



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

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OFHEO ISSUES REPORT "MORTGAGE MARKETS AND THE ENTERPRISES IN 2000"

WASHINGTON, D.C. – **Armando Falcon, Jr.**, Director of the Office of Federal Housing Enterprise Oversight (OFHEO), financial safety and soundness regulator of Fannie Mae and Freddie Mac (the Enterprises), today released "Mortgage Markets and the Enterprises in 2000," the first in a series of periodic research and analysis papers on the mortgage markets and the Enterprises.

"This report serves to fulfill OFHEO's ongoing mission of enhancing public understanding of the housing finance system by reviewing the industry, the Enterprises' secondary market activities and their financial condition and performance in 2000," said Director Falcon.

The report covers developments in the housing sector and primary mortgage market, the secondary market activities of the Enterprises, and the financial performance of the Enterprises in 2000. Additionally, the appendix provides historical data on the Enterprises and loan limits, mortgage interest rates, housing activity and regional and national home prices.

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OFHEO was established as an independent entity within the Department of Housing and Urban Development by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Title XIII of P.L. 102-550). OFHEO's primary mission is ensuring the capital adequacy and financial safety and soundness of Fannie Mae and Freddie Mac.

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**MORTGAGE MARKETS
AND
THE ENTERPRISES
IN 2000**

July 2001

Preface

This Office of Federal Housing Enterprise Oversight (OFHEO) paper surveys developments in the housing sector and the primary mortgage market, the secondary market activities of Fannie Mae and Freddie Mac, and the financial performance of the Enterprises in 2000. An appendix provides tables with historical data on the activities and performance of Fannie Mae and Freddie Mac, federally-established loan limits, mortgage interest rates, housing activity, and regional and national home prices, which provide a context for the survey of recent activity provided in the paper. The paper is part of OFHEO's ongoing effort to enhance public understanding of the nation's housing finance system.

Valerie L. Smith of OFHEO's Office of Policy Analysis and Research wrote the paper under the supervision of Robert S. Seiler, Jr., and Patrick J. Lawler. Brian Doherty, Forrest Pafenberg, Mark Kinsey, and Alfred Pollard also contributed to the paper.

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SUMMARY

The U.S. economy expanded rapidly in the first half of 2000, but grew slowly in the second half of the year in response to higher interest rates. The increased borrowing costs and economic slowdown reduced housing market activity for the second consecutive year, although new construction and home sales remained at high levels and inflation of house prices accelerated. Mortgage rates averaged just over 8 percent for the year, up from an average of 7.4 percent in 1999. Rising rates reduced the number of homeowners who refinanced and the volume of mortgage originations, which fell 20 percent. Despite the decline, originations totaled just over \$1 trillion, the third-highest level ever, exceeded only in 1998 and 1999.

Fannie Mae and Freddie Mac achieved another year of record profits in 2000. The Enterprises' combined net income rose 14 percent to \$7 billion. Growth in the mortgage asset portfolios of Fannie Mae and Freddie Mac, sustained by large purchases of mortgage securities, was less rapid than in 1999, but remained the primary cause of profit growth. Also contributing to higher profits was a further decline in each Enterprise's credit losses, due to positive housing market conditions and effective loss mitigation practices. The combined core capital of the Enterprises rose \$4.6 billion, keeping pace with their higher business volumes. Fannie Mae and Freddie Mac each met their statutory minimum capital requirements throughout the year.

HOUSING AND PRIMARY MORTGAGE MARKET DEVELOPMENTS

Strong but Softening Economy Reduces Housing Activity

The economy expanded by 3.4 percent during 2000, and the unemployment rate averaged only 4.0 percent. Growth slowed sharply in the second half of the year, however, in response to tighter monetary policy and falling stock prices. Higher interest rates and the weakening trend of the economy restrained the continued strength of housing and housing finance indicators.

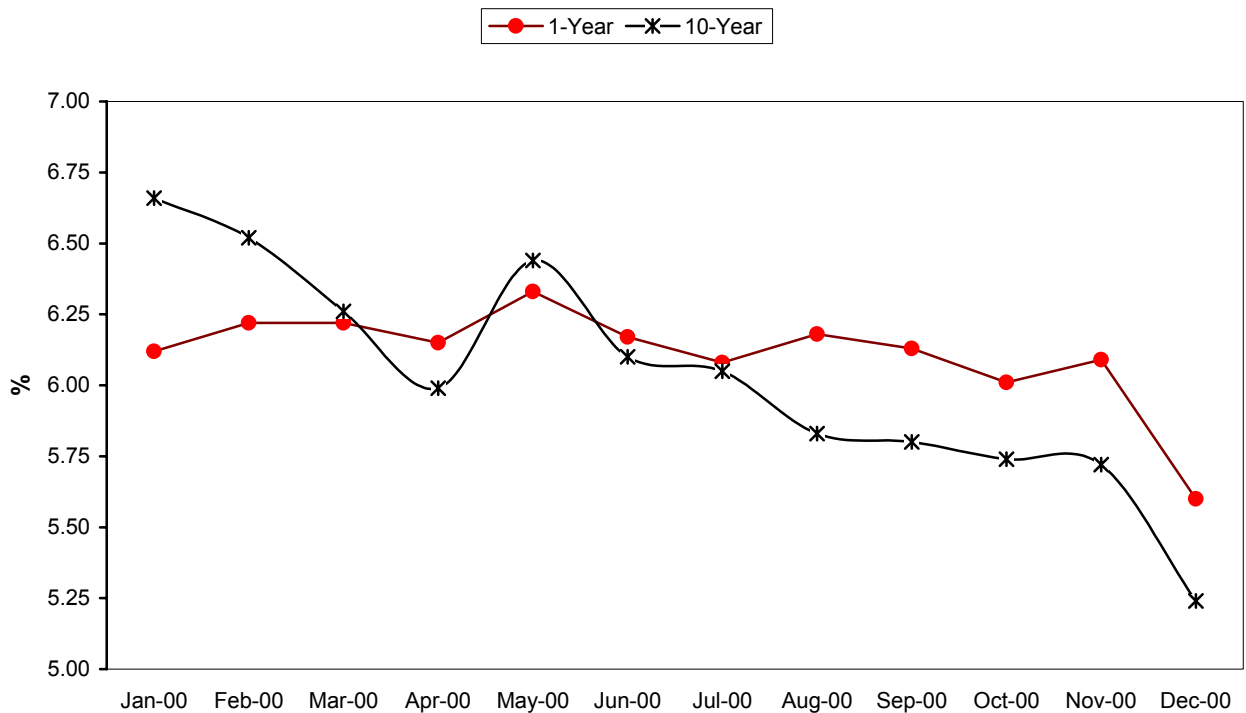
Interest Rates Rise Initially, Then Decline

Consumer price inflation accelerated to 3.4 percent during 2000 from 2.7 percent in 1999. Concerns about further acceleration led the Federal Reserve to raise its overnight Federal Funds target rate by 1 percentage point in the first half of 2000, following increases totaling three-quarters of a percentage point in the last half of the preceding year. The resulting level, 6.5 percent, was the highest since January 1991 and remained steady throughout the remainder of 2000. Market yields of Treasury securities neither rose as much nor sustained higher levels for as long. The 1-year Constant Maturity Treasury (CMT) yield, frequently used as an index for 1-year

adjustable-rate mortgages (ARMs), peaked at 6.3 percent in May after rising only one-half of a percentage point from the beginning of the year. That yield then trended downward during the remainder of the year to 5.6 percent, in response to expectations of a shift in monetary policy as the economy slowed.

Long-term interest rates peaked even sooner, in January. During the remainder of 2000, the 10-year CMT yield (frequently used as a reference rate for mortgage contracts) declined 1.4 percentage points, ending the year at 5.2 percent, below the 1-year CMT yield (see Figure 1). As projected budget surpluses mounted, expected reductions in the supply of Treasury securities also rose, contributing to the declines in the yields of Treasury securities, particularly those of longer-maturity issues.

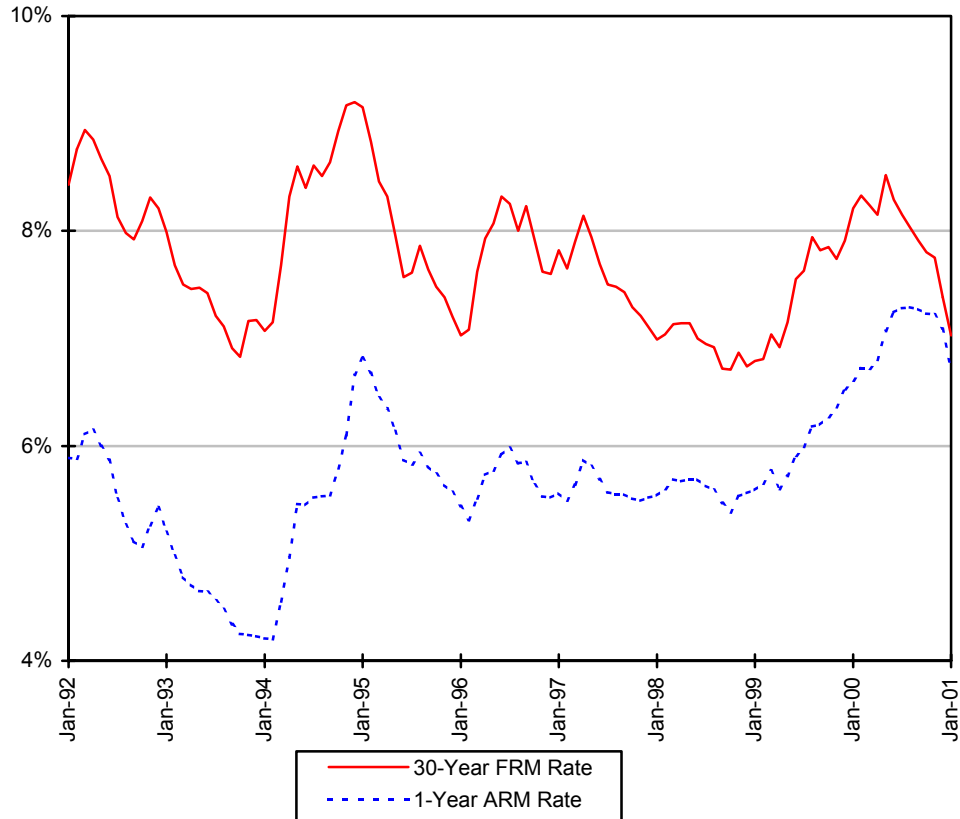
Figure 1
Yields on Treasury Securities in 2000



Source: Federal Reserve Board

Mortgage rates generally followed the trend of Treasury securities of comparable maturities, but peaked later and declined less, as Treasury securities promised to become more scarce. Freddie Mac's Primary Mortgage Market Survey (PMMS) shows that lenders' commitment rates on 30-year fixed-rate mortgages (FRMs) rose during the initial months of 2000, peaking in May at 8.5 percent. Commitment rates on FRMs declined thereafter, ending the year at 7.4 percent. For the year, FRM commitment rates averaged just over 8 percent, about 60 basis points higher than the 1999 average

Figure 2
Mortgage Interest Rates



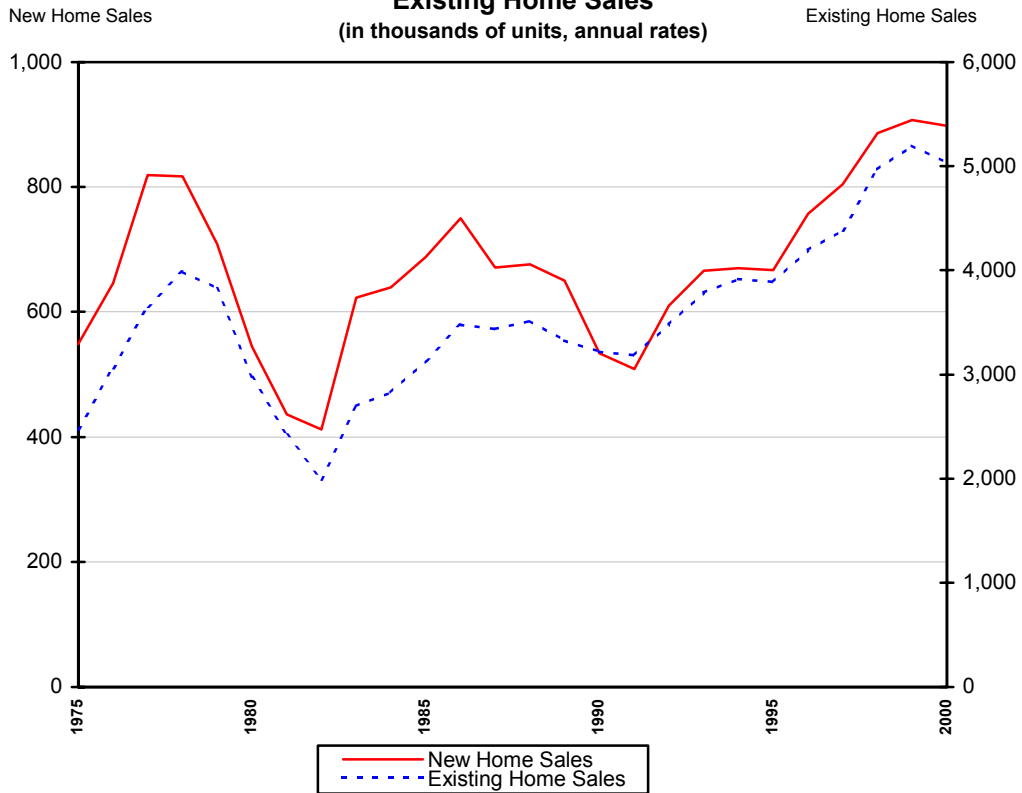
Source: Freddie Mac Primary Mortgage Market Survey

level. Commitment rates on ARMs initially rose in 2000, peaked in August at 7.3 percent and then fell in the latter part of the year, ending at 7.1 percent (see Figure 2).

Housing Activity Declines But Still Is Historically Significant

Despite some modest declines, the 2000 housing market was one of the strongest ever. Single-family housing starts for the year totaled 1.3 million, 5 percent lower than 1999, but the third-best in 22 years, following 1998 and 1999. Home sales also remained quite strong by historical standards. Combined sales of new and existing homes totaled 6 million units, the second-best year after the 6.1 million record level of units set in 1999 (see Figure 3). The homeownership rate for all households increased during the year to 67.5 percent, up six-tenths of a percentage point from late 1999. Activity in the multifamily housing market declined slightly. Starts fell marginally to 295,000 units, new construction dropped to \$24.2 billion, and the rental vacancy rate fell slightly to 8 percent.

Figure 3
New Home Sales and
Existing Home Sales
 (in thousands of units, annual rates)



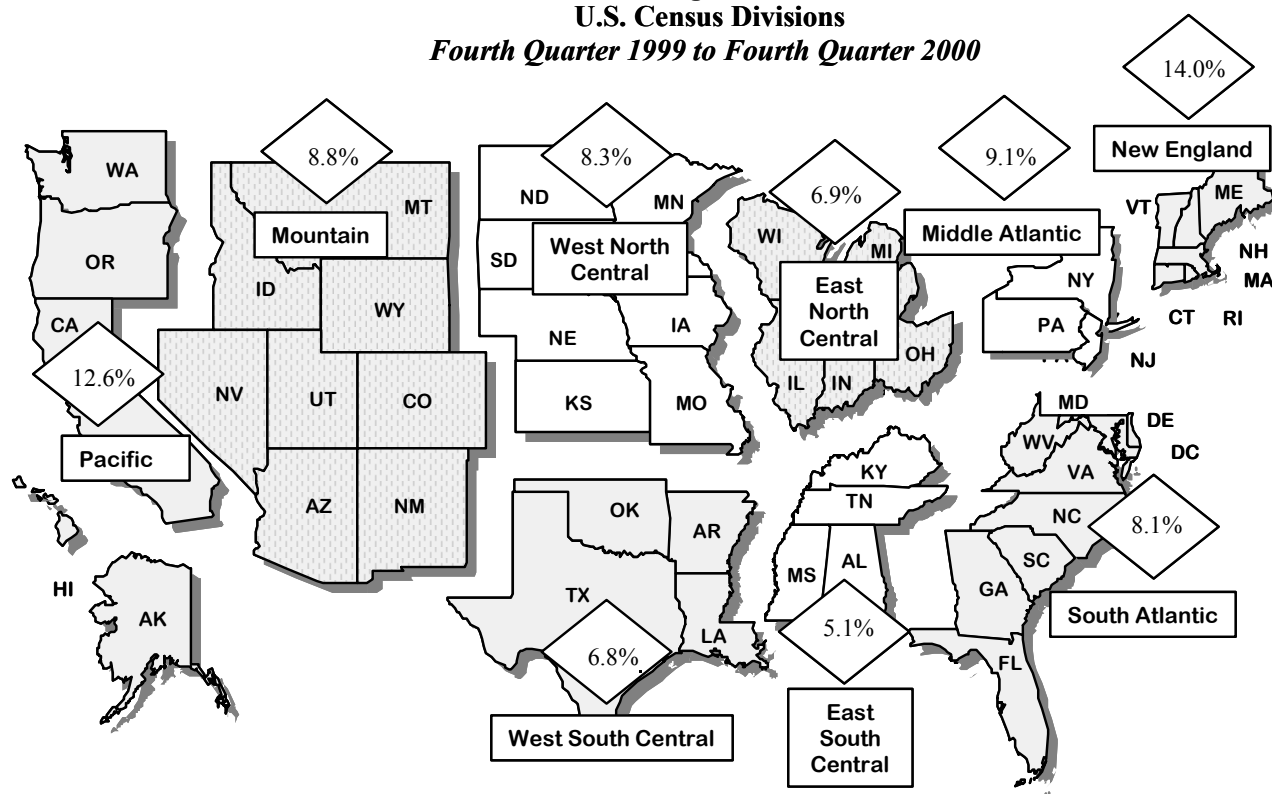
Sources: U.S. Bureau of the Census and National Association of Realtors

Home Prices Rise, Housing Affordability Declines

General price inflation coupled with relatively high demand for housing caused a significant rise in home values in 2000. Single-family home prices, as measured by OFHEO’s House Price Index for the first quarter of 2001, increased 8.9 percent from the fourth quarter of 1999 to the fourth quarter of 2000. That compared to 6.3 percent for the previous one-year period. While the New England Census division continued to show the highest annual rate of appreciation (14.0 percent), the Pacific Census division was next with an appreciation rate of 12.6 percent (see Figure 4). The East South Central division again was at the low end of the appreciation spectrum. However, the 5.1 percent appreciation rate experienced by that division in 2000 exceeded the general rate of inflation. Over the past five years (1996-2000), U.S. home prices increased an average 31.2 percent, compared with just 12.4 percent in the previous five years (1991-1995).

Higher home prices and mortgage rates generally offset increased family income, resulting in a decline in housing affordability, as measured by the National Association of Realtors’ (NAR) index. That index fell for the second consecutive year, dropping from 139 in 1999 to 132 in 2000. The index indicates that one-half the nation’s households had at least 132 percent of the income needed to purchase the annual median existing-home price in 2000 (\$139,000).

Figure 4
One Year Change in House Prices
U.S. Census Divisions
Fourth Quarter 1999 to Fourth Quarter 2000



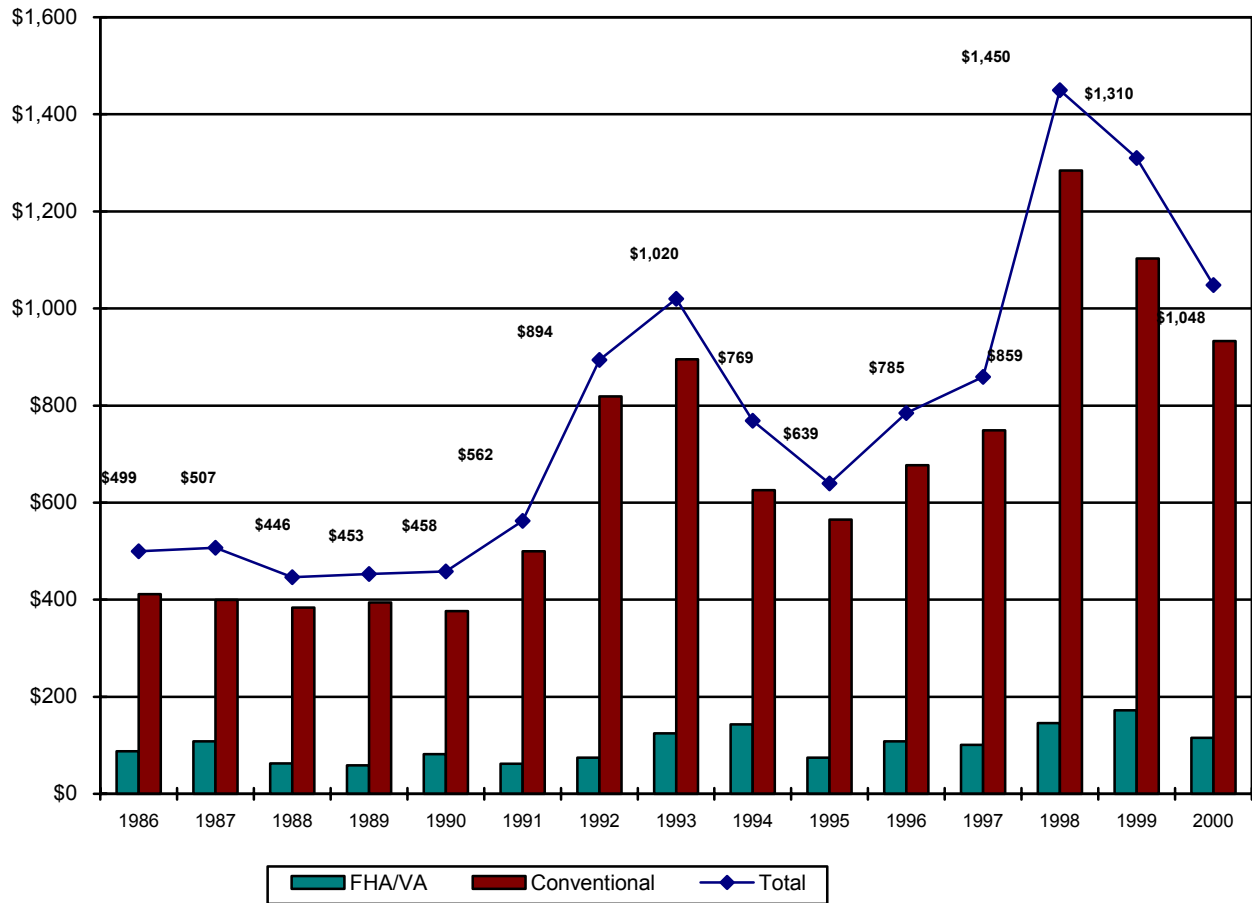
Source: OFHEO

Single-Family Originations Fall But Remain High

Originations of single-family mortgages declined 20 percent in 2000 to slightly over \$1 trillion (see Figure 5). Quarterly originations reached their low in the first quarter and rose steadily thereafter, responding first to strong economic growth, then to declining mortgage rates. Originations of conventional loans fell 18 percent to \$933 billion. Originations of mortgages insured by the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) also experienced significant declines. FHA originations dropped by nearly 24 percent, while loans guaranteed by the VA fell by over 55 percent. Collectively, loans with FHA and VA backing fell by one-third; their share of total originations fell from 13 percent in 1999 to 11 percent in 2000. Net new insurance of conventional loans written by private mortgage insurers fell 14 percent to \$163 billion.

