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. They are not included in the Federal budget because they are classified as being private. However, because of their relationship to the Government, 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 provides supplementary assistance to the secondary market for home mortgages. The Federal Home Loan Mortgage Corporation provides a secondary market for mortgage lenders. 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.

—The Banks for Cooperatives, 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.

—The Financing Corporation functions as a financing vehicle for the FSLIC Resolution Fund. It operates under the supervision and control of the Federal Housing Finance Board.

—The Resolution Funding Corporation provided financing for the Resolution Trust Corporation (RTC) and is subject to the general oversight and direction of the Thrift Depositor Protection Oversight Board.

The Board of Governors of the Federal Reserve System is not a Government-sponsored enterprise, but its transactions also are not included in the budget because of its unique status in the conduct of monetary policy. The Board provides data on its administrative budget on a calendar year basis, which is included here for information. Its budget schedules and statements are not subject to review by the President.

DEPARTMENT OF EDUCATION

Student Loan Marketing Association

Status of Direct Loans (in millions of dollars)

Identification code 99–1500–0–3–502		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans			
1131	Direct loan obligations exempt from limitation	8,310	8,295	8,766
1150	Total direct loan obligations	8,310	8,295	8,766
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	34,259	29,468	26,048
1231	Disbursements: Direct loan disbursements	8,310	8,295	8,766
	Repayments:			
1251	Repayments and prepayments	−4,951	−2,873	−2,695
1252	Proceeds from loan asset sales to the public or discounted	−8,348	−9,000	−12,000
1264	Write-offs for default: Other adjustments, net	198	158	142
1290	Outstanding, end of year	29,468	26,048	20,261

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 SLM Holding Corporation and must wind down and be liquidated by September 30, 2008. Under legislation passed in 1998, if SLM Holding Corporation 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 8, 1997.

STUDENT LOAN MARKETING ASSOCIATION—Continued

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

ANNUAL LOAN ACTIVITY

[In millions of dollars]

Guaranteed student loans:	1998 actual	1999 est.	2000 est.
Stafford (formerly ''regular''):			
Purchased	6,182	6,921	7,314
Warehoused	896		
PLUS/SLS: Purchased	573	642	678
Subtotal, Guaranteed student loans	7,651	7,563	7,992
Health professions loans: Purchased			
Other	659	732	774
Total	8,310	8,296	8,766

Financing.—The GSE is financed by borrowing in the private debt markets and securitizing its assets. Its debt obligations today have certain characteristics, provided by charter, which give them ''agency'' status, but they are not federally insured or guaranteed. The GSE must wind down and be liquidated by September 30, 2008. All obligations of the GSE remaining upon liquidation must be placed into a defeasance trust. The GSE's outstanding adjustable rate cumulative preferred stock is required to be redeemed prior to such date.

Note.—The Sallie Mae Board of Directors does not consider it appropriate to forecast corporate revenue in a public document since such forecasts could be used for speculative purposes.

Statement of Operations (in millions of dollars)

Identification code 99–1500–0–3–502		1997 actual	1998 actual	1999 est.	2000 est.
0101	Revenue	3,808	3,116		
0102	Expense	–3,300	–2,595		
0109	Net income	508	521		

Balance Sheet (in millions of dollars)

Identification code 99–1500–0–3–502		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
	Federal assets:				
	Investments in US securities:				
1102	Treasury securities, par	1,382	1,404	1,432	1,461
1104	Agency securities, par				
1106	Receivables, net	773	669	468	328
	Non-Federal assets:				
1201	Investments in non-Federal securities, net	5,318	2,728	999	1,089
1206	Receivables, net	436	706	918	1,193
1207	Advances and prepayments	19	15	16	17
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	34,384	29,586	26,152	20,342
1603	Allowance for estimated uncollectible loans and interest (–)	–125	–118	–104	–81
1699	Value of assets related to direct loans	34,259	29,468	26,048	20,261
	Other Federal assets:				
1801	Cash and other monetary assets	91	50	52	55
1803	Property, plant and equipment, net	211	182	191	201
1901	Other assets	572	358	376	395
1999	Total assets	43,061	35,580	30,500	25,000
	LIABILITIES:				
	Non-Federal liabilities:				
2202	Interest payable	468	300	270	243
2203	Debt	40,230	33,517	28,527	23,143
2207	Other	1,110	883	928	974
2999	Total liabilities	41,808	34,700	29,725	24,360
	NET POSITION:				
3200	Invested capital	1,253	880	775	640
3999	Total net position	1,253	880	775	640
4999	Total liabilities and net position	43,061	35,580	30,500	25,000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL NATIONAL MORTGAGE ASSOCIATION PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–2500–0–3–371		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	144,627	153,329	106,720
1150	Total direct loan obligations	144,627	153,329	106,720
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	321,711	393,210	494,022
	Disbursements:			
1231	Direct loan disbursements	136,759	159,075	106,308
1232	Purchase of loans assets from the public	5,420	376	336
1251	Repayments: Repayments and prepayments	−68,683	−58,639	−51,008
1264	Write-offs for default: Other adjustments, net	−1,997		
1290	Outstanding, end of year	393,210	494,022	549,658

The Federal National Mortgage Association, (Fannie Mae) is a federally-chartered, privately-owned company with a public mission to play a leadership role in mortgage finance, to improve the liquidity of the residential mortgage market and increase the availability of mortgage credit to low-and moderate income families and areas underserved by private lending institutions. 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, 1998, Fannie Mae held a net mortgage portfolio totaling $376 billion and had net outstanding guaranteed mortgage-backed securities of over $626 billion. Fannie Mae's portfolio purchases and MBS finance about one of every five mortgages in the country.

