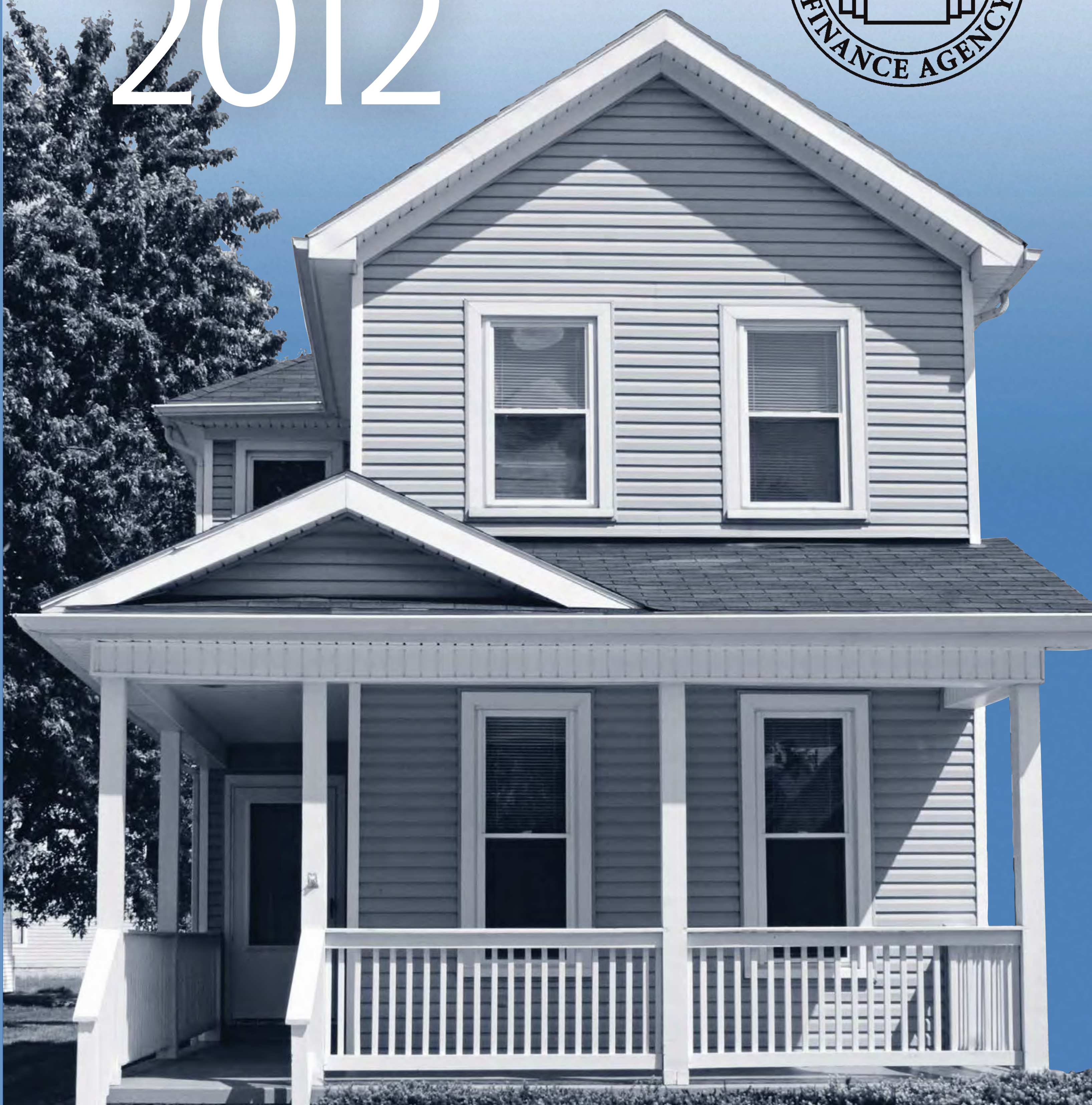
FEDERAL HOUSING FINANCE AGENCY

Report to Congress 2012



FHFA · REPORT TO CONGRESS · 2012

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June 13, 2013

Honorable Tim Johnson
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, D.C. 20510

Honorable Mike Crapo
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, D.C. 20510

Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

Dear Chairmen and Ranking Members:

I am pleased to transmit the Federal Housing Finance Agency's (FHFA's) *Report to Congress,* which presents the findings of the agency's 2012 examinations of Fannie Mae and Freddie Mac (the Enterprises), the 12 Federal Home Loan Banks (FHLBanks), and the FHLBanks' Office of Finance. This report meets the requirements of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing and Economic Recovery Act of 2008 (HERA).

This annual report is also submitted to meet FHFA's obligation under Section 1305 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to report to Congress on the agency's plans to "continue to support and maintain the nation's vital housing industry, while at the same time guaranteeing that the American taxpayer will not suffer unnecessary losses."

This report demonstrates that FHFA continued to meet its obligations during 2012 by:

- supporting the nation's housing industry;
- ensuring that the regulated entities operate in a safe and sound manner;
- assisting homeowners in trouble;
- providing stability and liquidity to the secondary market for mortgages; and
- promoting access to mortgage credit throughout the nation.

During 2012, FHFA continued to serve as regulator and conservator of Fannie Mae and Freddie Mac while supervising and regulating the 12 Federal Home Loan Banks and the FHLBanks' joint Office of Finance to promote their safety and soundness and fulfillment of their housing missions.

Enterprises

In 2012, FHFA began working on strategic initiatives correlated to the *Strategic Plan for Enterprise Conservatorships*. The plan set forth three strategic goals: 1) build a new infrastructure for the secondary mortgage market; 2) contract the Enterprises' dominant presence in the marketplace; and 3) maintain foreclosure prevention activities and credit availability. Most of FHFA's actions in 2012, including the property disposition initiative, a new securitization infrastructure, guarantee fee increases, developing risk-sharing transaction structures, and short sale and deed in lieu programs fall under the goals of the *Strategic Plan for Enterprise Conservatorships*.

The conservatorships of Fannie Mae and Freddie Mac, which began in September 2008, combined with U.S. Treasury financial support and management actions, have stabilized the Enterprises. The ongoing stress in the nation's housing markets, challenging economic environment, and the need to implement the FHFA *Strategic Plan for Enterprise Conservatorships* continue to pose significant challenges. Management and the boards of both Enterprises were responsive throughout 2012 to FHFA findings and are taking appropriate steps to resolve issues we identified in our examinations.

Federal Home Loan Banks

Section 20 of the Federal Home Loan Bank Act (12 USC 1440) requires each Federal Home Loan Bank (FHLBank) to be examined at least annually. In 2012, FHFA examined all FHLBanks and the Office of Finance. Overall, governance practices improved in 2012. Our examinations indicated that the FHLBanks have addressed many of the issues from previous exams, while also identifying existing shortcomings in governance related to resource allocation, operational risk management, and compensation.

For the third consecutive year, all 12 FHLBanks were profitable. The FHLBank System reported net income of $2.6 billion in 2012, up from $1.6 billion in 2011, making 2012 the most profitable year since 2007. Because profitability was strong, the FHLBanks continued to build their retained earnings in 2012. The System held total assets of $763.1 billion at the end of 2012, down by less than 1 percent from year-end 2011. Since the aggregate balance sheet peaked at the end of the third quarter of 2008, total assets have declined by 47 percent. All 12 FHLBanks met the minimum total regulatory capital requirement of 4 percent of total assets and their individual risk-based capital requirements at the end of 2012.

I am proud of FHFA's dedicated staff, which has continued to carry out the agency's mission with true perseverance during this sustained period of extraordinary financial stress, complex regulatory and seemingly conflicting responsibilities, and uncertainty about the future.

FHFA is an independent regulatory agency, and the views in this report are its own.

Yours truly,

Edward J. DeMarco

Edward J. DeMarco
Acting Director, Federal Housing Finance Agency

Federal Housing Finance Oversight Board Assessment

Section 1103 of the Housing and Economic Recovery Act (HERA) of 2008 requires the Federal Housing Finance Agency (FHFA) Director's annual *Report to Congress* to include an assessment of the Federal Housing Finance Oversight Board or any of its members with respect to:

- the safety and soundness of the regulated entities;
- any material deficiencies in the conduct of the operations of the regulated entities;
- the overall operational status of the regulated entities; and
- an evaluation of the performance of the regulated entities in carrying out their respective missions.

FHFA's annual report provides a detailed review of the issues described above for Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan Bank (FHLBank) System as a basis for the assessment.

Enterprises

The Enterprises continue to operate under conservatorship, as they have since 2008. The U.S. Department of the Treasury provides the Enterprises with financial support through the Senior Preferred Stock Purchase Agreements that were established at the same time the Enterprises entered conservatorship. Through year-end 2012, the Enterprises' cumulative draws under the agreements totaled $187.5 billion, and the Enterprises have paid $55.1 billion in cash dividends to Treasury. Under the Senior Preferred Stock Purchase Agreements, the payment of dividends does not offset or pay down prior Treasury draws.

While each Enterprise will continue to realize credit losses from mortgages originated in the several years prior to conservatorship, the overall improvement in the housing market, improved quality of new loans guaranteed, and increased guarantee fee pricing, along with income from the retained portfolio have resulted in improved financial results. In 2012, both Enterprises generated positive annual income for the first time since the conservatorships were established.

Given that the Enterprises have depleted all of their shareholders' equity, are operating with financial support from the Treasury, and are not able to retain their earnings, when considering safety and soundness, it is important to consider the risks associated with the Enterprises' operations since being placed into conservatorship. Since the Enterprises were placed into conservatorship, in compliance with FHFA guidelines to ensure conservation of assets and minimization of future losses, the Enterprises have strengthened their underwriting standards. The credit quality of new single-family guarantees in 2012 remained elevated when compared to prior years and higher-risk mortgages, such as no-income documentation or interest only mortgages, have largely been eliminated. Given the expanded volume of Home Affordable Refinance Program (HARP) transactions, the average loan-to-value ratio of mortgages acquired in 2012 increased to 76 percent from 70 percent in 2011. Average FICO[1] credit scores on new guarantees in 2012 remained in the mid-700s, roughly 35-45 points higher than the average FICO scores prior to conservatorship.

The conservatorships of the Enterprises, combined with Treasury's financial support, has stabilized the Enterprises but not restored them to a sound financial condition. The Enterprises remain exposed to credit, counterparty, and operational risks. Credit risk management remains a key priority for both Enterprises given their large volume of distressed assets and ongoing stress in certain housing markets. In addition, counterparty risk remains an area of concern, especially given the evolving changes in the mortgage industry and the greater prominence of new types of seller-servicers. Operational risk also remains a focus because of challenges related to legacy systems, recordkeeping and ongoing concerns about human capital and key person dependencies. The Enterprises' management teams and the boards have been responsive throughout 2012 to FHFA findings and are taking appropriate steps to resolve identified issues.

Consistent with their statutory missions, the Enterprises have maintained an ongoing significant presence in the secondary mortgage market since their conservatorships. This has helped ensure that mortgage credit remains available. Both Enterprises also continue to play an important role in efforts to limit preventable foreclosures, both to mitigate Enterprise losses as well as enhance stability in housing markets and local communities. These efforts are essential to improving the financial performance and risk profile of the Enterprises. While down from 2011, the Enterprises completed 541,000 foreclosure alternative actions in 2012, including 233,000 loan modifications. Since conservatorship, the Enterprises have completed 2.7 million foreclosure alternative actions, including more than 1.3 million loan modifications. In addition, primarily as a result of important changes to HARP that fully took effect in 2012, there were nearly 1.1 million refinances under HARP in 2012, which almost equaled the total number of refinances under HARP in the previous three years combined.

The Enterprises cannot remain in conservatorship permanently, and expanding private sector participation is essential for the long-term health of the mortgage market. In 2012, FHFA released its *Strategic Plan for Enterprise Conservatorships* and continues to make progress on its implementation. The strategic plan has three components: build; contract; and maintain. The "build" component involves developing approaches for our country's mortgage finance infrastructure that can be followed for any path that policymakers choose for housing finance reform. FHFA has made solid progress on moving forward on the build component and gathering public input. The "contract" component, through increases in pricing and risk sharing transactions, is designed to reduce the Enterprises' risk profile and increase opportunities in the private sector for absorbing credit risk in the mortgage market. Groundwork was laid

1 FICO stands for Fair Isaac Corporation, which produces the most widely used credit score model.

in 2012 on risk sharing transactions, and further progress is expected in 2013. The "maintain" component preserves the important role the Enterprises are currently undertaking in mitigating credit losses from the legacy book of business and providing foreclosure prevention assistance to borrowers. The Enterprises have remained active in this area and have continued to develop improvements to their product offerings.

Directing the Enterprises' operations in conservatorship presents its own set of challenges for FHFA. In particular, it is critical that the Enterprises have appropriate human resources to maintain operations and minimize losses in the face of uncertainty regarding the long-term prospects of the Enterprises' operations and charters.

FHLBanks

As of December 31, 2012, all 12 FHLBanks exceeded the minimum 4 percent leverage ratio. The weighted average regulatory capital-to-assets ratio for the FHLBank System was 6.8 percent at year-end 2012, as compared with 6.9 percent at the end of 2011. All FHLBanks were profitable for the year. The FHLBanks' advance business continues to operate with no credit losses. In contrast, the quality of the FHLBanks' investments in private-label mortgage-backed securities (MBS) remains a heightened supervisory concern. That concern, however, has been mitigated since year-end 2011 because those securities have been partially paid down and credit charges associated with these securities have declined.

At year-end 2012, one FHLBank was under an FHFA enforcement action. The FHLBank of Seattle, as a result of deterioration in the value of its private-label MBS, and other issues principally related to its capitalization, entered into a consent order with FHFA in 2010. The consent order provides for a stabilization period for the FHLBank to meet financial thresholds related to retained earnings, securities impairments, and market value before it can resume certain activities, including paying dividends and repurchasing or redeeming its capital stock. The FHLBank of Seattle made progress in 2012 stabilizing some aspects of its financial condition. During 2012, in response to its positive earnings and substantial improvement in its market value of equity, FHFA allowed the FHLBank to repurchase a small amount of its capital stock. In addition, the FHLBank of Chicago, which had operated under a consent order to cease and desist since October 2007, met the appropriate conditions and FHFA removed the cease and desist order in early 2012.

The overall scale of the FHLBanks' advance operations remained relatively stable during 2012, with $418 billion of advances outstanding at year-end 2012, which was unchanged from year-end 2011. Despite this stabilization, advances remain low from a historical perspective. Though the effects have started to subside, investments in private-label MBS have adversely affected the overall operations of some FHLBanks, reducing their ability to repurchase or redeem stock as the FHLBank shrinks. FHFA has taken action where needed to address this problem at the FHLBank of Seattle and continues to monitor the situation at several other FHLBanks.

Even in an environment of weak advance demand, the FHLBanks met their mission of providing liquidity to their members. Typically, advance demand is cyclical. It falls when funding market conditions are robust or deposit growth is strong, as is the case today, and increases when market conditions are weak and liquidity is constrained in the banking system. The FHLBanks' also met their mission through their support of the Affordable Housing Program (AHP) which is a source of funds to support local affordable housing initiatives. The FHLBanks provided $189 million in AHP funds in 2012.

As can be seen from this discussion, 2012 was a critical year in FHFA's oversight of the Enterprises and FHLBanks. While many challenges remain, the accomplishments of the past year provide a solid foundation for continued progress in 2013 and the years ahead.

Edward DeMarco
Chairman
Federal Housing Finance Oversight Board

Jacob J. Lew
Secretary
U.S. Department of the Treasury

Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development

Mary Jo White
Chairman
Securities and Exchange Commission

FHFA 2012 Report to Congress

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Conservatorships of the Enterprises

In February 2012, FHFA sent the *Strategic Plan for Enterprise Conservatorships* to Congress for the next phase of the conservatorships of Fannie Mae and Freddie Mac[2] (the Enterprises). The plan outlined the steps FHFA had taken and would be taking to address the challenges of the conservatorships. The plan set forth three strategic goals for the next phase of conservatorship:

- **Build.** Build a new infrastructure for the secondary mortgage market.
- **Contract.** Gradually contract the Enterprises' dominant presence in the marketplace while simplifying and shrinking their operations.
- **Maintain.** Maintain foreclosure prevention activities and credit availability for new and refinanced mortgages.

Our focus in 2012 was on achieving these strategic goals, fulfilling the legal responsibilities Congress assigned FHFA as conservator, and preparing the foundation for a new, stronger housing finance system in the future. Although that future may not include Fannie Mae and Freddie Mac, at least as they are today, this important work in conservatorship can be a lasting, positive legacy for the country and its housing system.

Our goal is to energize the rebuilding of the secondary mortgage market so that market participants may again compete with each other to ensure an efficient flow of credit for housing, confident in the knowledge of the risks involved and the rules in place. Making progress on essential infrastructure development, improving standardization, and generating meaningful discussion about rebuilding our housing finance infrastructure should help policymakers tackle critical questions about the government's role in housing finance.

2012 Changes to the Senior Preferred Stock Purchase Agreements

The Senior Preferred Stock Purchase Agreements were first established in 2008 when FHFA placed Fannie Mae and Freddie Mac into conservatorship. The agreements conveyed to the marketplace that each Enterprise would maintain positive net worth, be able to meet its outstanding obligations, and continue providing liquidity to the mortgage market.

There were five amendments to the preferred stock agreements in 2012:

Dividends

Instead of paying the Treasury a 10 percent dividend on outstanding senior preferred stock, the Enterprises will pay Treasury a quarterly net worth sweep, based on a formula. In many quarters the payment will equal quarterly net profits. This change eliminates the possibility of the Enterprises having to borrow from Treasury to pay dividends, which could have eroded market confidence. This change also ensures all the Enterprises' earnings are used to benefit taxpayers.

Periodic Commitment Fee

The periodic commitment fee was suspended in light of the new dividend formula. Previously, the Enterprises were supposed to pay a quarterly periodic commitment fee beginning in 2010, but Treasury had waived the fee every quarter.

Mortgage Asset Reduction

Another key change was the requirement to contract the Enterprises' portfolios at an annual rate of 15 percent—an increase from the 10 percent reduction previously required. This reduces both Enterprises' retained portfolios to $250 billion by 2018.

Treasury Consent for Enterprise Actions

Although the Enterprises must obtain Treasury approval for certain actions, the original agreements allowed exceptions. In 2012, an additional exception was added. The Enterprises no longer need Treasury consent for asset disposition as long as the fair market value of the asset is less than $250 million.

Risk Management Plans

Each Enterprise is now required to submit an annual risk management plan to Treasury under FHFA direction. Each plan must support a well-managed Enterprise wind-down and include how the Enterprise plans to reduce taxpayer losses. In 2012, the Enterprises submitted these plans to FHFA.

[2] Fannie Mae is the trade name of the Federal National Mortgage Association, chartered in 1938 by an act of Congress. Freddie Mac is the trade name of the Federal Home Loan Mortgage Corporation, chartered by an act of Congress in 1970.

FHFA Organizational Changes

As part of this new strategic direction, we also made some key organizational changes in 2012. In May, we established the Office of Strategic Initiatives to lead, coordinate, and clarify the agency's activities related to the *Strategic Plan for Enterprise Conservatorships.*

The office's primary role is to facilitate, organize, coordinate, and monitor all projects and resources related to the strategic plan to:

- ensure FHFA and the Enterprises have allocated sufficient resources to complete this work;
- promote consistency between FHFA and the Enterprises about priorities, timelines, and expectations;
- respond to operational and policy questions so they are identified, elevated, and resolved promptly; and
- ensure that projects achieve objectives in a timely and efficient manner.

The Office of Strategic Initiatives works closely with other FHFA units, including the Division of Housing Mission and Goals, the Office of Conservatorship Operations, the Office of General Counsel, and the Division of Enterprise Regulation to ensure ongoing communication and coordination of critical activities related to the conservatorship strategic plan. Although various activities pertaining to the strategic plan are managed out of different offices, managers involved with these activities work with the Office of Strategic Initiatives to accomplish the plan's goals.

The office also is responsible for FHFA's work on the securitization platform and the associated contractual and disclosure framework (see page 7).

During 2012, the Office of Strategic Initiatives formed a Project Management Office to oversee and provide structure for strategic initiative projects. Other offices within FHFA, including the Office of Conservatorship Operations, continue to focus on other aspects of the conservatorships.

Project Management Office to Aid in Conservatorship Strategic Initiatives

During the latter part of 2012, FHFA's Office of Strategic Initiatives created a scalable Project Management Office to provide project management structure and support to projects stemming from the Strategic Plan for Enterprise Conservatorships.

The Project Management Office will work with project stakeholders to provide a consistent project management methodology and project leadership and direction. It will also develop a series of consistent and measurable control and reporting mechanisms.

Since FHFA is already working on projects related to the conservatorship strategic plan, the office is beginning with an incremental approach with a focus on FHFA leadership's priorities.

The agency's long-term plan is to have the office help departments working on initiatives throughout the agency.

Senior Preferred Stock Purchase Agreement Changes

As FHFA and the Enterprises moved forward with the strategic initiatives, the housing industry and the economy in general showed signs of improvement. Housing prices began to increase, serious delinquencies declined, and both Fannie Mae and Freddie Mac refinancing (including underwater mortgages) was strong throughout the year. The Enterprises ended 2012 with record year-end profits.

In August 2012, Treasury and FHFA changed the Senior Preferred Stock Purchase Agreements with the Enterprises. In addition to requiring a faster wind-down of their portfolios, the 10 percent fixed-rate dividend was replaced with a variable structure, essentially directing all net income to the Treasury. Replacing the current fixed dividend in the agreements with a variable dividend based on net worth helps ensure stability, fully captures financial benefits for taxpayers, and eliminates the need for Fannie Mae and Freddie Mac to borrow from the Treasury Department to pay dividends.

As Fannie Mae and Freddie Mac shrink, the continued payment of a fixed dividend could have called into question the adequacy of the financial commitment in the preferred stock agreements. The accelerated decrease of the retained mortgage portfolio reduces risk exposure. The changes also give a level of certainty to Fannie Mae, Freddie Mac, and market participants.

2012 Enterprise Highlights

In 2012, we changed the executive pay structures for both Enterprises, striking a balance between prudent executive pay and the need to safeguard quality staffing to protect the taxpayers' investment and achieve the strategic initiatives.

New CEOs

In May 2012, we announced that Donald H. Layton had been selected by the board of directors as the new chief executive officer (CEO) of Freddie Mac, replacing Charles E. "Ed" Haldeman, Jr. Haldeman had served as Freddie Mac's CEO since 2009.

The following month, we announced Timothy J. Mayopoulos had been chosen by Fannie Mae's board to be president and CEO of the company, replacing Michael Williams who had a total of 21 years of service to Fannie Mae.

During 2012, Layton and Mayopoulos brought tremendous knowledge and leadership experience to the CEO positions at the Enterprises. FHFA leaders look forward to continuing to work closely with them as we build the foundation for the secondary mortgage market of the future.

Executive Compensation

In the 2012 Incentive Compensation Plan, we changed the compensation executives at each Enterprise are eligible to earn. We designed the new plan to provide competitive compensation and retain key managers. It includes a retention feature and reductions for missed performance.

2012 Scorecard Summary

On March 9, 2012, FHFA issued the 2012 Conservatorship Scorecard based on the *Strategic Plan for Enterprise Conservatorships.*

The Enterprises were directed to work together and with FHFA on a series of goals focused on building a new infrastructure, contracting their existing footprint in the secondary mortgage market, and maintaining their operations to protect the taxpayers' investment.

Our staff focused on working with the Enterprises to help meet their goals. We held quarterly meetings with the executive teams at both Enterprises to ensure both companies were consistently defining success for each goal.

The new plan also included a 10 percent reduction to most executives' total direct compensation and eliminated bonuses and incentive plans that had been in place. The 2012 program included setting a fixed cash-base salary. The salaries of the new CEOs at both Enterprises were set at $600,000.

Remaining compensation comprises two types of deferred salary—fixed and at-risk. The fixed portion is paid out in full at the end of the quarter in the following year. The at-risk deferred salary is equal to 30 percent of the total direct compensation of each executive and may be reduced based on performance of the company and the individual.

The first portion subject to reduction (15 percent) is based upon conservatorship performance, as determined by FHFA. We base our assessment on an evaluation of performance against the Conservatorship Scorecard. The remaining portion subject to reduction (15 percent) is determined by the company. The Enterprises' assessment is based on goals established by the boards of directors at each Enterprise.

The plan also includes a retention tool. If an executive leaves the company, the fixed deferred salary is reduced by 2 percent per month for each month between the date the employee leaves and January 31, 2014.

FHFA *Refinance Report*

FHFA's *Refinance Report* provides information on actions taken by Fannie Mae and Freddie Mac to enable homeowners to refinance their mortgages and take advantage of lower interest rates. Highlights of 2012 reports included:

In 2012, the Enterprises made the changes to the Home Affordable Refinance Program (HARP) that FHFA had announced in late 2011. The result was an improved version of the program, called HARP 2.0.

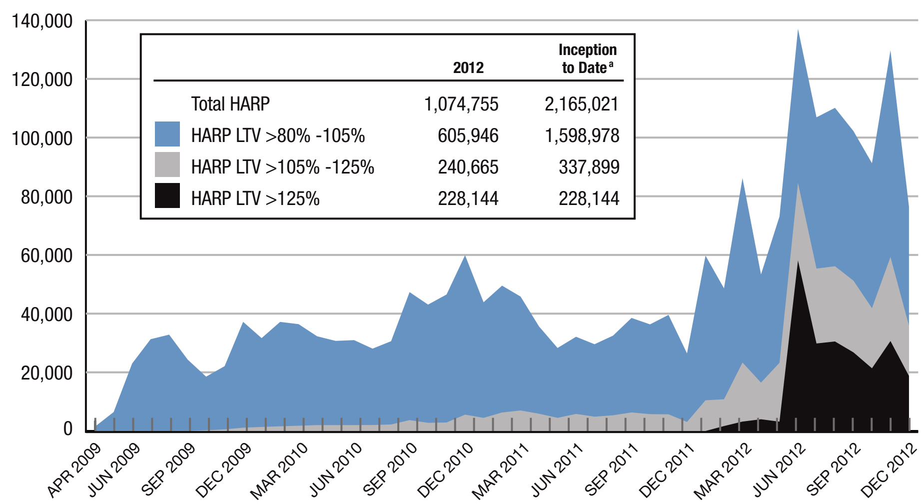
HARP 2.0

- **Removes the 125 percent ceiling on the loan-to-value ratio.**
- **Waives certain representations and warranties that lenders commit to in making loans owned or guaranteed by Fannie Mae and Freddie Mac.**
- **Eliminates the need for a new property appraisal where there is a reliable automated valuation model estimate provided by the Enterprises.**
- **Extends the end date for HARP until December 31, 2013, for loans originally sold to the Enterprises on or before May 31, 2009. On April 11, 2013, we directed the Enterprises to extend the program until December 31, 2015.**

Nearly 1.1 million homeowners refinanced through HARP in 2012, nearly equal to the number of HARP refinances over the previous three years, bringing the total from inception to date to 2.1 million.

