	18,677			63,651	3.11	1.42	28.8	
1998	15,465	15,334	131	16,257			75,881	3.19	1.38	29.5	
1997	13,793	12,703	1,090	14,575			59,167	3.52	1.42	29.4	
1996	12,773	11,466	1,307	13,520			39,932	3.64	1.42	30.4	
1995	10,959	10,451	508	11,703			33,812	3.46	1.32	34.6	
1994	9,541	9,416	126	10,368			19,882	3.50	1.26	30.8	
1993	8,052	7,876	176	8,893			21,387	3.71	1.17	26.8	
1992	Not Applicable	Not Applicable	Not Applicable	Not Applicable			20,874	Not Applicable	Not Applicable	23.2	
1991	Before 1993	Before 1993	Before 1993	Before 1993			18,836	Before 1993	Before 1993	21.3	
1990							8,490			14.7	
1989							8,092			12.8	
1988							3,992			11.2	
1987							2,401			11.7	
1986							3,006			8.0	
1985							1,904			30.1	
1984							1,012			Not Applicable	
1983							1,514			13.9	
1982							1,603			Not Applicable	
1981							502			Not Applicable	
1980							702			464.2	
1979							Not Available			45.7	
1978							Before 1980			30.3	
1977										31.8	
1976										33.6	
1975										31.8	
1974										29.6	
1973										18.1	
1972										15.2	
1971										18.7	

Source: Fannie Mae and OFHEO

N/A = not available

<sup>1</sup> This information is subject to change as a result of the pending re-audit and restatement of Fannie Mae's financial statements.

<sup>2</sup> The difference between Core Capital and Minimum Capital Requirement.

<sup>3</sup> Total Capital is Core Capital plus the total allowance for loan losses and guaranty liability for MBS, less any specific loss allowances.

<sup>4</sup> The Risk-Based Capital Requirement is the amount of Total Capital that an Enterprise must hold to absorb projected losses flowing from future adverse interest rate and credit risk conditions and is specified by the Federal Housing Enterprise Financial Safety and Soundness Act of 1992.

<sup>5</sup> The difference between Total Capital and the Risk-Based Capital Requirement.

<sup>6</sup> Stock price at the end of the period multiplied by number of outstanding common shares.

<sup>7</sup> Common dividends paid as a percentage of net income available to common stockholders.

**Table 11. Freddie Mac Mortgage Purchases<sup>1</sup>**

<b>Business Activity (\$ in Millions)</b>					
<b>Purchases<sup>2</sup></b>					
<b>Period</b>	<b>Single-Family (\$)</b>	<b>Multifamily (\$)</b>	<b>Total Mortgages<sup>3</sup> (\$)</b>	<b>Mortgage-Related Securities<sup>4</sup> (\$)</b>	
4Q04	74,129	2,581	76,710	52,617	
3Q04	77,983	2,979	80,962	64,078	
2Q04	115,695	2,245	117,940	69,874	
1Q04	87,005	4,907	91,912	36,730	
<b>Annual Data</b>					
2004	354,812	12,712	367,524	223,299	
2003	701,483	15,292	716,775	385,078	
2002	533,194	10,654	543,848	299,674	
2001	384,124	9,510	393,634	248,466	
2000	168,013	6,030	174,043	91,896	
1999	232,612	7,181	239,793	101,898	
1998	263,490	3,910	267,400	128,446	
1997	115,160	2,241	117,401	35,385	
1996	122,850	2,229	125,079	36,824	
1995	89,971	1,565	91,536	39,292	
1994	122,563	847	123,410	19,817	
1993	229,051	191	229,242	Not Available	
1992	191,099	27	191,126	Before 1994	
1991	99,729	236	99,965		
1990	74,180	1,338	75,518		
1989	76,765	1,824	78,589		
1988	42,884	1,191	44,075		
1987	74,824	2,016	76,840		
1986	99,936	3,538	103,474		
1985	42,110	1,902	44,012		
1984	Not Available	Not Available	21,885		
1983	Before 1985	Before 1985	22,952		
1982			23,671		
1981			3,744		
1980			3,690		
1979			5,716		
1978			6,524		
1977			4,124		
1976			1,129		
1975			1,716		
1974			2,185		
1973			1,334		
1972			1,265		
1971			778		

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Based on unpaid principal balances and excludes mortgage loans and mortgage-related securities traded, but not yet settled.

<sup>3</sup> Loans purchased from lenders. Excludes repurchased Freddie Mac MBS and structured securities.

<sup>4</sup> Not included in total mortgages. Includes non-Freddie Mac mortgage-related securities and repurchased Freddie Mac MBS and structured securities. For the period 2002 through 2004, amounts include non-Freddie Mac mortgage-related securities purchased for structured securities (e.g. alternative collateral deals and structured securities backed by Ginnie Mae MBS). For years prior to 2002, includes alternative collateral deals and excludes structured securities backed by Ginnie Mae MBS.

Table 11a. Freddie Mac Mortgage Purchases Detail, By Type of Loan <sup>1</sup>

Purchases (\$ in millions) <sup>2,3</sup>												
Period	Single-Family Mortgages							Multifamily Mortgages				
	Conventional				FHA/VA			Total Single-Family Mortgages (\$)	Conventional (\$)	FHA/RHS (\$)	Total Multifamily Mortgages (\$)	Total Mortgage Purchases (\$)
	Fixed-Rate <sup>4</sup> (\$)	Adjustable-Rate <sup>5</sup> (\$)	Seconds (\$)	Total (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Total (\$)					
4Q04	60,351	13,779	0	74,130	0	0	0	74,130	2,581	0	2,581	76,711
3Q04	60,030	17,952	0	77,982	0	0	0	77,982	2,979	0	2,979	80,961
2Q04	99,479	16,216	0	115,695	0	0	0	115,695	2,245	0	2,245	117,940
1Q04	74,006	12,680	0	86,686	319	0	319	87,005	4,907	0	4,907	91,912
Annual Data												
2004	293,866	60,627	0	354,493	319	0	319	354,812	12,712	0	12,712	367,524
2003	617,796	82,270	0	700,066	1,417	0	1,417	701,483	15,292	0	15,292	716,775
2002	468,901	63,448	0	532,349	845	0	845	533,194	10,654	0	10,654	543,848
2001	353,056	30,780	0	383,836	288	0	288	384,124	9,507	3	9,510	393,634
2000	145,744	21,201	0	166,945	1,068	0	1,068	168,013	6,030	0	6,030	174,043
1999	224,040	7,443	0	231,483	1,129	0	1,129	232,612	7,181	0	7,181	239,793
1998	256,008	7,384	0	263,392	98	0	98	263,490	3,910	0	3,910	267,400
1997	106,174	8,950	0	115,124	36	0	36	115,160	2,241	0	2,241	117,401
1996	116,316	6,475	0	122,791	59	0	59	122,850	2,229	0	2,229	125,079
1995	75,867	14,099	0	89,966	5	0	5	89,971	1,565	0	1,565	91,536
1994	105,902	16,646	0	122,548	15	0	15	122,563	847	0	847	123,410
1993	208,322	20,708	1	229,031	20	0	20	229,051	191	0	191	229,242
1992	175,515	15,512	7	191,034	65	0	65	191,099	27	0	27	191,126
1991	91,586	7,793	206	99,585	144	0	144	99,729	236	0	236	99,965
1990	56,806	16,286	686	73,778	402	0	402	74,180	1,338	0	1,338	75,518
1989	57,100	17,835	1,206	76,141	624	0	624	76,765	1,824	0	1,824	78,589
1988	34,737	7,253	59	42,049	835	0	835	42,884	1,191	0	1,191	44,075
1987	69,148	4,779	69	73,996	828	0	828	74,824	2,016	0	2,016	76,840
1986	96,105	2,262	90	98,457	1,479	0	1,479	99,936	3,538	0	3,538	103,474
1985	40,226	605	34	40,865	1,245	0	1,245	42,110	1,902	0	1,902	44,012
1984	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985
1983	Not Available Before 1985											
1982												
1981												
1980												
1979												
1978												
1977												
1976												
1975												
1974												
1973												
1972												
1971												

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Based on unpaid principal balances and excludes mortgage loans and mortgage-related securities traded, but not yet settled.

<sup>3</sup> Loans purchased from lenders. Excludes repurchased Freddie Mac MBS and structured securities.

<sup>4</sup> For the period 2002 through 2004, includes loans guaranteed by the Rural Housing Service.

<sup>5</sup> For the period 2001 through 2004, includes balloons/resets.



**Table 11b. Freddie Mac Purchases of Mortgage-Related Securities<sup>1</sup>**

Period	Purchases (\$ in Millions) <sup>2</sup>							
	Freddie Mac Securities (\$)	Others' Securities					Mortgage Revenue Bonds (\$)	Total Mortgage-Related Securities <sup>4</sup> (\$)
		Fannie Mae (\$)	Ginnie Mae (\$)	Private-Label				
				Manufactured Housing (\$)	Other <sup>3</sup> (\$)	Total Private-Label (\$)		
4Q04	18,493	1,244	0	0	32,207	32,207	673	52,617
3Q04	27,279	1,677	0	0	34,473	34,473	649	64,078
2Q04	35,690	775	0	0	32,923	32,923	486	69,874
1Q04	14,773	342	0	0	21,479	21,479	136	36,730
Annual Data								
2004	96,235	4,038	0	0	121,082	121,082	1,944	223,299
2003	266,989	47,806	166	0	69,154	69,154	963	385,078
2002	192,817	45,798	820	318	59,058	59,376	863	299,674
2001	157,339	64,508	1,444	0	24,468	24,468	707	248,466
2000	58,516	18,249	3,339	15	10,289	10,304	1,488	91,896
1999	69,219	12,392	3,422	3,293	11,970	15,263	1,602	101,898
1998	107,508	3,126	319	1,630	14,081	15,711	1,782	128,446
1997	31,296	897	326	36	1,458	1,494	1,372	35,385
1996	33,338	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	36,824
1995	32,534	Before 1997	Before 1997	Before 1997	Before 1997	Before 1997	Before 1997	39,292
1994	19,817							19,817
1993	Not Available Before 1994							Not Available Before 1994

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Based on unpaid principal balances and excludes mortgage loans and mortgage-related securities traded, but not yet settled.