Through a federal charter, Congress has equipped Fannie Mae with certain attributes to help it carry out its public mission and help lower the cost of homeownership for low-, moderate-, and middle-income homebuyers. These include an exemption from state and local taxes (except real property taxes), an exemption of its debt and mortgage securities from Securities and Exchange Commission registration requirements, and potential access to U.S. Treasury funds. Fannie Mae's charter also prohibits the imposition of user fees. Fannie Mae pays federal income tax; its earnings as of third quarter suggest the company will pay approximately $1.4 billion for 1998. 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, if 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.''

Fannie Mae's primary customers are low-, moderate-, and middle-income families. In March of 1994, the company established its ''$1 Trillion Commitment'' to provide mortgage financing for low- and moderate-income families in underserved markets, and passed the two-thirds mark in 1998. The company's 33 Partnership Offices have delivered $75 billion in targeted investments by tailoring Fannie Mae's products and services to meet the unique needs of the communities in which they are located. In addition, the company's automated underwriting system (Desktop Underwriter) has processed over 2 million loans, greatly speeding the approval process.

On December 1, 1995, the U.S. Department of Housing and Urban Development issued a final rule that sets the levels of the affordable housing goals for 1996–1999 and establishes 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 target is 42 percent; the underserved area goal is 24 percent for the 1997–1999 period. In addition, the special affordable housing goal requires the corporation to target 14 percent of its conventional mortgage business in 1997–1999 to very low-income families or low-income families in low-income areas; those amounts must include qualifying special affordable purchases on multifamily units totaling not less than $1.29 billion for each year. Fannie Mae exceeded its housing goals in each year since 1994 and expects to meet or exceed all of its goals for 1998.

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 amount to cover management and operations risk. Total capital (shareholder's equity plus allowance for loan losses) at the end of September 1998 was $15.6 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.

Fannie Mae has pursued its housing mission vigorously and productively while continuing to maintain its financial strength. It provides liquidity and stability to the mortgage market. It also passes on reduced mortgage interest rates to homebuyers—according to some studies between 25 and 50 basis points. Meanwhile, Fannie Mae has remained profitable. Through the third quarter of 1998, it earned $2.53 billion.

The forecast data contained in this material has been developed based on certain general economic assumptions prevalent in the third quarter of 1998 and should not be construed as an official forecast for Fannie Mae.

Income and retained earnings for the years ended September 30, 1997 and 1998 follow (in thousands of dollars):

	1997 actual	*1998 actual*
Gross revenue	27,065,400	30,510,100
Gross expenses	22,931,500	25,885,200
Income before Federal income tax	4,133,900	4,624,900
Federal income tax	1,225,000	1,365,800
Net income	2,908,900	3,259,100
Retained earnings, beginning of year	10,721,700	12,766,100
Dividends on common stock	864,500	960,600
Retained earnings, end of year	12,766,100	15,064,600

Balance Sheet (in millions of dollars)

Identification code 99–2500–0–3–371		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
	Federal assets:				
1101	Fund balances with Treasury	124	19		
	Investments in US securities:				
1102	Treasury securities, par	26	123		
1104	Other	64,364	68,714	68,005	75,353
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Public: direct loans (net of discount)	294,402	362,478	439,757	491,632
1602	Federal Agencies	12,635	13,854	3,751	3,522
1603	Allowance for estimated uncollectible loans and interest (–)	–281	–254	–249	–240
1699	Value of assets related to direct loans	306,756	376,078	443,259	494,914
	Other Federal assets:				
1801	Cash and other monetary assets	7,750	9,974	8,988	8,197
1803	Property, plant and equipment, net	205	191		
1999	Total assets	379,225	455,099	520,252	578,464
	LIABILITIES:				
	Federal liabilities:				
2101	Accounts payable	511	400		
2102	Accrued interest payable	4,622	5,544	6,800	7,452
2105	Other	9	8		
	Non-Federal liabilities:				
2203	Debt	358,003	430,582	494,356	550,366
2204	Estimated Federal liability for loan guarantees, credit reform	2,330	3,135	2,466	2,224
2206	Pension and other actuarial liabilities	202	225		
2207	Subtotal, Federal taxes payable	190	353		
2999	Total liabilities	365,867	440,247	503,622	560,042
	NET POSITION:				
3300	Cumulative results of operations	12,765	15,065	17,611	20,326
3600	Change In Stockholder Equity	593	–213	–981	–1,905
3999	Total net position	13,358	14,852	16,630	18,421
4999	Total liabilities and net position	379,225	455,099	520,252	578,463

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–2501–0–3–371		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	89,534	346,794	204,271
1150	Total direct loan obligations	89,534	346,794	204,271
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	690,919	798,460	923,520

FEDERAL NATIONAL MORTGAGE ASSOCIATION PORTFOLIO PROGRAMS—Continued

MORTGAGE-BACKED SECURITIES—Continued

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

Identification code 99–2501–0–3–371		1998 actual	1999 est.	2000 est.
1231	Disbursements: Direct loan disbursements	275,533	346,794	204,271
1251	Repayments: Repayments and prepayments	−167,992	−221,734	−129,853
1290	Outstanding, end of year	798,460	923,520	997,938

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 forecast data contained in this material has been developed based on certain general economic assumptions prevalent in the third quarter of 1998 and should not be construed as an official forecast of the Corporation's position.

