GOVERNMENT-SPONSORED ENTERPRISES

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

—The Student Loan Marketing Association is a for-profit financial corporation chartered by Congress in 1972 under the Higher Education Act (HEA) to help increase the availability of student loans. Sallie Mae carries out secondary market and other functions.

—The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation provide assistance to the secondary market for residential mortgages. Both are supervised by the Department of Housing and Urban Development for their roles in helping to finance low-, moderate-, and middle-income housing; both are regulated for financial safety and soundness by the Office of Federal Housing Enterprise Oversight.

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

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

—The Federal Home Loan Banks assist thrift institutions, banks, insurance companies, and credit unions in providing financing for housing and community development and are supervised by the Federal Housing Finance Board.

STUDENT LOAN MARKETING ASSOCIATION

Student Loan Marketing Association

Status of Direct Loans (in millions of dollars)

Identification code 99–1500–0–3–502		2000 actual	2001 est.	2002 est.
1111	Limitation on direct loans			
1131	Direct loan obligations	13,904	11,294	12,284
1150	Total direct loan obligations	13,904	11,294	12,284
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	37,797	37,213	31,833
1231	Disbursements: Direct loan disbursements	13,904	11,294	12,284
	Repayments:			
1251	Repayments and prepayments	–5,712	–4,834	–3,187
1252	Proceeds from loan asset sales or discounted	–8,975	–12,000	–12,000
1264	Write-offs for default: Other adjustments, net	199	160	144
1290	Outstanding, end of year	37,213	31,833	29,074

The Student Loan Marketing Association (Sallie Mae) was created as a shareholder-owned government sponsored enterprise (GSE) by the Education Amendments of 1972 to expand funds available for student loans by providing liquidity to lenders engaged in the Federal Family Education Loan Program (FFELP), formerly the guaranteed student loan program (GSLP). Sallie Mae was privatized in 1997 pursuant to the authority granted by the Student Loan Marketing Association Reorganization Act of 1996. The GSE is a wholly owned subsidiary of USA Education, Inc. and must wind down and be liquidated by September 30, 2008. Under legislation passed in 1998, if USA Education, Inc. affiliates with a depository institution, the GSE must wind down within two years (unless such period is extended by the Department of the Treasury).

The GSE provides liquidity through direct purchase of insured student loans from eligible lenders and through warehousing advances, which are loans to lenders secured by insured student loans, Government or agency securities, or other acceptable collateral. In capital shortage areas, the GSE is authorized, at the request of Federal officials, to make insured loans directly to students. The GSE is authorized to advance funds to State agencies that will provide loans to students. The GSE is also authorized to provide a secondary market for noninsured loans; to serve as a guarantee agency in support of loan availability at the request of the Secretary of Education; to purchase and underwrite student loan revenue bonds; to provide certain additional services as determined by its board of directors to be supportive of the credit needs of students generally; and to provide financing for academic facilities and equipment.

The GSE is authorized by the Health Professions Educational Assistance Act of 1976 to provide a secondary market for federally insured loans to graduate health professions students.

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

Operations.—The forecast data with respect to operations are based on certain general economic and specific FFELP loan volume assumptions and should not be relied upon as an official forecast of the corporation's future business.

ANNUAL LOAN ACTIVITY

[In millions of dollars]

	2000 actual	*2001 est.*	*2002 est.*
Guaranteed student loans:			
Stafford:			
Purchased	9,550	9,416	10,393
Warehoused	1,100	300	150
PLUS/SLS: Purchased	1,102	990	1,092
Health professions loans; Purchased	1		
Subtotal, Guaranteed student loans	11,753	10,706	11,635
Other	2,151	588	649
Total	13,904	11,294	12,284

Financing.—The GSE is financed by borrowing in the private debt markets and securitizing its assets. The GSE must wind down and be liquidated by September 30, 2008. All obligations of the GSE remaining upon liquidation must be placed into a defeasance trust. The GSE's outstanding adjust-

STUDENT LOAN MARKETING ASSOCIATION—Continued

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

The financial data contained in this material relating to future periods represents estimates that have been prepared specifically for inclusion in the President's Budget. These data should not be viewed as official forecasts of the corporation's future position, nor should they be used as a basis for making financial or investment decisions relating to the corporation. The data have been developed on the basis of certain economic assumptions that are subject to periodic review and revision. Consequently, the estimates are subject to forecast error and actual results from future business operations are likely to differ from these data.