<sup>3</sup> Includes home equity securities.

<sup>4</sup> Not included in total mortgages. Includes non-Freddie Mac mortgage-related securities and repurchased Freddie Mac MBS and structured securities. For 2004, 2003 and 2002, amounts include non-Freddie Mac mortgage-related securities purchased for structured securities (e.g. alternative collateral deals and structured securities backed by Ginnie Mae MBS). For 2001, includes alternative collateral deals and excludes structured securities backed by Ginnie Mae MBS.

**Table 12. Freddie Mac MBS Issuances<sup>1</sup>**

<b>Business Activity (\$ in Millions)</b>					
<b>MBS Issuances<sup>2</sup></b>					
<b>Period</b>	<b>Single Family MBS<sup>3</sup></b>	<b>Multifamily MBS</b>	<b>Total MBS<sup>3</sup></b>	<b>Multiclass MBS<sup>4</sup></b>	
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	
4Q04	77,188	513	77,701	48,846	
3Q04	77,540	216	77,756	52,580	
2Q04	118,702	186	118,888	61,239	
1Q04	87,503	3,260	90,763	52,765	
<b>Annual Data</b>					
2004	360,933	4,175	365,108	215,430	
2003	705,450	8,337	713,787	298,118	
2002	543,716	3,596	547,312	331,672	
2001	387,234	2,357	389,591	192,437	
2000	165,115	1,786	166,901	48,202	
1999	230,986	2,045	233,031	119,565	
1998	249,627	937	250,564	135,162	
1997	113,758	500	114,258	84,366	
1996	118,932	770	119,702	34,145	
1995	85,522	355	85,877	15,372	
1994	116,901	209	117,110	73,131	
1993	208,724	0	208,724	143,336	
1992	179,202	5	179,207	131,284	
1991	92,479	0	92,479	72,032	
1990	71,998	1,817	73,815	40,479	
1989	72,931	587	73,518	39,754	
1988	39,490	287	39,777	12,985	
1987	72,866	2,152	75,018	0	
1986	96,798	3,400	100,198	2,233	
1985	37,583	1,245	38,828	2,625	
1984	Not Available	Not Available	18,684	1,805	
1983	Before 1985	Before 1985	19,691	1,685	
1982			24,169	Not Issued	
1981			3,526	Before 1983	
1980			2,526		
1979			4,546		
1978			6,412		
1977			4,657		
1976			1,360		
1975			950		
1974			46		
1973			323		
1972			494		
1971			65		

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Based on unpaid principal balances and excludes mortgage loans and mortgage-related securities traded, but not yet settled.

<sup>3</sup> Includes MBS and structured securities backed by non-Freddie Mac mortgage-related securities. For the period 2002 through 2004, includes structured securities backed by Ginnie Mae MBS. For years prior to 2002, excludes structured securities backed by Ginnie Mae MBS.

<sup>4</sup> Includes activity related to multi-class structured securities, primarily Real Estate Mortgage Investment Conduits (REMICs) as well as principal-only strips and other structured securities. These amounts exclude resecuritizations of MBS into single-class securities, but includes resecuritization of MBS into multiclass securities.

**Table 13. Freddie Mac Earnings<sup>1</sup>**

Earnings (\$ in Millions)							
Period	Net Interest Income <sup>2</sup> (\$)	Guarantee Fee Income <sup>2</sup> (\$)	Average Guarantee Fee <sup>2</sup> (basis points)	Administrative Expenses (\$)	Credit-Related Expenses <sup>3</sup> (\$)	Net Income (\$)	Return on Equity <sup>4</sup> (%)
4Q04	2,065	367	18	546	59	377	4.8
3Q04	2,321	380	19	442	55	(1,506)	(24.4)
2Q04	2,625	251	13	426	27	2,754	40.5
1Q04	2,126	384	20	407	(1)	1,312	18.0
Annual Data							
2004	9,137	1,382	18	1,821	140	2,937	10.2
2003	9,498	1,653	23	1,877	2	4,816	17.2
2002	9,525	1,527	22	1,406	126	10,090	47.2
2001	7,448	1,381	24	1,024	39	3,158	20.2
2000	3,758	1,243	24	825	75	3,666	39.0
1999	2,926	1,019	20	655	159	2,223	25.5
1998	2,215	1,019	21	578	342	1,700	22.6
1997	1,847	1,082	23	495	529	1,395	23.1
1996	1,705	1,086	23	440	608	1,243	22.6
1995	1,396	1,087	24	395	541	1,091	22.1
1994	1,112	1,108	24	379	425	983	23.3
1993	772	1,009	24	361	524	786	22.3
1992	695	936	25	329	457	622	21.2
1991	683	792	24	287	419	555	23.6
1990	619	654	22	243	474	414	20.4
1989	517	572	23	217	278	437	25.0
1988	492	465	22	194	219	381	27.5
1987	319	472	24	150	175	301	28.2
1986	299	301	22	110	120	247	28.5
1985	312	188	22	81	79	208	30.0
1984	213	158	25	71	54	144	52.0
1983	125	132	26	53	46	86	44.5
1982	30	77	25	37	26	60	21.9
1981	34	36	20	30	16	31	13.1
1980	54	23	14	26	23	34	14.7
1979	55	18	13	19	20	36	16.2
1978	37	14	15	14	13	25	13.4
1977	31	9	19	12	8	21	12.4
1976	18	3	14	10	(1)	14	9.5
1975	31	3	25	10	11	16	11.6
1974	42	2	26	8	33	5	4.0
1973	31	2	32	7	15	12	9.9
1972	10	1	39	5	4	4	3.5
1971	10	1	Not Available Before 1972	Not Available Before 1972	Not Available Before 1972	6	5.5

Source: Freddie Mac

<sup>1</sup> For the period 2000 through 2003, data are based on restated and revised financial results.

<sup>2</sup> In 1993, Freddie Mac adopted a change in reporting of uncollectible interest on single-family mortgages. Pre-1993 amounts do not reflect that change.

<sup>3</sup> Defined as provision for credit losses plus real estate owned operations expense. From 1988 to 1990, data include real estate owned disposition loss provisions instead of expense, and before 1988 only mortgage loan loss provision.

<sup>4</sup> Ratio computed as annualized net income available to common stockholders divided by the simple average of beginning and ending stockholders' equity, net of preferred stock (at redemption value).

Table 14. Freddie Mac Balance Sheet<sup>1</sup>

Balance Sheet (\$ in Millions)								Mortgage-Backed Securities Outstanding (\$ in Millions) <sup>2</sup>	
End of Period	Total Assets (\$)	Total Retained Mortgage Portfolio <sup>3</sup> (\$)	Non-Mortgage Investments <sup>4</sup> (\$)	Debt Outstanding (\$)	Stockholders' Equity (\$)	Core Capital <sup>5</sup> (\$)	Fair Value of Net Assets (\$)	Total MBS Outstanding <sup>6</sup> (\$)	Multiclass MBS Outstanding <sup>7</sup> (\$)
4Q04	795,284	664,582	62,027	731,697	31,416	35,009	30,900	852,270	390,636
3Q04	807,756	672,762	55,841	747,171	31,672	34,871	29,400	808,864	N/A
2Q04	805,385	650,667	72,420	744,335	28,653	36,578	29,200	795,046	N/A
1Q04	807,570	655,471	60,262	737,674	33,880	34,058	28,000	775,184	N/A
Annual Data									
2004	795,284	664,582	62,027	731,697	31,416	35,009	30,900	852,270	390,636
2003	803,449	660,531	53,124	739,613	31,487	32,985	27,300	752,164	347,833
2002	752,249	589,899	91,871	665,696	31,330	28,990	22,900	729,809	392,545
2001	641,100	503,769	89,849	578,368	19,624	20,181	18,300	653,084	299,652
2000	459,297	385,451	43,521	426,899	14,837	14,380	Not Available	576,101	309,185
1999	386,684	322,914	34,152	360,711	11,525	12,692	Before 2001	537,883	316,168
1998	321,421	255,670	42,160	287,396	10,835	10,715		478,351	260,504
1997	194,597	164,543	16,430	172,842	7,521	7,376		475,985	233,829
1996	173,866	137,826	22,248	156,981	6,731	6,743		473,065	237,939
1995	137,181	107,706	12,711	119,961	5,863	5,829		459,045	246,366
1994	106,199	73,171	17,808	93,279	5,162	5,169		460,656	264,152
1993	83,880	55,938	18,225	49,993	4,437	4,437		439,029	265,178
1992	59,502	33,629	12,542	29,631	3,570	Not Applicable		407,514	218,747
1991	46,860	26,667	9,956	30,262	2,566	Before 1993		359,163	146,978
1990	40,579	21,520	12,124	30,941	2,136			316,359	88,124
1989	35,462	21,448	11,050	26,147	1,916			272,870	52,865
1988	34,352	16,918	14,607	26,882	1,584			226,406	15,621
1987	25,674	12,354	10,467	19,547	1,182			212,635	3,652
1986	23,229	13,093		15,375	953			169,186	5,333
1985	16,587	13,547		12,747	779			99,909	5,047
1984	13,778	10,018	Not Available Before 1987	10,999	606			70,026	3,214
1983	8,995	7,485		7,273	421			57,720	1,669
1982	5,999	4,679		4,991	296			42,952	Not Issued
1981	6,326	5,178		5,680	250			19,897	Before 1983
1980	5,478	5,006		4,886	221			16,962	
1979	4,648	4,003		4,131	238			15,316	
1978	3,697	3,038		3,216	202			12,017	
1977	3,501	3,204		3,110	177			6,765	
1976	4,832	4,175		4,523	156			2,765	
1975	5,899	4,878		5,609	142			1,643	
1974	4,901	4,469		4,684	126			780	
1973	2,873	2,521		2,696	121			791	
1972	1,772	1,726		1,639	110			444	
1971	1,038	935		915	107			64	

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results. Certain data for 2004 do not reflect minimum capital reports previously submitted to OFHEO and are subject to change.