Balance Sheet (in millions of dollars)

Identification code 99–2501–0–3–371		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	691,438	799,006	924,049	998,433
1603	Allowance for estimated uncollectible loans and interest (–)	–519	–546	–529	–495
1699	Value of assets related to direct loans	690,919	798,460	923,520	997,938
1999	Total assets	690,919	798,460	923,520	997,938
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	690,919	798,460	923,520	997,938
2999	Total liabilities	690,919	798,460	923,520	997,938

FEDERAL HOME LOAN MORTGAGE CORPORATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–4420–0–3–371		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	100,869	49,000	45,000
1150	Total direct loan obligations	100,869	49,000	45,000
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	157,165	216,522	236,522
1231	Disbursements: Direct loan disbursements	100,869	49,000	45,000
1251	Repayments: Repayments and prepayments	−41,512	−29,000	−25,000
1290	Outstanding, end of year	216,522	236,522	256,522

Federal Home Loan Mortgage Corporation (Freddie Mac), is a federally-charted, private shareholder-owned 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. At the end of 1997, Freddie Mac held a net mortgage portfolio totaling nearly $164 billion and had outstanding guaranteed mortgage-backed securities of more than $579 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), an exemption for their debt and mortgage securities from SEC filing registration requirements, and a potential limited access to U.S. Treasury funds. Freddie Mac does pay federal income tax, however, and 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 served 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 nonvoting, 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 in central cities, rural areas, and other underserved areas. On December 1, 1995, the U.S. Department of Housing and Urban Development (HUD) issued a final rule that sets the levels of the goals for 1996–1999 and establishes 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, 40 percent meet the low- and moderate-income goal in 1996 and 42 percent in each of 1997, 1998, and 1999; 21 percent meet the special affordable goal in 1996 and 24 percent in each of 1997, 1998 and 1999; and 12 percent meet the special affordable goals in 1996 and 14 percent in each of 1997, 1998 and 1999, including at least $988 million in qualifying multifamily mortgage purchases in each year from 1996 through 1999.

In 1997, Freddie Mac met the low- and moderate-income goal of 42 percent with purchases of 42.9 percent, the underserved area goal of 24 percent with purchases of 26.3 percent, the special affordable goal of 14 percent with purchases of 15.3 percent, and the multifamily portion of the special affordable goal of $988 million with purchases of more than $1 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.

Meanwhile, Freddie Mac has remained profitable. Freddie Mac recorded net income of $1.395 billion in 1997. While accepting and managing higher interest rate risk, Freddie Mac has expanded its investments in retained mortgages from only $34 billion in 1992 to nearly $138 billion at the end of 1996 in an effort to generate higher overall returns.

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		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
1101	Federal assets: Fund balances with Treasury	....	....	....	....
	Non-Federal assets:				
1201	Investments in non-Federal securities, net	713	4,508	4,508	4,508
1206	Receivables, net	9,004	13,404	19,581	28,200
1207	Advances and prepayments	482	255	139	81
	Other Federal assets:				
1801	Cash and other monetary assets	5,992	7,695	9,882	12,691
1802	Inventories and related properties	157,165	216,522	236,522	256,522
1803	Property, plant and equipment, net	869	964	1,166	1,430
1901	Other assets	10,050	19,908	19,908	19,908
1999	Total assets	184,275	263,256	291,706	323,340
	LIABILITIES:				
2101	Federal liabilities: Accounts payable	84	1	....	....
	Non-Federal liabilities:				
2201	Accounts payable	856	811	768	727
2202	Interest payable	1,719	1,543	1,385	1,243
2203	Debt	160,051	232,994	252,994	272,994
2206	Pension and other actuarial liabilities	7	13	24	44
	Other:				
2207	Accrued payroll and benefits	45	55	67	82
2207	Accrued annual leave (funded or unfunded)	2	1	1	1
2207	Other Liabilities	14,363	18,550	24,398	32,566
2999	Total liabilities	177,127	253,968	279,637	307,657
	NET POSITION:				
3200	Invested capital	7,148	9,288	12,069	15,683
3999	Total net position	7,148	9,288	12,069	15,683
4999	Total liabilities and net position	184,275	263,256	291,706	323,340

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–4440–0–3–371		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	217,539	175,000	169,000
1150	Total direct loan obligations	217,539	175,000	169,000
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	470,015	490,687	512,268
1231	Disbursements: Direct loan disbursements	217,539	175,000	169,000
1251	Repayments: Repayments and prepayments	−196,867	−153,419	−146,470
1290	Outstanding, end of year	490,687	512,268	534,798

Balance Sheet (in millions of dollars)

Identification code 99–4440–0–3–371		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
1901	Other Federal assets: Underlying Mortgages	470,015	490,687	512,268	534,798
1999	Total assets	470,015	490,687	512,268	534,798
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	470,015	490,687	512,268	534,798
2999	Total liabilities	470,015	490,687	512,268	534,798

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) Banks for Cooperatives (BC), (2) Agricultural Credit Bank (ACB), (3) Farm Credit Banks (FCB), and (4) 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).

Banks for Cooperatives

Status of Direct Loans (in millions of dollars)

Identification code 99–4120–0–3–351		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations exempt from limitation	8,268	7,685	7,432
1150	Total direct loan obligations	8,268	7,685	7,432
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	2,027	1,835	1,852
1231	Disbursements: Direct loan disbursements	8,267	7,171	6,892
1251	Repayments: Repayments and prepayments	−8,449	−7,154	−6,790
1263	Write-offs for default: Direct loans	−10	....	....
1290	Outstanding, end of year	1,835	1,852	1,954

Note.—Direct loan balances exclude nonaccrual loans and sales contracts.