Underwater borrowers accounted for 44 percent of HARP refinances in 2012, up from 15 percent in 2011.

Figure 1 • HARP Refinances



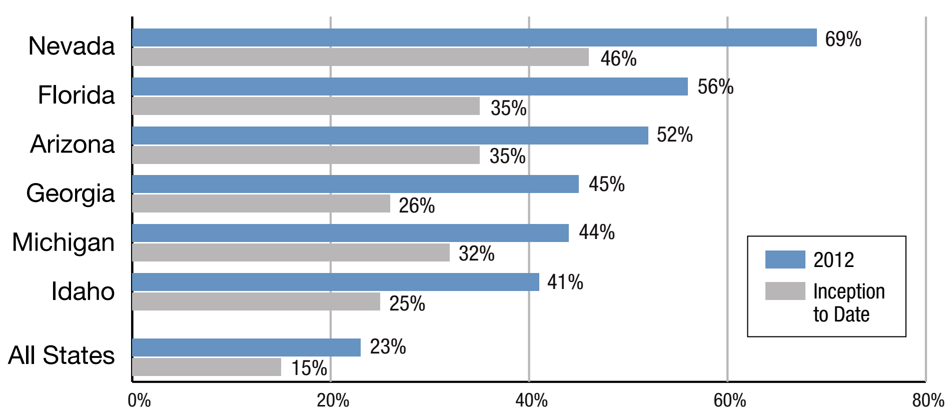
[a] Since April 1, 2009.

Sources: Fannie Mae and Freddie Mac

HARP continued to represent a substantial portion of total refinance volume in certain states.

In 2012, HARP represented more than half of total refinance volume in Nevada, Florida, and Arizona.

Figure 2 • HARP Refinances as a Percentage of Total Refinances



Sources: Fannie Mae and Freddie Mac

FHFA *Foreclosure Prevention Report*

FHFA's *Foreclosure Prevention Report* provides information on actions taken by Fannie Mae and Freddie Mac to help delinquent homeowners avoid foreclosure. Highlights of the 2012 reports included:

The Enterprises continued to lead the effort to prevent avoidable foreclosures.

Since the start of the first full quarter of the conservatorships in late 2008, the Enterprises have completed nearly 2.7 million actions to prevent foreclosure on borrowers.

More than 1.3 million of these actions —approximately half— were loan modifications.

Figure 3 • Completed Foreclosure Prevention Actions

	Full Year 2011	Full Year 2012	Conservatorship to Date[a]
Home Retention Actions			
Repayment Plans	181,558	142,615	665,796
Forbearance Plans	34,423	22,812	147,602
Charge-Offs in Lieu	2,263	1,335	9,236
HomeSaver Advance (Fannie)	-	-	70,178
Loan Modifications	**322,108**	**239,993**	**1,317,547**
Total	540,352	399,755	2,210,359
Nonforeclosure—Home Forfeiture Actions			
Short Sales	115,237	125,232	410,061
Deeds in Lieu	10,231	16,232	36,017
Total	125,468	141,464	446,078
Total Foreclosure Prevention Actions	**665,820**	**541,219**	**2,656,437**

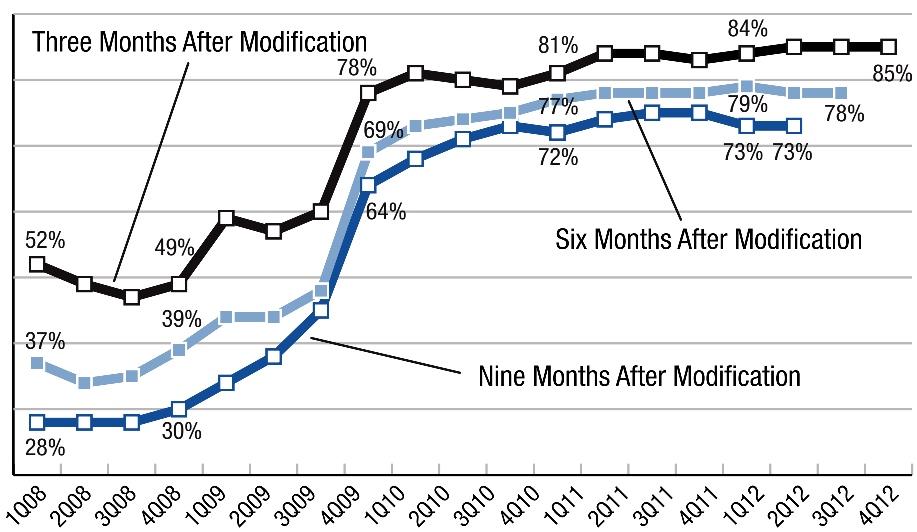
Sources: Fannie Mae and Freddie Mac

[a] *Since the first full quarter in conservatorship (fourth quarter of 2008).*

The vast majority of borrowers who received loan modifications last year continued to make their mortgage payments this year.

For Enterprise loans modified throughout 2011, more than 70 percent of the loans were current and performing after nine months.

Figure 4 • Enterprises Modified Loans — Current Loans



Sources: Fannie Mae and Freddie Mac

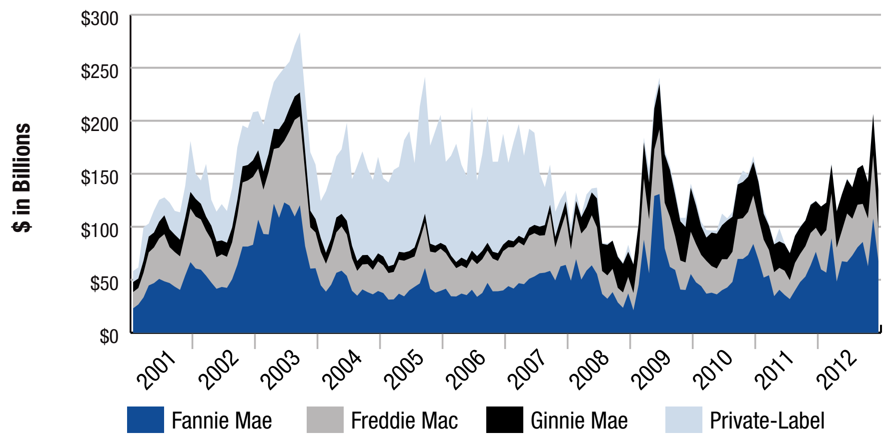
Conservator's Report

FHFA's *Conservator's Report* provides an overview of key aspects of the financial condition of Fannie Mae and Freddie Mac during conservatorship. Highlights of the 2012 report included:

Fannie Mae and Freddie Mac continued to provide critical support for the secondary mortgage market in 2012.

Together, the Enterprises guaranteed $1.3 trillion in new mortgage production, representing 77 percent of all mortgages originated.

Figure 5 • MBS Issuance Volume ($ in billions)



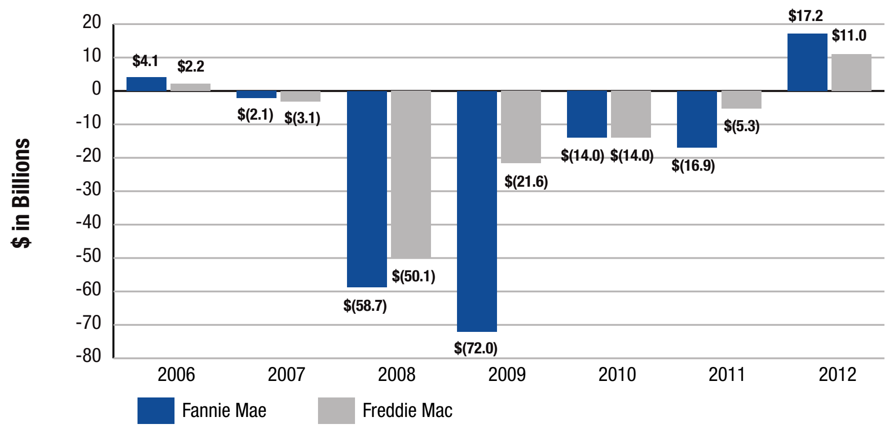
New business figures exclude MBS issued backed by assets previously held on the Enterprises' portfolios as well as the Enterprises purchases of their own MBS.

Sources: Inside Mortgage Finance, Enterprise Monthly Volume Summaries

Fannie Mae and Freddie Mac reported record annual earnings in 2012, the first time since 2006 that either Enterprise has reported annual net income.

The two companies reported combined net income of $28 billion.

Figure 6 • Annual Earnings



Sources: Enterprises' Forms 10-K

In 2012, neither Enterprise required financial support from the U.S. Treasury.

Projections of the Enterprises financial results released by FHFA in October 2012 improved over 2011.

Figure 7 • Projected Treasury Draws Over the Period ($ in billions)

	Fannie Mae		Freddie Mac	
	October 2011	October 2012	October 2011	October 2012
Scenario 1	$41	$2	$10	$1
Scenario 2	$46	$6	$11	$2
Scenario 3	$115	$17	$27	$5

** Projection period is two-and-a-half years from the start dates of June 30, 2011, and June 30, 2012.*

Sources: Fannie Mae and Freddie Mac

The compensation listed in each of the Enterprises' annual reports as paid in 2012 includes compensation earned in 2012 and deferred compensation earned in prior years but paid in 2012.

The 2013 Incentive Compensation Plan is largely the same as the 2012 plan, with base salary paid semi-monthly or biweekly and deferred salary paid out a year later. A new provision for the 2013 plan allows those who retire at age 65 or older to have the 2 percent reduction feature waived.

2012 Strategic Initiatives

In 2012, we began working on strategic initiatives correlated to the *Strategic Plan for Enterprise Conservatorships*. The plan set forth three strategic goals:

1) **Build** a new infrastructure for the secondary mortgage market;
2) **Contract** the Enterprises' dominant presence in the marketplace; and
3) **Maintain** foreclosure prevention activities and credit availability.

Build

Securitization Infrastructure

The February 2012 *Strategic Plan for Enterprise Conservatorships* envisioned a new securitization infrastructure to replace the Enterprises' outdated infrastructures and attract private capital to share credit risk, which is now borne solely by the Enterprises. We proposed a common platform that would support the Enterprises' existing business and upgrade their aging and inflexible infrastructures. This would save taxpayers the costs of maintaining and upgrading two parallel structures in the future, although building such a platform means up-front information technology costs.

Throughout the second half of 2012, we worked with the Enterprises to develop a plan for the design of a common securitization platform of hardware and software to serve both companies and also potentially be used in a postconservatorship market (which would depend on decisions by Congress).

We are working with the Enterprises to use the feedback gathered on the securitization platform prototype, to align key contract features and practices, and address additional protections investors require. This effort will take several years.

We also worked with the Enterprises on recommendations for an improved contractual and disclosure framework to support a more efficient and effective secondary mortgage market. The contractual and disclosure framework includes a complex set of rules, regulations, contractual agreements, and enforcement mechanisms that define the process of securitization.

In October 2012, FHFA released a white paper proposing a framework for a common securitization platform and an improved contractual and disclosure framework and requested public input. The white paper sought to identify the core components (proposed as data validation, issuance, disclosure, bond administration, and master servicing) of mortgage securitization that will be needed in the housing finance system in the future. The securitization platform could be used by multiple issuers to process payments and perform other functions.

Along with the white paper, we joined the Enterprises in outreach to a full range of stakeholders, including a variety of industry participants—small and large companies, trade groups, advocacy organizations, vendors, originators, servicers, investors, and mortgage insurers, among others. We are working with the Enterprises to use the feedback gathered on the securitization platform prototype, to align key contract features and practices, and address additional protections investors require. This effort will take several years.

Loan Level Data Disclosure

During 2012, Fannie Mae began making public disclosures of loan-level data about the mortgages backing newly issued single-class, single-family mortgage-backed securities (MBS). The new disclosures are generally comparable to those that Freddie Mac has been making to investors since 2005. Both Enterprises now disclose loan-level information when they issue securities. Freddie Mac also provides monthly ongoing disclosures over the life of securities.

As the 2012 Conservatorship Scorecard requires, the Enterprises jointly developed and submitted to FHFA a template with a comprehensive list of loan-level disclosure data elements for their single-class, single-family MBS. At our direction, the Enterprises also began working to develop plans to enhance their loan-level MBS disclosures, consistent with the template. In 2012, the Enterprises also completed and submitted to FHFA an expanded version of the data template that includes data elements needed for disclosures on non-guaranteed mortgage securities.

Contract

Guarantee Fee Increases

In December 2011, Congress directed FHFA in the Temporary Payroll Tax Cut Continuation Act of 2011 to increase the guarantee fees the Enterprises charge lenders on single-family mortgages by at least an average of 10 basis points. To fulfill that mandate, we directed the Enterprises to raise guarantee fees by 10 basis points beginning in April 2012. Unlike other single-family guarantee fees, which are retained by the Enterprises, the proceeds from this fee increase are remitted to the Treasury at the end of each quarter.

In August 2012, we directed the Enterprises to make more changes to the single-family guarantee fees they charge lenders. The changes became fully effective in December 2012, and the Enterprises keep the resulting revenues. The changes:

- Increased guarantee fees on single-family mortgages by an additional 10 basis points on average.
- Made the guarantee fees the Enterprises charge lenders that deliver small and large volumes of loans more uniform.
- Began to address the issue of lower-risk loans subsidizing the pricing of higher-risk loans.

State-Level Guarantee Fee Proposal

In September 2012, we announced FHFA is soliciting public input on a proposal to impose an up-front fee on newly acquired single-family mortgages originated in specific states where the Enterprises are likely to incur default-related losses much higher than the national average because of the individual laws in those states. The proposal was published as a *Federal Register* notice on September 25, 2012. FHFA received more than 60 responses from state and local government officials, interest groups, academics, and the public. We are currently evaluating the public input and determining how to proceed with this initiative.

Risk Sharing

During 2012, we worked with the Enterprises to investigate and develop several transaction structures to transfer single-family mortgage credit risk from the Enterprises to the private sector. FHFA will continue developing risk transfer structures during 2013. We anticipate the Enterprises will complete several transactions before the end of the year.

Maintain

Short Sales and Deeds in Lieu

In 2012, FHFA and the Enterprises continued work under the Servicing Alignment Initiative through development of the standard short sale and standard deed in lieu of foreclosure programs. These programs require consistent mortgage loan servicing and delinquency management when retention is not an option or when a borrower does not want to remain in the home.

In 2012, we enhanced short sale offerings by consolidating four programs into a single uniform program. As of November 1, 2012, the Standard Short Sale Program allows borrowers who are current on their mortgage and who have an eligible hardship to sell their home through a short sale, which is the sale of a property for less than the mortgage plus any liens against it.

Loan servicers are now able to make short sale request decisions for current borrowers with the following hardships: death of a borrower or coborrower; divorce; disability; or relocation for a job.

The aligned Standard Deed in Lieu of Foreclosure Program went into effect March 1, 2013. Under this program, when home retention is not an option and circumstances, such as death of a borrower or co-borrower or permanent or long-term disability, make a short sale unfeasible, a deed in lieu of foreclosure may be considered as an alternative to foreclosure.

The standard short sale and deed in lieu of foreclosure programs are cost effective and less time consuming alternatives to foreclosure.

REO to Rental Initiative

In late February 2012, we launched a highly targeted pilot program with Fannie Mae, to test an asset disposition model that could complement the existing disposition strategies for real estate owned (REO) by the Enterprises. The goals of this pilot, the REO to Rental Initiative, were to determine if a bulk sale model concept would generate private investment in single-family rental housing efficiently and effectively to stabilize local markets. FHFA's objectives were to understand the market for these assets across three dimensions:

- **Private Capital—**Gauge investor interest in a new asset class, scattered-site single-family rental housing, as measured by the price investors are willing to pay for a traditionally high-value commodity hampered by over-supply.
- **Economies of Scale—**Determine whether the disposition of properties in bulk, instead of one-by-one, presents an opportunity for well-capitalized investors to partner with regional and local property management companies and other community-based organizations to create appropriate economies of scale and lead to civic-minded approaches that could stabilize and improve market conditions.
- **Replicability—**Assess whether the model can be efficiently replicated to make it a worthwhile addition to the standard retail and small-bulk sales strategies in place at the Enterprises and other financial institutions with large inventories of properties to sell.

2012 Short Sale Program Improvements

The aligned Standard Short Sale Program:

- Allows servicers to quickly and easily evaluate borrowers for a short sale, including borrowers who are current on their mortgage and facing the following hardships: death of a borrower or coborrower, divorce, disability, and distant employment transfer/relocation.
- Streamlines short sale processing for borrowers most in need, including those who have missed several mortgage payments and have low credit scores, by substantially reducing or eliminating hardship documentation requirements.
- Recognizes service member Permanent Change of Station (PCS) orders as an eligible hardship for a short sale and offers special treatment for military personnel with PCS orders. Service members will not be required to contribute toward the deficiency and will receive a deficiency waiver.
- Does not restrict borrowers who have relocated or will relocate for new employment from seeking and securing alternative housing from negotiating a short sale.
- Waives the Enterprises' right to pursue a deficiency judgment against a borrower who undertakes a short sale in favor of a financial evaluation and agreement to make a cash contribution or sign a promissory note toward the shortage.
- Enhances fraud controls including a short sale affidavit to reinforce the arms-length sales transaction requirement and reasonable resale restrictions during the first 90 days after a short sale transaction.
- Supports streamlined processing by delegating short sale decisions to servicers for loans with mortgage insurance.
- Provides servicers with clarity on processing a short sale request when a foreclosure sale is pending.

Winning bidders acquired seven subpools offered for sale. The REO pilot transaction provided a proof-of-concept and model for future structured sales that may be used by the Enterprises or private institutions.

New Representation and Warranty Framework

On September 11, 2012, FHFA announced that Fannie Mae and Freddie Mac would launch a new representations-and-warranties framework for conventional loans sold or delivered on or after January 1, 2013.

Seller representations and warranties assure Fannie Mae and Freddie Mac that a mortgage sold to them

The objective of the new framework is to clarify lenders' repurchase exposure and liability and move the focus of quality control reviews much closer to the time the loan is delivered to the Enterprises instead of when it has defaulted.

complies in all respects with the standards outlined in Fannie Mae's and Freddie Mac's selling and servicing guides, including underwriting and documentation standards. If a mortgage does not comply, Fannie Mae and Freddie Mac may require remedies, including the issuance of a repurchase request.

The objective of the new framework is to clarify lenders' repurchase exposure and liability and move the focus of quality control reviews much closer to the time the loan is delivered to the Enterprises instead of when it has defaulted. Sellers continue to be responsible for underwriting and delivering investment-quality mortgages according to current Enterprise requirements. But sellers are relieved of enforcing breaches of certain representations and warranties for new loan acquisitions that meet specific payment history and other requirements.

Under the new framework:

- Lenders are relieved of certain repurchase obligations when loans meet specific payment requirements. For example, relief from representations and warranties will be provided for loans with 36 months of consecutive on-time payments.
- HARP loans will be eligible for relief after an acceptable 12-month payment history beginning at the point the Enterprise acquires the loan.
- The Enterprises will provide detailed information about exclusions. They will also continue to provide tools to help improve loan quality.

The goal of the new framework is to enhance transparency for lenders and other industry participants, which leads to business efficiencies and improved access to mortgage financing. These improvements to the representations-and-warranties process are key elements of the seller-servicer contract harmonization project supporting the *Strategic Plan for Enterprise Conservatorships*.

Principal Forgiveness

In January 2012 in response to a Congressional request, we publicly disclosed the analysis that led FHFA to exclude principal forgiveness from its menu of loss mitigation tools. The announcement included a letter to Congress explaining that FHFA serves as conservator and regulator of the Enterprises under three principal mandates set forth by Congress that direct our activities and decisions, as follows:

1. FHFA has a statutory responsibility as conservator to preserve and conserve the assets and property of the regulated entities.
2. The Enterprises continue to have the same mission and obligations as before conservatorship. FHFA must ensure that Fannie Mae and Freddie Mac maintain liquidity in the housing market during economic turbulence.
3. Under the Emergency Economic Stabilization Act of 2008 (EESA), FHFA has a statutory responsibility to maximize assistance for homeowners to minimize foreclosures. Under EESA, FHFA must consider the net present value of any action undertaken to prevent foreclosures.

These mandates guide every FHFA policy decision, including our decision not to allow Fannie Mae and Freddie Mac to engage in principal forgiveness. In considering principal forgiveness, we compared taxpayer losses from principal forgiveness versus principal forbearance, which is an alternate approach the Enterprises currently take. We concluded principal forgiveness results in a lower net present value than principal forbearance.

In July 2012, FHFA announced that after extensive analysis of the revised Home Affordable Modification Program Principal Reduction Alternative, including the determination by the Treasury Department to begin using Troubled Asset Relief Program monies to make incentive payments to Fannie Mae and Freddie Mac, we concluded the anticipated benefits do not outweigh the costs and risks. We concluded the HAMP alternative program did not clearly increase foreclosure avoidance while reducing costs to taxpayers relative to the approaches currently in place.

FHFA continues to focus on loss mitigation and foreclosure alternatives through a variety of means. Through HAMP and the standard modification now available through the Servicing Alignment Initiative, delinquent borrowers and borrowers at risk of default will be reviewed for loan modifications that can include principal forbearance. Borrowers who remain current on their loan payments can take advantage of the recent changes to HARP, which now permits all current underwater borrowers to refinance into lower interest rate mortgages.

Other Conservatorship Activities

Settlements and Servicing Transfers

One of the goals in the 2012 Conservatorship Scorecard was for the Enterprises to work with FHFA to conclude litigation associated with private-label securities and whole loan repurchase claims. The Enterprises have been working with counterparties to reach agreements to resolve certain claims related to mortgages sold to them. This initiative is designed to help the Enterprises recover losses from origination and servicing defects that have been, or could have been, paid for by taxpayers.

Borrowers who remain current on their loan payments can take advantage of the recent changes to HARP, which now permits all current underwater borrowers to refinance into lower interest rate mortgages.

In addition to helping the Enterprises resolve certain claims in 2012, we worked diligently to review several servicing transfers considered to be outside of the normal course because of size and scale. Transfer activities support conservatorship goals by minimizing losses to the taxpayer through effective home retention and loss mitigation efforts. These transfers generally involve moving at-risk loans to servicers equipped to handle successful home retention outcomes, such as refinancing, modification, short sale, and deeds in lieu of foreclosure.

Litigation

In 2012, FHFA continued work on lawsuits filed in 2011 against 18 financial institutions, certain of their officers and directors, and various unaffiliated lead underwriters. The suits allege violations of both federal securities and state laws in the sale of residential MBS to the Enterprises. The complaints, filed under statutory authority granted by HERA, reflect our conclusion that the Enterprises incurred losses because of misrepresentations and other improper actions by the firms and individuals named in the suits.

Of the cases, most are in the federal court for the Southern District of New York. The United States Court of Appeals for the Second Circuit has rejected the defendants' argument that FHFA's claims are barred by a provision in the securities statute.

These complaints are part of our ongoing commitment as conservator to collect money due to the Enterprises because of investments in MBS that did not conform

We continue to defend against actions that claim nonjudicial foreclosures involving the Enterprises violated due process. Such actions are based on a theory that the Enterprises are now government entities because they are in conservatorship.

to representations made in offering documents and the failure of defendants to comply with underwriting guidelines and standards. Our work led to settlement of two of the cases.

FHFA had several other legal successes in 2012, as well. We prevailed before the United States Courts of Appeals for the Second and Eleventh circuits in 2012, and the Ninth Circuit in 2013, in lawsuits filed against FHFA because of the agency's stance on Property Assessed Clean Energy programs, known as PACE. Those suits allege FHFA violated the Administrative Procedures Act, the National Environmental Protection Act, and other statutes.

During 2012, we successfully continued to respond to numerous actions filed against the Enterprises and FHFA as conservator that seek damages for real estate transfer taxes allegedly owed by the Enterprises to state and local governments. The United States Court of Appeals for the Sixth Circuit recently agreed with our position that the Enterprises are statutorily immune from such transfer taxes.

We continue to defend against actions that claim non-judicial foreclosures involving the Enterprises violated due process. Such actions are based on a theory that the Enterprises are now government entities because they are in conservatorship.

Working with Mortgage Insurers

The charter acts of both Enterprises require certain forms of credit enhancement for most mortgages purchased or guaranteed with less than 20 percent borrower equity. The credit enhancement is often in the form of mortgage insurance, which now represents significant counterparty credit risk to the Enterprises.

With the downturn in the mortgage sector, many mortgage insurers have incurred financial difficulties because of the significant inflow of claims filed and the related capital erosion. Consequently, it is highly likely that some of the insurers will be unable to fulfill their contractual obligations to pay the Enterprises' claims.

State insurance regulators have placed three mortgage insurers in "runoff" and have granted other companies waivers to continue insuring new mortgage originations. The waivers permit the mortgage insurers to continue to underwrite despite breaching legislated risk-to-capital limits. Some insurers are insuring newly originated mortgages through approved, newly-created subsidiaries with risk-to-capital ratios that satisfy state requirements.

In 2012, FHFA as conservator worked with the Enterprises, lenders, state insurance commissioners and mortgage insurers to:

- resolve and manage risks from the legacy books of the insurers;
- bring new capital into the mortgage insurance industry; and
- initiate the alignment of new master policy requirements and eligibility standards.

FHFA and the Enterprises also worked with mortgage insurers on overcoming operational hurdles associated with loss mitigation initiatives such as short sales and deeds in lieu of foreclosure, as well as HARP 2.0.

The Future

As we look to the future, there is broad consensus that Fannie Mae and Freddie Mac will not return to their previous corporate forms. Consider the Administration's preference to wind them down, the various legislative proposals that do not have the Enterprises exiting conservatorship, or the 2012 changes to the preferred purchase stock agreements, which reinforces the fact that the Enterprises will not be building capital. Yet, the country is still left with a mortgage market reliant on federal support, with very little private capital standing in front of the federal government's risk exposure.

The country is still left with a mortgage market reliant on federal support, with very little private capital standing in front of the federal government's risk exposure.

The 2012 *Strategic Plan for Enterprise Conservatorships* set the initial stage for prioritizing our actions to move the housing industry to a new state, one without Fannie Mae and Freddie Mac. FHFA embedded various activities associated with these components in the Conservator's Scorecard in 2012 to focus the activities of the Enterprises on the needs of the mortgage market as a whole.

We made considerable progress in 2012, and the Conservator's Scorecard for 2013 further embodies our goals of build, contract, and maintain. The 2013 scorecard sets additional measurable targets for achieving these goals and moves the Enterprises to a stage where they will be ready for whatever transition policymakers set forth in the future.