Statement of Operations (in millions of dollars)

Identification code 99–1500–0–3–502		1999 actual	2000 actual	2001 est.	2002 est.
0101	Revenue	2,854	3,647		
0102	Expense	–2,391	–3,160		
0105	Net income or loss (–)	463	487		

Balance Sheet (in millions of dollars)

Identification code 99–1500–0–3–502		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
	Investments in US securities:				
1102	Treasury securities, par	1,401	1,363	1,391	1,419
1104	Agency securities, par				
1106	Receivables, net	942	1,090	981	883
1201	Investments in other securities, net	2,009	2,393	2,310	2,483
1206	Receivables, net	684	916	825	743
1207	Advances and prepayments	16	21	22	23
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	37,947	37,317	31,922	29,155
1603	Allowance for estimated uncollectible loans and interest (–)	–150	–104	–89	–81
1699	Value of assets related to direct loans	37,797	37,213	31,833	29,074
1801	Cash and other monetary assets	38	134	141	148
1803	Property, plant and equipment, net	172	163	171	180
1901	Other assets	435	407	426	447
1999	Total assets	43,494	43,700	38,100	35,400
	LIABILITIES:				
2202	Interest payable	293	417	375	338
2203	Debt	41,591	41,501	36,083	33,483
2207	Other	677	707	742	779
2999	Total liabilities	42,561	42,625	37,200	34,600
	NET POSITION:				
3300	Invested Capital	933	1,075	900	800
3999	Total net position	933	1,075	900	800
4999	Total liabilities and net position	43,494	43,700	38,100	35,400

FEDERAL NATIONAL MORTGAGE ASSOCIATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–2500–0–3–371		2000 actual	2001 est.	2002 est.
1131	Direct loan obligations	133,266	172,261	198,760
1150	Total direct loan obligations	133,266	172,261	198,760
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	518,629	587,600	693,238
	Disbursements:			
1231	Direct loan disbursements	125,681	162,755	197,223
1232	Purchase of loans assets	11,747	536	170
1251	Repayments: Repayments and prepayments	–67,233	–57,653	–98,035
1264	Write-offs for default: Other adjustments, net	–1,224		
1290	Outstanding, end of year	587,600	693,238	792,596

The Federal National Mortgage Association (Fannie Mae) is a federally-chartered, privately-owned company with a public mission to provide stability and to increase the liquidity of the residential mortgage market and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. In carrying out its mission, Fannie Mae engages primarily in two forms of business: investing in portfolios of residential mortgages and guaranteeing residential mortgage securities. As of September 30, 2000, Fannie Mae held a net mortgage portfolio totaling $571 billion and had net outstanding guaranteed mortgage-backed securities of $701 billion.

Through a federal charter, Congress has equipped Fannie Mae with certain attributes to help it carry out its public mission. These include an exemption from state and local taxes (except real property taxes), and an exemption of its debt and mortgage securities from Securities and Exchange Commission registration requirements. An additional advantage is that the Secretary of the Treasury may purchase and hold up to $2.25 billion of securities issued by Fannie Mae under terms and conditions and at prices determined by the Secretary to be appropriate. Securities guaranteed by Fannie Mae and debt issued by the company are solely the corporation's obligations and are not backed by the full faith and credit of the U.S. Government. The common stock of the corporation is owned by the public, is fully transferable, and trades on the New York, Midwest, and Pacific stock exchanges.

Fannie Mae was established in 1938 to assist private markets in providing a steady supply of funds for housing. Fannie Mae was originally a subsidiary of the Reconstruction Finance Corporation and was permitted to purchase only loans insured by the Federal Housing Administration (FHA). In 1954, Fannie Mae was restructured as a mixed ownership (part government, part private) corporation. Congress sold the government's remaining interest in Fannie Mae in 1968 and completed the transformation to private shareholder ownership in 1970. Using the proceeds from the sale of subordinated debentures, Fannie Mae paid the Treasury $216 million for the government's preferred stock, which was retired, and for the Treasury's interest in the corporation's earned surplus. As a result, the corporation was taken off the federal budget.

In 1992, Congress reaffirmed and clarified Fannie Mae's role in the housing finance system through charter act amendments included in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 ("The Act"). Fannie Mae's charter purposes, as amended by the Act, are: "to provide stability in the secondary market for residential mortgages; respond appropriately to the private capital market; provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital for residential mortgage financing."

In December 1995, the U.S. Department of Housing and Urban Development (HUD) set affordable housing goals for 1996–1999 and established the requirements for counting mortgage purchases to low- and moderate-income families and families living in underserved areas with specific census tract and minority concentration requirements. Under the regulations, the low- and moderate-income goal is 42 percent; the geographically targeted goal is 24 percent and the special affordable housing goal is 14 percent. These goals are also in effect for 2000. Fannie Mae exceeded all of the housing goals in 1999 with low- and moderate-income purchases at 45.9 percent, geographically targeted purchases at 26.8 percent, and special affordable housing purchases at 17.6 percent.

In October 2000, HUD set new affordable housing goals for the period covering 2001 to 2003. The goals are 50 percent for the low- and moderate-income goal, 31 percent for the geographically targeted goal, and 20 percent for the special affordable housing goal.