Pursuant to the Agricultural Credit Act of 1987, stockholders in 11 of 13 Banks for Cooperatives voted in 1988 to merge into a single National Bank for Cooperatives. On January 1, 1995, the Springfield Bank for Cooperatives also merged with other entities, as discussed below, to form the first Agricultural Credit Bank. The remaining Cooperative entity, the St. Paul Bank for Cooperatives, 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.) Loans are also made to rural utilities, including telecommunications companies. The financial schedules below reflect the operations of the St. Paul Bank for Cooperatives. Loans are made for both seasonal and long-term needs.

Statement of Operations (in millions of dollars)

Identification code 99–4120–0–3–351		1997 actual	1998 actual	1999 est.	2000 est.
0101	Total interest income	192	177	165	162
0102	Total interest expense	–135	–119	–111	–107
0109	Net interest income	57	58	54	55
0111	Other income	16	12	10	9
0112	Other expenses	–68	–23	–25	–26
0119	Net income	–52	–11	–15	–17
0191	Total revenues	208	189	175	171
0192	Total expenses	–203	–142	–136	–133
0199	Net income or loss	5	47	39	38

Balance Sheet (in millions of dollars)

Identification code 99–4120–0–3–351		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
	Non-Federal assets:				
1201	Cash and investment securities	306	297	323	328
1206	Accrued interest receivable on loans	36	32	37	38
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	2,027	1,836	1,854	1,909
1603	Allowance for estimated uncollectible loans and interest (–)	–64	–54	–55	–56
1699	Value of assets related to direct loans	1,963	1,782	1,799	1,853
1803	Other Federal assets: Property, plant and equipment, net	132	138	94	99
1999	Total assets	2,437	2,249	2,253	2,318
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	23	26	25	28
	Non-Federal liabilities:				
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	2,067	1,826	1,816	1,863
2201	Notes payable and other interest-bearing liabilities	37	52	45	45
2202	Accrued interest payable	21	19	18	17
2999	Total liabilities	2,148	1,923	1,904	1,953
	NET POSITION:				
3300	Cumulative results of operations	290	326	350	364
3999	Total net position	290	326	350	364
4999	Total liabilities and net position	2,438	2,249	2,254	2,317

Note.—Loans to cooperatives include nonaccrual loans and sales contracts.

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

Identification code 99–4120–0–3–351	1997 actual	1998 actual	1999 est.	2000 est.
Beginning balance of net worth	279	290	326	350
Capital stock and participations issued	6	6	5	5
Capital stock and participations retired	....	....	7	17
Surplus retired	....	....	....	....
Net income	6	44	38	38
Cash/Dividends/Patronage Distributions	(1)	(14)	(12)	(12)
Other, net	....	....	....	....
Ending balance of net worth	290	326	350	364

Financing Activities (in millions of dollars)

Identification code 99–4120–0–3–351	1997 actual	1998 actual	1999 est.	2000 est.
Beginning balance of outstanding system obligation	2,336	2,104	1,826	1,816
Consolidated systemwide and other bank bonds issued	2,659	1,582	1,321	1,155
Consolidated systemwide and other bank bonds retired	2,695	1,738	1,306	1,123
Consolidated systemwide notes, net	(196)	(122)	(25)	15
Ending balance of outstanding system obligations	2,104	1,826	1,816	1,863

Agricultural Credit Banks

On January 1, 1995, the National Bank for Cooperatives, the Springfield Bank for Cooperatives, and the Farm Credit Bank of Springfield consolidated to form an Agricultural Credit Bank (ACB), known as 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 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 engages in the same business activities as the St. Paul Bank for Cooperatives 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		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations exempt from limitation	41,710	45,000	50,000
1150	Total direct loan obligations	41,710	45,000	50,000
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	14,961	14,776	15,650
1231	Disbursements: Direct loan disbursements	41,710	45,000	50,000
1251	Repayments: Repayments and prepayments	− 41,893	− 44,121	− 49,098
1263	Write-offs for default: Direct loans	− 2	− 5	− 5
1290	Outstanding, end of year	14,776	15,650	16,547

Statement of Operations (in millions of dollars)

Identification code 99–4130–0–3–351		1997 actual	1998 actual	1999 est.	2000 est.
0101	Total interest income	1,268	1,282	1,288	1,436
0102	Total interest expense	–970	–983	–987	–1,099
0109	Net interest income	298	299	301	337
0111	Other income	23	32	32	26
0112	Other expense	–178	–173	–183	–201
0119	Net income	–155	–141	–151	–175
0191	Total revenues	1,291	1,314	1,320	1,462
0192	Total expenses	–1,148	–1,156	–1,170	–1,300
0199	Net income or loss	143	158	150	162

Balance Sheet (in millions of dollars)

Identification code 99–4130–0–3–351		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
	Non-Federal assets:				
1201	Cash and investment securities	3,452	3,595	3,440	3,350
1206	Accrued interest receivable on loans	170	159	172	188
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	14,962	14,776	15,650	16,608
1603	Allowance for estimated uncollectible loans and interest (–)	–228	–240	–254	–245
1699	Value of assets related to direct loans	14,734	14,536	15,396	16,363
1803	Other Federal assets: Property, plant and equipment, net	124	145	150	129
1999	Total assets	18,480	18,435	19,158	20,030
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	122	179	100	125
	Non-Federal liabilities:				
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	16,469	16,253	17,008	17,853
2201	Notes payable and other interest-bearing liabilities	362	385	400	392
2202	Accrued interest payable	161	167	175	175
2999	Total liabilities	17,114	16,984	17,683	18,545
	NET POSITION:				
3300	Cumulative results of operations	1,366	1,450	1,475	1,485
3999	Total net position	1,366	1,450	1,475	1,485
4999	Total liabilities and net position	18,480	18,434	19,158	20,030