The subprime segment of the mortgage market outperformed the mortgage market as a whole in 2000. Originations of subprime mortgages fell 12.5 percent to an estimated \$140 billion, the second highest volume ever. The subprime share of total originations increased to over 13 percent, up from 12.2 percent in 1999 (see Box A).

Figure 5
Originations of Single-Family Mortgages
 (\$ in Billions)



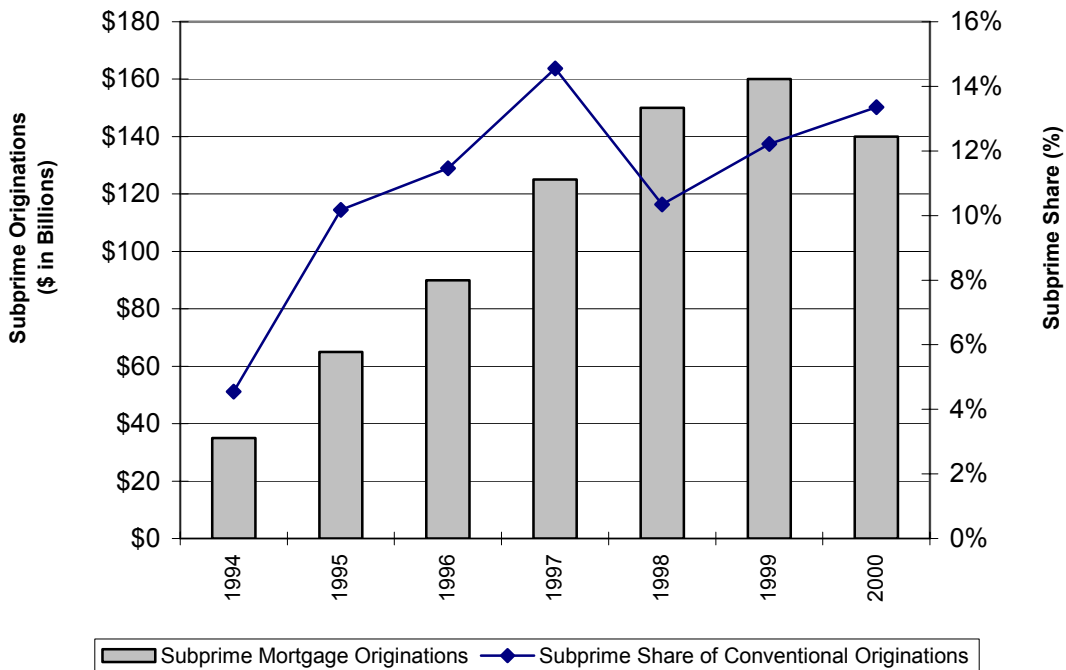
Sources: Department of Housing and Urban Development and *Inside Mortgage Finance*

Box A The Subprime Market in 2000

Subprime mortgage lending involves the provision of credit to borrowers who have past credit problems of varying severity. Once a small, specialized part of the mortgage market, subprime lending has grown considerably since the early 1990s and now makes up more than 13 percent of the overall market. In 1999 and 2000, the entry and activity of affiliates and subsidiaries of major prime lenders was a major reason for the subprime market's growth.

Similar to activity in other segments of the mortgage market, originations of subprime loans were off in 2000. Originations totaled an estimated \$140 billion, down 12.5 percent from the 1999 record level. Because that decline was far less than the decline in total mortgage originations, the subprime market share of conventional originations increased. According to *Inside B&C Lending*, wholesaler lenders, using brokers and correspondents, were responsible for the majority, 64 percent, of subprime mortgages originated in 2000.

**Subprime Originations and
Subprime Share of Conventional Originations**



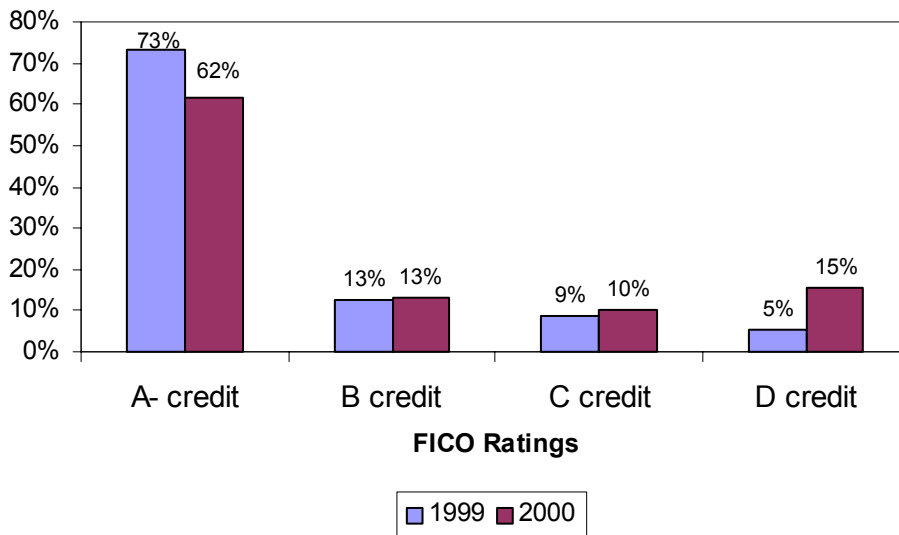
Source: *Inside B&C Lending*

Box A
The Subprime Market in 2000
 (continued)

Subprime mortgages intended for sale to the secondary market receive a rating of A-, B, C, or D. Lenders and other firms in the industry often define those ratings differently. *Inside B&C Lending* classifies subprime loans solely on the basis of the borrower's credit history as measured by the credit scores that the three national credit bureaus calculate using models developed by Fair, Isaac and Company (FICO). Mortgages with a FICO score from 580 to 619 are rated as A- loans, loans with a score of 560 to 579 are rated as B loans, those with a score of 540 to 559 as C loans, and those with a score below 540 as D loans. (Alternative A loans, which are made to low-risk borrowers who choose to provide limited documentation, are generally not considered to be subprime loans.)

Inside B&C Lending's ranking system and survey data indicate that the composition of subprime mortgages shifted in 2000. The share of A- loans, while continuing to dominate the loan mix, dropped from 73 percent to 62 percent. Loans at the other end of the spectrum, rated D, accounted for 15 percent of originations, up from 5 percent in 1999.

Composition of Subprime Originations

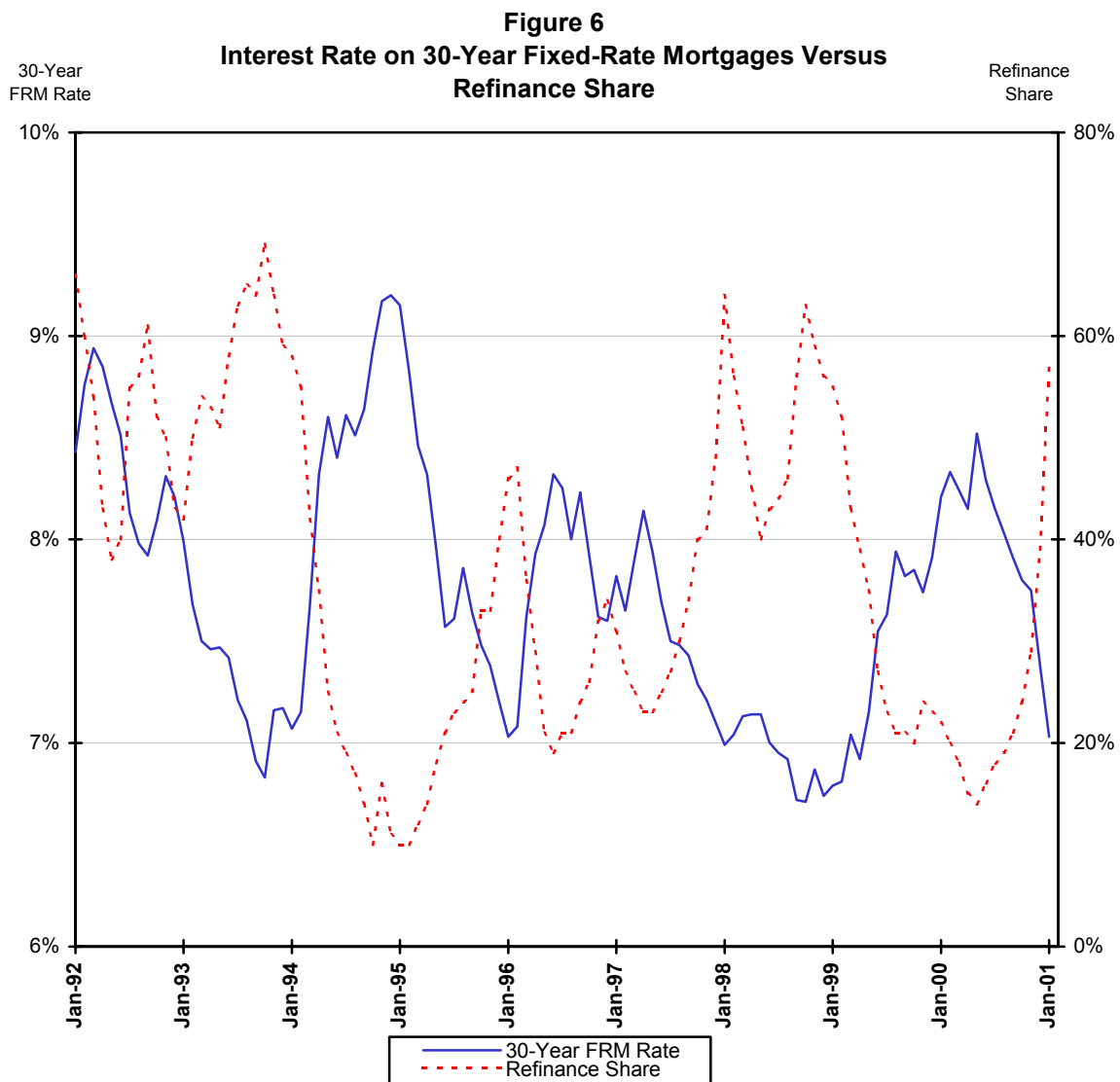


Source: *Inside B&C Lending*

In 2000 community groups, financial regulators and others criticized a number of practices in the subprime market that are often termed predatory lending. Those practices include the origination of subprime loans with excessive fees (typically in excess of 5 percent of the loan amount); prepayment penalties that provide minimal benefit to the borrower; steering a borrower to a high-cost mortgage when that borrower can qualify for a lower-cost alternative; the sale and financing of pre-paid, single-premium credit life insurance products; and underwriting techniques that focus on the borrower's equity in the home rather than ability to repay.

Changes in Mortgage Rates Alter the Composition of Conventional, Single-Family Originations

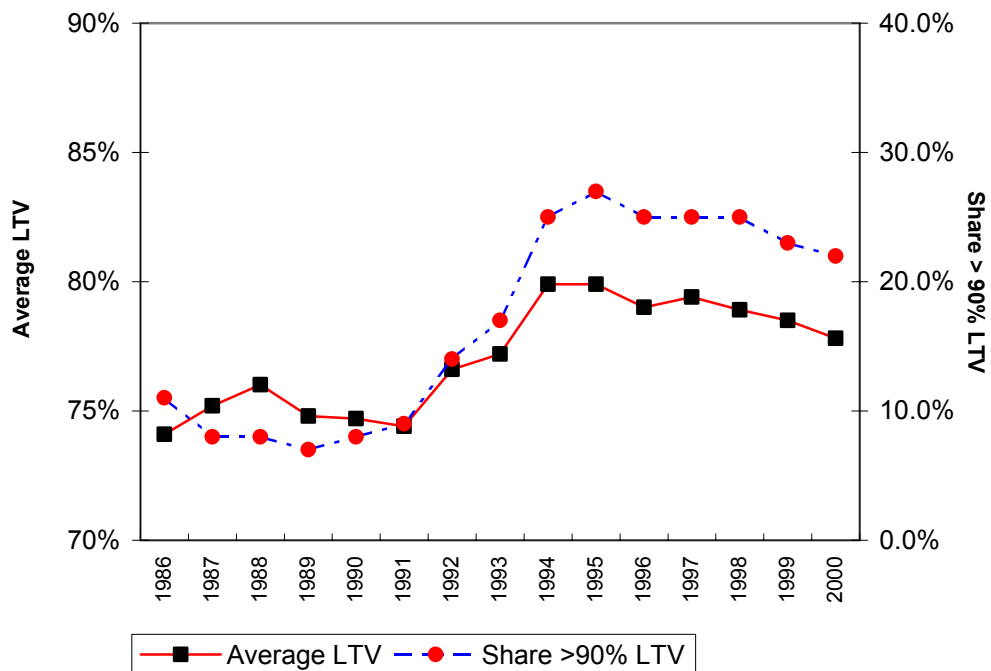
Fluctuations in mortgage rates altered the characteristics of conventional, single-family mortgages originated in 2000. Rising mortgage interest rates in the first half of the year significantly reduced refinancing activity of single-family loans. For the year, refinancings accounted for just 21 percent of originations, down sharply from the 1999 level of 32 percent (see Figure 6). In 1999, rates on FRMs started low and increased throughout the year. Refinancings, which accounted for 50 percent of originations in the first quarter of 1999, accounted for only 22 percent of originations by the fourth quarter. By contrast, in 2000 mortgage rates rose through May before declining for most of the second half of the year. As long-term interest rates fell, refinancing activity picked up, rising from 16 percent of originations in the second quarter to 31 percent of originations in the last quarter. With rising interest rates, fewer homebuyers refinanced their homes



to reduce their payments. In addition, more of those who did so took out equity by increasing the size of their loan. More than 80 percent of refinancings in 2000 resulted in new mortgages at least 5 percent higher than the original mortgages, up from 59 percent in 1999. Healthy property value appreciation facilitated that trend. As in the previous year, the vast majority of refinancing borrowers chose long-term, fixed-rate loans.

The Federal Housing Finance Board's Mortgage Interest Rate Survey (MIRS), which tracks the terms of single-family, conventional, purchase-money originations, provides additional information on the characteristics of newly originated mortgages. The survey also permits comparison of the characteristics of purchase-money loans with balances small enough to make them eligible for purchase by Fannie Mae and Freddie Mac (conforming mortgages) and with balances too large to make them eligible for purchase by the Enterprises (jumbo loans). According to MIRS, the conforming share of total purchase-money originations based on the number of loans, was 90 percent in 2000, unchanged from 1999. The conforming share, based on the total dollar volume of loans fell slightly to 75 percent in 2000. The average loan amount for both conforming and jumbo mortgages increased by a like percentage. The average conforming mortgage increased 5.4 percent to \$124,300 in 2000, whereas the average jumbo loan increased 5.5 percent to \$361,100. The conforming limit in 2000 for mortgages that financed single-family properties was \$252,700, a 5.3 percent increase from the 1999 limit.

Figure 7
Loan-to-Value (LTV) Ratios of Conventional Single Family Mortgages
and Percentage of Originations with LTV > 90%

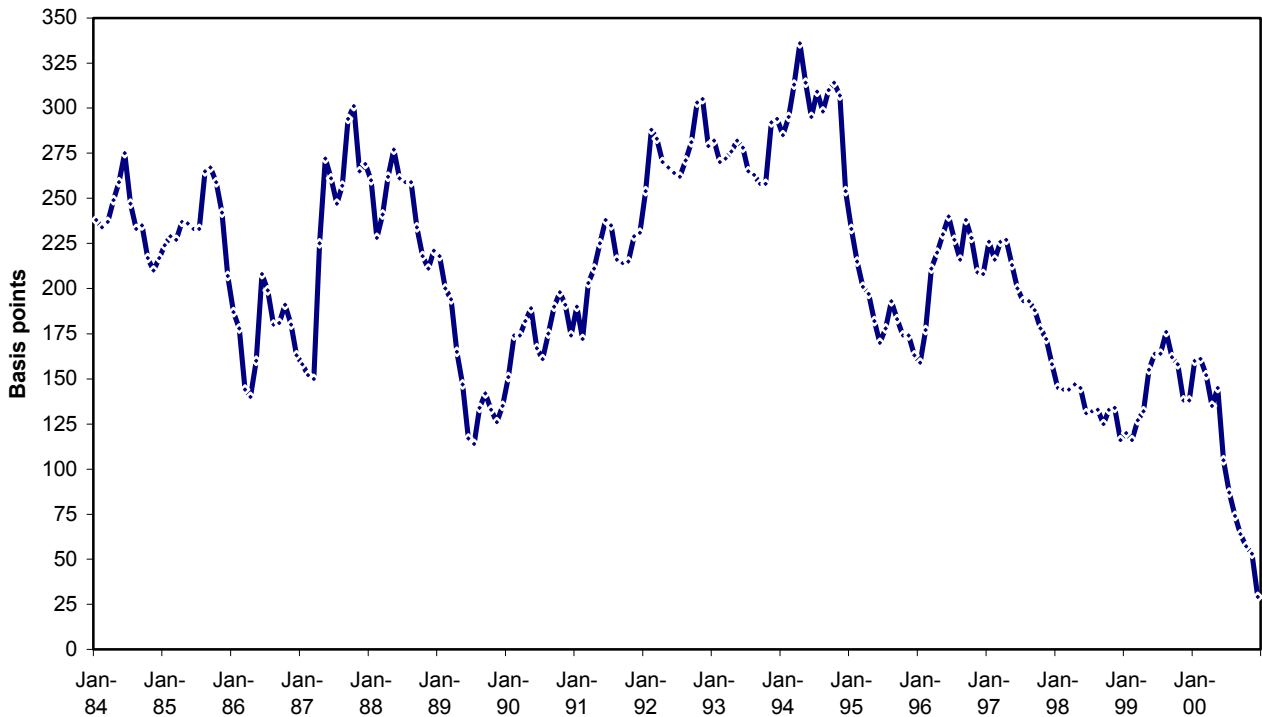


Source: Federal Housing Finance Board's Mortgage Interest Rate Survey

According to MIRS, the average loan-to-value (LTV) ratio of single-family, conventional, purchase-money mortgages and the proportion of such loans with high LTV ratios both fell slightly compared to 1999 (see Figure 7). A lower LTV ratio (higher borrower equity in the property) indicates that a mortgage is less likely to default, everything else being equal. Conforming and jumbo loans each had average LTV ratios of about 78 percent, and there was little difference in the average LTV ratios of FRMs and ARMs in each category. Conforming mortgages were much more likely to have high LTV ratios than jumbo loans, as in the past.

Changes in mortgage rates during 2000 altered the share of borrowers who chose ARMs over fixed-rate loans. Rates on both FRMs and ARMs fell throughout the second half of the year, but the extent of the decline was much more pronounced for FRMs. As a result, the spread between the 1-year ARM and 30-year FRM commitment rates narrowed and by year-end was only about 29 basis points, the lowest level since ARMs became common (see Figure 8).

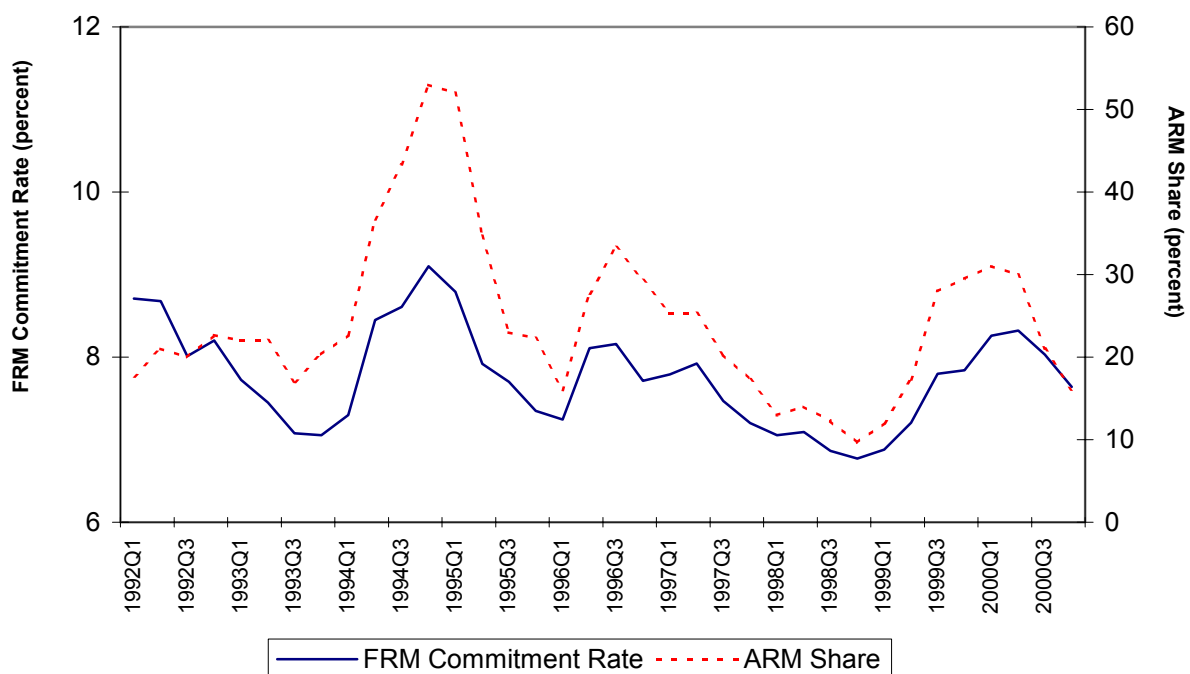
Figure 8
Spreads Between Commitment Rates on
30-year Fixed-Rate and 1-year Adjustable-Rate Mortgages



Source: Freddie Mac Primary Mortgage Market Survey

The combination of lower rates on FRMs and a narrowing of the FRM-ARM spread took the luster out of ARMs, whose share dropped from 31 percent in the first quarter to 16 percent in the fourth quarter (see Figure 9). For the year, however, ARMs accounted for 24 percent of total originations, up from 22 percent in 1999 and the highest annual level of activity in four years. Many depository institutions prefer to retain adjustable-rate loans in their portfolios rather than sell them to the secondary market, because they can earn attractive spreads with acceptable levels of interest rate risk by financing ARMs with short-term liabilities. Adjustable-rate loans are more likely to default than FRMs, everything else being equal, largely because ARM borrowers are exposed to the risk that rising interest rates will increase their monthly payments.