The Act also established the Office of Federal Housing Enterprise Oversight (OFHEO), an independent office within HUD, headed by a Director who reports directly to the Congress. OFHEO has statutory responsibility for ensuring that Fannie Mae is adequately capitalized and operating in a safe and sound manner. Included among the express statutory authorities of the Director is the authority to conduct examinations of the financial health of the company and to issue minimum and risk-based capital standards. The minimum capital requirements are computed from statutorily established ratios that are applied to the assets and off-balance sheet risks of Fannie Mae. The risk-based capital standard determines the amount of capital that Fannie Mae must hold to withstand the impact of simultaneous adverse credit and interest rate stresses over a 10-year period, plus an additional 30 percent to cover management and operations risk. Total capital (shareholder's equity plus allowance for loan losses) at the end of September 2000 was $20.5 billion. The company has continued to remain in compliance with applicable capital standards and has been deemed adequately capitalized by OFHEO since its first classification in June 1993.

For the four quarters ending September 2000, Fannie Mae earned $4.3 billion.

The financial data contained in this material relating to future periods represent estimates that have been prepared specifically for inclusion in the President's Budget. These data should not be viewed as an official forecast of the corporation's future position, nor should they be used as a basis for making financial or investment decisions relating to the corporation. The data have been developed on the basis of certain economic assumptions that are subject to periodic review and revision. Consequently, the estimates are subject to forecast error and actual results from future business operations are likely to differ from these data.

Balance Sheet (in millions of dollars)

Identification code 99–2500–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
1101	Fund balances	5	20	....	....
	Investments in US securities:				
1102	Treasury securities, par	33	25	....	....
1104	Other	36,498	55,130	57,714	63,386
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans (net of discount)	477,130	538,255	635,655	734,714
1602	Federal Agencies	27,367	33,349	41,896	41,374
1603	Allowance for estimated uncollectible loans and interest (–)	–194	–199	–201	–204
1699	Value of assets related to direct loans	504,303	571,405	677,351	775,884
1801	Cash and other monetary assets	10,513	11,345	12,316	13,885
1803	Property, plant and equipment, net	180	222	....	....
1999	Total assets	551,532	638,147	747,380	853,156
	LIABILITIES:				
2101	Accounts payable	254	385	....	....
2102	Accrued interest payable	6,575	7,509	10,177	11,787
2105	Other	11	15	....	....
2203	Debt	524,880	607,039	711,031	812,430
2204	Estimated liability for loan guarantees	2,311	3,119	3,635	3,510
2206	Pension and other actuarial liabilities	288	362	....	....
2207	Subtotal, Federal taxes payable	160	31	....	....
2999	Total liabilities	534,477	618,460	724,843	827,726
	NET POSITION:				
	Cumulative results of operations:				
3300	Cumulative results of operations	17,674	20,769	24,311	28,323
3300	Change in Stockholder Equity	–619	–1,083	–1,773	–2,893
3999	Total net position	17,055	19,687	22,538	25,429
4999	Total liabilities and net position	551,532	638,147	747,380	853,156

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–2501–0–3–371		2000 actual	2001 est.	2002 est.
1131	Direct loan obligations	160,105	232,349	237,019
1150	Total direct loan obligations	160,105	232,349	237,019
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	938,484	1,020,828	1,126,939
1231	Disbursements: Direct loan disbursements	194,154	232,349	237,019
1251	Repayments: Repayments and prepayments	– 111,810	– 126,237	– 144,766
1290	Outstanding, end of year	1,020,828	1,126,939	1,219,193

According to accounting practices for private corporations, the mortgages in the pools of loans supporting the mortgage-backed securities are considered to be owned by the holders of these securities. Consequently, on the books of the Federal National Mortgage Association (Fannie Mae), these mortgages are not considered assets and the securities outstanding are not considered liabilities. However, the concepts of the budget of the U.S. Government consider these mortgages and mortgage-backed securities to be assets and liabilities, respectively, of Fannie Mae. For the purposes of this document, therefore, they are presented as assets and liabilities in the accompanying schedules. On the schedule of Status of direct loans for mortgage-backed securities, the items labeled "New loans" and "Recoveries: Repayments and prepayments" are budgetary terms. However, from the Corporation's perspective, these items are "Amounts issued" and "Amounts passed through to the holders of securities", respectively.

The financial data contained in this material relating to future periods represent estimates that have been prepared specifically for inclusion in the President's Budget. These data should not be viewed as an official forecast of the corporation's future position, nor should they be used as a basis for making financial or investment decisions relating to the corporation. The data have been developed on the basis of certain economic assumptions that are subject to periodic review and revision. Consequently, the estimates are subject to forecast error and actual results from future business operations are likely to differ from these data.

Balance Sheet (in millions of dollars)

Identification code 99–2501–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	939,092	1,021,437	1,127,548	1,219,798
1603	Allowance for estimated uncollectible loans and interest (–)	–608	–609	–609	–605
1699	Value of assets related to direct loans	938,484	1,020,828	1,126,939	1,219,193
1999	Total assets	938,484	1,020,828	1,126,939	1,219,193
	LIABILITIES:				
2104	Resources payable	938,484	1,020,828	1,126,939	1,219,193

PORTFOLIO PROGRAMS—Continued

MORTGAGE-BACKED SECURITIES—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–2501–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
2999	Total liabilities	938,484	1,020,828	1,126,939	1,219,193

