

**MORTGAGE MARKETS  
AND  
THE ENTERPRISES  
IN 2003**

October 2004

## **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 2003. 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.

The paper was prepared by Valerie L. Smith. Lori R. Bowes provided research assistance.

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October 2004

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## **MORTGAGE MARKETS AND THE ENTERPRISES IN 2003**

### **SUMMARY**

The U.S. economy ended 2003 on a sound note, having fully emerged from the recession that started two years earlier. However, the unemployment rate improved slowly as the year progressed. Early concerns about the sustainability of the recovery caused the Federal Reserve to ease monetary policy further in the first half of the year. Mortgage interest rates continued to descend, falling to the lowest level since Freddie Mac began tracking those rates in 1971. Commitment rates on fixed-rate loans averaged 0.7 percentage points below their level in the previous year.

The decline in mortgage rates sustained and strengthened the wave of mortgage refinancings that began in 2001, sending mortgage originations to a new high for the third consecutive year. Originations of single-family mortgages reached \$3.8 trillion. The housing market achieved record levels of activity and contributed significantly to the economic recovery.

On January 22, 2003, Freddie Mac announced that the Enterprise would restate its financial results for prior years. The restatement resulted in a cumulative increase in retained earnings of \$5.0 billion and in regulatory core capital of \$5.2 billion. Investigations by the Enterprise and OFHEO revealed substantial weakness in internal controls and inappropriate management of earnings. Several of Freddie Mac's most senior managers were replaced, and extensive resources were employed in the restatement, but the Enterprise was able to continue its business functions throughout the year.

Both Freddie Mac and Fannie Mae reported strong financial results in 2003.<sup>1</sup> The record level of mortgage originations enabled the Enterprises to achieve all-time highs in mortgage purchases and issuance of mortgage securities. Each Enterprise reported strong earnings despite sharp changes in interest rates. The Enterprises' combined net income totaled \$12.7 billion, while their combined net interest income rose 14.8 percent to \$23.1 billion. The combined core capital of the Enterprises rose by \$10.3 billion, more than keeping pace with growth in their outstanding business volumes. In addition, each Enterprise showed marked improvement in their fair value net worth. Strong earnings and higher

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<sup>1</sup> OFHEO has released a report on the initial findings of a special examination of Fannie Mae's accounting policies, internal controls, and financial reporting processes. That report found pervasive misapplications of Generally Accepted Accounting Principles (GAAP), which may result in a restatement of the Enterprise's financial results and OFHEO's capital calculations for the Enterprise for 2003 and prior years. This report is based on data published by Fannie Mae.

## **Mortgage Markets and the Enterprises in 2003**

capital enabled both Fannie Mae and Freddie Mac to meet their statutory minimum and risk-based capital requirements throughout 2003.

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

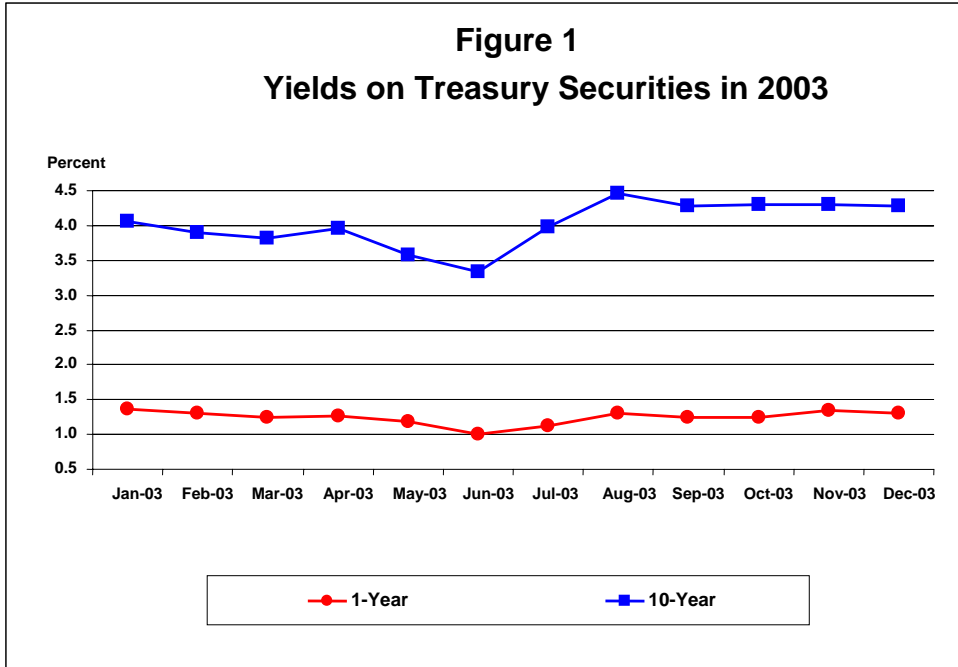
#### **Long-Awaited Economic Recovery Strengthens**

Doubts about the permanence of the recovery dissipated as the economic recovery that started in late 2001 gained strength in late 2003. The 7.4 percent increase in real gross domestic product (GDP) in the third quarter was the highest rate of growth in some 20 years. GDP increased 4.4 percent from the fourth quarter of 2002 to the fourth quarter of 2003, up from 2.3 percent the year before and the strongest gain since 1999. Early concerns about the sustainability of the recovery caused the Federal Reserve to ease monetary policy in mid-year by reducing the federal funds target rate in June by 25 basis points, to 1.0 percent, the lowest rate in 45 years. Despite stronger economic growth, the labor market was a source of concern throughout 2003. The unemployment rate crept up during the first half of the year, peaked in June at 6.3 percent, and fell gradually during the remainder of the year, falling to 5.7 percent in December. The housing market contributed considerably to the recovery. Falling mortgage rates stimulated housing starts and sales, and many refinancing borrowers took out loans that were larger than those they paid off, providing additional funds for consumption expenditures.

#### **Market Interest Rates Are Volatile**

Market interest rates were extremely volatile in 2003. The sluggish economy and heightened geopolitical risk caused yields on short- and long-term constant maturity Treasuries (CMT) to fall in the first quarter. Deflation fears and a further cut in the federal funds target rate caused rates to fall even further in the second quarter, to near historic lows. Long-term yields reversed sharply early in the third quarter, rising more than 100 basis points. Yields fell toward the end of the third quarter into the fourth quarter, and eventually stabilized as positive news about the economy boosted confidence in the markets. The Treasury yield curve remained uncharacteristically steep throughout 2003 (Figure 1).

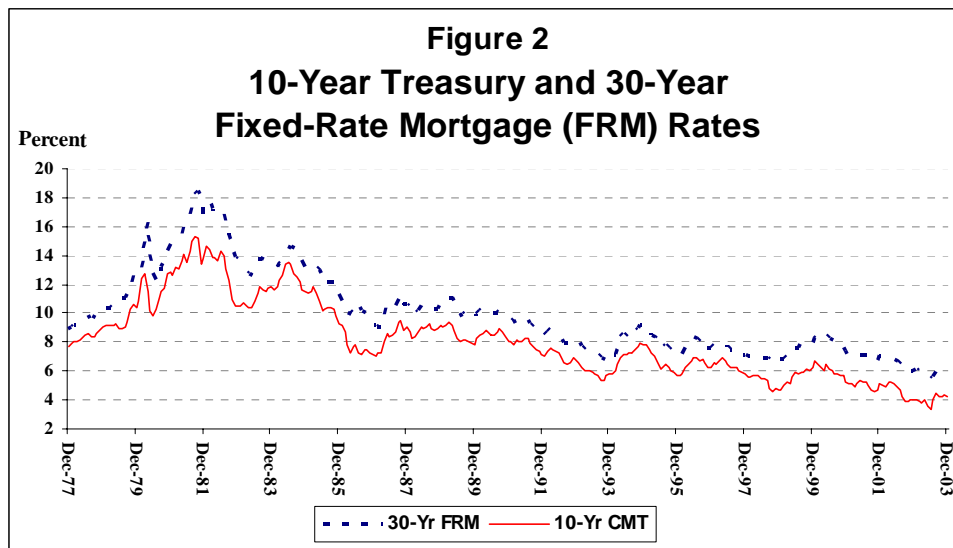
Rates on 30-year, fixed-rate mortgages (FRMs) generally move in line with yields on 10-year Treasury notes (Figure 2). According to Freddie Mac's Primary Mortgage Market survey (PMMS), the average commitment rate on 30-year FRMs fell slightly in the first quarter and then took a major dive during the second quarter to a low of 5.21 percent (reported for June 13th and June 20th). Mortgage commitment rates increased to a high of 6.44 percent in the third quarter (reported for September 5th), a rise of more than 120 basis points over a period of less than 90 days. Those rates fell toward the end of the third quarter, generally remained flat in the fourth, and ended the year near the same levels at which they started. For the year, the commitment rate on 30-year FRMs averaged 5.83 percent, down from 6.54 percent in 2002. Commitment rates on adjustable-rate mortgages (ARMs) indexed to one-year Treasury securities declined from 3.99 percent in January to 3.75 percent in December; they averaged 3.76 for the year, down from 4.62 in 2002 (Figure 3).



Source: Federal Reserve System

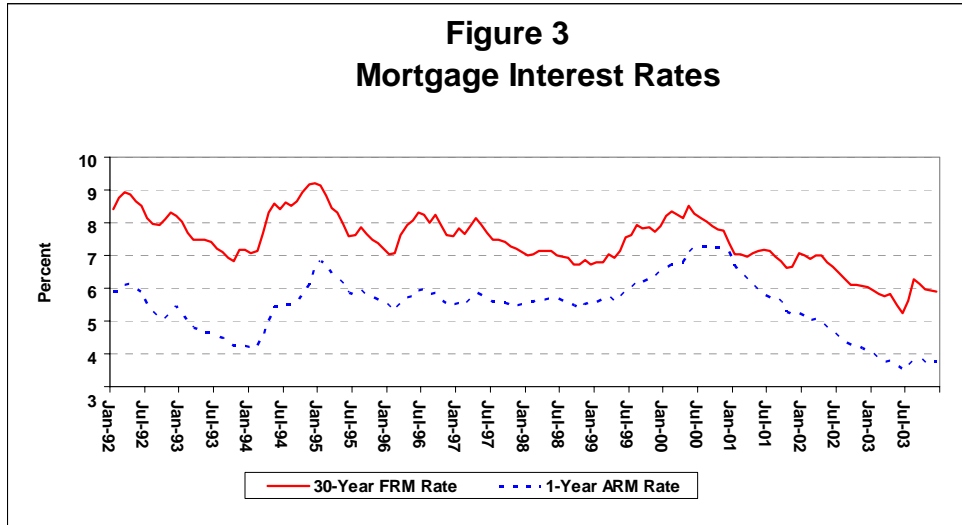
### Housing Market Is a Major Support of Recovering Economy

The housing market contributed significantly to the Nation’s economic recovery. Exceptionally low mortgage rates and rising incomes pushed single-family housing starts to 1.5 million units, the highest volume since 1978. There were 315,200 multifamily (5+) units started in 2003, up from the 307,900 units started in the previous year, and the highest level since 1989.



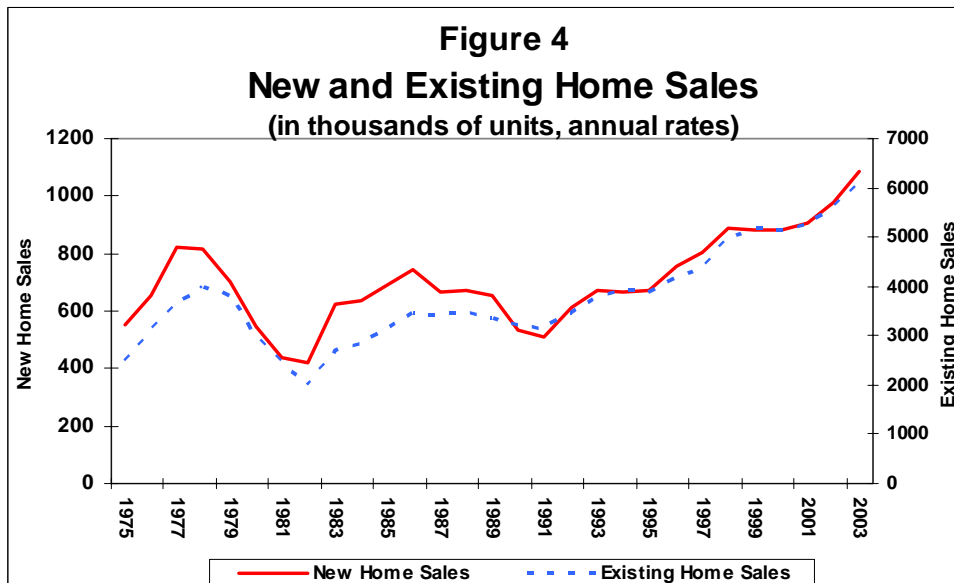
Sources: Federal Reserve System and Freddie Mac Primary Mortgage Market Survey

## Mortgage Markets and the Enterprises in 2003



Source: Freddie Mac Primary Mortgage Market Survey

Sales of new single-family homes rose for the third consecutive year to a record 1,089,000 units in 2003, up 11.6 percent from the prior year's record. Sales of existing single-family homes rose 9.0 percent to an all-time high of 6,098,000 units in 2003. Collectively, sales of new and existing single-family home exceeded the record set in 2002 by 9.4 percent (Figure 4).



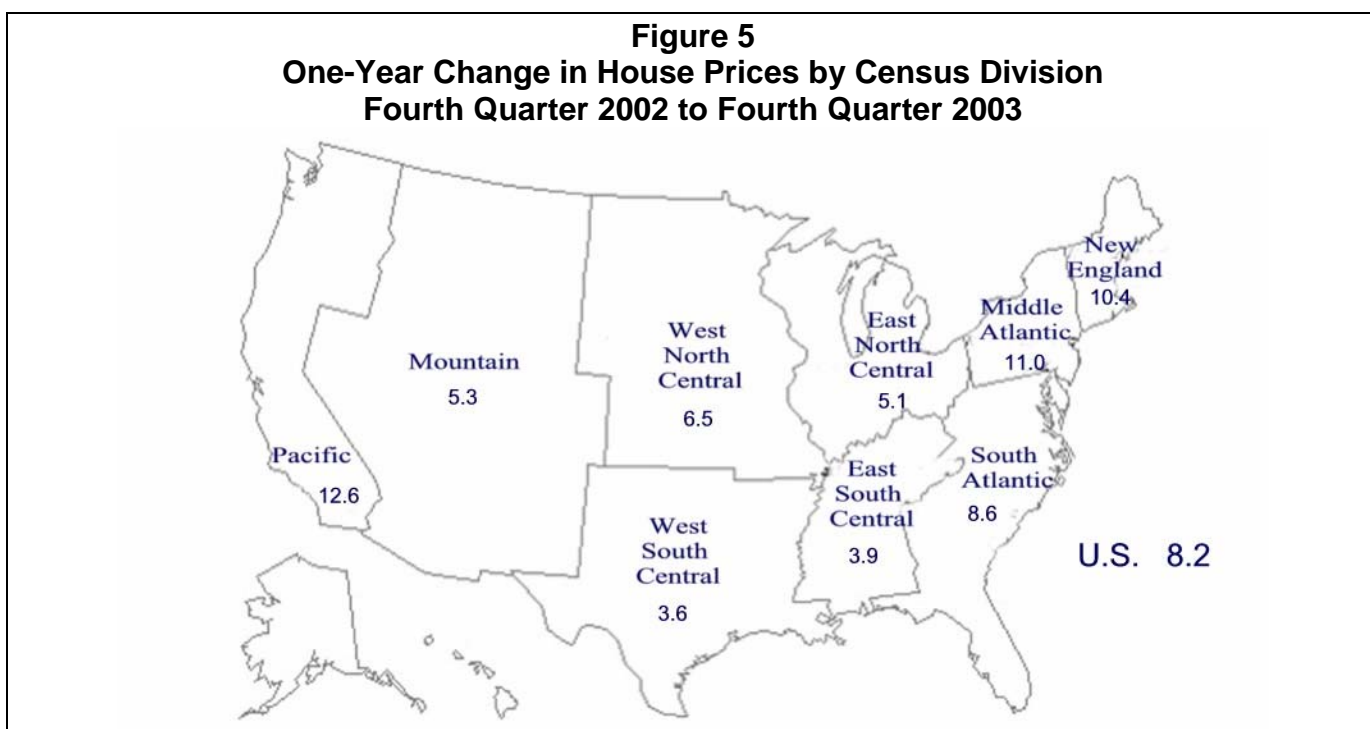
Sources: U.S. Bureau of the Census and National Association of Realtors

In 2003, an increasing number of families became homeowners. According to the Bureau of the Census, the homeownership rate reached a record high of 68.6 percent in the fourth quarter, up from the record-setting 68.3 percent level reached one year earlier. That improvement was accompanied by a significant increase in the rental vacancy rate, which rose from 9.3 percent in the fourth quarter of 2002 to 10.2 percent one year later. Manufactured housing was a soft spot in the 2003 residential housing market. The number of manufactured housing units shipped in 2003 fell to 131,000, from 169,000 units the previous year, the lowest level since 1962.



**Strong Housing Demand Boosts House Price Increases**

Home values continued to rise in 2003, and at a slightly more robust pace than in 2002. Single-family house prices, as measured by OFHEO’s House Price Index, increased 8.2 percent from the fourth quarter of 2002 to the fourth quarter of 2003, up from 7.6 percent during 2002 and 7.5 percent in 2001. Prices increased dramatically in the fourth quarter of 2003 after a period of moderating price growth earlier in the year—prices accelerated from a 1.2 percent increase in the second quarter to a 3.7 percent increase in the fourth quarter. The generally healthy economy and continued low interest rates helped push prices higher. Housing appreciation rates continued to vary significantly by region (Figure 5). Three Census divisions experienced double-digit appreciation and thus exceeded the national HPI in 2003—the New England division (10.4 percent), the Middle Atlantic division (11.0 percent), and the Pacific division (12.6 percent). The three regions with the lowest appreciation in house prices were the West South Central division (3.6 percent), the East South Central division (3.9 percent), and the East North Central division (5.1 percent). Over the past five years (1999-2003), U.S. home prices increased 41.9 percent.



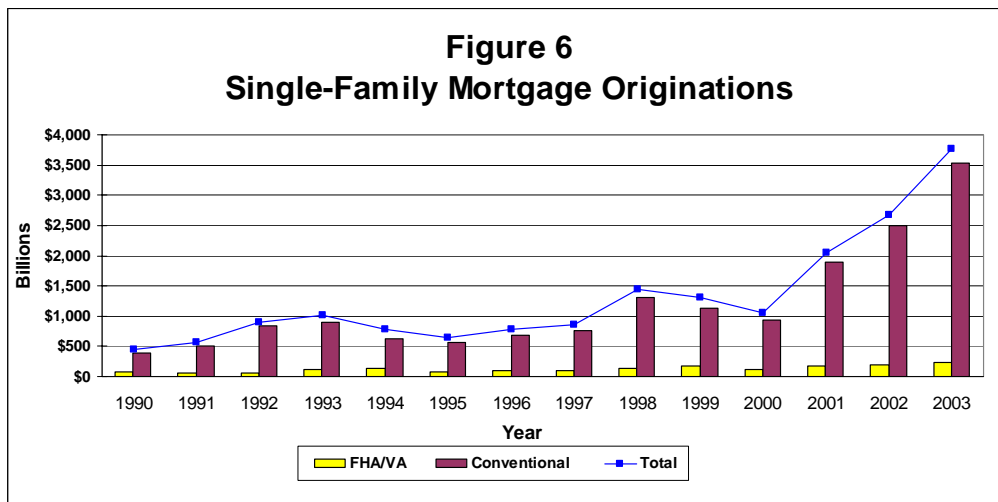
Source: OFHEO

Despite rising home prices, housing affordability, as measured by the National Association of Realtors’ (NAR) index, increased in 2003 as the effects of lower mortgage rates and higher median family income offset the effect of higher home prices. The NAR index was 140.5 in 2003 compared with 135.0 the year before. The index implies that one-half of the nation’s households had at least 140.5 percent of the income needed to purchase a dwelling with the national annual median existing-home price in 2003 (\$170,000).

## Mortgage Markets and the Enterprises in 2003

### Single-Family Mortgage Originations Set New Record for Third Consecutive Year

Historically low mortgage interest rates and record levels of home sales boosted originations of total single-family mortgages to a new high of \$3.8 trillion in 2003, up 40.3 percent from the previous record of \$2.7 trillion set in 2002 (Figure 6). Originations of conventional loans rose by 41.5 percent to \$3.5 trillion. Other segments of the single-family mortgage market also were strong. Originations of loans insured by the Federal Housing Administration (FHA) jumped 14 percent to \$165.3 billion, while mortgages guaranteed by the Department of Veterans Affairs (VA) rose by 57.7 percent to \$66.2 billion. The combined FHA and VA share of total originations declined for the fourth consecutive year, to 6.2 percent from 7.0 percent in 2002. The decline in 2003 was due to the higher rate of refinancing in the conventional market. Private mortgage insurers wrote a record \$404.3 billion in new primary mortgage insurance in 2003. That represented an increase of almost 20 percent over the level in 2002. The surge in lending activity accelerated the growth of single-family mortgage debt outstanding, which expanded 12.9 percent for the year.