Figure 9
Percentage of Conventional Single-Family Mortgages with Adjustable Rates
Versus Commitment Rates on 30-Year Fixed-Rate Loans

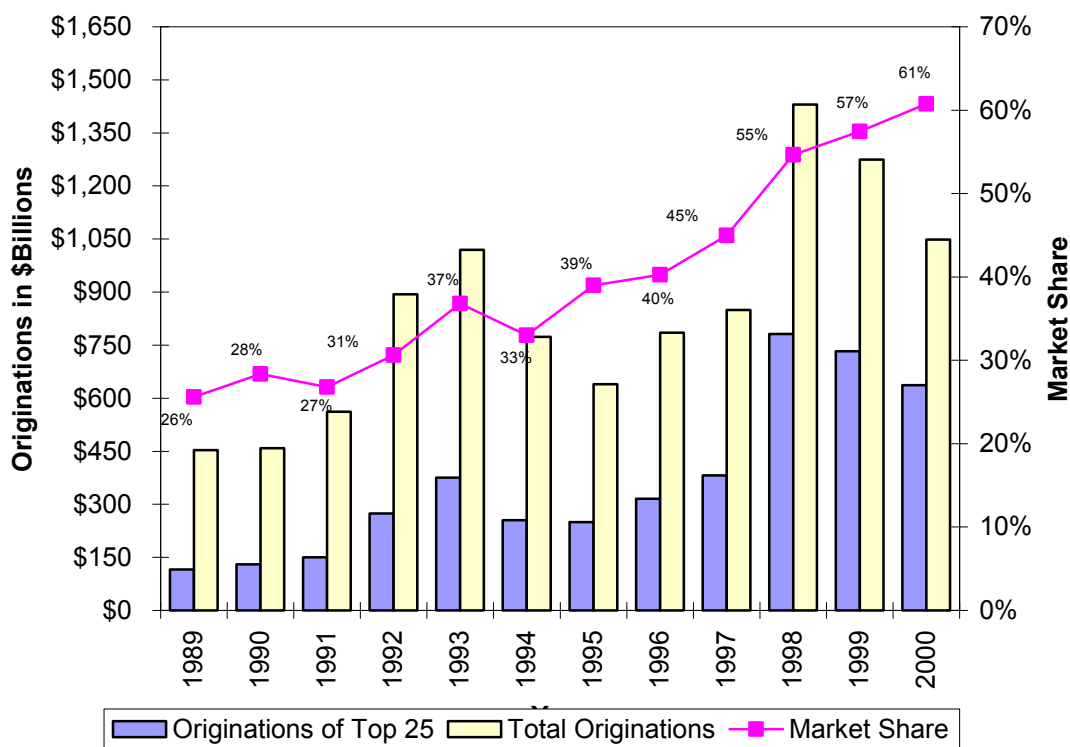


Source: Freddie Mac Primary Mortgage Market Survey

Changes in the shape of the mortgage yield curve also altered borrowers' preference for different adjustable-rate products. As in the past, ARMs that reset annually continued to be the most popular type, accounting for about 29 percent of all ARMs made in 2000. However, according to the MIRS, interest in "hybrid" ARM products increased in the first half of the year, compared to the same period in 1999, and then dropped in the second half. Hybrid ARMs feature a fixed interest rate for a specified period (commonly 3, 5, 7 or 10 years) and convert into a traditional 1-year ARM for the remainder of the loan term. Traditional 1-year ARMs accounted for 25 percent of adjustable rate mortgages in the first half of 2000, compared to 38 percent in the first half of 1999. Five-year ARMs

accounted for 24 percent of ARMs originated in the first half of the year, compared to 12 percent in that period one year before. In addition, there was a surge in the demand for 7-year ARMs. That product accounted for 14 percent of ARMs originated in the first half of 2000, compared to 7 percent a year earlier. As the Treasury yield curve flattened during the second half of the year, spreads between 5- and 7-year ARMs and 30-year FRMs narrowed. As a result, those hybrid ARM products became less attractive and gave way to 1-year ARMs. The share of traditional 1-year ARMs increased to 33 percent in the second half of the year; their share amounted to about 27 percent in the same period in 1999. The share of 5-year ARMs dropped to about 20 percent in the second half of 2000, which was similar to activity for the comparable period one year before. The share of 7-year ARMs was 11 percent in the second half of the year, compared to 9 percent in the second half of 1999.

Figure 10
Concentration of Mortgage Originations Among the Top 25 Originators



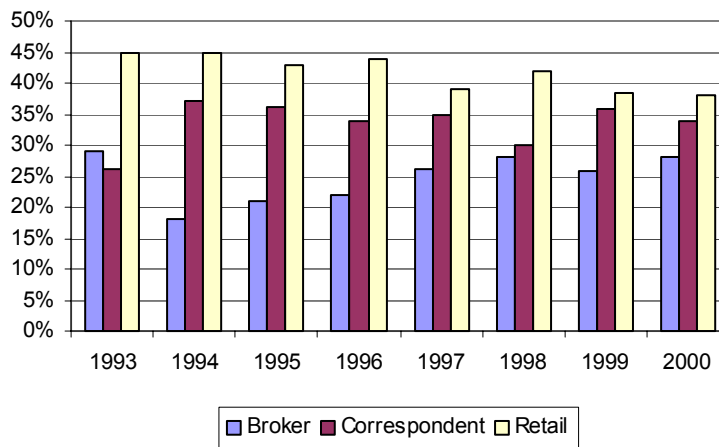
Source: *Inside Mortgage Finance*

Lenders Continue to Consolidate and Use Multiple Origination Channels

The proportion of single-family mortgages originated by the largest lenders continued to increase in 2000, consistent with the consolidation trend in the financial services industry generally. The top 25 originators accounted for 61 percent of all single-family originations in 2000, up from 57 percent in 1999 and more than double their market share less than 10 years before (see Figure 10). Lenders continued to rely on multiple

channels of production to originate loans. Retail channels peaked at 45 percent of total originations in 1993 and 1994, but have recently experienced a gradual but steady decline in market share, dropping to 38 percent in 2000 (see Figure 11).

Figure 11
Mortgage Originations by Source



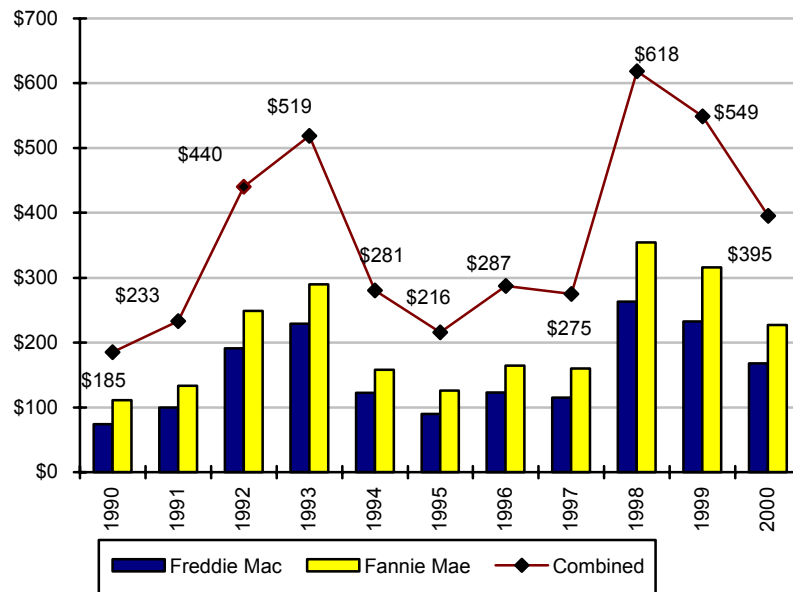
Source: *Inside Mortgage Finance*

SECONDARY MARKET ACTIVITIES OF THE ENTERPRISES

Single-Family Purchases Decline Further

Purchases by Fannie Mae and Freddie Mac of single-family mortgages (defined to include cash purchases from lenders and swaps of whole loans for mortgage-backed securities, or MBS) declined in 2000 (see Figure 12). A 20 percent reduction in the volume of originations and a higher ARM share of the primary market limited the Enterprises' opportunities to buy new loans. Fannie Mae purchased \$227 billion in single-family loans last year, a reduction of 28 percent from 1999. Freddie Mac's purchases of single-family mortgages totaled \$168 billion, also down 28 percent from the prior year. Each Enterprise's purchase activity was aided in 2000 by a substantial increase in bulk transactions. Bulk transactions by Freddie Mac increased from \$26 billion in 1999 to \$46 billion in 2000. The Enterprises' combined share of total single-family originations was 38 percent, down from 42 percent in 1999.

Figure 12
Enterprise Single-Family Mortgage Purchases
(\$ in Billions)



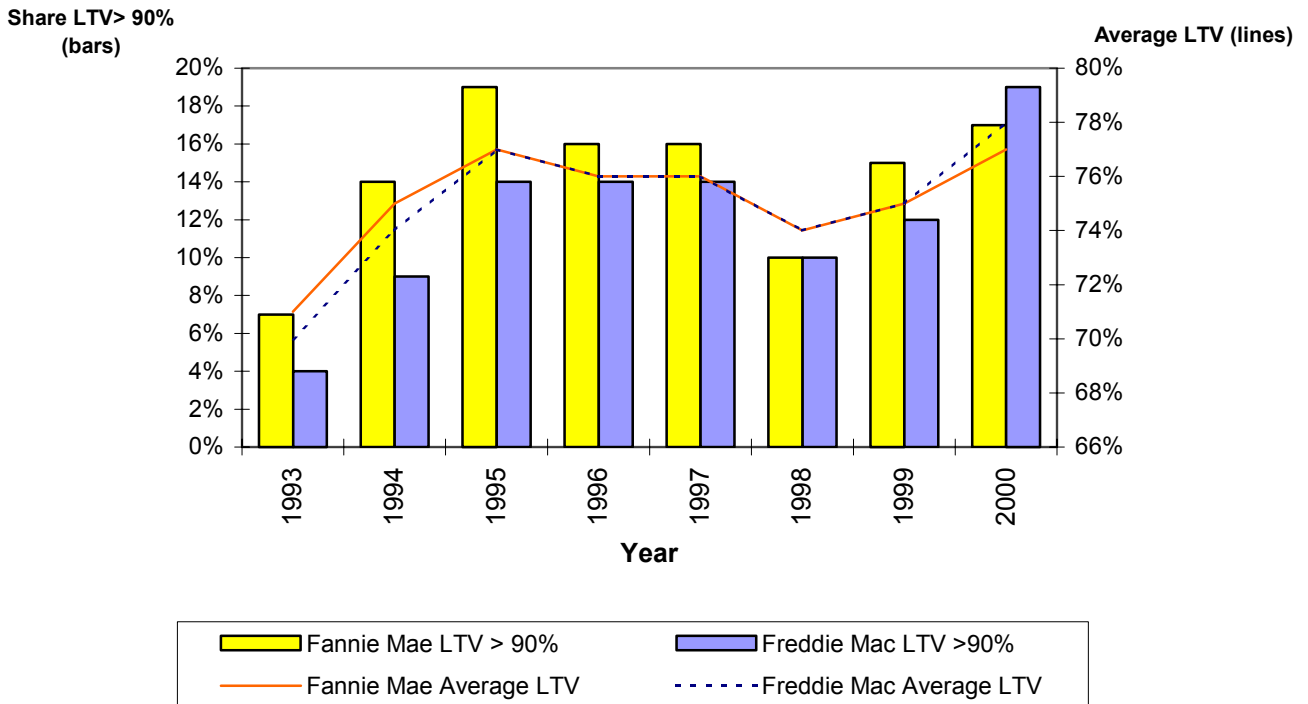
Sources: Fannie Mae and Freddie Mac

Newly Acquired Single-Family Loans Pose Slightly Greater Credit Risk

Trends in the primary market in 2000 changed the characteristics of single-family originations in ways that tended to increase slightly the credit risk of mortgages purchased by the Enterprises. In particular:

1. The refinance share of single-family mortgages purchased by the Enterprises declined significantly in 2000. Of the loans purchased by each Enterprise, less than one-third were refinance loans, down from about one-half the previous year. Refinance loans tend to be of higher credit quality than purchase loans.
2. The average LTV ratio of single-family mortgages purchased by each Enterprise increased (see Figure 13). That change reflects the decline in the refinance share of Enterprise purchases. Mortgages with high LTV ratios also made up a larger share of each Enterprise's single-family purchases.
3. Adjustable-rate loans comprised a larger share of each Enterprise's single-family purchases in 2000. The ARM share of Fannie Mae's purchases rose from 5 percent to 16 percent, while the ARM share of Freddie Mac's purchases increased from 5 percent to about 13 percent.

Table 13
Enterprises' Single-Family Purchases by
Loan-to-Value (LTV) Ratio



Sources: Fannie Mae and Freddie Mac

Enterprises Expand Presence in the Subprime and Alternative A Markets

The Enterprises continued to be active in the markets for subprime and Alternative A mortgages in 2000. Freddie Mac purchased \$18.6 billion of such loans, up from \$13.5 billion in 1999. A large portion of those purchases fell into the Alternative A and A-categories. Fannie Mae does not release comparable data. The Enterprise's "Timely Payment Rewards Mortgage," under which the interest rate on a loan to a borrower with less-than-perfect credit history is initially higher but is reduced if the borrower makes payments on time for 24 consecutive months, generated \$1.5 billion in volume in 2000, up from \$83 million in 1999.

In 2000 Fannie Mae and Freddie Mac each announced measures aimed at protecting borrowers from several predatory lending practices. For example, neither Enterprise will purchase "high cost" mortgages as defined by the Home Ownership and Equity Protection Act (HOEPA) or loans that include prepaid, single-premium borrower credit life insurance. Each Enterprise also now requires servicers to report borrower mortgage payments to the three largest national credit repositories each month. In addition, Fannie Mae and Freddie Mac have both stated that points or fees charged the borrower on loans delivered to them generally will not exceed 5 percent, unless that limitation

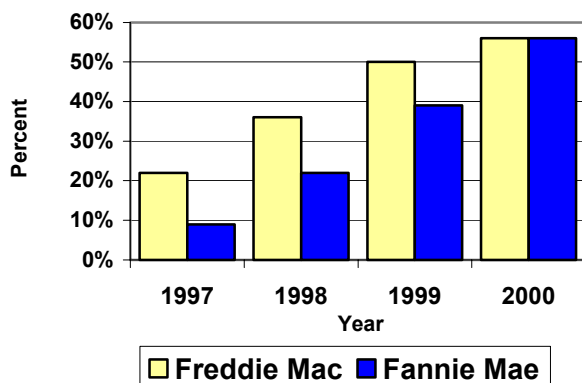
results in an unprofitable origination. Further, both Enterprises placed consumer-oriented limitations on prepayment penalties and pledged not to purchase mortgages from lenders who steer borrowers to high-cost products when a borrower qualifies for a less costly loan.

Enterprises Continue to Manage Single-Family Credit Risk Actively

Fannie Mae and Freddie Mac manage the credit risk posed by the single-family mortgages they purchase from the point of acquisition through termination. Each Enterprise has established underwriting standards that inform lenders of the types of loans it will purchase and securitize. Increasingly, Fannie Mae and Freddie Mac are using automated underwriting systems (AUS) to assess the credit risk of single-family mortgages prior to purchase. Such systems combine LTV ratios, credit scores and other loan and borrower characteristics to classify loans in terms of their relative risk of default. Each Enterprise also uses a version of its AUS to evaluate at acquisition any mortgages that were not evaluated using the system prior to purchase.

In 2000, 3.8 million loans purchased by Freddie Mac were evaluated using Loan Prospector, the Enterprise’s AUS, an amount that comprised 56 percent of the year’s business, compared to 50 percent in 1999. Some 3.7 million purchased loans were processed through Fannie Mae’s Desktop Underwriter system in 2000, which represented close to 56 percent of that year’s business, up from 38 percent in 1999 (see Figure 14). Each Enterprise also allows some large lenders to use their own AUS to evaluate mortgages prior to purchase. As a result, the data in Figure 14 understate the proportion of loans purchased by the Enterprises that were evaluated using automated underwriting prior to sale.

Figure 14
Percent of Mortgages Evaluated by Enterprise Automated Underwriting Systems Prior to Purchase*



Sources: Fannie Mae and Freddie Mac

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

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

In 2000, the proportion of single-family MBS issued by Fannie Mae where lenders or other third parties bear primary risk of default declined from 25 percent to 13 percent. (Parties who bear such risk pledge collateral or agree to accept losses on loans that default. The mortgages are not covered by primary mortgage insurance.) Single-family loans on which lenders or other third-parties bear primary default risk increased from 35 percent of Freddie Mac's purchases in 1999 to 44 percent in 2000. The share of Fannie Mae's total mortgage portfolio where lenders or other third parties bear primary risk decreased slightly, from 21 percent at year-end 1999 to 20 percent at year-end 2000. The share of Freddie Mac's total portfolio where lenders or other third parties bear primary risk increased from 30 percent to 32 percent.

When a single-family mortgage becomes delinquent, Fannie Mae and Freddie Mac employ strategies to reduce their exposure to credit losses. Each Enterprise provides software to servicers that indicates which delinquent loans require earlier and more intensive intervention. In addition, the Enterprises expect servicers to analyze borrower financial situations and commitment to properties and present workout proposals if a borrower has a verified financial hardship. The principal means of avoiding foreclosure used by Fannie Mae and Freddie Mac are loan modifications and preforeclosure sales. Loan modifications are chiefly used when interest rates have fallen and loans can be restructured to create payment schedules that are sustainable by borrower incomes. Preforeclosure sales give borrowers a window of opportunity to market and sell their properties.

In 2000, Fannie Mae authorized 14,823 loan modifications, down slightly from 14,955 in 1999. The Enterprise authorized 1,667 preforeclosure sales, down from 2,380 in 1999. Modifications authorized by Freddie Mac totaled 3,851, up from 3,830 in the previous year. The Enterprise approved 1,306 sales, down from 1,687 in 1999.

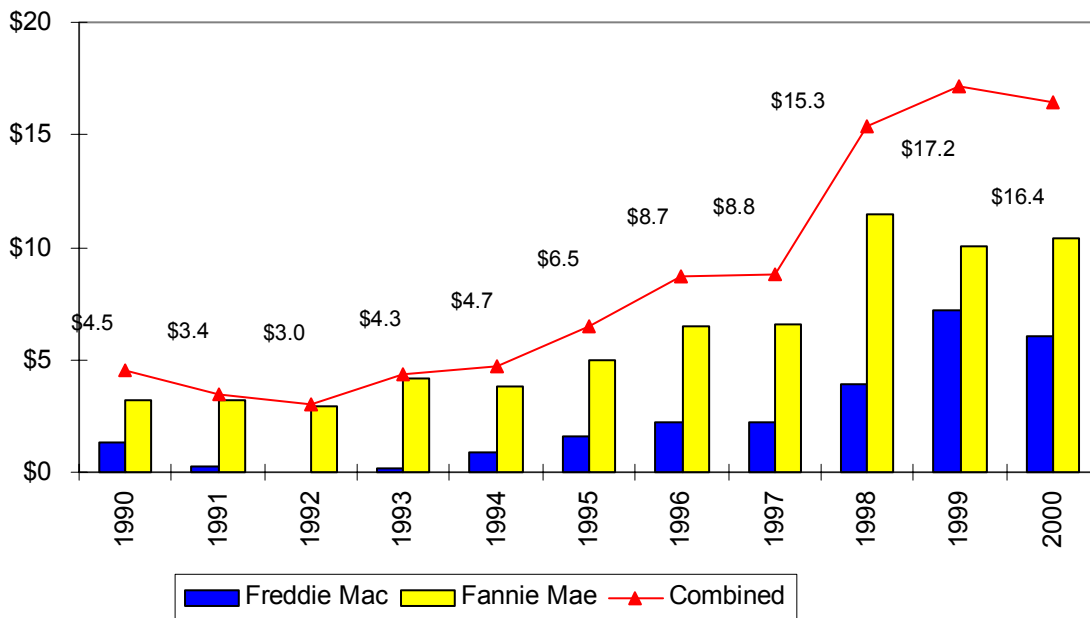
Changes in house prices are an important factor in determining the exposure of Fannie Mae and Freddie Mac to mortgage credit risk. A higher rate of home price appreciation increases the equity borrowers have in their homes and tends to reduce the risk that they will default and the losses the Enterprises will incur when defaults occur. To assess its exposure, each Enterprise estimates the sensitivity of the credit losses it expects to incur on its single-family mortgage portfolio within 10 years to an instantaneous 5 percent decline in the current level of house prices. The estimates

assume that, after the sudden decline, home prices return to their expected trend. As of year-end 2000, Fannie Mae estimates the assumed decline in house prices would increase the present value of its estimated credit losses over the 10-year period by \$1.1 billion before the receipt of primary mortgage insurance and other credit enhancements, and by \$0.3 billion after such receipts. Freddie Mac estimates that the assumed decline would increase the present value of its estimated credit losses by \$0.7 billion before the receipt of credit enhancements, and by \$0.2 billion after such receipts.