FEDERAL HOME LOAN MORTGAGE CORPORATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–4420–0–3–371		2000 actual	2001 est.	2002 est.
1131	Direct loan obligations	81,090	95,778	100,750
1150	Total direct loan obligations	81,090	95,778	100,750
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	315,968	361,624	412,251
1231	Disbursements: Direct loan disbursements	81,090	95,778	100,750
1251	Repayments: Repayments and prepayments	−35,434	−45,151	−40,113
1290	Outstanding, end of year	361,624	412,251	472,888

The Federal Home Loan Mortgage Corporation (Freddie Mac), is a federally-charted, shareholder-owned, private company with a public mission to provide stability and increase the liquidity of the residential mortgage market, and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. In carrying out its mission, Freddie Mac engages primarily in two forms of business: investing in portfolios of residential mortgages and guaranteeing residential mortgage securities. As of September 30, 2000, Freddie Mac held a net mortgage portfolio totaling $359 billion and had net outstanding guaranteed mortgage-backed securities of $559 billion.

Through a federal charter, Congress has equipped Freddie Mac with certain advantages over wholly private firms in carrying out these activities. These advantages include an exemption from state and local taxes (except real property taxes), and an exemption for their debt and mortgage securities from SEC filing registration requirements. An additional advantage is that the Secretary of the Treasury may purchase and hold up to $2.25 billion of securities issued by Freddie Mac under terms and conditions and at prices determined by the Secretary to be appropriate. Securities guaranteed by Freddie Mac and debt issued by the company are explicitly not backed by the full faith and credit of the U.S. Government. The common stock of the corporation is owned by the public, is fully transferable, and trades on the New York and Pacific stock exchanges.

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

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) significantly changed the corporate governance of Freddie Mac. The company's three member Board of Directors, which had corresponded with the Federal Home Loan Bank Board, was replaced with an eighteen member Board of Directors. Thirteen board members are elected annually by shareholders and five are annually appointed by the President of the United States. In addition, FIRREA converted Freddie Mac's 60 million shares of non-voting, senior participating preferred stock into voting common stock. As a result, the corporation was taken off the federal budget.

FIRREA also clarified Freddie Mac's role in the housing finance delivery system through amendments to its charter act. Specifically, FIRREA established Freddie Mac's public mission: "to provide stability in the secondary market for residential mortgages; respond appropriately to the private capital market; and provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities." The Federal Housing Enterprise Financial Safety and Soundness Act of 1992 ("The Act") added to Freddie Mac's public mission the promotion of "access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital for residential mortgage financing."

The Act also established affordable housing goals that are designed to improve the flow of mortgage funds to low- and moderate-income families and families in central cities, rural areas, and other underserved areas. In December 1995, the U.S. Department of Housing and Urban Development (HUD) affordable housing goals for 1996–1999 and established the requirements for counting mortgage purchases for meeting these goals. The goals provide that, of the total number of dwelling units financed by Freddie Mac's mortgage purchases, 42 percent meet the low- and moderate-income goal, 24 percent meet the geographically targeted goal, and 14 percent meet the special affordable goal. Additionally, within the special affordable goal was a multifamily mortgage purchase target for Freddie Mac of $1.0 billion. In an October 2000 rule, HUD applied the 1996–1999 goals to 2000 and established new goals for 2001–2003: 50 percent for the low- and moderate-income goal, 31 percent for the geographically targeted goal, 20 percent for the special affordable housing goal and a multifamily target for Freddie Mac of $2.1 billion.

Freddie Mac exceeded all of the housing goals in 1999 with low- and moderate-income purchases of 46.1 percent, geographically targeted purchases of 27.5 percent, special affordable purchases of 17.2 percent, and the multifamily portion of the special affordable purchases of $2.3 billion in qualifying multifamily mortgages.

The Act also enhanced the regulatory oversight of Freddie Mac by establishing the Office of Federal Housing Enterprise Oversight (OFHEO), an independent office within HUD, headed by a Director appointed by the President. OFHEO is responsible for ensuring that Freddie Mac is adequately capitalized and operating in a safe and sound manner. Included among the express statutory authorities of the Director is the authority to conduct examinations of the financial health of the company and to issue minimum and risk-based capital standards. The minimum capital requirements are computed from statutorily established ratios that are applied to the assets and off-balance sheet risks of Freddie Mac. The risk-based capital standard determines the amount of capital that Freddie Mac must hold to withstand the impact of simultaneous adverse credit and interest rate stresses over a 10-year period, plus an additional amount to cover management and operations risk. OFHEO intends to issue a final rule in 2001 establishing the risk-based capital standards.

For the four quarters ending September 2000, Freddie Mac recorded net income of $2.5 billion.

The financial data contained in this material relating to future periods represent estimates that have been prepared specifically for inclusion in the President's budget. These data should not be viewed as an official forecast of the corporation's future position, nor should they be used as a basis for making financial or investment decisions relating to the corporation. The data have been developed on the basis of certain economic assumptions that are subject to periodic review and revision. Consequently, the estimates are subject to forecast error and actual results from future business operations are likely to differ from these data.