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

Identification code 99–4130–0–3–351	1997 actual	1998 actual	1999 est.	2000 est.
Beginning balance of net worth	1,281	1,365	1,450	1,475
Capital stock and participations issued	....	....	1	....
Capital stock and participations retired	39	42	86	48
Net income	144	156	150	169
Cash/Dividends/Patronage Distributions	(34)	(34)	(40)	(40)
Other, net	13	5	....	....
Ending balance of net worth	1,365	1,450	1,475	1,556

Financing Activities (in millions of dollars)

Identification code 99–4130–0–3–351	1997 actual	1998 actual	1999 est.	2000 est.
Beginning balance of outstanding system obligations	15,946	16,469	16,253	17,008
Consolidated systemwide and other bank bonds issued	7,548	8,104	8,200	8,300
Consolidated systemwide and other bank bonds retired	8,420	9,335	7,845	7,751
Consolidated systemwide notes, net	1,395	1,015	400	500
Ending balance of outstanding system obligations	16,469	16,253	17,008	18,057

FARM CREDIT BANKS

Status of Direct Loans (in millions of dollars)

Identification code 99–4160–0–3–371		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	....	....	....
1131	Direct loan obligations exempt from limitation	36,706	36,951	37,770
1150	Total direct loan obligations	36,706	36,951	37,770
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	40,998	44,061	45,269
1231	Disbursements: Direct loan disbursements	36,673	36,936	37,754
1251	Repayments: Repayments and prepayments	− 33,610	− 35,728	− 36,480
1264	Write-offs for default: Other adjustments, net	....	....	....
1290	Outstanding, end of year	44,061	45,269	46,543

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, 1998 provided funds to 32 Federal Land Credit Associations (FLCA), 64 Production Credit Associations (PCAs), and 57 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, 1998, 40 Federal Land Bank Associations originated and serviced

FARM CREDIT BANKS—Continued

long-term real estate loans for 2 of the 6 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		1997 actual	1998 actual	1999 est.	2000 est.
0101	Total interest income	3,207	3,348	3,274	3,224
0102	Total interest expense	–2,482	–2,652	–2,663	–2,666
0109	Net interest income	725	696	611	558
0111	Other income	53	55	26	36
0112	Other expenses	–304	–279	–264	–234
0119	Net income	–251	–224	–238	–198
0191	Total revenues	3,260	3,403	3,300	3,260
0192	Total expenses	–2,786	–2,931	–2,927	–2,900
0199	Net income or loss	474	472	373	360

Balance Sheet (in millions of dollars)

Identification code 99–4160–0–3–371		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
	Non-Federal assets:				
1201	Cash and investment securities	7,627	8,727	8,590	8,749
1206	Accrued Interest Receivable	781	809	792	795
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	40,998	44,061	45,268	46,542
1603	Allowance for estimated uncollectible loans and interest (–)	–484	–446	–407	–356
1699	Value of assets related to direct loans	40,514	43,615	44,861	46,186
1803	Other Federal assets: Property, plant and equipment, net	613	629	621	618
1999	Total assets	49,535	53,780	54,864	56,348
	LIABILITIES:				
2104	Federal liabilities: Resources payable to Treasury	239	196	240	236
	Non-Federal liabilities:				
	Accounts payable:				
2201	Consolidated systemwide and other bank bonds	43,588	47,714	48,761	50,327
2201	Notes payable and other interest-bearing liabilities	821	901	909	837
2202	Accrued interest payable	483	502	531	543
2999	Total liabilities	45,131	49,313	50,441	51,943
	NET POSITION:				
3300	Cumulative results of operations	4,404	4,467	4,423	4,405
3999	Total net position	4,404	4,467	4,423	4,405
4999	Total liabilities and net position	49,535	53,780	54,864	56,348

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

Identification code 99–4160–0–3–371	1997 actual	1998 actual	1999 est.	2000 est.
Beginning balance of net worth	4,290	4,404	4,467	4,423
Capital stock and participations issued	47	67	36	63
Capital stock and participations retired	55	87	117	176
Net income	474	472	372	362
Cash/Dividends/Patronage Distributions	(365)	(383)	(334)	(270)
Other, net	13	(6)	(1)	3
Ending balance of net worth	4,404	4,467	4,423	4,405

Financing Activities (in millions of dollars)

Identification code 99–4160–0–3–371	1997 actual	1998 actual	1999 est.	2000 est.
Beginning balance of outstanding system obligations	41,941	43,588	47,714	48,761
Consolidated systemwide and other bank bonds issued	41,162	51,216	49,436	50,096
Consolidated systemwide and other bank bonds retired	39,344	48,689	47,930	48,980
Consolidated systemwide notes, net	(171)	1,599	(459)	450
Ending balance of outstanding system obligations	43,588	47,714	48,761	50,327

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

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 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. Increased competition among agricultural lenders, stimulated by access to the secondary market, should result in more favorable rates and terms for agricultural borrowers.

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 comes 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.

The Act provides for the actuarial soundness of the guarantee fee to be reviewed annually by the Comptroller General in a report to Congress. The soundness of the Farmer Mac I program is maintained through the application of multiple procedures. First, all loans are screened against Farmer Mac's credit underwriting and appraisal standards. Second, Farmer Mac assesses annual guarantee fees set at levels determined, with the assistance of computer modeling tools to evaluate Farmer Mac's portfolio under conditions of economic stress, to be adequate for potential risks undertaken. Third, Farmer Mac controls interest rate risk through matched funding and requirement of yield maintenance provisions for mortgages that prepay. Fourth, Farmer Mac's portfolio of loans and guaranteed securities must conform to geographic and commodity diversification standards set by the Board. Fifth, Farmer Mac maintains an allowance for loan losses determined to be adequate to cover anticipated losses. Lastly, Farmer Mac must maintain core and risk based capital as provided in the Act and FCA regulations. In the Farmer Mac II program, the risks are minimal because only the USDA guaranteed portions of loans are purchased and funding is matched to effectively eliminate interest rate risk.