Purchases of Multifamily Mortgages Decline Slightly

The Enterprises' combined purchases of multifamily mortgages (defined to include cash purchases and securitizations) totaled \$16.4 billion in 2000, down a modest 5 percent from the \$17.2 billion record level of purchases in 1999 (see Figure 15). As with other segments of the mortgage market, purchases were heavier in the second half of the year. Fannie Mae and Freddie Mac manage the credit risk associated with the multifamily loans they purchase by maintaining underwriting guidelines, conducting real estate due diligence examinations, monitoring the performance of their multifamily portfolios, and using loss mitigation techniques to reduce losses on troubled loans. Each Enterprise also limits its risk exposure by obtaining credit enhancements on a portion of the multifamily mortgages it purchases.

Figure 15
Enterprise Multifamily Mortgage Purchases
 (\$ in Billions)

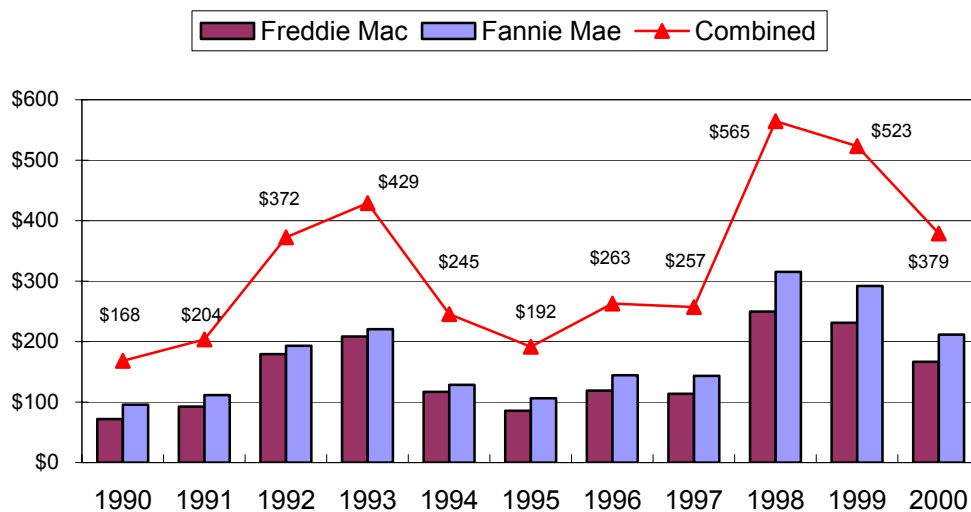


Sources: Fannie Mae and Freddie Mac

Volumes of MBS and REMIC Issuances Mimic the Pattern of Originations

The Enterprises' securitization of mortgages in 2000 mirrored origination activity in the primary market. Issuance of single-class MBS declined at both Enterprises as purchase volumes fell (see Figure 16). Fannie Mae's issuances totaled \$212 billion, a decrease of 30 percent. Adjustable-rate mortgages accounted for 12 percent of new issuances, up from 4 percent in 1999. Similarly, Freddie Mac's securitization of single-class securities was down sharply in 2000 totaling \$167 billion, 28 percent below the 1999 level. Twelve percent of Freddie Mac's issues were backed by ARMs, compared to 3 percent in 1999. The decline in issuances of single-family MBS was more than offset at both Enterprises by a decrease in mortgage liquidations stemming from a lower volume of refinance loans in 2000. As in the past, each Enterprise purchased sizable volumes of its MBS issues for its asset portfolio. Despite that, outstanding MBS held by other investors increased 4 percent for Fannie Mae and 7 percent for Freddie Mac.

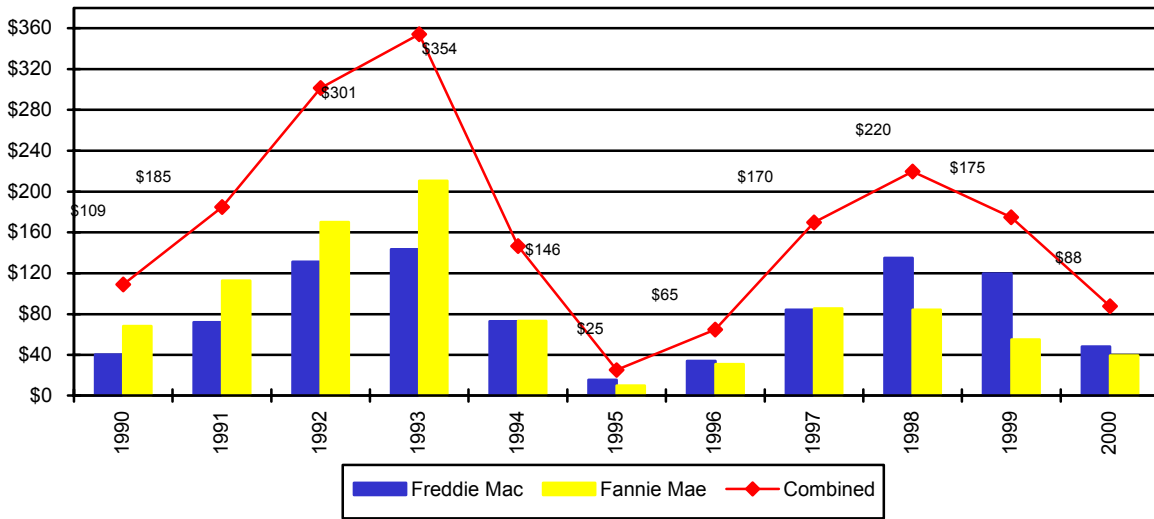
Figure 16
Enterprise Single-Class MBS Issuance
 (\$ in Billions)



Sources: Fannie Mae and Freddie Mac

Multi-class mortgage securities consist primarily of Real Estate Mortgage Investment Conduit (REMIC) offerings. Freddie Mac's new issue volume of REMICs fell \$71 billion to \$48 billion, while Fannie Mae issues declined \$16 billion to \$40 billion in 2000 (see Figure 17). The lower issuance volumes reflected a decrease in demand for REMICS and prevailing market conditions. After rising 21 percent in 1999, Freddie Mac's outstanding multi-class issues fell 2 percent, while Fannie Mae's declined slightly.

Figure 17
Enterprise REMIC Issuances
(\$ in Billions)



Sources: Fannie Mae and Freddie Mac

FINANCIAL PERFORMANCE AND CONDITION OF THE ENTERPRISES

Profits Continue to Increase

Fannie Mae and Freddie Mac performed well in 2000, setting records in a number of areas. Fannie Mae's profits rose 14 percent to \$4.4 billion, while Freddie Mac's rose 15 percent to \$2.5 billion (see Tables 1 and 2). Those gains extended long strings of rapid increases. Over the past decade, Fannie Mae's earnings have risen 279 percent, whereas Freddie Mac's have grown 515 percent. Such profitability has enabled each Enterprise to sustain a high rate of return on equity (ROE). Last year, Fannie Mae's ROE was 25.6 percent, the highest level since 1992. Freddie Mac's experienced a slight decline in ROE, to a still very healthy 23.7 percent.

Table 1. Fannie Mae Financial Highlights

SELECTED FINANCIAL HIGHLIGHTS					
(Dollars in Billions)					
	2000	1999	1998	1997	1996
EARNINGS PERFORMANCE:					
Net Income (\$)	4.45	3.91	3.42	3.06	2.73
Net Interest Income (\$)	5.67	4.89	4.11	3.95	3.59
Guarantee Fees (\$)	1.35	1.28	1.23	1.27	1.20
Net Interest Margin (%) ¹	1.01	1.01	1.03	1.17	1.18
Average Guarantee Fee (bps) ²	19.5	19.3	20.2	22.7	22.4
Return on Common Equity (%)	25.6	25.2	25.2	24.6	24.1
Dividend Payout Ratio (%) ³	26.0	28.8	29.5	29.4	30.4
OUTSTANDING POSITIONS:					
Total Assets (\$)	675.1	575.2	485.0	391.7	351.0
Outstanding Debt (\$)	642.7	547.6	460.3	369.8	331.3
Retained Mortgage Portfolio (\$)	607.6	523.0	415.4	316.6	286.5
MBS (\$) (excluding Fannie Mae MBS held in Portfolio)	706.7	679.2	637.1	579.1	548.2
Retained as % of Total Mortgages in Portfolio	46.2	43.0	39.5	35.3	34.3
Equity/Assets + MBS (%)	1.51	1.41	1.38	1.42	1.42
Equity + Reserves/Assets + MBS (%) ⁴	1.57	1.47	1.45	1.50	1.50

Source: Fannie Mae

1. Taxable equivalent net interest income divided by average earning assets.
2. Guarantee fees divided by average MBS outstanding net of MBS held in portfolio.
3. Paid common dividends as a percentage of earnings available to common stockholders.
4. Effective 1/1/95, reserves exclude valuation allowance related to impaired loans pursuant to SFAS 114.

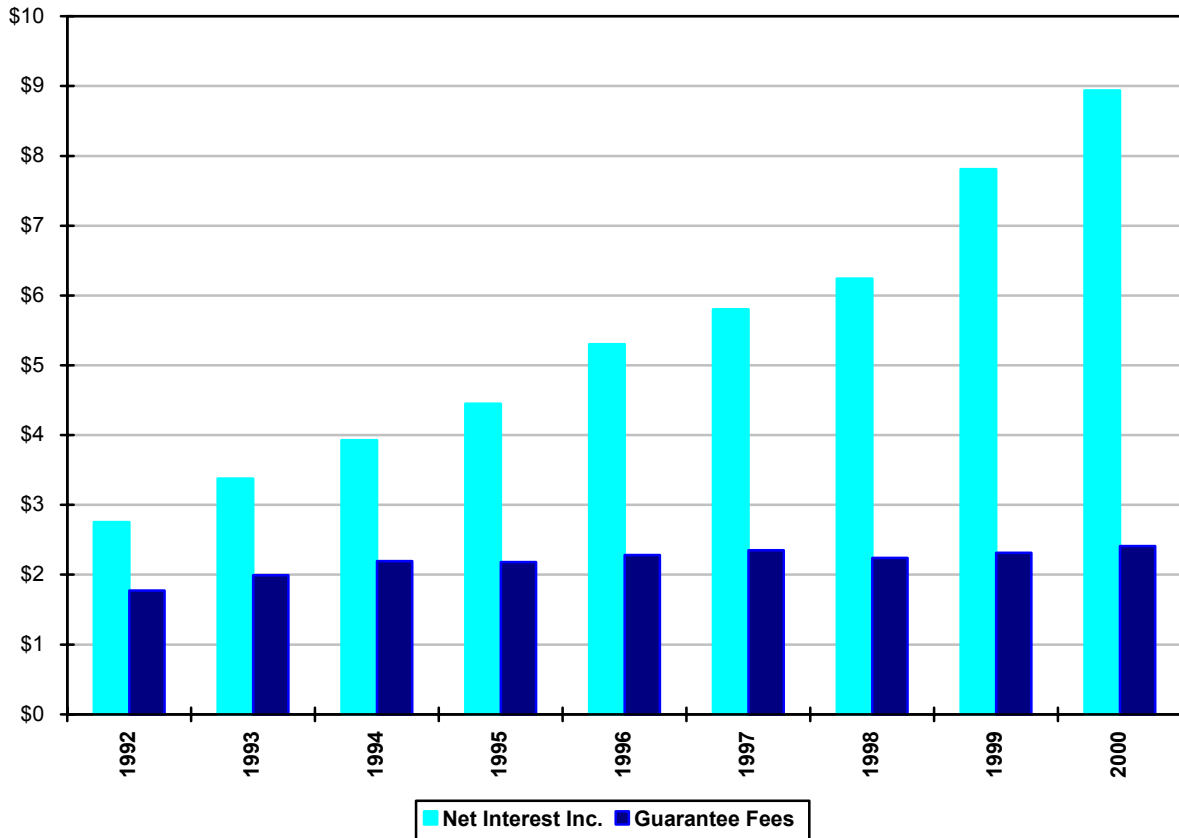
Table 2. Freddie Mac Financial Highlights

SELECTED FINANCIAL HIGHLIGHTS					
(Dollars in Billions)					
	2000	1999	1998	1997	1996
EARNINGS PERFORMANCE:					
Net Income (\$)	2.55	2.22	1.70	1.40	1.24
Net Interest Income (\$) ¹	3.27	2.93	2.22	1.85	1.71
Guarantee Fees (\$) ¹	1.06	1.02	1.02	1.08	1.09
Net Interest Margin (%) ^{1,2}	0.84	0.88	0.93	1.01	1.10
Average Guarantee Fee (bps) ^{1,3}	19.3	19.8	21.4	22.9	23.4
Return on Common Equity (%)	23.7	25.5	22.6	23.1	22.6
Dividend Payout Ratio (%) ⁴	20.0	20.1	20.7	21.1	21.3
OUTSTANDING POSITIONS:					
Total Assets (\$)	459.3	386.7	321.4	194.6	173.9
Outstanding Debt (\$)	426.9	360.7	287.4	172.8	156.9
Retained Mortgage Portfolio (\$)	385.5	322.9	255.7	164.5	137.8
MBS (\$) (excluding Freddie Mac MBS held in Portfolio)	576.1	537.9	478.4	476.0	473.1
Retained as % of Total Mortgages in Portfolio	40.1	37.5	34.8	25.7	22.6
Equity/Assets + MBS (%)	1.43	1.25	1.35	1.12	1.04
Equity + Reserves/Assets + MBS (%) ⁵	1.51	1.33	1.45	1.22	1.14

Source: Freddie Mac

1. Effective 1/1/96, Freddie Mac reports guarantee fees on retained Freddie Mac Participation Certifications or "MBS" as guarantee fee income. Previously these fees were included in net interest income. For comparability with Fannie Mae, guarantee fee income on retained MBS is included here in net interest income rather than fee income.
2. Taxable equivalent net interest income divided by average earning assets.
3. Guarantee fees divided by average MBS outstanding net of MBS held in portfolio.
4. Paid common dividends as a percentage of earnings available to common stockholders.
5. Effective 1/1/95, reserves exclude valuation allowance related to impaired loans pursuant to SFAS 114.

Figure 18
Enterprise Primary
Sources of Revenue
(\$ in Billions)

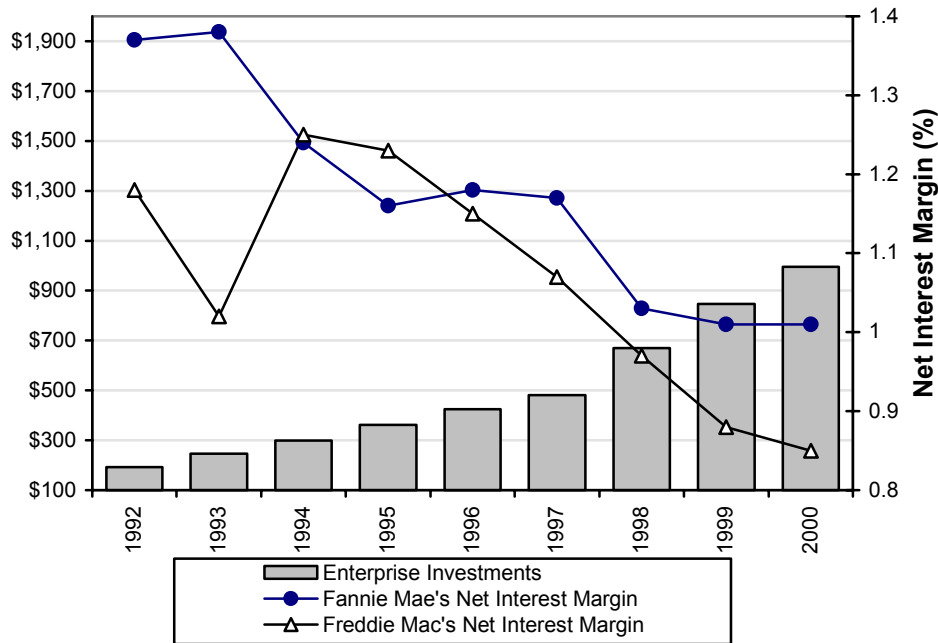


Sources: Fannie Mae and Freddie Mac

Revenues Continue to Rise

Total revenues increased 10 percent at each Enterprise to record levels in 2000. As in all recent years, net interest income provided the bulk of the gain (see Figure 18). Fannie Mae's net interest income rose from \$4.9 billion in 1999 to \$5.7 billion in 2000, an increase of 16 percent. The average yield on the Enterprise's investments increased 22 basis points from 1999 levels. Rising interest rates increased the yields on mortgages, mortgage securities, and other investments. Borrowing costs rose by a like amount, leaving the net interest margin (on a taxable equivalent basis) unchanged at 101 basis points (see Figure 19). Thus, the rise in net interest revenue was accounted for by a proportional increase in average earning assets.

Figure 19
Enterprise Mortgage Investments and
Net Interest Margin
(\$ in Billions)



Sources: Fannie Mae, Freddie Mac, and OFHEO

Freddie Mac increased its net interest income (defined for consistency with Fannie Mae to include guarantee fees on MBS in its mortgage asset portfolio) by 12 percent to \$3.3 billion in 2000. That growth occurred despite further erosion in the Enterprise's net interest margin (comparatively defined) from 88 basis points to 84 basis points. Freddie Mac's borrowing costs rose by more than its average yield on earning assets partly because of hedging activities in response to interest rate swings. As interest rates rose in 2000, Freddie Mac increased its proportion of higher-cost, longer-term funding to better match expected asset and liability lives. Then, as yields on mortgages reversed course in the second half of the year, the Enterprise purchased call options and entered into interest rate swaps to increase protection against further declines.

Enterprise non-interest income consists primarily of guarantee fees associated with the securitization of mortgages. The combined guarantee fee income of Fannie Mae and Freddie Mac rose 5 percent in 2000. Fannie Mae's average guarantee fee rate rose to 19.5 basis points in 2000, from 19.3 basis points in 1999. The modest increase in the Enterprise's average guarantee fee rate reflects slower growth in the percentage of MBS with credit-risk sharing arrangements, an increase in higher fee-rate business, and a decline in the liquidation of older, higher fee-rate business. Freddie Mac's average guarantee fee rate fell 0.5 basis points in 2000 to 19.3 basis points. Freddie Mac's lower average guarantee fee rate reflects the replacement of liquidated mortgages with

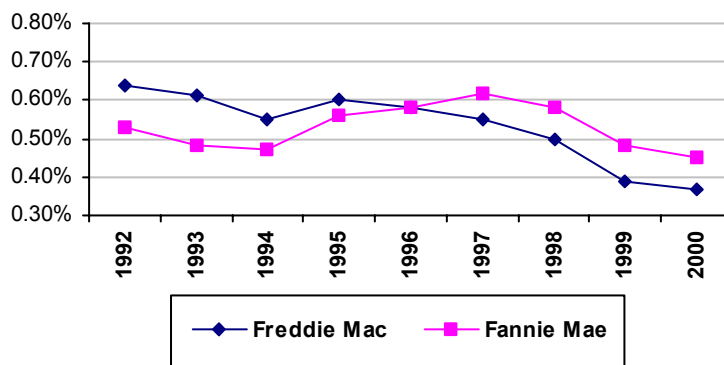
newly originated loans that have lower average fees, partly because of an increase in risk sharing arrangements.

Other non-interest income items of the Enterprises include fees earned for automated underwriting services, multi-family fees, fees earned from resecuritization activity (paid by underwriters), and gains and losses from certain hedging transactions. Freddie Mac's net non-interest income totaled \$130 million in 2000, compared to \$110 million in the previous year. Fannie Mae's net fee and other income, excluding the impact of operating losses generated by higher tax-advantaged investment balances (\$188 million), amounted to \$145 million in 2000, down from \$245 million in 1999. The decline was primarily attributable to a hedging loss.

Credit Losses and Delinquencies Continue to Decline

A generally strong housing market and increased recoveries from credit enhancements enabled the Enterprises to reduce their credit losses (charge-offs plus foreclosure expenses) for the third consecutive year in 2000 to extremely low levels. Credit losses for Fannie Mae fell 28 percent to just \$89 million, 0.007 percent of the Enterprise's average total mortgage portfolio. Freddie Mac's credit losses (based on slightly different accounting practices) fell 39 percent to \$94 million in 2000, 0.011 percent of its average total mortgage portfolio. Improving economic conditions nationwide reduced the number of foreclosed properties acquired by each Enterprise. In addition, strong home price appreciation, effective risk management, and increased recoveries reduced losses on foreclosed properties.

Figure 20
Single-Family Delinquency Rates



Sources: Fannie Mae and Freddie Mac

Delinquency rates on single-family mortgages owned or securitized by Fannie Mae and Freddie Mac (based on the number of loans on which an Enterprise bears the primary risk of loss that are delinquent 90 days or more or in foreclosure) also declined in 2000 (see Figure 20). The increased proportion of recently originated loans (which are increasingly likely to be evaluated using automated underwriting prior to purchase) in the Enterprises' retained and securitized mortgage portfolios, as well as generally

strong economic conditions, accounted for that trend. The proportion of delinquent single-family loans at Fannie Mae declined for the third consecutive year, falling from 0.48 percent at year-end 1999 to 0.45 percent at the end of 2000. Freddie Mac's single-family delinquency rate fell for the fifth year in a row, falling from 0.39 percent at the end of 1999 to 0.36 percent at year-end 2000.

Administrative Expenses Rise More Slowly

Each Enterprise's administrative expenses increased more slowly in 2000 as expenses associated with the year 2000 date change declined. Fannie Mae's administrative costs rose 13 percent to \$0.9 billion, whereas Freddie Mac's costs increased 9 percent to \$0.7 billion. The increase in administrative expenses experienced in 2000 was due primarily to investments associated with streamlining the mortgage process and enhancing the Enterprises' technology and related infrastructure (see Box B). The ratio of administrative costs to total revenues remained stable at both Enterprises. In addition, each Enterprise's administrative expenses grew less rapidly than its assets.

Box B

Enterprise Technology Initiatives in 2000

In recent years the mortgage industry has developed new technologies to automate the origination process, improve the management of mortgage credit risk, and facilitate electronic commerce—the evaluation, negotiation, execution, and management of business transactions electronically. Fannie Mae and Freddie Mac accelerated those developments in 1995 by introducing their own automated underwriting systems (AUS) and electronic mortgage information networks. More recently, each Enterprise developed software to help servicers manage delinquent loans more effectively and began to exploit the efficiencies of the Internet.