According to generally accepted accounting principles utilized by private corporations, the mortgages in the pools of loans supporting PCs are considered to be owned by the holder of these securities. Therefore, Freddie Mac does not show these mortgages as assets. However, the budget philosophy of the United States Government includes these mortgages and mortgages pass-through securities as assets and liabilities, respectively, of Freddie Mac. For the purpose of this document, therefore, they are presented as assets and liabilities in the accompanying schedules. On the Status of Direct Loans schedule for mortgage pass-through securities, the items labeled "Disbursements" and "Repayments" are budgetary terms. However, from Freddie Mac's perspective, these amounts represent "Sales of PCs" and "Amounts passed through to PC holders," respectively.

Balance Sheet (in millions of dollars)

Identification code 99–4420–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
1201	Investments in other securities, net	26,515	48,593	54,693	56,070
1206	Receivables, net	18,643	22,107	22,082	22,832
1207	Advances and prepayments	487	945	1,838	1,838
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Retained mortgage inventory	315,968	361,624	412,251	472,888
1603	Allowances (–)	–345	–334	–339	–360
1699	Value of assets related to direct loans	315,623	361,290	411,912	472,528
1801	Cash and other monetary assets	1,992	224	252	259
1803	Property, plant and equipment, net	1,129	656	598	541
1901	Other assets	496	–469	2,162	2,292
1999	Total assets	364,885	433,346	493,537	556,360
	LIABILITIES:				
2101	Accounts payable	115	227	448	884
2201	Accounts payable	2,146	1,823	1,448	1,011
2202	Interest payable	2,311	2,988	6,331	6,844
2203	Debt	341,014	406,794	461,625	521,647
2206	Pension and other actuarial liabilities	19	26	36	49
	Other:				
2207	Accrued payroll and benefits	82	60	44	32
2207	Accrued annual leave (funded or unfunded)	2	2	2	2
2207	Other Liabilities	8,056	8,234	7,742	7,923
2999	Total liabilities	353,745	420,154	477,676	538,392
	NET POSITION:				
3100	Invested capital	11,140	13,192	15,861	17,968
3999	Total net position	11,140	13,192	15,861	17,968
4999	Total liabilities and net position	364,885	433,346	493,537	556,360

Mortgage-Backed Securities

Status of Direct Loans (in millions of dollars)

Identification code 99–4440–0–3–371		2000 actual	2001 est.	2002 est.
1131	Direct loan obligations	142,576	185,781	183,085
1150	Total direct loan obligations	142,576	185,781	183,085
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	529,213	559,242	611,015
1231	Disbursements: Direct loan disbursements	142,576	185,781	183,085
1251	Repayments: Repayments and prepayments	− 112,547	− 134,008	− 107,029
1290	Outstanding, end of year	559,242	611,015	687,071

Balance Sheet (in millions of dollars)

Identification code 99–4440–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
1901	Underlying Mortgages	529,231	559,242	611,015	687,071
1999	Total assets	529,231	559,242	611,015	687,071
	LIABILITIES:				
2104	Resources payable	529,213	559,242	611,015	687,071
2999	Total liabilities	529,213	559,242	611,015	687,071

FARM CREDIT SYSTEM

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

Agricultural Credit Bank

On July 1, 1999, the remaining cooperative entity, the St. Paul Bank for Cooperatives, merged into CoBank ACB. This bank is headquartered in Denver, Colorado and serves eligible cooperatives nationwide, and provides funding to Agricultural Credit Associations (ACAs) in one of its regions. An ACB operates under statutory authority that combines the authorities of a FCB and a Bank for Cooperatives (BC). In exercising its FCB authority, CoBank ACB's charter limits its lending to ACAs located in the region previously served by the Farm Credit Bank of Springfield. As an entity lending to Cooperatives, CoBank is independently chartered to provide credit and related services nationwide to eligible cooperatives primarily engaged in farm supply, grain, marketing and processing (including sugar and dairy). CoBank also makes loans to rural utilities, including telecommunications companies and it provides international loans for the financing of agricultural exports.

Status of Direct Loans (in millions of dollars)

Identification code 99–4130–0–3–351		2000 actual	2001 est.	2002 est.
1131	Direct loan obligations	48,122	50,000	50,000
1150	Total direct loan obligations	48,122	50,000	50,000

Agricultural Credit Bank—Continued

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

Identification code 99–4130–0–3–351		2000 actual	2001 est.	2002 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	18,092	19,270	19,752
1231	Disbursements: Direct loan disbursements	48,121	50,000	50,000
1251	Repayments: Repayments and prepayments	−46,896	−49,502	−49,310
1263	Write-offs for default: Direct loans	−47	−16	−16
1290	Outstanding, end of year	19,270	19,752	20,426

Statement of Operations (in millions of dollars)