Build. Our basic premise is that the Enterprises' outmoded proprietary infrastructures need to be updated and maintained and any updates should enhance value to the mortgage market with a common and more efficient model. In 2013, we will focus on the following priorities:

- New infrastructure must be operable across many platforms so it can be used by any issuer, servicer, agent, or other participating party.
- A new business entity will established between Fannie Mae and Freddie Mac that allows a flexible design so that the long-term ownership structure can be adjusted to meet the goals and direction that policymakers may set forth in housing reform. We believe setting up a new structure separate from the two companies is important for building a new secondary mortgage market infrastructure. FHFA's objective is for the platform to function like a market utility, as opposed to rebuilding the proprietary infrastructures of Fannie Mae and Freddie Mac. We expect the new venture will be headed by a CEO and board chairman independent of Fannie Mae and Freddie Mac, and it will also be physically located separate from the Enterprises.
- FHFA will continue to pursue greater standardization in the contractual framework of securitizations for the mortgage market of the future. We will continue to develop common standards, align their contractual frameworks, and develop standards for the shortcomings observed in private-label contracts over the past serveral years.
- FHFA and the Enterprises will continue to work with the industry to build a solid foundation for data standards. Developing standard terms, definitions, and industry standard data reporting protocols will decrease costs for originators, servicers, and appraisers and reduce repurchase risk.

Contract. With an uncertain future and a general desire for private capital to reenter the market, the Enterprises' market presence should be reduced gradually over time. FHFA set three priorities in the 2013 Scorecard:

1. **Single-Family Credit Guarantee Business.** FHFA set specific dollar targets for credit-risk-sharing transactions in 2013 in the single-family credit guarantee business. The goal for 2013 is to move forward with transactions and evaluate the pricing and potential for further execution in scale. We also will continue increasing guarantee fees in 2013 and evaluating how close current guarantee fee pricing is to the point where private capital would be willing to absorb credit risk.

2. **Multifamily Business.** The multifamily market's reliance on the Enterprises has moved to a more normal range, so FHFA set a target reduction in multifamily business volume from 2012 levels. We expect the Enterprises to achieve the reduction through a combination of increased pricing, more limited product offerings, and tighter overall underwriting standards.

3. **Retained Portfolios.** The retained portfolios of the Enterprises have been on steady decline since 2009. Before conservatorship, the retained portfolios were dominated by the companies' own mortgage-backed securities and performing whole loans. As those securities have been paid down, and as the need to work through delinquent loans increased, the retained portfolios changed from being relatively liquid to being less liquid. To address this issue and further decrease risk in the Enterprises' retained portfolios in 2013, we set a target of selling the less liquid portion of their retained portfolios.

The goals of our 2012 changes to the representation-and-warranty framework were to improve the credit risk management practices of the Enterprises and provide more certainty to originators as they make decisions on extending credit.

Maintain. In 2013, FHFA plans more progress on our third conservatorship strategic goal—maintaining foreclosure prevention activities and promoting market stability and liquidity.

The goals of our 2012 changes to the representation-and-warranty framework were to improve the credit risk management practices of the Enterprises and provide more certainty to originators as they make decisions on extending credit. Our priorities for 2013 include:

1) Enhancing the postdelivery quality control practices and transparency associated with the new representations-and-warranty framework.

2) Working to complete representations-and-warranty demands for preconservatorship loan activity.

Our other 2013 priorities include near-term efforts regarding mortgage insurance to update master policies and formulate eligibility standards and to ensure mortgage insurance remains a viable risk transfer mechanism in the future. During 2013, we will work to develop a set of aligned standards for force-placed insurance that can be broadly applied to the mortgage market and enable greater regulatory coordination to consider the issues associated with force-placed insurance.

Today, the government touches more than 9 out of every 10 mortgages. With this in mind, it is essential that FHFA help transition the mortgage market to a more secure, sustainable, and competitive model. The conservatorships of Fannie Mae and Freddie Mac were never intended to be long-term solutions.

It is vital to the lasting health of our country's housing and financial markets that our elected leaders work to bring the conservatorships to a conclusion and define the government's role and requirements for housing finance in the future. The steps we are taking to move forward on conservatorship strategic plan in 2013 should help to set the stage for whatever transition policymakers choose.

Since Fannie Mae and Freddie Mac were placed into conservatorship, we have made major strides towards rehabilitating the mortgage market and keeping borrowers in their homes, but there is still much to be done.

The nation will need a healthy and efficient secondary mortgage market regardless of the final resolution of the conservatorships. That is why we continue to move forward with the framework we began in 2012—one that will work for the Enterprises now and in the future. We seek to establish a framework that can support the secondary mortgage market after conservatorship, with or without government involvement, and attract more private capital to the market.

Report of the Annual Examination of Fannie Mae

(Federal National Mortgage Association)

Examination Authority and Scope

This *Report of Examination* contains the results and conclusions of FHFA's 2012 annual examination of Fannie Mae, (referred to as the Enterprise) performed under section 1317(a) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 as amended (12 USC § 4517(a)). FHFA's annual examination program assesses the Enterprise's financial safety and soundness and overall risk management practices. The framework FHFA uses to summarize examination results and conclusions to the board of directors and Congress is known as GSEER, which stands for *Governance, Solvency, Earnings, and Enterprise Risk* (enterprise risk comprises credit, market, and operational risk management).

2012 Examination Scope

FHFA utilizes three approaches to achieve its supervisory responsibilities:

- ongoing monitoring;
- targeted examinations; and
- risk assessments.

In 2012, FHFA evaluated the Enterprise's financial condition, earnings, liquidity, and efforts taken to mitigate losses in its single-family and multifamily portfolios. We assessed the Enterprise's response to continued stress in the mortgage markets and its effect on the Enterprise's risk profile, performance, and condition. We evaluated the effectiveness of the Enterprise's remediation of previously identified matters requiring attention. We also evaluated the board's and management's responses to deficiencies and weaknesses identified by the Enterprise's Internal Audit Department and external auditors.

Rating

For 2012, FHFA assigns Fannie Mae a composite rating of *critical concerns*. The composite rating is unchanged from 2011.

The Enterprise exhibits critical financial weaknesses as evidenced by its lack of capital, the quality of legacy assets, level and extent of internal control breakdowns, uncertainty over the sustainability of its recent financial performance, and the nature of conservatorship status. Because of its contractual agreement, the Enterprise cannot use earnings to augment capital. U.S. Treasury draws are currently Fannie Mae's only source of capital.

Recent improvement in the Enterprise's financial performance is driven by favorable trends in housing pric-

Figure 8 • 2011 and 2012 Fannie Mae Examination Ratings

Rating Category	2012 Rating	2011 Rating
Composite	Critical Concerns	Critical Concerns
Governance	Significant Concerns	Limited Concerns
Solvency	Suspended	Suspended
Earnings	Significant Concerns	Critical Concerns
Enterprise Risk		
Credit Risk	Critical Concerns	Critical Concerns
Market Risk	Significant Concerns	Significant Concerns
Operational Risk	Significant Concerns	Significant Concerns
Model Risk	Significant Concerns	Significant Concerns

es, the strong book of business, charged guarantee fees and actions taken to reduce credit losses and improve profitability. The Enterprise continues to operate with an excessive amount of credit risk in the single-family portfolio. We have ongoing concerns about the condition of key counterparties and the effect of an accelerated wind-down of the retained portfolio.

Within the GSEER rating framework, governance, earnings, market risk, operational risk, and model risk are rated **significant concerns**. Credit risk is rated **critical concerns** (see Figure 8).

Examination Conclusions

The conservatorship of Fannie Mae, which began in September 2008, combined with U.S. Treasury financial support and management actions, has stabilized the Enterprise. The ongoing stress in the nation's housing markets, challenging economic environment, and the need to implement the FHFA *Strategic Plan for Enterprise Conservatorships* continue to pose significant challenges.

The most significant risks facing the Enterprise are operational risk, credit risk, dependence on legacy systems, and the need to implement a number of FHFA initiatives and regulations. Management and the board were responsive throughout 2012 to FHFA findings and are taking appropriate steps to resolve identified issues.

Governance

We assigned governance a **significant concerns** rating, a downgrade from the 2011 examination. Although management generally governs satisfactorily, unresolved system issues continue to make the Enterprise difficult to manage, impede efficiency, and raise serious questions about the reliability and effectiveness of Fannie Mae's modeling and forecasting of data. These issues, which are vitally important to the future of the Enterprise, will require significant effort to correct, especially in light of current conditions.

The board should continue to focus on the key risks and issues facing Fannie Mae and should be aware of potential new and emerging risks arising from the strategic plan for conservatorship and the external environment. In addition, governance over information systems, the application of models, and timely remediation of internal control deficiencies requires a higher level of management oversight.

Solvency

In 2008, when FHFA placed Fannie Mae in conservatorship, we suspended the solvency (capital) classification. However, lack of capital is a key driver of the critical concerns composite rating. During conservatorship, any deficit in Fannie Mae's net worth existing at quarter-end is covered with funding provided by the U.S. Treasury under the Senior Preferred Stock Purchase Agreement. Fannie Mae did not require a draw from the U.S. Treasury related to financial performance for the year 2012.

On August 17, 2012, the Senior Preferred Stock Purchase agreement was amended to, among other things, change the dividend amount on preferred stock, beginning in 2013 (see page 2).

Earnings

We assigned earnings a **significant concerns** rating, an upgrade from the 2011 examination. In 2012, Fannie Mae generated more than $17 billion in earnings, the first year of positive earnings since 2006. Fannie Mae projects that 2013 will be profitable. However, the sustainability of earnings is a concern given the economic challenges facing the country and legislative developments as Congress seeks to resolve the fiscal crisis and decide the future of the government-sponsored enterprises.

In addition, the ability of Fannie Mae's single-family and multifamily business lines to provide a risk-adjusted return sufficient to attract outside capital is questionable.

Enterprise Risk

Credit Risk

FHFA assigns credit risk a **critical concerns** rating. Our principal concerns are the credit characteristics of the Enterprise's legacy 2005 to 2008 vintage single-family book of business and the potential effect of economic uncertainty, sustainability of the financial performance of loans acquired from 2009 to the present, and the credit risk posed by companies the Enterprise has contracts with, known as institutional counterparties.

Counterparty risk remains high and is concentrated in mortgage insurers and mortgage banks. These counterparties are responsible for a significant portion of Fannie Mae's overall risk profile due to the substantial financial and contractual obligations they hold.

The Enterprise manages a large portfolio of distressed assets, which will continue to generate losses and elevate credit risk for the near future.

Our supervisory concerns related to the multifamily business also continue due to a high volume of problem loans and nonperforming assets, refinance risk, governance and risk management deficiencies, and risk associated with potential changes in long-term market and economic fundamentals.

Market Risk

We assigned market risk a **significant concerns** rating. Distressed mortgage assets are becoming an increasingly larger portion of Fannie Mae's portfolio. Issues related to liquidity and pricing of distressed mortgages will remain an ongoing challenge for the Enterprise.

The Enterprise relies on pricing models when valuing the portfolio that introduce a high level of uncertainty into the risk management profile of the portfolio. Liquidity and funding risks are low, and the related risk management is adequate.

Operational Risk

We assigned operational risk a **significant concerns** rating. The quantity of operational risk at Fannie Mae is high and will remain elevated in 2013 due to economic uncertainty, complex changes in information systems, the rapidly changing servicing environment, and remediating compliance deficiencies related to the Sarbanes-Oxley Act of 2002.

The number of FHFA initiatives the Enterprise is implementing, including the common securitization platform, significantly increase operational risk. The Enterprise has begun transferring large servicing assignments to rapidly growing nonbank companies that introduce a new level of risk .

The Enterprise has a number of efforts underway to address its operational shortcomings, but these projects will take several years to complete and the level of operational risk will remain a concern throughout the transition.

Model Risk

We assigned model risk a **significant concerns** rating. Challenges remain for management to demonstrate effective model risk management and oversight.

Volatile housing and mortgage markets have significantly increased model risk at the Enterprise. Models used for estimating variables as crucial as mortgage prepayment speed that may have worked well historically have failed in the current economic environment. Though the Enterprise has begun to address model risk issues, it has not yet proposed a solution for more effectively managing model risk.

Affordable Housing Goals for Fannie Mae

Under the Housing and Economic Recovery Act of 2008 (HERA) and FHFA regulations, Fannie Mae is subject to the following:

- four single-family affordable housing goals;
- one single-family housing subgoal;
- one multifamily special affordable housing goal; and
- one multifamily housing subgoal.

For single-family purchase money mortgages, there are goals based on three types of families—those who are classified as low- or very low-income and those residing in low-income areas.

The low-income areas housing goal targets mortgages to families in census tracts:

- with income no greater than 80 percent of area median income;
- with income less than and borrower income no greater than 100 percent of area median income, if the tract minority population is at least 30 percent; and
- in federally declared disaster areas if borrower income is no greater than 100 percent of area median income.

There is also a low-income areas subgoal, which excludes the third category.

The statute and regulations also require a low-income, single-family refinance goal, as well as a multifamily special affordable goal for low-income families and a multifamily subgoal for very low-income families.

On November 13, 2012, FHFA published a final rule establishing housing goals for calendar years 2012-14. These differed somewhat from the goals that were in effect for 2010 and 2011.

Figure 9 shows the goals we established for 2010 and 2011 and official figures on Fannie Mae's goal performance in 2011. These results are based on our analysis of loan-level data Fannie Mae provided to FHFA in early 2012. It also shows the goal levels and preliminary figures on goal performance in 2012, based on information Fannie Mae submitted in its March 2013 *Annual Housing Activities Report for 2012*.

Since 2010, the single-family housing goals have included both preset benchmark levels and a comparison with the corresponding figures on the goal-qualifying shares of conventional conforming mortgages in the primary mortgage market in each year. We base this process on our analysis of data on mortgage originations as reported by lenders in accordance with the Home Mortgage Disclosure Act, commonly referred to as HMDA.

If Fannie Mae's performance on a single-family goal falls short of the benchmark, the Enterprise is still deemed to have met the goal if its performance exceeds the corresponding share of mortgages originated in the primary mortgage market. These market-based figures are also shown for 2011 in Figure 9.

The market-based figures for 2012 will not be available until September 2013.

We do not use the same process to look back at the multifamily goals because of the different nature of the goals, and because there is no data available on the number or proportion of affordable multifamily units in the market. We have to instead rely on a variety of sources to estimate the size of the multifamily market.

Fannie Mae's goal performance in 2011 exceeded its low-income multifamily goal and its very low-income multifamily subgoal (see Figure 9). For the single-family goals, Fannie Mae's performance on its low-income refinance goal (23.1 percent) exceeded the benchmark level (21 percent).

Performance on the low-income areas home purchase goal and subgoal (22.4 percent and 11.6 percent) fell short of the benchmark levels (24 percent and 13 percent) but exceeded the market figures (22 percent and 11.4 percent).

Classification	Definition
Low income	Earning no more than 80 percent of area median income
Very low income	Earning no more than 50 percent of area median income

Fannie Mae's performance in 2011 on the low-income home purchase goal (25.8 percent) and the very low-income home purchase goal (7.6 percent) fell short of both the preset benchmark levels (27 percent and 8 percent) and the market figures (26.5 percent and 8 percent).

In December 2012, we notified Fannie Mae of its official performance figures for 2011 and also of the market-based figures for the single-family goals for 2011. We listed the two goals where Fannie Mae's performance fell short of both the benchmark and the market-based levels and explained that FHFA had determined that the goals were feasible.

FHFA also informed the Enterprise that it would not have to submit a housing plan under Section 1336 of the Safety and Soundness Act because of Fannie Mae's continued operation under conservatorship.

HERA also requires Fannie Mae to report on its financing of low-income units in multifamily properties of a limited size. In a September 2010 rule, FHFA defined multifamily properties of a limited size as those containing from 5 to 50 units. Fannie Mae financed 12,460 low-income rental units in small multifamily properties in 2010, 13,480 units in 2011, and 16,801 units in 2012.

Figure 9 • Fannie Mae Housing Goals and Performance for 2011-2012

Category	2011 Benchmarks	2011 Performance & Market		2012 Benchmarks	2012 Performance[c]
		Performance[a]	Market[b]		
SINGLE-FAMILY GOALS[d]					
Low-income home purchase goal	27%	25.8%	26.5%	23%	25.6%
Very low-income home purchase goal	8%	7.6%	8.0%	7%	7.3%
Low-income areas home purchase subgoal	13%	11.6%	11.4%	11%	13.1%
Low-income areas home purchase goal[e]	24%	22.4%	22.0%	20%	22.3%
Low-income refinance goal	21%	23.1%	21.5%	20%	21.8%
MULTIFAMILY GOALS (units)					
Low-income goal	177,750	301,224	N/A	285,000	375,924
Very low-income goal	42,750	84,244	N/A	80,000	108,878

Source: Federal Housing Finance Agency

[a] *Official performance in 2011 as determined by FHFA based on analyis of Fannie Mae loan-level data.*

[b] *Goal-qualifying shares of single-family home purchase or refinance conventional conforming mortgages originated in the primary mortgage market, based on FHFA analysis of 2011 Home Mortgage Disclosure Act (HMDA) data. Market performance for 2012 will be determined by FHFA later in 2013.*

[c] *Performance as reported by Fannie Mae in its March 2013* Annual Housing Activities Report. *Official performance on all goals in 2012 will be determined by FHFA after review of Fannie Mae loan-level data. Low-income refinance goal for 2011-12 included credit for qualifying permanent loan modifications.*

[d] *Minimum percentages of all dwelling units financed by Fannie Mae's acquisitions of home purchase or refinance mortgages on owner-occupied properties.*

[e] *Includes mortgages to borrowers with incomes no greater than median income in federally declared disaster areas.*

Note: For the single-family goals, if an Enterprise's performance falls short of the benchmark, its performance is also measured against the goal-qualifying share of mortgages originated in the primary mortgage market as determined by FHFA analysis of HMDA data.

Report of the Annual Examination of Freddie Mac

(Federal Home Loan Mortgage Corporation)

Examination Authority and Scope

This *Report of Examination* contains the results and conclusions of FHFA's 2012 annual examination of Freddie Mac, (referred to as the Enterprise) performed under section 1317(a) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 as amended (12 USC § 4517(a)). FHFA's annual examination program assesses the Enterprise's financial safety and soundness and overall risk management practices. The framework FHFA uses to summarize examination results and conclusions to the board of directors and Congress is known as GSEER, which stands for *Governance, Solvency, Earnings, and Enterprise Risk* (enterprise risk comprises credit, market, model, and operational risk management).

2012 Examination Scope

In 2012, our examination activities focused on a series of targeted asset quality examinations in the first half of the year and targeted examinations and ongoing monitoring of the other risk areas in the second half of the year. In addition, we assessed the Enterprise's remediation of previously identified matters requiring attention and the board's and management's responses to deficiencies and weaknesses identified by the Enterprise's Internal Audit department and external auditors.

Rating

For 2012, FHFA assigns Freddie Mac a composite rating of *critical concerns*. The composite rating is unchanged from 2011.

The Enterprise exhibits critical financial weaknesses as evidenced by its $72.3 billion draw from the U.S. Treasury and uncertain future prospects. The overall risk profile of the Enterprise remains elevated because of a number of factors, including the following:

- continuing credit losses from the pre-2009 single-family mortgage portfolio;
- significant concerns over counterparty credit risk;
- operational challenges with legacy systems and insufficient business recovery capabilities; and
- uncertainty over the Enterprise's future state and related external events outside of management's control.

Within the GSEER rating framework, governance, earnings, market risk, operational risk, and model risk are rated significant concerns.

Figure 10 • 2011 and 2012 Freddie Mac Examination Ratings

Rating Category	2012 Rating	2011 Rating
Composite	Critical Concerns	Critical Concerns
Governance	Significant Concerns	Significant Concerns
Solvency	Suspended	Suspended
Earnings	Significant Concerns	Critical Concerns
Enterprise Risk		
Credit Risk	Critical Concerns	Critical Concerns
Market Risk	Significant Concerns	Significant Concerns
Operational Risk	Significant Concerns	Critical Concerns
Model Risk	Significant Concerns	Significant Concerns

Examination Conclusions

The Enterprise's financial performance continues to improve as a result of stronger housing prices and the related significant decrease in credit-related expenses, a lower proportion of the pre-2009 mortgage book in relation to the total mortgage book, and unprecedented foreclosure prevention activities led by expanded modification programs. Financial condition, however, remains unsound given the aggregate Treasury draw of $72.3 billion.

While senior management and the board generally have been responsive to FHFA concerns, the risk profile of the Enterprise remains high because of the difficulty in maintaining a sound control structure and effective risk management framework in a rapidly changing and complex operating environment. Our supervisory focus will be on the ability of senior management and the board to continue to stabilize and improve financial performance, reduce the high risk profile of the Enterprise, and successfully manage new initiatives. Senior management and the board should emphasize the following areas in carrying out their responsibilities:

- **Credit Risk Management.** The 2005 to 2008 single-family mortgage book continues to generate significant credit losses, and relief refinance mortgages carry an elevated risk of default. These concerns, as well as the poor financial condition of many mortgage insurers and the changing profiles of some counterparties, demonstrate the need to bolster measurement, monitoring, management, and reporting of current and emerging credit risks.

- **Operational Risk Management.** Freddie Mac continues to rely on outdated and inflexible information systems, which increases dependence on key people and manual controls. These issues limit Freddie Mac's ability to implement new initiatives and follow supervisory or regulatory requirements. They also highlight the importance of developing clear strategies to address future and legacy operations.

- **Compliance Risk Management.** Freddie Mac needs a strong oversight function to remain abreast of numerous compliance-related requirements and to minimize execution risks. The oversight function should ensure proper controls are established to meet compliance requirements and report on the effectiveness of compliance efforts.

- **Retained Portfolio.** Reducing the illiquid assets in the retained portfolio is an important objective, and Freddie Mac should continue to develop initiatives to dispose of those assets or otherwise improve their liquidity.

Governance

We assigned governance a rating of **significant concerns,** which is unchanged from 2011. The board of directors continues to oversee Freddie Mac's operations and risks satisfactorily.

A new chief executive officer joined Freddie Mac in May 2012, and his leadership and experience has strengthened the executive team. He has been proactive in identifying risk and control deficiencies and developing a framework to address them. These are positive steps toward addressing legacy issues, but in the initial stages and the benefits have yet to be realized. Successful implementation of the framework should improve risk management in challenging housing finance and credit markets.

Continued uncertainty around the future state of housing finance poses heightened strategic risk for Freddie Mac. The 2012 Conservatorship Scorecard, announced by FHFA in March 2012, provides a detailed roadmap to implement the FHFA *Strategic Plan for Enterprise Conservatorships* announced in February 2012. The 2012 Conservatorship Scorecard helps to manage strategic risk by outlining specific objectives to ensure continued progress toward building a new mortgage finance infrastructure.

Solvency

In 2008, when FHFA placed Freddie Mac in conservatorship, we suspended the solvency (capital) classification. During conservatorship, any deficit in Freddie

Mac's net worth existing at any quarter-end is eliminated through funding provided by the U.S. Treasury under the Senior Preferred Stock Purchase Agreement. Cumulative draws under the stock purchase agreement since conservatorship total $72.3 billion.

On August 17, 2012, the preferred stock purchase agreement was amended to, among other things, change the dividend amount on the preferred stock, beginning in 2013 (see page 2).

Earnings

We assigned earnings a **significant concerns** rating, which is an upgrade from the 2011 examination. Freddie Mac reported net income of $11 billion in 2012. The primary driver of net income was significantly lower credit-related expenses because of an $8.6 billion decrease in provisions for credit losses relative to 2011. For 2012, Freddie Mac reported a provision for credit losses of $1.9 billion. In the last quarter of 2012, it reported a benefit for credit losses from reducing loan loss reserves, which is not a sustainable source of income.

Enterprise Risk

Credit Risk

Our credit risk rating of **critical concerns** remains unchanged from the 2011 examination. The overall direction of credit risk has decreased, but the level of risk remains high. Although seriously delinquent loans and real estate owned properties are decreasing, these assets continue at high levels. Our principal concerns reside with the credit characteristics of the legacy 2005 to 2008 vintage single-family book which represent a disproportionate amount of the single-family credit losses, higher level of defaults expected from HARP refinances, continued weak mortgage insurers, and the increased concentration of counterparty credit risk. The higher quality of the single-family book of business acquired since 2009, which is a growing proportion of the total book, mitigates some of our concerns. Management's commitment to loss mitigation and repurchase demands on legacy books of business also helps alleviate some concerns.

Market Risk

Our market risk rating of **significant concerns** is unchanged from the 2011 examination. Although the quality of risk management is adequate, the quantity of risk is high relative to earnings and capital. The Enterprise's retained portfolio continues to be a concern because of the illiquidity of its investments, which include distressed assets and whole loan portfolios. Such investments are more challenging to model from a prepayment perspective, which leaves us with less reliable interest rate risk metrics.

Freddie Mac improved the risk management framework and took measures to address turnover and human capital risk in the market risk area. However, the challenges of the reliability of risk metrics and human capital risk continue to be a concern. Liquidity and funding risks are low and the related risk management is adequate.

Operational Risk

Our operational risk rating of **significant concerns** is an upgrade from the 2011 examination. The quality of operational risk management is improving, but risk levels remain high and are increasing.

The rating reflects improvements to the business continuity planning, human capital risk management, information technology governance, the legacy system environment, project management processes, and mortgage fraud tracking and reporting. These improvements notwithstanding, operational risk remains one of the highest risks at the Enterprise.

Factors contributing to high operational risk include continued dependence on key people, insufficient business recovery capabilities, limited system flexibility to make changes, competing priorities for information technology resources, and a high reliance on manual controls. These factors, along with the uncertainty over the Enterprise's future state and related external events beyond the control of management, will continue to elevate operational risk and increase the likelihood of significant operational incidents and failures.

Model Risk

Our model risk rating of **significant concerns** is unchanged from the previous examination. The level of model risk is high but stable.

We continue to have concerns about model development and the Enterprise's ability to set and meet schedules for timely release of new and upgraded models. These concerns arise from two principal problems: prolonged history of delays of Freddie Mac's primary credit model and turnover in key management positions. Model estimation for variables as crucial as mortgage prepayments and house prices remains challenging in the current economic environment.

Affordable Housing Goals for Freddie Mac

Under the Housing and Economic Recovery Act of 2008 (HERA) and FHFA regulations, Freddie Mac is subject to the following:

- four single-family affordable housing goals,
- one single-family housing subgoal,
- one multifamily special affordable housing goal, and
- one multifamily housing subgoal.

For single-family purchase money mortgages, there are goals based on three types of families—those who are classified as low- or very low-income and those residing in low-income areas.

