GOVERNMENT-SPONSORED ENTERPRISES

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

—The Student Loan Marketing Association 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.

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

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

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

STUDENT LOAN MARKETING ASSOCIATION

STUDENT LOAN MARKETING ASSOCIATION

Status of Direct Loans (in millions of dollars)

Identification code 99–1500–0–3–502		2003 actual	2004 est.	2005 est.
1131	Direct loan obligations	14,146		
1150	Total direct loan obligations	14,146		
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	41,932		
1231	Disbursements: Direct loan disbursements	14,146		
	Repayments:			
1251	Repayments and prepayments	−1,889		
1252	Proceeds from loan asset sales or discounted	−26,266		
1264	Write-offs for default: Other adjustments, net			
1290	Outstanding, end of year	27,923		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

The Student Loan Marketing Association (Sallie Mae) was created as a shareholder-owned government sponsored enterprise (GSE) by the Education Amendments of 1972 to expand funds available for student loans by providing liquidity to lenders engaged in the Federal Family Education Loan Program (FFELP), formerly the guaranteed student loan program (GSLP). Sallie Mae was reorganized in 1997 pursuant to the authority granted by the Student Loan Marketing Association Reorganization Act of 1996. Under the Reorganization Act, the GSE became a wholly owned subsidiary of SLM Corporation and must wind down and be liquidated by September 30, 2008. In January 2002, the GSE's board of directors announced that it expects to complete the dissolution of the GSE by September 30, 2006. Under legislation passed in 1998, if SLM Corporation (then named 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. The GSE is authorized, at the request of Federal officials, to make insured loans directly to students as a lender of last resort. 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. As described below, however, many of these activities are limited or precluded under the privatization legislation.

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]

	2003 actual	2004 est.	2005 est.
Guaranteed student loans:			
Stafford:			
Purchased	8,864	7,178	1,238
Warehoused	253	—	—
PLUS/SLS: Purchased	919	885	153
Subtotal, Guaranteed student loans	10,036	8,063	1,391
Other	4,110	4,845	836
Total	14,146	12,908	2,227

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 although the GSE has announced that it expects to complete the wind-down and liquidation two years earlier. All obligations of the GSE remaining upon liquidation must be placed into a defea-

STUDENT LOAN MARKETING ASSOCIATION—Continued

sance trust. The GSE's outstanding adjustable rate cumulative preferred stock, which was required to be redeemed prior to such date was redeemed on December 10, 2001.

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.

Balance Sheet (in millions of dollars)

Identification code 99–1500–0–3–502		2002 actual	2003 actual	2004 est.	2005 est.
	ASSETS:				
	Investments in US securities:				
1102	Treasury securities, par	1,727	1,731		
1104	Agency securities, par				
1106	Receivables, net	953	429		
1201	Investments in other securities, net	2,442	1,408		
1206	Receivables, net	1,865	29		
1207	Advances and prepayments	58	9		
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	42,094	27,971		
1603	Allowance for estimated uncollectible loans and interest (–)	–162	–48		
1699	Value of assets related to direct loans	41,932	27,923		
1801	Cash and other monetary assets	70	12		
1803	Property, plant and equipment, net *				
1901	Other assets	524	224		
1999	Total assets	49,571	31,765		
	LIABILITIES:				
2202	Interest payable	311	265		
2203	Debt	45,720	26,821		
2207	Other	1,633	2,331		
2999	Total liabilities	47,664	29,417		
	NET POSITION:				
3300	Invested Capital	1,907	2,348		
3999	Total net position	1,907	2,348		
4999	Total liabilities and net position	49,571	31,765		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

* In the first quarter of 2001, in accordance with the Privatization Act, the GSE transferred substantially all of its fixed assets and real estate to certain private non-GSE entities in USA education.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

PORTFOLIO PROGRAMS

Status of Direct Loans (in millions of dollars)

Identification code 99–2500–0–3–371		2003 actual	2004 est.	2005 est.
1131	Direct loan obligations	627,557		
1150	Total direct loan obligations	627,557		
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	759,733		
	Disbursements:			
1231	Direct loan disbursements	656,912		
1232	Purchase of loans assets	5,512		
1251	Repayments: Repayments and prepayments	−493,141		
1264	Write-offs for default: Other adjustments, net	−6,344		
1290	Outstanding, end of year	922,672		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

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

As a housing GSE, Fannie Mae is a federally-chartered, privately-owned company with a public mission to provide stability and to increase the liquidity of the residential mortgage market and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. In carrying out its mission, Fannie Mae engages primarily in two forms of business: investing in portfolios of residential mortgages and guaranteeing residential mortgage securities. As of September 30, 2003, Fannie Mae held a net mortgage portfolio totaling $917 billion and had net outstanding guaranteed mortgage-backed securities of $1,211 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."