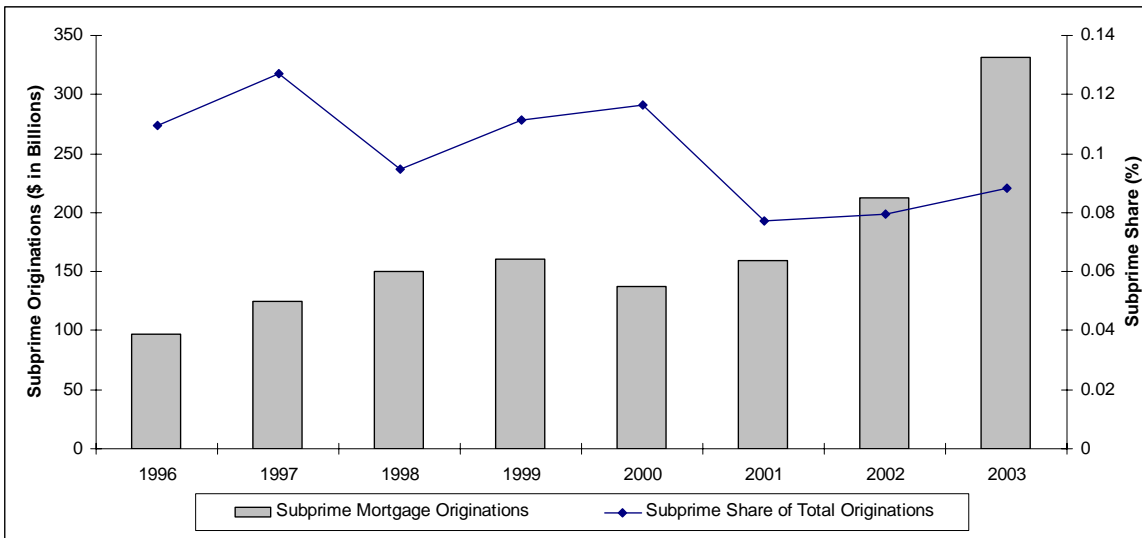
Sources: Department of Housing and Urban Development and *Inside Mortgage Finance*

Originations of single-family subprime mortgages outpaced the 40 percent growth rate for single-family originations in 2003. A record \$332 billion of single-family subprime mortgages were originated in 2003, an increase of 56 percent over the record level achieved in 2002. However, despite the surge in subprime lending in 2003, subprime mortgages represented only 8.8 percent of total mortgages originated in the year (See Box A).

**Box A**  
**The Subprime Mortgage Market in 2003**

Subprime mortgage lending involves the provision of credit to borrowers who have experienced past credit problems of varying severity. In the market for prime or A quality single-family mortgages, a prospective borrower must have a minimum credit score to qualify, and the lender sets the interest rate based on the size of the borrower’s down payment. In the subprime market, prospective borrowers are assigned a risk rating of A-, B, C, or D based on their credit score. The borrower must make a minimum down payment based on his or her risk rating, and the lender sets the interest rate based on the combination of that rating and the loan-to-value (LTV) ratio.

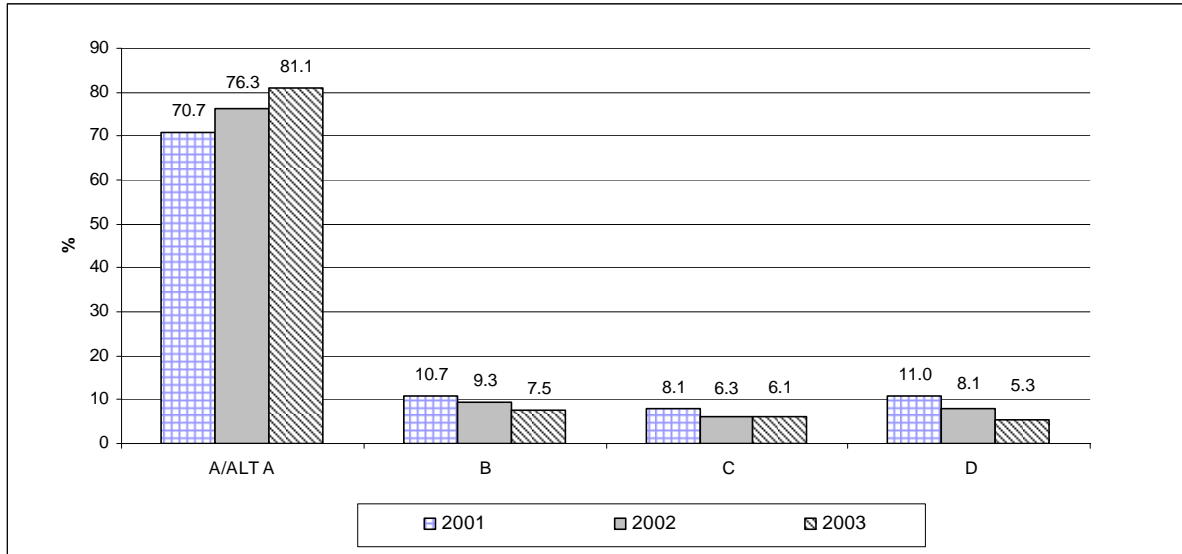
Originations of subprime mortgages rose considerably in 2003, consistent with the trend in the overall mortgage market. Subprime originations totaled \$332 billion, up nearly 56 percent from 2002. That increase was greater than the rise in total mortgage originations, so that the subprime share of the market expanded slightly for the second year in a row, to 8.8 percent. The rate of subprime securitization was again below the securitization rate for all mortgages, as has been the case for all years except 1997. In 2003, the rate for subprime securitization was 58.7 percent while the rate for all mortgages was 68.2 percent.



Source: *Inside B&C Lending*

Industry data indicate that the credit quality of subprime originations has steadily increased in recent years, as lenders have focused more on the low-risk end of the risk spectrum. The table below displays information collected by *Inside B&C Lending* on the distribution by risk rating of subprime and alternative A mortgages originated in 2001 through 2003. (Alt A loans typically are made to borrowers who choose to provide limited documentation.) The risk ratings are assigned by the originators, who may have different definitions. The data indicate that A- and Alt A loans continued to dominate the mix of subprime loans, representing 81.1 percent of originations in 2003. The share of loans rated B, C, and D all continued to decline. Data collected by LoanPerformance.com on subprime mortgages originated in those years that were financed with asset-backed securities exhibit similar trends.

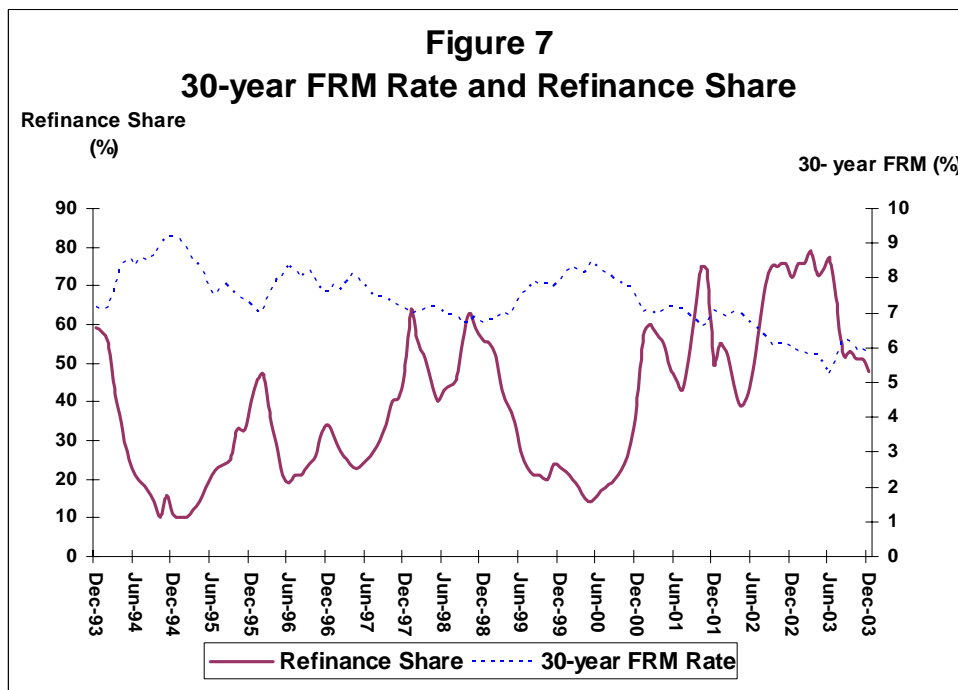
## Mortgage Markets and the Enterprises in 2003



Source: *Inside B&C Lending*

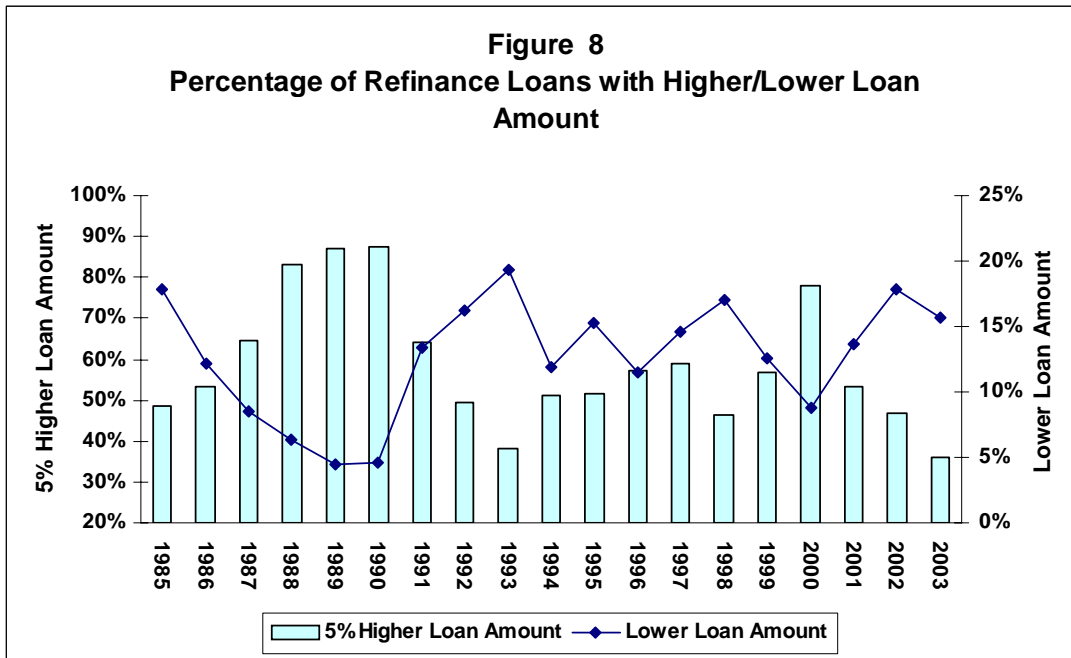
### Record Low Mortgage Rates Sustain the Refinance Boom

As in the previous year, many homeowners took advantage of record-low mortgage rates in 2003 by refinancing their homes, thereby lowering their monthly mortgage payments or tapping into their home equity. Refinancing activity accounted for 65 percent of mortgage volume in 2003 compared with 59 percent in 2002 (Figure 7). The refinance share exceeded 70 percent in each of the first two quarters of 2003, but shrank to about 50 percent in the fourth quarter, due both to a rise in mortgage interest rates and the shrinking pool of refinancing candidates.



Sources: Freddie Mac Primary Mortgage Market Survey

According to Freddie Mac, homeowners who refinanced in 2003 converted almost \$139 billion in home equity into cash, up from \$105 billion in 2002. About 36 percent of refinanced mortgages had loan amounts at least 5 percent higher than the original loans, down from 47 percent in 2002 and 53 percent in 2001 (Figure 8). About 16 percent of refinanced mortgages had lower loan amounts, down from 18 percent in 2002. In general, the percentage of cash-out refinances falls during refinance booms. Homeowners who refinanced in 2003 reduced their mortgage rates by 26 percent, on average, compared to 20 percent in 2002 and 17 percent in 2001.



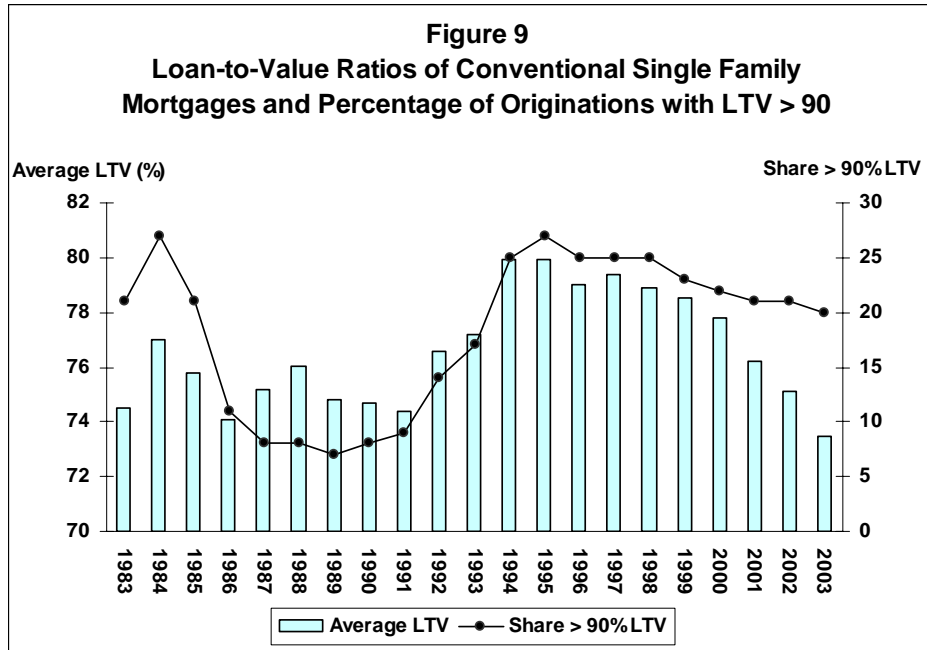
Source: Freddie Mac

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 the purchase-money loans with balances small enough to make them eligible for purchase by Fannie Mae and Freddie Mac (nonjumbo mortgages) and loans that have balances too large to make them eligible for purchase by the Enterprises (jumbo loans). According to MIRS, the nonjumbo share of total purchase-money originations, based on the number of loans, was 93 percent in 2003, unchanged from the previous year. Based on the total dollar volume of loans, the nonjumbo share was 82 percent in 2003, also unchanged from 2002. The average nonjumbo loan increased 3.6 percent to \$147,400 in 2003, whereas the average jumbo loan increased 2.8 percent to \$456,600. The limit in 2003 for non-jumbo mortgages that financed one-unit single-family properties was \$322,700, up 7.3 percent from the limit in 2002.

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, was about 74 percent in 2003, the lowest level since 1982 (Figure 9). The proportion of such loans with LTV ratios greater than 90 percent, which had peaked at 27 percent in 1984 and 1995, was 20 percent, the lowest level since 1993. Both trends reflected the continued rise in the refinance share of conventional originations, as refinance loans generally have lower average LTV ratios. A lower LTV ratio (higher borrower equity in the property) indicates that a mortgage is less likely to default,

## Mortgage Markets and the Enterprises in 2003

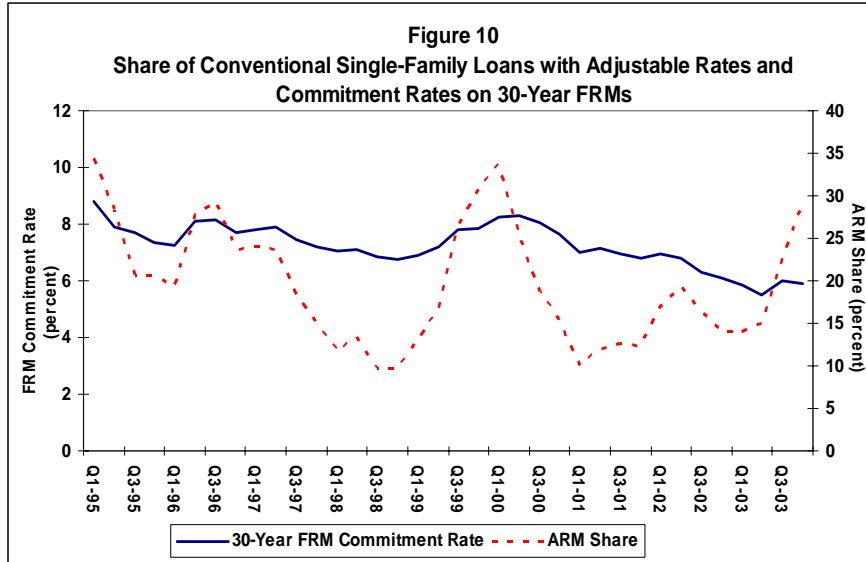
everything else being equal. Jumbo and nonjumbo loans had average LTV ratios 76 and 73 percent, respectively, and FRMs and ARMs in each category had average LTV ratios of 73 and 78 percent, respectively.



Source: Federal Housing Finance Board Monthly Interest Rate Survey

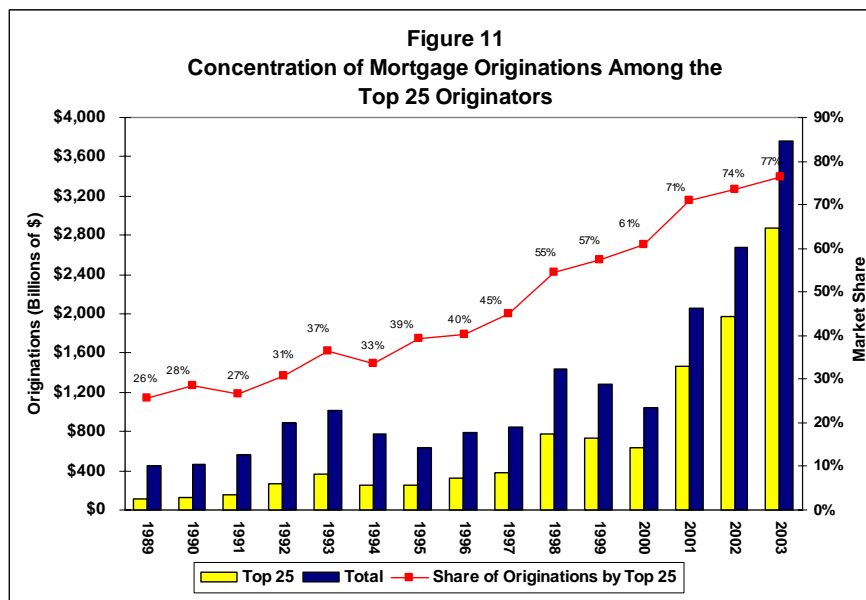
Despite historically low fixed-rate mortgage rates, the market share of ARMs rose slightly in 2003. The sudden rise in mortgage interest rates during the second half of 2003 caused a surge in the ARM share of conventional single-family originations. The ARM share of originations rose from 13 percent in July to 29 percent in December (Figure 10). For the year, the ARM share of conventional single-family originations was 19 percent, compared to 17 percent in 2002, and 12 percent in 2001. According to Freddie Mac, hybrid ARMs now account for the bulk of ARM originations. The hybrid structures generally have a fixed interest rate for an initial period of time of (i.e., 3, 5, 7, or 10-year fixed periods), with the interest rate adjusting annually thereafter based on a fixed spread over an agreed-upon index. The lower rates on hybrid ARMs (versus FRMs) save money for households that expect to move and enable other families to qualify for larger home loans. Freddie Mac also noted that both lenders and consumers now have a stronger preference for ARMs indexed to the London Inter-bank Offered Rate (LIBOR), in contrast to 1-year Treasuries.

## Mortgage Markets and the Enterprises in 2003



Source: Freddie Mac Primary Mortgage Market Survey

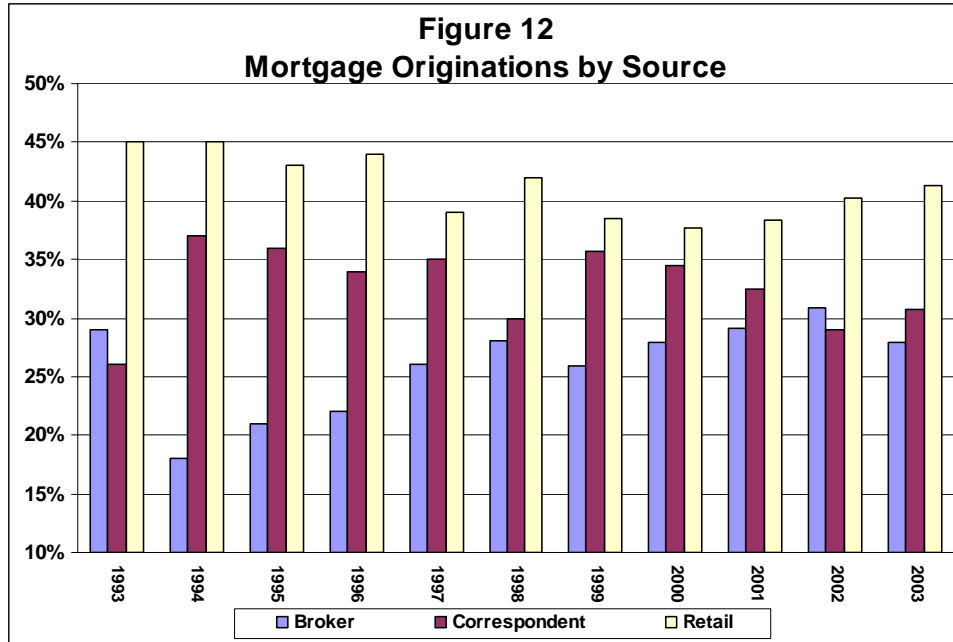
According to *Inside Mortgage Finance*, big lenders continued to expand their domination of the origination market in 2003. The top 25 lenders were responsible for 77 percent of single-family mortgages originated in 2003, up from 74 percent in 2002 (Figure 11). The top 10 originators accounted for 61 percent of single-family loans made in 2003, compared to 57 percent in the previous year.