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 or pools of qualified loans. These securities are not guaranteed by the United States, and are not "government securities". The 1996 Act removed requirements that loan originators or other third parties maintain cash reserves or subordinated securities in connection with the issuance of Farmer Mac's guaranteed 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 determination of the stress test to evaluate the adequacy of Farmer Mac's capital and the establishment of risk-based capital requirements after February 1999. 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. As of September 30, 1998, Farmer Mac's total capital exceeds regulatory and statutory requirements. Lastly, during the capital phase-in period the U.S. Treasury and FCA jointly monitor Farmer Mac's financial condition and report to Congress biannually, as requested by Congress in connection with the enactment of the 1996 Act.

Status of Guaranteed Loans (in millions of dollars)

Identification code 99–4180–0–3–351		1998 actual	1999 est.	2000 est.
	Position with respect to appropriations act limitation on commitments:			
2111	Limitation on guaranteed loans made by private lenders	....	....	....
2131	Guaranteed loan commitments exempt from limitation	349	436	545
2150	Total guaranteed loan commitments	349	436	545
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	814	1,048	1,340
2231	Disbursements of new guaranteed loans	349	436	545
2251	Repayments and prepayments	−115	−144	−179
2290	Outstanding, end of year	1,048	1,340	1,706
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	1,048	1,340	1,706

Statement of Operations (in millions of dollars)

Identification code 99–4180–0–3–351		1997 actual	1998 actual	1999 est.	2000 est.
	Revenue:				
0101	Net Interest Income	6	10	12	15
0101	Guarantee Fee Income	2	3	4	5
0101	Gain on Security Issuance	2	2	2	3
0101	Other Income	....	....	....	....
0102	Expense	–7	–9	–11	–14
0109	Net income or loss (–)	3	6	7	9
0199	Net income or loss	3	6	7	9

Balance Sheet (in millions of dollars)

Identification code 99–4180–0–3–351		1997 actual	1998 actual	1999 est.	2000 est.
	ASSETS:				
	Non-Federal assets:				
1201	Investment in securities	647	622	622	622
1206	Receivables, net	3	2	2	2
1207	Advances and prepayments	2	5	7	8
	Net value of assets related to direct loans receivable:				
1401	Direct loans receivable, gross	461	614	768	960
1402	Interest receivable	15	17	21	27
1499	Net present value of assets related to direct loans	476	631	789	987
1801	Other Federal assets: Cash and other monetary assets	246	435	435	435
1999	Total assets	1,374	1,695	1,855	2,054
	LIABILITIES:				
	Non-Federal liabilities:				
2201	Accounts payable	2	8	11	13
2202	Interest payable	8	7	8	11
2203	Debt	1,313	1,598	1,746	1,930
2204	Liabilities for loan guarantees	1	3	3	4
2999	Total liabilities	1,324	1,616	1,768	1,958
	NET POSITION:				
3200	Invested capital	50	79	87	96
3999	Total net position	50	79	87	96
4999	Total liabilities and net position	1,374	1,695	1,855	2,054

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL HOME LOAN BANKS

Status of Direct Loans (in millions of dollars)

Identification code 99–4200–0–3–371	1998 actual	1999 est.	2000 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans			
1131 Direct loan obligations exempt from limitation	952,121	952,121	952,121
1150 Total direct loan obligations	952,121	952,121	952,121
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	181,828	245,647	309,466
1231 Disbursements: Direct loan disbursements	952,121	952,121	952,121
1251 Repayments: Repayments and prepayments	−888,302	−888,302	−888,302
1290 Outstanding, end of year	245,647	309,466	373,285

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 in order to provide access to housing for all Americans and to improve the quality of their communities. To accomplish this mission, the FHLBanks make loans, called advances, and provide other credit products and services to their 6,806 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. Additionally, specialized advance programs provide funds for community reinvestment and affordable housing programs. All regulated financial depositories and insurance companies engaged in residential housing finance are eligible for membership. Each FHLBank operates in a geographic district designated by the Board and together the FHLBanks cover all of the United States as well as the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

Advances outstanding on September 30, 1998 totaled approximately $245.6 billion, a net increase of approximately $63.8 billion from the September 30, 1997 level of $181.8 billion.

The principal source of funds for the lending operation is the sale of consolidated obligations to the public. On September 30, 1998, $336.3 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 $22.7 billion and total capital amounted to $21.1 billion as of September 30, 1998. 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 a minimum of $100 million annually. The Act also requires that the FHLBanks contribute $300 million annually to assist in the payment of interest on bonds issued by the Resolution Funding Corportion.