Balance Sheet (in millions of dollars)

Identification code 99–2500–0–3–371		2002 actual	2003 actual	2004 est.	2005 est.
	ASSETS:				
1101	Fund balances	10	46		
	Investments in US securities:				
1102	Treasury securities, par	1,600	1,150		
1104	Other	51,758	51,525		
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans (net of discount)	728,723	902,445		
1602	Federal Agencies	29,428	18,813		
1603	Allowance for estimated uncollectible loans and interest (–)	–220	–86		
1699	Value of assets related to direct loans	757,931	921,172		
1801	Cash and other monetary assets	26,141	45,003		
1803	Property, plant and equipment, net	271	275		
1999	Total assets	837,711	1,019,171		
	LIABILITIES:				
2101	Accounts payable	702	1,449		
2102	Accrued interest payable	9,248	9,139		
2105	Other	16	18		
2203	Debt	800,255	975,734		
2204	Estimated liability for loan guarantees	12,081	15,602		
2206	Pension and other actuarial liabilities	444	487		
2207	Subtotal, Federal taxes payable	1	–782		
2999	Total liabilities	822,747	1,001,647		
	NET POSITION:				
3300	Cumulative results of operations	28,779	49,425		
3300	Change in Stockholder Equity	–13,815	–31,901		
3999	Total net position	14,964	17,524		
4999	Total liabilities and net position	837,711	1,019,171		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–2501–0–3–371		2003 actual	2004 est.	2005 est.
1131	Direct loan obligations	1,255,963		
1150	Total direct loan obligations	1,255,963		
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	1,458,945		
1231	Disbursements: Direct loan disbursements	1,255,963		
1251	Repayments: Repayments and prepayments	− 913,380		
1290	Outstanding, end of year	1,801,528		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

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

Balance Sheet (in millions of dollars)

Identification code 99–2501–0–3–371		2002 actual	2003 actual	2004 est.	2005 est.
	ASSETS:				
	Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601	Direct loans, gross	1,459,533	1,802,241		
1603	Allowance for estimated uncollectible loans and interest (–)	–588	–713		
1699	Value of assets related to direct loans	1,458,945	1,801,528		
1999	Total assets	1,458,945	1,801,528		
	LIABILITIES:				
2104	Resources payable	1,458,945	1,801,528		
2999	Total liabilities	1,458,945	1,801,528		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Portfolio Programs

Status of Direct Loans (in millions of dollars)

Identification code 99–4420–0–3–371		2003 actual	2004 est.	2005 est.
1131	Direct loan obligations			
1150	Total direct loan obligations			
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year			
1231	Disbursements: Direct loan disbursements			
1251	Repayments: Repayments and prepayments			
1290	Outstanding, end of year			

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

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

As a housing GSE, Freddie Mac is a federally-charted, shareholder-owned, private company with a public mission to provide stability and increase the liquidity of the residential mortgage market, and to help increase the availability of mortgage credit to low- and moderate-income families and in underserved areas. In carrying out its mission, Freddie Mac engages primarily in two forms of business: investing in portfolios of residential mortgages and guaranteeing residential mortgage securities.

Through a federal charter, Congress has equipped Freddie Mac with certain advantages over wholly private firms in carrying out these activities. These advantages include an exemption from state and local taxes (except real property taxes), and an exemption for its debt and mortgage securities from 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 private shareholders is fully transferable, and trades on the New York and Pacific stock exchanges.

PORTFOLIO PROGRAMS—Continued

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.

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

Financial data for Freddie Mac is not presented here because the company has not yet reported financial results for 2003. In addition, on November 21, 2003, Freddie Mac announced the results of its restatement of previously issued consolidated financial statements for the years 2000 and 2001 and the first three quarters of 2002 and the revision of fourth quarter and full-year consolidated financial statements for 2002 (collectively referred to as the "restatement"). This restatement has changed the data provided last year in the 2004 Budget. Restated data for 2002 has not yet been audited.