The low-income areas housing goal targets mortgages to families in census tracts:

- with income no greater than 80 percent of area median income;
- with income less than and borrower income no greater than 100 percent of area median income, if the tract minority population is at least 30 percent; and
- in federally declared disaster areas if borrower income is no greater than 100 percent of area median income.

There is also a low-income areas subgoal, which excludes the third category.

Classification	Definition
Low income	Earning no more than 80 percent of area median income
Very low income	Earning no more than 50 percent of area median income

The statute and regulations also require a low-income, single-family refinance goal, as well as a multifamily special affordable goal for low-income families and a multifamily subgoal for very low-income families.

On November 13, 2012, FHFA published a final rule establishing housing goals for calendar years 2012-14. These differed somewhat from the goals that were in effect for 2010 and 2011.

Figure 11 shows the goals we established for 2010 and 2011 and official figures on Freddie Mac's goal performance in 2011. These results are based on our analysis of loan-level data Freddie Mac provided to FHFA in early 2012. It also shows the goal levels and preliminary figures on goal performance in 2012, based on information Freddie Mac submitted in its March 2013 *Annual Housing Activities Report for 2012*.

Since 2010, the single-family housing goals have included both preset benchmark levels and a comparison with the corresponding figures on the goal-qualifying shares of conventional conforming mortgages in the primary mortgage market in each year. We base this process on our analysis of data on mortgage originations as reported by lenders in accordance with the Home Mortgage Disclosure Act (commonly referred to as HMDA).

If Freddie Mac's performance on a single-family goal falls short of the benchmark, the Enterprise is still deemed to have met the goal if its performance exceeds the corresponding share of mortgages originated in the primary mortgage market. These market-based figures are also shown for 2011 in Figure 11.

The market-based figures for 2012 will not be available until September 2013.

We do not use the same process to look back at the multifamily goals because of the different nature of the goals, and because there is no data available on the number or proportion of affordable multifamily units in the market. We have to instead rely on a variety of sources to estimate the size of the multifamily market.

Freddie Mac's goal performance in 2011 exceeded its low-income multifamily goal and its very low-income multifamily subgoal (see Figure 11). For the single-family goals, Freddie Mac's performance on its low-income refinance goal (23.4 percent) exceeded the benchmark level (21 percent).

Freddie Mac's performance in 2011 on the low-income home purchase goal (23.3 percent) and the very low-income home purchase goal (6.6 percent) fell short of both the preset benchmark levels (27 percent and 8 percent) and the market figures (26.5 percent and 8 percent). This was also true for the low-income areas home purchase goal and subgoal, where Freddie Mac's performance (19.2 percent and 9.2 percent) fell short of both the preset benchmark levels (24 percent and 13 percent) and the market figures (22 percent and 11.4 percent).

In December 2012, we notified Freddie Mac of its official performance figures for 2011 and also of the market-based figures for the single-family goals for 2011. We listed the four single-family goals where Freddie Mac's performance fell short of both the benchmark and the market-based levels and explained that FHFA had determined that the goals were feasible.

FHFA also informed the Enterprise that it would not have to submit a housing plan under Section 1336 of the Safety and Soundness Act because of Freddie Mac's continued operation under conservatorship.

HERA also requires Freddie Mac to report on its financing of low-income units in multifamily properties of a limited size. In a September 2010 rule, FHFA defined multifamily properties of a limited size as those containing from 5 to 50 units. Freddie Mac financed 459 low-income rental units in small multifamily properties in 2010, 691 units in 2011, and 829 units in 2012.

Figure 11 • Freddie Mac Housing Goals and Performance for 2011-2012

Category	2011 Benchmarks	2011 Performance & Market		2012 Benchmarks	2012 Performance[c]
		Performance[a]	Market[b]		
SINGLE-FAMILY GOALS[d]					
Low-income home purchase goal	27%	23.3%	26.5%	23%	24.4%
Very low-income home purchase goal	8%	6.6%	8.0%	7%	7.1%
Low-income areas home purchase subgoal	13%	9.2%	11.4%	11%	11.4%
Low-income areas home purchase goal[e]	24%	19.2%	22.0%	20%	20.5%
Low-income refinance goal	21%	23.4%	21.5%	20%	22.4%
MULTIFAMILY GOALS (units)					
Low-income goal	161,250	229,001	N/A	225,000	298,781
Very low-income goal	21,000	35,471	N/A	59,000	60,084

Source: Federal Housing Finance Agency

[a] *Official performance in 2011 as determined by FHFA based on analyis of Freddie Mac loan-level data.*

[b] *Goal-qualifying shares of single-family home purchase or refinance conventional conforming mortgages originated in the primary mortgage market, based on FHFA analysis of 2011 Home Mortgage Disclosure Act (HMDA) data. Market performance for 2012 will be determined by FHFA later in 2013.*

[c] *Performance as reported by Freddie Mac in its March 2013* Annual Housing Activities Report. *Official performance on all goals in 2012 will be determined by FHFA after review of Freddie Mac loan-level data. Low-income refinance goal for 2011-12 included credit for qualifying permanent loan modifications.*

[d] *Minimum percentages of all dwelling units financed by Freddie Mac's acquisitions of home purchase or refinance mortgages on owner-occupied properties.*

[e] *Includes mortgages to borrowers with incomes no greater than median income in federally declared disaster areas.*

Note: For the single-family goals, if an Enterprise's performance falls short of the benchmark, its performance is also measured against the goal-qualifying share of mortgages originated in the primary mortgage market as determined by FHFA analysis of HMDA data.

Report of the Examinations of the Federal Home Loan Banks

Examination Authority and Scope

Section 20 of the Federal Home Loan Bank Act (12 USC 1440) requires each Federal Home Loan Bank (FHLBank) to be examined at least annually. FHFA's Division of FHLBank Regulation is responsible for carrying out on-site examinations and ongoing supervision of the FHLBank System. The FHLBank System includes the 12 FHLBanks—Boston, New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, Des Moines, Dallas, Topeka, San Francisco, and Seattle—and the Office of Finance, a joint office of the FHLBanks.

The Division of FHLBank Regulation's oversight of FHLBanks' operations promotes both safe and sound operation and achievement of their housing finance and community investment mission. In 2012, the Federal Housing Finance Agency (FHFA) examined all FHLBanks and the Office of Finance. An annual examination is conducted by an examiner-in-charge and a team of examiners plus financial analysts, economists, and accountants.

In addition, FHFA examiners visit the FHLBanks between examinations to follow up on examination findings and discuss emerging issues. The agency has designated a separate examiner-in-charge for each FHLBank and the Office of Finance who serves as the principal point of contact for the management of examination issues at the assigned FHLBank.

FHFA examiners use a risk-based approach to supervision. Risk-based supervision is designed to

- identify existing and potential risks that could adversely affect a regulated entity,
- evaluate the overall integrity and effectiveness of each regulated entity's risk management systems and controls, and
- determine compliance with laws and regulations applicable to the regulated entity.

Examiners communicate all findings to management and any matters requiring attention to the FHLBank's board of directors and management. In addition, examiners obtain a commitment from the board and management to correct significant deficiencies in a timely manner and then verify the effectiveness of corrective actions. FHFA examiners collaborate with FHFA analysts, modelers, economists, accountants, and attorneys in carrying out the supervision of the FHLBanks. FHFA's Division of Supervision Policy and Support provides some of the aforementioned staff to augment Division of FHLBank Regulation's supervision.

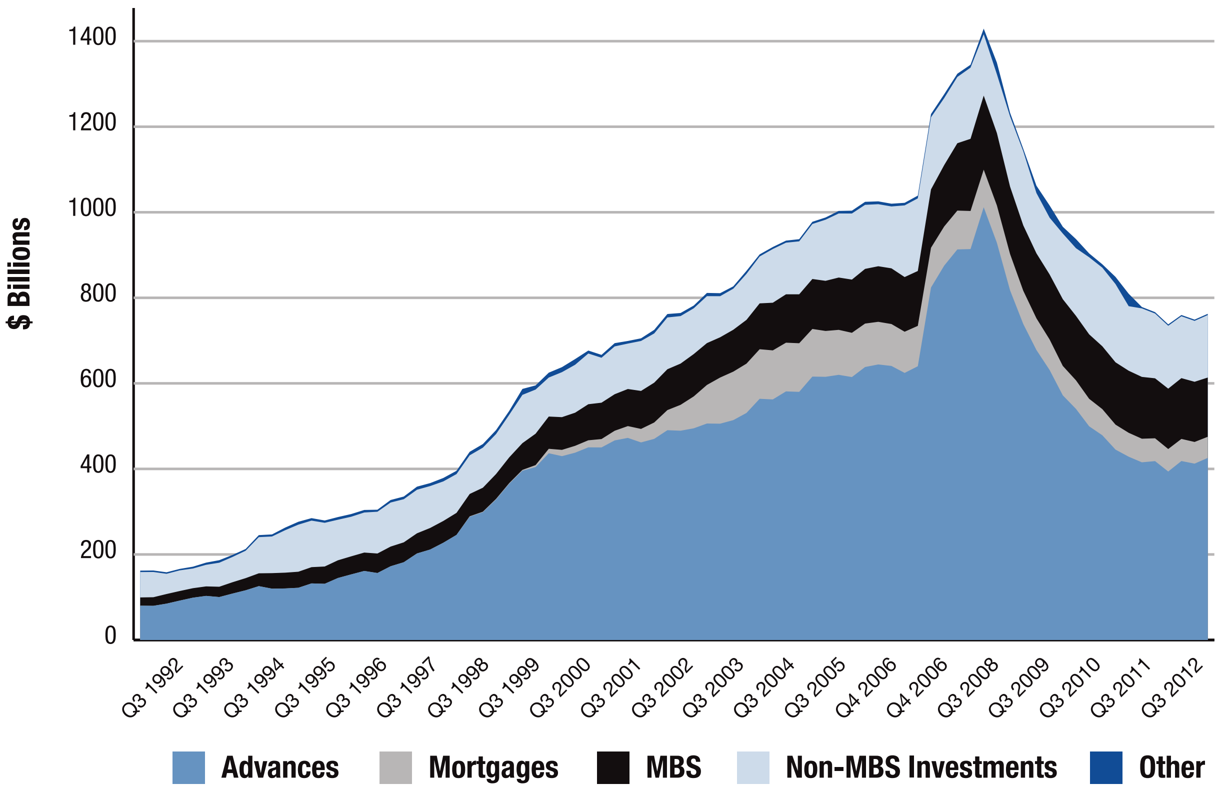
The division's off-site monitoring program includes reviews of monthly and quarterly financial reports and information submitted to FHFA, FHLBank board and committee minutes, data on FHLBank investments, and financial statements and reports filed with the Securities and Exchange Commission.

The division also monitors debt issuance activities of the Office of Finance and tracks financial market trends. The division reviews FHLBank documents, such as the board of directors' compensation packages for each FHLBank, and analyzes responses to a wide array of periodic and ad hoc information and data requests, including an annual survey of FHLBank collateral and collateral management practices, data on collateral securing advances made to individual insurance company members, unsecured credit data, liquidity, advances pricing data, and periodic data on the FHLBanks' holdings of private-label MBS.

Governance

Effective corporate governance involves engaged, capable, and experienced directors and senior management, a coherent strategy and business plan, clear lines of responsibility and accountability, and appropri-

Figure 12 • Portfolio Composition of the Federal Home Loan Banks



Source: Federal Housing Finance Agency

ate risk limits and controls. Although the FHLBanks exhibit those qualities in varying degrees, the 2012 examinations identified several corporate governance shortcomings.

Overall, governance practices improved in 2012. The FHLBanks addressed many of the issues from previous examinations, such as regulatory compliance, collateral risk management, and controls surrounding insurance company lending. However, in 2012, we had concerns about resource allocation, operational risk management, and compensation.

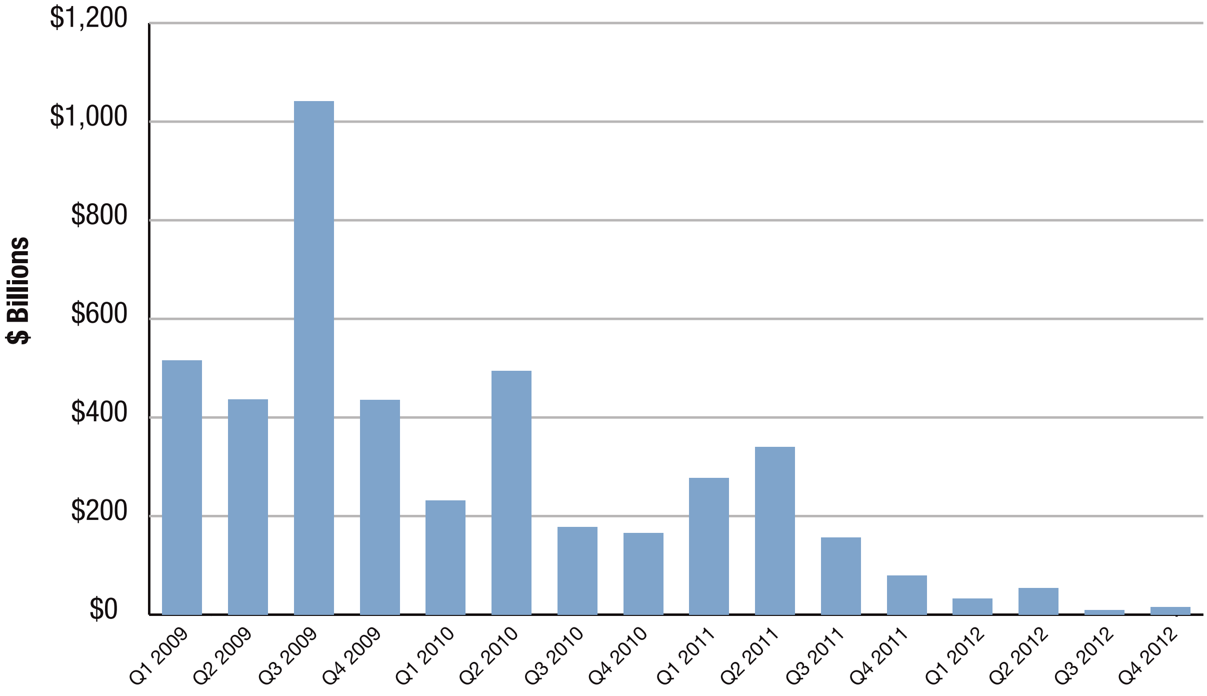
Operational risk management continues to evolve, and some FHLBanks need to ensure that they allocate sufficient resources to this function. FHFA also offered recommendations for improvements to executive compensation programs at selected FHLBanks and identified concerns about the administration of the Affordable Housing Program (AHP) at certain FHLBanks.

Financial Condition and Performance

Total assets declined for the fourth consecutive year in 2012. The System held total assets of $762.7 billion at the end of 2012, down by less than 1 percent from year-end 2011. Since the aggregate balance sheet peaked at the end of the third quarter of 2008, total assets have declined by 47 percent. Contraction in advance portfolios has been the primary driver of the reduction in total assets. The System advance balance stabilized over the last two years, though changes in advances have varied across individual FHLBanks.

In 2012, total assets increased in the second and fourth quarters of the year. Advances increased year-over-year for the first time since 2008, while investments and mortgages declined. Advances increased by 2 percent. Investments declined by 2 percent, and mortgages declined by 7 percent. At the end of 2012, advances were 56 percent of assets, investments were 37 percent of assets, and mortgages were 6 percent of assets.

Figure 13 • Quarterly Credit Other-than-Temporary Impairment



Source: Federal Housing Finance Agency

Advances increased by $7.6 billion, or 1.8 percent, during the year to $425.7 billion as of December 31, 2012. This was the first annual increase in advances since 2008. Aggregate advance balances appear to have stabilized around $400 billion since early 2011. Still, advances remain low by recent historical standards. Since the September 2008 peak of $1.01 trillion, advances have declined by 58 percent. The current balance approximates the level of advances in the third quarter of 2000.

Investments represented 37.3 percent of the aggregate System balance sheet as of December 31, 2012. Total investments declined by 2.3 percent during the year to $285 billion. Private-label MBS continued to run off, while liquidity investments and agency MBS increased. The System investment portfolio consists of 36 percent liquidity, 40 percent agency and Ginnie Mae MBS, 9 percent private-label MBS, and 15 percent other investments (principally agency debt securities and federally backed student loan asset-backed securities).

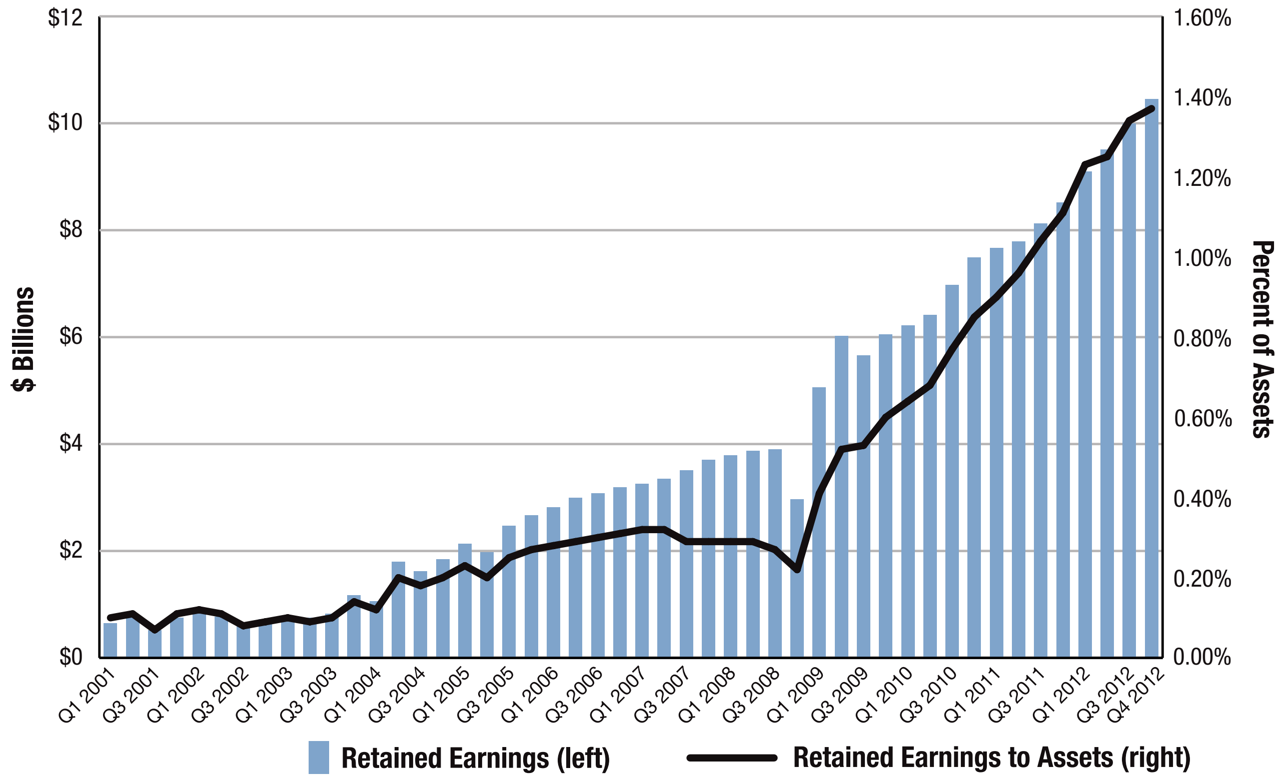
Mortgages declined by 7.4 percent during 2012 to $49.4 billion at year-end. There are eight FHLBanks that actively purchase mortgages from their members.

The System reported net income of $2.6 billion in 2012, up from $1.6 billion in 2011, making 2012 the most profitable year since 2007. For the third consecutive year, all 12 FHLBanks were profitable.

Earnings increased despite a decline in net interest income, which continued due to a shrinking earning asset base. Offsetting the decline in net interest income and driving the increase in earnings were a significant reduction in credit impairment and a large gain on derivatives and hedging activities.

Because profitability was strong, the FHLBanks continued to build their retained earnings in 2012. The System held total retained earnings of $10.5 billion as of December 31, 2012. This was 1.37 percent of total assets. Retained earnings have increased significantly since the financial crisis. Retained earnings at year-end 2008 were just $2.9 billion, or 0.22 percent of assets.

Figure 14 • Retained Earnings of the Federal Home Loan Banks



Source: Federal Housing Finance Agency

In July 2011, the FHLBanks made their last obligatory payment to the Resolution Funding Corporation, known as REFCORP, for bonds issued during the resolution of the savings-and-loan crisis in the late 1980s.

Until the third quarter of 2011, the FHLBanks were required to pay 20 percent of preassessment income to REFCORP. After the FHLBanks satisfied the total obligation, they entered into the Joint Capital Enhancement Agreement, which requires each FHLBank to direct the funds previously paid to REFCORP into a restricted retained earnings account.

The FHLBanks are unable to pay dividends from this restricted retained earnings account and they must continue to build it until it equals 1 percent of the FHLBank's outstanding consolidated obligations. As of December 31, 2012, restricted retained earnings totaled $2.6 billion, or 0.4 percent of consolidated obligations outstanding.

All 12 FHLBanks met the minimum total regulatory capital requirement of 4 percent of assets and their individual risk-based capital requirements as of year-end 2012. The average regulatory capital ratio was 6.8 percent.

At the end of 2012, the FHLBanks had 7,634 members, as follows:

- 972 savings associations
- 5,207 commercial banks
- 1,180 credit unions
- 263 insurance companies
- 13 community development financial institutions

Approximately 57 percent of members were also FHLBank borrowers.

Mission Orientation of the FHLBanks

Advances are the primary product of the FHLBanks—they provide liquidity to members in accordance with the FHLBanks' mission. Since advance balances peaked in September 2008, the proportion of advances on the FHLBanks' balance sheet has decreased from 71 percent to 56 percent. At the same time, the proportion of investments on the FHLBanks' balance sheet has increased from 23 percent to 37 percent. At year-end 2012, advances were 50 percent or less of total assets at four FHLBanks.

Weak economic conditions in the national economy and the high levels of liquidity at member institutions may limit future demand for FHLBank advances in the near term. Some FHLBanks need to focus their balance sheets on core mission assets and de-emphasize investments. Current financial market conditions, especially the liquidity of the banking sector, will limit near-term progress in building advances.

Figure 15 • Summary of Financial Data of the Federal Home Loan Banks

(Dollar amounts in millions)

Selected Statement of Condition Data at December 31	2012	2011	2010	2009	2008
Advances	425,750	418,157	478,589	631,159	928,638
Mortgage loans held for portfolio (net)	49,425	53,377	61,191	71,437	87,361
Investments	265,825	271,265	330,470	284,351	305,913
Total assets	762,454	766,086	878,109	1,015,583	1,349,053
Consolidated obligations (net)	692,138	697,124	800,998	934,876	1,258,267
Total capital stock	33,535	35,542	41,735	44,982	49,551
Retained Earnings	10,524	8,577	7,552	6,033	2,936
Total capital	42,549	39,821	43,741	42,809	51,350
Selected Statement of Income Data for the year ended December 31	**2012**	**2011**	**2010**	**2009**	**2008**
Total interest income	10,194	11,475	14,498	20,927	45,660
Total interest expense	6,142	7,304	9,276	15,482	40,407
Net interest income	4,052	4,171	5,222	5,445	5,253
Provision (reversal) for credit losses	21	71	58	17	12
Net interest income after loss provision	4,031	4,100	5,164	5,428	5,241
Total other income (loss)	(160)	(1,102)	(1,424)	(1,845)	(2,411)
Total other expense	969	1,057	932	916	1,014
Affordable Housing Program	296	188	229	259	188
Resolution Funding Corporation (REFCORP)	0	160	498	572	412
Total assessments	296	348	727	831	601
Net income	2,606	1,593	2,081	1,837	1,215
Selected Other Data for the year ended December 31	**2012**	**2011**	**2010**	**2009**	**2008**
Cash and stock dividends	659	568	587	641	1,975
Weighted average dividend rate	1.93%	1.44%	1.33%	1.38%	3.80%
Return on average equity	6.48%	3.77%	4.82%	3.95%	2.17%
Return on average assets	0.34%	0.19%	0.22%	0.16%	0.09%

Sources: Federal Housing Finance Agency and FHLBanks combined financial reports

Capital Adequacy

An FHLBank must hold sufficient regulatory capital to meet the greater of the total capital requirement or the risk-based capital requirements. All FHLBanks met these at year-end 2012.

The FHLBanks' regulatory capital generally consists of the amounts paid by member institutions for FHLBank capital stock and the retained earnings of the FHLBank. The regulatory capital of FHLBanks at December 31, 2012, was $51.9 billion, consisting of $33.5 billion of capital stock, $10.5 billion of retained earnings, and $7.9 billion of other regulatory capital, which is principally mandatorily redeemable capital stock arising out of capital stock redemption requests by members or any capital stock held by a nonmember.

The weighted average regulatory capital to assets ratio for the FHLBank System was 6.81 percent. As of December 31, 2012, all 12 FHLBanks exceeded the minimum ratio by having more than 4 percent capital-to-assets. All FHLBanks also met all their risk-based capital requirements throughout 2012.

Credit Risk Management

Credit risk is moderate to high, but generally stable or decreasing at the individual FHLBanks. Our examiners judged credit risk management to be adequate at all FHLBanks, with modest improvements from 2011.

Examiners determined the FHLBanks of Boston, Chicago, Pittsburgh, San Francisco, and Seattle have relatively higher credit risk exposure, principally as a result of exposure to private-label MBS. FHFA examiners characterized the remaining eight FHLBanks as having moderate credit risk exposure.

The most significant credit risk associated with the FHLBanks continues to be the private-label MBS portfolios. Credit losses on these securities are highly dependent on the level and direction of housing prices. With improvements in the general economy in 2012, credit losses on private-label MBS declined, but these securities remain sensitive to deterioration of the housing market. The credit exposure to private-label MBS continues to decrease as size of the portfolio decreases due to scheduled principal payments and the sale of some securities.

Credit risk of the advances portfolio is low but had increased over the past several years because of weakening financial health of member institutions. As the housing market and economy improve, credit risk in the advances portfolio has started to decline. The FHLBanks require members to fully secure advances with eligible collateral before borrowing from the FHLBank. No FHLBank has ever had a credit loss on an advance to a member. The quality and value of collateral are fundamental in protecting the FHLBanks from credit losses on advances. The FHLBanks apply a discount to the value of the collateral, known as a "haircut," based on the FHLBank's assessment of the risk of the asset.

Some of the FHLBanks need to improve the oversight of unsecured credit management, and some need to improve the processes they use for credit reviews of members. This is particularly true in lending to insurance companies, a growing segment of FHLBank advance business. Lending to insurance companies presents different risks than lending to insured depository institutions.