Source: *Inside Mortgage Finance*

Lenders continued to rely on multiple channels of production to originate loans. The retail channel continued its market dominance, accounting for 41 percent of total single-family originations in 2003, its highest share since the refinance boom of 1998. Within the wholesale market, although brokers originated over \$1 trillion of mortgages, their share reversed a rising trend and fell to 28 percent from 31 percent in 2002. The share of correspondent lenders rose to 31 percent, from 29 percent the year before (Figure 12).

## Mortgage Markets and the Enterprises in 2003



Source: *Inside Mortgage Finance*

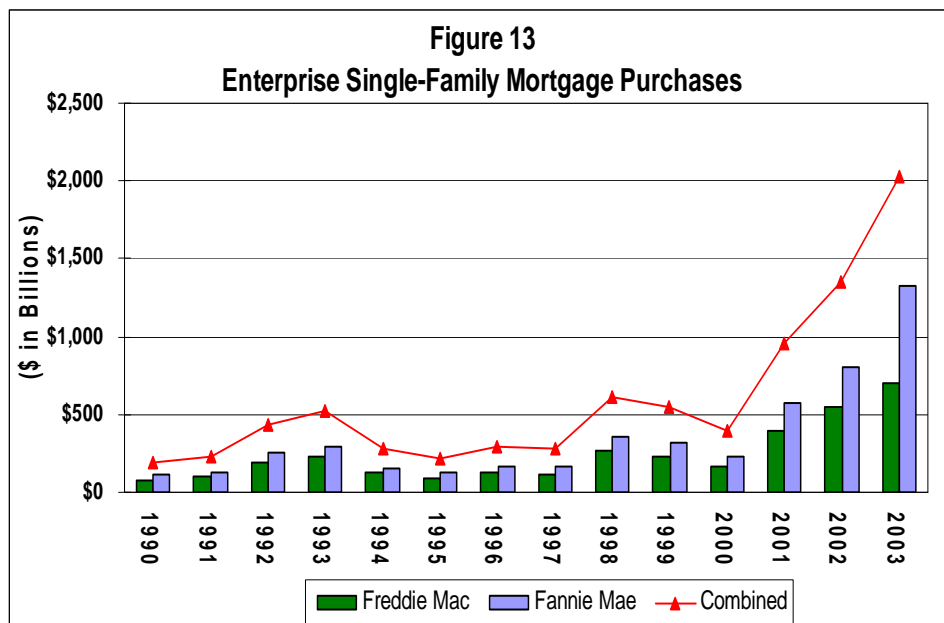
## SECONDARY MARKET ACTIVITIES OF THE ENTERPRISES

### Enterprises Continue to Fulfill Role of Providing Flow of Credit to Primary Mortgage Market

The secondary market activities of Freddie Mac and Fannie Mae played a major role in channeling the flow of funds to primary market lenders to meet the extraordinary mortgage credit demands of U.S. families in 2003. Record mortgage originations in 2003 paved the way for the record volume of loans purchased by Fannie Mae and Freddie Mac. 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) reached an all-time high of \$2,028 billion in 2003, an increase of \$680 billion or 50 percent over their combined purchases in 2002 (Figure 13). Collectively, the Enterprises' total purchases represented 54 percent of total single-family mortgages originated in 2003, compared to 51 percent in 2002.

Fannie Mae's purchases of single-family mortgages in 2003 were \$1,322 billion, up 65 percent from 2002, while Freddie Mac's purchases were \$706 billion, up 29 percent. Both totals represented each Enterprise's highest purchase volume ever by a large margin. Freddie Mac lost market share to Fannie Mae because faster prepayment speeds of Freddie Mac MBS reduced the prices of those securities relative to those of Fannie Mae, giving lenders an incentive to trade their loans for Fannie Mae MBS rather than Freddie Mac securities.



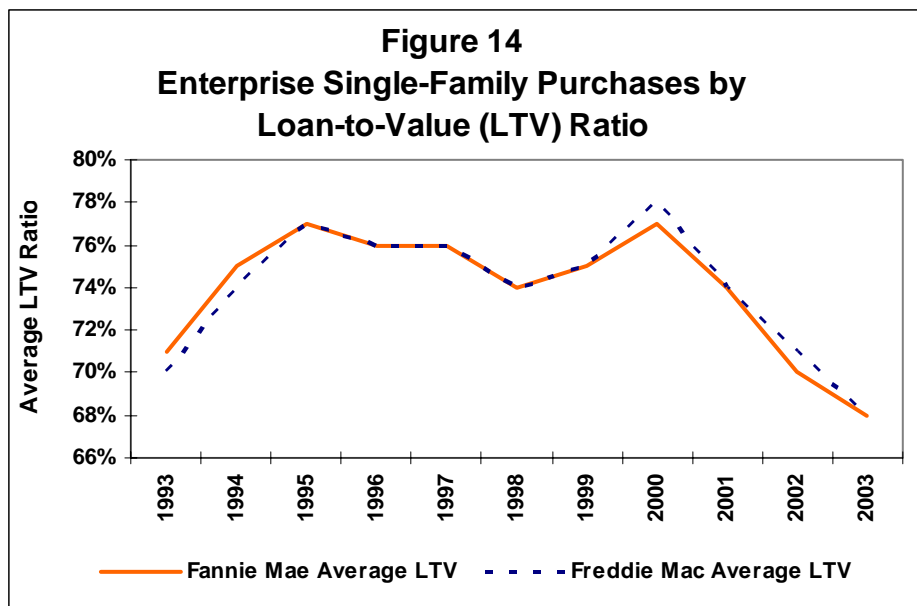


### Credit Risk of Newly Acquired Single-Family Loans Affected by Primary Market Trends

Trends in the primary market in 2003 changed the characteristics of single-family originations in ways that altered the credit risk of the mortgages purchased by the Enterprises. In particular:

1. The refinance share of single-family mortgages purchased by the Enterprises rose in 2003. Fannie Mae's refinance share of purchases rose to 78 percent in 2003, up from 70 percent in 2002, while Freddie Mac's refinance share rose to 81 percent in 2003 from 74 percent in 2002. Refinance mortgages tend to be of higher credit quality than purchase loans.
  
2. The average LTV ratio of single-family mortgages purchased by the Enterprises fell marginally in 2003, and the proportion of loans with high LTV ratios made up a smaller share of Fannie Mae's single-family purchases (Figure 14). Fannie Mae's weighted average LTV on single-family mortgage acquisitions fell to 68 percent in 2003 from 71 percent in the previous year. Freddie Mac's average LTV ratio on single-family mortgage purchases was also 68 percent in 2003, down from 70 percent in 2002. Those changes reflect the high volume of refinance mortgages purchased by the Enterprises in 2003.

## Mortgage Markets and the Enterprises in 2003



Source: Fannie Mae and Freddie Mac

- Adjustable-rate loans comprised a larger share of Fannie Mae's single-family purchases in 2003—9.8 percent, up from 8.5 percent in 2002. ARMs represented a lesser share of Freddie Mac's purchases in 2003. Those loans represented 7.4 percent of the Enterprise's single-family purchases in 2003, down from 8.2 percent 2002. 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.

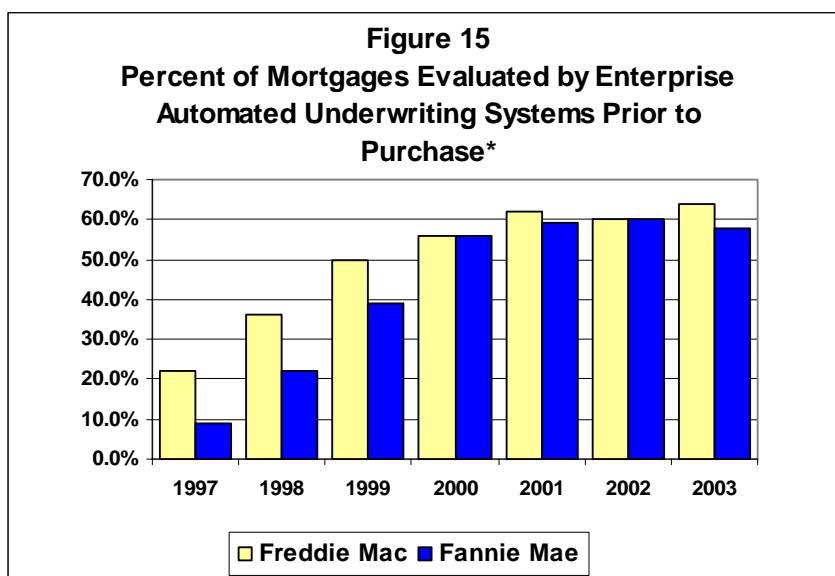
### Enterprises Maintain Presence in Subprime and Alternative A Markets

Fannie Mae and Freddie Mac continued to be active in the markets for subprime and Alternative A mortgages in 2003.<sup>2</sup> Analyses by *Inside B&C Lending* (IBCL) suggest that although the Enterprises have not purchased large volumes of whole B and C mortgages, their demand for MBS backed by such loans reached an all-time high in 2003. According to IBCL, 20 of the top subprime MBS securitizers sold 49 percent or \$81 billion of their MBS production to Fannie Mae and Freddie Mac in 2003. That was more than twice the level those firms sold to the Enterprises in 2002, \$38 billion. Fannie Mae reported purchasing approximately \$73.2 billion of low-documentation loans—mortgages to borrowers with good credit who chose to avoid the normal paperwork associated with getting a mortgage—in 2003, up from \$51.8 billion in 2002. In addition, the Enterprise purchased \$27.1 billion of Expanded Approval/Timely Payment Reward Mortgages in 2003, up from \$17.2 billion in 2002. 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. Freddie Mac purchased \$3.9 billion of Alternative A loans in 2003, down from \$14.5 billion in 2002.

<sup>2</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 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 volume of loans evaluated through the Enterprises' AUS was up sharply in 2003—Freddie Mac evaluated 9.5 million loans through its Loan Prospector (LP), an increase of 16 percent over the prior year, while Fannie Mae evaluated 12 million loans through its Desktop Underwriter (DU), up 20 percent from 2002. The percentage of loans processed through Freddie Mac's LP increased to 64 percent in 2003, up from 60 percent in 2002. Fifty-eight percent of Fannie Mae's 2003 single-family purchases were evaluated prior to purchase through DU, down from 60 percent in 2002 (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.

## **Mortgage Markets and the Enterprises in 2003**

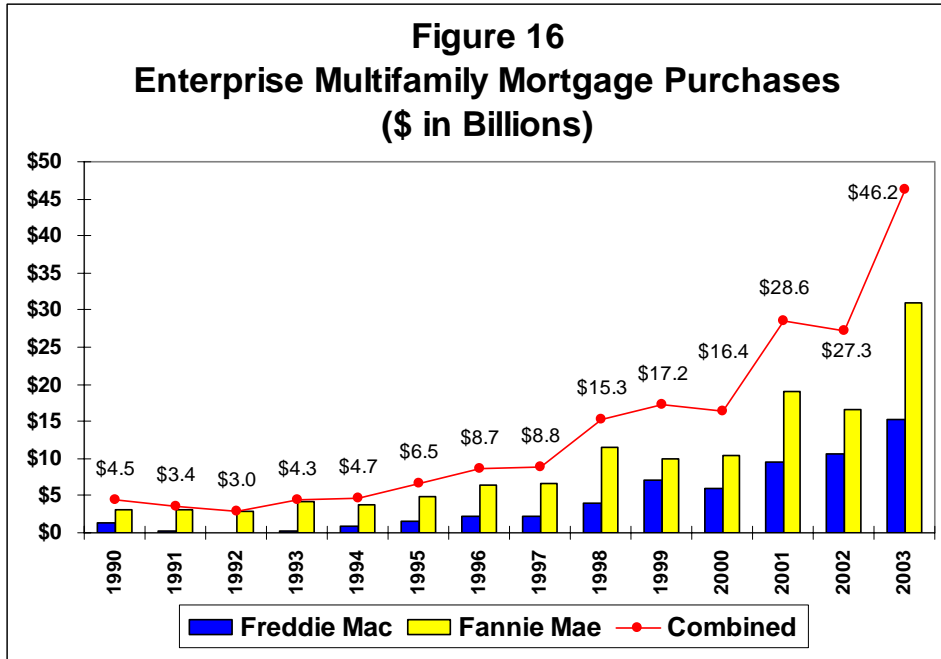
The percentage of Fannie Mae's conventional single-family credit book of business—mortgages held in portfolio and backing guaranteed MBS—with credit enhancements was 21 percent at year-end 2003, down from 27 percent at year-end 2002, and 32 percent at the end of 2001. The decrease in credit enhancement coverage during 2003 was primarily due to the high level of refinance loans purchased with lower loan-to-value ratios that did not require primary mortgage insurance. The percent of Freddie Mac's conventional single-family credit book of business with credit enhancements was 21 percent at year-end 2003, down from 27 percent at year-end 2002.

The Enterprises are sensitive to losses on their credit books of business. Fannie Mae estimated that, as of the end of 2003, an immediate 5 percent decline in home values would increase credit losses over the life of its current loans by \$1,113 million, net of the beneficial effect of credit enhancements, up from \$596 million at the end of 2002. Without credit enhancements, the lifetime loss sensitivity was \$2,402 million in 2003, up from \$1,838 million at year-end 2002. The net credit loss sensitivity as of the end of 2003, \$1,113 million, represented about 3 percent of Fannie Mae's core capital as of year's end and about .05 percent of the Enterprise's conventional single-family mortgage credit book of business.

Freddie Mac estimated that, as of the end of 2003, an immediate 5 percent decline in home values would increase credit losses over the life of its loans by \$533 million, net of the beneficial effect of credit enhancements, compared with \$449 million at the end of 2002. Without credit enhancements, the lifetime loss sensitivity was \$926 million in 2003, down slightly from \$948 million at the end of 2002. The net credit loss sensitivity as of the end of 2003, \$533 million, represented less than 2 percent of Freddie Mac's core capital as of year's end and about .04 percent of the Enterprise's conventional single-family mortgage credit book of business.

## **Enterprises Set Multifamily Funding Record**

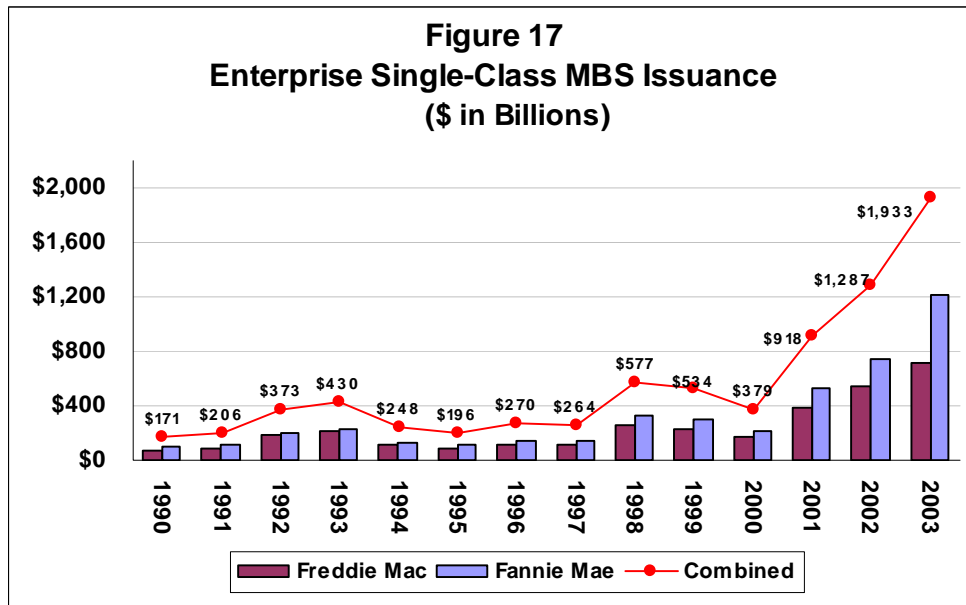
After a year of slow activity in 2002, Fannie Mae and Freddie Mac both experienced strong activity in the multifamily market in 2003. The Enterprises' combined purchases of multifamily mortgages totaled \$46.2 billion, up from \$27.3 billion the year before (Figure 16). Fannie Mae purchased a record \$30.9 billion in multifamily loans in 2003, up 86 percent from \$16.6 billion in the previous year. Freddie Mac purchased a record \$15.3 billion of multifamily mortgages in 2003, up from \$10.7 billion the previous year. Included in those purchases was a \$6 billion portfolio of multifamily mortgages that the Enterprise bought from Washington Mutual Bank in exchange for its MBS, as well as a similar purchase from Citibank. Those transactions consisted primarily of 5- to 50-unit mortgages and were unusual not only because of their size but also because the sellers retained the right to return the MBS and take back the loans after one year. Fannie Mae engaged in a similar transaction with Washington Mutual Bank. Affordable housing goal regulations provide special incentives to encourage the Enterprises' financing of mortgages of apartment buildings of 5 to 50 units. The Enterprises' purchases of multifamily loans in 2003 continued to be encouraged by the significant increases in 2003 in the Department of Housing and Urban Development's (HUD's) affordable housing goals for the Enterprises.



Sources: Fannie Mae and Freddie Mac

### Issuances of Mortgage Securities Soar

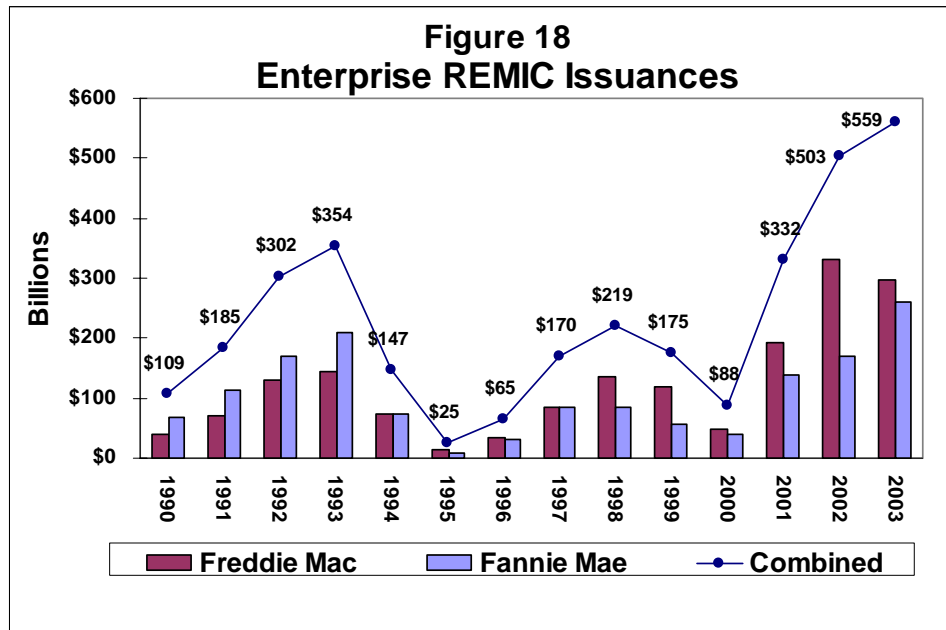
The record volume of mortgages originated in 2003 enabled Fannie Mae and Freddie Mac to issue a record volume of mortgage securities during the year. Combined, the Enterprises issued \$1,933 billion in single-class MBS, an amount that exceeded the previous record set in 2002 by \$646 billion or 50 percent (Figure 17). Fannie Mae’s issuances increased 65 percent to an all-time high of \$1,220 billion, up from \$740 billion in 2002. MBS issuance of Freddie Mac rose to \$714 billion in 2003, an increase of 30 percent.



Sources: Fannie Mae and Freddie Mac

## Mortgage Markets and the Enterprises in 2003

Multi-class mortgage securities consist primarily of Real Estate Mortgage Investment Conduit (REMIC) offerings. The REMIC programs of Fannie Mae and Freddie Mac produced mixed results in 2003. The Enterprises' combined issuances of REMICs rose by 11 percent or \$57 billion to \$559 billion. That increase was due solely to the increased activity at Fannie Mae. The Enterprise's issuance volume increased 53 percent to \$261 billion, whereas Freddie Mac's REMIC issuance volume fell 10 percent to \$298 billion (Figure 18). Despite the increase in issuance at Fannie Mae, its outstanding multi-class securities increased a mere 1 percent, to \$406 billion. Outstanding multi-class securities at Freddie Mac declined 11.2 percent, to \$472 billion, because of prepayments. As in 2002, a positively sloped yield curve helped to make investments in REMICs attractive, while low interest rates contributed to higher MBS issuances that increased collateral available for the creation of REMICs. A positively sloped yield curve stimulates creation of REMICs because that typically converts a portion of long-term, relatively high-yielding mortgages or MBS into relatively short-term, lower-yielding (and therefore higher-priced) securities.