The forecast data for 1999 and 2000 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	1997 actual	1998 actual	1999 est.	2000 est.
0101 Revenue	17,286	20,408	20,408	20,408
0102 Expense (excludes payments to REFCORP)	–15,799	–18,810	–18,810	–18,810
0109 Net income	1,487	1,598	1,598	1,598

Balance Sheet (in millions of dollars)

Identification code 99–4200–0–3–371	1997 actual	1998 actual	1999 est.	2000 est.
ASSETS:				
Investments in US securities:				
1102 Federal assets: Treasury securities, net	1,739	433	433	433
Non-Federal assets:				
1201 Investments in non-Federal securities, net	135,852	135,167	135,167	135,167
1206 Accounts receivable	4,604	5,944	5,944	5,944
1401 Net value of assets related to direct loans receivable: Direct loans receivable, gross	181,828	246,107	309,466	373,285
Other Federal assets:				
1801 Cash and other monetary assets	457	422	422	422
1803 Property, plant and equipment, net	149	146	146	146
1901 Other assets	304	175	175	175
1999 Total assets	324,933	388,394	451,753	515,572
LIABILITIES:				
2101 Federal liabilities: REFCORP and Affordable Housing Program	439	510	510	510
Non-Federal liabilities:				
2201 Accounts payable	205	165	165	165
2202 Interest payable	4,970	6,427	6,427	6,427
2203 Debt	284,545	336,262	398,023	460,244
Other:				
2207 Deposit funds and other borrowings	15,676	23,550	23,550	23,550
2207 Other	689	354	354	354
2999 Total liabilities	306,524	367,268	429,029	491,250
NET POSITION:				
3200 Invested capital	18,408	21,126	22,724	24,322
3999 Total net position	18,408	21,126	22,724	24,322
4999 Total liabilities and net position	324,933	388,394	451,753	515,572

FINANCING CORPORATION

The Financing Corporation (FICO) is a mixed-ownership government corporation, chartered by the Federal Home Loan Bank Board pursuant to the Federal Savings and Loan Insurance Corporation Recapitalization Act of 1987, as amended (the "Act"). FICO's sole purpose was to function as a financing vehicle for the FSLIC Resolution Fund, formerly the Federal Savings and Loan Insurance Corporation (FSLIC). FICO operates under the supervision and control of the Federal Housing Finance Board (the "Finance Board"). Pursuant to the Act, FICO was authorized to issue debentures, bonds and other obligations subject to limitations contained in the Act, the net proceeds of which were to be used solely to purchase capital certificates issued by the FSLIC Resolution Fund, or to refund any previously issued obligations. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 terminated the FICO's borrowing authority.

The Act provided formulas pursuant to which the Federal Home Loan Banks made capital contributions to FICO at the direction of the Finance Board for the purchase of FICO capital stock. FICO used the proceeds received from the sales of such capital stock to purchase non-interest bearing securities for deposit in a segregated account as required by the Act. The non-interest bearing securities held in the segregated account will be the primary source of repayment of the principal of the FICO obligations. Securities in the segregated account are kept separate from other FICO accounts and funds but are not specifically pledged as collateral for the payment of obligations. The primary source of payment of interest on the obligations is the receipt of assessments imposed on and collected from institutions' accounts which are insured by the Bank Insurance Fund (the "BIF") and the Savings Association Insurance Fund (the "SAIF").

Statement of Operations (in millions of dollars)

Identification code 99–4033–0–3–373	1997 actual	1998 actual	1999 est.	2000 est.
0101 Revenue	915	926	938	951
0102 Expense	–795	–795	–795	–795
0109 Net income	120	131	143	156

Balance Sheet (in millions of dollars)

Identification code 99–4033–0–3–373	1997 actual	1998 actual	1999 est.	2000 est.
ASSETS:				
Investments in US securities:				
1102 Federal assets: Segregated accounts investment, net	1,475	1,606	1,749	1,905
Other Federal assets:				
1801 Cash, cash equivalents, and interest receivable	266	266	266	266
1901 Other assets	12	11	11	10
1999 Total assets	1,753	1,884	2,026	2,181
LIABILITIES:				
Non-Federal liabilities:				
2202 Interest payable	236	236	236	236
2203 Debt	8,144	8,145	8,146	8,147
2207 Other	69	67	65	63
2999 Total liabilities	8,449	8,447	8,447	8,446
NET POSITION:				
3100 FICO capital stock purchased by FHLBanks	680	680	680	680
Invested capital:				
3200 FSLIC capital certificates	–7,568	–7,568	–7,568	–7,568
3200 FSLIC nonvoting capital stock	–603	–602	–602	–602
3300 Cumulative results of operations	796	927	1,069	1,225
3999 Total net position	–6,695	–6,563	–6,421	–6,265
4999 Total liabilities and net position	1,754	1,884	2,026	2,181

Resolution Funding Corporation

The Resolution Funding Corporation (the "REFCORP") is a mixed-ownership government corporation established by Title V of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The sole purpose of REFCORP was to provide financing for the Resolution Trust Corporation (the "RTC"). Pursuant to FIRREA, REFCORP was authorized to issue debentures, bonds, and other obligations, subject to limitations contained in the Act and regulations established by the Thrift Depositor Protection Oversight Board. The proceeds of the debt (less any discount, plus any premium, net of issuance cost) were used solely to purchase nonredeemable capital certificates of the RTC or to refund any previously issued obligations.

Until October 29, 1998, REFCORP was subject to the general oversight and direction of the Thrift Depositor Protection Oversight Board. At that time, the Oversight Board was abolished and its authority and duties were transferred to the Secretary of the Treasury. The day-to-day operations of REFCORP are under the management of a three-member Directorate comprised of the Director of the Office of Finance of the Federal Home Loan Banks and two members selected from among the presidents of the twelve Federal Home Loan Banks ("the FHLBanks"). Members of the Directorate serve without compensation, and REFCORP is not permitted to have any paid employees.