The FHLBanks had mortgage holdings of $49.4 billion at the end of 2012, down from $53.4 billion at the end of 2011. The mortgage portfolios do not present significant credit risk for the FHLBanks because of the characteristics of the loans. The serious delinquency rate for conventional mortgages held was less than 2 percent. The mortgage holdings are well-seasoned, fixed-rate, and written to sound underwriting standards to qualified borrowers. The mortgages also are credit-enhanced by the member that originated the loan or, in some cases, by supplemental mortgage insurance.

Market Risk Management

Mortgage assets, which include whole loan mortgages and MBS, continue to be the greatest source of market risk for the FHLBanks. Mortgage assets are typically longer-dated instruments than most other FHLBank assets, have less predictable cash flows, and, in the case of private-label MBS, have experienced the greatest swings in market value.

During 2012, the FHLBanks of Boston, New York, Indianapolis, and Topeka increased their holdings of mortgage-related assets or whole mortgages, both in dollar volume and as a percentage of assets. The FHLBanks of Pittsburgh, Atlanta, Cincinnati, Chicago, Dallas, San Francisco, and Seattle reduced their holdings by both measures. The FHLBank of Des Moines reduced its dollar volume of whole loan mortgages but increased its holdings as a percentage of assets because of declining asset volumes. Although the FHLBanks with declining mortgage portfolios should ultimately face lower market risk, they face potential asset and liability mismatches during the transition. Some FHLBanks with significant mortgage holdings hedge the market risk by extensive use of callable bonds, often with American call options, to fund those assets.

Some FHLBanks use a more complicated hedging strategy that involves interest-rate swaps, swaptions (options to enter into interest-rate swaps), and options. FHLBanks with floating-rate MBS with embedded rate caps tend to use interest-rate caps (a type of derivative) to hedge these positions.

In addition, the FHLBanks are exposed to some "basis risk," which can arise when the index for a floating-rate asset does not move exactly the same as the index for the supporting floating-rate liability. The different movement of the two index rates will lead to a widening or narrowing of the spread or "basis" between the yield on the asset and the cost of the associated liability.

It is important that the market value of an FHLBank's capital stock equal or exceed the par value of $100 per share because all stock transactions occur at par. The System's market value of equity, which is the estimated market value of the System's assets less the market value of its liabilities, is an important indicator of the FHLBanks' ability to redeem stock at par.

Market value of equity for all FHLBanks had fallen to $30.5 billion, or 54 percent of par stock, at the end of 2008. Since then it has substantially recovered. At the end of 2012, the market value of equity for the System was $50 billion, or 124 percent of par stock. The recovery in the market value of equity to par stock ratio results from:

- improved values of the System's mortgage-related assets as mortgage rates and spreads (mortgage rates less swap rates) that were much lower at the end of 2012 than at the end of 2008;
- slower than expected mortgage prepayments;
- reduced credit spreads (rising prices) on private-label MBS; and
- substantially increased retained earnings.

Retained earnings, for example, increased from $8.6 billion at the end of 2011 to $10.5 billion at the end of 2012. Additionally, during 2012, the redemption and repurchase of member stock at par by FHLBanks with market value of equity-to-par stock ratios greater than 1 served to increase the market value of equity to which remaining shares had claim.

Figure 16 shows the sensitivity of the market value of equity to par stock ratios at the end of 2012 (base case) and for alternative interest rate scenarios based on model results provided by the FHLBanks. For rate increases at the end of 2012, the assumption was that all market rates increased by the same amount (50, 100, or 200 basis points). For rate decreases, because of the extremely low interest rates on instruments with short maturities, the assumption was that all rates fell by the same amount (50 or 100 basis points) but were restricted from falling below zero.

None of the FHLBanks' ratios, particularly those with low base-case ratios, are very sensitive to parallel changes in market rates of 50 or 100 basis points. The FHLBank of Seattle, for example, estimates that its ratio would fall by only 0.02 (from 0.95 down to 0.93) for a rate increase of 100 basis points. The largest estimated decline in the ratio for a change of 50 or 100 basis points in either direction is 0.05 for the FHLBank of Des Moines. Such a decline for the FHLBank of Des Moines would reduce its ratio from 1.17 to 1.12 in a parallel downward shock of 100 basis points.

Uncertainty about private-label MBS adjustments related to market risk metrics, prepayment speeds, and the effects of extremely low interest rates at short maturities all serve to increase model risk.

Operational Risk Management

Operational risk is the risk of losses due to failure of internal processes or systems, fraud, human error, or external events. High levels of operational risk may lead to monetary losses, damage to an FHLBank's reputation, or significant reporting errors to members, investors, and FHFA. Operational risk at the FHLBanks is generally moderate. In 2012, the FHLBanks had no operational failures that caused substantial losses.

The FHLBanks are large financial institutions that use financial models, technological resource systems, and other processes that inherently expose them to operational risks. The FHLBanks' use of manual processes and user-developed applications increase these risks. Past examinations have criticized the number of user-developed applications and the time it has taken the FHLBanks to upgrade to better solutions. Although most FHLBanks have progressed in this area, some FHLBanks still present concerns.

The FHLBanks have implemented effective internal controls to detect and prevent operational issues. Each FHLBank has a business continuity plan and a backup location regularly evaluated by examiners. However, examiners raised some concern related to the FHLBank of New York's reliance on its disaster recovery site to support information technology operations. This concern was highlighted by damage to it caused by Hurricane Sandy.

Figure 16 • Market Value of Equity-to-Par Value of Capital Stock by Various Interest Rate Changes

Parallel Interest Rate Change in Basis Points	-100	-50	Base Case	50	100	200
Boston	1.09	1.08	1.08	1.08	1.07	1.06
New York	1.24	1.19	1.18	1.18	1.18	1.16
Pittsburgh	1.19	1.17	1.15	1.14	1.14	1.11
Atlanta	1.32	1.32	1.31	1.31	1.31	1.28
Cincinnati	1.17	1.17	1.15	1.14	1.13	1.09
Indianapolis	1.27	1.29	1.28	1.29	1.30	1.30
Chicago	2.17	2.15	2.12	2.14	2.19	2.27
Des Moines	1.12	1.15	1.17	1.18	1.17	1.10
Dallas	1.61	1.59	1.58	1.57	1.56	1.53
Topeka	1.60	1.60	1.58	1.61	1.64	1.66
San Francisco	1.22	1.20	1.19	1.19	1.19	1.18
Seattle	0.95	0.95	0.95	0.94	0.93	0.90

District 1 · The Federal Home Loan Bank of Boston[3]

The FHLBank of Boston is the ninth largest FHLBank with $40.2 billion of total assets. The overall condition of the FHLBank presents limited supervisory concerns. Despite improving earnings and growth in retained earnings, other factors affecting Boston's overall condition include credit risk arising from its private-label MBS portfolio, low retained earnings, and deficiencies in corporate governance.

The financial condition of the FHLBank of Boston is generally weaker than at other FHLBanks, though it is improving. The level of credit risk in the private-label MBS portfolio is elevated and retained earnings remain low when compared to risks present at the FHLBank. However, abatement of credit impairment charges on private-label MBS has driven improved earnings and significant growth in retained earnings.

The private-label MBS portfolio totals $1.3 billion in carrying value, or 3.3 percent of assets, with 85 percent of the carrying value rated below investment grade. Through year-end 2012, the FHLBank had recognized $497 million of credit impairment charges. Retained earnings, at $588 million, have improved significantly.

Despite these ongoing weaknesses, Boston's financial condition and performance continued to improve in 2012. Net income totaled $207 million in 2012, which was the FHLBank's third consecutive year of positive earnings. Boston's 2012 earnings were partly due to relatively low credit impairment charges on its private-label MBS portfolio. Credit losses on private-label MBS totaled $7.2 million in 2012, down significantly from $77.1 million in 2011 and $84.8 million in 2010.

Several of Boston's earnings metrics exceed System averages, highlighting its improved financial performance. Net interest rate spread was 58 basis points in 2012, greater than the System average of 47 basis points. Return on assets was 45 basis points, greater than the System average of 34 basis points. The FHLBank's consistently positive earnings have allowed for growth in retained earnings even with the resumption of dividend payments. Boston paid dividends at an average rate of 0.50 percent in 2012, while adding $189 million to retained earnings. Retained earnings are 1.46 percent of assets, up from 0.80 percent at year-end 2011.

Management and the board continue to make progress in remediating deficiencies in corporate governance. Examination findings note concerns about market risk management, certain responsibilities of the operational risk management function, and turnover in information technology leadership.

[3] The 2012 FHFA examination of the FHLBank of Boston began on July 16, 2012. This report reflects examination conclusions at the time of examination.

District 2 · The Federal Home Loan Bank of New York[4]

The FHLBank of New York is the second largest FHLBank with $103 billion of total assets. The overall condition of the FHLBank is satisfactory. The key factors affecting New York's overall condition include a relatively high ratio of advances to assets, minimal exposure to private-label MBS, and a strong risk-adjusted capital position.

The financial condition and performance of New York compare favorably with other FHLBanks. At $75.9 billion, advances are 74 percent of total assets—the highest ratio of advances to assets in the System. Other FHLBanks have had to increase investments in response to declining advances, but the FHLBank of New York's advance portfolio has been greater than 70 percent of assets since 2001.

New York holds a small portfolio of private-label MBS, totaling $515 million, or 0.5 percent of assets. This is the third smallest private-label MBS portfolio relative to assets in the System. Because of the small size of this portfolio and the nature of the underlying securities, credit impairment charges are less frequent and severe than for some other FHLBanks.

Though a shrinking balance sheet has put pressure on net interest income in recent years, New York's earnings remain strong. Net interest income totaled $466 million in 2012, down from $506 million in 2011.

A decline in net interest spread, which was due to the runoff of high-yielding assets purchased during the liquidity crisis, was the primary driver of the decline in net interest income. Net income was $361 million in 2012, up from $245 million in 2011. Net interest spread, return on assets, and return on equity are all in line with System averages.

Because of consistently positive and strong income, New York has retained earnings of $894 million, or 0.87 percent of assets. The overall risk profile of the FHLBank is among the lowest in the System and its financial performance is strong.

However, during the examination, we expressed concern about the loss of use of the FHLBank's data center in Jersey City, New Jersey, due to flooding caused by Hurricane Sandy and subsequent reliance on the backup site in New York. Our other examination concerns include the lack of backup information technology operations, identification and measurement of operational risk, and some administrative weaknesses with the Affordable Housing Program.

One of the primary sources of stability in New York's advances portfolio is its lending to insurance companies. Insurance companies hold 24 percent of advances outstanding, the third highest ratio in the System. Lending to insurance companies carries a number of risks that are not present in lending to depository institutions. Though New York has controls for its insurance company lending business, these risks warrant ongoing monitoring.

[4] The 2012 FHFA examination of the FHLBank of New York began on October 1, 2012. This report reflects examination conclusions at the time of examination.

District 3 · The Federal Home Loan Bank of Pittsburgh[5]

The FHLBank of Pittsburgh is the sixth largest FHLBank with $64.6 billion of total assets. The overall condition of the FHLBank presents limited supervisory concerns. The key factors affecting Pittsburgh's overall condition include elevated credit risk arising from private-label MBS exposure and management of unsecured credit relationships. Additionally, despite some recent growth, retained earnings continue to be low on a risk-adjusted basis.

The financial condition and performance of the FHLBank of Pittsburgh are generally weaker than other FHLBanks. Although the private-label MBS portfolio is shrinking, it remains a source of elevated credit risk. Credit impairment charges on this portfolio have slowed, but the FHLBank remains exposed to potential additional losses if housing market conditions deteriorate. Retained earnings have grown slowly over the past several years because of weak earnings and are inadequate in light of the risks on the FHLBank's balance sheet.

Pittsburgh's private-label MBS portfolio's carrying value is $2.6 billion, or 4 percent of assets, down from $3.3 billion, or 6 percent of assets, at year-end 2011. Despite the reduction, credit risk remains high due because of the portfolio's size and poor credit quality. Approximately 74 percent of the carrying value of the portfolio is rated below investment grade.

Credit impairment, which has been a significant drag on earnings in recent years, slowed in 2012. Credit losses on private-label MBS totaled $11.4 million in 2012, which compares with $45.1 million in 2011 and $158.4 million in 2010. Lessening of credit impairment has benefitted earnings more recently.

Net income was $129.7 million in 2012, a significant improvement from net income of $38 million in 2011. In addition to lower credit impairment charges, Pittsburgh's earnings have benefitted from wider net interest spreads. Net interest spread was 29 basis points, up from 17 basis points in 2011. The increase in net interest spread was attributable to maturities of high-cost debt. Higher-than-expected advance volumes and prepayment fees also contributed to improved earnings.

Due to the improvement in earnings more recently, retained earnings growth accelerated in 2012. Retained earnings are $559 million, up from $435 million at year-end 2011. Despite this growth, retained earnings are only 0.87 percent of assets, the third lowest ratio in the System. Pittsburgh resumed paying dividends in the first quarter of 2012 and paid dividends at an average rate of 0.18 percent during the year.

Examination matters requiring attention include concerns about the appearance of preferential treatment for specific customers and about unsecured credit policies and practices. In addition, examination recommendations suggest the FHLBank should:

- better document key decisions, actions, and policy rationales;
- review policies and procedures and expand them where necessary; and
- assess the adequacy of management and board reporting and make any needed enhancements.

5 The 2012 FHFA examination of the FHLBank of Pittsburgh began on April 23, 2012. This report reflects examination conclusions at the time of examination.

District 4 · The Federal Home Loan Bank of Atlanta[6]

The FHLBank of Atlanta is the largest FHLBank with $123.7 billion of total assets. The overall condition of the FHLBank is satisfactory. The key factors affecting Atlanta's overall condition include its mission-oriented balance sheet, continued growth in retained earnings, and declining credit risk due to a shrinking portfolio of private-label MBS. Although credit risk is declining, it remains the primary supervisory concern at Atlanta.

The financial condition and performance of the FHLBank of Atlanta generally compare favorably with other FHLBanks. Credit risk is declining as the private-label MBS portfolio runs off, but remains a concern because this portfolio is still relatively large. Credit impairment on private-label MBS has slowed, allowing the FHLBank to generate consistently positive income and grow retained earnings.

Atlanta has one of the most mission-focused balance sheets among all FHLBanks, with advances representing 71 percent of total assets, the second highest ratio in the System.

Atlanta's private-label MBS portfolio continues to shrink. During 2012, the carrying value of the private-label MBS portfolio declined by 18 percent to $5.4 billion, or 4.4 percent of assets. At the same time, improvements in housing prices resulted in significantly lower credit losses on this portfolio in 2012. Credit impairment on private-label MBS totaled $16.4 million in 2012, substantially less than $117.7 million in 2011. Though Atlanta remains exposed to possible additional impairment if housing prices drop, the FHLBank's retained earnings are adequate to absorb these losses.

Net income totaled $270.4 million in 2012, up from $184 million in 2011. The increase in earnings resulted primarily from the reduction in credit impairment charges on private-label MBS. Because of its strong earnings, Atlanta increased its retained earnings by $182 million in 2012, even as it paid dividends. Retained earnings are 1.16 percent of assets, up from 1 percent at year-end 2011. The FHLBank also improved its capital position by repurchasing nearly all outstanding excess capital stock and reinstating a practice of repurchasing excess stock daily.

Although Atlanta has made improvements in corporate governance and the examination found that area to be satisfactory overall, several outstanding deficiencies need addressing. The FHLBank needs to make sure its resources are allocated so that its enterprise risk management function can properly assess risk in new and ongoing business initiatives. Atlanta must also expand its identification of key risk metrics for its various business activities and establish minimum thresholds that would trigger management action.

6 The 2012 FHFA examination of the FHLBank of Atlanta began on January 23, 2012. This report reflects examination conclusions at the time of examination.

District 5 · The Federal Home Loan Bank of Cincinnati[7]

The FHLBank of Cincinnati is the fourth largest FHLBank with $81.6 billion of total assets. The overall condition of the FHLBank is satisfactory. The key factors affecting Cincinnati's overall condition include consistent profitability, a conservative risk profile, and improving mission focus.

The financial condition and performance of the FHLBank of Cincinnati generally compare favorably with other FHLBanks. Due to minimal investments in private-label MBS and avoidance of the associated credit losses, the FHLBank has remained consistently profitable. Retained earnings, while low relative to other FHLBanks, are consistent with the conservative risk profile of the balance sheet and have grown even as Cincinnati pays one of the highest dividends in the System. In 2012, advances increased notably at Cincinnati, principally due to increased borrowing from a new member, allowing the FHLBank to reduce investments and increase its mission focus.

Cincinnati reported net income of $234.7 million in 2012, up from $138.3 million in 2011. Cincinnati has remained consistently profitable, largely due to minimal exposure to private-label MBS. As other FHLBanks have suffered credit losses and depletion of capital from large, poor quality private-label MBS portfolios, Cincinnati made only a small investment in these securities and took no credit losses. As a result, Cincinnati has generated consistently positive earnings. The FHLBank added $94 million to retained earnings in 2012, even as it paid dividends at an average rate of 4.45 percent.

Advances nearly doubled at Cincinnati during 2012, increasing to $53.9 billion from $28.4 billion at year-end 2011. The significant increase in advances was attributable to a large financial institution that became a member of Cincinnati during the year. This institution reduced its affiliate borrowing from other FHLBank districts and consolidated most of its advances at Cincinnati. This development substantially changed the balance sheet composition of the FHLBank.

Advances increased to 66 percent of assets from 47 percent at year-end 2011, and investments declined to 25 percent of assets from 40 percent. At year-end 2012, Cincinnati had the third highest ratio of advances to assets, highlighting its significant improvement in mission focus.

The FHLBank of Cincinnati remains in a position of relative strength in the System. The primary concerns at the FHLBank are related to credit risk management and operational risk oversight.

Credit risk is relatively low and remains manageable, but the FHLBank should improve its credit risk management framework by:

- properly defining staff and departmental roles;
- ensuring different departments work effectively together; and
- better analyzing unsecured credit counterparties.

In addition, management and the board must work together to establish an overall policy that formalizes operational risk management.

[7] The 2012 FHFA examination of the FHLBank of Cincinnati began on January 30, 2012. This report reflects examination conclusions at the time of examination.

District 6 · The Federal Home Loan Bank of Indianapolis[8]

The FHLBank of Indianapolis is the eighth largest FHLBank with $41.2 billion of total assets. The overall condition of the FHLBank is satisfactory. The FHLBank's overall credit risk declined in 2012 because of a shrinking private-label MBS portfolio and improving member credit risk. Advances represent a relatively low proportion of assets, but insurance company lending is among the highest in the System.

The FHLBank of Indianapolis' financial condition and performance is average when compared to other FHLBanks. The shrinking private-label MBS portfolio and improving housing market fundamentals have caused lower impairment charges and improved earnings. As a result, the FHLBank has grown its retained earnings and paid a consistent dividend. However, advances represent less than half of the FHLBank's balance sheet, and insurance companies hold a majority of its advances.

Net income totaled $143.3 million in 2012, up from $110.1 million in 2011. The primary driver of the increase in earnings was a decline in credit losses on private-label MBS. Since a net loss in the second quarter of 2010, Indianapolis has reported 10 consecutive quarters of positive earnings. Consistently positive income has driven growth in retained earnings, which represent 1.43 percent of assets, greater than the System average of 1.37 percent.

The FHLBank's private-label MBS portfolio, which has been the source of elevated credit risk in recent years, is shrinking. The carrying value of the portfolio declined by 13 percent during 2012 to $893 million. Contraction in the size of the portfolio, coupled with improvements in housing prices, resulted in lower credit impairment charges in 2012 than in previous years. This reduction in credit impairment is the primary driver of improved earnings for Indianapolis. Credit losses on private-label MBS totaled $3.8 million in 2012, down from $26.8 million in 2011 and $69.8 million in 2010.

Advances declined by 2.4 percent during 2012 to $18.1 billion and represent only 44 percent of total assets, the third lowest ratio in the System. Approximately 41 percent of the FHLBank's balance sheet consists of investments and 15 percent consists of mortgages, both of which are asset classes that carry more risk than advances.

Advances to insurance companies represent 50 percent of the FHLBank's total advances. Lending to insurance companies presents different risks relative to lending to depositories. Indianapolis has taken steps to offset those risks.

In addition, the annual examination found Indianapolis must improve director participation in board conference calls and enhance the director compensation policy guidance. The corporate risk management function must include an independent risk assessment of credit model validations, enhance periodic stress testing, and improve certain areas of operational risk oversight. Management and the board must also monitor potential increases in operational risk related to the upcoming replacement of the FHLBank's core banking system.

8 The 2012 FHFA examination of the FHLBank of Indianapolis began on September 24, 2012. This report reflects examination conclusions at the time of examination.

District 7 · The Federal Home Loan Bank of Chicago[9]

The FHLBank of Chicago is the fifth largest FHLBank with $69.6 billion of total assets. The overall condition of the FHLBank presents limited supervisory concerns. The key factors affecting Chicago's overall condition include robust earnings and a stable capital position. However, concerns remain about the lack of mission focus.

The profitability and capital position of the FHLBank of Chicago compare favorably with other FHLBanks but its mission focus and credit risk levels are unfavorable relative to the System. Advances continue to decline in the face of weak demand, further reducing mission focus. Profitability is robust, largely due to long-dated investments and associated favorable funding. Chicago received special authorization for many of these investments to address previous balance sheet management difficulties.

In 2012, advances declined by 4.9 percent to $14.5 billion. Advances are just 21 percent of total assets, the lowest ratio in the System. The remaining 79 percent of Chicago's balance sheet consists of investments, which are primarily long-tenor agency MBS and other long-term securities, and whole loan mortgages. This balance sheet composition requires careful market risk management and highlights the challenge facing the FHLBank in transitioning to an advance-focused institution.

Chicago's private-label MBS portfolio, the primary source of elevated credit risk on its balance sheet, continues to shrink. The carrying value of the private-label MBS portfolio is $1.5 billion, down 15 percent from year-end 2011. Despite this contraction, the size and credit quality of Chicago's private-label MBS portfolio remain drivers of increased credit risk. Approximately 91 percent of the carrying value of this portfolio is rated below investment grade, underscoring the FHLBank's exposure to possible additional credit losses if housing market conditions deteriorate. Credit losses to date are $77 million.

Chicago's profitability remained strong in 2012. Net income totaled $375.3 million, the second highest nominal earnings in the System. Return on assets was 54 basis points, significantly greater than the System average of 34 basis points. Similarly, return on equity was 12.91 percent, greater than the System average of 6.44 percent. The FHLBank's profitability is attributable to its large portfolios of long-term investments and whole loan mortgages.

Chicago's capital position has improved significantly in recent years due to its strong earnings. The FHLBank holds $1.7 billion of retained earnings, representing 2.43 percent of assets, the highest ratio in the System.

Chicago faces a significant challenge in its ongoing transition from an institution concentrated in investments and mortgages to an advances-focused FHLBank. An aggressive business plan intended to increase advances merits attention as the FHLBank grows existing business and expands into new areas. Chicago must also finalize changes to its community investment department and remediate deficiencies in Affordable Housing Program project administration.

9 The 2012 FHFA examination of the FHLBank of Chicago began on July 9, 2012. This report reflects examination conclusions at the time of examination.

District 8 · The Federal Home Loan Bank of Des Moines[10]

The FHLBank of Des Moines is the seventh largest FHLBank with $47.4 billion of total assets. The overall condition of the FHLBank is satisfactory. The key factors affecting Des Moines' overall condition include adequate profitability and a satisfactory capital position.

The financial condition and performance of the FHLBank of Des Moines are average when compared to other FHLBanks. Advance balances stabilized in 2012, primarily due to increased lending to insurance companies. The FHLBank has been consistently profitable, and its capital position is adequate, largely due to minimal exposure to private-label MBS. However, Des Moines has large exposures to whole loan mortgages and advances to insurance companies, which merits continued oversight.

Advances stabilized in 2012, increasing by less than 1 percent to $26.6 billion. Advances are 56 percent of assets, equal to the System average. Insurance companies have been a stabilizing factor in the FHLBank's advances portfolio and were the primary driver of the small increase in advance balances in 2012. Insurance companies hold 59 percent of outstanding advances, the highest ratio in the System. While insurance companies benefit Des Moines as advance demand remains weak, they present some risks.

Des Moines also has significant exposure to mortgage-related assets. Nearly 30 percent of the FHLBank's balance sheet consists of MBS and whole loan mortgages, both of which potentially increase market risk. The board and management must continue efforts to identify and mitigate the risks associated with insurance company lending and mortgage-related assets.

The FHLBank's net income was $111.4 million in 2012, up from $77.8 million in 2011. Des Moines' profitability is slightly below average relative to other FHLBanks, principally due to high-cost legacy debt.

Return on assets was 23 basis points in 2012, less than the System average of 34 basis points. Return on equity was 3.98 percent, less than the System average of 6.44 percent. Despite below-average earnings metrics, minimal exposure to private-label MBS has allowed Des Moines to remain consistently profitable and grow retained earnings. The FHLBank holds $622 million of retained earnings, representing 1.31 percent of assets.

Des Moines currently faces increased operational risk from conversion to a new core banking system. Management and the board must continue to monitor this process, and make enhancements to information security, business continuity planning, and securities safekeeping controls.

[10] The 2012 FHFA examination of the FHLBank of Des Moines began on February 6, 2012. This report reflects examination conclusions at the time of examination.

District 9 · The Federal Home Loan Bank of Dallas[11]

The FHLBank of Dallas is the tenth largest FHLBank with $35.8 billion of total assets. The overall condition of the FHLBank is satisfactory. The capital position is strong, and the FHLBank's overall risk profile is low. The FHLBank's advances portfolio is shrinking, resulting in a decrease in the mission focus of its balance sheet. Operating expenses are high on a relative basis.

The financial condition and performance of the FHLBank of Dallas are average when compared to other FHLBanks. Advances are 51 percent of the FHLBank's balance sheet, but the advances portfolio continues to shrink. The shrinking balance sheet and high operating expenses weigh on earnings. Despite these concerns, the FHLBank maintains a strong risk-adjusted capital position.

Advances have been under pressure at Dallas for several years due to repayments by several large borrowers. Advances stood at $18.4 billion at year-end 2012, down 2.1 percent from one year earlier. The shrinking balance sheet, led by declining advances, reduces earnings capacity.

The FHLBank's earnings metrics, such as return on assets and return on equity, are less than System averages. Mission focus is declining as the FHLBank purchases investments to replace lost advances. Investments represent 48 percent of assets, the third highest ratio in the System.

Dallas reported net income of $81.8 million in 2012, the second lowest nominal earnings in the System. Along with the shrinking balance sheet, high operating expenses continue to weigh on net income.

Operating expenses have declined each of the last two years and were 0.19 percent of assets in 2012, the highest ratio in the System and nearly double the System average ratio of 0.11 percent. Because of high financial and nonfinancial costs associated with expansion and contraction of corporate infrastructure, management has not aggressively acted to further reduce operating expenses.