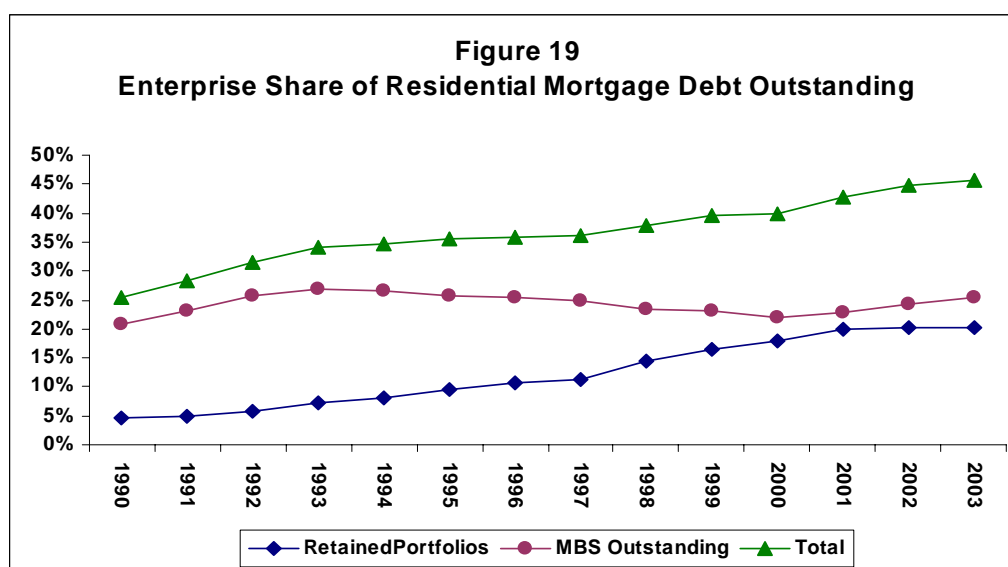


Sources: Fannie Mae and Freddie Mac

### Growth in Portfolios and MBS Held by Others Boost Enterprise Share of Mortgage Debt Outstanding

Due to the high volume of refinancings in the primary market, each Enterprise experienced a high level of portfolio liquidations in 2003. The liquidation rate on Fannie Mae's mortgage asset portfolio increased to 53 percent in 2003 from 37 percent in 2002 and 25 percent in 2001. The liquidation rate on Freddie Mac's mortgage portfolio increased to 45 percent in 2003 from 32 percent in 2002 and 28 percent in 2001. As in the past, each Enterprise replenished those assets largely by purchasing sizable volumes of its own MBS issues. Fannie Mae purchased \$348 billion of its MBS in 2003, compared to \$245 billion in 2002 and \$181 billion in 2001. Freddie Mac purchased \$259 billion of its MBS, compared to \$193 billion and \$157 billion, respectively, in the two previous years. The volume of new MBS issued by Fannie Mae and Freddie Mac was sufficient, despite their purchases, to produce growth in outstanding Enterprise MBS held by other investors—such as especially the case for Fannie Mae.

Fannie Mae's business volume (mortgage purchases and MBS issues acquired by others) climbed 68 percent to a record high \$1,423 billion in 2003, while Freddie Mac's business rose 28 percent to \$835 billion, also a record, but far behind activity at Fannie Mae. Fannie Mae MBS held by investors other than that Enterprise rose by 26 percent in 2003, up from the 20 percent growth rate in 2002. Freddie Mac MBS held by others increased by a modest 3 percent, compared to a 15 percent growth rate in the previous year. The combined growth of Fannie Mae and Freddie Mac asset portfolios and MBS held by other investors in 2003 (15 percent) produced a slight increase in the Enterprises' share of residential mortgage debt outstanding. At the end of 2003, 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 45.6 percent of total residential mortgage debt outstanding (\$7.7 trillion), up from 44.7 percent at the end of 2002 (Figure 19).



Sources: Fannie Mae, Freddie Mac, and the Federal Reserve

## FINANCIAL PERFORMANCE AND CONDITION OF THE ENTERPRISES

One of the strongest housing markets ever contributed to another year of solid financial performance at Fannie Mae and Freddie Mac. Declining mortgage interest rates, the primary driver of the housing boom, helped raise house prices and keep credit losses low, while stimulating the large increase in new business volume. However, lower rates also resulted in heavy mortgage prepayments and record portfolio liquidations for the Enterprises. As prepaid mortgages were replaced with lower-yield assets, Fannie Mae and Freddie Mac had to lower their interest expenses to sustain earnings, while continuing to limit their exposure to potential further interest rate movements. In addition, during parts of the year, narrower spreads between yields on mortgages and portfolio debt constrained somewhat the Enterprises' ability to grow their mortgage portfolios, which account for the bulk of Enterprise earnings.

## **Mortgage Markets and the Enterprises in 2003**

### **Earnings Remain Strong Despite Lower Interest Rates**

Earnings were strong at both Enterprises in 2003. Fannie Mae reported that its GAAP net income rose by 71 percent, to \$7.9 billion. Reported earnings under GAAP were volatile in 2003, however. The Enterprise's quarterly earnings ranged from a low of \$1.1 billion in the second quarter, to a high of \$2.7 billion in the third. That earnings fluctuation was due primarily to changes in mark-to-market gains/losses on purchased options. Fannie Mae's core earnings, a non-GAAP measure designed to smooth the effects of market-value fluctuations, rose 14.3 percent to \$7.3 billion (See Table A). In contrast to the Enterprise's GAAP earnings, core earnings exhibited little volatility in the year, varying less than 5 percent each quarter. The improved GAAP and core earnings, both of which were reduced \$2.3 billion by repurchases of debt (\$266 billion) at premium prices, allowed Fannie Mae to maintain a high rate of return on equity (ROE). Core ROE was 26 percent in 2003, in line with results for the last 5 years.<sup>3</sup>

Results for Freddie Mac were greatly affected by the restatement, which required that large portions of the Enterprise's balance sheet be marked-to-market. Freddie Mac's GAAP net income was \$4.8 billion, down 52 percent from the \$10.1 billion reported for 2002, but still the Enterprise's second highest ever (See Table B). The Enterprise showed a \$7.4 billion decrease in total non-interest income, reflecting a decrease in derivative gains of \$5.3 billion; an increase in losses on investments of \$2.9 billion; and a \$1.1 billion increase in losses on debt retirement. Freddie Mac also experienced higher non-interest expenses, including administrative and other expenses related with the restatement. Freddie Mac quarterly earnings were more volatile in 2003 than Fannie Mae's; net income was negative in the third quarter. That volatility resulted primarily from changes in the market value of derivatives not meeting the requirements for hedge accounting.

### **Revenues and Interest Margins Improve at Fannie Mae and Decline at Freddie Mac**

Total revenues rose significantly at Fannie Mae in 2003, by 30 percent, to \$16.4 billion. Revenues at Freddie Mac fell to \$9.2 billion, down 45 percent from 2002's level due principally to lower non-interest income in 2002, as discussed above. As in all recent years, net interest income provided the bulk of each Enterprise's revenues 2003 (Figure 20). Fannie Mae's GAAP net interest income rose to \$13.6 billion in 2003, an increase of 28 percent. Core net interest income rose 20 percent, to \$10.5 billion. Net interest income is affected by changes in the average interest rate on earning assets, the average interest rate paid on interest-bearing liabilities, and by changes in the volume of earning assets and interest-bearing liabilities. Record portfolio liquidations and lower yields on portfolio purchases caused the average yield on Fannie Mae's assets to fall by 78 basis points in 2003. Lower medium- and long-term interest rates during the year allowed Fannie Mae to reduce its borrowing cost by repurchasing high-coupon debt and replacing it with low-coupon long-term debt. The Enterprise's average borrowing cost fell by a hefty 94 basis points in 2003. The net results of the reduction in asset yields and borrowing cost was a widening of the spread between Fannie Mae's average earnings assets and interest-bearing liabilities. Fannie Mae's core net interest margin rose by 5 basis points to 1.20 percent, the highest level

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<sup>3</sup> OFHEO has released a report on the initial findings of a special examination of Fannie Mae's accounting policies, internal controls, and financial reporting processes. That report found pervasive misapplications of GAAP, which may result in a restatement of the Enterprise's financial results.



## Mortgage Markets and the Enterprises in 2003

Table A. Fannie Mae Financial Highlights

<b>SELECTED FINANCIAL HIGHLIGHTS</b>					
(Dollars in Billions)					
	2003	2002	2001	2000	1999
<b>EARNINGS PERFORMANCE:</b>					
Net Income, GAAP (\$) <sup>1</sup>	7.9	4.6	5.9	4.5	3.9
Core Net Income (\$) <sup>2</sup>	7.3	6.4	5.4	4.5	3.9
Net Interest Income, GAAP (\$)	13.6	10.6	8.1	5.7	4.9
Core Net Interest Income (\$) <sup>2</sup>	10.5	8.8	7.5	5.7	4.9
Guarantee Fees (\$)	2.4	1.8	1.5	1.4	1.3
Core Net Interest Margin (%) <sup>3</sup>	1.2	1.2	1.1	1.0	1.0
Average Guarantee Fee (bps) <sup>4</sup>	20.2	19.1	19.0	19.5	19.3
Return on Adjusted Common Equity (%) <sup>5</sup>	26.0	26.0	25.4	25.2	25.0
Dividend Payout Ratio (%) <sup>6</sup>	23.0	20.9	23.0	26.0	28.8
<b>BALANCE SHEET POSITION:</b>					
Total Assets (\$)	1009.6	887.5	799.9	675.2	575.3
Outstanding Debt (\$)	961.7	851.0	763.5	642.7	547.6
<b>Mortgages:</b>					
Mortgage Assets (\$)	901.9	801.1	706.8	607.7	523.1
MBS (\$) (excluding Fannie Mae MBS held in Portfolio)	1300.2	1029.5	859.0	706.7	679.1
Mortgage Assets as % of Total Mortgage Portfolio	41.0	43.8	45.1	46.2	43.5
<b>Capital:</b>					
Core Capital <sup>7</sup> /MBS plus Total Assets (%)	1.49	1.46	1.52	1.51	1.42
Core Capital/Total Assets (%)	3.41	3.16	3.15	3.08	3.11

Source: Fannie Mae

<sup>1</sup> Reflects adoption of SFAS 133 starting in 2001.

<sup>2</sup> Core net income and net interest income are non-GAAP measures, and differ from GAAP results only with respect to the accounting treatment of purchased option expense/amortization.

<sup>3</sup> Taxable equivalent core net interest income divided by average earning assets.

<sup>4</sup> Guarantee fees divided by average MBS outstanding net of MBS held in portfolio.

<sup>5</sup> Core net income divided by adjusted common equity (GAAP shareholders' equity adjusted for certain SFAS 133 effects).

<sup>6</sup> Paid common dividends as a percentage of core net income available to common stockholders.

<sup>7</sup> The sum of common stock, noncumulative preferred stock, paid-in capital and retained earnings.

## Mortgage Markets and the Enterprises in 2003

**Table B. Freddie Mac Financial Highlights**

<b>SELECTED FINANCIAL HIGHLIGHTS</b>					
<b>(Dollars in Billions)</b>					
	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>EARNINGS PERFORMANCE:</b>					
Net Income (\$)	4.8	10.1	3.2	3.7	2.2
Net Interest Income (\$)	9.5	9.5	7.4	3.8	2.9
Guarantee Fees (\$) <sup>1</sup>	1.6	1.5	1.4	1.3	1.0
Net Interest Margin (%) <sup>2</sup>	1.3	1.5	1.3	0.8	0.9
Average Guarantee Fee (bps) <sup>3</sup>	23.0	22.0	23.6	23.6	19.8
Return on Common Equity (%) <sup>4</sup>	17.2	47.2	20.2	39.0	25.5
Dividend Payout Ratio (%) <sup>5</sup>	15.4	6.2	18.9	20.0	20.1
<b>BALANCE SHEET POSITION:</b>					
Total Assets (\$)	803.4	752.2	641.1	459.3	386.7
Outstanding Debt (\$)	739.6	665.7	578.4	426.9	360.7
<b>Mortgages:</b>					
Mortgage Assets (\$)	660.5	589.9	503.8	385.5	322.9
MBS (\$) (excluding Freddie Mac MBS held in Portfolio)	768.9	749.3	653.1	576.1	537.9
Mortgage Assets as % of Total Mortgage Portfolio	46.1	44.1	43.6	40.1	37.5
<b>Capital:</b>					
Core Capital <sup>6</sup> /MBS plus Total Assets (%)	2.10	1.93	1.56	1.39	1.37
Core Capital/Total Assets (%)	4.11	3.85	3.15	3.13	3.28

Source: Freddie Mac

<sup>1</sup> Freddie Mac has restated its average guarantee fee for years 2000-2002 to reflect new accounting procedures.

<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.

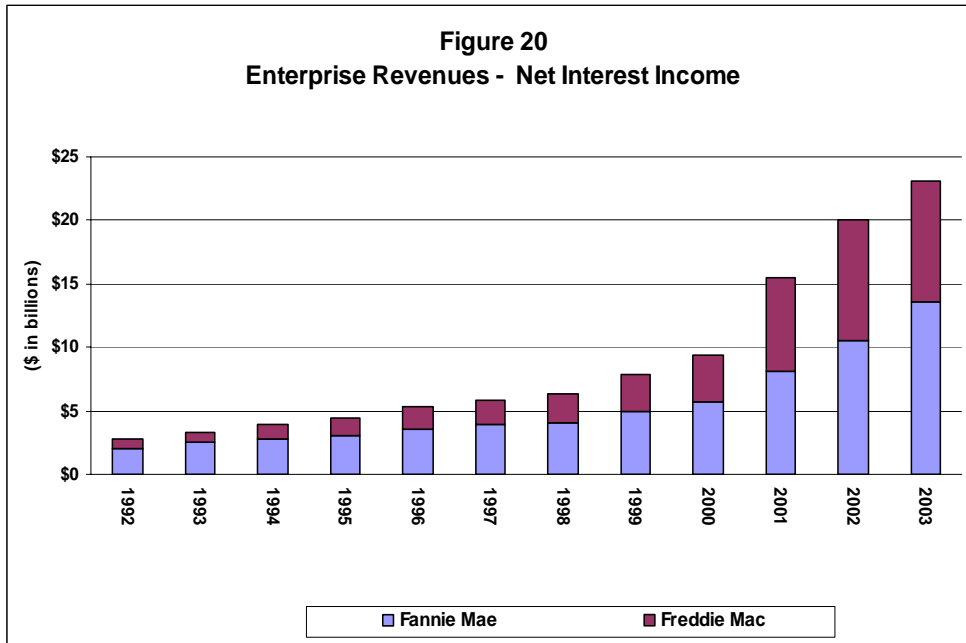
<sup>4</sup> Net income divided by common shareholders' equity.

<sup>5</sup> Paid common dividends as a percentage of net income available to common stockholders.

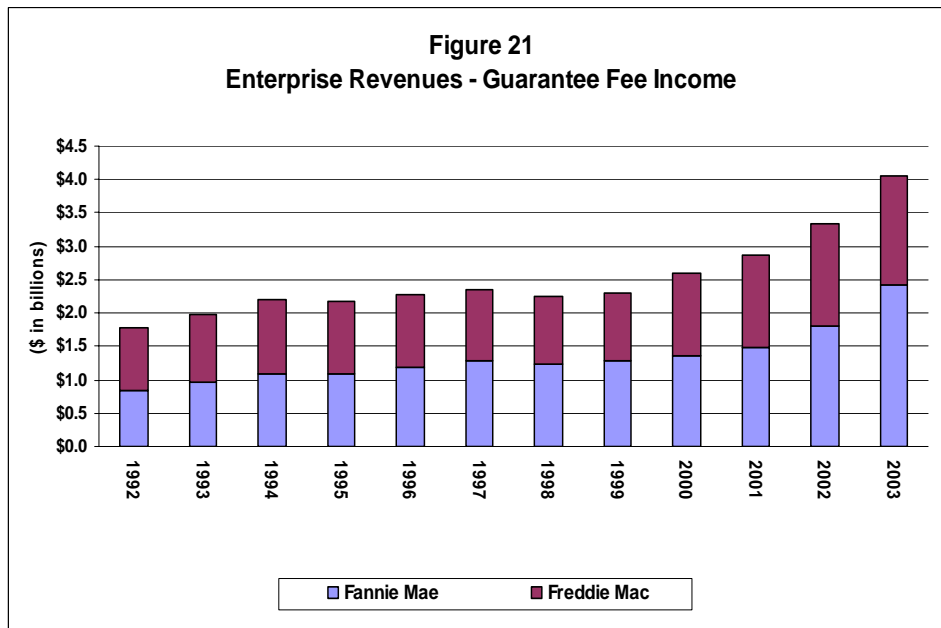
<sup>6</sup> The sum of common stock, noncumulative preferred stock, paid-in capital and retained earnings.

## Mortgage Markets and the Enterprises in 2003

since 1997 (Figure 21). The wider margin and a 14 percent increase in Fannie Mae's average investment balance were responsible for the Enterprise's improved net interest income in 2003.



Sources: Fannie Mae and Freddie Mac



Sources: Fannie Mae and Freddie Mac

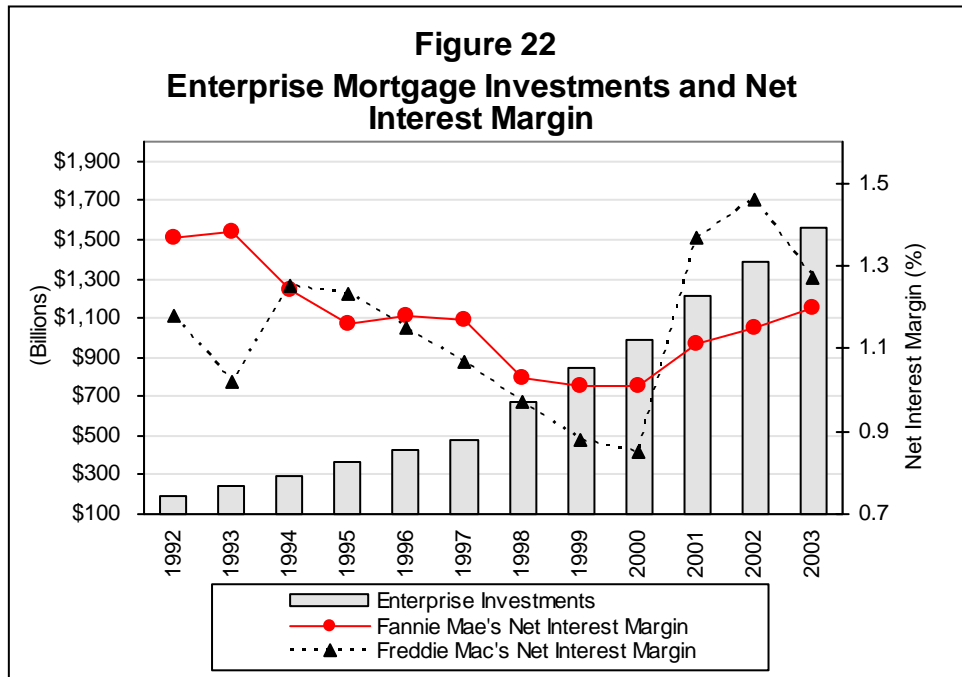
At \$9.5 billion, Freddie Mac's net interest income was virtually unchanged from 2002, despite a decrease in net interest yield. The Enterprise's net interest yield fell from 1.46 percent in 2002 to 1.27 percent in 2003. The decline in net interest yield was driven by increased amortization expense related

## Mortgage Markets and the Enterprises in 2003

to premiums paid on interest-earning assets and by the addition of lower-yielding mortgage-related securities in 2003, which more than offset the benefit of improved funding costs and lower derivative-related expenses.

Each Enterprise's non-interest income generally consists primarily of guarantee fees associated with the securitization of mortgages. The combined guarantee fee income of Fannie Mae and Freddie Mac rose \$717 million or 22 percent in 2003 to \$4.0 billion (Figure 22). The increase in guarantee fee income reflects primarily higher MBS issuance volume, which in turn resulted in significantly higher average balances outstanding. Fannie Mae's average balance of outstanding MBS increased 25 percent, while the average balance on Freddie Mac's outstanding MBS increased 3 percent.

Fannie Mae's guarantee fee rate averaged 20.2 basis points in 2003, up from 19.1 basis points in 2002. The increase in the effective guarantee fee rate was a result of accelerated recognition of deferred fees due to the effect of lower interest rates on projected prepayments, and increased risk-based pricing on new business.



Sources: Fannie Mae, Freddie Mac, and OFHEO

Freddie Mac's guarantee fee rate averaged 23.0 basis points in 2003, up from 22.0 basis points in 2002. The higher average fee rate resulted from an increase in amortization income. Amortization income contributed \$228 million more to total guarantee fee income in 2003 than in the previous year, and more than offset a \$106 million reduction in cash fee income.

Other non-interest income items of the Enterprises include fees earned for automated underwriting services, multi-family fees, fees earned from resecuritization activity (paid by underwriters to the Enterprises), and gains and losses from certain hedging transactions. Fannie Mae recorded \$437 million of fee and other income in 2003, up from \$232 million in 2002. The \$205 million increase reflects a

doubling in transaction fees to \$491 million, resulting largely from greater use of Fannie Mae's Desktop Underwriter system, and a \$131 million increase in technology and multifamily fee income, due to a surge in business volumes associated with the robust refinancing market. That combined fee income more than offset the \$84 million increase in premiums paid to purchase third-party credit enhancements and losses on tax-advantaged investments in 2003. Freddie Mac defines its other non-interest income more broadly than does Fannie Mae, to include such items as derivative gains/losses, gains/losses on debt retirement, and gains/losses and income/expense on guarantee assets and obligations. Including those items, Freddie Mac's other non-interest income declined by \$7.5 billion in 2003, from \$5.6 billion in 2002 to negative \$1.9 billion in 2003. Most of that difference reflects mark-to-market effects associated with changes to security classifications and hedge designations pursuant to the restatement, including a decline in derivatives gains of \$5.3 billion, \$2.1 billion of trading losses following net gains of \$.9 billion in 2002, and a \$1.1 billion increase in costs associated with the repurchase of \$27 billion of debt.

### **Credit Losses Increase but Remain Low**

Credit-related losses increased for both Enterprises in 2003. Total credit losses for Fannie Mae rose 40 percent to \$123 million, due primarily to the rise in the number of real-estate owned (REO) acquisitions. The number of properties acquired through foreclosure increased 37 percent in 2003 to 26,788. The rise in foreclosed properties acquired partly reflects the expansion of the Enterprise's mortgage credit book of business over the past few years, and an increase in higher-risk loans. The Enterprise's credit loss rate increased slightly, from 0.5 to 0.6 basis points at year's end. Freddie Mac's credit losses (based on slightly different accounting practices) increased 11 percent to \$82 million, reflecting higher charge-offs. Its credit loss ratio remained unchanged at 0.7 basis points.