Balance Sheet (in millions of dollars)

Identification code 99–4420–0–3–371	2002 actual	2003 actual	2004 est.	2005 est.
ASSETS:				
1201 Investments in other securities, net				
1206 Receivables, net				
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Retained mortgage inventory				
1603 Allowances (–)				
1699 Value of assets related to direct loans				
1801 Cash and other monetary assets				
1803 Property, plant and equipment, net				
1901 Other assets				
1999 Total assets				
LIABILITIES:				
2101 Accounts payable				
2202 Interest payable				
2203 Debt				
2207 Other Liabilities				
2999 Total liabilities				
NET POSITION:				
3100 Invested capital				
3999 Total net position				
4999 Total liabilities and net position				

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

MORTGAGE-BACKED SECURITIES

Status of Direct Loans (in millions of dollars)

Identification code 99–4440–0–3–371	2003 actual	2004 est.	2005 est.
1131 Direct loan obligations			
1150 Total direct loan obligations			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year			
1231 Disbursements: Direct loan disbursements			
1251 Repayments: Repayments and prepayments			
1290 Outstanding, end of year			

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

Balance Sheet (in millions of dollars)

Identification code 99–4440–0–3–371	2002 actual	2003 actual	2004 est.	2005 est.
ASSETS:				
1901 Underlying Mortgages				
1999 Total assets				
LIABILITIES:				
2104 Resources payable				
2999 Total liabilities				

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL HOME LOAN BANKS

Status of Direct Loans (in millions of dollars)

Identification code 99–4200–0–3–371	2003 actual	2004 est.	2005 est.
1111 Limitation on direct loans			
1131 Direct loan obligations	5,625,130		
1150 Total direct loan obligations	5,625,130		
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	537,812		
1231 Disbursements: Direct loan disbursements	5,625,130		
1251 Repayments: Repayments and prepayments	–5,545,018		
1264 Write-offs for default: Other adjustments, net	–4,018		
1290 Outstanding, end of year	613,906		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

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

The Federal Home Loan Banks were chartered by the Federal Home Loan Bank Board under the authority of the Federal Home Loan Bank Act of 1932 (the Act). The 12 Federal Home Loan Banks (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 7,992 member commercial banks, savings associations, insurance companies, and credit unions. Advances and letters of credit must be fully secured by eligible collateral and long-term advances may be made only for the purpose of providing funds for residential housing finance. However, "community financial institutions" may also use long-term advances to finance small businesses, small farms, and small agribusinesses. Additionally, specialized advance programs provide funds for community reinvestment and affordable housing programs. All regulated financial depositories and insurance companies engaged in residential housing finance are eligible for membership. Each FHLBank operates in a geographic district designated by the Board and together 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, 2003 totaled approximately $506 billion, a net increase of approximately $15 billion from the September 30, 2002 level of $491 billion.

The principal source of funds for the lending operation is the sale of consolidated obligations to the public. On September 30, 2003, $717 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 $31 billion and total capital amounted to $39 billion as of September 30, 2003. Funds not immediately needed for advances to members are invested.

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

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

In 2002, the Administration requested all GSEs, including the FHLBs, to voluntarily register their equity securities with the Securities and Exchange Commission (SEC). This voluntary registration is part of the Administration's efforts to have GSEs undergo the same scrutiny process as other corporate enterprises. The FHLBs have still not registered with the SEC, and, as a result, their financial statements are not subject to the same level of transparency and review as public companies. (Freddie Mac similarly has failed to commence registration with the SEC, in spite of its prior commitment to do so. Fannie Mae registered with the SEC effective March 31, 2003.)

Balance Sheet (in millions of dollars)

Identification code 99–4200–0–3–371		2002 actual	2003 actual	2004 est.	2005 est.
	ASSETS:				
	Investments in US securities:				
1102	Treasury securities, net	206	220		
1201	Investments in other securities, net	215,261	186,194		
1206	Accounts receivable	3,014	2,657		
1401	Net value of assets related to direct loans receivable: Direct loans receivable, gross	537,812	613,893		
1801	Cash and other monetary assets	573	791		
1803	Property, plant and equipment, net	140	165		
1901	Other assets	4,223	5,423		
1999	Total assets	761,229	809,343		
	LIABILITIES:				
2101	REFCORP and Affordable Housing Program	822	801		
2202	Interest payable	5,383	4,759		
2203	Debt	667,561	716,886		
2207	Deposit funds and other borrowings	30,197	31,138		
2207	Other	21,312	16,915		
2999	Total liabilities	725,275	770,499		
	NET POSITION:				
3100	Invested capital	35,954	38,844		
3999	Total net position	35,954	38,844		
4999	Total liabilities and net position	761,229	809,343		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