The Enterprises continually refine their automated underwriting systems. In 2000, Fannie Mae released a new version of its AUS, Desktop Underwriter. That version provides a more customized, user-friendly format that explains more clearly the documentation requirements and underwriting decision. Freddie Mac modified its AUS, Loan Prospector, when it made the system available on the Internet.

Each Enterprise's delinquency management software for servicers grades delinquent loans as either low, medium, or high risk, using contemporaneous assessments of the borrower's credit risk and the collateral value of the home. Servicers can use that information to determine which loans require earlier and more intensive intervention, which can reduce both the incidence of default and the severity of default losses. At present, each Enterprise's software for servicers is only available through its information network. In 2000, Fannie Mae modified its software, RiskProfiler, and streamlined the processes that servicers must follow. Freddie Mac released a new version of its software, EarlyIndicator, that provides improved assessments of the risk of delinquent conventional loans and allows assessments of delinquent subprime and government-insured mortgages. Freddie Mac also enhanced Workout Prospector, software that allows servicers to analyze and structure foreclosure alternatives for seriously delinquent loans. The latest version uses the Enterprise's automated appraisal technology and allows easier communication with property disposition firms.

In recent years the Internet has emerged as a cheaper and easier way for many originators, servicers, and other firms to do business with Fannie Mae and Freddie Mac. Lenders now have the option to access either Enterprise's AUS and some of its other automated services through the Internet, as well as through the Enterprise's information network or dial-up access. Recognizing the Web's efficiencies, in 2000 Fannie Mae and Freddie Mac began to convert many of their business processes to the Internet. Web-based applications are integral to the Enterprises' expressed goal of streamlining the mortgage process from origination through delivery into the secondary market.

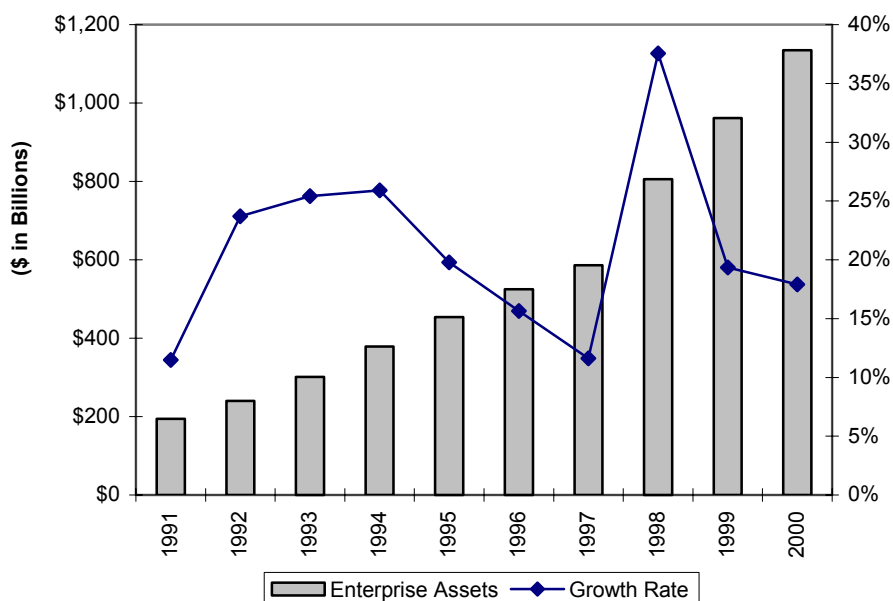
In late 1999, Freddie Mac provided Web-based access to Loan Prospector. Fannie Mae followed in early 2000 by making Desktop Underwriter accessible through the Internet. Fannie Mae also made Desktop Originator, a service that connects mortgage brokers to Desktop Underwriter, available on the Web. Previously, mortgage lenders could only access each Enterprise's AUS through its information network by leased lines or dial-up access.

Fannie Mae also introduced MORNETPlus 2000, a Web-based version of its information network that, in addition to allowing lenders access to Desktop Underwriter, enables them to order electronically appraisals and flood, title, and mortgage insurance. MORNETPlus 2000 also gives lenders on-line access to other firms' AUS that evaluate subprime, government-insured, and jumbo mortgages. A network that is not Web-based does not have the flexibility to provide electronic linkages to services offered by multiple firms.

Enterprise Assets Grow More Slowly Than in 1999

The combined assets of Fannie Mae and Freddie Mac topped the \$1 trillion mark in 2000, increasing 18 percent over the 1999 level of \$962 billion (see Figure 21). Most of the Enterprises' balance sheet growth was due to increases in their mortgage asset portfolios. While growth in the Enterprises' outstanding MBS is mainly determined by the marketplace, the growth in the asset portfolios of Fannie Mae and Freddie Mac is more discretionary. Asset purchase decisions are driven largely by the size of the spreads between the yields on their MBS and debt and hedging costs, as those factors determine the profitability of purchases. Generally, the larger the volume of FRMs originated, the higher the volume of loans available for sale and the higher the volume the Enterprises can acquire without forcing spreads to unacceptable levels. Both Enterprises increased their portfolios rapidly in 2000, but at more moderate rates than in the previous two years. Fannie Mae grew its portfolio by more than 16 percent, to \$607 billion. Freddie Mac increased its portfolio by 19 percent, to \$386 billion. Acquisitions of non-Enterprise securities accounted for over 50 percent of Freddie Mac's net portfolio additions and over 25 percent of Fannie Mae's (see Box C).

Figure 21
Combined Enterprise Assets
and Growth Rate



Sources: Fannie Mae, Freddie Mac, and OFHEO

Box C
The Enterprises' Purchases of Mortgage Securities in 2000

Fannie Mae and Freddie Mac continue to increase their on-balance sheet assets primarily by purchasing single- and multi-class mortgage-backed securities (MBS) they have previously guaranteed. Such purchases have the effect of increasing on-balance sheet assets and reducing off-balance sheet contingent liabilities, with no net effect on the Enterprise's overall credit risk exposure. The Enterprises also purchase mortgage securities issued by others.

In 2000, Fannie purchased \$126 billion of mortgage securities, down from \$166 billion in 1999. Freddie bought \$92 billion of securities, down from \$102 billion. The Enterprises' lower purchase volumes reflected the lower level of mortgages securitized. At year-end, Fannie Mae's holdings of mortgage securities comprised 75 percent of the Enterprise's mortgage assets, up slightly from 72 percent at the end of 1999. Whole loans in Fannie Mae's retained portfolio increased for the first time in six years. Freddie Mac's mortgage security holdings accounted for 85 percent of its retained portfolio, up slightly from 83 percent to \$59 billion at the end of 1999. Whole loans held by Freddie Mac increased 7 percent.

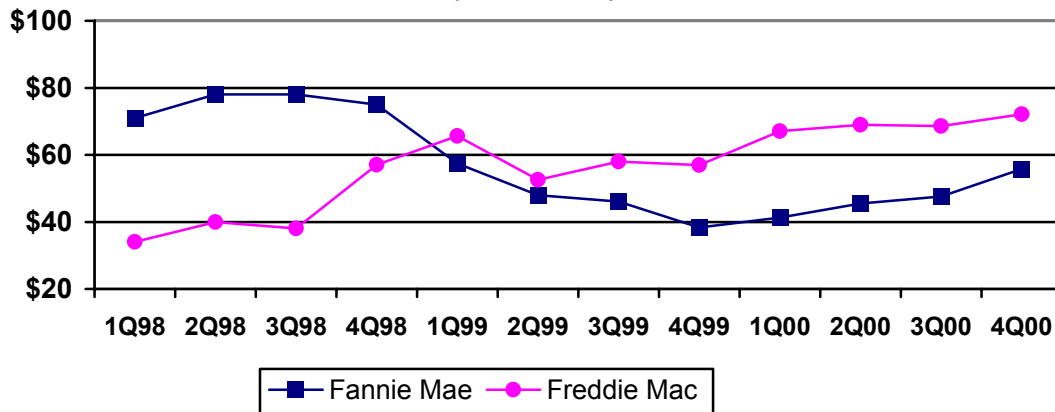
The Enterprises are increasingly buying mortgage securities guaranteed by the Government National Mortgage Association (Ginnie Mae) and each other or issued by private firms. Ginnie Mae and other agency securities generally pose little or no credit risk. Private-label securities pose both mortgage and institutional credit risk, which the Enterprises limit by requiring subordinated structures or bond insurance, and by monitoring the creditworthiness of bond issuers.

Fannie Mae purchased \$21 billion of non-Enterprise mortgage securities last year, down 48 percent from \$40 billion in 1999. Freddie Mac purchases of non-Enterprise securities were at the same level as 1999, \$33 billion. Non-Enterprise mortgage securities accounted for 17 percent of Fannie Mae's mortgage assets in 2000, little change from the previous year. Freddie Mac's non-Enterprise mortgage securities accounted for 21 percent of its mortgage assets, up from the 1999 level of 17 percent.

The increase in Freddie Mac's holding of non-Enterprise securities accounted for 38 percent of the growth in its mortgage assets, down slightly from 1999. Freddie Mac's holdings included nearly \$37 billion of securities guaranteed by Ginnie Mae or other agencies, over \$15 billion in securities backed by home equity loans, and approximately \$11 billion of securities backed by commercial mortgages.

Non-mortgage investments rose substantially at both Enterprises in 2000 (see Figure 22). Fannie Mae's non-mortgage investments increased by 46 percent to \$55.8 billion during 2000. Freddie Mac's non-mortgage investments increased to \$72.1 billion in the fourth quarter, an increase of 27 percent for the year. Although non-mortgage investments grew more slowly at Freddie Mac, they remained a much larger component of Freddie Mac's asset portfolio, accounting for 16 percent of earning assets in the fourth quarter, compared with 9 percent of Fannie Mae's earning assets in that quarter. Non-mortgage investments typically include U.S. Treasury and agency securities, Federal funds, reverse repurchase agreements, commercial paper, municipal bonds, corporate debt, and asset-backed securities.

Figure 22
Enterprise Average
Non-Mortgage Investments
(\$ in Billions)



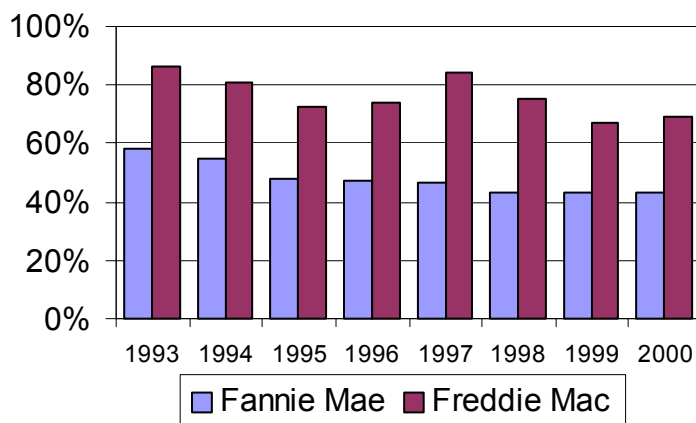
Sources: Fannie Mae and Freddie Mac

Enterprise Debt Mix Continues to Shift with Changes in Interest Rates

Generally higher interest rates in 2000 slowed the rate at which Fannie Mae and Freddie Mac exercised call options to redeem debt securities before their stated maturities. The rising-rate environment in the first half of the year presented few opportunities to replace callable debt with cheaper new issues, but as interest rates declined in the second half of the year the Enterprises called an increasing number of securities. For the year, Fannie Mae called \$9 billion in debt, compared with \$34 billion in 1999. Freddie Mac also called \$9 billion in 2000, down from \$22 billion in 1999. Over three-quarters of each Enterprise's calls in 2000 occurred in the fourth quarter of the year.

Option-embedded debt remained attractive to Fannie Mae and Freddie Mac in 2000, however. The Enterprises issue such debt to reduce their exposure to losses from falling interest rates. When rates decline, mortgage investments roll off the balance sheet and are replaced by newly purchased assets that have lower yields. The Enterprises limit their losses by retiring callable debt and issuing new, lower-cost debt (or by exercising options to reduce the rates on outstanding debt), thereby matching the decline in their interest income with a reduction in interest expense. Consistent with that strategy, a significant proportion of long-term debt issued by the Enterprises in 2000 had call options or downward rate-adjustment features, as has been the case in recent years. Option-embedded (mostly callable) debt comprised 69 percent of Freddie Mac's effective long-term debt at the end of the year, up slightly from two-thirds at year-end 1999, and remained at about 43 percent of Fannie Mae's effective long-term debt (see Figure 23).

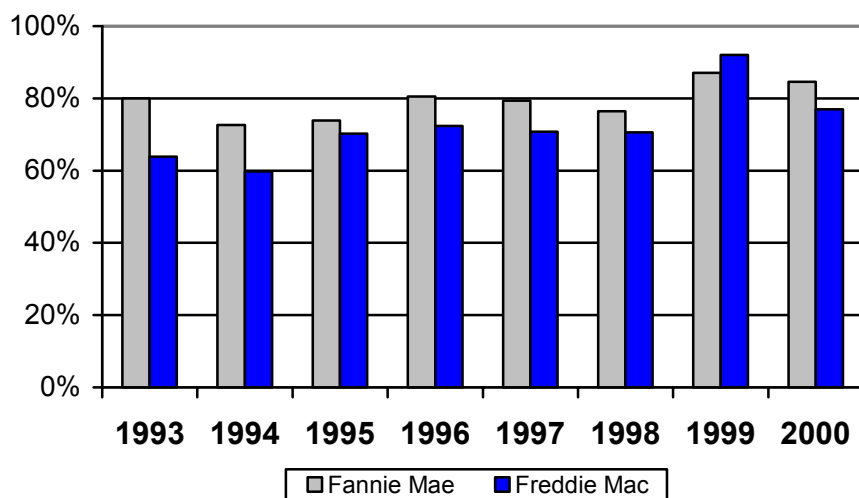
Figure 23
Callable Debt as Percentage of
Total Effective Long-Term Debt



Sources: Fannie Mae and Freddie Mac

Both Enterprises decreased the proportion of their debt that is effectively long-term in 2000 (see Figure 24). (Such debt includes both notes with long-term maturities and short-term debt that has been made effectively long-term through the acquisition of derivatives.) At year's end, 85 percent of Fannie Mae's debt was effectively long-term, down slightly from 87 percent at year-end 1999. The proportion of Freddie Mac's debt that is effectively long-term fell from 92 percent to 77 percent. When interest rates are falling, as they were in the latter part of 2000, the average expected maturity of the Enterprises' mortgage assets declines. Fannie Mae and Freddie Mac responded by reducing the proportion of their debt that is effectively long-term in order to shorten their debt's average maturity.

Figure 24
Effective Long-Term Debt as
a Percentage of Total Debt



Sources: Fannie Mae and Freddie Mac

The total combined outstanding debt of Fannie Mae and Freddie Mac increased 18 percent to \$1.1 trillion at the end of 2000. As in the past, debt maturing in one year or less accounted for well over three-fourths of the obligations sold by each Enterprise during the year. Short-term issues comprised 91 percent of Fannie Mae's \$1.3 trillion of debt financing, up from 89 percent in 1999, and 95 percent of Freddie Mac's \$2.2 trillion in offerings, up from 93 percent in the previous year.

In recent years, the Enterprises have sold large issues of debt designed to provide liquidity to investors. "Benchmark" debt accounted for one-third of Fannie Mae's offerings in 2000, compared with 9 percent in 1999. Short-term "Benchmark" bills accounted for 29 percent of the short-term debt issued by the Enterprise in 2000, up from 4 percent in the prior year. Long-term "Benchmark" notes and bonds comprised 70 percent of Fannie Mae's long-term issues, up from 45 percent in 1999. "Reference" securities accounted for over 31 percent of Freddie Mac's debt issuance in 2000, up

from 3 percent in the previous year. Short-term “Reference” bills, which the Enterprise began to issue in January 2000, accounted for over 30 percent of short-term issuances for the year. Long-term “Reference” notes and bonds comprised 57 percent of the Enterprise’s long-term issues, up from 42 percent in 1999. Freddie Mac also issued €10 billion in “Euro-Reference Notes” in 2000. Foreign investors hold approximately one-third of “Benchmark” and “Reference” securities outstanding.

Enterprise Interest Rate Risk Measures Show Differences, But Use Different Methodologies

Each Enterprise reports estimates of the effects on its financial condition or performance of an instantaneous shift in interest rate levels of one percentage point. Fannie Mae presents two measures. One indicates the effects on the Enterprise’s forecasted net interest income over one-year and four-year horizons. That measure shows that, at year-end 2000, Fannie Mae’s net interest income would decline 2 percent during the first year after an interest rate shift in either direction. Over four years, the drop would be greater—five percent for an increase in rates and 9 percent for a decrease. Because the Enterprise’s assets and debt include maturities greater than four years, projections limited to that time span cannot capture all the effects of an interest rate change, but longer-term projections become increasingly sensitive to assumptions and are potentially less meaningful.

Fannie Mae also estimates the effect of the same interest rate changes on its equity when assets and liabilities are measured at fair values, consistent with the Enterprise’s disclosed fair value balance sheet. That measure shows that an increase in interest rates of 1 percentage point would have reduced Fannie Mae’s fair value of equity at year-end 2000 by just 2 percent, but a drop in rates would have produced a decrease of 28 percent. That measure is similar to Freddie Mac’s Portfolio Market Value Sensitivity measure. Freddie Mac estimates that a 1 percentage point shift in the most adverse direction would have reduced the value of the Enterprise’s equity (with interest-sensitive assets and liabilities valued at market prices) by 8.5 percent. That potential loss is higher than at year-end 1999 (2.9 percent), but well below the estimated loss at year-end 1998, when market conditions were more difficult. While the two Enterprises’ estimates might suggest that Freddie Mac was exposed to substantially less interest rate risk than Fannie Mae at year-end 2000, significant differences in their respective methodologies (particularly with regard to valuing expected guarantee fees) contribute to the differences in results.

Inferences from those measures about the effects of larger changes in interest rates are not possible because alternative hedging strategies can produce very different results as the size of interest-rate movements increases. To examine the effects of larger interest rate changes accompanied by severe credit losses, both Enterprises have used stress tests broadly similar to the one OFHEO will use to determine risk-based capital requirements. Fannie Mae and Freddie Mac each has reported that it passed its stress test, but each employed important differences from OFHEO’s methodology.

Enterprises' Equity Positions Improve

After paying dividends at record levels, both Enterprises increased their total shareholders' equity. Fannie Mae's total shareholders' equity increased from \$17.6 billion at the end of 1999 to \$20.8 billion at the end of 2000, an increase of over 18 percent. Higher retained earnings accounted for the bulk of the growth in Fannie Mae's equity. Freddie Mac's total shareholders' equity increased as well, increasing approximately 29 percent to \$14.8 billion. That increase was influenced by unrealized gains on available-for-sale investments. Fannie Mae's ratio of equity to total assets and MBS rose from 1.41 percent at year-end 1999 to 1.51 percent at year-end 2000. Freddie Mac's ratio improved from 1.25 percent to 1.43 percent.

Those gains were achieved despite substantial distributions to stockholders. Freddie Mac increased its common stock dividend and share repurchases. Combined with preferred stock dividends, those distributions totalled \$912 million, or 36 percent of net income. Fannie Mae also raised its common stock dividend and sharply increased share repurchases, but it offset most of the latter by issuing nearly \$1 billion of new preferred stock. Its net distributions amounted to \$1.7 billion, or 38 percent of net income.

The market capitalization of Fannie Mae and Freddie Mac is an indicator of investors' views of the Enterprises' future prospects. While major equity markets experienced significant erosion in market capitalization in 2000, the Enterprises saw their market capitalization rise significantly. Fannie Mae's market capitalization increased to \$87 billion (more than four times book value) at year-end 2000, for an increase of 36 percent. Freddie Mac's market capitalization increased by 46 percent to \$48 billion, more than three times book value.

Enterprises Continue to Meet Minimum Regulatory Capital Requirements

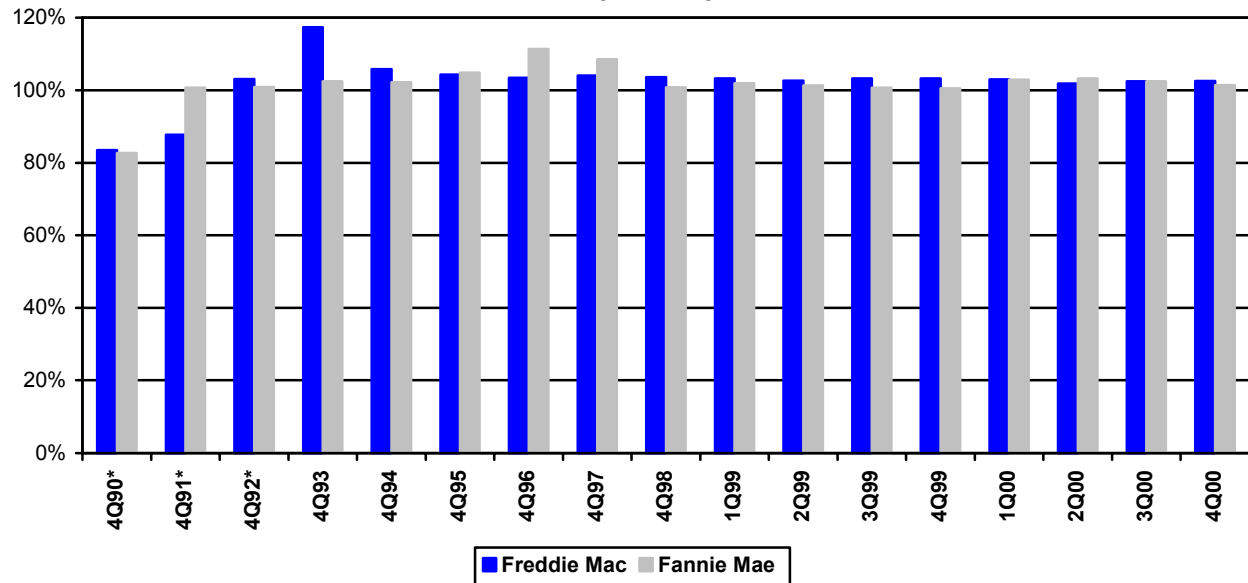
OFHEO determined that the Enterprises met their regulatory minimum capital requirements throughout 2000.¹ Fannie Mae's minimum capital requirement was \$20.3 billion, and Freddie Mac's was \$14.2 billion, at year-end 2000. The Enterprises were required to hold \$4.4 billion more in core capital at year-end 2000 than the year before, largely due to growth in their assets. Core capital is the sum of the par value of outstanding common stock, the par value of outstanding noncumulative preferred stock, paid-in capital and retained earnings. Core capital excludes net unrealized gains or losses, net of taxes, on certain investments reported at fair value, which are included in stockholders' equity. Given the Enterprises' hedging practices for interest rate risk, such unrealized gains and losses generally are offset by comparable changes in the value of outstanding debt. Excluding the gains or losses from core capital is required by statute

¹ The minimum capital requirement is the sum of 2.5 percent of on-balance-sheet assets, 0.45 percent of outstanding MBS, and 0.45 percent of other off-balance-sheet obligations.

and more accurately assesses an Enterprise's capacity to absorb potential future losses.