<sup>2</sup> Based on unpaid principal balances and excludes mortgage loans and mortgage-related securities traded, but not yet settled.

<sup>3</sup> Excludes "Reserve for losses on mortgage loans held for investment."

<sup>4</sup> Based on fair value. Consists of Freddie Mac's cash and investments portfolio, excluding cash and cash equivalents and mortgage-related securities within that portfolio.

<sup>5</sup> The sum of (a) the stated value of outstanding common stock, (b) the stated value of outstanding noncumulative perpetual preferred stock, (c) paid-in capital, and (d) retained earnings, less Treasury stock.

<sup>6</sup> Represents MBS and structured securities that are held by third parties. For years prior to 2002, includes MBS and structured securities in Freddie Mac's cash and investments portfolio.

<sup>7</sup> Represents total multiclass MBS held by third parties.

Table 14a. Freddie Mac Total MBS Outstanding Detail<sup>1</sup>

End of Period	Single-Family Mortgages (\$ in Millions) <sup>2</sup>					Multifamily Mortgages (\$ in Millions) <sup>2</sup>			Total MBS Outstanding <sup>7</sup>
	Conventional				Total FHA/VA <sup>6</sup>	Conventional	FHA/RHS	Multifamily Mortgages	
	Fixed-Rate <sup>3</sup>	Adjustable-Rate <sup>4</sup>	Seconds <sup>5</sup>	Total					
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
4Q04	736,332	91,329	70	827,731	9,254	15,285	0	15,285	852,270
3Q04	695,274	87,168	82	782,524	10,239	16,101	0	16,101	808,864
2Q04	683,254	83,538	99	766,891	11,476	16,679	0	16,679	795,046
1Q04	667,159	78,445	119	745,723	12,089	17,372	0	17,372	775,184
Annual Data									
2004	736,332	91,329	70	827,731	9,254	15,285	0	15,285	852,270
2003	649,699	74,409	140	724,248	12,157	15,759	0	15,759	752,164
2002	647,603	61,110	5	708,718	12,361	8,730	0	8,730	729,809
2001	609,290	22,525	10	631,825	14,127	7,132	0	7,132	653,084
2000	533,331	36,266	18	569,615	778	5,708	0	5,708	576,101
1999	499,671	33,094	29	532,794	627	4,462	0	4,462	537,883
1998	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	478,351
1997	Before 1999	Before 1999	Before 1999	Before 1999	Before 1999	Before 1999	Before 1999	Before 1999	475,985
1996									473,065
1995									459,045
1994									460,656
1993									439,029
1992									407,514
1991									359,163
1990									316,359
1989									272,870
1988									226,406
1987									212,635
1986									169,186
1985									99,909
1984									70,026
1983									57,720
1982									42,952
1981									19,897
1980									16,962
1979									15,316
1978									12,017
1977									6,765
1976									2,765
1975									1,643
1974									780
1973									791
1972									444
1971									64

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Based on unpaid principal balances.

<sup>3</sup> Includes Rural Housing Service and other federally guaranteed loans, and certain alternative collateral deals for the period 2002 through 2004.

<sup>4</sup> For the period 2002 through 2004, includes balloons/resets and certain alternative collateral deals.

<sup>5</sup> For the period 2002 through 2004, includes certain alternative collateral deals.

<sup>6</sup> For the period 2002 through 2004, includes structured securities backed by Ginnie Mae MBS and certain alternative collateral deals.

<sup>7</sup> Represents MBS and structured securities that are held by third parties. For the period 2002 through 2004, amounts include structured securities backed by all non-Freddie Mac securities (including Ginnie Mae MBS). For years prior to 2002, also includes MBS and structured securities in Freddie Mac's cash and investments portfolio.

**Table 15. Freddie Mac Retained Mortgage Portfolio Detail<sup>1</sup>**

(\$ in Millions)					
End of Period	Whole Loans <sup>2</sup> (\$)	Freddie Mac Securities <sup>2</sup> (\$)	Other Mortgage-Related Securities <sup>2</sup> (\$)	Unamortized Premiums, Discounts, Deferred Fees, Plus Unrealized Gains/Losses on Available-for-Sale Securities <sup>3</sup> (\$)	Total Retained Mortgage Portfolio <sup>4</sup> (\$)
4Q04	61,360	356,698	234,878	11,646	664,582
3Q04	60,808	372,760	226,381	12,813	672,762
2Q04	59,817	373,680	210,920	6,250	650,667
1Q04	60,724	376,114	199,334	19,299	655,471
Annual Data					
2004	61,360	356,698	234,878	11,646	664,582
2003	60,270	393,135	192,061	15,065	660,531
2002	63,886	341,287	162,099	22,627	589,899
2001	62,792	308,427	126,420	6,130	503,769
2000	59,240	246,209	80,244	(242)	385,451
1999	56,676	211,198	56,569	(1,529)	322,914
1998	57,084	168,108	29,817	661	255,670
1997	48,454	103,400	Not Available	122	164,543
1996	46,504	81,195	Before 1998	71	137,826
1995	43,753	56,006		282	107,706
1994	Not Available	30,670		Not Available	73,171
1993	Before 1995	15,877		Before 1995	55,938
1992		6,394			33,629
1991		Not Available			26,667
1990		Before 1992			21,520
1989					21,448
1988					16,918
1987					12,354
1986					13,093
1985					13,547
1984					10,018
1983					7,485
1982					4,679
1981					5,178
1980					5,006
1979					4,003
1978					3,038
1977					3,204
1976					4,175
1975					4,878
1974					4,469
1973					2,521
1972					1,726
1971					935

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Based on unpaid principal balances and excludes mortgage loans and mortgage-related securities traded, but not yet settled.

<sup>3</sup> Includes premiums, discounts, deferred fees and other basis adjustments on mortgage loans and mortgage-related securities plus unrealized gains or losses on mortgage-related securities and MBS residuals, at fair value.

<sup>4</sup> Excludes "Reserve for losses on mortgage loans held for investment."

**Table 15a. Freddie Mac Retained Mortgage Portfolio Detail - Part 1, Whole Loans<sup>1</sup>**

End of Period	Whole Loans (\$ in Millions) <sup>2</sup>								
	Single-Family					Multifamily			Total Whole Loans (\$)
	Conventional				Total FHA/VA (\$)	Conventional (\$)	FHA/RHS (\$)	Total (\$)	
	Fixed-Rate <sup>3</sup> (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)					
4Q04	22,055	990	0	23,045	344	37,968	3	37,971	61,360
3Q04	22,147	881	0	23,028	375	37,402	3	37,405	60,808
2Q04	22,947	788	1	23,736	411	35,667	3	35,670	59,817
1Q04	25,159	812	1	25,972	454	34,295	3	34,298	60,724
Annual Data									
2004	22,055	990	0	23,045	344	37,968	3	37,971	61,360
2003	25,889	871	1	26,761	513	32,993	3	32,996	60,270
2002	33,821	1,321	3	35,145	705	28,033	3	28,036	63,886
2001	38,267	1,073	5	39,345	964	22,480	3	22,483	62,792
2000	39,537	2,125	9	41,671	1,200	16,369	Not Available	16,369	59,240
1999	43,210	1,020	14	44,244	77	12,355	Before 2001	12,355	56,676
1998	47,754	1,220	23	48,997	109	7,978		7,978	57,084
1997	40,967	1,478	36	42,481	148	5,825		5,825	48,454
1996	Not Available	Not Available	Not Available	Not Available	Not Available	4,746		4,746	46,504
1995	Before 1997	Before 1997	Before 1997	Before 1997	Before 1997	3,852		3,852	43,753
1994						Not Available		Not Available	Not Available
						Before 1995		Before 1995	Before 1995

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Based on unpaid principal balances.

<sup>3</sup> For the period 2002 through 2004, includes loans guaranteed by the Rural Housing Service.

**Table 15a. Freddie Mac Retained Mortgage Portfolio Detail - Part 2a, Mortgage-Related Securities<sup>1</sup>**

End of Period	Mortgage-Related Securities (\$ in Millions)							
	Total Enterprise Securities <sup>2,3</sup> (\$)	Others' Securities <sup>2</sup>					Total Private-Label (\$)	Total Others' Securities (\$)
		Fannie Mae (\$)	Ginnie Mae (\$)	Private-Label				
				Manufactured Housing (\$)	Other <sup>4</sup> (\$)			
4Q04	356,698	58,004	1,711	1,491	164,595	166,086	225,801	
3Q04	372,760	60,917	1,868	1,593	153,467	155,060	217,845	
2Q04	373,680	63,858	2,078	1,639	135,289	136,928	202,864	
1Q04	376,114	69,896	2,401	1,722	117,561	119,283	191,580	
Annual Data								
2004	356,698	58,004	1,711	1,491	164,595	166,086	225,801	
2003	393,135	74,529	2,760	1,784	105,216	107,000	184,289	
2002	341,287	78,829	4,878	2,394	68,358	70,752	154,459	
2001	308,427	71,128	5,699	2,462	39,874	42,336	119,163	
2000	246,209	28,303	8,991	2,896	33,101	35,997	73,291	
1999	211,198	13,245	6,615	4,693	26,326	31,019	50,879	
1998	168,108	3,749	4,458	1,711	15,259	16,970	25,177	
1997	103,400	Not Available	6,393	Not Available	Not Available	Not Available	Not Available	
1996	81,195	Before 1998	7,434	Before 1998	Before 1998	Before 1998	Before 1998	
1995	56,006		Not Available					
1994	30,670		Before 1996					
1993	15,877							
1992	6,394							
1991	Not Available Before 1992							

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results

<sup>2</sup> Based on unpaid principal balances.