FARM CREDIT SYSTEM

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

Agricultural Credit Bank

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

Status of Direct Loans (in millions of dollars)

Identification code 99–4130–0–3–351		2003 actual	2004 est.	2005 est.
1111	Limitation on direct loans			
1131	Direct loan obligations	66,556		
1150	Total direct loan obligations	66,556		
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	20,466		
1231	Disbursements: Direct loan disbursements	66,518		
1251	Repayments: Repayments and prepayments	−63,486		
	Write-offs for default:			
1263	Direct loans	−35		
1264	Other adjustments, net			
1290	Outstanding, end of year	23,463		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

Balance Sheet (in millions of dollars)

Identification code 99–4130–0–3–351		2002 actual	2003 actual	2004 est.	2005 est.
	ASSETS:				
1201	Cash and investment securities	5,269	5,916		
1206	Accrued interest receivable on loans	135	112		

AGRICULTURAL CREDIT BANK—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–4130–0–3–351	2002 actual	2003 actual	2004 est.	2005 est.
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross	20,466	23,463		
1603 Allowance for estimated uncollectible loans and interest (–)	–379	–435		
1699 Value of assets related to direct loans	20,087	23,028		
1803 Property, plant and equipment, net	476	428		
1999 Total assets	25,967	29,484		
LIABILITIES:				
2104 Resources payable	417	309		
2201 Consolidated systemwide and other bank bonds	22,513	25,448		
2201 Notes payable and other interest-bearing liabilities	601	1,003		
2202 Accrued interest payable	149	132		
2999 Total liabilities	23,680	26,892		
NET POSITION:				
3300 Cumulative results of operations	2,287	2,592		
3999 Total net position	2,287	2,592		
4999 Total liabilities and net position	25,967	29,484		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

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

99–4130	2002 actual	2003 actual	2004 est.	2005 est.
Beginning balance of net worth	2,199	2,287	2,592	2,688
Capital stock and participations issued	0	229	0	0
Capital stock and participations retired	72	102	80	72
Net income	232	256	267	275
Cash/Dividends/Patronage Distributions	(79)	(92)	(91)	(94)
Other, net	7	14	0	0
Ending balance of net worth	2,287	2,592	2,688	2,797

Financing Activities (in millions of dollars)

99–4130	2002 actual	2003 actual	2004 est.	2005 est.
Beginning balance of outstanding system obligations	21,275	22,513	25,448	26,619
Consolidated systemwide and other bank bonds issued	9,680	13,958	10,000	11,000
Consolidated systemwide and other bank bonds retired	8,252	8,974	8,929	9,980
Consolidated systemwide notes, net	12	(1,756)	100	100
Other (Net)	(201)	(292)	0	0
Ending balance of outstanding system obligations	22,513	25,448	26,619	27,739

FARM CREDIT BANKS

Status of Direct Loans (in millions of dollars)

Identification code 99–4160–0–3–371	2003 actual	2004 est.	2005 est.
1111 Limitation on direct loans			
1131 Direct loan obligations	74,678		
1150 Total direct loan obligations	74,678		
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	58,165		
1231 Disbursements: Direct loan disbursements	76,160		
1251 Repayments: Repayments and prepayments	– 75,973		
1264 Write-offs for default: Other adjustments, net	1		
1290 Outstanding, end of year	58,353		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

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 have continued to date. As a result of this restructuring activity, 4 FCBs headquartered in the following cities, remain: AgFirst FCB, Columbia, South Carolina; AgriBank FCB, St. Paul, Minnesota; U.S. Ag Bank, FCB, Wichita, Kansas; and FCB of Texas, Austin, Texas.

The FCBs serve as discount banks and as of October 1, 2003 provided funds to 13 Federal Land Credit Associations (FLCA) and 86 Agricultural Credit Associations (ACAs). These direct lender associations, in turn, make short-term production loans and long-term real estate loans to eligible farmers and ranchers. FCBs can also lend to local financing institutions, including commercial banks, as authorized by the Farm Credit Act of 1971, as amended.

All the capital stock of 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.