Despite low earnings, Dallas maintains a strong risk-adjusted capital position. Retained earnings total $572 million, or 1.6 percent. This is the third highest ratio in the System and highlights the FHLBank's capital position relative to its low risk profile.

[11] The 2012 FHFA examination of the FHLBank of Dallas began on April 16, 2012. This report reflects examination conclusions at the time of examination.

District 10 · The Federal Home Loan Bank of Topeka[12]

The FHLBank of Topeka is the smallest FHLBank with $33.8 billion of total assets. The overall condition of the FHLBank is satisfactory. Topeka has stable core earnings, a strong capital position, and a low risk profile. However, the FHLBank's exposures to insurance company lending and whole loan mortgages are significantly greater than System averages.

The financial condition and performance of the FHLBank of Topeka compare favorably with other FHLBanks. The FHLBank has remained consistently profitable, with minimal credit losses on private-label MBS and a large portfolio of whole loan mortgages. As a result, Topeka has built a strong capital position. The FHLBank's generally low risk profile enhances capital adequacy. Management continues efforts to align the FHLBank's balance sheet with the housing mission focus of the System.

Although advances continue to decline because of excess liquidity at member institutions, the pace of the decline has slowed considerably. After a 10.2 percent decline in 2011, the FHLBank's advances declined by only 4.7 percent in 2012 to $16.6 billion. Insurance companies hold 21 percent of the FHLBank's outstanding advances. Management must continue to monitor insurance company lending and mitigate potential risks.

The FHLBank's whole loan mortgage portfolio continues to grow, increasing by 20.4 percent in 2012. Mortgages represent 17.6 percent of assets, the highest ratio in the System. The credit quality of Topeka's mortgage portfolio is high, based on delinquency metrics and loan loss provisions. However, the size of the portfolio and the elevated market risk associated with mortgage assets merit oversight.

Topeka reported net income of $110.3 million in 2012, up from $77.3 million in 2011. The FHLBank has generated consistent positive earnings, due in part to minimal credit losses on its small private-label MBS portfolio.

A stable core earnings stream also contributes to Topeka's consistent income. Net interest income totaled $217.2 million in 2012, down slightly from $229.9 million in 2011. Despite a shrinking balance sheet, Topeka has averaged $50 million to $60 million in quarterly net interest income over the last three years.

Stable core earnings primarily reflect active debt management to lower interest expense and a large portfolio of relatively high-yielding mortgages. The FHLBank paid quarterly dividends at an average rate of 2.26 percent during 2012. Retained earnings grew by $80 million in 2012 and represented 1.42 percent of total assets, compared to the System average of 1.37 percent.

Management should continue to monitor the FHLBank's exposure to whole loan mortgages and advances to insurance companies. Topeka must also address elevated business and compliance risk in the Affordable Housing Program, especially in the areas of project modifications and monitoring, timely funds allocation, and competitive scoring round execution.

[12] The 2012 FHFA examination of the FHLBank of Topeka began on July 9, 2012. This report reflects examination conclusions at the time of examination.

District 11 · The Federal Home Loan Bank of San Francisco[13]

The FHLBank of San Francisco is the third largest FHLBank with $86.4 billion of total assets. The overall condition of the FHLBank is satisfactory, with robust earnings and high retained earnings levels. Credit risk from exposure to private-label MBS is high, and the FHLBank's earnings performance relies on income from mortgage assets.

The financial condition and performance of the FHLBank of San Francisco are generally favorable when compared to other FHLBanks. Earnings have been robust over the last three years, and credit losses on private-label MBS have declined. As a result, San Francisco has built one of the largest balances of retained earnings in the System. Despite these strengths, credit risk remains high due to the size and poor credit quality of the private-label MBS portfolio. Advance portfolio volume continues to decline. An increasing portion of San Francisco's income comes from MBS and mortgages.

San Francisco's private-label MBS portfolio totals $10.5 billion and is the largest portfolio in the System by volume. At 12.2 percent of assets, it also represents the largest MBS percentage of any balance sheet in the System.

Credit losses on this portfolio have slowed substantially since the housing market improved. Credit impairment charges totaled $44 million in 2012, down significantly from $412.2 million in 2011 and $331.2 million in 2010. Despite this reduction and the positive effects on earnings and capital levels, San Francisco remains exposed to potential additional credit impairment if housing markets deteriorate. The private-label MBS portfolio represents a large portion of the balance sheet and credit quality is poor, with 88 percent of the carrying value rated below investment grade.

Profitability was strong at San Francisco in 2012. Net income totaled $490.8 million, the highest in the System. Return on assets was 48 basis points in 2012, greater than the System average of 34 basis points. Return on equity was 9.44 percent, greater than the System average of 6.44 percent. Strong earnings have driven significant retained earnings growth. The FHLBanks' retained earnings are the highest of all FHLBanks by dollar volume and as a percentage of assets. San Francisco's retained earnings total $2.3 billion and represent 2.6 percent of assets.

San Francisco's robust earnings performance is primarily attributable to wide spreads on mortgage assets. Slow prepayment speeds and a favorable refinancing environment for callable debt have resulted in high spreads on the FHLBank's fixed-rate mortgage assets. The mortgage and MBS portfolios accounted for 57 percent of interest income in 2012, up from just 12 percent in 2007. Advances generated only 39 percent of interest income in 2012, down from 78 percent in 2007.

The FHLBank's current earnings composition and balance sheet structure are not sustainable. At $43.7 billion, the FHLBanks' advances are at the lowest level since 1997. Tight spreads have driven interest income on advances steadily lower, while the FHLBank becomes more reliant on abnormally wide spreads on mortgage assets for income. As spreads on the mortgage asset portfolio revert to historical averages, San Francisco will likely face pressure on earnings.

Changes in advance pricing or operating expense levels may be necessary in the future. In addition to preparing for potential strategic changes, management must also continue to build out its enterprise risk management function and address concerns related to incentive compensation plan development.

[13] The 2012 FHFA examination of the FHLBank of San Francisco began on October 1, 2012. This report reflects examination conclusions at the time of examination.

District 12 · The Federal Home Loan Bank of Seattle[14]

The FHLBank of Seattle is the second smallest FHLBank with $35.4 billion of total assets. The overall condition of the FHLBank presents supervisory concerns. Seattle's credit risk is high. Its earnings are low, earnings prospects are weak, and the FHLBank's retained earnings are inadequate.

The financial condition and performance of the FHLBank of Seattle compare unfavorably with other FHLBanks. Earnings are weak due to a shrinking balance sheet and lingering losses on private-label MBS. Advance demand remains subdued, driving ongoing contraction in the balance sheet and highlighting the weak prospects for future earnings. Because of low earnings, retained earnings growth has been constrained, and retained earnings remain inadequate for an FHLBank with Seattle's risk profile.

Net income totaled $70.8 million in 2012, down from $84 million in 2011. In recent years, credit losses on private-label MBS have reduced earnings and capital levels. Improvements in housing market fundamentals drove reduced credit impairment charges in 2012. Credit impairment was $11.1 million in 2012, down from $91.2 million in 2011. Despite these improvements, credit risk remains elevated due to the poor credit quality of the FHLBank's private-label MBS portfolio of $1.9 billion. Approximately 84 percent of the carrying value of the portfolio is rated below investment grade. The FHLBank remains exposed to possible credit losses if housing markets deteriorate.

In addition to credit losses, a shrinking balance sheet has pressured Seattle's earnings prospects. Advances declined by 19.1 percent in 2012 to a System low of $9.1 billion. Contraction in the advances portfolio shrinks the balance sheet and constrains earnings and makes the FHLBank more reliant on investment income. Advances represent only 26 percent of assets and generated only 31 percent of interest income in 2012. Excess liquidity at member institutions and uncertainty surrounding demand for funding by large members will likely continue to weigh on advance balances in the near future.

Seattle holds $228 million of retained earnings, representing 0.64 percent of assets. This is the lowest ratio of retained earnings to assets in the System and is inadequate to protect the par value of capital stock from the risks on the FHLBank's balance sheet. Earnings from advances are insufficient to support operations and build retained earnings to an acceptable level which explains the FHLBank's reliance on investments to generate the necessary level of earnings.

In addition, the FHLBank requires significant resources to improve its information technology infrastructure, which currently increase operational risk. Given the current state of the FHLBank, its future earnings prospects, and required outlays to improve its information technology infrastructure, a return to normal operations could take more than five years. Seattle continues to merit heightened supervisory attention.

[14] The 2012 FHFA examination of the FHLBank of Seattle began on April 16, 2012. This report reflects examination conclusions at the time of examination.

Office of Finance[15]

The Office of Finance, a joint office of the FHLBanks, issues and services obligations on behalf of the FHLBanks. Located in Reston, Virginia, the Office of Finance issues consolidated obligations when requested by one or more FHLBanks. It has no portfolio or balance sheet of its own and faces no credit risk or market risk.

In 2012, the Office of Finance issued $418.1 billion of bonds and $1.1 trillion of term discount notes. Overnight discount notes outstanding averaged $9.9 billion. The Office of Finance also prepares and distributes the combined financial reports for the FHLBanks used in the offering and sale of consolidated obligations.

The 2012 examination noted improvements in corporate governance and operational risk management processes. Management and the board committed to taking appropriate action in response to our concerns from the 2012 examination. Our principal supervisory concerns included weaknesses in the director compensation policy, weaknesses in certain internal controls, incomplete implementation of a vendor management program, and lack of a formalized process for collection of selected data related to dealer eligibility from the FHLBanks.

The director compensation policy did not explicitly require that director compensation be linked to the time a director spends on Office of Finance business. The policy also does not include any requirements for reduction or elimination of annual fees if a director fails to meet minimum participation or performance thresholds.

In response to noted weaknesses in internal controls, management and the board have implemented organization-wide revisions to key policies and procedures. However, additional improvements are necessary, including strengthening certain information technology controls. The Office of Finance must also continue to develop its vendor management program, which it introduced in 2011.

15 The 2012 FHFA examination of the Office of Finance began on September 10, 2012. This report reflects examination conclusions at the time of examination.

Director Compensation

The Federal Home Loan Banks (FHLBanks) are governed by boards of directors ranging in size from 13 to 18 directors, all of whom are elected by member institutions. The majority of the FHLBank board members are directors or officers of member institutions, while the remaining directors (at least 40 percent) are independent. Independent directors are those who are not officers of an FHLBank or directors, officers, or employees of a member institution.

From 1999 to 2008, the annual compensation of the FHLBank directors was subject to statutory caps. Consequently, the annual maximum compensation for the chairmen of the boards of directors was set at the statutory cap. Although the annual compensation of the other directors varied by position (vice chair, audit committee chair, other committee chairs), it was similar across the FHLBanks.

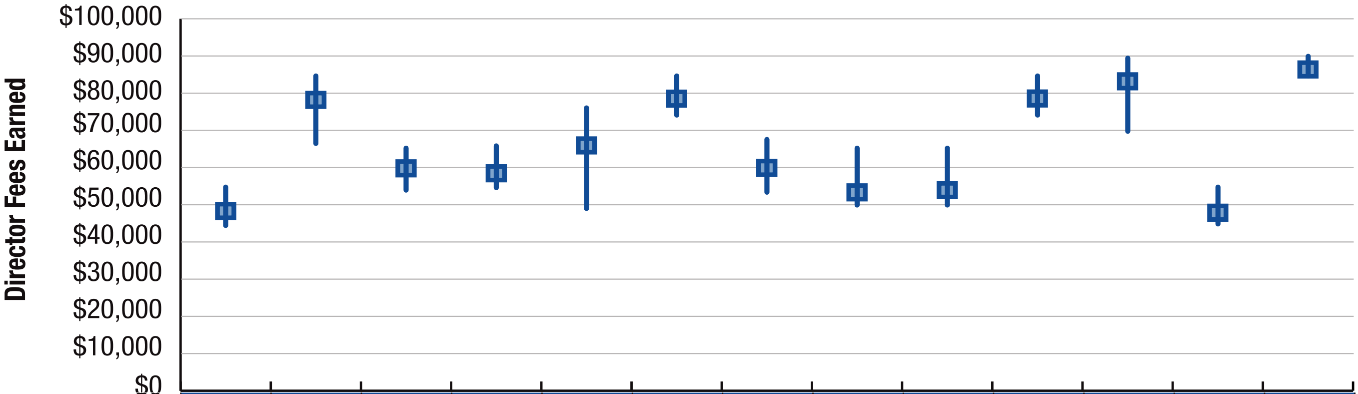
With the enactment of the Housing and Economic Recovery Act of 2008 (HERA), Congress repealed the

Figure 17 • 2012 Annual Maximum Compensation for Federal Home Loan Bank Directors

	Chair	Vice chair	Audit chair	Other chairs	All other directors	Notes
Boston	$60,000	$55,000	$55,000	$50,000	$45,000	
New York	100,000	85,000	85,000	85,000	75,000	
Pittsburgh	76,000	66,000	66,000	66,000	56,000	
Atlanta	70,000	65,000	65,000	60,000	55,000	Before July 26, 2012, the director compensation maximum annual compensation was $10,000 lower. The new caps are for the entire year.
Cincinnati	78,000	69,000	71,000	68,000	56,000	A director may earn an additional $8,000 for serving on the audit committee and an additional $6,000 for serving on the financial and risk management committee. The total cap for all directors is $78,000.
Indianapolis	100,000	85,000	85,000	85,000	75,000	A director, including the board chair, may earn an additional $10,000 per committee chairmanship.
Chicago	90,000	80,000	80,000	75,000	70,000	Before July 1, 2012, director compensation was based on the 2011 policy with a compensation structure similar to the FHLBank of Boston. The new caps are prorated for the remainder of the year.
Des Moines	75,000	65,000	60,000	55,000	50,000	
Dallas	70,000	65,000	65,000	55,000	50,000	A director, including the board chair, may earn an additional $20,000 by serving as chairman of the Council of Federal Home Loan Banks. He or she may also earn the additional salary by serving as chairman of the Chair and Vice Chair Committee of the Council.
Topeka	100,000	85,000	85,000	85,000	75,000	
San Francisco	95,000	90,000	85,000	85,000	70,000	A director (who is not chairman) serving on the audit committee can receive a maximum of $75,000.
Seattle	60,000	55,000	55,000	52,200	45,000	

Source: Federal Housing Finance Agency

Figure 18 • Director Fees Earned in 2012 (Excluding Chairs)[a]



	BOS	NYK	PIT	ATL	CIN	IND	CHI	DSM	DAL	TOP	SFR	SEA	OF
Minimum	45,000	66,112	54,000	55,000	49,000	75,000	55,313	50,000	50,000	75,000	70,000	45,000	85,000
Maximum	55,000	85,000	66,000	65,000	77,000	85,000	67,500	65,000	65,000	85,000	89,653	55,000	90,500
Average	48,333	78,195	59,792	58,462	65,955	78,529	59,915	53,333	53,929	78,571	83,189	47,867	86,375

Source: Federal Housing Finance Agency

[a] *Excludes fees for nine directors who served on the board for less than a year in 2012—two directors at the FHLBank of Pittsburgh (both earning $28,000), one director at the FHLBank of Chicago (earning $46,250), two directors at the FHLBank of Dallas (earning $8,250 and $21,000), two directors at the FHLBank of San Francisco (earning $68,842 and $2,448), and two directors at the FHLBank of Seattle (earning $16,385 and $29,032).*

statutory caps and authorized the FHLBanks to pay reasonable compensation to their directors, subject to FHFA review.

The compensation for directors increased at all FHLBanks but remained at similar levels for similar positions. But in 2011, the compensation for directors started to show a wide range across the FHLBanks for similar positions. This trend continued in 2012 (see Figure 17) with the compensation for the board chair varying from $60,000 at the FHLBanks of Boston and Seattle to $100,000 or more at the FHLBanks of New York, Indianapolis, and Topeka.

During 2012, the total fees paid to all FHLBank directors were $12.1 million, ranging from $679,817 for the 14-member board of the FHLBank of Seattle to $1,445,000 for the 18-member board of the FHLBank of Indianapolis. The average compensation for an FHLBank director other than the chairmen ranged from $47,867 at the FHLBank of Seattle to $83,189 at the FHLBank of San Francisco. The vertical lines in Figure 18 display the range of fees earned per director at each FHLBank, and the dash along the minimum and maximum spectrum in the chart represents the average fee earned per director.

The board chairs at all but one of the FHLBanks received the maximum amount set in their director compensation policies. One FHLBank paid its chair 98 percent of the maximum. The chair of the FHLBank of Indianapolis board received an additional annual fee of $10,000 for serving as the executive/governance committee chair; the compensation totaled $110,000 for 2012. The chair of the FHLBank of Dallas board received an additional $20,000 for serving as chairman of the Chair and Vice Chair Committee of the Council of FHLBanks; the compensation totaled $90,000 for 2012.

Office of Finance

In May 2010, FHFA adopted a final regulation reconstituting the board of directors of the Office of Finance. The board now includes the 12 FHLBank presidents and five independent directors, who were initially appointed by FHFA and later elected by the Office of Finance board. The Office of Finance is required to pay reasonable compensation and expenses to the independent directors, in accordance with the requirements for payment of compensation and expenses to FHLBank directors as set forth in 12 CFR §1261.21.

Effective July 2012, the maximum annual compensation at the Office of Finance was set at $125,000 for the chairperson, $100,000 for the audit committee chair, and $85,000 for an independent director. By regulation, the FHLBank presidents do not receive any compensation or reimbursement for their service as directors on the Office of Finance board.

During 2012, the total fees paid to the Office of Finance directors were $470,500. The total fees paid reflect compensation paid to the chairperson and the other four independent directors. Figure 18 displays the range of fees earned per director at the Office of Finance.

FHLBanks' Affordable Housing Programs

The Federal Home Loan Bank Act requires each of the 12 FHLBanks to establish an Affordable Housing Program (AHP) to be used to finance the construction, purchase, or rehabilitation of housing. AHP funds two programs, a competitive application program and a homeownership set-aside program.

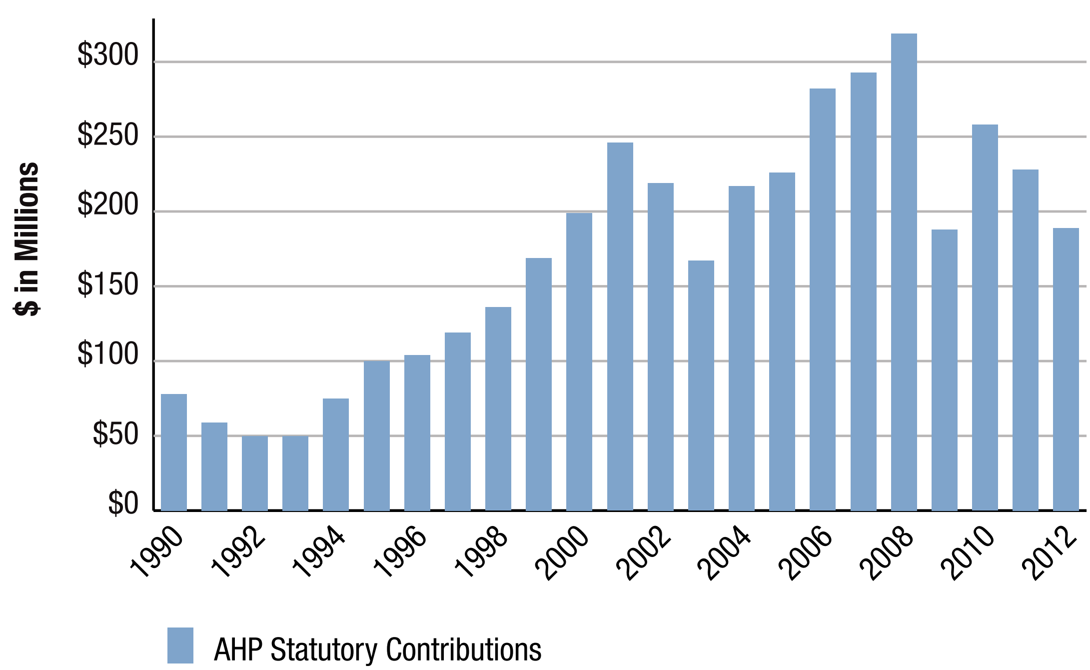
Eligible rental housing projects must have at least 20 percent of housing units occupied by, and affordable to, households with incomes at or below 50 percent of the area median income. Owner-occupied housing must be occupied by households with incomes at or below 80 percent of the area median income.

From 1990, when AHP was authorized, until 2012, the FHLBanks awarded nearly $5 billion in AHP subsidies and assisted 806,688 households.

AHP is different from other housing programs because

1. The applicant is an FHLBank member financial institution that passes the subsidy through to an eligible beneficiary in the form of subsidized advances or grants.
2. FHLBanks fund their AHPs with the greater of 10 percent of their previous year's net earnings or each FHLBank's share of an aggregate $100 million.

Figure 19 • Federal Home Loan Banks AHP Statutory Contributions



Source: Federal Housing Finance Agency

If an FHLBank does not have earnings in a given year, it geneally does not make contributions to its AHP. The amount of AHP funding available to FHLBank members varies according to FHLBank earnings.

In 2012, the FHLBanks made more than $189 million in AHP subsidies available nationwide (see Figure 19).

Additional Sources of Financing

AHP is unique because it subsidizes private financing from FHLBank members with federal, state, local, and charitable grant and loan programs. The Federal Home Loan Bank Act specifically requires FHFA to coordinate AHP with other federal affordable housing programs.

In 2012, AHP projects used a number of other sources of funding. The most frequently used source of funding with AHP was the low-income housing tax credit—it was used for 191, or 38 percent, of the 505 approved AHP projects. The HOME Investment Partnerships Program and the Community Development Block Grant Program were among the other programs used with AHP funds for projects.

Thirty-three percent of AHP projects did not receive any funding from federal programs (see Figure 20).

AHP Competitive Application Program

With the exception of a set-aside for homeownership, AHP funding applications are selected through a competitive application process that emphasizes, among other criteria, targeting very low- and low-or moderate-income households and underserved needs. Minimum eligibility requirements include project feasibility and maintaining housing unit affordability. Of 19,837 housing units funded in 2012, 74 percent are planned to be affordable to very low-income households.

Figure 20 • Number of 2012 AHP Approved Projects Receiving Federal Funds

Community Development Block Grants	46
HOME Investment Partnerships Program	177
Low-Income Housing Tax Credit Program	191
Federal Housing Administration Programs	8
Other Federal Housing Programs	122
Projects Not Receiving Funding From Federal Sources	166

Source: Federal Housing Finance Agency

Data as of December 31, 2012, excluding AHP Competitive Application withdrawn projects. Dollars have been rounded.

Note: The numbers add up to more than the total number of approved projects (505) because some projects receive federal funding from more than one source.

Figure 21 • 2012 AHP Competitive Application Program Overview

	Rental Housing Projects	Owner-Occupied Housing Projects	Total
Total Number of Awarded Projects	336	169	505
Subsidy Awarded ($ in Millions)	$146	$32	$178
Number of Housing Units	16,468	3,369	19,837
Average Subsidy per Unit	$8,855	$9,645	$8,989
Number of Very Low-Income Housing Units[a]	12,688	1,939	14,627

Source: Federal Housing Finance Agency

Data as of December 31, 2012, excluding AHP Competitive Application withdrawn projects. Dollars have been rounded.

[a] *Very low-income is defined as households with incomes at or below 50 percent of the area median.*

The AHP competitive program accepts applications from members on behalf of project sponsors, typically nonprofit corporations or housing finance agencies. More than three-quarters of all of the units funded under the competitive program are rental housing units (see Figure 21).

AHP Homeownership Set-Aside Program

In addition to the competitive program, an FHLBank may set aside up to the greater of $4.5 million or 35 percent of its AHP annual contributions to fund homeownership programs. In 2012, 11 FHLBanks funded set-aside programs for their members with a combined total of $67 million.

FHLBank members use set-aside funds to assist low- or moderate-income households to purchase or rehabilitate a home. At least one-third of an FHLBank's aggregate set-aside contribution must be allocated for first-time homebuyers.

The maximum permissible amount of subsidy per household is $15,000. In 2012, the average subsidy for all households participating in the set-aside was $6,965. The most common use of set-aside assistance has been for down payment and closing cost assistance to borrowers. But since 2007, the number of set-aside grants used for owner-occupied home rehabilitation (such as lead-based paint removal, weather proofing, and accessibility retrofits) has increased.

FHLBank Community Investment Programs

The FHLBanks' Community Investment Programs (CIP) offer specialized advances to FHLBank members at the cost of the FHLBanks' consolidated obligations of comparable maturities, taking into account reasonable administrative costs. CIP funds can provide housing for households with incomes at or below 115 percent of area median income. CIP funds also may be used for economic development projects in low- and moderate-income neighborhoods or to benefit low- and moderate-income households. In 2012, the FHLBanks issued $2.2 billion in CIP advances for housing projects and $5.1 million for economic development projects.

The Community Investment Cash Advance Program (CICA) offers low-cost, long-term advances or grants for members and housing associates, such as state and local housing finance agencies and economic development finance authorities, to finance economic development projects. In 2012, the FHLBanks issued $1.3 billion in CICA advances for such projects as commercial, industrial, manufacturing, social services, and public facilities.

The most common use of set-aside assistance has been for down payment and closing cost assistance to borrowers. But since 2007, the number of set-aside grants used for owner-occupied home rehabilitation (such as lead-based paint removal, weather proofing, and accessibility retrofits) has increased.

CDFI Membership in FHLBanks

Community Development Financial Institutions (CDFIs) certified by the U.S. Department of the Treasury are eligible to become members of the FHLBank System in two ways. Those CDFIs that are insured depositories, such as federally insured banks, thrifts, and credit unions, are eligible to apply for membership as federally insured depositories. As of December 31, 2012, there were 131 federally insured CDFIs.

HERA authorized nondepository CDFIs, such as community development loan funds, to also apply for membership in an FHLBank. At the end of 2012, there were 12 nondepository CDFI members of the FHLBank System.

FHLBank Housing Goals

In December 2010, FHFA published a final rule establishing housing goals for the FHLBanks in the *Federal Register*. The housing goals measure the extent that acquired member assets programs of the FHLBanks are serving low- and very low-income families and families residing in low-income areas.

The housing goals for the FHLBanks are consistent with the single-family housing goals for Fannie Mae and Freddie Mac (according to the statutory intent of the Housing and Economic Recovery Act of 2008) but they take into account the unique characteristics of the FHLBanks.

The FHLBanks purchase loans from their members under the acquired member assets program, a whole loan mortgage purchase program. FHLBanks may elect whether or not to participate in the program.

The FHLBanks' housing goals performance is based on single-family whole loans purchased through their acquired member assets programs. In 2012, 8 of the 12 FHLBanks purchased whole loans through those programs.