Surplus capital, the margin by which Enterprise core capital exceeds minimum capital, changed at both Enterprises in 2000. Fannie Mae's capital surplus increased from \$106 million at the end of 1999 to \$533 million at year-end 2000 (see Figure 25). Freddie Mac's capital surplus declined from \$405 million at the end of 1999 to \$202 million at year-end 2000. As a percentage of required minimum capital, Fannie Mae's surplus improved from 0.6 percent to 2.6 percent, while Freddie Mac's surplus capital fell from 3.3 percent to 1.4 percent.

Figure 25
Core Capital as a Percentage of
Minimum Capital Requirement



Source: OFHEO

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Table 1. Fannie Mae Mortgage Purchases

Business Activity (\$ in Millions)				
Period	Purchases			
	Single-Family (\$)	Multifamily (\$)	Total ¹ (\$)	Mortgage Securities² (\$)
4Q00	71,759	3,430	75,189	44,569
3Q00	59,578	2,662	62,240	33,849
2Q00	55,115	2,309	57,424	22,415
1Q00	40,617	1,976	42,593	25,201
Annual Data				
2000	227,069	10,377	237,446	126,034
1999	316,136	10,012	326,148	166,431
1998	354,920	11,428	366,348	144,461
1997	159,921	6,534	166,455	48,848
1996	164,456	6,451	170,907	45,016
1995	126,003	4,966	130,969	34,036
1994	158,229	3,839	162,068	24,552
1993	289,826	4,135	293,961	6,275
1992	248,603	2,956	251,559	4,930
1991	133,551	3,204	136,755	2,384
1990	111,007	3,180	114,187	977
1989	80,510	4,325	84,835	Not
1988	64,613	4,170	68,783	Applicable
1987	73,942	1,733	75,675	Before
1986	77,223	1,877	79,100	1990
1985	42,543	1,200	43,743	
1984	27,713	1,106	28,819	
1983	26,339	140	26,479	
1982	25,929	10	25,939	
1981	6,827	2	6,829	
1980	8,074	27	8,101	
1979	10,798	9	10,807	
1978	12,302	3	12,305	
1977	4,650	134	4,784	
1976	3,337	295	3,632	
1975	3,646	674	4,320	
1974	4,746	2,273	7,019	
1973	4,170	2,082	6,252	
1972	2,596	1,268	3,864	
1971	2,742	1,298	4,040	

Source: Fannie Mae

¹ Cash purchases from lenders plus lender-originated securitizations; excludes non-Fannie Mae securities and repurchased Fannie Mae MBS.² Not included in total purchases.

Table 2. Fannie Mae MBS Issuances

Business Activity (\$ in Millions)					
Period	MBS Issuances				
	Single-Family MBS (\$)	Multifamily MBS (\$)	Total MBS (\$)	Multiclass MBS¹ (\$)	
4Q00	65,080	2,340	67,420	12,908	
3Q00	54,898	1,791	56,689	9,482	
2Q00	46,778	1,808	48,586	9,193	
1Q00	37,310	1,657	3,8967	7,961	
Annual Data					
2000	204,066	7,596	211,662	39,544	
1999	292,192	8,497	300,689	55,160	
1998	315,120	11,028	326,148	84,147	
1997	143,615	5,814	149,429	85,415	
1996	144,201	5,668	149,869	30,780	
1995	106,269	4,187	110,456	9,681	
1994	128,385	2,237	130,622	73,365	
1993	220,485	959	221,444	210,630	
1992	193,187	850	194,037	170,205	
1991	111,488	1,415	112,903	112,808	
1990	96,006	689	96,695	68,291	
1989	66,489	3,275	69,764	41,715	
1988	51,120	3,758	54,878	17,005	
1987	62,067	1,162	63,229	9,917	
1986	60,017	549	60,566	2,400	
1985	23,142	507	23,649	Not Issued Before 1986	
1984	13,087	459	13,546		
1983	13,214	126	13,340		
1982	13,970	Not Issued Before 1983	13,970		
1981	717		717		
	Not Issued Before 1981		Not Issued Before 1981		

Source: Fannie Mae

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

Table 3. Fannie Mae Earnings

Earnings (\$ in Millions)							
Period	Net Interest Income ¹ (\$)	Guarantee Fee Income (\$)	Average Guarantee Fee Rate (basis points)	Administrative Expenses (\$)	Credit-Related Expenses ² (\$)	Net Income (\$)	Return on Common Equity ³ (%)
4Q00	1485	339	19.3	232	21	1,165	25.3
3Q00	1425	341	19.5	232	22	1,124	25.6
2Q00	1399	339	19.6	224	21	1,097	25.8
1Q00	1362	332	19.4	217	30	1,062	25.7
Annual Data							
2000	5,674	1,351	19.5	905	94	4,448	25.6
1999	4,894	1,282	19.3	800	127	3,912	25.2
1998	4,110	1,229	20.2	708	261	3,418	25.2
1997	3,949	1,274	22.7	636	375	3,056	24.6
1996	3,592	1,196	22.4	560	409	2,725	24.1
1995	3,047	1,086	22.0	546	335	2,144	20.9
1994	2,823	1,083	22.5	525	378	2,132	24.3
1993	2,533	961	21.3	443	305	1,873	25.3
1992	2,058	834	21.2	381	320	1,623	26.5
1991	1,778	675	21.0	319	370	1,363	27.7
1990	1,593	536	21.1	286	310	1,173	33.7
1989	1,191	408	21.3	254	310	807	31.1
1988	837	328	21.6	218	365	507	25.2
1987	890	263	22.1	197	360	376	23.5
1986	384	175	23.8	175	306	105	9.5
1985	139	112	25.6	142	206	(7)	(0.7)
1984	(90)	78	26.2	112	86	(71)	(7.4)
1983	(9)	54	26.3	81	48	49	5.1
1982	(464)	16	27.2	60	36	(192)	(18.9)
1981	(429)	0.3	25.0	49	(28)	(206)	(17.2)
1980	21	Not Applicable	Not Applicable	44	19	14	0.9
1979	322	Before 1981	Before 1981	46	35	162	11.3
1978	294	1981	1981	39	36	209	16.5
1977	251			32	28	165	15.3
1976	203			30	25	127	13.8
1975	174			27	16	115	14.1
1974	142			23	17	107	14.7
1973	180			18	12	126	20.3
1972	138			13	5	96	18.8
1971	49			15	4	61	14.4

Source: Fannie Mae

¹ Interest income net of interest expense, nominal basis.² Credit-related expenses are mortgage loan loss provision plus real estate owned expense.³ Average common equity used to calculate return.

Table 4. Fannie Mae Balance Sheet

Balance Sheet (\$ in Millions)						Mortgage Backed Securities Outstanding (\$ in Millions)	
Period	Total Assets (\$)	Retained Mortgage Portfolio ¹ (\$)	Non- Mortgage Investments ² (\$)	Debt Outstanding (\$)	Stockholders' Equity (\$)	Total MBS Outstanding ³ (\$)	Multiclass MBS Outstanding ⁴ (\$)
4Q00	675,072	607,602	54,982	642,682	20,838	706,684	334,508
3Q00	638,147	571,604	54,963	607,039	19,687	701,024	331,492
2Q00	608,775	550,179	47,398	578,527	18,791	696,573	333,292
1Q00	586,698	537,193	38,326	557,543	18,371	684,684	334,386
Annual Data							
2000	675,072	607,602	54,982	642,682	2,838	706,684	334,508
1999	575,167	522,977	39,751	547,619	17,629	679,169	335,514
1998	485,014	415,434	58,515	460,291	15,453	637,143	361,613
1997	391,673	316,592	64,596	369,774	13,793	579,138	388,360
1996	351,041	286,527	56,606	331,270	12,773	548,173	339,798
1995	316,550	252,868	57,273	299,174	10,959	513,230	353,528
1994	272,508	220,815	46,335	257,230	9,541	486,345	378,733
1993	216,979	190,169	21,396	201,112	8,052	471,306	381,865
1992	180,978	156,260	19,574	166,300	6,774	424,444	312,369
1991	147,072	126,679	9,836	133,937	5,547	355,284	224,806
1990	133,113	114,066	9,868	123,403	3,941	288,075	127,278
1989	124,315	107,981	8,338	116,064	2,991	216,512	64,826
1988	112,258	100,099	5,289	105,459	2,260	170,097	26,660
1987	103,459	93,665	3,468	97,057	1,811	135,734	11,359
1986	99,621	94,123	1,775	93,563	1,182	95,568	Not Available Before 1987
1985	99,076	94,609	1,466	93,985	1,009	54,552	
1984	87,798	84,135	1,840	83,719	918	35,738	
1983	78,383	75,247	1,689	74,594	1,000	25,121	
1982	72,981	69,356	2,430	69,614	953	14,450	
1981	61,578	59,629	1,047	58,551	1,080	717	
1980	57,879	55,589	1,556	54,880	1,457	Not Issued Before 1981	
1979	51,300	49,777	843	48,424	1,501		
1978	43,506	42,103	834	40,985	1,362		
1977	33,980	33,252	318	31,890	1,173		
1976	32,393	31,775	245	30,565	983		
1975	31,596	30,820	239	29,963	861		
1974	29,671	28,666	466	28,168	772		
1973	24,318	23,589	227	23,003	680		
1972	20,346	19,652	268	19,239	559		
1971	18,591	17,886	349	17,672	460		

Source: Fannie Mae

¹ Gross retained portfolio net of unamortized purchase premium, discounts and deferred price adjustments.² Prior to 1982 balances primarily composed of U.S. government and agency securities.³ Total MBS outstanding net of Fannie Mae MBS in the retained portfolio.⁴ The majority qualify as REMICs and are also known as structured securitizations.

Table 5. Fannie Mae Retained Mortgage Portfolio Detail

(\$ in Millions)					
Period	Whole Loans (\$)	Fannie Mae Securities (\$)	Other Mortgage-Related Securities (\$)	Total Retained Mortgage Portfolio¹ (\$)	
4Q00	152,505	351,066	106,551	610,122	
3Q00	149,718	319,804	104,565	574,087	
2Q00	150,477	299,242	102,447	552,166	
1Q00	147,879	291,131	99,741	538,751	
Annual Data					
2000	152,505	351,066	106,551	610,122	
1999	149,105	281,714	93,122	523,941	
1998	155,779	197,375	61,361	414,515	
1997	160,102	130,444	26,132	316,678	
1996	167,891	102,607	16,554	287,052	
1995	171,481	69,729	12,301	253,511	
1994	173,909	43,998	7,150	225,057	
1993	163,149	24,219	3,493	190,861	
1992	134,597	20,535	2,987	158,119	
1991	109,251	16,700	3,032	128,983	
1990	101,797	11,758	3,073	116,628	
1989	95,729	11,720	3,272	110,721	
1988	92,220	8,153	2,640	103,013	
1987	89,618	4,226	2,902	96,746	
1986	94,167	1,606	2,060	97,833	
1985	97,421	435	793	98,649	
1984	87,205	477	427	88,109	
1983	77,983		273	78,256	
1982	71,777		37	71,814	
1981	61,411		1	61,412	
1980	57,326		1	57,327	
1979	51,096		1	51,097	
1978	43,315			43,315	
1977	34,377			34,377	
1976	32,937			32,937	
1975	31,916			31,916	
1974	29,708			29,708	
1973	24,459			24,459	
1972	20,326			20,326	
1971	18,515			18,515	

Source: Fannie Mae

¹ Total gross unpaid principal balance.

Table 6. Fannie Mae Financial Derivatives

Financial Derivatives (\$ in Millions)						
Period	Interest Rate Swaps (\$)	Interest Rate Caps, Floors, and Corridors (\$)	Foreign Currency (\$)	Futures & Options and Forward Rate Agreements (\$)	Short Sales and Other (\$)	Total (\$)
4Q00	227,651	33,663	9,511	48,865	0	319,690
3Q00	211,302	27,800	9,544	49,665	4,355	302,676
2Q00	208,583	27,550	11,335	45,210	2,385	295,063
1Q00	200,285	28,950	11,460	32,569	1,925	275,189
Annual Data						
2000	227,651	33,663	9,511	48,865	0	319,690
1999	192,032	28,950	11,507	41,081	1,400	274,970
1998	142,846	14,500	12,995	13,481	3,735	187,557
1997	149,673	100	9,968	0	1,660	161,401
1996	158,140	300	2,429	0	350	161,219
1995	125,679	300	1,224	29	975	128,207
1994	87,470	360	1,023	0	1,465	90,317
1993	49,458	360	1,023	0	1,425	52,265
1992	24,130	0	1,177	0	1,350	26,658
1991	9,100	0	Not Available	50	1,050	10,200
1990	4,800	0	Before 1992	25	1,700	6,525

Source: Fannie Mae

Table 7. Fannie Mae Non-Mortgage Investments

Non-Mortgage Investments (\$ in Millions)							
Period	Federal Funds and Eurodollars (\$)	Asset-Backed Securities (\$)	Repurchase Agreements (\$)	Commercial Paper and Corporate Debt (\$)	Other (\$)	Total ¹ (\$)	
4Q00	7,539	17,512	2,722	8,893	18,316	54,982	
3Q00	6,431	17,253	4,503	10,177	16,599	54,963	
2Q00	4,129	18,801	2,285	8,158	14,025	47,398	
1Q00	3,276	18,102	1,596	4,217	11,135	38,326	
Annual Data							
2000	7,539	17,512	2,722	8,893	18,316	54,982	
1999	4,837	19,207	2,574	1,723	11,410	39,751	
1998	7,926	20,993	7,556	5,155	16,885	58,515	
1997	19,212	16,639	6,715	11,745	10,285	64,596	
1996	21,734	14,635	4,667	6,191	9,379	56,606	
1995	19,775	9,905	10,175	8,629	8,789	57,273	
1994	17,593	3,796	9,006	7,719	8,221	46,335	
1993	4,496	3,557	4,684	0	8,659	21,396	
1992	6,587	4,124	3,189	0	5,674	19,574	
1991	2,954	2,416	2,195	0	2,271	9,836	
1990	5,329	1,780	951	0	1,808	9,868	
1989	5,158	1,107	0	0	2,073	8,338	
1988	4,125	481	0	0	683	5,289	
1987	2,559	25	0	0	884	3,468	
1986	1,530	0	0	0	245	1,775	
1985	1,391	0	0	0	75	1,466	
1984	1,575	0	0	0	265	1,840	
1983	1,462	0	0	0	227	1,689	
1982	1,799	0	0	0	631	2,430	
1981	Not Available	Not Available	Not Available	Not Available	Not Available	1,047	
1980	Before 1982	Before 1982	Before 1982	Before 1982	Before 1982	1,556	
1979	Before 1982	Before 1982	Before 1982	Before 1982	Before 1982	843	
1978						834	
1977						318	
1976						245	
1975						239	
1974						466	
1973						227	
1972						268	
1971						349	

Source: Fannie Mae

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

Table 8. Fannie Mae Asset - Liability Mix

Asset - Liability Ratios					
Period	Asset Mix		Liability Mix		
	Retained Portfolio / Total Assets (%)	Non-Mortgage Investments / Total Assets (%)	Callable Debt / Total Effective Long-Term Debt^{1,2} (%)	Total Effective Long-Term Debt / Total Debt³ (%)	
4Q00	90.0	8.1	42.9	84.6	
3Q00	89.6	8.6	44.5	87.2	
2Q00	90.4	7.8	45.1	87.8	
1Q00	91.6	6.5	43.9	88.3	
Annual Data					
2000	90.0	8.1	42.9	84.6	
1999	90.9	6.9	43.4	87.1	
1998	85.7	12.1	42.9	76.4	
1997	80.8	16.5	46.4	79.4	
1996	81.6	16.1	47.5	80.5	
1995	79.9	18.1	48.0	73.9	
1994	81.0	17.0	54.6	72.6	
1993	87.6	9.9	58.1	80.0	
1992	86.3	10.8	48.8	77.9	
1991	86.1	6.7	36.0	85.5	
1990	85.7	7.4	21.9	82.6	
1989	86.9	6.9	10.1	80.1	
1988	89.2	4.7	3.6	78.7	
1987	90.5	3.4	Not Available	Not Available	
1986	94.5	1.8	Before 1988	Before 1988	
1985	95.5	1.5			
1984	95.8	2.1			
1983	96.0	2.2			
1982	95.0	3.3			
1981	96.8	1.7			
1980	96.0	2.7			
1979	97.0	1.6			
1978	96.8	1.9			
1977	97.9	0.9			
1976	98.1	0.8			
1975	97.5	0.8			
1974	96.6	1.6			
1973	97.0	1.0			
1972	96.6	1.3			
1971	96.2	1.8			

Source: Fannie Mae

¹ Callable debt includes derivative financial instruments that provide interest-rate protection similar to callable debt.² Total effective long-term debt represents debt with an effective repricing date greater than one year.³ Total effective long-term debt represents debt with an effective repricing date greater than one year.

Table 9. Fannie Mae Mortgage Asset Quality

Mortgage Asset Quality						
Period	Single-Family Delinquency Rate ¹ (%)	Multifamily Delinquency Rate ² (%)	Credit Losses / Total MBS Outstanding plus Retained Portfolio ³ (%)	REO /Total MBS Outstanding plus Retained Portfolio ⁴ (%)	Credit-Enhanced Outstanding /Total MBS Outstanding plus Retained Portfolio ⁵ (%)	
4Q00	0.45	0.05	0.01	0.05	20.3	
3Q00	0.42	0.03	0.01	0.05	20.7	
2Q00	0.41	0.05	0.01	0.06	20.8	
1Q00	0.45	0.18	0.01	0.06	20.9	
Annual Data						
2000	0.45	0.05	0.01	0.05	20.3	
1999	0.48	0.12	0.01	0.06	20.9	
1998	0.58	0.29	0.03	0.08	17.5	
1997	0.62	0.37	0.04	0.10	12.8	
1996	0.58	0.68	0.05	0.11	10.5	
1995	0.56	0.81	0.05	0.08	10.6	
1994	0.47	1.21	0.06	0.10	10.2	
1993	0.48	2.34	0.04	0.10	10.6	
1992	0.53	2.65	0.04	0.09	15.6	
1991	0.64	3.62	0.04	0.07	22.0	
1990	0.58	1.70	0.06	0.09	25.9	
1989	0.69	3.20	0.07	0.14	Not Available Before 1990	
1988	0.88	6.60	0.11	0.15		
1987	1.12	Not Available Before 1988	0.11	0.18		
1986	1.38		0.12	0.22		
1985	1.48		0.13	0.32		
1984	1.65		0.09	0.33		
1983	1.49		0.05	0.35		
1982	1.41		0.01	0.20		
1981	0.96		0.01	0.13		
1980	0.90		0.01	0.09		
1979	0.56		0.02	0.11		
1978	0.55		0.02	0.18		
1977	0.46		0.02	0.26		
1976	1.58		0.03	0.27		
1975	0.56		0.03	0.51		
1974	0.51		0.02	0.52		
1973	Not Available Before 1974		0.00	0.61		
1972			0.02	0.98		
1971			0.01	0.59		

Source: Fannie Mae

¹ Includes conventional loans for which Fannie Mae has primary risk of loss that are 90 or more days delinquent or are in the process of foreclosure. Data prior to 1992 includes loans in relief or bankruptcy, even if they are less than 90 days delinquent.

² Includes loans that are two or more months delinquent based on the dollar amount of such loans in the portfolio and underlying MBS.

³ Credit losses are charge-offs plus real estate owned expense; average balances used to calculate ratios subsequent to 1994; quarterly data are annualized.

⁴ Real Estate Owned balances reflect end-of-period amounts. Beginning with 1995, data reflect adoption of SFAS 114.

⁵ The proportion of loans that have additional recourse from a third party to accept some or all of the expected losses on defaulted mortgages.