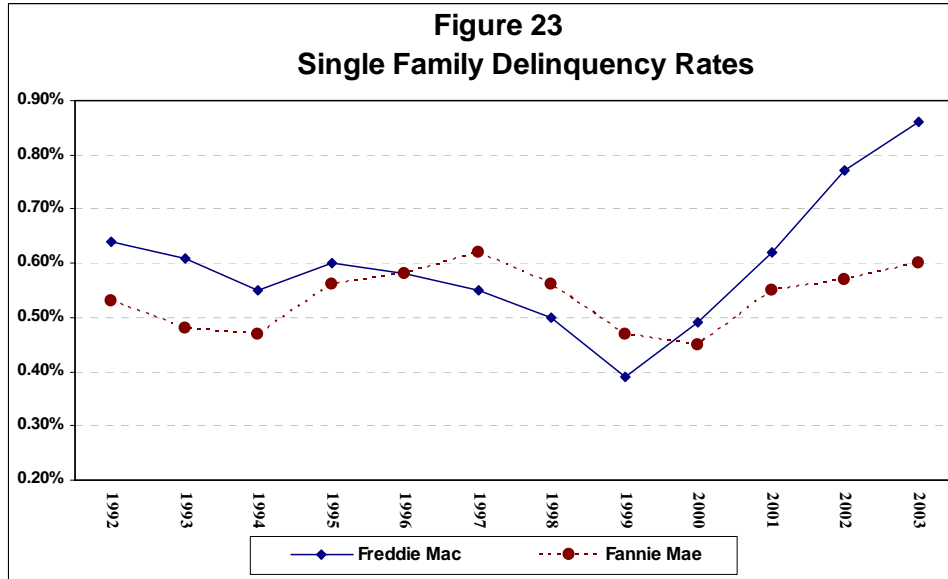
### **Single-Family Delinquency Rates Remain Low**

Fannie Mae's single-family delinquency rate, revised to include all conventional loans three or more months delinquent or in the foreclosure process (including loans with and without primary mortgage insurance or other credit enhancements), increased from .57 percent in 2002 to 0.60 basis points at the end of 2003. Freddie Mac's single-family delinquency rate (based on the number of loans on which the Enterprise bears the primary risk of loss that are delinquent 90 days or more or in foreclosure) increased from .77 percent at the end of 2002 to .86 percent at the end of 2003 (Figure 23).

### **Administrative Expenses Rise but Remain Stable Relative to the Average Total Mortgage Portfolio**

Administrative expenses increased at double digit rates at each Enterprise in 2003. Fannie Mae's administrative costs rose 20 percent to \$1.5 billion. That increase reflects costs incurred for reengineering the Enterprise's core technology infrastructure, the expensing of all new stock-based compensation, and higher charitable contributions. Freddie Mac's administrative expenses rose by one-third to \$1.9 billion in 2003. A significant portion of that increase was related to the restatement and remediation activities, including higher accounting, auditing, consulting, legal, loss contingencies, and other fees. Administrative expenses at each Enterprise grew at a much faster pace than their total assets. The ratio of administrative expenses to the average total mortgage portfolio remained stable at 7.2 basis points at Fannie Mae, and rose to over 13 basis points at Freddie Mac.

## Mortgage Markets and the Enterprises in 2003

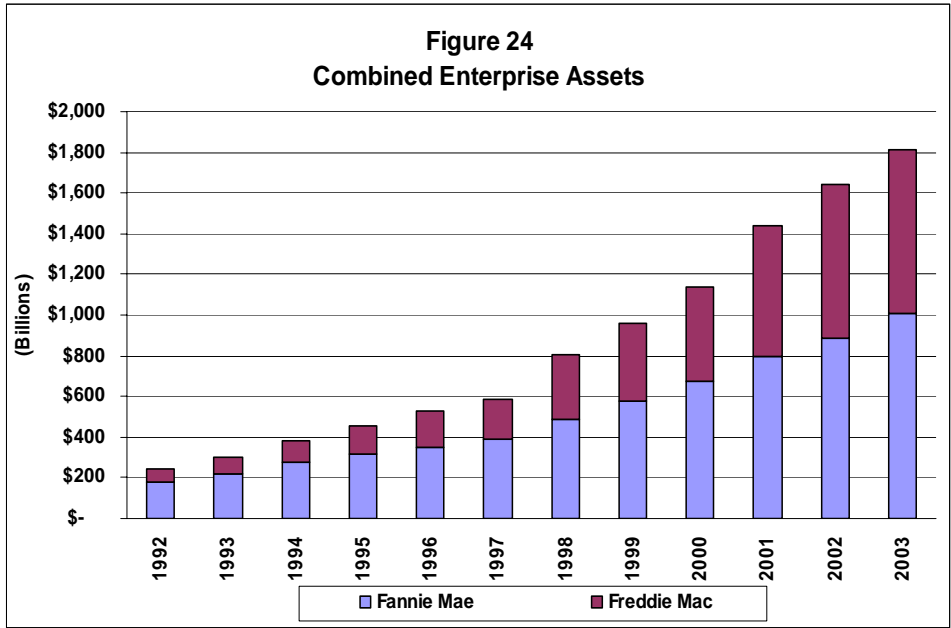


Sources: Fannie Mae and Freddie Mac

### Balance Sheet Growth Slows

The combined assets of Fannie Mae and Freddie Mac rose by \$173 billion to \$1,813 billion in 2003, an increase of 10.6 percent over the 2002 level (Figure 24). That was the slowest rate of growth since 1990. Nonetheless, the Enterprises' combined assets have almost doubled since 1999. Growth in the Enterprises' mortgage assets continued to propel their balance sheet growth. However, despite record mortgage purchases in 2003, each Enterprise increased its mortgage portfolio at a slower rate than in the previous year. Fannie Mae grew its portfolio 12.6 percent to \$902 billion in 2003 compared to 13.3 percent in 2002. Freddie Mac grew its portfolio by 12.0 percent to \$661 billion in 2003 compared to a much faster 17.1 percent in 2002. As in 2002, the Enterprises encountered heavy competition in 2003 from commercial banks and other investors who continued to bid aggressively for mortgage securities—commercial bank holdings of 1-4 family residential loans increased by almost a third from the end of 2001 to the end of 2003. The resulting spread compression reduced the attractiveness to the Enterprises of acquiring and holding such assets.

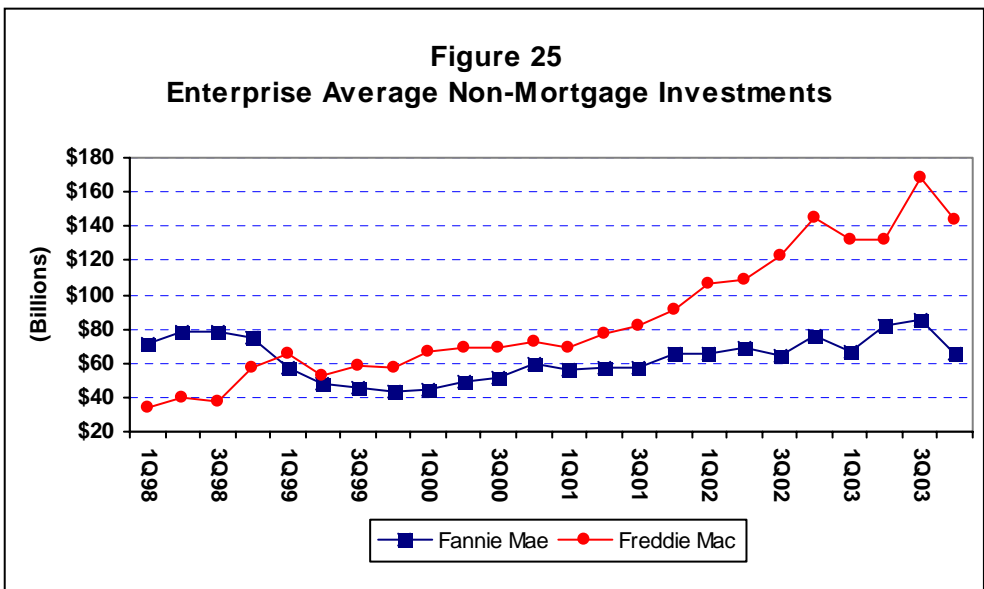
Quarterly average non-mortgage investments increased at both Enterprises in 2003. Fannie Mae's average balance decreased \$9.9 billion from the fourth quarter of 2002 to the fourth quarter of 2003, peaking in the third quarter at \$85.5 billion. For the year, the Enterprise's average non-mortgage investment balance represented about 8.2 percent of total average earning assets, compared with 8.5 percent the year before. Freddie Mac maintained high levels of liquid assets throughout 2003. The Enterprise's average balance exceeded \$100 billion in each quarter, and averaged 19.1 percent of total annual average earning assets in 2003 compared with 18.5 percent in 2002 (Figure 25). 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.



Sources: Fannie Mae and Freddie Mac

**Trends in Enterprise Funding Differed While Instruments Were Similar**

Fannie Mae and Freddie Mac increased their combined debt outstanding by 12.2 percent or \$185 billion in 2003, to a record \$1,701 billion. That increase was slightly higher than the \$171 billion net increase in the Enterprises’ combined mortgage portfolios. The Enterprises issued \$3,642 billion of new debt in 2003, just slightly lower than the 2002 level.



Sources: Fannie Mae and Freddie Mac

## Mortgage Markets and the Enterprises in 2003

Issuance volume for Fannie Mae was up sharply in 2003, by \$712 billion, to an all-time high of \$2,586 billion, 38 percent higher than 2002's issuance volume of \$1,874 billion. The Enterprise's issuance of short-term debt rose by \$602 billion to \$2,238 billion, while its issuance of long-term debt rose by \$109 billion to \$348 billion, largely to replace debt that was called. The long-term financing consisted primarily of callable debt, of which \$249 billion was issued in 2003, compared with \$153 billion in 2002. That debt comprised a variety of structures, including American, European, and Bermuda-style call options.<sup>4</sup> The call type profile of Fannie Mae's non-benchmark callable debt has changed considerably from 2000 to 2003. For instance, in 2000 approximately 63 percent of non-benchmark callable debt had an American option and approximately 10 percent had a Bermudan option. However, in 2003, issuance percentages of those option types were virtually reversed, with debt with Bermudan-style options comprising nearly 56 percent of the total, and American-style options representing about 10 percent. The terms of the Enterprise's callable debt issuances in 2003 varied—maturities ranged from one to 30 years, and lockout periods ranged from 3 months to 8 years. Unlike the Federal Home Loan Banks,<sup>5</sup> which generally sell the call option in the derivatives markets, the Enterprises retain and use the call option to match the prepayment option embedded in the fixed-rate mortgages they hold. Fannie Mae redeemed \$187 billion of long-term callable debt in 2003. Total debt outstanding at Fannie Mae increased 13 percent in 2003 to \$962 billion, of which approximately one-half was due within one year, compared to 45 percent at year-end 2002.

Freddie Mac's total debt outstanding increased by \$74 billion, similar to the increase in its mortgage portfolio. Unlike Fannie Mae, Freddie Mac's debt issuance volume was down sharply in 2003, by \$610 billion, to \$1,057 billion, 37 percent lower than 2002's issuance volume. The Enterprise's issuance of short-term debt fell by \$586 billion to \$785 billion, and its issuance of long-term debt fell by \$25 billion to \$272 billion. The long-term financing consisted primarily of callable debt, of which \$189 billion was issued in 2003, compared with \$197 billion in 2002. Total debt outstanding at Freddie Mac increased 11 percent in 2003, to \$740 billion, of which approximately 40 percent was due within one year, compared to 37 percent at year-end 2002.

Fannie Mae and Freddie Mac each committed to having total capital and outstanding subordinated debt together make up 4 percent of its on-balance sheet assets by the end of 2003. To fulfill that commitment, each Enterprise initiated a subordinated debt program in early 2001. In 2003, Fannie Mae issued \$4.0 billion of subordinated Benchmark notes. At year's end, the Enterprise's outstanding subordinated debt totaled \$12.5 billion. The sum of its total capital and subordinated debt was 4.1 percent of Fannie Mae's on-balance assets, after providing for capital to support off-balance sheet MBS. Freddie Mac did not issue subordinated debt in 2003. Through the end of 2003, the Enterprise had issued \$5.5 billion of subordinated debt under the voluntary initiative, all of which was outstanding at the end of 2003. As of December 31, 2003, the sum of its core capital, loan loss reserves and subordinated debt outstanding was 4.4 percent of its total assets.

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<sup>4</sup> The call option on American-style options is exercisable at any time before expiration, European-style options only on the exercise date, and Bermuda-style options on specified dates.

<sup>5</sup> The Federal Home Loan Banks have historically been responsible for a significant portion of callable debt issuances by all government-sponsored enterprises (GSEs).



### Interest Rates and Risk Management

Market interest rates were volatile in 2003. Interest rates fell suddenly and sharply in the second quarter and reversed course in the third. Mortgage interest rates hit a record low during the month of June. Low mortgage interest rates resulted in higher mortgage refinancing and record-level portfolio liquidations for Fannie Mae and Freddie Mac. Those events had the potential of seriously altering the differences between the durations of the Enterprises' mortgage assets and liabilities and, possibly, reducing earnings. The Enterprises use a number of tools and techniques to manage their exposure to prepayment risk, including adjusting their funding mix, investing in assets that are less sensitive to prepayment risk, and entering into derivatives contracts.

As noted above, callable debt was a critical part of the Enterprises' funding programs in 2003. Callable debt was used to better match asset lives and give the Enterprises the ability to replace high-coupon issues if interest rates fall. In addition, Fannie Mae significantly increased its use of financial derivatives. At year's end, the notional amount outstanding totaled \$1,040 billion (excluding mandatory mortgage purchase and sell commitments), compared to \$657 billion one year earlier, an increase of 58 percent. Most of that increase occurred in the Enterprise's holdings of swaps. The notional amount of those derivatives increased from \$220 billion at the end of 2002 to \$538 billion one year later. Fannie Mae acquired receive-fixed swaps to rebalance as interest rates fell in the spring, and then acquired pay-fixed swaps to rebalance when interest rates rose. In addition to expanding its swap contracts, Fannie Mae also increased its swaption contracts, by \$30 billion or 11 percent to \$305 billion. That was in sharp contrast to the \$131 billion of such contracts the Enterprise added in 2002. Among other things, Fannie Mae uses swaptions as a substitute for callable debt. Fannie Mae also increased its use of forward-starting swap contracts, from \$8.2 billion at the end of 2002 to \$30.5 billion at the end of 2003. Those swaps are typically used to simulate fixed-rate debt beginning at a date later than what is available through cash issuance.

Fannie Mae provides monthly disclosures of its interest rate risk using two measures: effective duration gap and net interest income (NII) at risk. The duration gap measures the difference between the durations of portfolio assets and liabilities. For the year, that measure ranged from negative 5 months in February to plus 6 months in July—a much lower degree of fluctuation than in 2002 even though market interest rates were volatile in both years. In previous years, the Enterprise's duration gap was calculated as of the end of the month. Fannie Mae changed that method in early 2003 to a weighted average monthly basis. That change accounts for part of the stability of the duration measure in 2003.

The NII at risk measure assesses the impact of interest rate changes on net interest income for both a 1-year and 4-year horizon. During the year, 4-year NII sensitivity to a 50 basis point parallel shift in interest rates ranged from a low of 1.3 percent in February and September to a high of 8.7 percent in July. Results for July reflected the sharp increase in market yields. During the year, Fannie Mae relied on what proved to be effective rebalancing actions, which included redeeming callable debt, increasing mortgage purchases, reducing fixed-rate debt issuances, and altering the mix of swaps and swaptions. Fannie Mae also measures the sensitivity of its net asset value to changes in interest rates. As of the end of 2003, a 100 basis point instantaneous increase in interest rates was estimated to reduce the net asset value by 1 percent. A 50 basis point decrease in interest rates was estimated to result in a 5 percent decline in net asset value. The comparable values for year-end 2002 were 3 percent and 15 percent,

## Mortgage Markets and the Enterprises in 2003

respectively. The estimated sensitivities at the end of 2003 indicate that the Enterprise's exposure to interest rate changes was lower relative to one year earlier.

Whereas Fannie Mae significantly increased its use of derivatives, Freddie Mac continued to decrease the notional amount outstanding of its derivatives contracts in 2003. For the year, Freddie Mac reduced its notional balance by a modest 3 percent to \$826 billion.<sup>6</sup> Most of the decrease occurred in futures and receive-fixed swap contracts. Those decreases were partially offset by increases in the notional amount outstanding of pay-fixed swaps and receive-fixed swaptions.

Freddie Mac measures its interest rate risk exposure daily and discloses estimates of that risk monthly. Two measures are used: Portfolio Market Value Sensitivity (PMVS) and duration gap. PMVS measures the estimated percentage decline in the market value of Freddie Mac's equity resulting from a given adverse instantaneous change in interest rates of 25 and 50 basis points. During 2003, portfolio sensitivity to a 50 basis point interest rate shock ranged from a low of 2 percent to a high of 5 percent, and averaged 3 percent for the year. Freddie Mac's average duration gap ranged between plus and minus one month throughout 2003 and averaged zero months for the year. Those results were consistent with the Enterprise's historical interest rate risk metrics.

The use of derivatives contracts poses the risk that a party to a contract might default on its obligations under the contract. To minimize their exposure to credit risk arising from the use of over-the-counter (OTC) derivatives, Fannie Mae and Freddie Mac engage in transactions with a group of highly rated firms (primarily financial services firms). In addition, master netting and collateral agreements are used. The Enterprises' exposure to OTC derivative counterparties varies from period to period, depending on changes in interest rates, foreign currency rates, and the amount of derivatives held. As of December 31, 2003, Fannie Mae had 23 active counterparties. All of its derivative contracts were with counterparties rated A or better by Standard and Poor's (S&P) and Moody's Investors Service (Moody's). At the end of the year, the Enterprise's total derivatives exposure was \$7.1 billion. Against that exposure, it held collateral valued at \$6.6 billion, resulting in a net exposure of \$514 million—7 percent of the Enterprise's after-tax core net income for 2003. Values for the year-earlier period were \$3.3 billion, \$3.1 billion, \$197 million, and 3 percent, respectively. At the end of 2003, over 78 percent of the Enterprise's net exposure was with counterparties rated AA or better.

At the end of 2003, Freddie Mac had 27 active counterparties. All of its OTC derivative contracts were with counterparties rated A- or better by S&P and Moody's. At the end of the year, the Enterprise's total derivatives exposure was \$17.4 billion. More than 95 percent of that exposure was collateralized, leaving a net uncollateralized exposure of \$796 million—16.5 percent of the Enterprise's after-tax net income for 2003. Values for the year-earlier period were \$10.1 billion, 90 percent, \$1,044 million, and 10.3 percent, respectively. At the end of 2003, 40 percent of the Enterprise's net exposure was with counterparties rated AA or better.

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<sup>6</sup> That value excludes credit derivatives; commitments to purchase mortgage loans, etc., pursuant to SFAS 133; and a management prepayment agreement (see Appendix Table 16).

### Enterprise Book Capital Improves; Market Capitalization Is Mixed

Fannie Mae and Freddie Mac each increased its book capital in 2003. GAAP shareholders' equity for Fannie Mae increased by \$6.1 billion, to \$22.4 billion, due primarily to higher retained earnings (\$6.1 billion) as stock transactions were largely offsetting. In recent years, accumulated other comprehensive income (AOCI), a component of shareholders' equity under GAAP, caused considerable volatility in Fannie Mae's shareholders' equity under GAAP. That was not the case in 2003 as the Enterprise's AOCI decreased by \$240 million, to negative \$12.0 billion, compared to a change of negative \$4.7 billion in 2002. Freddie Mac's GAAP shareholders' equity increased less than 1 percent or \$.2 billion, to \$31.5 billion, as a \$3.9 billion increase in retained earnings was mostly offset by the \$3.8 billion decrease in AOCI. AOCI decreased from income of \$2.3 billion at the end of 2002 to a net \$1.5 billion loss at the end of 2003. That change resulted from a reduction by one-half (\$5.9 billion) of accumulated gains on available-for-sale securities only partly offset by lower (\$2 billion) accumulated mark-to-market losses on derivatives accounted for as cash-flow hedges.

The Enterprises increased their combined core capital (the sum of the par value of outstanding common stock, the par value of outstanding non-cumulative preferred stock, paid-in capital, and retained earnings) by \$10.3 billion to \$67.4 billion. OFHEO uses core capital to measure the Enterprises' capital positions because, unlike shareholders' equity, core capital excludes AOCI. AOCI comprises unrealized gains (losses) on derivatives used as cash flow hedges and certain investment securities, but does not include changes in the value of the assets and liabilities whose values are designed to generally offset those changes. Such gains or losses can be quite large and may vary significantly from period to period. Because AOCI includes changes in the value of some instruments, but not others, core capital provides a better picture of the Enterprises' capital resources than does shareholders' equity. Excluding AOCI from core capital is required by statute and more accurately assesses an Enterprise's capacity to absorb potential future losses.

Fannie Mae's reported core capital increased from \$28.1 billion at the end of 2002 to \$34.4 billion at the end of 2003, an increase of 23 percent. Freddie Mac's core capital increased 13.8 percent in the year to \$33.0 billion. Fannie Mae's ratio of core capital to total assets improved to 3.41 at year-end 2003, up from 3.16 percent the year before. Freddie Mac's ratio of core capital to total assets was 4.11 percent at the end of the year, up from 3.85 percent at the end of the previous year. The ratios of core capital to total assets plus outstanding MBS rose from 1.93 to 2.10 percent at Freddie Mac, and rose slightly at Fannie Mae, from 1.46 to 1.49 percent.