<sup>3</sup> For the period 2001 through 2004, includes structured securities backed by Ginnie Mae MBS which were previously classified as non-Freddie Mac mortgage-related securities.

<sup>4</sup> Includes home equity securities.



**Table 15a. Freddie Mac Retained Mortgage Portfolio Detail - Part 2b, Mortgage-Related Securities<sup>1</sup>**

End of Period	Mortgage-Related Securities (\$ in Millions)		Unamortized Premiums, Discounts, Deferred Fees, Plus Unrealized Gains/Losses on Available-for-Sale Securities <sup>3</sup>	Total Retained Mortgage Portfolio <sup>4</sup>
	Mortgage Revenue Bonds <sup>2</sup>	Total Mortgage-Related Securities <sup>3</sup>		
	(\$)	(\$)	(\$)	(\$)
4Q04	9,077	603,222	11,646	664,582
3Q04	8,536	611,954	12,813	672,762
2Q04	8,056	590,850	6,250	650,667
1Q04	7,754	594,747	19,299	655,471
Annual Data				
2004	9,077	603,222	11,646	664,582
2003	7,772	600,261	15,065	660,531
2002	7,640	526,013	22,627	589,899
2001	7,257	440,977	6,130	503,769
2000	6,953	326,211	(242)	385,451
1999	5,690	266,238	(1,529)	322,914
1998	4,640	198,586	661	255,670
1997	3,031	Not Available	122	164,543
1996	1,787	Before 1998	71	137,826
1995	Not Available		282	107,706
1994	Before 1996		Not Available	73,171
1993			Before 1995	55,938
1992				33,629
1991				26,667
1990				21,520
1989				21,448
1988				16,918
1987				12,354
1986				13,093
1985				13,547
1984				10,018
1983				7,485
1982				4,679
1981				5,178
1980				5,006
1979				4,003
1978				3,038
1977				3,204
1976				4,175
1975				4,878
1974				4,469
1973				2,521
1972				1,726
1971				935

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Based on unpaid principal balances.

<sup>3</sup> Includes premiums, discounts, deferred fees and other basis adjustments on mortgage loans and mortgage-related securities plus unrealized gains or losses on mortgage-related securities and MBS residuals.

<sup>4</sup> Excludes "Reserve for losses on mortgage loans held for investment."

**Table 16. Freddie Mac Financial Derivatives<sup>1</sup>**

Financial Derivatives - Notional Amount Outstanding (\$ in millions)										
End of Period	Interest Rate Swaps (\$)	Interest Rate Caps, Floors, and Corridors (\$)	Foreign Currency Contracts (\$)	OTC Futures, Options, and Forward Rate Agreements (\$)	Treasury-Based Contracts <sup>2</sup> (\$)	Exchange-Traded Futures, Options, and Other Derivatives (\$)	Credit Derivatives <sup>3</sup> (\$)	Commitments <sup>4</sup> (\$)	Other <sup>5</sup> (\$)	Total (\$)
4Q04	178,739	9,897	56,850	224,204	2,580	126,530	10,926	32,952	114,100	756,778
3Q04	280,993	9,960	46,136	288,897	5,847	150,039	11,627	147,706	120,152	1,061,357
2Q04	257,208	11,161	43,256	329,078	6,308	126,539	12,518	102,627	128,337	1,017,032
1Q04	254,602	11,219	40,015	368,906	10,975	176,233	14,187	132,508	142,210	1,150,855
Annual Data										
2004	178,739	9,897	56,850	224,204	2,580	126,530	10,926	32,952	114,100	756,778
2003	287,592	11,308	46,512	349,650	8,549	122,619	15,542	89,520	152,579	1,083,871
2002	290,096	11,663	43,687	277,869	17,900	210,646	17,301	191,563	117,219	1,177,944
2001	442,771	12,178	23,995	187,486	13,276	358,500	10,984	121,588	0	1,170,778
2000	277,888	12,819	10,208	113,064	2,200	22,517		Not Applicable	35,839	474,535
1999	126,580	19,936	1,097	172,750	8,894	94,987	Not Applicable	Before 2000	0	424,244
1998	57,555	21,845	1,464	63,000	11,542	157,832	Before 2000		0	313,238
1997	54,172	21,995	1,152	6,000	12,228	0			0	95,547
1996	46,646	14,095	544	0	651	0			0	61,936
1995	45,384	13,055	0	0	24	0			0	58,463
1994	21,834	9,003	0	0	0	0			0	30,837
1993	17,888	1,500	0	0	0	0			0	19,388

Source: Freddie Mac

N/A = not available.

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> 2002, 2003 and 2004 amounts are exchange-traded.

<sup>3</sup> Amounts included in "Other" in 2000, not applicable in prior periods.

<sup>4</sup> Commitments to purchase and sell mortgage loans, mortgage-related securities, and various debt securities. Amounts included in "Other" in 2000, not applicable in prior periods.

<sup>5</sup> For 2002 and 2003, consists of a prepayment management agreement. For 2004, includes that agreement and swap guarantee derivatives.

**Table 17. Freddie Mac Non-Mortgage Investments<sup>1</sup>**

<b>Non-Mortgage Investments (\$ in Millions)</b>						
<b>End of Period</b>	<b>Federal Funds and Eurodollars (\$)</b>	<b>Asset Backed Securities (\$)</b>	<b>Repurchase Agreements (\$)</b>	<b>Commercial Paper and Corporate Debt (\$)</b>	<b>Other<sup>2</sup> (\$)</b>	<b>Total (\$)</b>
4Q04	18,647	21,733	13,550	0	8,097	62,027
3Q04	2,695	21,857	15,636	6,808	8,844	55,840
2Q04	18,414	20,989	15,833	6,449	10,734	72,419
1Q04	10,397	18,259	15,362	5,472	10,772	60,262
<b>Annual Data</b>						
2004	18,647	21,733	13,550	0	8,097	62,027
2003	7,567	16,648	13,015	5,852	10,042	53,124
2002	6,129	34,790	16,914	13,050	20,988	91,871
2001	15,868	26,297	17,632	21,712	8,340	89,849
2000	2,267	19,063	7,488	7,302	7,401	43,521
1999	10,545	10,305	4,961	3,916	4,425	34,152
1998	20,524	7,124	1,756	7,795	4,961	42,160
1997	2,750	2,200	6,982	3,203	1,295	16,430
1996	9,968	2,086	6,440	1,058	2,696	22,248
1995	110	499	9,217	1,201	1,684	12,711
1994	7,260	0	5,913	1,234	3,401	17,808
1993	9,267	0	4,198	1,438	3,322	18,225
1992	5,632	0	4,060	53	2,797	12,542
1991	2,949	0	4,437	0	2,570	9,956
1990	1,112	0	9,063	0	1,949	12,124
1989	3,527	0	5,765	0	1,758	11,050
1988	4,469	0	9,107	0	1,031	14,607
1987	3,177	0	5,859	0	1,431	10,467

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

<sup>2</sup> Includes non-mortgage-related securities classified as trading, debt securities issued by the U.S. Treasury and other U.S. government agencies, obligations of states and municipalities, and preferred stock.

**Table 18. Freddie Mac Asset Mix<sup>1</sup>**

<b>Asset Ratios</b>		
<b>End of Period</b>	<b>Total Retained Mortgage Portfolio / Total Assets (%)</b>	<b>Non-Mortgage Investments / Total Assets (%)</b>
4Q04	84	8
3Q04	83	7
2Q04	81	9
1Q04	81	7
<b>Annual Data</b>		
2004	84	8
2003	82	7
2002	78	12
2001	79	14
2000	84	10
1999	84	9
1998	80	13
1997	85	8
1996	79	13
1995	79	9
1994	69	17
1993	67	22
1992	57	21
1991	57	21
1990	53	30
1989	60	31
1988	49	43
1987	48	41
1986	56	Not Available
1985	82	Before 1987
1984	73	
1983	83	
1982	78	
1981	82	
1980	91	
1979	86	
1978	82	
1977	91	
1976	86	
1975	82	
1974	92	
1973	88	
1972	97	
1971	90	

Source: Freddie Mac

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results.

**Table 19. Freddie Mac Mortgage Asset Quality**

Mortgage Asset Quality						
End of Period	Single-Family Delinquency Rate <sup>2</sup> (%)	Multifamily Delinquency Rate <sup>3</sup> (%)	Credit Losses / Average Total Mortgage Portfolio <sup>4</sup> (%)	REO / Total Mortgage Portfolio <sup>5</sup> (%)	Credit-Enhanced <sup>6</sup> / Total Mortgage Portfolio <sup>5</sup> (%)	
4Q04	0.73	0.06	0.01	0.05	19	
3Q04	0.73	0.05	0.01	0.05	20	
2Q04	0.74	0.05	0.01	0.05	20	
1Q04	0.83	0.06	0.01	0.06	21	
Annual Data						
2004	0.73	0.06	0.01	0.05	19	
2003	0.86	0.05	0.01	0.06	21	
2002	0.77	0.13	0.01	0.05	27.4	
2001	0.62	0.15	0.01	0.04	34.7	
2000	0.49	0.04	0.01	0.04	31.8	
1999	0.39	0.14	0.02	0.05	29.9	
1998	0.50	0.37	0.04	0.08	27.3	
1997	0.55	0.96	0.08	0.11	15.9	
1996	0.58	1.96	0.10	0.13	10.0	
1995	0.60	2.88	0.11	0.14	9.7	
1994	0.55	3.79	0.08	0.18	7.2	
1993	0.61	5.92	0.11	0.16	5.3	
1992	0.64	6.81	0.09	0.12	Not Available	
1991	0.61	5.42	0.08	0.14	Before 1993	
1990	0.45	2.63	0.08	0.12		
1989	0.38	2.53	0.08	0.09		
1988	0.36	2.24	0.07	0.09		
1987	0.36	1.49	0.07	0.08		
1986	0.42	1.07	Not Available	0.07		
1985	0.42	0.63	Before 1987	0.10		
1984	0.46	0.42		0.15		
1983	0.47	0.58		0.15		
1982	0.54	1.04		0.12		
1981	0.61	Not Available		0.07		
1980	0.44	Before 1982		0.04		
1979	0.31			0.02		
1978	0.21			0.02		
1977	Not Available			0.03		
1976	Before 1978			0.04		
1975				0.03		
1974				0.02		
1973				Not Available		
				Before 1974		

Source: Freddie Mac

<sup>1</sup> For the period 2000 through 2003, data are based on restated and revised financial results, except for the credit-enhanced share of the total mortgage portfolio in 2000.