Table 10. Fannie Mae Capital

Capital (\$ in Millions)							
Period	Stockholders' Equity / Total MBS Outstanding plus Total Assets (%)	Stockholders' Equity plus Reserves / Total MBS Outstanding plus Total Assets ¹ (%)	Core Capital ² (\$)	Regulatory Minimum Capital Requirements ³ (\$)	Regulatory Capital Surplus (Deficit) ⁴ (\$)	Market Capitalization ⁵ (\$)	Common Share Dividend Payout Rate ⁶ (%)
4Q00	1.51	1.57	20,827	20,294	533	86,643	24.7
3Q00	1.47	1.53	19,870	19,381	489	71,234	25.6
2Q00	1.44	1.50	19,044	18,688	356	52,245	26.4
1Q00	1.44	1.51	18,637	18,080	557	56,980	27.3
Annual Data							
2000	1.51	1.57	20,827	20,294	533	86,643	26.0
1999	1.41	1.47	17,876	17,770	106	63,651	28.8
1998	1.38	1.45	15,465	15,334	131	75,881	29.5
1997	1.42	1.50	13,793	12,703	1,090	59,167	29.4
1996	1.42	1.50	12,773	11,466	1,307	39,932	30.4
1995	1.32	1.41	10,959	10,451	508	33,812	34.6
1994	1.26	1.37	9,541	9,415	126	19,882	30.8
1993	1.17	1.29	8,052	7,064	988	21,387	26.8
1992	1.12	1.25	Not Applicable Before 1993	Not Applicable Before 1993	Not Applicable Before 1993	20,874	23.2
1991	1.10	1.24				18,836	21.3
1990	0.94	1.06				8,490	14.7
1989	0.88	1.01				8,092	12.8
1988	0.80	0.94				3,992	11.2
1987	0.76	0.90				2,401	11.7
1986	0.61	0.74				3,006	8.0
1985	0.66	0.76				1,904	30.1
1984	0.74	0.85				1,012	N/A
1983	0.97	1.10				1,514	13.9
1982	1.09	1.25				1,603	N/A
1981	1.73	1.90				502	N/A
1980	2.49	2.73				702	464.2
1979	2.93	3.17				Not Available Before 1980	45.7
1978	3.13	3.36					30.3
1977	3.45	3.66					31.8
1976	3.03	3.19					33.6
1975	2.73	2.84					31.8
1974	2.60	2.69					29.6
1973	2.80	2.87					18.1
1972	2.75	2.78					15.2
1971	2.47	2.49					18.7

Source: Fannie Mae

¹ Effective 1995, reserves exclude specific allowances for impaired loans pursuant to SFAS 114.² The sum of outstanding common stock, noncumulative preferred stock, paid-in capital, and retained earnings.³ Minimum capital requirement in accordance with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.⁴ The difference between Core Capital and Minimum Regulatory Capital Requirement.⁵ Stock price multiplied by number of outstanding common shares.⁶ Common dividends paid as a percentage of net income available to common shareholders.

Table 11. Freddie Mac Mortgage Purchases

Business Activity (\$ Millions)					
Period	Purchases				Mortgage Securities² (\$)
	Single-Family (\$)	Multifamily (\$)	Total¹ (\$)		
4Q00	57,329	2,581	59,910		32,569
3Q00	47,467	1,249	48,716		19,936
2Q00	35,419	986	36,405		22,711
1Q00	27,798	1,214	29,012		16,680
Annual Data					
2000	168,013	6,030	174,043		91,896
1999	232,612	7,181	239,793		101,898
1998	263,490	3,910	267,400		128,446
1997	115,160	2,241	117,401		35,385
1996	122,850	2,229	125,079		36,824
1995	89,971	1,565	91,536		39,292
1994	122,563	847	123,410		19,817
1993	229,051	191	229,242		Not
1992	191,099	27	191,126		Available
1991	99,729	236	99,965		Before
1990	74,180	1,338	75,518		1994
1989	76,765	1,824	78,589		
1988	42,884	1,191	44,075		
1987	74,824	2,016	76,840		
1986	99,936	3,538	103,474		
1985	42,110	1,902	44,012		
1984	Not	Not	21,885		
1983	Available	Available	22,952		
1982	Before	Before	23,671		
1981	1985	1985	3,744		
1980			3,690		
1979			5,716		
1978			6,524		
1977			4,124		
1976			1,129		
1975			1,716		
1974			2,185		
1973			1,334		
1972			1,265		
1971			778		

Source: Freddie Mac

¹ Loans purchased from lenders; excludes non-Freddie Mac securities and repurchased Freddie Mac MBS.² Not included in total purchases.

Table 12. Freddie Mac MBS Issuances

Business Activity (\$ in Millions)					
MBS Issuances					
Period	Single-Family MBS (\$)	Multifamily MBS (\$)	Total MBS (\$)	Multiclass MBS ¹ (\$)	
4Q00	55,736	978	56,714	13,931	
3Q00	47,085	201	47,286	14,494	
2Q00	34,816	328	35,144	9,713	
1Q00	27,478	279	27,757	10,064	
Annual Data					
2000	165,115	1,786	166,901	48,202	
1999	230,986	2,045	233,031	119,565	
1998	249,627	937	250,564	135,162	
1997	113,758	500	114,258	84,366	
1996	118,932	770	119,702	34,145	
1995	85,522	355	85,877	15,372	
1994	116,901	209	117,110	73,131	
1993	208,724	0	208,724	143,336	
1992	179,202	5	179,207	131,284	
1991	92,479	0	92,479	72,032	
1990	71,998	1,817	73,815	40,479	
1989	72,931	587	73,518	39,754	
1988	39,490	287	39,777	12,985	
1987	72,866	2,152	75,018	0	
1986	96,798	3,400	100,198	2,233	
1985	37,583	1,245	38,828	2,625	
1984	Not Available	Not Available	18,684	1,805	
1983	Before 1985	Before 1985	19,691	1,685	
1982			24,169	Not Issued Before 1983	
1981			3,526		
1980			2,526		
1979			4,546		
1978			6,412		
1977			4,657		
1976			1,360		
1975			950		
1974			46		
1973			323		
1972			494		
1971			65		

Source: Freddie Mac

¹ The majority qualify as Real Estate Mortgage Investment Conduits (REMICs), and are also known as structured securitizations. In years 1983 - 1986, data consists of collateralized mortgage obligations (CMOs) and mortgage cash flow obligations (MCFs).

Table 13. Freddie Mac Earnings

Earnings (\$ in Millions)							
Period	Net Interest Income ^{1, 2, 3} (\$)	Guarantee Fee Income ^{2,3} (\$)	Average Guarantee Fee ^{2,3} (basis points)	Administrative Expenses (\$)	Credit-Related Expenses ⁴ (\$)	Net Income (\$)	Return on Common Equity ⁵ (%)
4Q00	851	270	19.1	184	25	663	22.8
3Q00	846	263	19.2	180	21	645	25.2
2Q00	803	261	19.4	180	29	631	26.4
1Q00	770	263	19.4	169	31	608	26.5
Annual Data							
2000	3,270	1,057	19.3	713	106	2,547	23.7
1999	2,926	1,019	19.8	655	159	2,223	25.5
1998	2,215	1,019	21.4	578	342	1,700	22.6
1997	1,847	1,082	22.9	495	529	1,395	23.1
1996	1,705	1,086	23.4	440	608	1,243	22.6
1995	1,396	1,087	23.8	395	541	1,091	22.1
1994	1,112	1,108	24.4	379	425	983	23.3
1993	772	1,009	23.8	361	524	786	22.3
1992	695	936	24.7	329	457	622	21.2
1991	683	792	23.7	287	419	555	23.6
1990	619	654	22.4	243	474	414	20.4
1989	517	572	23.4	217	278	437	25.0
1988	492	465	21.5	194	219	381	27.5
1987	319	472	24.2	150	175	301	28.2
1986	299	301	22.4	110	120	247	28.5
1985	312	188	22.1	81	79	208	30.0
1984	213	158	24.7	71	54	144	52.0
1983	125	132	26.2	53	46	86	44.5
1982	30	77	24.5	37	26	60	21.9
1981	34	36	19.5	30	16	31	13.1
1980	54	23	14.3	26	23	34	14.7
1979	55	18	13.2	19	20	36	16.2
1978	37	14	14.9	14	13	25	13.4
1977	31	9	18.9	12	8	21	12.4
1976	18	3	13.6	10	(1)	14	9.5
1975	31	3	24.8	10	11	16	11.6
1974	42	2	25.5	8	33	5	4
1973	31	2	32.4	7	15	12	9.9
1972	10	1	39.4	5	4	4	3.5
1971	10	1	Not Available Before 1972	Not Available Before 1972	Not Available Before 1972	6	5.5

Source: Freddie Mac

¹ Interest income net of interest expense, nominal basis.

² Effective 1/1/96, Freddie Mac reports guarantee fees on retained MBS as guarantee fee income. However, in these data, fees on retained MBS have been estimated and reclassified as interest income for comparability with Fannie Mae.

³ In 1993, Freddie Mac adopted a change in reporting of uncollectable interest on single-family mortgages. Pre-1993 amounts do not reflect this change.

⁴ Credit-related expenses are mortgage loan loss provision plus real estate owned expense. From 1988 to 1990, data include real estate owned disposition loss provisions instead of expense, and before 1988, only mortgage loan loss provision.

⁵ Average common equity used to calculate return for annual data. Quarterly data are based on averages of quarter-end equity.

Table 14. Freddie Mac Balance Sheet

Balance Sheet (\$ in Millions)						Mortgage-Backed Securities Outstanding (\$ in Millions)	
Period	Total Assets (\$)	Retained Mortgage Portfolio ¹ (\$)	Non- Mortgage Investments ² (\$)	Debt Outstanding (\$)	Stockholders' Equity (\$)	Total MBS Outstanding ³ (\$)	Multiclass MBS Outstanding ⁴ (\$)
4Q00	459,297	385,451	43,521	426,899	14,837	576,101	309,185
3Q00	433,346	359,638	45,126	406,936	13,192	559,242	306,674
2Q00	412,701	348,255	33,040	384,286	12,248	543,287	312,030
1Q00	406,068	334,009	42,477	378,074	11,892	539,830	314,456
Annual Data							
2000	459,297	385,451	43,521	426,899	14,837	576,101	309,185
1999	386,684	322,914	34,152	360,711	11,525	537,883	316,168
1998	321,421	255,670	42,160	287,396	10,835	478,351	260,504
1997	194,597	164,543	16,430	172,842	7,521	475,985	233,829
1996	173,866	137,826	22,248	156,981	6,731	473,065	237,939
1995	137,181	107,706	12,711	119,961	5,863	459,045	246,366
1994	106,199	73,171	17,808	93,279	5,162	460,656	264,152
1993	83,880	55,938	18,225	49,993	4,437	439,029	265,178
1992	59,502	33,629	12,542	29,631	3,570	407,514	218,747
1991	46,860	26,667	9,956	30,262	2,566	359,163	146,978
1990	40,579	21,520	12,124	30,941	2,136	316,359	88,124
1989	35,462	21,448	11,050	26,147	1,916	272,870	52,865
1988	34,352	16,918	14,607	26,882	1,584	226,406	15,621
1987	25,674	12,354	10,467	19,547	1,182	212,635	3,652
1986	23,229	13,093	Not Available	15,375	953	169,186	5,333
1985	16,587	13,547	Before 1987	12,747	779	99,909	5,047
1984	13,778	10,018		10,999	606	70,026	3,214
1983	8,995	7,485		7,273	421	57,720	1,669
1982	5,999	4,679		4,991	296	42,952	Not Issued Before 1983
1981	6,326	5,178		5,680	250	19,897	
1980	5,478	5,006		4,886	221	16,962	
1979	4,648	4,003		4,131	238	15,316	
1978	3,697	3,038		3,216	202	12,017	
1977	3,501	3,204		3,110	177	6,765	
1976	4,832	4,175		4,523	156	2,765	
1975	5,899	4,878		5,609	142	1,643	
1974	4,901	4,469		4,684	126	780	
1973	2,873	2,521		2,696	121	791	
1972	1,772	1,726		1,639	110	444	
1971	1,038	935		915	107	64	

Source: Freddie Mac

¹ Gross retained portfolio net of unamortized purchases premiums, discounts, and deferred fees.² Excludes mortgage-related securities held for trading purposes.³ Total MBS outstanding net of Freddie Mac MBS held in the retained portfolio.⁴ The majority qualify as REMICs and are also known as structured securitizations. In years 1983 - 2000, data also includes original issue CMOs and MCFs, and structured securitizations and PCs with mandatory purchase obligations.

Table 15. Freddie Mac Retained Mortgage Portfolio Detail

(\$ in Millions)				
Period	Whole Loans ¹ (\$)	Freddie Mac Securities (\$)	Other Mortgage-Related Securities (\$)	Total Retained Mortgage Portfolio ² (\$)
4Q00	58,998	246,209	80,244	385,451
3Q00	55,060	23,649	72,929	359,638
2Q00	54,391	225,354	68,510	348,255
1Q00	54,680	217,276	62,053	334,009
Annual Data				
2000	58,998	246,209	80,244	385,451
1999	55,147	211,198	56,569	322,914
1998	57,745	168,108	29,817	255,670
1997	48,576	103,400	12,567	164,543
1996	46,575	81,195	10,056	137,826
1995	44,035	56,006	7,665	107,706
1994	Not Available Before 1995	30,670	Not Available Before 1995	73,171
1993		15,877		55,938
1992		6,394		33,629
1991		Not Available Before 1992		26,667
1990				21,520
1989				21,448
1988				16,918
1987				12,354
1986				13,093
1985				13,547
1984				10,018
1983				7,485
1982				4,679
1981				5,178
1980				5,006
1979				4,003
1978				3,038
1977				3,204
1976				4,175
1975				4,878
1974				4,469
1973				2,521
1972				1,726
1971				935

Source: Freddie Mac

¹ Includes purchase and sale premiums, discounts, and deferred fees and unrealized gain or loss on available-for-sale securities.

² Gross retained portfolio net of amortized purchases, premiums, discounts and deferred fees.

Table 16. Freddie Mac Financial Derivatives

Financial Derivatives (\$ in Millions)							
Period	Interest Rate Swaps¹ (\$)	Interest Rate Caps, Floors, and Corridors (\$)	Treasury-Based Contracts^{1,2} (\$)	Foreign Currency (\$)	Futures & Options and Forward Rate Agreements (\$)	Other (\$)	Total (\$)
4Q00	277,888	12,819	2,200	10,280	135,581	35,839	474,535
3Q00	266,068	12,957	11,286	5,946	161,718	0	457,975
2Q00	237,171	13,606	9,380	909	129,422	0	390,488
1Q00	172,838	18,218	11,779	1,096	166,669	0	365,600
Annual Data							
2000	277,888	12,819	2,200	10,208	135,581	35,839	474,535
1999	126,580	19,936	8,894	1,097	267,737	0	424,244
1998	57,555	21,845	11,542	1,464	220,832	0	313,238
1997	54,172	21,995	12,228	1,152	6,000	0	95,547
1996	46,646	14,095	651	544	0	0	61,936
1995	45,384	13,055	24	0	0	0	58,463
1994	21,834	9,003	0	0	0	0	30,837
1993	17,888	1,500	0	0	0	0	19,388

Source: Freddie Mac

¹ In 1999, reclassifications were made between certain financial derivatives contracts and 1998 amounts have been restated to reflect these reclassifications.

² Excludes exchange-traded derivative financial instruments, such as U.S. Treasury-based futures contracts.

Table 17. Freddie Mac Non-Mortgage Investments

Non-Mortgage Investments ¹ (\$ in Millions)							
Period	Federal Funds and Eurodollars (\$)	Asset-Backed Securities (\$)	Repurchase Agreements (\$)	Commercial Paper and Corporate Debt (\$)	Other ¹ (\$)	Total (\$)	
4Q00	2,267	19,063	7,488	7,302	7,401	43,521	
3Q00	8,640	17,052	4,440	10,222	4,772	45,126	
2Q00	1,850	14,758	3,144	9,977	3,311	33,040	
1Q00	15,673	11,164	4,848	8,035	2,757	42,477	
Annual Data							
2000	2,267	19,063	7,488	7,302	7,401	43,521	
1999	10,545	10,305	4,961	3,916	4,425	34,152	
1998	20,524	7,124	1,756	7,795	4,961	42,160	
1997	2,750	2,200	6,982	3,203	1,295	16,430	
1996	9,968	2,086	6,440	1,058	2,696	22,248	
1995	110	499	9,217	1,201	1,684	12,711	
1994	7,260	0	5,913	1,234	3,401	17,808	
1993	9,267	0	4,198	1,438	3,322	18,225	
1992	5,632	0	4,060	53	2,797	12,542	
1991	2,949	0	4,437	0	2,570	9,956	
1990	1,112	0	9,063	0	1,949	12,124	
1989	3,527	0	5,765	0	1,758	11,050	
1988	4,469	0	9,107	0	1,031	14,607	
1987	3,177	0	5,859	0	1,431	10,467	

Source: Freddie Mac

¹ Excludes mortgage-related securities held for trading purposes.

Table 18. Freddie Mac Asset - Liability Mix

Asset-Liability Ratios					
Period	Asset Mix		Liability Mix		
	Retained Portfolio / Total Assets (%)	Non-mortgage Investments / Total Assets (%)	Callable Debt / Total Effective Long-Term Debt ^{1, 2} (%)	Total Effective Long-Term Debt / Total Debt ² (%)	
4Q00	83.9	9.5	69.0	77.0	
3Q00	83.0	10.4	63.0	86.7	
2Q00	84.4	8.0	62.0	87.9	
1Q00	82.3	10.5	61.0	92.6	
Annual Data					
2000	83.9	9.5	69.0	77.0	
1999	83.5	8.8	67.2	92.0	
1998	79.5	13.1	75.6	70.6	
1997	84.6	8.4	83.9	70.8	
1996	79.3	12.8	73.8	72.4	
1995	78.5	9.3	72.5	70.2	
1994	68.9	16.8	81.0	59.8	
1993	66.7	21.7	86.1	63.9	
1992	56.5	21.1	Not Available Before 1993	Not Available Before 1993	
1991	56.9	21.2			
1990	53.0	29.9			
1989	60.5	31.2			
1988	49.2	42.5			
1987	48.1	40.8			
1986	56.4	Not Available Before 1987			
1985	81.7				
1984	72.7				
1983	83.2				
1982	78.0				
1981	81.9				
1980	91.4				
1979	86.1				
1978	82.2				
1977	91.4				
1976	86.1				
1975	82.2				
1974	91.5				
1973	87.7				
1972	97.4				
1971	90.1				

Source: Freddie Mac

¹ Callable debt includes derivative financial instruments that provide interest-rate protection similar to callable debt.

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

Table 19. Freddie Mac Mortgage Asset Quality

Mortgage Asset Quality						
Period	Single-Family Delinquency Rate ¹ (%)	Multifamily Delinquency Rate ^{2,3} (%)	Credit Losses / Total MBS Outstanding plus Retained Portfolio ⁴ (%)	REO/Total MBS Outstanding plus Retained Portfolio ⁵ (%)	Credit-Enhanced / Total MBS Outstanding plus Retained Portfolio ⁶ (%)	
4Q00	0.36	0.05	0.01	0.04		31.8
3Q00	0.35	0.09	0.01	0.04		31.8
2Q00	0.34	0.06	0.01	0.04		31.2
1Q00	0.36	0.08	0.01	0.05		30.5
Annual Data						
2000	0.36	0.05	0.01	0.04		31.8
1999	0.39	0.14	0.02	0.05		29.9
1998	0.50	0.37	0.04	0.08		27.3
1997	0.55	0.96	0.08	0.11		15.9
1996	0.58	1.96	0.10	0.13		10.0
1995	0.60	2.88	0.11	0.14		9.7
1994	0.55	3.79	0.08	0.18		7.2
1993	0.61	5.92	0.11	0.16		5.3
1992	0.64	6.81	0.09	0.12		Not Available Before 1993
1991	0.61	5.42	0.08	0.14		
1990	0.45	2.63	0.08	0.12		
1989	0.38	2.53	0.08	0.09		
1988	0.36	2.24	0.07	0.09		
1987	0.36	1.49	0.07	0.08		
1986	0.42	1.07	Not Available Before 1987	0.07		
1985	0.42	0.63		0.10		
1984	0.46	0.42		0.15		
1983	0.47	0.58		0.15		
1982	0.54	1.04		0.12		
1981	0.61	Not Available Before 1982		0.07		
1980	0.44			0.04		
1979	0.31			0.02		
1978	0.21			0.02		
1977	Not Available Before 1978			0.03		
1976				0.04		
1975				0.03		
1974				0.02		

Source: Freddie Mac

¹ 1994 - 2000 data include only loans for which Freddie Mac has assumed primary default risk ("at-risk"); includes foreclosures and in process. Pre-1994 calculations include both at-risk and non-at-risk loans.

² 1982 - 1987 data based on the number of loans delinquent 60 days or more; calculations subsequent to 1987 based on unpaid principal balance of loans 60 days or more.

³ Pre-1991 amounts do not reflect change in reporting of multifamily in-substance foreclosures pursuant to adoption of SFAS 114.

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

⁵ Real Estate Owned balances reflect end-of-period balances; beginning in 1992, data reflects adoption of SFAS 114.

⁶ Includes loans for which the lender or third-party has agreed to retain primary default risk. Also includes securities guaranteed by agencies such as the Government National Mortgage Association, as well as asset-backed securities and commercial mortgage-backed securities.

Table 20. Freddie Mac Capital

Capital (\$ in Millions)							
Period	Stockholders' Equity / Total MBS Outstanding plus Total Assets (%)	Stockholders' Equity plus Reserves / Total MBS Outstanding plus Total Assets ¹ (%)	Core Capital ² (\$)	Regulatory Minimum Capital Requirements ³ (\$)	Regulatory Capital Surplus (Deficit) ⁴ (\$)	Market Capitalization ⁵ (\$)	Common Share Dividend Payout Rate ⁶ (%)
4Q00	1.43	1.51	14,380	14,178	202	47,702	19.3
3Q00	1.33	1.41	13,865	13,525	340	37,401	19.8
2Q00	1.28	1.36	13,368	12,936	432	27,997	20.1
1Q00	1.26	1.34	13,139	12,756	383	30,739	21.0
Annual Data							
2000	1.43	1.51	14,380	14,178	202	47,702	20.0
1999	1.25	1.33	12,692	12,287	405	32,713	20.1
1998	1.35	1.45	10,715	10,333	382	44,797	20.7
1997	1.12	1.22	7,376	7,082	294	28,461	21.1
1996	1.04	1.04	6,743	6,517	226	19,161	21.3
1995	0.98	1.09	5,829	5,584	245	14,932	21.1
1994	0.91	1.14	5,169	4,884	285	9,132	20.5
1993	0.85	0.99	4,437	3,782	655	9,005	21.6
1992	0.76	0.93	Not Applicable Before 1993	Not Applicable Before 1993	Not Applicable Before 1993	8,721	23.1
1991	0.63	0.81				8,247	21.6
1990	0.60	0.77				2,925	23.2
1989	0.62	0.77				4,024	24.3
1988	0.61	0.76				Not Applicable Before 1989	Not Applicable Before 1989
1987	0.50	0.64					
1986	0.50	0.64					
1985	0.67	0.85					
1984	0.73	0.93					
1983	0.63	0.83					
1982	0.60	0.82					
1981	0.95	1.25					
1980	0.98	1.27					
1979	1.19	1.44					
1978	1.29	1.50					
1977	1.72	1.93					
1976	2.05	2.22					
1975	1.88	2.03					
1974	2.22	2.34					
1973	3.30	3.47					
1972	4.95	4.96					
1971	9.71	9.80					

Source: Freddie Mac

¹ Effective 1995, reserves exclude specific allowances for impaired loans pursuant to SFAS 114.