The fair value balance sheets of Fannie Mae and Freddie Mac provide complementary information on their performance in 2003. Both Enterprises reported a significant increase in fair value net worth in 2003. Fannie Mae's fair value balance sheet recorded a hefty \$9.5 billion or 43 percent increase in after-tax fair value net worth, to \$31.6 billion. When adjusted for net capital distributions to shareholders, Fannie Mae's fair value gains were more than \$11 billion. Freddie Mac reported an increase in after-tax fair value net worth of \$4.4 billion to \$27.3 billion in 2003. When adjusted for capital transactions, fair value gains were \$5.3 billion. Changes in fair value net worth are driven by a number of factors, including debt-to-mortgage option-adjusted spreads, the value of future guarantee fees on the sold portfolio, changes in business volume and mix, and expected future interest rate volatility (See Box B).

**Box B**  
**Enterprise Fair Value Balance Sheets**

In December 1991, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 107, “Disclosures about Fair Value of Financial Instruments” (SFAS 107). SFAS 107 extended existing fair value disclosure practices for some instruments by requiring that all entities disclose the fair value of financial instruments—assets and liabilities, both recognized and not recognized in the statement of financial position—for which it is practicable to establish that value. Entities have the option of showing those values either in the body of the financial statements or in the accompanying notes. Entities must disclose the methods and significant assumptions used to estimate the fair value of financial instruments.

Fannie Mae and Freddie Mac satisfy the requirements of SFAS 107 by including a fair value balance sheet as a note to their annual audited financial statements and audited financial statements filed on Securities and Exchange Commission (SEC) form 10-K.<sup>7</sup> Those balance sheets are prepared on the fair value basis of accounting. The fair value balance sheets are audited, and include estimates of the fair value not only of all Enterprise on-balance sheet assets and liabilities, but also of the future net income stream from the fees earned and loss payments from guaranteeing the credit quality of mortgage-backed securities (guarantee fees).

The fair value balance sheet offers certain advantages over the current mixed-attribute measurement model required by standard GAAP balance sheets. For instance, GAAP provides different treatment to economically similar instruments such as callable debt and option-based derivatives. Those differences introduce volatility into the standard balance sheet shareholders’ equity. The fair value balance sheet, on the other hand, takes a consistent approach to the presentation of all financial assets and liabilities. It thus eliminates, among other things, volatility stemming from including unrealized changes in the value of contracts used to protect against interest-rate swings and not including unrealized changes in the value of most assets and liabilities.

Fannie Mae and Freddie Mac use a number of measures to convey information about their financial performance. Currently, Fannie Mae provides three measures of its financial results: quarterly and annual GAAP earnings, core business earnings (reconciled to GAAP earnings),<sup>8</sup> and a year-end fair value balance sheet. Freddie Mac’s principal financial measures are quarterly and annual GAAP earnings and a year-end fair value balance sheet. The fair value balance sheet provides an estimate of the residual value of an Enterprise at a point in time; the difference between the estimated fair value of assets and liabilities represents the estimated fair value of an Enterprise’s net worth on a mark-to-market basis.<sup>9</sup> That measure can be viewed as an alternative to an Enterprise’s GAAP-based shareholders’ equity. Changes in fair value net worth during a

<sup>7</sup> Currently only Fannie Mae files with the SEC.

<sup>8</sup> The only difference between reported GAAP earnings and core business earnings is the treatment of purchased option expense. Core business earnings exclude temporal changes in the time value of purchased options that will later be reversed and instead include amortization of purchase options premium expense on the straight-line basis over the expected life of the option.

<sup>9</sup> Amounts ultimately realized by an Enterprise from the disposition of assets and settlement of liabilities may vary significantly from the estimated fair value net worth.

period, adjusted for capital transactions such as dividends paid and stocks sold or redeemed during the period, might be used as an alternative gauge of Enterprise period earnings or economic value added.

The fair value balance sheet has its shortcomings, too. First, it provides a point-in-time estimate of value that is subject to fluctuation in different environments. Second, the accounting profession has not promulgated detailed guidelines for developing fair value financial statements. Therefore, assumptions and methods used by the Enterprises to develop their fair value estimates are subject to considerable management judgment. The use of different methodologies and pricing models can produce materially different estimates of fair value. Third, factors giving rise to period-to-period changes in fair value net worth are generally not transparent and thus can be difficult to quantify and interpret. For example, narrower spreads between asset and debt yields can significantly increase fair value net worth, but they may not reflect any change in expected future cash flows from existing positions and may be indicative of poorer future investment opportunities. Also, changes in market interest rates affect the speed of mortgage prepayments, with significant effects on the value of expected guarantee fee receipts from existing guarantees, but may have relatively little effect on expected future profits from guarantees if the volume of expected replacement business is considered. Those and other factors can hamper meaningful comparative analyses of Enterprise results.

Despite those and other shortcomings, OFHEO believes that the Enterprises' fair value balance sheets are valuable analytical tools that can convey meaningful information about Enterprise financial performance and risks. The Enterprises' GAAP, core business, and fair value measures represent different ways of evaluating economic results that, over time, will provide equivalent information. Changes in the fair value net worth measure provide an alternative perspective on Enterprise financial performance that avoids partial mark-to-market issues associated with GAAP reported earnings. However, that measure should not be used in isolation. Rather, it should be observed over time, along with standard GAAP earnings statements and other Enterprise financial results and risk measures, to further the understanding of Enterprise financial performance and risks.

Changes in the market capitalization of Fannie Mae and Freddie Mac were mixed. After declining for two consecutive years, Fannie Mae's market capitalization was up 14.5 percent at year-end 2003 to \$72.8 billion, with improvements noted in each quarter. On the other hand, Freddie Mac's market capitalization declined for the third consecutive year, albeit only modestly, by 1.1 percent, to \$40.2 billion at year-end 2003. The Enterprise experienced a significant deterioration in market capitalization during the first half of the year. That deterioration reflected concerns about the causes and implications of various events surrounding the Enterprise's restatement activities and management changes.

### **Enterprises Meet Capital Requirements Throughout the Year**

Beginning with the third quarter of 2002, OFHEO's risk-based capital standard became enforceable for Fannie Mae and Freddie Mac. The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 requires OFHEO to determine the capital level and classification of the Enterprises not less than quarterly. OFHEO classifies the Enterprises as adequately capitalized, undercapitalized, significantly

## Mortgage Markets and the Enterprises in 2003

undercapitalized, or critically undercapitalized. Each Enterprise is required by Federal statute to comply with a minimum and a risk-based capital requirement 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.

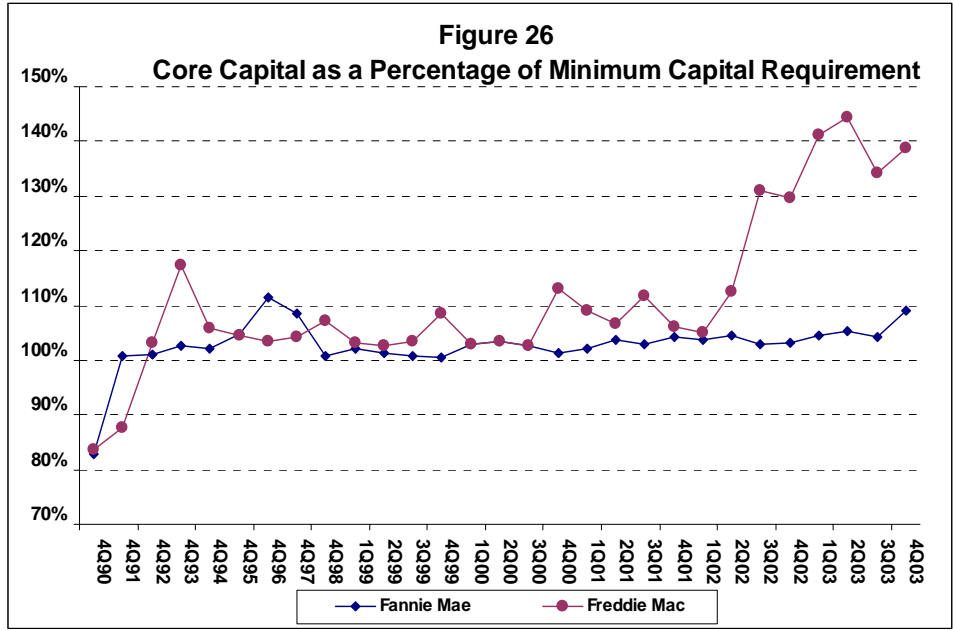
Each Enterprise's risk-based capital requirement is the amount of total capital—core capital plus a general allowance for loan losses less specific reserves—that the Enterprise must hold to absorb projected losses resulting from adverse interest rate and credit risk conditions specified by statute, plus 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.

Fannie Mae's minimum capital requirement was \$31.5 billion, and Freddie Mac's was \$23.8 billion, at year-end 2003.<sup>10</sup> The Enterprises combined were required to hold about \$5.8 billion more in core capital at year-end 2003 than the year before, largely due to growth in their assets. Fannie Mae's core capital surplus, relative to the Enterprise's minimum requirement, was \$2.9 billion at the end of 2003, or 9.2 percent of its required minimum capital (Figure 26). Freddie Mac's capital surplus was \$9.2 billion at the end of 2003, or 38.7 percent of its required minimum capital.

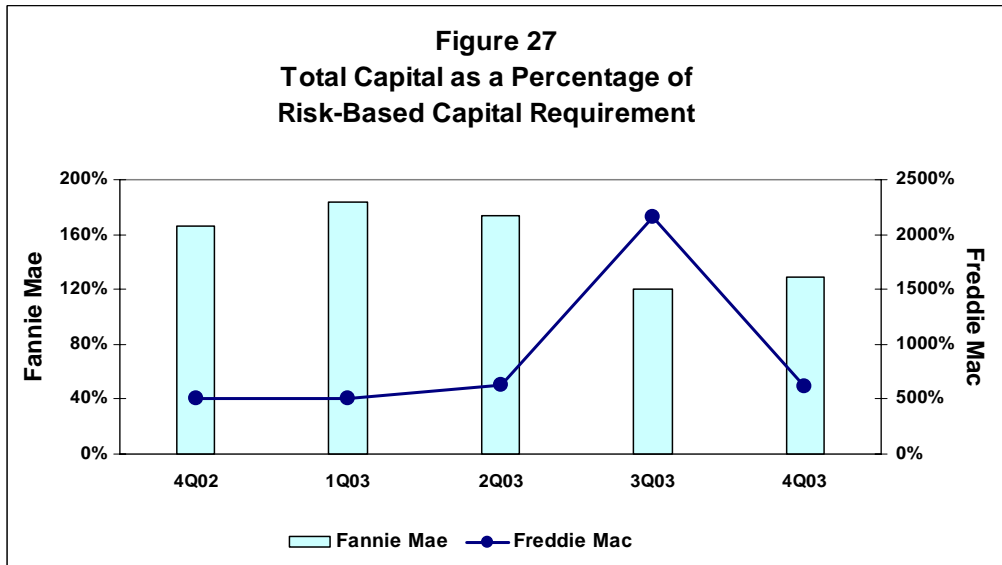
As of December 31, 2003, Fannie Mae's risk-based capital requirement was \$27.2 billion, compared to \$17.4 billion one year earlier. The Enterprise's capital totaled \$35.2 billion at the end of 2003, exceeding the risk-based capital requirement by \$8.0 billion, or 29.2 percent. The comparable values for the fourth quarter of 2002 were \$28.9 billion, \$11.4 billion, and 66 percent, respectively (Figure 27). The Enterprise was sensitive to changes in the level of interest rates in 2003. Fannie Mae was bound by the up-rate stress test in the first two quarters of 2003, and the down-rate stress test in the second half of the year.

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<sup>10</sup> OFHEO has released a report on the initial findings of a special examination of Fannie Mae's accounting policies, internal controls, and financial reporting processes. That report found pervasive misapplications of Generally Accepted Accounting Principles (GAAP), which may result in a restatement of the Enterprise's financial results and OFHEO's capital calculations for the Enterprise for 2003 and prior years.



Source: OFHEO



Source: OFHEO

Freddie Mac’s risk-based capital requirement was \$5.4 billion as of December 31, 2003. Unlike Fannie Mae’s, Freddie Mac’s requirements in the up- and down-rate scenarios were the same or very close throughout the year. The Enterprise had total capital of \$33.4 billion and a capital surplus of \$28.0 billion at year’s end, more than 5 times its risk-based requirement. The comparable values for the fourth quarter of 2002 were \$24.2 billion, \$19.5 billion, and 4 times, respectively. The Enterprise’s surplus increased by \$8.5 billion from the end of 2002 to the end of 2003. Slower portfolio and balance sheet growth helped to shore up the Freddie Mac’s capital surplus. On the bases of the fourth quarter minimum and risk-based capital results, Fannie Mae and Freddie Mac were both determined to be adequately capitalized as of the end of 2003.

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**Table 1. Fannie Mae Mortgage Purchases**

Period	Business Activity (\$ in Millions)			
	Purchases			Mortgage-Related Securities <sup>2</sup>
	Single-Family (\$)	Multifamily (\$)	Total Mortgages <sup>1</sup> (\$)	
4Q03	214,878	13,236	228,114	31,571
3Q03	392,351	8,800	401,151	200,266
2Q03	391,910	4,662	396,572	82,013
1Q03	322,887	4,180	327,067	94,775
Annual Data				
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 Applicable Before 1990
1988	64,613	4,170	68,783	
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> Cash purchases plus securitizations; excludes non-Fannie Mae mortgage-related securities and repurchased Fannie Mae MBS.

<sup>2</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**

Period	Purchases (\$ in Millions) <sup>1</sup>												
	Single-Family Mortgages								Multifamily Mortgages				Total Mortgage Purchases (\$)
	Conventional				FHA/VA				Total Single-Family Mortgages (\$)	Conventional (\$)	FHA/RHS (\$)	Total Multifamily Mortgages (\$)	
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Total (\$)	Total (\$)					
4Q03	185,583	28,091	9	213,683	365	830	1,195	214,878	5,664	7,572	13,236	228,114	
3Q03	356,493	34,707	18	391,218	385	748	1,133	392,351	5,031	3,769	8,800	401,151	
2Q03	353,623	36,977	50	390,650	329	931	1,260	391,910	3,822	840	4,662	396,572	
1Q03	295,132	26,985	16	322,133	219	535	754	322,887	4,131	49	4,180	327,067	
<b>Annual Data</b>													
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	0	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	128	12	140	26,479	
1982	19,311	3,210	1,552	24,073	1,856	0	1,856	25,929	0	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	2,284	0	2,284	4,650	0	134	134	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> Cash purchases plus securitizations; excludes non-Fannie Mae mortgage-related securities and repurchased Fannie Mae MBS.

**Table 1b. Fannie Mae Purchases of Mortgage-Related Securities**

Period	Purchases (\$ in millions) <sup>1</sup>								
	Enterprise Securities (\$)	Others' Securities						Mortgage Revenue Bonds (\$)	Total Mortgage-Related Securities (\$)
		Freddie Mac (\$)	Ginnie Mae (\$)	Private-Label			Total Private-Label (\$)		
				Home Equity <sup>2</sup> (\$)	Manufactured Housing (\$)	Other (\$)			
4Q03	13,224	3,306	0	10,458	0	2,149	12,607	2,434	31,571
3Q03	176,066	11,836	0	8,162	0	2,331	10,493	1,871	200,266
2Q03	70,483	4,132	0	3,882	0	2,243	6,125	1,273	82,013
1Q03	88,640	681	36	3,267	0	1,484	4,751	667	94,775
Annual Data									
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 2001	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> Not included in total mortgage purchases. Includes purchases of Fannie Mae MBS for the retained mortgage portfolio.

<sup>2</sup> Purchases incorporate securities specifically identified as home equity or seconds. Other security purchases may include some underlying loans which are home equity or seconds.

**Table 2. Fannie Mae MBS Issuances**

Period	Business Activity (\$ in Millions)			
	MBS Issuances			
	Single-Family MBS (\$)	Multifamily MBS (\$)	Total MBS (\$)	Multiclass MBS <sup>1</sup> (\$)
4Q03	197,527	10,932	208,459	80,340
3Q03	350,326	6,408	356,734	80,001
2Q03	352,683	3,104	355,787	66,412
1Q03	296,025	2,574	298,599	34,166
Annual Data				
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	
	Not Available Before 1981		Not Available Before 1981	

Source: Fannie Mae

<sup>1</sup> The majority qualify as Real Estate Mortgage Investment Conduits (REMICs) and are also known as structured securitizations.

**Table 3. Fannie Mae Earnings**

Period	Earnings (\$ in Millions)							
	Net Interest Income <sup>1</sup> (\$)	Guarantee Fee Income (\$)	Average Guarantee Fee (basis points)	Administrative Expenses (\$)	Credit-related Expenses <sup>2</sup> (\$)	Net Income (\$)	Core Net Income <sup>3</sup> (\$)	Return on Equity <sup>4</sup> (\$)
4Q03	3,211	619	19.5	418	40	2,196	1,770	51.9
3Q03	3,489	613	20.0	347	29	2,666	1,826	63.8
2Q03	3,501	632	21.2	354	23	1,102	1,860	31.3
1Q03	3,368	547	20.3	344	20	1,941	1,850	53.6
Annual Data								
2003	13,569	2,411	20.2	1,463	112	7,905	7,306	49.9
2002	10,566	1,816	19.1	1,219	92	4,619	6,394	30.1
2001	8,090	1,482	19.0	1,017	78	5,894	5,367	39.8
2000	5,674	1,351	19.5	905	94	4,448	4,448	25.6
1999	4,894	1,282	19.3	800	127	3,912	3,912	25.2
1998	4,110	1,229	20.2	708	261	3,418	3,418	25.2
1997	3,949	1,274	22.7	636	375	3,056	3,056	24.6
1996	3,592	1,196	22.4	560	409	2,725	2,725	24.1
1995	3,047	1,086	22.0	546	335	2,144	2,144	20.9
1994	2,823	1,083	22.5	525	378	2,132	2,132	24.3
1993	2,533	961	21.3	443	305	1,873	1,873	25.3
1992	2,058	834	21.2	381	320	1,623	1,623	26.5
1991	1,778	675	21.0	319	370	1,363	1,363	27.7
1990	1,593	536	21.1	286	310	1,173	1,173	33.7
1989	1,191	408	21.3	254	310	807	807	31.1
1988	837	328	21.6	218	365	507	507	25.2
1987	890	263	22.1	197	360	376	376	24
1986	384	175	23.8	175	306	105	105	10
1985	139	112	25.6	142	206	(7)	(7)	(1)
1984	(90)	78	26.2	112	86	(71)	(71)	(7)
1983	(9)	54	26.3	81	48	49	49	5
1982	(464)	16	27.2	60	36	(192)	(192)	(19)
1981	(429)	0	25.0	49	(28)	(206)	(206)	(17)
1980	21	Not Available	Not Available	44	19	14	14	0.9
1979	322	Before 1981	Before 1981	46	35	162	162	11.3
1978	294			39	36	209	209	16.5
1977	251			32	28	165	165	15.3
1976	203			30	25	127	127	13.8
1975	174			27	16	115	115	14.1
1974	142			23	17	107	107	14.7
1973	180			18	12	126	126	20.3
1972	138			13	5	96	96	18.8
1971	49			15	4	61	61	14.4

Source: Fannie Mae

<sup>1</sup> Interest income net of interest expense.

<sup>2</sup> Credit-related expenses include foreclosed property expenses (income) and the provision for losses

<sup>3</sup> Core net income (referred to as "core business earnings" in the Form 10-K) is presented on a net of tax basis and excludes changes in the time value of purchased options recorded under Statement of Financial Accounting Standards (SFAS) 133 and includes purchased option premiums amortized over the original estimated life of the option and any acceleration of expense related to options extinguished prior to exercise.

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

**Table 3a. Fannie Mae Earnings - Reconciliation of Net Income to Core Net Income**

Period	Earnings (\$ in Millions)							Return on Adjusted Common Equity <sup>1</sup>
	Net Income (\$)	Remove Purchased Option Income/expense (\$)	Purchased Option Amortization Expense (\$)	Cumulative Gain on Adoption of FAS 133 (\$)	Tax Effects of Preceding Adjustments (\$)	Core Net Income (\$)		
4Q03	2,196	133	(789)	0	230	1,770	23.4	
3Q03	2,666	(473)	(820)	0	453	1,826	25.4	
2Q03	1,102	1,883	(716)	0	(409)	1,860	27.7	
1Q03	1,941	625	(764)	0	49	1,850	28.0	
Annual Data								
2003	7,905	2,168	(3,090)	0	323	7,306	26.0	
2002	4,619	4,545	(1,814)	0	(956)	6,394	26.0	
2001	5,894	37	(590)	(258)	284	5,367	25.4	
2000	4,448	Not Applicable	Not Applicable	Not Applicable	Not Applicable	4,448	25.2	
1999	3,912	Before 2001	Before 2001	Before 2001	Before 2001	3,912	25.0	
1998	3,418					3,418	25.2	
1997	3,056					3,056	24.6	
1996	2,725					2,725	24.1	
1995	2,144					2,144	20.9	
1994	2,132					2,132	24.3	
1993	1,873					1,873	25.3	
1992	1,623					1,623	26.5	
1991	1,363					1,363	27.7	
1990	1,173					1,173	33.7	
1989	807					807	31.1	
1988	507					507	25.2	
1987	376					376	23.5	
1986	105					105	9.5	
1985	(7)					(7)	(0.7)	
1984	(71)					(71)	(7.4)	
1983	49					49	5.1	
1982	(192)					(192)	(18.9)	
1981	(206)					(206)	(17.2)	
1980	14					14	0.9	
1979	162					162	11.3	
1978	209					209	16.5	
1977	165					165	15.3	
1976	127					127	13.8	
1975	115					115	14.1	
1974	107					107	14.7	
1973	126					126	20.3	
1972	96					96	18.8	
1971	61					61	14.4	

Source: Fannie Mae

<sup>1</sup> Calculated as annualized core net income available to common stockholders divided by average realized common stockholders' equity (common stockholders' equity excluding accumulated other comprehensive income). Beginning in 1999, annualized core net income available to common stockholders has been reduced by issuance costs on preferred stock redemptions in accordance with EITF Topic D42.