Identification code 99–4130–0–3–351		1999 actual	2000 actual	2001 est.	2002 est.
0101	Total interest income	1,424	1,715	1,930	2,050
0102	Total interest expense	–1,063	–1,323	–1,489	–1,581
0105	Net income or loss (–)	361	392	441	469
0111	Other income	46	39	44	46
0112	Other expense	–323	–257	–278	–287
0115	Net income or loss (–)	–277	–218	–234	–241
0191	Total revenues	1,470	1,754	1,974	2,096
0192	Total expenses	–1,386	–1,580	–1,767	–1,868
0195	Total income or loss (–)	84	174	207	228
0199	Total comprehensive income	84	174	207	228

Balance Sheet (in millions of dollars)

Identification code 99–4130–0–3–351		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
1201	Cash and investment securities	3,755	4,318	4,426	4,578
1206	Accrued interest receivable on loans	182	203	208	215
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	18,092	19,270	19,752	20,426
1603	Allowance for estimated uncollectible loans and interest (–)	–314	–321	–329	–340
1699	Value of assets related to direct loans	17,778	18,949	19,423	20,086
1803	Property, plant and equipment, net	159	167	176	179
1999	Total assets	21,874	23,637	24,233	25,058
	LIABILITIES:				
2104	Resources payable	167	301	184	170
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	19,468	20,971	21,495	22,229
2201	Notes payable and other interest-bearing liabilities	351	302	310	320
2202	Accrued interest payable	228	310	318	229
2999	Total liabilities	20,214	21,884	22,307	22,948
	NET POSITION:				
3300	Cumulative results of operations	1,660	1,753	1,926	2,110
3999	Total net position	1,660	1,753	1,926	2,110
4999	Total liabilities and net position	21,874	23,637	24,233	25,058

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

99–4130	1999 actual	2000 actual	2001 est.	2002 est.
Beginning balance of net worth	1,697	1,660	1,753	1,926
Capital stock and participations issued	5	....	67	56
Capital stock and participations retired	80	53	60	60
Net income	84	174	206	228
Cash/Dividends/Patronage Distributions	–27	–36	–40	–40
Other, net	–19	8	....	....
Ending balance of net worth	1,660	1,753	1,926	2,110

Financing Activities (in millions of dollars)

99–4130	1999 actual	2000 actual	2001 est.	2002 est.
Beginning balance of outstanding system obligations	18,079	19,468	20,971	21,495
Consolidated systemwide and other bank bonds issued	11,875	6,155	6,500	6,500
Consolidated systemwide and other bank bonds retired	9,657	3,859	6,376	6,266
Consolidated systemwide notes, net	–829	–793	400	500
Ending balance of outstanding system obligations	19,468	20,971	21,495	22,229

Farm Credit Banks

Status of Direct Loans (in millions of dollars)

Identification code 99–4160–0–3–371		2000 actual	2001 est.	2002 est.
1131	Direct loan obligations	47,553	45,173	46,477
1150	Total direct loan obligations	47,553	45,173	46,477
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	45,823	46,693	48,241
1231	Disbursements: Direct loan disbursements	47,541	45,227	46,418
1251	Repayments: Repayments and prepayments	−46,651	−43,682	−44,499
1264	Write-offs for default: Other adjustments, net	−20	3	....
1290	Outstanding, end of year	46,693	48,241	50,160

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

The Agricultural Credit Act of 1987 (1987 Act) required the Federal Land Banks (FLBs) and Federal Intermediate Credit Banks (FICBs) to merge into a Farm Credit Bank (FCB) in each of the 12 Farm Credit districts. The FCBs operate under statutory authority that combines the prior authorities of the FLB and the FICB. No merger occurred in the Jackson district in 1988 because the FLB was in receivership. Pursuant to section 410(e) of the 1987 Act, as amended by the Farm Credit Banks Safety and Soundness Act of 1992, the FICB of Jackson merged with the FCB of Columbia on October 1, 1993. Mergers and consolidations of FCBs across district lines, that began in 1992 continued through mid-1995. As a result of this restructuring activity, 6 FCBs headquartered in the following cities, remain: AgFirst FCB, Columbia, South Carolina; AgAmerica FCB, Sacramento, California; AgriBank FCB, St. Paul, Minnesota; FCB of Wichita, Wichita, Kansas; FCB of Texas, Austin, Texas; and Western FCB, Sacramento, California.

The FCBs serve as discount banks and as of October 1, 2000 provided funds to 58 Federal Land Credit Associations (FLCA), 53 Production Credit Associations (PCAs), and 32 Agricultural Credit Associations (ACAs). These direct lender associations, in turn, make short-term production loans (PCAs and ACAs) and long-term real estate loans (FLCAs and ACAs) to eligible farmers and ranchers. Also, as of October 1, 2000, 3 Federal Land Bank Associations originated and serviced long-term real estate loans for 1 of the FCBs. FCBs can also lend to local financing institutions, including commercial banks, as authorized by the Farm Credit Act of 1971, as amended.