<sup>2</sup> Based on the number of mortgages 90 days or more delinquent or in foreclosure. 1994 -1999 data include only loans for which Freddie Mac assumed primary default risk. Pre-1994 calculations included all loans. Rates for 2000 through 2004 are based on the total single-family mortgage portfolio. Includes delinquencies on mortgage loans where Freddie Mac has transferred primary or full default risk to various third parties as well as multiclass MBS backed by alternative collateral deals.

<sup>3</sup> Based on net carrying value of mortgages 60 days or more delinquent or in foreclosure.

<sup>4</sup> Credit losses equal to REO operations expense (income) plus Charge-offs, net. Calculated as credit losses (gains) divided by the average total mortgage portfolio, excluding non-Freddie Mac mortgage-related securities and that portion of structured securities that is backed by Ginnie Mae MBS.

<sup>5</sup> Based on the total mortgage portfolio excluding non-Freddie Mac mortgage-related securities and that portion of issued structured securities that is backed by Ginnie Mae MBS.

<sup>6</sup> Includes loans for which the lender or a third party has retained primary default risk by pledging collateral or agreeing to accept losses on loans that default. In many cases, the lender's or third party's risk is limited to a specific level of losses at the time the credit enhancement becomes effective.

**Table 20. Freddie Mac Capital<sup>1</sup>**

End of Period	Capital (\$ in Millions)										
	Minimum Capital Requirement			Risk-Based Capital Requirement							
	Core Capital (\$)	Minimum Capital Requirement (\$)	Minimum Capital Surplus (Deficit) <sup>2</sup> (\$)	Total Capital <sup>3</sup> (\$)	Risk-Based Capital Requirement <sup>4</sup> (\$)	Risk-Based Capital Surplus (Deficit) <sup>5</sup> (\$)	Market Capitalization <sup>6</sup> (\$)	Core Capital / Total Assets (%)	Core Capital / Total MBS Outstanding plus Total Assets (%)	Common Share Dividend Payout Rate <sup>7</sup> (%)	
4Q04	35,009	24,131	10,878	34,691	11,108	23,582	50,898	4.40	2.12	65.0	
3Q04	34,871	24,274	10,597	34,397	5,749	28,648	45,039	4.32	2.16	(13.5)	
2Q04	36,578	24,134	12,443	33,081	3,858	29,224	43,624	4.54	2.29	7.7	
1Q04	34,058	24,029	10,029	34,898	7,131	27,767	40,683	4.22	2.15	16.4	
Annual Data											
2004	35,009	24,131	10,878	34,691	11,108	23,582	50,898	4.40	2.12	30.7	
2003	32,985	23,774	9,211	33,436	5,426	28,010	40,158	4.11	2.12	15.6	
2002	28,990	22,339	6,651	24,222	4,743	19,479	40,590	3.85	1.96	6.2	
2001	20,181	19,014	1,167	Not Applicable	Not Applicable	Not Applicable	45,473	3.15	1.56	18.9	
2000	14,380	14,178	202	Before 2002	Before 2002	Before 2002	47,702	3.13	1.39	20.0	
1999	12,692	12,287	405				32,713	3.28	1.37	20.1	
1998	10,715	10,333	382				44,797	3.33	1.34	20.7	
1997	7,376	7,082	294				28,461	3.79	1.10	21.1	
1996	6,743	6,517	226				19,161	3.88	1.04	21.3	
1995	5,829	5,584	245				14,932	4.25	0.98	21.1	
1994	5,169	4,884	285				9,132	4.87	0.91	20.5	
1993	4,437	3,782	655				9,005	5.29	0.85	21.6	
1992	Not Applicable	Not Applicable	Not Applicable				8,721	Not Applicable	Not Applicable	23.1	
1991	Before 1993	Before 1993	Before 1993				8,247	Before 1993	Before 1993	21.6	
1990							2,925			23.2	
1989							4,024			24.3	
1988							Not Applicable Before 1989			Not Available Before 1989	

Source: Freddie Mac and OFHEO

<sup>1</sup> For the period 2001 through 2003, data are based on restated and revised financial results. Certain data for 2004 do not reflect minimum capital reports previously submitted to OFHEO and are subject to change

<sup>2</sup> The difference between Core Capital and Minimum Capital Requirement.

<sup>3</sup> Total Capital is Core Capital plus the total allowance for loan losses and guaranty liability for MBS, less any specific loss allowances. For 2002, calculated by OFHEO prior to the restatement of Freddie Mac' 2002 financial results.

<sup>4</sup> The Risk-Based Capital Requirement is the amount of Total Capital that an Enterprise must hold to absorb projected losses flowing from future adverse interest rate and credit risk conditions and is specified by the Federal Housing Enterprise Financial Safety and Soundness Act of 1992.

<sup>5</sup> The difference between Total Capital and Risk-Based Capital Requirement.

<sup>6</sup> Stock price at the end of the period multiplied by number of outstanding common shares.

<sup>7</sup> Common dividends paid as a percentage of net income available to common stockholders.

**Table 21. Combined Purchases<sup>1</sup>**

Period	Business Activity (\$ in Millions)			
	Purchases			
	Single-Family (\$)	Multifamily (\$)	Total Mortgages (\$)	Mortgage-Related Securities (\$)
4Q04	201,886	7,189	209,075	90,877
3Q04	207,906	6,841	214,747	115,161
2Q04	302,306	7,189	309,495	136,094
1Q04	230,640	7,887	238,527	57,552
Annual Data				
2004	942,738	29,106	971,844	399,684
2003	2,023,509	46,170	2,069,679	793,703
2002	1,333,510	27,265	1,360,775	568,608
2001	951,797	28,641	980,438	457,590
2000	395,082	16,407	411,489	221,612
1999	548,748	17,193	565,941	271,803
1998	618,410	15,338	633,748	275,706
1997	275,081	8,775	283,856	85,702
1996	287,306	8,680	295,986	83,567
1995	215,974	6,531	222,505	75,550
1994	280,792	4,686	285,478	45,722
1993	518,877	4,326	523,203	Not Available
1992	439,702	2,983	442,685	Before 1994
1991	233,280	3,440	236,720	
1990	185,187	4,518	189,705	
1989	157,275	6,149	163,424	
1988	107,497	5,361	112,858	
1987	148,766	3,749	152,515	
1986	177,159	5,415	182,574	
1985	84,653	3,102	87,755	
1984	Not Available	Not Available	50,704	
1983	Before 1985	Before 1985	49,431	
1982			49,610	
1981			10,573	
1980			11,791	
1979			16,523	
1978			18,829	
1977			8,908	
1976			4,761	
1975			6,036	
1974			9,204	
1973			7,586	
1972			5,129	
1971			4,818	

Sources: Fannie Mae and Freddie Mac

N/A = not available

<sup>1</sup> See notes to Tables 1 and 11.

Table 21a. Combined Mortgage Purchases Detail, By Type of Loan<sup>1</sup>

Period	Purchases (\$ in Millions)										
	Single-Family Mortgages					Multifamily Mortgages					
	Conventional		FHAVVA		Total Single-Family Mortgages (\$)	Conventional (\$)	FHA/RHS (\$)	Total Multifamily Mortgages (\$)	Total Mortgage Purchases (\$)		
Fixed-Rate (\$)	Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)								
4Q04	152,552	47,997	200,570	193	1,124	1,317	201,887	7,185	4	7,189	209,076
3Q04	159,520	47,128	206,656	228	1,021	1,249	207,905	6,820	21	6,841	214,746
2Q04	249,344	51,728	301,081	327	898	1,225	302,306	7,140	49	7,189	309,495
1Q04	194,207	34,945	229,165	645	830	1,475	230,640	7,210	677	7,887	238,527
Annual Data											
2004	755,623	181,798	937,472	1,393	3,873	5,266	942,738	28,355	751	29,106	971,844
2003	1,808,627	209,030	2,017,750	2,715	3,044	5,759	2,023,509	33,940	12,230	46,170	2,069,679
2002	1,199,560	130,220	1,329,821	2,141	1,548	3,689	1,333,510	24,604	2,661	27,265	1,360,775
2001	887,171	56,428	944,736	5,959	1,102	7,061	951,797	27,356	1,285	28,641	980,438
2000	332,980	55,010	388,716	5,446	920	6,366	395,082	15,157	1,250	16,407	411,489
1999	517,228	19,581	538,007	9,658	1,084	10,742	548,749	16,039	1,153	17,192	565,941
1998	590,375	21,657	612,033	5,866	511	6,377	618,410	14,754	584	15,338	633,748
1997	242,503	30,045	272,551	2,098	432	2,530	275,081	8,177	598	8,775	283,856
1996	262,470	22,025	284,498	2,474	334	2,808	287,306	8,428	252	8,680	295,986
1995	180,768	32,077	212,854	3,014	106	3,120	215,974	6,242	289	6,531	222,505
1994	245,717	32,986	278,711	1,968	113	2,081	280,792	4,467	219	4,686	285,478
1993	482,724	35,128	517,882	875	120	995	518,877	4,110	216	4,326	523,203
1992	401,847	36,513	438,503	1,120	79	1,199	439,702	2,872	111	2,983	442,685
1991	205,907	24,980	231,798	1,444	38	1,482	233,280	3,419	21	3,440	236,720
1990	151,817	30,814	183,971	1,201	15	1,216	185,187	4,503	15	4,518	189,705
1989	117,894	35,527	155,148	2,113	14	2,127	157,275	6,133	16	6,149	163,424
1988	70,504	34,745	105,741	1,658	98	1,756	107,497	5,340	21	5,361	112,858
1987	129,582	15,454	145,244	3,477	45	3,522	148,766	3,479	270	3,749	152,515
1986	154,356	9,567	164,511	12,634	14	12,648	177,159	5,415	-	5,415	182,574
1985	70,219	11,341	82,465	2,172	16	2,188	84,653	3,102	-	3,102	87,755
1984	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985	Not Available Before 1985

Sources: Fannie Mae and Freddie Mac

N/A = not available

<sup>1</sup> See notes to Tables 1a and 11a.