**Table 4. Fannie Mae Balance Sheet**

End of Period	Balance Sheet (\$ in Millions)							Mortgage-Backed Securities Outstanding (\$ in Millions)	
	Total Assets <sup>1</sup> (\$)	Total Retained Mortgage Portfolio <sup>2</sup> (\$)	Non-Mortgage Investments <sup>3</sup> (\$)	Debt Outstanding (\$)	Shareholders' Equity <sup>4</sup> (\$)	Core Capital <sup>5</sup> (\$)	Fair Value of Net Assets <sup>6</sup> (\$)	Total MBS Outstanding <sup>7</sup> (\$)	Multiclass MBS Outstanding <sup>8</sup> (\$)
4Q03	1,009,569	901,880	59,493	961,732	22,373	34,405	31,582	1,300,166	405,772
3Q03	1,019,171	921,258	51,319	975,734	17,524	32,752	N/A	1,211,079	426,128
2Q03	923,795	822,806	53,908	884,081	17,364	30,675	N/A	1,237,461	428,286
1Q03	913,264	825,114	46,195	873,920	17,904	29,517	N/A	1,107,520	418,194
<b>Annual Data</b>									
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 Issued
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> Beginning in 1998, the guaranty liability for MBS held in the portfolio is classified as a liability

<sup>2</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>3</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>4</sup> GAAP basis.

<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> The valuation of financial instruments is in accordance with GAAP fair value guidelines prescribed by SFAS 107.

<sup>7</sup> Total Fannie Mae MBS outstanding net of Fannie Mae MBS in the retained mortgage portfolio.

<sup>8</sup> The majority qualify as REMICs and are also known as structured securitizations.



**Table 4a. Fannie Mae Total MBS Outstanding Detail**

End of Period	Single-Family Mortgages (\$ in Millions)							Multifamily Mortgages (\$ in Millions)			Total MBS Outstanding <sup>1</sup> (\$)
	Conventional				FHA/VA			Conventional (\$)	FHA/RHS (\$)	Total Multifamily (\$)	
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Total (\$)				
4Q03	1,074,917	154,019	109	1,229,045	3,499	1,319	4,818	65,938	365	66,303	1,300,166
3Q03	1,006,492	141,244	197	1,147,933	3,811	1,383	5,194	57,565	386	57,951	1,211,078
2Q03	1,049,017	128,730	246	1,177,993	4,333	1,462	5,795	53,255	418	53,673	1,237,461
1Q03	941,100	107,888	270	1,049,258	4,692	1,296	5,988	51,850	425	52,275	1,107,521
<b>Annual Data</b>											
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> Total Fannie Mae MBS outstanding net of Fannie Mae MBS in the retained mortgage portfolio.

**Table 5. Fannie Mae Retained Mortgage Portfolio Detail**

End of Period	(\$ in Millions)				
	Whole Loans <sup>1, 2</sup> (\$)	Fannie Mae Securities <sup>1</sup> (\$)	Other Mortgage-Related Securities <sup>1</sup> (\$)	Unamortized Premiums, Discounts, Deferred Adjustments, and Unrealized Gains/Losses on Available-for-sale Securities <sup>3</sup> (\$)	Total Retained Mortgage Portfolio (\$)
4Q03	234,699	556,880	106,859	3,442	901,880
3Q03	227,658	590,450	99,015	4,135	921,258
2Q03	213,593	512,435	88,886	7,892	822,806
1Q03	197,339	529,954	90,378	7,443	825,114
Annual Data					
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)	286,527
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

<sup>1</sup> Unpaid principal balance.

<sup>2</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 nonmortgage investments and excludes loans held for securitization or sale.

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

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

End of Period	Whole Loans (\$ in Millions) <sup>1,2</sup>									
	Single-Family					Multifamily				Total Whole Loans (\$)
	Conventional				Total FHA/VA	Conventional	FHA/RHS	Total		
	Fixed-Rate <sup>2</sup>	Adjustable-Rate	Seconds	Total						
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)			
4Q03	194,654	13,185	231	208,070	7,063	18,475	1,091	19,566	234,699	
3Q03	190,790	12,415	268	203,473	6,504	16,537	1,144	17,681	227,658	
2Q03	180,581	10,600	300	191,481	6,045	14,855	1,212	16,067	213,593	
1Q03	167,034	9,395	453	176,882	5,653	13,531	1,273	14,804	197,339	
<b>Annual Data</b>										
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> Unpaid principal balance.

<sup>2</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 nonmortgage investments and excludes loans held for securitization or sale.

**Table 5a. Fannie Mae Retained Mortgage Portfolio Detail - Part 2a, Mortgage-Related Securities**

End of Period	Mortgage-Related Securities (\$ in Millions) <sup>1</sup>								
	Total Enterprise Securities (\$)	Others' Securities						Total Private Label (\$)	Total Others' Securities (\$)
		Freddie Mac (\$)	Ginnie Mae (\$)	Private-Label					
				Home Equity <sup>2</sup> (\$)	Manufactured Housing (\$)	Other (\$)			
4Q03	556,880	31,152	6,974	29,640	7,604	10,978	48,222	86,348	
3Q03	590,450	30,979	8,434	21,448	8,497	9,965	39,910	79,323	
2Q03	512,435	25,683	10,746	15,032	8,872	9,368	33,272	69,701	
1Q03	529,954	27,683	13,164	12,445	9,225	8,686	30,356	71,203	
Annual Data									
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	8,638	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								
1982	Before 1984								

Source: Fannie Mae

<sup>1</sup> Unpaid principal balance.

<sup>2</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**

End of Period	Mortgage-Related Securities (\$ in Millions)		Unamortized Premiums, Discounts, Deferred Adjustments, and Unrealized Gains/Losses on Available-for-Sale Securities <sup>2</sup>	Total Retained Mortgage Portfolio
	Mortgage Revenue Bonds <sup>1</sup>	Total Mortgage-Related Securities		
	(\$)	(\$)	(\$)	(\$)
4Q03	20,510	663,739	3,442	901,880
3Q03	19,692	689,465	4,135	921,258
2Q03	19,185	601,321	7,892	822,806
1Q03	19,171	620,332	7,443	825,114
<b>Annual Data</b>				
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

<sup>1</sup> Unpaid principal balance.

<sup>2</sup> Beginning in 2002, include unrealized gains/losses on available-for-sale securities.

**Table 6. Fannie Mae Financial Derivatives**

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 <sup>1</sup> (\$)	Other (\$)	Total (\$)
4Q03	569,884	130,350	4,712	335,650	38,492	0	1,079,088
3Q03	555,132	138,100	5,968	372,850	81,118	0	1,153,168
2Q03	386,573	138,228	7,226	279,366	0	0	811,393
1Q03	288,472	106,393	3,984	278,509	0	0	677,358
<b>Annual Data</b>							
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 Applicable	0	656,595
2001	299,953	75,893	8,493	148,800	Before 2003	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> Effective with the adoption of SFAS 149, mandatory mortgage purchase and sell commitments entered into subsequent to June 30, 2003 are accounted for as derivatives.

**Table 7. Fannie Mae Non-Mortgage Investments**

End of Period	Non-Mortgage Investments (\$ in Millions) <sup>1</sup>					
	Federal Funds and Eurodollars (\$)	Asset Backed Securities (\$)	Repurchase Agreements <sup>2</sup> (\$)	Commercial Paper and Corporate Debt (\$)	Other (\$)	Total (\$)
4Q03	12,575	26,900	111	16,743	3,164	59,493
3Q03	3,286	26,948	4,189	14,971	1,925	51,319
2Q03	5,100	27,576	5,278	14,624	1,330	53,908
1Q03	1,150	24,939	168	18,407	1,531	46,195
Annual Data						
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

<sup>1</sup> Prior to 1982, the majority of non-mortgage investments were comprised of U.S. government securities and agency securities.

<sup>2</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**

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>1</sup> (%)	Total Effective Long-Term Debt / Total Debt <sup>2</sup> (%)
4Q03	89.3	5.9	73.9	72.6
3Q03	90.4	5.0	74.7	71.1
2Q03	89.1	5.8	82.8	65.6
1Q03	90.3	5.1	50.8	79.4
Annual Data				
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

<sup>1</sup> In 1999 through 2003, pay-fixed swaptions are included in callable debt. Previous periods have not been restated.

<sup>2</sup> Total effective long-term debt represents debt with an effective repricing date greater than one year.



**Table 9. Fannie Mae Mortgage Asset Quality**

End of Period	Mortgage Asset Quality				
	Single-Family Delinquency Rate <sup>1</sup> (%)	Multifamily Delinquency Rate <sup>2</sup> (%)	Credit Losses /Total MBS Outstanding plus Retained Mortgage Portfolio <sup>3</sup> (%)	REO /Total MBS Outstanding plus Retained Mortgage Portfolio <sup>4</sup> (%)	Credit-Enhanced Outstanding / Total MBS Outstanding plus Retained Mortgage Portfolio <sup>5</sup> (%)
4Q03	0.60	0.27	0.01	0.07	24.3
3Q03	0.58	0.12	0.01	0.06	24.5
2Q03	0.56	0.13	0.00	0.06	25.7
1Q03	0.57	0.09	0.00	0.06	27.7
<b>Annual Data</b>					
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

<sup>1</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>2</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>3</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>4</sup> Real Estate Owned balances reflect end-of-period amounts. Beginning with 1995, data reflect adoption of SFAS 114.

<sup>5</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

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 (\$)	Minimum Capital Requirement <sup>1</sup> (\$)	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> (\$)	(%)				
4Q03	34,405	31,520	2,885	35,182	27,221	7,960	72,838	3.41	1.49	25.3	
3Q03	32,752	31,435	1,316	33,542	27,853	5,689	68,173	3.21	1.47	24.6	
2Q03	30,675	29,147	1,527	31,469	18,114	13,355	65,845	3.32	1.42	20.9	
1Q03	29,517	28,226	1,291	30,309	16,555	13,753	64,106	3.23	1.46	21.2	
Annual Data											
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				20,874	Not Applicable	Not Applicable	23.2	
1991	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

<sup>1</sup> Minimum Capital Requirement in accordance with the Federal Housing Enterprise Financial Safety and Soundness Act of 1992.

<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 core net income available to common stockholders.

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

Business Activity (\$ in Millions)				
Period	Purchases <sup>2</sup>			
	Single-Family (\$)	Multifamily (\$)	Total Mortgages <sup>3</sup> (\$)	Mortgage-Related Securities <sup>4</sup> (\$)
4Q03	N/A	N/A	N/A	N/A
3Q03	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A
Annual Data				
2003	705,940	15,292	721,232	380,621
2002	547,966	10,654	558,620	284,902
2001	393,155	9,510	402,665	239,435
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

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, 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> Cash purchases plus securitizations; excludes non-Freddie Mac mortgage-related securities and repurchased Freddie Mac MBS.

<sup>4</sup> Not included in total mortgages. Includes purchases of Freddie Mac MBS for the retained mortgage portfolio.

**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			Total Mortgage Purchases (\$)	
	Conventional				FHA/VA				Total Single-Family Mortgages (\$)	Conventional (\$)	FHA/ RHS (\$)		Total Multifamily Mortgages (\$)
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Seconds (\$)	Totals (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Total (\$)						
4Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data													
2003	N/A	52,559	N/A	N/A	N/A	N/A	N/A	N/A	705,940	15,292	0	15,292	721,232
2002	501,938	44,918	0	546,856	845	0	845	547,701	10,654	0	10,654	558,355	
2001	370,661	22,206	0	392,867	288	0	288	393,155	9,507	3	9,510	402,665	
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	Not Available Before 1985

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, 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> Cash purchases plus securitizations; excludes non-Freddie Mac mortgage-related securities and repurchased Freddie Mac MBS.

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

Purchases (\$ in Millions) <sup>2</sup>								
Period	Enterprise Securities (\$)	Others' Securities					Mortgage Revenue Bonds (\$)	Total Mortgage-Related Securities (\$)
		Fannie Mae (\$)	Ginnie Mae (\$)	Private-Label				
				Manufactured Housing (\$)	Other <sup>3</sup> (\$)	Total Private-Label (\$)		
4Q03	36,051	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3Q03	120,669	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2Q03	53,294	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1Q03	48,786	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data								
2003	258,800	N/A	N/A	N/A	N/A	N/A	N/A	380,621
2002	192,817	45,798	820	969	43,635	44,604	863	284,902
2001	157,339	64,508	1,444	0	15,437	15,437	707	239,435
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							Not Available
	Before 1994							Before 1994

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, 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.

**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 (\$)</b>	<b>Multifamily MBS (\$)</b>	<b>Total MBS<sup>3</sup> (\$)</b>	<b>Multiclass MBS<sup>4</sup> (\$)</b>	
4Q03	N/A	N/A	142,770	53,218	
3Q03	N/A	N/A	245,501	63,291	
2Q03	N/A	N/A	176,388	74,471	
1Q03	N/A	N/A	149,128	107,138	
<b>Annual Data</b>					
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

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, 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> Amounts include single-class MBS and multiclass MBS backed by private-label mortgage-related securities, but exclude securities issued by Freddie Mac that are backed by Ginnie Mae MBS.

<sup>4</sup> The majority qualify as Real Estate Mortgage Investment Conduits (REMICs) and are also known as structured securitizations.

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

Earnings (\$ in Millions)							
Period	Net Interest Income (\$)	Guarantee Fee Income (\$)	Average Guarantee Fee (basis points)	Administrative Expenses (\$)	Credit-related Expenses (\$)	Net Income (\$)	Return on Equity <sup>2</sup> (%)
4Q03	2,450	369	20.4	N/A	18	531	N/A
3Q03	2,442	235	13.8	N/A	28	(288)	N/A
2Q03	2,185	476	26.7	N/A	(26)	2,306	N/A
1Q03	2,421	558	30.8	N/A	(33)	2,267	N/A
Annual Data							
2003	9,498	1,638	23.0	1,877	(13)	4,816	17.2
2002	9,525	1,516	22.0	1,406	115	10,090	47.2
2001	7,448	1,392	23.6	1,024	39	3,158	20.2
2000	3,758	1,252	23.6	825	75	3,666	39.0
1999	2,926	1,019	19.8	655	159	2,223	25.5
1998	2,215	1,019	21.4	578	342	1,700	22.6
1997	1,847	1,082	22.9	495	529	1,395	23.1
1996	1,705	1,086	23.4	440	608	1,243	22.6
1995	1,396	1,087	23.8	395	541	1,091	22.1
1994	1,112	1,108	24.4	379	425	983	23.3
1993	772	1,009	23.8	361	524	786	22.3
1992	695	936	24.7	329	457	622	21.2
1991	683	792	23.7	287	419	555	23.6
1990	619	654	22.4	243	474	414	20.4
1989	517	572	23.4	217	278	437	25.0
1988	492	465	21.5	194	219	381	27.5
1987	319	472	24.2	150	175	301	28.2
1986	299	301	22.4	110	120	247	28.5
1985	312	188	22.1	81	79	208	30.0
1984	213	158	24.7	71	54	144	52.0
1983	125	132	26.2	53	46	86	44.5
1982	30	77	24.5	37	26	60	21.9
1981	34	36	19.5	30	16	31	13.1
1980	54	23	14.3	26	23	34	14.7
1979	55	18	13.2	19	20	36	16.2
1978	37	14	14.9	14	13	25	13.4
1977	31	9	18.9	12	8	21	12.4
1976	18	3	13.6	10	(1)	14	9.5
1975	31	3	24.8	10	11	16	11.6
1974	42	2	25.5	8	33	5	4.0
1973	31	2	32.4	7	15	12	9.9
1972	10	1	39.4	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

N/A = not available

<sup>1</sup> For periods 2000 to 2002, data are based on restated and revised financial results.

<sup>2</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	Debt Outstanding	Stockholders' Equity	Core Capital <sup>4</sup>	Fair Value of Net Assets <sup>5</sup>	Total MBS Outstanding <sup>6</sup>	Multiclass MBS Outstanding <sup>7</sup>	
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
4Q03	803,449	660,531	53,124	739,613	31,487	32,985	27,300	768,933	472,325	
3Q03	N/A	N/A	N/A	N/A	32,344	32,658	N/A	715,406	N/A	
2Q03	N/A	N/A	N/A	N/A	32,941	33,142	N/A	726,636	N/A	
1Q03	N/A	N/A	N/A	N/A	32,508	31,051	N/A	744,134	N/A	
Annual Data										
2003	803,449	660,531	53,124	739,613	31,487	32,985	27,300	768,933	472,325	
2002	752,249	589,899	91,871	665,696	31,330	28,990	22,900	749,337	531,929	
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	15,400	576,101	309,185	
1999	386,684	322,914	34,152	360,711	11,525	12,692	14,000	537,883	316,168	
1998	321,421	255,670	42,160	287,396	10,835	10,715	12,400	478,351	260,504	
1997	194,597	164,543	16,430	172,842	7,521	7,376	8,700	475,985	233,829	
1996	173,866	137,826	22,248	156,981	6,731	6,743	8,400	473,065	237,939	
1995	137,181	107,706	12,711	119,961	5,863	5,829	8,400	459,045	246,366	
1994	106,199	73,171	17,808	93,279	5,162	5,169	6,300	460,656	264,152	
1993	83,880	55,938	18,225	49,993	4,437	4,437	5,200	439,029	265,178	
1992	59,502	33,629	12,542	29,631	3,570	Not Applicable	5,000	407,514	218,747	
1991	46,860	26,667	9,956	30,262	2,566	Before 1993	Not Available	359,163	146,978	
1990	40,579	21,520	12,124	30,941	2,136		Before 1992	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	Not Available	15,375	953			169,186	5,333	
1985	16,587	13,547	Before 1987	12,747	779			99,909	5,047	
1984	13,778	10,018		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 periods 2001 and 2002, 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> Excludes "Reserve for losses on mortgage loans held for investment."

<sup>4</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>5</sup> The valuation of financial instruments is in accordance with GAAP fair value guidelines prescribed by SFAS 107.

<sup>6</sup> Total Freddie Mac MBS outstanding net of Freddie Mac MBS held in the retained mortgage portfolio.

<sup>7</sup> Total multiclass MBS outstanding net of repurchased multiclass MBS in the retained mortgage portfolio.



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

Period	Single-Family Mortgages (\$ in Millions) <sup>2</sup>					Multifamily Mortgages (\$ in Millions) <sup>2</sup>			Total MBS Outstanding <sup>4</sup> (\$)
	Conventional				Total FHA/VA <sup>3</sup> (\$)	Conventional (\$)	FHA/RHS (\$)	Multifamily Mortgages (\$)	
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)					
4Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	768,933
3Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	715,406
2Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	726,636
1Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	744,134
<b>Annual Data</b>									
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	768,933
2002	690,206	36,889	5	727,100	13,507	8,730	0	8,730	749,337
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

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, data are based on restated and revised financial results.

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

<sup>3</sup> All fixed-rate.

<sup>4</sup> Total Freddie Mac MBS outstanding net of Freddie Mac MBS held in the retained mortgage 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>2,3</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> (\$)
4Q03	60,270	393,135	192,061	15,065	660,531
3Q03	61,080	389,028	190,932	N/A	N/A
2Q03	65,249	333,066	187,145	N/A	N/A
1Q03	63,858	337,443	167,320	N/A	N/A
Annual Data					
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
1970					

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, 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.

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

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

End of Period	Whole Loans (\$ in Millions) <sup>2</sup>					
	Single-Family					
	Conventional					Total FHA/VA
	Fixed-Rate	Adjustable-Rate	Seconds	Total		
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
4Q03	N/A	N/A	N/A	N/A	N/A	N/A
3Q03	N/A	N/A	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data						
2003	N/A	N/A	N/A	N/A	N/A	N/A
2002	33,816	1,321	3	35,140	710	
2001	38,267	1,073	5	39,345	964	
2000	39,537	2,125	9	41,671	1,200	
1999	43,210	1,020	14	44,244	77	
1998	47,754	1,220	23	48,997	109	
1997	40,967	1,478	36	42,481	148	
1996	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
1995	Before 1997	Before 1997	Before 1997	Before 1997	Before 1997	Before 1997

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, data are based on restated and revised financial results.

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

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

End of Period	Whole Loans (\$ in Millions) <sup>2</sup>			
	Multifamily			Total Whole Loans
	Conventional	FHA/RHS	Total	
	(\$)	(\$)	(\$)	(\$)
4Q03	32,993	3	32,996	60,270
3Q03	N/A	N/A	N/A	61,080
2Q03	N/A	N/A	N/A	65,249
1Q03	N/A	N/A	N/A	63,858
Annual Data				
2003	32,993	3	32,996	60,270
2002	28,033	3	28,036	63,886
2001	22,480	3	22,483	62,792
2000	16,369	Not Available	16,369	59,240
1999	12,355	Before 2001	12,355	56,676
1998	7,978		7,978	57,084
1997	5,825		5,825	48,454
1996	4,746		4,746	46,504
1995	3,852		3,852	43,753
1994	Not Available		Not Available	Not Available
1993	Before 1995		Before 1995	Before 1995

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, data are based on restated and revised financial results.