To be subject to housing goals, the total unpaid principal balance of goal-eligible loans purchased through the acquired member assets programs held by an FHLBank must exceed $2.5 billion in a given year. This volume threshold ensures that an FHLBank has sufficient mortgage purchase volume for a housing goals program. However, mortgage purchase volumes did not individually exceed $2.5 billion at any of the FHLBanks, so none of the FHLBanks was subject to housing goals in 2012.

Regulations and Guidance

In 2012, FHFA issued 18 rules, proposed rules, regulatory interpretations, and policy guidance documents. Many of the regulations met specific statutory requirements. But some were regulations not specifically required by statute but which FHFA determined to be necessary or appropriate to support its mission as regulator and conservator for some or all of the 14 entities the agency regulates—Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks (FHLBanks).

The following tables summarize the rules, proposed rules, regulatory interpretations, and policy guidance documents, both proposed and final, that the agency issued during 2012. The tables also note if a proposed rule or policy guidance has been adopted in final form since the proposal was published.

More extensive information about each is on the agency's website at www.fhfa.gov. FHFA also has published the listed regulations in the *Federal Register*.

Regulations: All Regulated Entities (Enterprises and Federal Home Loan Banks)

	Rule/Regulation Title	Reference	Date (2012)	Description/Explanation/Comments
Proposed	Appraisals for Higher-Risk Mortgage Loans	77 FR 54722; 12 CFR Part 1222	September 5	The rule, proposed jointly by FHFA, the Consumer Financial Protection Bureau, Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), and National Credit Union Administration, would amend Regulation Z, which implements the Truth in Lending Act, to include a new provision requiring appraisals for "higher-risk mortgages." This regulation fulfills a Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requirement. The final rule was published on February 13, 2013 (78 FR 10368) but goes into effect January 18, 2014.
Proposed	Stress Testing of Regulated Entities	77 FR 60948; 12 CFR Part 1238	October 5	This rule will implement a Dodd-Frank Act requirement. FHFA, in coordination with the Federal Reserve Board and the Federal Insurance Office, will require certain financial companies to conduct annual stress tests to determine if the companies have the capital necessary to absorb losses in adverse economic conditions. The proposed rule would establish the stress test framework, including the methodology, reporting, and publication requirements. FHFA will separately publish, on an annual basis, the scenarios to be used by its regulated entities in applying the stress test methodology. The proposed rule is comparable to rules adopted by the Federal Reserve Board, OCC, and FDIC.
Final	Private Transfer Fees	77 FR 15566; 12 CFR Part 1228	March 16	This regulation restricts FHFA's regulated entities from dealing in mortgages on properties encumbered by certain types of private transfer fee covenants and in certain related securities. The final rule was intended to protect the regulated entities from exposure to mortgages with such covenants that could impair their value and increase risk to financial safety and soundness. FHFA intends the regulated entities to develop reasonable means and appropriate methods to implement the rule in consultation with FHFA. The regulation would apply to private transfer fee covenants created on or after February 8, 2011, with a few exceptions. The regulation went into effect July 16, 2012.
Final	Prudential Management and Operations Standards	77 FR 33950; 12 CFR Part 1236	June 8	This regulation implements the Prudential Management and Operations Standards section that the Housing and Economic Recovery Act of 2008 added to the Federal Housing Enterprises Safety and Soundness Act of 1992. This rule establishes standards, in the form of guidelines, for aspects of management and operations of the regulated entities. The guidelines are set out in an appendix to the rule. The final rule includes possible consequences for a regulated entity that fails to operate according to the standards. The regulation went into effect August 7, 2012.

Regulations: Enterprises

	Rule/Regulation Title	Reference	Date (2012)	Description/Explanation/Comments
Proposed	Mortgage Assets Affected by PACE (Property Assessed Clean Energy) Programs	77 FR 3958; 12 CFR Part 1254	January 26	An Advance Notice of Proposed Rulemaking and Notice of Intent to prepare an environmental impact statement requested comments concerning mortgage assets affected by Property Assessed Clean Energy programs, known as PACE, and potential environmental impacts. The advance notice sought comment on whether the restrictions and conditions set forth in the agency's statement of July 6, 2010, and directive of February 28, 2011, should be maintained, changed, or eliminated, and whether other restrictions or conditions should be imposed. The statement and directive stated FHFA's determination that certain energy retrofit lending programs present significant safety and soundness concerns that the regulated entities must address because such programs attach a security interest with priority over a property's first mortgage.
	2012-2014 Enterprise Housing Goals	77 FR 34263; 12 CFR Part 1282	June 11	This proposal requested comments on establishing annual housing goals for mortgages purchased by the Enterprises. FHFA previously established housing goals for the Enterprises through 2011. This rule would establish new levels for the housing goals for 2012 through 2014, consistent with the requirements of the Safety and Soundness Act.
	Enterprise Underwriting Standards (PACE Programs)	77 FR 36086; 12 CFR 1254	June 15	This proposed rule would restrict the Enterprises concerning underwriting standards for mortgage assets affected by PACE programs. The proposal invited comments from the public on development of a final rule. This proposed rule followed the January 26 Advance Notice of Proposed Rulemaking. The U.S. District Court for the Northern District of California directed FHFA to publish a final rule by May 13, 2013, but that order was vacated and the case dismissed by the U.S. Court of Appeals for the 9th Circuit on March 19, 2013.
Final	2012-2014 Enterprise Housing Goals	77 FR 67535 (corrected at 77 FR 75361); 12 CFR Part 1282	November 13; December 20	This rule establishes new benchmark levels for single-family and multifamily housing goals for 2012 through 2014 for mortgages purchased by the Enterprises, consistent with the requirements of the Safety and Soundness Act. The final rule went into effect December 13, 2012, and a correction was effective on December 20, 2012.

Regulations: Agency Operations

	Rule/Regulation Title	Reference	Date (2012)	Description/Explanation/Comments
Proposed	Rules of Practice and Procedure: Enterprise's and Federal Home Loan Bank's Housing Goals Related to Enforcement Amendment	77 FR 72247; 12 CFR Part 1209	December 5	This regulation would amend FHFA's enforcement procedures to extend them to: • any cease and desist or civil money penalty proceedings brought against the regulated entities for failure to submit or follow a housing plan; or • failure of an Enterprise to submit information on its housing activities.
Final	Privacy Act Implementation	77 FR 4645; 12 CFR Part 1204	January 31	This was the 2011 interim final rule that revised FHFA's implementing regulation under the Privacy Act of 1974. The final regulation went into effect January 31, 2012.
	Freedom of Information Act Implementation	77 FR 4643; 12 CFR 1202	January 31	This was the 2011 interim final rule that revised FHFA's Freedom of Information Act regulation. The final regulation went into effect January 31, 2012.
	Organization and Functions and Seal	77 FR 73263; 12 CFR Part 1200	December 10	This rule describes FHFA's organization and seal and logo and removed comparable regulations of the former Federal Housing Finance Board and the Office of Federal Housing Enterprise Oversight. The final rule went into effect December 10, 2012.

Regulatory Interpretations: FHLBanks

Rule/Regulation Title	Reference	Date (2012)	Description/Explanation/Comments
Calculation of Insurance Company Tangible Capital	2012-RI-01	February 8	An FHLBank may base its calculation of tangible capital for an insurance company member on financial statements based on statutory accounting principles if the insurance company member does not otherwise prepare financial statements based on Generally Accepted Accounting Principles.
Membership—Determination of Principal Place of Business	2012-RI-02	April 3	The fact that a nondepository institution has been organized under the laws of a particular state is not enough to establish that state as the principal place of business. An FHLBank should resolve the question by identifying where the applicant for FHLBank membership actually conducts its principal business operations.

Policy Guidance: All Regulated Entities

Policy Subject	Reference	Date (2012)	Description/Explanation/Comments
Advisory Bulletin on Categories for Examination Findings	2012-AB-01	April 2	Established categories for safety and soundness and Affordable Housing Program examination findings for the regulated entities. Examination findings are deficiencies related to risk management, risk exposure, or violations of laws, regulations, or orders that affect the performance or condition of a regulated entity. This advisory bulletin establishes a hierarchy of examination findings categories that distinguish levels of seriousness to identify priorities for remediation by the regulated entities and guide FHFA in developing supervisory strategies.
Advisory Bulletin on Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention	2012-AB-02	April 9	Established guidelines for adverse classification and identification of special mention assets and off-balance sheet credit exposures at the regulated entities, excluding investment securities. These guidelines include sound practices for managing credit risk at the regulated entities. A clarification of implementation of this bulletin was issued in Advisory Bulletin 2013-AB-02, May 13, 2013.
Advisory Bulletin on FHFA Examination Rating System	2012-AB-03	December 19	Communicates the new examination rating system to be used when examining the regulated entities and the FHLBanks' Office of Finance. The FHFA Examination Rating System replaces the rating systems previously developed by FHFA's predecessor agencies. The new rating system is based on assessment of seven individual components: Capital, Asset quality, Management, Earnings, Liquidity, Sensitivity to market risk, and Operational risk, known as the CAMELSO framework.

Policy Guidance: Federal Home Loan Banks

	Policy Subject	Reference	Date (2012)	Description/Explanation/Comments
Proposed	Advisory Bulletin on Collateralization of Advances and Other Credit Products Provided by Federal Home Loan Banks to Insurance Company Members	2013-AB-XX	October 5	FHFA requested comment on establishing standards to guide agency staff in its supervision of secured lending to insurance company members by the FHLBanks. (See Notice No. 2012–N–14 at 77 FR 60988.)

Research and Publications

During 2012, the Federal Housing Finance Agency (FHFA) focused research plans and activities on conducting studies and preparing reports required by statute and analyzing issues related to the agency's strategic goals.

In 2012, our top priorities were conducting research to prepare three reports to Congress required by the Housing and Economic Recovery Act of 2008 (HERA) and understanding trends in house prices, housing market conditions, and mortgage lending activity.

In addition, we analyzed the risk and capital adequacy of the housing government-sponsored enterprises (GSEs) and prepared research publications aimed at improving public understanding of the mortgage finance system.

We published reports and papers and posted information on the agency website (www.fhfa.gov). Our researchers also presented papers and led discussions at professional and industry conferences on topics related to housing finance and regulation of the housing GSEs.

Reports to Congress

In 2012, we submitted the following three reports to Congress, as required by HERA:

1. **Guarantee Fees Study.** HERA requires FHFA to conduct an on-going study of the guarantee fees charged by Fannie Mae and Freddie Mac and to submit annual reports to Congress, based on aggregated data collected from the Enterprises, regarding the amount of those fees and the criteria the Enterprises used to determine them.

   In August, we submitted our fourth annual guarantee-fee report, *Fannie Mae and Freddie Mac Single-Family Guarantee Fees in 2010 and 2011*. The report focused on fees charged by the Enterprises for guaranteeing conventional single-family mortgages, which are loans not insured or guaranteed by the federal government that finance properties with four or fewer residential units.

2. **Annual Housing Report.** HERA requires FHFA to submit annually to Congress a report on the housing activities of Fannie Mae and Freddie Mac. We submitted our fourth *Annual Housing Report* November 1, 2012. That report detailed Enterprise housing goal performance in 2011 and included information on other aspects of FHFA and Enterprise activities.

3. **FHLBank Advance Collateral Study.** HERA requires FHFA to submit annually to Congress a report on the collateral pledged to the Federal Home Loan Banks to secure advances. In August, we released our fourth *Report on Collateral Pledged to Federal Home Loan Banks* with the results of FHFA's 2012 Collateral Data Survey.

House Price Index and Related Research

Distress-free Indexes

Since the housing bust began several years ago, quarter-to-quarter variability in the number of distressed transactions, such as sales of real estate owned (known as REO or bank-owned properties) and short sales, has affected price movements reported in FHFA's House Price Indexes.

In 2012, we expanded our suite of house price indexes to include a "distress-free" house price index for 12 large metropolitan statistical areas throughout the country. Those measures eliminate the direct effects of distressed sales on measured price trends by removing such transactions from the dataset used for estimation.

Identifying distressed sales is not a straightforward exercise. We devoted a significant amount of research to developing a methodology for identifying distressed sales in 2012.

We could easily identify certain types of distressed sales, such as situations where the seller had an Enterprise-guaranteed mortgage or a buyer was purchasing an Enterprise-owned property. But in other cases, it was difficult or impossible to know whether a sale in the HPI data sample was a property sold in distress.

We published the results of one exploratory methodology for identifying distressed sales along with the release of the house price index (HPI) for the first quarter of 2012.

The approach used electronic appraisal records for Enterprise-guaranteed loans originated in Arizona in late 2011 and early 2012. The records identified whether each appraised property was sold in a distress situation.

The Arizona data was part of a new Enterprise initiative requiring all appraisal data to be submitted electronically in the future. This meant we could use the approach on an ongoing basis to identify distressed sales and produce a distress-free house price index.

But the approach had a significant flaw—the data had limited historical coverage. The Enterprises had just begun capturing the detailed appraisal data so the ability to identify distressed transactions in prior periods was extremely limited. The gaps made it difficult to interpret historical price trends that would be reflected in a distress-free index produced with that data.

After more research, we tried another approach in the summer of 2012, which we described in detail in the HPI "Highlights" article published with the second quarter HPI. For this approach, we used historical county records data licensed from an external contractor. For individual properties, the licensed data included historical preforeclosure filing information, such as legal filings of "Notices of Default" and "Lis Pendens," or pending suits.

These types of filings indicate situations where borrowers have been late on payments, so we could deduce that sales that occurred shortly after filings were either short sales or sales of bank-owned properties. Being able to use preforeclosure data to identify short sales was particularly valuable because, while other data sources might sometimes identify REO sales, short sales were almost impossible to identify if the seller's mortgage had not been acquired by one of the Enterprises.

Identifying distressed sales is not a straightforward exercise. We devoted a significant amount of research to developing a methodology for identifying distressed sales in 2012.

Using the preforeclosure data and other data available to FHFA, such as mortgage performance data for Enterprise-guaranteed and loans endorsed by the Federal Housing Administration and lien data from county recorder offices, we began to publish the distress-free indexes for 12 large metropolitan areas across the country.

In the second quarter and subsequent house price index releases, we compared price trends for the standard HPI and the distress-free HPI. The empirical estimates, which are available to download at www.fhfa.gov, suggested that the share of distressed sales had decreased for most of the 12 covered metropolitan areas over the previous year. When we removed the effects of the reduction from the index by stripping all distressed sales from the data sample, the measured price increase over the preceding year was lower.

Expanded Data Indexes

In addition to developing the methodology for the distress-free HPI, other 2012 research led to the production of "expanded-data" indexes for metropolitan areas.

Before 2012, our suite of indexes had included expanded-data indexes—which had additional types of property transactions in the indexing data sample—published for states and larger geographic areas, such as census divisions. In 2012, we began publishing indexes for the 25 largest metropolitan areas.

HPI Highlights

In early 2012, our HPI-related research explored the source of first-revision patterns that had been consistently negative for a year-and-a-half. This meant that the initial estimate of a month's price change was consistently being revised downward to reflect greater price declines when new data became available. Since we saw no obvious reason for the continuing need for downward revisions, we began looking for the cause.

The Highlights article we published with the fourth-quarter 2011 HPI (released in February 2012) based on available data for sales of Enterprise-owned REO properties reported evidence suggesting a link to distressed sales. In particular, sales of Enterprise REO properties were showing up in the HPI data sample with a larger-than-usual "lag." This meant the initial estimate of a given month's price change tended to have a relatively small share of REO transactions. As additional transaction data became available for each month, the share of REO transactions rose, which produced larger estimated price declines.

HPI-Related Working Papers

FHFA also published one HPI-related working paper in 2012. The paper describes technical problems that arise when attempting to produce house price indexes for homes in different price tiers (low-, medium-, and high-priced properties). Our research showed the approach currently used by S&P/Case-Shiller to produce its suite of tier-specific price indexes can show biased measures of price changes. The paper shows how much bias might exist and describes a simple solution. Though not perfect, the solution may be a better method for assigning homes to correct price tiers. The paper reports trends estimated using our new methodology and compares them to estimates formed under the biased approach.

Other Research Products

FHFA published several other research products in 2012. In July, we published *FHFA Technical Analysis of Principal Forgiveness*, which assessed the costs and benefits of the Enterprises forgiving mortgage principal under the Home Affordable Modification Program Principal Reduction Alternative. The paper described modeling results and the effect principal forgiveness may have on future defaults. The technical appendix to the paper described the modeling work done to assess principal forgiveness and the sensitivity of the modeling results to various assumptions about borrower characteristics and borrower response.

In December 2012, we released *Housing and Mortgage Markets in 2011*, a review of developments in the housing sector and mortgage markets in the United States in 2011.

Mortgage Market Notes

In September 2012, we released two mortgage market notes. The first, *A Primer on Price Discount of REO Properties*, examined the reasons why repossessed houses (REO properties) sell at prices lower than property values.

The second, *20-Year vs. 30-Year Refinance Option*, showed the results for underwater borrowers of choosing between two mortgage products available under the Home Affordable Refinance Program. The first is a 30-year fixed-rate mortgage that will lower the monthly payment but extend the amount of time the borrower is underwater. The second is a 20-year fixed-rate mortgage that will not meaningfully lower the monthly payment but will significantly reduce the amount of time the borrower is underwater.

Working Papers

FHFA published two staff working papers in 2012. In addition to *House Price Indexes for Homes in Different Price Tiers: Biases and Correction,* we published *Countercyclical Capital Regime: A Proposed Design and Empirical Evaluation* in April. This paper offered a design of a countercyclical capital regime that would require entities acquiring or guaranteeing single-family mortgages to hold increasingly higher amounts of capital for new acquisitions as house prices rise above the long-term trend.

Correspondingly, the capital required for new mortgage acquisitions would decrease as house prices fall relative to the long-term trend. Broadly applied to the market, this method would prevent future housing price bubbles by dampening demand for mortgage assets when house prices increase.

The paper also examined how the proposed regime would have worked if it had been applied to Fannie Mae's portfolio of fixed-rate 30-year loans acquired from 2002 to 2010.

National Mortgage Database Initiative

In 2012, FHFA began a major initiative to build a national mortgage database on first-lien single-family mortgages in existence any time from January 1998 to June 2012 (and beyond). This project is being jointly funded and managed by FHFA and the Consumer Financial Protection Bureau.

The database will include information about:

- loan performance from origination to termination;
- loan terms;
- property value and characteristics;
- membership in federal loan programs;
- sale in the secondary mortgage market; and
- information on all loan cosigners, including second liens, other past and present mortgages, and credit scores from one year before origination to one year after termination.

We've put significant safeguards in place to ensure consumer information in the database is handled in accordance with federal privacy laws and the Fair Credit Reporting Act. Mortgages will remain in the database until they end because of prepayment, default (foreclosure), or maturity (pay off).

The database will be built from credit repository data through a five-year contract with Experian Information Services. The credit data will be supplemented with marketing data and merged with data from public sources, including national property databases, census data, and administrative mortgage servicing file data collected from government-affiliated mortgage programs.

We've put significant safeguards in place to ensure consumer information in the database is handled in accordance with federal privacy laws and the Fair Credit Reporting Act. Mortgages will remain in the database until they end because of prepayment, default (foreclosure), or maturity (pay off).

The database will be comprehensive, and there are many possibilities for how it may be used. Some examples include:

- **Analysis of delinquent borrowers.** The monthly data on the performance of all outstanding mortgages can be used to measure trends in delinquencies for first and associated second-lien mortgages.
- **Benchmarking loan performance.** The database can be used to benchmark performance for regulatory oversight because it represents the full mortgage market.

- **Loss mitigation, borrower counseling, and loan modification programs**. The database can be used to evaluate the efficacy and potential impact of counseling programs.
- **Suitability and sustainability.** The database will include a survey component that measures variables such as borrowers' expectations, knowledge, and financial circumstances. These data can be used to analyze the suitability of borrowers' mortgage choices and identify predatory lending.
- **Subprime mortgage crisis.** Because the data goes back to 1998, the database can be used to assess the causes of the recent subprime crisis.
- **Affordable lending.** The database will provide information on mortgage access and mortgage terms for low-income borrowers and communities faster than data required by the Home Mortgage Disclosure Act, or HMDA. Currently, HMDA data become available in September of the year following the originations.
- **Stress tests, prepayment, and default modeling.** The database can be used by policy makers, researchers, and regulators to improve prepayment and default modeling. For example, survey information on "trigger events" coupled with house-price estimates can be used to examine the role of these factors in mortgage default. Data may also be used to implement stress-test scenarios for the entire national mortgage market.

FHFA Operations and Performance

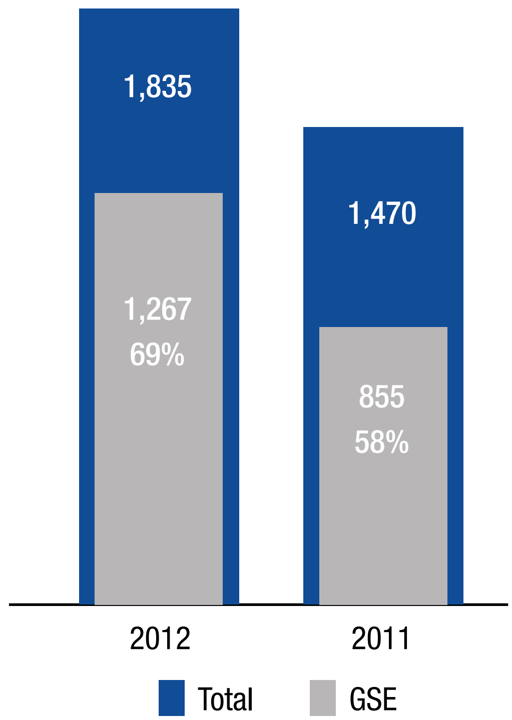
Like other federal agencies, FHFA operates on a fiscal year calendar that runs from October to September. We measure our performance based on the fiscal calendar. During fiscal year (FY) 2012, FHFA continued to serve as conservator of Fannie Mae and Freddie Mac (the Enterprises) while supervising and regulating the 12 Federal Home Loan Banks (FHLBanks) and the FHLBanks' joint Office of Finance to promote their safety and soundness, support housing finance, affordable housing, and a stable and liquid mortgage market.

We also initiated several new initiatives during the year, including HARP 2.0 (see page 4), REO disposition initiative (see page 7), Servicing Alignment Initiative (see page 11), and Loan-Level Data Disclosure initiative to address challenges still facing the housing finance system.

In FY 2012, Fannie Mae and Freddie Mac continued to provide the majority of mortgage securitizations to the secondary market and liquidity to the residential housing market (see Figure 22). Mortgage originations decreased from 2010 to 2011, but in calendar year 2012, mortgage originations were well above 2011 levels.

The FHLBanks continued to provide financing to large and small member institutions through advances. In addition, the FHLBanks' capital levels remained at or near historic highs during the fiscal year. Retained earnings have increased dramatically in the past five years and now top $10 billion.

Figure 22 • Mortgage Acqusitions by Fannie Mae and Freddie Mac and Total Originations



Source: *Inside Mortgage Finance*

Performance and Program Assessment

On November 15, 2012, we published the annual agency *Performance and Accountability Report (PAR)*, detailing the agency's strategic goals, performance, and achievements for FY 2012. For the fifth consecutive year, the Association of Government Accountants awarded FHFA the Certificate for Excellence in Accountability Reporting (CEAR) for FY 2012.

The CEAR award is presented to agencies that have demonstrated excellence in integrating performance and accountability reporting. Only agencies with unqualified opinions on their financial reports from an independent auditor are eligible to be considered.

During FY 2012, we met or exceeded 23 (92 percent) of our performance measures and did not meet two (8 percent) In FY 2011, we met 86 percent of our performance targets.

Also in FY 2012, FHFA reviewed its information security program through its internal audit function in compliance with the Federal Information Security Management Act (FISMA). The FHFA Office of Inspector General (OIG) conducted several audits, including a network vulnerability assessment that yielded no findings.

Performance Highlights

Here are highlights of FHFA's key FY 2012 activities and accomplishments by strategic goal:

Safety and Soundness

Supervision Strategies—Developed a single framework for written examination findings applicable to both the Enterprises and FHLBanks. In addition, a common examination manual was developed and tested.

Refinements to the Organization—Created the new Division of Supervision Policy and Support to improve the efficiency and effectiveness of examinations and other oversight functions.

Examinations—Conducted annual and targeted examinations at the Enterprises and the 12 FHLBanks to assess their safety and soundness, evaluate their risk management and governance, and review their support for housing finance and affordable housing.

The FHLBanks' financial condition and performance in terms of return on assets and return on equity remained fairly stable. All FHLBanks exceeded the minimum statutory capital requirement and their risk-based capital requirements at year end.

Housing Mission

Enhanced HARP—Worked collaboratively with the Enterprises and other industry participants to increase access to the Home Affordable Refinance Program (HARP) for responsible borrowers. The resulting enhancements to the original HARP program, known as HARP 2.0, allowed more homeowners to be eligible for the program.

Streamlined Short Sales—Directed the Enterprises to consolidate four existing short sale programs into one Standard Short Sale Program. The newly enhanced and streamlined program rules will enable servicers to quickly qualify eligible borrowers for a short sale. The new guidelines went into effect on November 1, 2012.

Initiated REO Disposition—Launched initiative to sell in bulk properties owned by Fannie Mae, Freddie Mac, and the Federal Housing Administration, known as real estate owned, in neighborhoods and states hit especially hard by the housing crisis.

Conservatorship

Senior Preferred Stock Purchase Agreements—Modified the Senior Preferred Stock Purchase agreements with the U.S. Department of the Treasury. The changes include accelerating reduction of the retained mortgage investment portfolios of the Enterprises from 10 percent per year to 15 percent per year.

Servicing Alignment Initiative—Directed the Enterprises to focus on foreclosure prevention options with the goal of directing mortgage servicers' resources and attention on moving all borrowers into alternatives to foreclosure quickly and efficiently.

Uniform Mortgage Data Program—Directed the Enterprises to develop a mandatory Uniform Collateral Data Portal to ensure all lenders submit standard appraisal forms and data electronically

G-Fees—Directed the Enterprises to make further changes to the single-family guarantee fees they charge lenders to be effective in December 2012.

Enterprise Leadership—Appointed new chief executive officers (CEOs) for Fannie Mae and Freddie Mac.

FHFA Leadership—Appointed an executive to lead the newly established Office of Strategic Initiatives to coordinate and oversee the activities associated with the 2012 *Strategic Plan for Enterprise Conservatorships*.

Resource Management

In January 2012, we consolidated our operations from three separate locations into new headquarters at Constitution Center in Washington, D.C. The move was designed to improve collaboration and communications among staff and program areas.

Disciplined Performance Management

During FY 2012, the agency developed a new *Strategic Plan for Fiscal Years 2013-2017* and released it in early October 2012. The plan sets four strategic goals:

1) Safe and sound housing GSEs.
2) Stability, liquidity, and access in housing finance.
3) Preserve and conserve Enterprise assets.
4) Prepare for the future of housing finance in the United States.