**Table 21b. Combined Purchases of Mortgage-Related Securities<sup>1</sup>**

Period	Purchases (\$ in millions)						
	Enterprise Securities (\$)	Others' Securities				Mortgage Revenue Bonds (\$)	Total Mortgage-Related Securities (\$)
		Ginnie Mae (\$)	Private Label				
			Manufactured Housing (\$)	Other <sup>2</sup> (\$)	Total Private-Label (\$)		
4Q04	29,460	0	0	59,141	59,141	2,276	90,877
3Q04	50,071	0	0	63,091	63,091	1,999	115,161
2Q04	77,020	0	0	56,584	56,584	2,490	136,094
1Q04	23,221	0	0	33,028	33,028	1,303	57,552
Annual Data							
2004	179,772	0	0	211,844	211,844	8,068	399,684
2003	683,163	202	0	103,130	103,130	7,208	793,703
2002	491,611	5,245	374	66,218	66,592	5,160	568,608
2001	422,501	1,777	Not Available	27,981	27,981	5,331	457,590
2000	191,840	5,832	Before 2002	Not Available	18,770	5,170	221,612
1999	213,970	20,983		Before 2001	31,774	5,076	271,803
1998	236,636	3,057			31,432	4,581	275,706
1997	73,345	3,834			5,682	2,841	85,702
1996	75,380	Not Available			Not Available	Not Available	83,567
1995	65,798	Before 1997			Before 1997	Before 1997	75,550
1994	42,048						45,722
1993	Not Available Before 1994						Not Available Before 1994

Sources: Fannie Mae and Freddie Mac

N/A = not available

<sup>1</sup> See notes to Tables 1b and 11b.

<sup>2</sup> The category 'Other' includes home equity purchases by both Enterprises.

**Table 22. Combined MBS Issuances<sup>1</sup>**

Period	Business Activity (\$ in Millions)			
	MBS Issuances			
	Single-Family MBS (\$)	Multifamily MBS (\$)	Total MBS (\$)	Multiclass MBS (\$)
4Q04	192,763	2,161	194,924	68,990
3Q04	204,599	1,632	206,231	68,796
2Q04	289,825	2,252	292,077	95,929
1Q04	219,189	4,984	224,173	76,401
Annual Data				
2004	906,376	11,029	917,405	310,116
2003	1,902,011	31,355	1,933,366	559,037
2002	1,270,973	15,934	1,286,907	502,467
2001	901,855	16,158	918,013	331,840
2000	369,181	9,382	378,563	87,746
1999	523,178	10,542	533,720	174,725
1998	564,747	11,965	576,712	219,309
1997	257,373	6,314	263,687	169,781
1996	263,133	6,438	269,571	64,925
1995	191,791	4,542	196,333	25,053
1994	245,286	2,446	247,732	146,496
1993	429,209	959	430,168	353,966
1992	372,389	855	373,244	301,489
1991	203,967	1,415	205,382	184,840
1990	168,004	2,506	170,510	108,770
1989	139,420	3,862	143,282	81,469
1988	90,610	4,045	94,655	29,990
1987	134,933	3,314	138,247	9,917
1986	156,815	3,949	160,764	4,633
1985	60,725	1,752	62,477	Not Issued
1984	Not Available	Not Available	32,230	Before 1986
1983	Before 1985	Before 1985	33,031	
1982			38,139	
1981			4,243	

Sources: Fannie Mae and Freddie Mac

<sup>1</sup> See notes to Tables 2 and 12.

**Table 23. Combined Earnings<sup>1</sup>**

Period	Earnings (\$ in Millions)				
	Net Interest Income (\$)	Guarantee Fee Income (\$)	Administrative Expenses (\$)	Credit-Related Expenses (\$)	Net Income (\$)
4Q04	N/A	N/A	N/A	N/A	N/A
3Q04	N/A	N/A	N/A	N/A	N/A
2Q04	N/A	N/A	N/A	N/A	N/A
1Q04	N/A	N/A	N/A	N/A	N/A
Annual Data					
2004	N/A	N/A	N/A	N/A	N/A
2003	23,067	4,064	3,340	114	12,721
2002	20,091	3,343	2,625	218	14,709
2001	15,538	2,863	2,041	117	9,052
2000	9,432	2,594	1,730	169	8,114
1999	7,820	2,301	1,455	286	6,135
1998	6,325	2,248	1,286	603	5,118
1997	5,796	2,356	1,131	904	4,451
1996	5,297	2,282	1,000	1,017	3,968
1995	4,443	2,173	941	876	3,235
1994	3,935	2,191	904	803	3,115
1993	3,305	1,970	804	829	2,659
1992	2,753	1,770	710	777	2,245
1991	2,461	1,467	606	789	1,918
1990	2,212	1,190	529	784	1,587
1989	1,708	980	471	588	1,244
1988	1,329	793	412	584	888
1987	1,209	735	347	535	677
1986	683	476	285	426	352
1985	451	300	223	285	201
1984	123	236	183	140	73
1983	116	186	134	94	135
1982	(434)	93	97	62	(132)
1981	(395)	36	79	(12)	(175)
1980	75	Not Available	70	42	48
1979	377	Before 1981	65	55	198
1978	331		53	49	234
1977	282		44	36	186
1976	221		40	24	141
1975	205		37	27	131
1974	184		31	50	112
1973	211		25	27	138
1972	148		18	9	100
1971	59		Not Available Before 1972	Not Available Before 1972	67

Sources: Fannie Mae and Freddie Mac

N/A = not available

<sup>1</sup> See notes to Tables 3 and 13.

**Table 24. Combined Balance Sheet<sup>1</sup>**

End of Period	Balance Sheet (\$ in Millions)							Total Mortgage-Backed Securities Outstanding (\$ in Millions)
	Total Assets (\$)	Total Retained Mortgage Portfolio (\$)	Non-Mortgage Investments (\$)	Debt Outstanding (\$)	Shareholders' Equity (\$)	Core Capital (\$)	Fair Value of Net Assets (\$)	
4Q04	N/A	N/A	N/A	N/A	N/A	67,650	N/A	2,255,031
3Q04	N/A	N/A	N/A	N/A	N/A	63,727	N/A	2,186,544
2Q04	N/A	N/A	N/A	N/A	N/A	72,693	N/A	2,155,091
1Q04	N/A	N/A	N/A	N/A	N/A	69,759	N/A	2,121,076
Annual Data								
2004	N/A	N/A	N/A	N/A	N/A	67,650	N/A	2,255,031
2003	1,813,018	1,562,411	112,617	1,701,345	53,860	67,390	58,882	2,052,330
2002	1,639,764	1,391,021	131,164	1,516,678	47,618	57,069	45,030	1,759,265
2001	1,441,048	1,210,572	155,831	1,341,835	37,742	45,363	40,975	1,512,049
2000	1,134,521	993,182	95,868	1,069,581	35,675	35,207	Not Available	1,282,823
1999	961,992	846,017	71,451	908,330	29,154	30,568	Before 2001	1,217,028
1998	806,567	671,104	100,675	747,687	26,288	26,180		1,115,494
1997	586,270	481,135	81,026	542,616	21,314	21,169		1,055,123
1996	524,907	424,354	78,854	488,251	19,504	19,516		1,021,238
1995	453,731	360,574	69,984	419,135	16,822	16,788		972,275
1994	378,707	293,986	64,143	350,509	14,703	14,710		947,001
1993	300,859	246,107	39,621	251,105	12,489	12,489		910,335
1992	240,480	189,889	32,116	195,931	10,344	Not Applicable		831,958
1991	193,932	153,346	19,792	164,199	8,113	Before 1993		714,447
1990	173,692	135,586	21,992	154,344	6,077			604,434
1989	159,777	129,429	19,388	142,211	4,907			489,382
1988	146,610	117,017	19,896	132,341	3,844			396,503
1987	129,133	106,019	13,935	116,604	2,993			348,369
1986	122,850	107,216	Not Available	108,938	2,135			264,754
1985	115,663	108,156	Before 1987	106,732	1,788			154,461
1984	101,576	94,153		94,718	1,524			105,764
1983	87,378	82,732		81,867	1,421			82,841
1982	78,980	74,035		74,605	1,249			57,402
1981	67,904	64,807		64,231	1,330			20,614
1980	63,357	60,595		59,766	1,678			16,962
1979	55,948	53,780		52,555	1,739			15,316
1978	47,203	45,141		44,201	1,564			12,017
1977	37,481	36,456		35,000	1,350			6,765
1976	37,225	35,950		35,088	1,139			2,765
1975	37,495	35,698		35,572	1,003			1,643
1974	34,572	33,135		32,852	898			780
1973	27,191	26,110		25,699	801			791
1972	22,118	21,378		20,878	669			444
1971	19,629	18,821		18,587	567			64

Sources: Fannie Mae and Freddie Mac

N/A = not available

<sup>1</sup> See notes to Tables 4 and 14.