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

**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</sup> (\$)	Others' Securities <sup>2</sup>						Total Others' Securities (\$)
		Fannie Mae (\$)	Ginnie Mae (\$)	Private-Label			Total Private-Label (\$)	
				Manufactured Housing (\$)	Other <sup>3</sup> (\$)			
4Q03	393,135	74,529	2,760	1,784	105,216		107,000	184,289
3Q03	389,028	N/A	N/A	N/A	N/A		N/A	N/A
2Q03	333,066	N/A	N/A	N/A	N/A		N/A	N/A
1Q03	337,443	N/A	N/A	N/A	N/A		N/A	N/A
Annual Data								
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							
1990	Before 1992							

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, data are based on restated and revised financial results.

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

<sup>3</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)			Total Retained Mortgage Portfolio <sup>4</sup>
	Mortgage Revenue Bonds <sup>2</sup>	Unamortized Premiums, Discounts, Deferred Fees, Plus Unrealized Gains/Losses on Available-for-sale Securities <sup>3</sup>	Total Mortgage-Related Securities <sup>3</sup>	
	(\$)	(\$)	(\$)	(\$)
4Q03	7,772	15,065	600,261	660,531
3Q03	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A
Annual Data				
2003	7,772	15,065	600,261	660,531
2002	7,640	22,627	526,013	589,899
2001	7,257	6,130	440,977	503,769
2000	6,953	(242)	326,211	385,451
1999	5,690	(1,529)	266,238	322,914
1998	4,640	661	198,586	255,670
1997	3,031	122	Not Available	164,543
1996	1,787	71	Before 1998	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

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, 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> (\$)	Traded Futures, Options, and Other (\$)	Credit Derivatives <sup>3</sup> (\$)	Commitments <sup>4</sup> (\$)	Other <sup>5</sup> (\$)	Total (\$)
4Q03	287,592	11,308	46,512	349,650	8,549	122,619	15,542	89,320	152,548	1,083,640
3Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data										
2003	287,592	11,308	46,512	349,650	8,549	122,619	15,542	89,320	152,548	1,083,640
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	0	Not Available	35,839	474,535
1999	126,580	19,936	1,097	172,750	8,894	94,987	0	Before 2001	0	424,244
1998	57,555	21,845	1,464	63,000	11,542	157,832	0		0	313,238
1997	54,172	21,995	1,152	6,000	12,228	0	0		0	95,547
1996	46,646	14,095	544	0	651	0	0		0	61,936
1995	45,384	13,055	0	0	24	0	0		0	58,463
1994	21,834	9,003	0	0	0	0	0		0	30,837
1993	17,888	1,500	0	0	0	0	0		0	19,388

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, data are based on restated and revised financial results.

<sup>2</sup> 2001 and 2002 amounts are exchange-traded.

<sup>3</sup> Amounts for years prior to 2001 included in "Other."

<sup>4</sup> Commitments to purchase and sell mortgage loans, mortgage-related securities and various debt securities. Amounts for years prior to 2001 included in "Other."

<sup>5</sup> For 2002 and 2003, consists of a prepayment management agreement.

**Table 17. Freddie Mac 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 <sup>2</sup> (\$)	Total (\$)
4Q03	7,567	16,648	13,015	5,852	10,042	53,124
3Q03	N/A	N/A	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data						
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

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, 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 corporations and agencies, obligations of states and municipalities and preferred stock.



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

Asset Ratios		
End of Period	Total Retained Mortgage Portfolio / Total Assets (%)	Non-Mortgage Investments / Total Assets (%)
4Q03	82.2	6.6
3Q03	N/A	N/A
2Q03	N/A	N/A
1Q03	N/A	N/A
Annual Data		
2003	82.2	6.6
2002	78.4	12.2
2001	78.6	14.0
2000	83.9	9.5
1999	83.5	8.8
1998	79.5	13.1
1997	84.6	8.4
1996	79.3	12.8
1995	78.5	9.3
1994	68.9	16.8
1993	66.7	21.7
1992	56.5	21.1
1991	56.9	21.2
1990	53.0	29.9
1989	60.5	31.2
1988	49.2	42.5
1987	48.1	40.8
1986	56.4	Not Available
1985	81.7	Before 1987
1984	72.7	
1983	83.2	
1982	78.0	
1981	81.9	
1980	91.4	
1979	86.1	
1978	82.2	
1977	91.4	
1976	86.1	
1975	82.2	
1974	91.5	
1973	87.7	
1972	97.4	
1971	90.1	

Source: Freddie Mac

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, data are based on restated and revised financial results.

**Table 19. Freddie Mac Mortgage Asset Quality<sup>1</sup>**

Mortgage Asset Quality							
End of Period	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 <sup>6</sup> / Total MBS Outstanding plus Retained Mortgage Portfolio (%)		
4Q03	0.86	0.05	0.01	0.06	21.0		
3Q03	0.83	0.01	N/A	N/A	N/A		
2Q03	0.81	0.01	N/A	N/A	N/A		
1Q03	0.81	0.01	N/A	N/A	N/A		
Annual Data							
2003	0.86	0.05	0.01	0.06	21.0		
2002	0.77	0.13	0.01	0.05	27.4		
2001	0.62	0.15	0.00	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 1983		
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			
1972				Before 1974			
1971							

Source: Freddie Mac

N/A = not available

<sup>1</sup> For periods 2000 to 2002 (except for Credit Enhanced Outstanding/Total MBS Outstanding Plus Retained Mortgage Portfolio), data are based on restated and revised financial results.

<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 has assumed primary default risk. Pre-1994 calculations included all loans. Rates for 2000 through 2003 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 multiclass MBS 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 multiclass MBS 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				Market Capitalization <sup>7</sup>	Core Capital / Total Assets	Core Capital / Total MBS Outstanding plus Total Assets	Common Share Dividend Payout Rate <sup>8</sup>
	Core Capital (\$)	Minimum Capital Requirement <sup>2</sup> (\$)	Regulatory Capital Surplus (Deficit) <sup>3</sup> (\$)	Total Capital <sup>4</sup> (\$)	Risk-Based Capital Requirement <sup>5</sup> (\$)	Risk-Based Capital Surplus(Deficit) <sup>6</sup> (\$)	(%)				
4Q03	32,985	23,774	9,211	33,436	5,426	28,010	40,158	4.11	2.10	N/A	
3Q03	32,658	24,336	8,322	28,486	1,319	27,168	36,026	N/A	N/A	N/A	
2Q03	33,142	22,957	10,185	29,340	4,720	24,620	34,921	N/A	N/A	N/A	
1Q03	31,051	21,985	9,065	26,512	5,198	21,314	36,518	N/A	N/A	N/A	
Annual Data											
2003	32,985	23,774	9,211	33,436	5,426	28,010	40,158	4.11	2.10	15.6	
2002	28,990	22,339	6,651	24,222	4,743	19,479	40,590	3.85	1.93	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	
							Not Applicable			Not Available	
							Before 1989			Before 1989	

Source: Freddie Mac and OFHEO

N/A = not available

<sup>1</sup> For the periods 2001 and 2002, data are based on restated and revised financial results.

<sup>2</sup> Minimum Capital Requirement in accordance with the Federal Housing Enterprise Financial Safety and Soundness Act of 1992.

<sup>3</sup> The difference between Core Capital and Minimum Capital Requirement.

<sup>4</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 and the first three quarters of 2003, amounts were calculated by OFHEO prior to the restatement of Freddie Mac's 2002 financial results. The fourth quarter of 2003 and full year 2003 total capital calculation includes the increase in capital of approximately \$5 billion from the 2002 restatement process.

<sup>5</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>6</sup> The difference between Total Capital and Risk-Based Capital Requirement.

<sup>7</sup> Stock price at the end of the period multiplied by number of outstanding common shares.

<sup>8</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 (\$)
4Q03	N/A	N/A	N/A	N/A
3Q03	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A
Annual Data				
2003	2,027,966	46,170	2,074,136	789,246
2002	1,348,282	27,265	1,375,547	553,836
2001	960,828	28,641	989,469	448,559
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				Total Mortgage Purchases (\$)
	Conventional				FHA/VA				Total Single-Family Mortgages (\$)	Conventional (\$)	FHA/RHS (\$)	Total Multifamily Mortgages (\$)	
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Total (\$)						
4Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
3Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data													
2003	N/A	179,319	N/A	N/A	N/A	N/A	N/A	2,027,966	33,940	12,230	46,170	2,074,136	
2002	1,232,597	111,690	41	1,344,328	2,141	1,548	3,689	1,348,017	24,604	2,661	27,265	1,375,282	
2001	904,776	47,854	1,137	953,767	5,959	1,102	7,061	960,828	27,356	1,285	28,641	989,469	
2000	332,980	55,010	726	388,716	5,446	920	6,366	395,082	15,157	1,250	16,407	411,489	
1999	517,228	19,581	1,198	538,007	9,658	1,084	10,742	548,749	16,039	1,153	17,192	565,941	
1998	590,375	21,657	1	612,033	5,866	511	6,377	618,410	14,754	584	15,338	633,748	
1997	242,503	30,045	3	272,551	2,098	432	2,530	275,081	8,177	598	8,775	283,856	
1996	262,470	22,025	3	284,498	2,474	334	2,808	287,306	8,428	252	8,680	295,986	
1995	180,768	32,077	9	212,854	3,014	106	3,120	215,974	6,242	289	6,531	222,505	
1994	245,717	32,986	8	278,711	1,968	113	2,081	280,792	4,467	219	4,686	285,478	
1993	482,724	35,128	30	517,882	875	120	995	518,877	4,110	216	4,326	523,203	
1992	401,847	36,513	143	438,503	1,120	79	1,199	439,702	2,872	111	2,983	442,685	
1991	205,907	24,980	911	231,798	1,444	38	1,482	233,280	3,419	21	3,440	236,720	
1990	151,817	30,814	1,340	183,971	1,201	15	1,216	185,187	4,503	15	4,518	189,705	
1989	117,894	35,527	1,727	155,148	2,113	14	2,127	157,275	6,133	16	6,149	163,424	
1988	70,504	34,745	492	105,741	1,658	98	1,756	107,497	5,340	21	5,361	112,858	
1987	129,582	15,454	208	145,244	3,477	45	3,522	148,766	3,479	270	3,749	152,515	
1986	154,356	9,567	588	164,511	12,634	14	12,648	177,159	5,415	-	5,415	182,574	
1985	70,219	11,341	905	82,465	2,172	16	2,188	84,653	3,102	-	3,102	87,755	
1984	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
1983	Before 1985	Before 1985	Before 1985	Before 1985	Before 1985	Before 1985	Before 1985	Before 1985	Before 1985	Before 1985	Before 1985	Before 1985	
1982													
1981													
1980													
1979													
1978													
1977													
1976													
1975													
1974													
1973													
1972													
1971													

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 (\$)	Ginnie Mae (\$)	Private Label			Mortgage Revenue Bonds (\$)	Total Mortgage-Related Securities (\$)
			Manufactured Housing (\$)	Other <sup>2</sup> (\$)	Total Private-Label (\$)		
4Q03	49,275	N/A	N/A	N/A	N/A	N/A	N/A
3Q03	296,735	N/A	N/A	N/A	N/A	N/A	N/A
2Q03	123,777	N/A	N/A	N/A	N/A	N/A	N/A
1Q03	137,426	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data							
2003	607,213	N/A	N/A	N/A	N/A	N/A	N/A
2002	437,856	5,245	1,025	50,795	51,820	5,160	553,836
2001	337,921	1,777	Not Available	18,950	18,950	5,331	448,559
2000	163,420	5,832	Before 2001	Not Available	18,770	5,170	221,612
1999	194,717	20,983		Before 2001	31,774	5,076	271,803
1998	212,236	3,057			31,432	4,581	275,706
1997	70,329	3,834			5,682	2,841	85,702
1996	74,601	Not Available			Not Available	Not Available	83,567
1995	62,966	Before 1997			Before 1997	Before 1997	75,550
1994	41,477						45,722
1993	Not Available						Not Available
1992	Before 1994						Before 1994
1991							
1990							

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 (\$)
4Q03	N/A	N/A	351,229	133,558
3Q03	N/A	N/A	602,235	143,292
2Q03	N/A	N/A	532,175	140,883
1Q03	N/A	N/A	447,727	141,304
Annual Data				
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 Available
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

N/A = not available

<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 (\$)
4Q03	5,661	988	N/A	58	2,727
3Q03	5,931	848	N/A	57	2,378
2Q03	5,686	1,108	N/A	(3)	3,408
1Q03	5,789	1,105	N/A	(13)	4,208
Annual Data					
2003	23,067	4,049	3,340	99	12,721
2002	20,091	3,332	2,625	207	14,709
2001	15,538	2,874	2,041	117	9,052
2000	9,432	2,603	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	Not Available	67
			Before 1972	Before 1972	

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)							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 (\$)	Total MBS Outstanding (\$)
4Q03	1,813,018	1,562,411	112,617	1,701,345	53,860	67,390	58,882	2,069,099
3Q03	N/A	N/A	N/A	N/A	49,868	65,410	N/A	1,926,485
2Q03	N/A	N/A	N/A	N/A	50,305	63,817	N/A	1,964,097
1Q03	N/A	N/A	N/A	N/A	50,412	60,568	N/A	1,851,654
<b>Annual Data</b>								
2003	1,813,018	1,562,411	112,617	1,701,345	53,860	67,390	58,882	2,069,099
2002	1,639,764	1,391,021	131,164	1,516,678	47,618	57,069	45,030	1,778,793
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			Not Available
1979	55,948	53,780		52,555	1,739			Before 1981
1978	47,203	45,141		44,201	1,564			
1977	37,481	36,456		35,000	1,350			
1976	37,225	35,950		35,088	1,139			
1975	37,495	35,698		35,572	1,003			
1974	34,572	33,135		32,852	898			
1973	27,191	26,110		25,699	801			
1972	22,118	21,378		20,878	669			
1971	19,629	18,821		18,587	567			

Sources: Fannie Mae and Freddie Mac

N/A = not available

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

**Table 24a. Combined Total 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 (\$)						
4Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,069,099
3Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,926,484
2Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,964,097
1Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,851,655
Annual Data										
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,069,099
2002	1,569,319	129,374	343	1,699,036	19,916	58,857	984	59,841	1,778,793	
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									Not Issued Before 1981	

Sources: Fannie Mae and Freddie Mac

N/A = not available

<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 Rate 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 (\$)
4Q03	857,476	141,658	51,224	685,300	8,549	122,619	15,542	89,320	152,548	2,162,728
3Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1Q03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual Data										
2003	857,476	141,658	51,224	685,300	8,549	122,619	15,542	89,320	152,548	2,162,728
2002	536,604	134,056	47,706	561,544	17,900	210,646	17,301	Not Applicable	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	0		35,839	799,275
1999	318,612	48,886	12,604	213,831	8,894	94,987	0		1,400	699,214
1998	200,401	36,345	14,459	76,481	11,542	157,832	0		3,735	500,795
1997	203,845	22,095	11,120	6,000	12,228	0	0		1,660	256,948
1996	204,786	14,395	2,973	0	651	0	0		350	223,155
1995	171,063	13,355	1,224	29	24	0	0		975	186,670
1994	109,304	9,363	1,023	0	0	0	0		1,465	121,154
1993	67,346	1,860	1,023	0	0	0	0		1,425	71,653

Sources: Fannie Mae and Freddie Mac

N/A = not available

<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 (\$)	
4Q03	20,142	43,548	13,126	22,595	13,206	112,617	
3Q03	N/A	N/A	N/A	N/A	N/A	N/A	
2Q03	N/A	N/A	N/A	N/A	N/A	N/A	
1Q03	N/A	N/A	N/A	N/A	N/A	N/A	
Annual Data							
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 (\$)	Regulatory Capital Surplus (Deficit) (\$)	Total Capital (\$)	Risk-Based Capital Requirement (\$)	Risk-Based Capital Surplus (Deficit) (\$)	
4Q03	67,390	55,294	12,096	68,618	32,647	35,970	112,996
3Q03	65,410	55,771	9,638	62,028	29,172	32,857	104,199
2Q03	63,817	52,104	11,712	60,809	22,834	37,975	100,766
1Q03	60,568	50,211	10,356	56,821	21,753	35,067	100,624
<b>Annual Data</b>							
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
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, and 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
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

Source: Federal Housing Administration

**Table 29. Interest Rates on Conventional Single-Family Mortgages**

Period	Average Loan Commitment Rates		Effective Rates on Closed Loans	
	30-Year Fixed Rate (%)	One-Year ARMs (%)	Fixed-Rate (%)	Adjustable Rate (%)
4Q03	5.9	3.7	6.1	5.1
3Q03	6.0	3.7	5.9	4.9
2Q03	5.5	3.7	5.7	4.9
1Q03	5.8	3.9	6.0	5.2
Annual Data				
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
4Q03 <sup>2</sup>	1,689	346	2,035	1,116	6,297
3Q03 <sup>2</sup>	1,560	323	1,883	1,157	6,420
2Q03 <sup>2</sup>	1,449	296	1,745	1,105	5,853
1Q03 <sup>2</sup>	1,454	293	1,747	980	5,820
Annual Data					
2003	1,539	315	1,854	1,089	6,098
2002	1,402	308	1,710	976	5,593
2001	1,310	293	1,603	907	5,290
2000	1,270	299	1,569	880	5,152
1999	1,334	307	1,641	879	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> 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
2q04	9.4	10.6	11.2	10.4	5.4	7.0	4.0	3.8	7.6	15.7
1q04	8.3	10.0	10.5	9.3	4.9	6.2	3.9	3.6	5.9	13.2
4q03	8.2	10.4	11.1	8.6	5.1	6.5	3.9	3.6	5.3	12.6
3q03	6.0	7.9	8.0	6.4	3.6	4.8	3.4	3.4	3.7	8.9
2q03	6.5	8.7	8.6	7.0	3.6	4.8	4.3	4.3	4.2	9.5
1q03	7.2	10.7	9.9	7.4	4.0	5.6	3.8	4.4	4.3	10.8
Annual Data										
2003	8.2	10.4	11.1	8.6	5.1	6.5	3.9	3.6	5.3	12.6
2002	7.6	11.7	10.7	7.5	4.4	6.3	3.5	4.2	4.4	11.1
2001	7.5	10.9	8.9	7.9	5.2	7.3	5.1	5.9	6.5	9.2
2000	7.6	12.5	7.9	6.5	6.1	7.2	4.0	5.1	6.9	11.3
1999	5.3	9.8	5.4	4.4	4.9	6.2	2.5	4.4	4.3	6.0
1998	5.0	6.5	4.0	4.5	4.2	4.8	4.8	5.0	4.0	7.2
1997	4.6	4.6	3.3	4.5	5.2	4.9	4.7	3.9	4.9	5.3
1996	2.6	1.7	0.4	2.2	5.0	4.1	4.0	2.3	4.2	0.9
1995	4.5	4.1	3.2	4.3	6.1	5.3	5.6	4.2	7.5	2.8
1994	0.8	(3.1)	(3.3)	0.1	4.9	5.3	4.7	1.6	9.0	(3.4)
1993	2.0	0.3	1.3	1.9	3.6	3.9	4.1	4.0	7.9	(2.0)
1992	1.9	(1.1)	1.7	2.1	3.9	3.0	3.3	3.4	5.3	(1.4)
1991	2.5	(2.3)	1.5	3.0	4.6	3.8	4.1	3.7	4.7	1.3
1990	0.2	(7.7)	(2.9)	0.2	3.8	0.5	0.7	0.5	1.9	3.0
1989	6.0	0.7	2.3	5.0	6.1	3.2	2.9	2.8	2.8	19.4
1988	6.2	3.6	6.1	6.9	6.7	2.5	2.6	(2.2)	0.3	17.5
1987	6.9	13.4	16.2	6.8	8.0	2.4	4.1	(8.6)	(2.8)	9.6
1986	8.3	21.0	18.0	6.0	7.3	4.2	5.7	(0.4)	3.0	7.2
1985	6.7	25.0	14.3	5.5	4.9	4.3	4.8	(1.3)	2.4	4.9
1984	5.4	17.6	13.5	4.0	2.8	4.8	3.6	(0.2)	2.1	5.2
1983	4.3	16.2	10.0	3.7	4.6	4.5	4.7	0.9	(2.7)	1.2
1982	2.2	4.2	4.7	4.3	(4.9)	(0.5)	3.9	5.9	6.7	0.8
1981	4.4	5.0	0.3	5.8	2.1	0.3	0.6	11.8	7.1	5.9
1980	6.9	6.0	9.3	8.6	1.6	4.3	7.4	7.6	6.6	11.2
1979	12.1	10.5	16.9	11.6	9.3	8.8	4.9	13.6	15.6	16.3
1978	13.2	17.0	7.0	10.8	13.8	13.2	12.0	17.0	17.3	15.7
1977	13.2	8.4	10.9	8.0	13.1	15.5	10.2	11.7	18.5	25.7

<sup>1</sup> Data from 1977-2004 are measured based on fourth quarter to fourth quarter percentage change.

Regional Divisions:

Regional Divisions:

New England: CT, MA, ME, NH, RI, VT

Mid-Atlantic: NJ, NY, PA

South Atlantic: DC, DE, FL, GA, MD, NC, SC, VA, WV

East North Central: IL, IN, MI, OH, WI

West North Central: IA, KS, MN, MO, ND, SD, NE

East South Central: AL, KY, MS, TN

West South Central: AR, LA, OK, TX

Mountain: AZ, CO, ID, MT, NM, NV, UT, WY

Pacific: AK, CA, HI, OR, WA