² The sum of outstanding common stock, noncumulative preferred stock, paid-in capital, and retained earnings.

³ Minimum capital requirement in accordance with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

⁴ The difference between Core Capital and Minimum Regulatory Capital Requirement.

⁵ Stock price multiplied by number of outstanding common shares.

⁶ Paid common dividends as a percentage of earnings available to common shareholders.

Table 21. Aggregate Purchases

Business Activity (\$ in Millions)					
Purchases					
Period	Single-Family (\$)	Multifamily (\$)	Total (\$)	Mortgage Securities ¹ (\$)	
4Q00	129,088	6,011	135,099	77,138	
3Q00	107,045	3,911	110,956	53,785	
2Q00	90,534	3,295	93,829	45,126	
1Q00	68,415	3,190	71,605	41,881	
Annual Data					
2000	395,082	16,407	411,489	217,930	
1999	548,748	17,193	565,941	268,329	
1998	618,410	15,338	633,748	272,907	
1997	275,081	8,775	283,856	84,233	
1996	287,306	8,680	295,986	81,840	
1995	215,974	6,531	222,505	73,328	
1994	280,792	4,786	285,478	44,369	
1993	518,877	4,326	523,203	Not Available Before 1994	
1992	439,309	2,879	442,188		
1991	233,280	3,440	236,720		
1990	185,187	4,518	189,705		
1989	157,275	6,149	163,424		
1988	107,497	5,361	112,858		
1987	148,766	3,749	152,515		
1986	177,159	5,415	182,574		
1985	84,653	3,102	87,755		
1984	Not Available Before 1985	Not Available Before 1985	50,704		
1983			49,431		
1982			49,610		
1981			10,573		
1980			11,791		
1979			16,523		
1978			18,829		
1977			8,908		
1976			4,761		
1975			6,036		
1974			9,204		
1973			7,586		
1972			5,129		
1971			4,818		

Sources: Fannie Mae and Freddie Mac

¹ Not included in total purchases.

Table 22. Aggregate MBS Issuances

Business Activity (\$ in Millions)					
MBS Issuances					
Period	Single-Family MBS (\$)	Multifamily MBS (\$)	Total MBS (\$)	Multiclass MBS (\$)	
4Q00	120,816	3,318	124,134	26,839	
3Q00	101,983	1,992	103,975	23,976	
2Q00	81,594	2,136	83,730	18,906	
1Q00	64,788	1,936	66,724	18,025	
Annual Data					
2000	369,181	9,382	378,563	87,746	
1999	523,178	10,542	533,720	174,725	
1998	564,747	11,965	576,712	219,309	
1997	257,373	6,314	263,687	169,781	
1996	263,133	6,438	269,571	64,925	
1995	191,791	4,542	196,333	25,053	
1994	245,286	2,446	247,732	146,496	
1993	429,209	959	430,168	353,966	
1992	372,389	855	373,244	301,489	
1991	203,967	1,415	205,382	184,840	
1990	168,004	2,506	170,510	108,770	
1989	139,420	3,862	143,282	81,469	
1988	90,610	4,045	94,655	29,990	
1987	134,933	3,314	138,247	9,917	
1986	156,815	3,949	160,764	4,633	
1985	60,725	1,752	62,477	2,625	
1984	Not Available	Not Available	32,230	1,805	
1983	Before 1985	Before 1985	33,031	1,685	
1982			38,139	Not Issued Before 1983	
1981			4,243		
1980			2,526		
1979			4,546		
1978			6,412		
1977			4,657		
1976			1,360		
1975			950		
1974			46		
1973			323		
1972			494		
1971			65		

Sources: Fannie Mae and Freddie Mac

Table 23. Aggregate Earnings

Earnings (\$ in Millions)					
Period	Net Income (\$)	Net Interest Income (\$)	Guarantee Fee Income (\$)	Administrative Expenses (\$)	Credit-Related Expenses (\$)
4Q00	1,828	2,336	609	416	46
3Q00	1,769	2,274	604	412	43
2Q00	1,728	2,202	600	404	50
1Q00	1,670	2,132	595	386	61
Annual Data					
2000	6,995	8,944	2,408	1,618	200
1999	6,135	7,820	2,301	1,455	286
1998	5,118	6,325	2,248	1,286	603
1997	4,451	5,796	2,356	1,131	904
1996	3,968	5,297	2,282	1,000	1,017
1995	3,235	4,443	2,173	941	876
1994	3,115	3,935	2,191	904	803
1993	2,659	3,305	1,970	804	829
1992	2,245	2,753	1,770	710	777
1991	1,918	2,461	1,467	606	789
1990	1,587	2,212	1,190	529	784
1989	1,244	1,708	980	471	588
1988	888	1,329	793	412	584
1987	677	1,209	735	347	535
1986	352	683	476	285	426
1985	201	451	300	223	285
1984	73	123	236	183	140
1983	135	116	186	134	94
1982	(132)	(434)	93	97	62
1981	(175)	(395)	36	79	(12)
1980	48	75	23	70	42
1979	198	377	18	65	55
1978	234	331	14	53	49
1977	186	282	9	44	36
1976	141	221	3	40	24
1975	131	205	3	37	27
1974	112	184	2	31	50
1973	138	211	2	25	27
1972	100	148	1	18	9
1971	67	59	1	Not Available Before 1972	Not Available Before 1972

Sources: Fannie Mae and Freddie Mac

Table 24. Aggregate Balance Sheet

Balance Sheet (\$ in Millions)						Mortgage-Backed Securities Outstanding (\$ in Millions)	
Period	Total Assets (\$)	Retained Mortgage Portfolio (\$)	Non- Mortgage Investments (\$)	Debt Outstanding (\$)	Stockholders' Equity (\$)	Total MBS Outstanding ¹ (\$)	Multiclass MBS Outstanding ² (\$)
4Q00	1,134,369	993,053	98,489	1,069,581	35,675	1,282,785	643,693
3Q00	1,071,493	931,242	100,098	1,013,975	32,879	1,260,266	638,166
2Q00	1,021,476	898,434	80,435	962,813	31,039	1,239,860	645,322
1Q00	992,766	871,192	80,802	935,617	30,263	1,224,514	648,842
Annual Data							
2000	1,134,369	993,053	98,489	1,069,581	35,675	1,282,785	643,693
1999	961,851	845,891	73,903	908,330	29,154	1,217,052	651,682
1998	806,435	671,104	100,675	747,687	26,288	1,115,494	622,117
1997	586,270	481,135	81,026	542,616	21,314	1,055,123	621,951
1996	524,907	424,353	78,854	488,251	19,504	1,021,238	577,737
1995	453,731	360,574	69,984	419,135	16,822	972,275	599,894
1994	378,707	293,986	64,143	350,509	14,703	947,001	642,885
1993	300,859	246,107	39,621	251,105	12,489	910,335	647,043
1992	240,480	189,889	32,116	195,931	10,344	831,958	531,116
1991	193,932	153,346	19,792	164,199	8,113	714,447	371,784
1990	173,692	135,586	21,992	154,344	6,077	604,434	215,402
1989	159,777	129,429	19,388	142,211	4,907	489,382	120,691
1988	146,610	117,017	19,896	132,341	3,844	396,503	42,281
1987	129,133	106,019	13,935	116,604	2,993	348,369	15,011
1986	122,850	107,216	Not Applicable	108,938	2,135	264,754	Not Available
1985	115,663	108,156	Before 1987	106,732	1,788	154,461	Before 1987
1984	101,576	94,153		94,718	1,524	105,764	
1983	87,378	82,732		81,867	1,421	82,841	
1982	78,980	74,035		74,605	1,249	57,402	
1981	67,904	64,807		64,231	1,330	20,614	
1980	63,357	60,595		59,766	1,678	16,962	
1979	55,948	53,780		52,555	1,739	15,316	
1978	47,203	45,141		44,201	1,564	12,017	
1977	37,481	36,456		35,000	1,350	6,765	
1976	37,225	35,950		35,088	1,139	2,765	
1975	37,495	35,698		35,572	1,003	1,643	
1974	34,572	33,135		32,852	898	780	
1973	27,191	26,110		25,699	801	791	
1972	22,118	21,378		20,878	669	444	
1971	19,629	18,821		18,587	567	64	

Sources: Fannie Mae and Freddie Mac

¹ Total MBS Outstanding net of each Enterprise's MBS in its retained portfolio.² The majority qualify as REMICS and may also be known as structured securitizations.

Table 25. Aggregate Retained Mortgage Portfolio Detail

(\$ in Millions)				
Period	Aggregate Whole Loans (\$)	Aggregate Enterprise Securities ¹ (\$)	Aggregate Other Mortgage-Related Securities (\$)	Aggregate Total Retained Mortgage Portfolio (\$)
4Q00	211,503	597,275	186,795	995,573
3Q00	204,778	551,453	177,494	933,725
2Q00	204,868	524,596	170,957	900,421
1Q00	202,559	508,407	161,794	872,760
Annual Data				
2000	211,503	597,275	186,795	995,573
1999	204,252	492,912	149,691	846,855
1998	213,524	365,483	91,178	670,185
1997	208,678	233,844	38,699	481,221
1996	214,466	183,802	26,610	424,878
1995	215,516	125,735	19,966	361,217
1994	Not Available	74,668	Not Available	298,228
1993	Before 1995	40,096	Before 1995	246,799
1992		26,929		191,748
1991		Not Available		155,650
1990		Before 1992		138,148
1989				132,169
1988				119,931
1987				109,100
1986				110,926
1985				112,196
1984				98,127
1983				85,741
1982				76,493
1981				66,590
1980				62,333
1979				55,100
1978				46,353
1977				37,581
1976				37,112
1975				36,794
1974				34,177
1973				26,980
1972				22,052
1971				19,450

Sources: Fannie Mae and Freddie Mac

¹ Mortgage-backed securities issued by each Enterprise and held in its retained portfolio.

Table 26. Aggregate Financial Derivatives

Financial Derivatives (\$ in Millions)						
Period	Interest Rate Swaps (\$)	Interest Rate Caps, Floors, and Corridors (\$)	Foreign Currency (\$)	Futures & Options and Forward Rate Agreements (\$)	Other (\$)	Total (\$)
4Q00	505,539	46,482	19,719	184,446	38,039	794,225
3Q00	477,370	40,757	15,500	211,383	15,641	760,651
2Q00	445,754	41,156	12,244	174,632	11,765	685,551
1Q00	373,123	47,168	12,556	194,238	13,704	640,789
Annual Data						
2000	505,539	46,482	19,719	184,446	38,039	794,225
1999	318,612	48,886	12,604	308,818	10,294	699,214
1998	200,401	36,345	14,459	234,313	15,277	500,795
1997	203,845	22,095	11,120	6,000	13,888	256,948
1996	204,786	14,395	2,973	0	1,001	223,155
1995	171,063	13,355	1,224	29	999	186,670
1994	109,304	9,363	1,023	0	1,465	121,154
1993	67,346	1,860	1,023	0	1,425	71,653

Sources: Fannie Mae and Freddie Mac

Table 27. Aggregate Non-Mortgage Investments

Non-Mortgage Investments (\$ in Millions)						
Period	Federal Funds and Eurodollars (\$)	Asset-Backed Securities (\$)	Repurchase Agreements (\$)	Commercial Paper and Corporate Debt (\$)	Other (\$)	Total (\$)
4Q00	9,806	36,575	10,210	16,195	25,717	98,503
3Q00	15,071	34,605	8,943	20,399	21,371	100,089
2Q00	5,979	33,559	5,429	18,135	17,336	80,438
1Q00	18,949	29,266	6,444	12,252	13,892	80,803
Annual Data						
2000	9,806	36,575	10,210	16,195	25,717	98,503
1999	15,382	29,512	7,535	5,639	15,835	73,903
1998	28,450	28,117	9,312	12,950	21,846	100,675
1997	21,962	18,839	13,697	14,948	11,580	81,026
1996	31,702	16,721	11,107	7,249	12,075	78,854
1995	19,885	10,404	19,392	9,830	10,473	69,984
1994	24,853	3,796	14,919	8,953	11,622	64,143
1993	13,763	3,557	8,882	1,438	11,981	39,621
1992	12,219	4,124	7,249	53	8,471	32,116
1991	5,903	2,416	6,632	0	4,841	19,792
1990	6,441	1,780	10,014	0	3,757	21,992
1989	8,685	1,107	5,765	0	3,831	19,388
1988	8,594	481	9,107	0	1,714	19,896
1987	5,736	25	5,859	0	2,315	13,935

Sources: Fannie Mae and Freddie Mac

Table 28. Aggregate Capital

Capital (\$ in Millions)					
Period	Core Capital (\$)	Minimum Regulatory Capital Requirements (\$)	Capital Surplus (Deficit) (\$)	Market Capitalization (\$)	
4Q00	35,207	34,472	735	134,345	
3Q00	33,735	32,906	829	108,635	
2Q00	32,412	31,624	788	80,242	
1Q00	31,776	30,836	940	87,719	
Annual Data					
2000	35,207	34,472	735	134,345	
1999	30,568	30,057	511	96,364	
1998	26,180	25,667	513	120,678	
1997	21,169	19,785	1,384	87,628	
1996	19,516	17,983	1,533	59,093	
1995	16,788	16,035	753	48,744	
1994	14,710	14,299	411	29,014	
1993	12,489	10,846	1,643	30,392	
1992	Not	Not	Not	29,595	
1991	Applicable	Applicable	Applicable	27,083	
1990	Before	Before	Before	11,415	
1989	1993	1993	1993	12,116	
1988				3,992	
1987				2,401	
1986				3,006	
1985				1,904	
1984				1,012	
1983				1,514	
1982				1,603	
1981				502	
1980				702	

Sources: Fannie Mae and Freddie Mac

Table 29. Loan Limits

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

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

¹ Conforming Loan Limits are 50% higher in Alaska, Hawaii, Guam, and the U.S. Virgin Islands.

FHA Single-Family Insurable Limits								
(\$)								
Year	1-unit		2-units		3-units		4-units	
	Low Cost Area Max	High Cost Area Max	Low Cost Area Max	High Cost Area Max	Low Cost Area Max	High Cost Area Max	Low Cost Area Max	High Cost Area Max
1997	81,546	170,362	104,310	205,875	126,103	248,888	156,731	309,338
1998	109,032	197,621	139,512	252,866	168,624	305,631	209,568	379,842
1999	115,200	208,800	147,408	267,177	178,176	322,944	221,448	401,375
2000	121,296	219,849	155,232	281,358	187,632	340,083	233,184	422,646
2001	132,000	239,250	168,936	306,196	204,192	370,098	253,766	459,969

Table 30. Mortgage Interest Rates

Period	Average Commitment Rates on Conventional Loans ¹		Effective Rates on Closed Conventional Loans ²	
	30-Year Fixed Rate (%)	One-Year ARMs (%)	Fixed Rate (%)	Adjustable Rate (%)
4Q00	7.6	7.2	8.0	6.7
3Q00	8.0	7.3	8.3	7.0
2Q00	8.3	7.0	8.5	7.2
1Q00	8.3	6.6	8.3	7.1
Annual Data				
2000	8.1	7.0	8.3	7.1
1999	7.4	6.0	7.4	6.5
1998	6.9	5.6	7.2	6.5
1997	7.6	5.6	7.9	7.0
1996	7.8	5.7	8.0	7.2
1995	7.9	6.1	8.2	7.4
1994	8.4	5.3	8.1	6.6
1993	7.3	4.6	7.5	5.9
1992	8.4	5.6	8.5	6.9
1991	9.2	7.1	9.7	8.4
1990	10.1	8.4	10.4	9.2
1989	10.3	8.8	10.5	9.3
1988	10.3	7.9	10.4	8.5
1987	10.2	7.8	9.9	8.5
1986	10.2	8.4	10.5	9.4
1985	12.4	10.0	12.4	10.8
1984	13.9	11.5	13.2	12.1
1983	13.2	Not Available Before 1984	13.0	12.3
1982	16.1		15.2	15.4
1981	16.6		Not Available Before 1982	Not Available Before 1982
1980	13.8			
1979	11.2			
1978	9.6			
1977	8.8			
1976	8.9			
1975	9.0			
1974	9.2			
1973	8.0			
1972	7.4			
1971	Not Available Before 1972			

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

¹ Commitment rates do not reflect points.

² Effective rates reflect points.

Table 31. Housing Market Activity

Period	Housing Starts (units in thousands)			Home Sales (units in thousands)	
	Single-Family Housing Starts	Multifamily Housing Starts	Total Housing Starts	New Single-Family Home Sales	Existing Single-Family Home Sales
4Q00*	1,295	259	1,554	935	5,117
3Q00*	1,260	267	1,528	874	5,073
2Q00*	1,297	308	1,605	830	5,103
1Q00*	1,367	365	1,732	884	5,197
Annual Data					
2000	1,298	295	1,593	877	5,113
1999	1,367	300	1,667	880	5,205
1998	1,314	303	1,617	886	4,970
1997	1,179	296	1,474	804	4,382
1996	1,206	271	1,477	757	4,196
1995	1,110	244	1,354	667	3,888
1994	1,233	224	1,457	670	3,916
1993	1,155	133	1,288	666	3,786
1992	1,061	139	1,200	610	3,479
1991	876	138	1,014	509	3,186
1990	932	260	1,193	534	3,219
1989	1,059	318	1,376	650	3,325
1988	1,140	348	1,488	676	3,513
1987	1,212	409	1,621	671	3,436
1986	1,263	542	1,805	750	3,474
1985	1,166	576	1,742	688	3,134
1984	1,206	544	1,750	639	2,829
1983	1,181	522	1,703	623	2,697
1982	743	320	1,062	412	1,991
1981	796	288	1,084	436	2,419
1980	962	331	1,292	545	2,973
1979	1,316	429	1,745	709	3,827
1978	1,558	462	2,020	817	3,986
1977	1,573	414	1,987	819	3,650
1976	1,248	289	1,538	646	3,064
1975	956	204	1,160	549	2,476
1974	956	382	1,338	519	2,272
1973	1,250	795	2,045	634	2,334
1972	1,451	906	2,357	718	2,252
1971	1,271	781	2,052	656	2,019

Components may not add to totals due to rounding.

*Seasonally Adjusted Annual Rates

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

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

Table 32. Weighted Repeat Sales House Price Index

Weighted Repeat Sales House Price Index (Annual Data)¹										
% Change										
	USA	New England	Mid- Atlantic	South Atlantic	East North Central	West North Central	East South Central	West South Central	Mountain	Pacific
1Q01	8.8	12.4	9.2	8.5	6.1	7.9	6.5	7.1	8.8	12.3
4Q00	8.9	14.0	9.1	8.1	6.9	8.3	5.1	6.8	8.8	12.6
3Q00	8.4	13.6	8.7	7.3	6.7	8.2	4.5	6.7	7.6	12.0
2Q00	7.9	12.9	7.9	6.7	6.6	8.5	4.3	6.8	7.0	10.4
1Q00	6.9	11.5	6.6	5.8	6.4	8.5	3.6	6.1	6.2	8.3
Annual Data										
2000	8.9	14.0	9.1	8.1	6.9	8.3	5.1	6.8	8.8	12.6
1999	6.3	9.9	6.2	5.2	6.6	8.4	3.9	5.6	5.4	6.5
1998	5.4	6.9	4.6	4.8	4.3	4.9	5.1	5.4	4.6	8.0
1997	4.8	4.9	3.5	4.8	5.3	5.1	5.1	4.0	5.1	5.5
1996	2.6	1.8	0.2	2.2	5.1	4.1	4.0	2.2	4.5	1.0
1995	4.5	4.2	3.2	4.4	6.0	5.3	5.5	4.1	7.4	2.9
1994	0.9	-2.8	-3.2	0.1	5.2	5.6	4.9	1.6	9.4	-3.4
1993	2.1	0.5	1.4	2.0	3.5	3.8	4.0	4.0	7.9	-1.9
1992	1.9	-1.0	1.7	2.1	3.9	3.0	3.3	3.4	5.3	-1.4
1991	2.6	-2.2	1.5	3.1	4.6	3.8	4.1	3.7	4.8	1.4
1990	0.2	-7.6	-2.8	0.2	3.7	0.5	0.7	0.4	1.8	2.8
1989	6.1	0.7	2.4	5.0	6.0	3.2	3.1	2.9	2.8	19.5
1988	6.2	3.8	6.1	6.8	6.7	2.5	2.6	-2.2	0.3	17.4
1987	6.8	13.2	16.0	6.8	8.1	2.4	4.0	-8.7	-2.9	9.5
1986	8.2	20.9	17.9	6.0	7.3	4.3	5.8	-0.6	3.1	7.3
1985	6.7	24.9	14.3	5.6	4.9	4.3	4.5	-1.2	2.4	4.9
1984	5.5	17.4	13.5	4.2	2.7	4.9	4.4	0.0	2.0	5.2
1983	4.1	16.4	10.0	3.2	4.3	4.3	4.4	0.5	-2.5	1.1
1982	2.3	4.2	4.7	4.8	-4.8	0.0	4.3	5.9	7.1	0.7
1981	4.3	5.6	0.2	5.3	2.3	0.5	-0.8	11.9	6.4	6.1
1980	6.9	5.9	9.0	8.6	1.5	3.6	7.3	7.8	6.9	11.4
1979	11.8	11.3	15.1	11.1	9.3	9.4	5.2	13.1	15.8	16.3
1978	13.0	17.9	6.5	10.6	13.7	12.3	11.7	16.5	17.5	15.6
1977	13.0	8.4	10.6	7.0	13.2	14.5	11.5	12.0	17.9	25.7
1976	7.9	3.2	3.6	5.3	8.2	6.3	4.9	9.6	10.5	20.2

Regional Divisions:

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

Mid-Atlantic: NJ, NY, PA

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

East North Central: IL, IN, MI, OH, WI, ND, SD, NE

East South Central: AL, KY, MS, TN

West South Central: AR, LA, OK, TX

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

Pacific: AK, CA, HI, OR, WA

¹ All data is measured based on percentage change over the previous four quarters. Data from 1976 - 2000 is measured based on fourth quarter to fourth quarter percentage change.