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

Statement of Operations (in millions of dollars)

Identification code 99–4160–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
0101	Total interest income	3,317	3,610	3,785	3,894
0102	Total interest expense	–2,662	–3,037	–3,316	–3,439
0105	Net income or loss (–)	655	573	469	455
0111	Other income	59	61	31	31
0112	Other expenses	–325	–233	–180	–176
0115	Net income or loss (–)	–266	–172	–149	–145
0191	Total revenues	3,376	3,671	3,816	3,925
0192	Total expenses	–2,987	–3,270	–3,496	–3,615
0195	Total income or loss (–)	389	401	320	310
0199	Total comprehensive income	389	401	320	310

Balance Sheet (in millions of dollars)

Identification code 99–4160–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
1201	Cash and investment securities	9,590	9,978	9,926	10,036
1206	Accrued Interest Receivable	754	770	780	808
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	45,823	46,693	48,236	50,155
1603	Allowance for estimated uncollectible loans and interest (–)	–358	–244	–239	–237
1699	Value of assets related to direct loans	45,465	46,449	47,997	49,918
1803	Property, plant and equipment, net	336	298	361	376
1999	Total assets	56,145	57,495	59,064	61,138
	LIABILITIES:				
2104	Resources payable	222	176	191	190
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	50,083	52,115	53,568	55,433
2201	Notes payable and other interest-bearing liabilities	906	313	280	383
2202	Accrued interest payable	511	514	533	551
2999	Total liabilities	51,722	53,118	54,572	56,557
	NET POSITION:				
3300	Cumulative results of operations	4,423	4,377	4,492	4,580
3999	Total net position	4,423	4,377	4,492	4,580
4999	Total liabilities and net position	56,145	57,495	59,064	61,137

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

99–4160	1999 actual	2000 actual	2001 est.	2002 est.
Beginning balance of net worth	4,467	4,423	4,377	4,492
Capital stock and participations issued	68	153	50	48
Capital stock and participations retired	124	241	54	53
Surplus Retired	....	....	....	....
Net income	388	401	319	311
Cash/Dividends/Patronage Distributions	–341	–267	–219	–218
Other, net	–35	–92	19	....
Ending balance of net worth	4,423	4,377	4,492	4,580

Financing Activities (in millions of dollars)

99–4160	1999 actual	2000 actual	2001 est.	2002 est.
Beginning balance of outstanding system obligations	47,714	50,082	52,115	53,568
Consolidated systemwide and other bank bonds issued	43,114	29,025	31,344	32,013
Consolidated systemwide and other bank bonds retired	39,878	30,817	30,714	31,070
Consolidated systemwide notes, net	–868	3,825	823	922
Ending balance of outstanding system obligations	50,082	52,115	53,568	55,433

Federal Agricultural Mortgage Corporation (Farmer Mac)

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

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

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

Financing

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

Farmer Mac must maintain core and risk based capital as provided in the Act and FCA regulations. As of September 30, 2000, Farmer Mac's total capital exceeded statutory requirements.

Available funds of Farmer Mac are invested in U.S. agency securities or other high-grade commercial investments. No stock dividends are allowed under the Act until the Board determines that an adequate loss reserve has been funded to back Farmer Mac guarantees.

Guarantees

Farmer Mac provides a guarantee of timely payment of principal and interest on securities backed by qualified loans

FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FARMER MAC)—Continued

or pools of qualified loans. These securities are not guaranteed by the United States, and are not "government securities".

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

REGULATION

Farmer Mac is federally regulated by the FCA's Office of Secondary Market Oversight (OSMO). OSMO is responsible for examination of and rulemaking for Farmer Mac, including the establishment of risk-based capital requirements by regulation. On November 12, 1999, FCA published a notice of proposed rulemaking, stress test, and a request for public comments. Comments were due June 12, 2000. After considering the comments, the FCA Board adopted final risk-based capital rule and stress test on February 21, 2001. The 1996 amendments to the Farmer Mac title expanded FCA's regulatory authority to include provisions for establishing a conservatorship or receivership, if necessary, and provided for increased levels of core capital phased in over three years.

Status of Guaranteed Loans (in millions of dollars)

Identification code 99–4180–0–3–351		2000 actual	2001 est.	2002 est.
2131	Guaranteed loan commitments	2,077	2,597	2,306
2150	Total guaranteed loan commitments	2,077	2,597	2,306
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	2,057	3,318	4,894
2231	Disbursements of new guaranteed loans	2,077	2,597	2,306
2251	Repayments and prepayments	−816	−1,021	−1,200
2290	Outstanding, end of year	3,318	4,894	6,000
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	3,318	4,894	6,000

Statement of Operations (in millions of dollars)

Identification code 99–4180–0–3–351		1999 actual	2000 actual	2001 est.	2002 est.
	Revenue:				
0101	Net Interest Income	14	18	22	25
0101	Guarantee Fee Income	6	8	10	12
0101	Gain on Security Issuance				
0102	Expense	–14	–18	–23	–27
0105	Net income or loss (–)	6	8	9	10
0199	Total comprehensive income	6	9	9	10

Balance Sheet (in millions of dollars)