**Table 24a. Combined MBS Outstanding Detail<sup>1</sup>**

End of Period	Single-Family Mortgages (\$ in Millions)					Multifamily Mortgages (\$ in Millions)			Total MBS Outstanding (\$)
	Conventional				Total FHA/VA (\$)	Conventional (\$)	FHA/RHS (\$)	Total Multifamily (\$)	
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)					
4Q04	1,889,090	275,128	128	2,164,346	12,207	78,155	323	78,478	2,255,031
3Q04	1,836,740	255,459	150	2,092,349	13,960	79,901	334	80,235	2,186,544
2Q04	1,801,578	255,626	178	2,057,382	15,630	81,733	346	82,079	2,155,091
1Q04	1,778,236	242,444	213	2,020,893	16,642	83,179	362	83,541	2,121,076
Annual Data									
2004	1,889,090	275,128	128	2,164,346	12,207	78,155	323	78,478	2,255,031
2003	1,724,616	228,428	249	1,953,293	16,975	81,697	365	82,062	2,052,330
2002	1,526,716	153,595	343	1,680,654	18,770	58,857	984	59,841	1,759,265
2001	1,346,411	85,142	782	1,432,335	27,673	50,860	1,181	52,041	1,512,049
2000	1,133,330	97,761	1,183	1,232,274	8,854	40,915	780	41,695	1,282,823
1999	1,085,740	84,568	1,241	1,171,549	8,796	35,980	703	36,683	1,217,028
1998	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	1,115,494
1997	Before 1999	Before 1999	Before 1999	Before 1999	Before 1999	Before 1999	Before 1999	Before 1999	1,055,123
1996									1,021,238
1995									972,275
1994									947,001
1993									910,335
1992									831,958
1991									714,447
1990									604,434
1989									489,382
1988									396,503
1987									348,369
1986									264,754
1985									154,461
1984									105,764
1983									82,841
1982									57,402
1981									20,614
1980									16,962
1979									15,316
1978									12,017
1977									6,765
1976									2,765
1975									1,643
1974									780
1973									791
1972									444
1971									64

Sources: Fannie Mae and Freddie Mac

<sup>1</sup> See notes to Tables 4a and 14a.

**Table 25. Combined Financial Derivatives<sup>1</sup>**

Financial Derivatives - Notional Amount Outstanding (\$ in millions)										
End of Period	Interest Rate Swaps (\$)	Interest Caps, Floors, and Corridors (\$)	Foreign Currency Contracts (\$)	OTC Futures, Options, and Forward Rate Agreements (\$)	Treasury-Based Contracts (\$)	Exchange-Traded Futures, Options, and Other Derivatives (\$)	Credit Derivatives (\$)	Commitments (\$)	Other (\$)	Total (\$)
4Q04	421,198	114,047	67,593	555,604	2,580	126,530	10,926	67,083	114,100	1,479,661
3Q04	797,992	133,460	54,588	629,242	5,847	150,039	11,627	199,033	120,152	2,101,980
2Q04	790,865	141,111	49,070	661,234	6,308	126,539	12,518	145,529	128,337	2,061,511
1Q04	755,506	146,869	45,407	693,806	10,975	176,233	14,187	196,953	142,210	2,182,146
<b>Annual Data</b>										
2004	421,198	114,047	67,593	555,604	2,580	126,530	10,926	67,083	114,100	1,479,661
2003	857,476	141,658	51,224	685,300	8,549	122,619	15,542	128,012	152,579	2,162,959
2002	536,604	134,056	47,706	561,544	17,900	210,646	17,301	Not Available	117,219	1,834,539
2001	742,724	88,071	32,488	336,286	13,276	358,500	10,984	Before 2003	0	1,703,917
2000	505,539	46,482	19,719	166,979	2,200	22,517	Not Applicable		35,839	799,275
1999	318,612	48,886	12,604	213,831	8,894	94,987	Applicable Before 2000		1,400	699,214
1998	200,401	36,345	14,459	76,481	11,542	157,832			3,735	500,795
1997	203,845	22,095	11,120	6,000	12,228	0			1,660	256,948
1996	204,786	14,395	2,973	0	651	0			350	223,155
1995	171,063	13,355	1,224	29	24	0			975	186,670
1994	109,304	9,363	1,023	0	0	0			1,465	121,154
1993	67,346	1,860	1,023	0	0	0			1,425	71,653

Sources: Fannie Mae and Freddie Mac

<sup>1</sup> See notes to tables 6 and 16.

**Table 26. Combined Non-Mortgage Investments<sup>1</sup>**

Non-Mortgage Investments (\$ in Millions)						
End of Period	Federal Funds and Eurodollars (\$)	Asset Backed Securities (\$)	Repurchase Agreements (\$)	Commercial Paper and Corporate Debt (\$)	Other (\$)	Total (\$)
4Q04	N/A	N/A	N/A	N/A	N/A	N/A
3Q04	N/A	N/A	N/A	N/A	N/A	N/A
2Q04	N/A	N/A	N/A	N/A	N/A	N/A
1Q04	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data						
2004	N/A	N/A	N/A	N/A	N/A	N/A
2003	20,142	43,548	13,126	22,595	13,206	112,617
2002	7,677	57,101	17,095	27,125	22,166	131,164
2001	31,957	47,234	18,440	45,517	12,683	155,831
2000	9,806	36,575	7,575	16,195	25,717	95,868
1999	15,382	29,512	5,083	5,639	15,835	71,451
1998	28,450	28,117	9,312	12,950	21,846	100,675
1997	21,962	18,839	13,697	14,948	11,580	81,026
1996	31,702	16,721	11,107	7,249	12,075	78,854
1995	19,885	10,404	19,392	9,830	10,473	69,984
1994	24,853	3,796	14,919	8,953	11,622	64,143
1993	13,763	3,557	8,882	1,438	11,981	39,621
1992	12,219	4,124	7,249	53	8,471	32,116
1991	5,903	2,416	6,632	0	4,841	19,792
1990	6,441	1,780	10,014	0	3,757	21,992
1989	8,685	1,107	5,765	0	3,831	19,388
1988	8,594	481	9,107	0	1,714	19,896
1987	5,736	25	5,859	0	2,315	13,935

Sources: Fannie Mae and Freddie Mac

N/A = not available

<sup>1</sup> See notes to Tables 7 and 17.

**Table 27. Combined Capital<sup>1</sup>**

End of Period	Capital (\$ in Millions)						
	Minimum Capital Requirement			Risk-Based Capital Requirement			Market Capitalization (\$)
	Core Capital (\$)	Minimum Capital Requirement (\$)	Minimum Capital Surplus (Deficit) (\$)	Total Capital (\$)	Risk-Based Capital Requirement (\$)	Risk-Based Capital Surplus (Deficit) (\$)	
4Q04	67,650	56,297	11,353	70,569	21,147	49,421	N/A
3Q04	63,727	56,111	7,616	73,159	24,091	49,068	N/A
2Q04	72,693	55,322	17,370	69,943	28,249	41,695	112,699
1Q04	69,759	55,383	14,376	71,379	33,092	38,287	112,841
Annual Data							
2004	67,650	56,297	11,353	70,569	21,147	49,421	N/A
2003	67,390	55,294	12,096	68,618	32,647	35,970	112,996
2002	57,069	49,542	7,528	53,093	22,177	30,916	104,202
2001	45,363	43,196	2,167	Not Applicable	Not Applicable	Not Applicable	124,754
2000	35,207	34,472	735	Before 2002	Before 2002	Before 2002	134,345
1999	30,568	30,057	511				96,364
1998	26,180	25,667	513				120,678
1997	21,169	19,785	1,384				87,628
1996	19,516	17,983	1,533				59,093
1995	16,788	16,035	753				48,744
1994	14,710	14,300	411				29,014
1993	12,489	11,658	831				30,392
1992	Not Applicable	Not Applicable	Not Applicable				29,595
1991	Before 1993	Before 1993	Before 1993				27,083
1990							11,415
1989							12,116
							Not Applicable Before 1989

Sources: Fannie Mae, Freddie Mac, and OFHEO

N/A = not available

<sup>1</sup> See notes to Tables 10 and 20.



**Table 28. Loan Limits**

Year	Single-Family Conforming Loan Limits <sup>1</sup>			
	1-unit	2-units	3-units	4-units
2005	359,650	460,400	556,500	691,600
2004	333,700	427,150	516,300	641,650
2003	322,700	413,100	499,300	620,500
2002	300,700	384,900	465,200	578,150
2001	275,000	351,950	425,400	528,700
2000	252,700	323,400	390,900	485,800
1999	240,000	307,100	371,200	461,350
1998	227,150	290,650	351,300	436,000
1997	214,600	274,550	331,850	412,450
1996	207,000	264,750	320,050	397,800
1995	203,150	259,850	314,100	390,400
1994	203,150	259,850	314,100	390,400
1993	203,150	259,850	314,100	390,400
1992	202,300	258,800	312,800	388,800
1991	191,250	244,650	295,650	367,500
1990	187,450	239,750	289,750	360,150
1989	187,600	239,950	290,000	360,450
1988	168,700	215,800	260,800	324,150
1987	153,100	195,850	236,650	294,150
1986	133,250	170,450	205,950	256,000
1985	115,300	147,500	178,200	221,500
1984	114,000	145,800	176,100	218,900
1983	108,300	138,500	167,200	207,900
1982	107,000	136,800	165,100	205,300
1981	98,500	126,000	152,000	189,000
1980	93,750	120,000	145,000	180,000
1979	67,500	Not Applicable	Not Applicable	Not Applicable
1977 - 1978	60,000	Not Applicable	Not Applicable	Not Applicable
1970 - 1976	33,000	Not Applicable	Not Applicable	Not Applicable

Sources: Department of Housing and Urban Development (HUD), Federal Housing Finance Board, Freddie Mac

<sup>1</sup> Conforming Loan Limits are 50 percent higher in Alaska, Hawaii, Guam and the U.S. Virgin Islands.