FIRREA and the regulations adopted by the Thrift Depositor Protection Oversight Board and the Secretary of the Treasury provide formulas pursuant to which the Federal Home Loan Banks made capital contributions to REFCORP's Principal Fund and continue to make interest payments on outstanding REFCORP obligations. FIRREA also provides that the U.S. Treasury cover any interest shortfall. Funds designated for the Principal Funds were used to purchase zero-coupon bonds. The zero-coupon bonds will be held in the Principal Fund and are the primary source of repayment of the principal of the obligations at maturity.

Statement of Operations (in millions of dollars)

Identification code 99–4029–0–3–373	1997 actual	1998 actual	1999 est.	2000 est.
0101 Revenue	2,940	2,965	2,995	3,025
0102 Expense	–2,626	–2,626	–2,626	–2,626
0109 Net income	314	339	369	399

Balance Sheet (in millions of dollars)

Identification code 99–4029–0–3–373	1997 actual	1998 actual	1999 est.	2000 est.
ASSETS:				
Investments in US securities:				
1102 Federal assets: Principal fund account investment, net	4,168	4,504	4,868	5,263
1206 Non-Federal assets: Assessments receivable for interest expense	888	888	881	881
1999 Total assets	5,056	5,393	5,750	6,144
LIABILITIES:				
Non-Federal liabilities:				
2202 Accrued interest payable on long-term obligations	888	888	881	881
2203 Debt	30,072	30,069	30,067	30,065
2999 Total liabilities	30,960	30,957	30,948	30,945
NET POSITION:				
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513	2,513	2,513
Invested capital:				
3200 RTC nonredeemable capital certificates	–31,286	–31,286	–31,286	–31,286
3200 Contributed capital—principal fund assessments	1,057	1,056	1,056	1,056
3300 Cumulative results of operations	1,813	2,153	2,519	2,916
3999 Total net position	–25,903	–25,564	–25,198	–24,801
4999 Total liabilities and net position	5,057	5,393	5,750	6,144

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 99–4450–0–3–803	1997 actual	1998 est.	1999 est.
Obligations by program activity:			
09.01 Monetary and economic policy	75	82	84
09.02 Services to financial institutions and the public	4	4	4
09.03 Supervision and regulation of financial institutions	67	71	73
09.04 System policy direction and oversight	33	34	35
09.09 Subtotal: Board operating expenses	179	191	196
09.10 Office of Inspector General operating expenses	3	3	3
10.00 Total new obligations	182	194	199
Budgetary resources available for obligation:			
22.00 New budget authority (gross)	182	194	199

Program and Financing (in millions of dollars)—Continued

Identification code 99–4450–0–3–803	1997 actual	1998 est.	1999 est.
23.95 Total new obligations	−182	−194	−199
New budget authority (gross), detail:			
68.00 Spending authority from offsetting collections (gross): Offsetting collections (cash)	182	194	199
Change in unpaid obligations:			
72.40 Unpaid obligations, start of year: Obligated balance, start of year	26	26	26
73.10 Total new obligations	182	194	199
73.20 Total outlays (gross)	−182	−194	−199
74.40 Unpaid obligations, end of year: Obligated balance, end of year	26	26	26
Outlays (gross), detail:			
86.97 Outlays from new permanent authority	166	179	184
86.98 Outlays from permanent balances	16	15	15
87.00 Total outlays (gross)	182	194	199
Offsets:			
Against gross budget authority and outlays:			
88.40 Offsetting collections (cash) from: Non-Federal sources	−182	−194	−199
Net budget authority and outlays:			
89.00 Budget authority			
90.00 Outlays			

The figures presented may differ from other Board financial material because they are prepared in accordance with OMB guidelines which vary from the Board's budget and accounting procedures.

The Federal Reserve System operates under the provisions of the Federal Reserve Act of 1913, as amended, and other acts of Congress.

Program.—To carry out its responsibilities under the Act, the Board determines general monetary, credit, and operating policies for the System as a whole and formulates the rules and regulations necessary to carry out the purposes of the Federal Reserve Act. The Board's principal duties consist of exerting an influence over credit conditions and supervising the Federal Reserve banks and member banks.

Financing.—Under the provisions of section 10 of the Federal Reserve Act, the Board of Governors levies upon the Federal Reserve banks, in proportion to their capital and surplus, an assessment sufficient to pay its estimated expenses. The Board, under the Act, determines and prescribes the manner in which its obligations are incurred and its expenses paid. Funds derived from assessments are deposited in the Federal Reserve Bank of Richmond, and the Act provides that such funds "shall not be construed to be Government funds or appropriated moneys." No Government appropriation is required to support operations of the Board.

The information presented pertains to Board operations only. Expenditures made on behalf of the Federal Reserve banks for production, issuance, retirement, and shipment of Federal Reserve notes are not included, since they are reimbursed in full by the Federal Reserve banks.

Object Classification (in millions of dollars)

Identification code 99–4450–0–3–803	1997 actual	1998 est.	1999 est.
Reimbursable obligations:			
Personnel compensation:			
11.1 Full-time permanent	103	107	111
11.3 Other than full-time permanent	2	2	2
11.5 Other personnel compensation	2	2	2
11.9 Total personnel compensation	107	111	115
12.1 Civilian personnel benefits	19	16	17
21.0 Travel and transportation of persons	4	5	5
23.3 Communications, utilities, and miscellaneous charges	10	10	10
24.0 Printing and reproduction	3	3	3
25.1 Advisory and assistance services	2	2	2
25.2 Other services	15	21	26
26.0 Supplies and materials	6	8	8
31.0 Equipment	13	15	10
99.0 Subtotal, reimbursable obligations	179	191	196
25.2 Allocation Account: Other services	3	3	3
99.9 Total new obligations	182	194	199