Identification code 99–4180–0–3–351		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
1201	Investment in securities	853	853	853	853
1206	Receivables, net	3	3	4	4
1207	Advances and prepayments	12	15	18	18
	Net value of assets related to direct loans receivable:				
1401	Direct loans receivable, gross	1,278	1,598	1,998	2,198
1402	Interest receivable	30	37	46	55
1499	Net present value of assets related to direct loans	1,308	1,635	2,044	2,253
1801	Cash and other monetary assets	506	476	89	100
1999	Total assets	2,682	2,982	3,008	3,228
	LIABILITIES:				
2201	Accounts payable	4	4	6	7
2202	Interest payable	12	15	18	21
2203	Debt	2,573	2,861	2,870	3,074
2204	Liabilities for loan guarantees	6	7	9	11
2999	Total liabilities	2,595	2,887	2,903	3,113
	NET POSITION:				
3300	Invested capital	87	95	105	115
3999	Total net position	87	95	105	115
4999	Total liabilities and net position	2,682	2,982	3,008	3,228

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL HOME LOAN BANKS

Status of Direct Loans (in millions of dollars)

Identification code 99–4200–0–3–371		2000 actual	2001 est.	2002 est.
1131	Direct loan obligations	4,193,965	4,193,965	4,193,965
1150	Total direct loan obligations	4,193,965	4,193,965	4,193,965
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	366,842	444,505	446,727
1231	Disbursements: Direct loan disbursements	4,193,965	4,193,965	4,193,965
1251	Repayments: Repayments and prepayments	–4,116,302	–4,191,743	–4,191,743
1290	Outstanding, end of year	444,505	446,727	448,949

The 12 Federal Home Loan Banks were chartered by the Federal Home Loan Bank Board under the authority of the Federal Home Loan Bank Act of 1932 (the Act). The FHLBanks are under the supervision of the Federal Housing Finance Board. The common mission of the FHLBanks is to facilitate the extension of credit through their members. To accomplish this mission, the FHLBanks make loans, called advances, and provide other credit products and services to their 7,220 member commercial banks, savings associations, insurance companies, and credit unions. Advances and letters of credit must be fully secured by eligible collateral and long-term advances may be made only for the purpose of providing funds for residential housing finance. However, "community financial institutions" may also use long-term advances to finance small businesses, small farms, and small agri-businesses. Additionally, specialized advance programs provide funds for community reinvestment and affordable housing programs. All regulated financial depositories, "community financial institutions," and insurance companies engaged in residential housing finance are eligible for membership. Each FHLBank operates in a geographic district designated by the Board and together the FHLBanks cover all of the United States as well as the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

Advances outstanding on September 30, 2000 totaled approximately $420 billion, a net increase of approximately $65 billion from the September 30, 1998 level of $365 billion.

The principal source of funds for the lending operation is the sale of consolidated obligations to the public. On September 30, 2000, $577 billion of these obligations were outstanding. The consolidated obligations are not guaranteed by the U.S. Government as to principal or interest. Other sources of lendable funds include members' deposits and capital. Deposits totaled $14 billion and total capital amounted to $31 billion as of September 30, 2000. Funds not immediately needed for advances to members are invested.

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

The operating expenses of the FHLBanks are paid from their own income and are not included in the budget of the United States. Included in these expenses are the assessments by the Finance Board to cover its administrative and other costs. The Finance Board's budget and expenditures, however, are included in the budget of the United States.

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

The forecast data for 2001 and 2002 contained in this material represents estimates and should not be construed as an official forecast of the FHLBanks System's future position.

Statement of Operations (in millions of dollars)

Identification code 99–4200–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
0101	Revenue	24,596	36,461	36,461	36,461
0102	Expense (excludes payments to REFCORP)	–22,553	–34,239	–34,239	–34,239
0105	Net income or loss (–)	2,043	2,222	2,222	2,222

Balance Sheet (in millions of dollars)

Identification code 99–4200–0–3–371		1999 actual	2000 actual	2001 est.	2002 est.
	ASSETS:				
	Investments in US securities:				
1102	Treasury securities, net	233	232	232	232
1201	Investments in other securities, net	155,471	177,913	177,913	177,913
1206	Accounts receivable	8,057	10,583	10,583	10,583
1401	Net value of assets related to direct loans receivable: Direct loans receivable, gross	366,842	444,505	446,727	448,949
1801	Cash and other monetary assets	399	410	410	410
1803	Property, plant and equipment, net	88	119	119	119
1901	Other assets	261	204	204	204
1999	Total assets	531,351	633,966	636,188	638,410
	LIABILITIES:				
2101	REFCORP and Affordable Housing Program	580	737	737	737
2201	Accounts payable	59	91	91	91
2202	Interest payable	8,709	11,016	11,016	11,016
2203	Debt	477,472	577,057	577,057	577,057
	Other:				
2207	Deposit funds and other borrowings	16,147	869	869	869
2207	Other	1,452	13,617	13,617	13,617
2999	Total liabilities	504,419	603,387	603,387	603,387
	NET POSITION:				
3100	Invested capital	26,932	30,579	32,801	35,023
3999	Total net position	26,932	30,579	32,801	35,023
4999	Total liabilities and net position	531,351	633,966	636,188	638,410