Balance Sheet (in millions of dollars)

Identification code 99–4160–0–3–371	2002 actual	2003 actual	2004 est.	2005 est.
ASSETS:				
1201 Cash and investment securities	10,514	13,931		
1206 Accrued Interest Receivable	530	382		
Net value of assets related to direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross	58,169	58,353		
1603 Allowance for estimated uncollectible loans and interest (–)	–153	–151		
1699 Value of assets related to direct loans	58,016	58,202		
1803 Property, plant and equipment, net	412	408		
1999 Total assets	69,472	72,923		
LIABILITIES:				
2104 Resources payable	513	335		
2201 Consolidated systemwide and other bank bonds	63,794	67,640		
2201 Notes payable and other interest-bearing liabilities	370	409		
2202 Accrued interest payable	367	355		
2999 Total liabilities	65,044	68,739		
NET POSITION:				
3300 Cumulative results of operations	4,428	4,184		
3999 Total net position	4,428	4,184		
4999 Total liabilities and net position	69,472	72,923		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

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

99–4160	2002 actual	2003 actual	2004 est.	2005 est.
Beginning balance of net worth	4,437	4,428	4,184	4,959
Capital stock and participations issued	80	518	519	85
Capital stock and participations retired	260	186	58	39
Surplus Retired	2	1	(230)	0
Net income	516	369	357	403
Cash/Dividends/Patronage Distributions	(247)	(383)	(272)	(268)
Other, net	(97)	(560)	0	0
Ending balance of net worth	4,428	4,184	4,959	5,140

Financing Activities (in millions of dollars)

99–4160	2002 actual	2003 actual	2004 est.	2005 est.
Beginning balance of outstanding system obligations	58,010	63,794	67,641	80,348
Consolidated systemwide and other bank bonds issued	50,737	55,816	52,723	54,522
Consolidated systemwide and other bank bonds retired	44,692	45,027	47,553	48,581
Consolidated systemwide notes, net	(262)	(6,942)	7,537	(2,280)
Ending balance of outstanding system obligations	63,794	67,641	80,348	84,009

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

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

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

Financing

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

As of September 30, 2003, Farmer Mac's core capital exceeded statutory requirements. Additionally, Farmer Mac's regulatory capital (core capital plus the allowance for loan loses) exceeded the amount of required regulatory capital as determined by the risk-based capital rule, with which Farmer Mac was required to be in compliance on May 23, 2002.

Guarantees

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

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

Regulation

Farmer Mac is federally regulated by the FCA's Office of Secondary Market Oversight (OSMO). OSMO is responsible for the supervision, examination of and rulemaking for Farmer Mac.

Status of Guaranteed Loans (in millions of dollars)

Identification code 99–4180–0–3–351	2003 actual	2004 est.	2005 est.
2131 Guaranteed loan commitments	1,000		
2150 Total guaranteed loan commitments	1,000		
Cumulative balance of guaranteed loans outstanding:			
2210 Outstanding, start of year	6,000		
2231 Disbursements of new guaranteed loans	1,000		
2251 Repayments and prepayments	–1,000		
2290 Outstanding, end of year	6,000		
Memorandum:			
2299 Guaranteed amount of guaranteed loans outstanding, end of year	6,000		

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.

Balance Sheet (in millions of dollars)

Identification code 99–4180–0–3–351	2002 actual	2003 actual	2004 est.	2005 est.
ASSETS:				
1201 Investment in securities	853	1,083		
1206 Receivables, net	4	39		
1207 Advances and prepayments	18	18		
Net value of assets related to direct loans receivable:				
1401 Direct loans receivable, gross	2,198	2,501		
1402 Interest receivable	55	42		
1499 Net present value of assets related to direct loans	2,253	2,543		
1801 Cash and other monetary assets	100	513		
1999 Total assets	3,228	4,196		

(Farmer Mac)—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99–4180–0–3–351	2002 actual	2003 actual	2004 est.	2005 est.
LIABILITIES:				
2201 Accounts payable	7	98	....	....
2202 Interest payable	21	30	....	....
2203 Debt	3,074	3,838	....	....
2204 Liabilities for loan guarantees	11	26	....	....
2999 Total liabilities	3,113	3,992	....	....
NET POSITION:				
3300 Invested capital	115	204	....	....
3999 Total net position	115	204	....	....
4999 Total liabilities and net position	3,228	4,196	....	....

Note: Consistent with Government-wide practice for GSEs, information for 2004 and 2005 was not required to be collected.