Year	FHA Single-Family Insurable Limits							
	1-unit		2-units		3-units		4-units	
	Low Cost Area Max	High Cost Area Max	Low Cost Area Max	High Cost Area Max	Low Cost Area Max	High Cost Area Max	Low Cost Area Max	High Cost Area Max
2005	172,632	312,895	220,992	400,548	267,120	484,155	331,968	601,692
2004	160,176	290,319	205,032	371,621	247,824	449,181	307,992	558,236
2003	154,896	280,749	198,288	359,397	239,664	434,391	297,840	539,835
2002	144,336	261,609	184,752	334,863	223,296	404,724	277,512	502,990
2001	132,000	239,250	168,936	306,196	204,192	370,098	253,776	459,969
2000	121,296	219,849	155,232	281,358	187,632	340,083	233,184	422,646
1999	115,200	208,800	147,408	267,177	178,176	322,944	221,448	401,375
1998	109,032	197,621	139,512	252,866	168,624	305,631	209,568	379,842
1997	81,546	170,362	104,310	205,875	126,103	248,888	156,731	309,338

Sources: Federal Housing Administration

**Table 29. Mortgage Interest Rates**

Period	Average Commitment Rates on Loans		Effective Rates on Closed Loans	
	Conventional		Conventional	
	30-Year Fixed Rate (%)	One-Year ARMs (%)	Fixed-Rate (%)	Adjustable Rate (%)
4Q04	5.7	4.1	5.9	5.5
3Q04	5.9	4.1	6.1	5.4
2Q04	6.1	3.9	6.0	5.1
1Q04	5.6	3.6	5.8	4.9
Annual Data				
2004	5.8	3.9	6.0	5.2
2003	5.8	3.8	5.9	5.0
2002	6.5	4.6	6.7	5.7
2001	7.0	5.8	7.1	6.4
2000	8.1	7.0	8.3	7.1
1999	7.4	6.0	7.4	6.5
1998	6.9	5.6	7.2	6.5
1997	7.6	5.6	7.9	6.9
1996	7.8	5.7	8.0	7.1
1995	7.9	6.1	8.2	7.1
1994	8.4	5.4	8.2	6.4
1993	7.3	4.6	7.5	5.7
1992	8.4	5.6	8.5	6.6
1991	9.3	7.1	9.7	8.3
1990	10.1	8.4	10.4	9.2
1989	10.3	8.8	10.5	9.4
1988	10.3	7.9	10.4	8.5
1987	10.2	7.8	9.9	8.5
1986	10.2	8.4	10.5	9.4
1985	12.4	10.1	12.4	10.9
1984	13.9	11.5	13.2	12.1
1983	13.2	Not Available	13.0	12.3
1982	16.0	Before 1984	15.2	15.4
1981	16.6		Not Available	Not Available
1980	13.8		Before 1982	Before 1982
1979	11.2			
1978	9.6			
1977	8.9			
1976	8.9			
1975	9.1			
1974	9.2			
1973	8.0			
1972	7.4			
1971	Not Available			
	Before 1972			

Average Commitment Rate Source: Freddie Mac  
 Effective Rates Source: Federal Housing Finance Board

**Table 30. Housing Market Activity<sup>1</sup>**

Period	Housing Starts (units in thousands)			Home Sales (units in thousands)	
	Single-Family Housing Starts	Multifamily Housing Starts	Total Housing Starts	New Single Family Home Sales	Existing Single Family Home Sales
4Q04 <sup>2</sup>	1,664	312	1,976	1,241	6,877
3Q04 <sup>2</sup>	1,686	284	1,970	1,155	6,797
2Q04 <sup>2</sup>	1,635	284	1,919	1,206	6,900
1Q04 <sup>2</sup>	1,601	342	1,943	1,197	6,317
Annual Data					
2004	1,653	303	1,956	1,203	6,784
2003	1,532	315	1,847	1,086	6,183
2002	1,397	308	1,705	973	5,631
2001	1,310	293	1,603	908	5,296
2000	1,270	299	1,569	877	5,152
1999	1,334	307	1,641	880	5,205
1998	1,314	303	1,617	886	4,970
1997	1,178	296	1,474	804	4,382
1996	1,206	271	1,477	757	4,196
1995	1,110	244	1,354	667	3,812
1994	1,233	224	1,457	670	3,946
1993	1,155	133	1,288	666	3,802
1992	1,061	139	1,200	610	3,520
1991	876	138	1,014	509	3,220
1990	932	260	1,193	534	3,211
1989	1,059	318	1,376	650	3,346
1988	1,140	348	1,488	676	3,594
1987	1,212	409	1,621	671	3,526
1986	1,263	542	1,805	750	3,565
1985	1,166	576	1,742	688	3,214
1984	1,206	544	1,750	639	2,868
1983	1,181	522	1,703	623	2,719
1982	743	320	1,062	412	1,990
1981	797	288	1,084	436	2,419
1980	962	331	1,292	545	2,973
1979	1,316	429	1,745	709	3,827
1978	1,558	462	2,020	817	3,986
1977	1,573	414	1,987	819	3,650
1976	1,248	289	1,538	646	3,064
1975	956	204	1,160	549	2,476
1974	956	382	1,338	519	2,272
1973	1,250	795	2,045	634	2,334
1972	1,451	906	2,357	718	2,252
1971	1,271	781	2,052	656	2,018

Housing Starts Source and New Single-Family Sales Source: Bureau of the Census.

Existing Single-Family Sales Source: National Association of Realtors.

<sup>1</sup> Components may not add to totals due to rounding.

<sup>2</sup> Seasonally adjusted annual rates.

**Table 31. Weighted Repeat Sales House Price Index (Annual Data)<sup>1</sup>**

Period	USA	New England	Mid-Atlantic	South Atlantic	East North Central	West North Central	East South Central	West South Central	Mountain	Pacific
1Q05	12.50	12.69	13.76	15.04	6.65	7.30	5.40	4.80	12.96	21.25
4Q04	11.88	12.11	13.13	14.02	6.21	7.01	5.35	5.04	11.59	20.69
3Q04	13.40	15.29	16.13	14.48	7.28	8.72	5.22	4.88	11.77	23.74
2Q04	10.05	11.44	12.15	11.13	5.65	7.30	4.07	3.94	8.16	17.22
1Q04	8.41	10.18	10.68	9.44	4.92	6.22	3.88	3.49	5.98	13.44
Annual Data										
2004	11.88	12.11	13.13	14.02	6.21	7.01	5.35	5.04	11.59	20.69
2003	8.07	10.35	10.99	8.43	4.98	6.36	3.74	3.36	5.20	12.51
2002	7.49	11.80	10.58	7.42	4.40	6.27	3.36	4.11	4.39	11.00
2001	7.53	10.89	8.91	7.92	5.21	7.27	5.08	5.84	6.45	9.21
2000	7.58	12.43	7.93	6.52	6.04	7.22	3.91	5.08	6.92	11.26
1999	5.19	9.78	5.29	4.37	4.89	6.18	2.49	4.36	4.26	5.90
1998	4.97	6.48	4.05	4.53	4.16	4.83	4.85	4.98	3.98	7.19
1997	4.59	4.60	3.27	4.49	5.19	4.93	4.70	3.89	4.89	5.28
1996	2.59	1.65	0.41	2.24	5.01	4.08	4.02	2.29	4.21	0.93
1995	4.53	4.13	3.14	4.30	6.06	5.24	5.58	4.22	7.49	2.81
1994	0.83	-3.11	-3.30	0.06	4.93	5.29	4.69	1.55	8.99	-3.41
1993	2.06	0.26	1.29	1.90	3.65	3.90	4.09	4.02	7.85	-1.98
1992	1.87	-1.11	1.72	2.10	3.88	2.98	3.30	3.39	5.31	-1.39
1991	2.56	-2.29	1.47	3.03	4.58	3.79	4.08	3.70	4.66	1.30
1990	0.24	-7.70	-2.87	0.17	3.77	0.53	0.73	0.44	1.92	3.04
1989	6.03	0.65	2.30	5.02	6.10	3.24	3.03	2.86	2.83	19.36
1988	6.15	3.73	6.05	6.87	6.65	2.33	2.49	-2.20	0.21	17.46
1987	6.73	13.31	16.18	6.83	8.06	2.53	4.12	-8.63	-2.70	9.59
1986	8.13	21.03	18.04	6.07	7.32	4.14	5.59	-0.41	3.06	7.22
1985	6.55	24.93	14.26	5.44	4.88	4.39	4.94	-1.36	2.35	4.86
1984	5.27	17.60	13.37	4.03	2.77	4.66	3.70	-0.13	2.13	5.13
1983	4.12	16.22	10.04	3.76	4.60	4.43	4.06	0.84	-2.61	1.16
1982	2.32	4.10	4.60	4.35	-5.02	-0.21	4.77	5.84	6.79	0.89
1981	4.42	5.12	0.26	5.63	2.19	0.11	0.06	11.96	6.81	5.85
1980	6.98	5.93	9.51	8.60	1.62	4.26	7.44	7.59	6.73	11.16
1979	12.06	10.70	16.68	11.74	9.29	8.83	4.69	13.56	15.63	16.26
1978	13.34	16.75	7.49	10.69	13.93	13.57	12.08	17.13	17.13	15.70
1977	13.08	8.62	10.58	7.96	13.27	15.02	9.37	11.61	18.47	25.71
1976	7.60	3.29	2.21	5.30	7.76	5.88	6.66	8.73	9.90	19.91

<sup>1</sup> Annual data are measured based on fourth quarter to fourth quarter percentage change; quarterly data are at annual rates.

Regional Divisions:

New England: Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, Vermont

Mid-Atlantic: New Jersey, New York, Pennsylvania

South Atlantic: Washington, D.C., Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin

West North Central: Iowa, Kansas, Minnesota, Missouri, North Dakota, South Dakota, Nebraska

East South Central: Alabama, Kentucky, Mississippi, Tennessee

West South Central: Arkansas, Louisiana, Oklahoma, Texas

Mountain: Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

Pacific: Alaska, California, Hawaii, Oregon, Washington