The new strategic plan builds on the *Strategic Plan for Enterprise Conservatorships* (a plan for the next phase of the conservatorships released in February 2012) and lays out a series of initiatives and strategies designed to improve current mortgage processes, inspire greater confidence among potential market participants, and set the stage for an improved future system of housing finance.

The agency also released its *FY 2013 Annual Performance Plan* in FY 2012, which includes new performance measures for monitoring progress toward meeting the strategic and performance goals described in the *Strategic Plan for Fiscal Years 2013-2017*. Our executive leaders used a rigorous review process to develop the measures in the annual plan. Instead of aiming for incremental improvement changes, we developed measures that address both Government Accountability Office (GAO) and OIG recommendations and focus on long-term objectives for the nation's housing finance system.

Financial Operations

Financial Highlights

The Housing and Economic Recovery Act of 2008 (HERA) authorizes FHFA to collect annual assessments from its regulated entities to pay its costs and expenses and maintain a working capital fund. Under HERA, FHFA levies annual assessments against the Enterprises and the FHLBanks to cover the cost and expenses of the agency's supervision.

In FY 2012, we had $304.6[16] million in total budgetary resources, which included $224.4 million in assessments, $38.7 million in unobligated balance from FY 2011, and $41.6 in offsetting collections. Obligations incurred increased by $33.2 million to $259.1 million in FY 2012. Gross outlays increased by $75.3 million to $262.2 million in FY 2012.

Federal Management System and Strategy

HERA requires FHFA to implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government General Ledger at the transaction level.

Figure 23 • FHFA Financial Highlights ($ in Millions)

	2012	2011	Incresae
Total Budgetary Resources	$ 305	$ 254	20%
Assessments	$ 224	$ 201	12%
2011 Balance Forward	$ 28	$ 23	22%
Recoveries of 2011 Unpaid Obligations	$ 11	$ 1	1000%
Oligations Incurred	$ 259	$ 226	15%
Gross Outlays	$ 262	$ 187	40%
Number of FTE	551	526	5%

Source: Federal Housing Finance Agency

[16] The Office of Inspector General is included in this figure. See the FHFA *2012 Performance and Accountability* report (www.fhfa.gov/Webfiles/24632/2012FHFAPARF.pdf), page 85, for Combined Statements of Budgetary Resources.

FHFA and OIG use the Treasury Department's Bureau of the Public Debt's accounting services and financial management system. FHFA is responsible for overseeing the Bureau of the Public Debt's accounting services for the agency. We also use the National Finance Center, a service provider within the Department of Agriculture, for payroll and personnel processing. We have streamlined accounting processes by electronically interfacing data from charge cards, investment activities, the GovTrip travel system, the PRISM procurement system, and the National Finance Center payroll system to the financial management system.

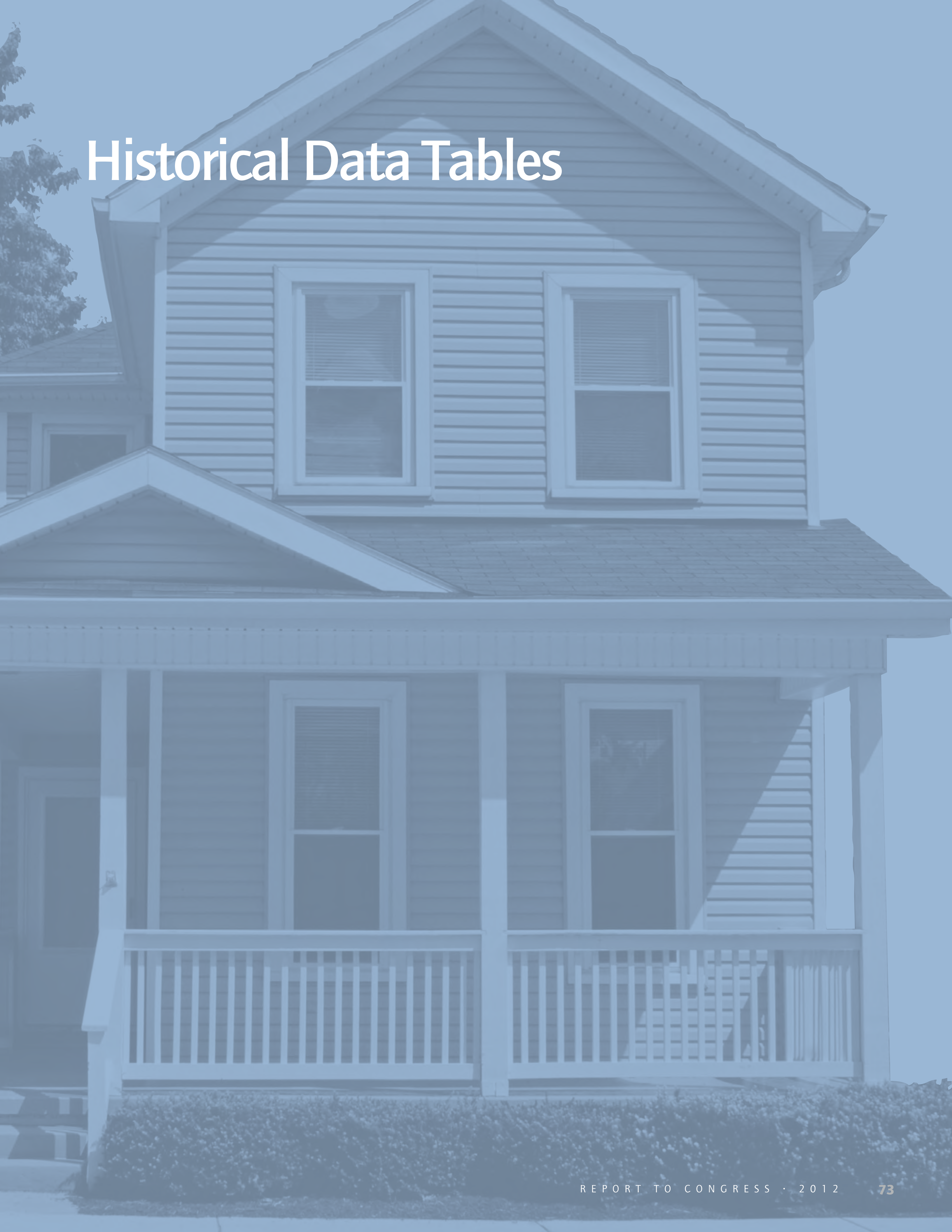
Management Report on Final Action

FHFA must report information on final action taken by management on certain audit reports as required by the Inspector General Act of 1978. OIG did not identify any disallowed costs or funds that could be put to better use for FY 2012.

Unqualified Audit Opinions in FY 2012

For the fourth consecutive year, FHFA received an unqualified (clean) opinion on its financial statements from GAO. FHFA had no material internal control weaknesses, and our FY 2012 financial and performance data were reliable and complete in accordance with Office of Management and Budget Circular A-123.

Historical Data Tables



Historical Data Tables • Contents

Table 1. Fannie Mae Mortgage Purchases

Period	Business Activity ($ in Millions)			
	Purchases			
	Single-Family[a] ($)	Multifamily[a] ($)	Total Mortgages[a] ($)	Mortgage-Related Securities[b] ($)
4Q12	228,312	10,858	239,170	9,424
3Q12	232,532	8,507	241,039	6,959
2Q12	175,672	6,726	182,398	5,520
1Q12	199,478	7,303	206,781	4,971
Annual Data				
2012	835,994	33,394	869,388	26,874
2011	558,249	24,226	582,475	20,760
2010	607,827	17,302	625,129	44,495
2009	700,253	19,912	720,165	161,562
2008	582,947	34,288	617,235	77,523
2007	659,366	45,302	704,668	69,236
2006	524,379	20,646	545,025	102,666
2005	537,004	21,485	558,489	62,232
2004	588,119	16,386	604,505	176,385
2003	1,322,193	31,196	1,353,389	408,606
2002	804,192	16,772	820,964	268,574
2001	567,673	19,131	586,804	209,124
2000	227,069	10,377	237,446	129,716
1999	316,136	10,012	326,148	169,905
1998	354,920	11,428	366,348	147,260
1997	159,921	6,534	166,455	50,317
1996	164,456	6,451	170,907	46,743
1995	126,003	4,966	130,969	36,258
1994	158,229	3,839	162,068	25,905
1993	289,826	4,135	293,961	6,606
1992	248,603	2,956	251,559	5,428
1991	133,551	3,204	136,755	3,080
1990	111,007	3,180	114,187	1,451
1989	80,510	4,325	84,835	Not Applicable Before 1990
1988	64,613	4,170	68,783	
1987	73,942	1,733	75,675	
1986	77,223	1,877	79,100	
1985	42,543	1,200	43,743	
1984	27,713	1,106	28,819	
1983	26,339	140	26,479	
1982	25,929	10	25,939	
1981	6,827	2	6,829	
1980	8,074	27	8,101	
1979	10,798	9	10,807	
1978	12,302	3	12,305	
1977	4,650	134	4,784	
1976	3,337	295	3,632	
1975	3,646	674	4,320	
1974	4,746	2,273	7,019	
1973	4,170	2,082	6,252	
1972	2,596	1,268	3,864	
1971	2,742	1,298	4,040	

Source: Fannie Mae

[a] Includes lender-originated mortgage-backed securities (MBS) issuances, cash purchases, and capitalized interest. Based on unpaid principal balances. Excludes mortgage loans and securities traded but not yet settled. Excludes delinquent loans purchased from MBS trusts.

[b] Not included in total mortgage purchases. Includes purchases of Fannie Mae MBS held for investment and mortgage-related securities traded but not yet settled. Based on unpaid principal balances. Includes activity from settlements of dollar rolls accounted for as purchases and sales of securities but does not include activity from settlements of dollar rolls accounted for as secured financings.

Table 1a. Fannie Mae Mortgage Purchases Detail by Type of Loan

Period	Purchases ($ in Millions)[a]										
	Single-Family Mortgages								Multifamily Mortgages			Total Mortgage Purchases ($)
	Conventional				FHA/VA[c]			Total Single-Family Mortgages ($)				
	Fixed-Rate[b] ($)	Adjustable-Rate ($)	Seconds ($)	Total ($)	Fixed-Rate[c] ($)	Adjustable-Rate ($)	Total ($)		Conventional ($)	FHA/RD[c] ($)	Total Multifamily Mortgages ($)	
4Q12	222,630	5,002	4	227,636	165	511	676	228,312	10,858	0	10,858	239,170
3Q12	225,140	6,670	4	231,814	180	538	718	232,532	8,507	0	8,507	241,039
2Q12	168,029	6,940	5	174,974	152	546	698	175,672	6,726	0	6,726	182,398
1Q12	190,266	8,530	6	198,802	116	560	676	199,478	7,303	0	7,303	206,781
Annual Data												
2012	806,065	27,142	19	833,226	613	2,155	2,768	835,994	33,394	0	33,394	869,388
2011	517,469	36,837	27	554,333	524	3,392	3,916	558,249	24,226	0	24,226	582,475
2010	565,531	38,023	68	603,622	516	3,689	4,205	607,827	17,299	3	17,302	625,129
2009	663,763	23,108	0	686,871	1,136	12,246	13,382	700,253	19,517	395	19,912	720,165
2008	517,673	46,910	6	564,589	1,174	17,184	18,358	582,947	34,288	0	34,288	617,235
2007	583,253	64,133	34	647,420	1,237	10,709	11,946	659,366	45,302	0	45,302	704,668
2006	429,930	85,313	130	515,373	1,576	7,430	9,006	524,379	20,644	2	20,646	545,025
2005	416,720	111,935	116	528,771	2,285	5,948	8,233	537,004	21,343	142	21,485	558,489
2004	527,456	46,772	51	574,279	9,967	3,873	13,840	588,119	13,684	2,702	16,386	604,505
2003	1,236,045	64,980	93	1,301,118	18,032	3,043	21,075	1,322,193	28,071	3,125	31,196	1,353,389
2002	738,177	48,617	40	786,834	15,810	1,548	17,358	804,192	15,089	1,683	16,772	820,964
2001	534,115	25,648	1,137	560,900	5,671	1,102	6,773	567,673	17,849	1,282	19,131	586,804
2000	187,236	33,809	726	221,771	4,378	920	5,298	227,069	9,127	1,250	10,377	237,446
1999	293,188	12,138	1,198	306,524	8,529	1,084	9,613	316,137	8,858	1,153	10,011	326,148
1998	334,367	14,273	1	348,641	5,768	511	6,279	354,920	10,844	584	11,428	366,348
1997	136,329	21,095	3	157,427	2,062	432	2,494	159,921	5,936	598	6,534	166,455
1996	146,154	15,550	3	161,707	2,415	334	2,749	164,456	6,199	252	6,451	170,907
1995	104,901	17,978	9	122,888	3,009	106	3,115	126,003	4,677	289	4,966	130,969
1994	139,815	16,340	8	156,163	1,953	113	2,066	158,229	3,620	219	3,839	162,068
1993	274,402	14,420	29	288,851	855	120	975	289,826	3,919	216	4,135	293,961
1992	226,332	21,001	136	247,469	1,055	79	1,134	248,603	2,845	111	2,956	251,559
1991	114,321	17,187	705	132,213	1,300	38	1,338	133,551	3,183	21	3,204	136,755
1990	95,011	14,528	654	110,193	799	15	814	111,007	3,165	15	3,180	114,187
1989	60,794	17,692	521	79,007	1,489	14	1,503	80,510	4,309	16	4,325	84,835
1988	35,767	27,492	433	63,692	823	98	921	64,613	4,149	21	4,170	68,783
1987	60,434	10,675	139	71,248	2,649	45	2,694	73,942	1,463	270	1,733	75,675
1986	58,251	7,305	498	66,054	11,155	14	11,169	77,223	1,877	0	1,877	79,100
1985	29,993	10,736	871	41,600	927	16	943	42,543	1,200	0	1,200	43,743
1984	17,998	8,049	937	26,984	729	0	729	27,713	1,106	0	1,106	28,819
1983	18,136	4,853	1,408	24,397	1,942	0	1,942	26,339	128	12	140	26,479
1982	19,311	3,210	1,552	24,073	1,856	0	1,856	25,929	0	10	10	25,939
1981	4,260	107	176	4,543	2,284	0	2,284	6,827	0	2	2	6,829
1980	2,802	0	0	2,802	5,272	0	5,272	8,074	0	27	27	8,101
1979	5,410	0	0	5,410	5,388	0	5,388	10,798	0	9	9	10,807
1978	5,682	0	0	5,682	6,620	0	6,620	12,302	0	3	3	12,305
1977	2,366	0	0	2,366	2,284	0	2,284	4,650	0	134	134	4,784
1976	2,513	0	0	2,513	824	0	824	3,337	0	295	295	3,632
1975	547	0	0	547	3,099	0	3,099	3,646	0	674	674	4,320
1974	1,128	0	0	1,128	3,618	0	3,618	4,746	0	2,273	2,273	7,019
1973	939	0	0	939	3,231	0	3,231	4,170	0	2,082	2,082	6,252
1972	55	0	0	55	2,541	0	2,541	2,596	0	1,268	1,268	3,864
1971	0	0	0	0	2,742	0	2,742	2,742	0	1,298	1,298	4,040

Source: Fannie Mae

[a] Includes lender-originated mortgage-backed securities (MBS) issuances, cash purchases, and capitalized interest. Based on unpaid principal balances. Excludes mortgage loans traded but not yet settled. Excludes delinquent loans purchased from MBS trusts.

[b] Includes balloon loans. Includes energy loans before 2012.

[c] Includes loans guaranteed by the U.S. Department of Agriculture Rural Development (RD) loan programs. FHA stands for Federal Housing Administration. VA stands for U.S. Department of Veterans Affairs.

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

	Purchases ($ in Millions)[a]														
	Fannie Mae Securities				Other Securities										
	Single-Family				Freddie Mac				Ginnie Mae						
					Single-Family				Single-Family						
Period	Fixed-Rate[b] ($)	Adjustable-Rate ($)	Multi-family ($)	Total Fannie Mae[b] ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Multi-family ($)	Total Freddie Mac ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Multi-family ($)	Total Ginnie Mae ($)	Total Private-Label[b] ($)	Mortgage Revenue Bonds ($)	Total Mortgage-Related Securities ($)
4Q12	5,355	248	2,310	7,913	255	16	0	271	1,230	10	0	1,240	0	0	9,424
3Q12	4,572	267	1,718	6,557	146	0	0	146	247	9	0	256	0	0	6,959
2Q12	2,538	178	2,012	4,728	629	0	0	629	141	22	0	163	0	0	5,520
1Q12	1,862	149	2,746	4,757	72	0	0	72	127	15	0	142	0	0	4,971
Annual Data															
2012	14,327	842	8,786	23,955	1,102	16	0	1,118	1,745	56	0	1,801	0	0	26,874
2011	6,052	1,025	11,020	18,097	1,908	207	0	2,115	447	93	8	548	0	0	20,760
2010	27,694	301	8,000	35,995	7,095	117	0	7,212	1,263	1	24	1,288	0	0	44,495
2009	92,189	326	5,531	98,046	61,861	158	0	62,019	1,495	0	0	1,495	0	2	161,562
2008	56,894	10,082	1,023	67,999	3,649	3,168	0	6,817	0	128	0	128	2,295	284	77,523
2007	16,126	8,277	506	24,909	2,017	4,055	0	6,072	0	35	0	35	37,435	785	69,236
2006	23,177	14,826	429	38,432	1,044	5,108	0	6,152	77	0	0	77	57,787	218	102,666
2005	8,273	6,344	888	15,505	121	3,449	0	3,570	0	0	0	0	41,369	1,788	62,232
2004	42,214	21,281	1,159	64,654	6,546	8,228	0	14,774	0	0	0	0	90,833	6,124	176,385
2003	341,461	5,842	1,225	348,528	19,340	502	0	19,842	36	0	0	36	34,032	6,168	408,606
2002	238,711	4,219	1,572	244,502	7,856	101	0	7,957	4,425	0	0	4,425	7,416	4,273	268,574
2001	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	180,582	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	20,072	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	333	3,513	4,624	209,124
2000				104,904				10,171				2,493	8,466	3,682	129,716
1999				125,498				6,861				17,561	16,511	3,474	169,905
1998				104,728				21,274				2,738	15,721	2,799	147,260
1997				39,033				2,119				3,508	4,188	1,469	50,317
1996				41,263				779				2,197	777	1,727	46,743
1995				30,432				2,832				20	752	2,222	36,258
1994				21,660				571				2,321	0	1,353	25,905
1993				6,275				0				0	0	331	6,606
1992				4,930				0				0	0	498	5,428
1991				2,384				0				0	0	696	3,080
1990				977				0				0	0	474	1,451

Source: Fannie Mae

[a] Includes purchases of Fannie Mae mortgage-backed securities held for investment. Based on unpaid principal balances. Includes mortgage-related securities traded but not yet settled. Includes activity from settlements of dollar rolls accounted for as purchases and sales of securities but does not include activity from settlements of dollar rolls accounted for as secured financings.

[b] Certain amounts previously reported as Fannie Mae fixed-rate securities have been reclassified as private-label securities.

Table 1b. Fannie Mae Purchases of Mortgage-Related Securities – Part 2, Private-Label Detail

Period	Purchases ($ in Millions)[a]								
	Private-Label								
	Single-Family							Multifamily ($)	Total Private-Label ($)
	Manufactured Housing ($)	Subprime		Alt-A		Other			
		Fixed-Rate ($)	Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)		
4Q12	0	0	0	0	0	0	0	0	0
3Q12	0	0	0	0	0	0	0	0	0
2Q12	0	0	0	0	0	0	0	0	0
1Q12	0	0	0	0	0	0	0	0	0
Annual Data									
2012	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0	0
2008	0	0	637	175	0	0	987	496	2,295
2007	0	343	15,628	38	5,250	0	178	15,998	37,435
2006	0	0	35,606	1,504	10,469	0	518	9,690	57,787
2005	0	0	24,469	3,574	12,535	118	571	102	41,369
2004	0	176	66,827	7,064	14,935	221	1,509	101	90,833
2003	0	0	25,769	7,734	370	98	0	61	34,032
2002	56	181	4,963	1,756	0	43	381	36	7,416
2001	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	3,513
2000									8,466
1999									16,511
1998									15,721
1997									4,188
1996									777
1995									752

Source: Fannie Mae

[a] Based on unpaid principal balances. Includes mortgage loans and mortgage-related securities traded but not yet settled. Certain amounts previously reported for years before 2007 have changed as a result of reclassifying certain securities.

Table 2. Fannie Mae MBS Issuances

Period	Business Activity ($ in Millions)			
	MBS Issuances[a]			
	Single-Family MBS ($)	Multifamily MBS ($)	Total MBS ($)	Multiclass MBS[b] ($)
4Q12	226,280	11,769	238,049	40,614
3Q12	229,671	9,576	239,247	39,340
2Q12	175,043	7,542	182,585	35,418
1Q12	196,755	8,851	205,606	35,867
Annual Data				
2012	827,749	37,738	865,487	151,239
2011	564,606	34,066	598,672	139,819
2010	603,247	26,499	629,746	179,767
2009	791,418	16,435	807,853	100,846
2008	536,951	5,862	542,813	67,559
2007	622,458	7,149	629,607	112,563
2006	476,161	5,543	481,704	124,856
2005	500,759	9,379	510,138	123,813
2004	545,635	6,847	552,482	94,686
2003	1,196,730	23,336	1,220,066	260,919
2002	731,133	12,497	743,630	170,795
2001	514,621	13,801	528,422	139,403
2000	204,066	7,596	211,662	39,544
1999	292,192	8,497	300,689	55,160
1998	315,120	11,028	326,148	84,147
1997	143,615	5,814	149,429	85,415
1996	144,201	5,668	149,869	30,780
1995	106,269	4,187	110,456	9,681
1994	128,385	2,237	130,622	73,365
1993	220,485	959	221,444	210,630
1992	193,187	850	194,037	170,205
1991	111,488	1,415	112,903	112,808
1990	96,006	689	96,695	68,291
1989	66,489	3,275	69,764	41,715
1988	51,120	3,758	54,878	17,005
1987	62,067	1,162	63,229	9,917
1986	60,017	549	60,566	2,400
1985	23,142	507	23,649	Not Issued 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	

Source: Fannie Mae

[a] Lender-originated mortgage-backed securities (MBS) plus issuances from Fannie Mae's investment portfolio. Based on unpaid principal balances. Excludes mortgage-related securities traded but not yet settled.

[b] Beginning in 2006, includes grantor trusts, real estate mortgage investment conduits, and stripped MBS backed by Fannie Mae certificates.

Table 3. Fannie Mae Earnings

Period	Earnings ($ in Millions)					
	Net Interest Income[a,b] ($)	Guarantee Fee Income[a] ($)	Administrative Expenses ($)	Credit-Related Expenses/ (Income)[c] ($)	Net Income (Loss) ($)	Return on Equity[d] (%)
4Q12	5,559	36	648	(2,365)	7,570	N/A
3Q12	5,317	56	588	2,031	1,821	N/A
2Q12	5,428	58	567	(3,111)	5,114	N/A
1Q12	5,197	62	564	2,339	2,719	N/A
Annual Data						
2012	21,501	212	2,367	(1,106)	17,224	N/A
2011	19,281	227	2,370	27,498	(16,855)	N/M
2010	16,409	202	2,597	26,614	(14,014)	N/M
2009	14,510	7,211	2,207	73,536	(71,969)	N/M
2008	8,782	7,621	1,979	29,809	(58,707)	N/M
2007	4,581	5,071	2,669	5,012	(2,050)	(8.3)
2006	6,752	4,250	3,076	783	4,059	11.3
2005	11,505	4,006	2,115	428	6,347	19.5
2004	18,081	3,784	1,656	363	4,967	16.6
2003	19,477	3,432	1,454	353	8,081	27.6
2002	18,426	2,516	1,156	273	3,914	15.2
2001	8,090	1,482	1,017	78	5,894	39.8
2000	5,674	1,351	905	94	4,448	25.6
1999	4,894	1,282	800	127	3,912	25.2
1998	4,110	1,229	708	261	3,418	25.2
1997	3,949	1,274	636	375	3,056	24.6
1996	3,592	1,196	560	409	2,725	24.1
1995	3,047	1,086	546	335	2,144	20.9
1994	2,823	1,083	525	378	2,132	24.3
1993	2,533	961	443	305	1,873	25.3
1992	2,058	834	381	320	1,623	26.5
1991	1,778	675	319	370	1,363	27.7
1990	1,593	536	286	310	1,173	33.7
1989	1,191	408	254	310	807	31.1
1988	837	328	218	365	507	25.2
1987	890	263	197	360	376	23.5
1986	384	175	175	306	105	9.5
1985	139	112	142	206	(7)	(0.7)
1984	(90)	78	112	86	(71)	(7.4)
1983	(9)	54	81	48	49	5.1
1982	(464)	16	60	36	(192)	(18.9)
1981	(429)	0	49	(28)	(206)	(17.2)
1980	21	Not Available Before 1981	44	19	14	0.9
1979	322		46	35	162	11.3
1978	294		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

N/A = not applicable

N/M = not meaningful

[a] Adoption of accounting guidance related to transfers of financial assets and consolidation of variable interest entities effective January 1, 2010, significantly changed presentation of these line items in the financial statements. Financial results for 2010 and later years are not directly comparable to previous years. Effective January 1, 2010, guarantee fee income associated with the securitization activities of consolidated trusts is reflected in net interest income.

[b] Interest income net of interest expense.

[c] Credit-related expenses (income) include provision (benefit) for loan losses and guarantee losses (collectively, credit losses) and foreclosed property expense (income).

[d] Net income (loss) available to common stockholders divided by average outstanding common equity.

Table 4. Fannie Mae Balance Sheet

End of Period	Balance Sheet ($ in Millions)								
	Total Assets[a,b] ($)	Total Mortgage Assets[a,c] ($)	Nonmortgage Investments[d] ($)	Total Debt Outstanding[a] ($)	Shareholders' Equity (Deficit)[a] ($)	Senior Preferred Stock ($)	Fair Value of Net Assets[a] ($)	Mortgage Assets Held for Investment (Gross)[e] ($)	Indebtedness[f] ($)
4Q12	3,222,422	3,094,127	50,450	3,189,517	7,224	117,149	(66,451)	633,054	621,779
3Q12	3,226,250	3,094,885	65,397	3,196,710	2,412	117,149	(85,550)	654,269	659,278
2Q12	3,195,620	3,079,645	51,601	3,163,888	2,770	117,149	(124,027)	672,786	666,970
1Q12	3,209,940	3,091,493	66,926	3,184,207	268	117,149	(137,587)	691,663	694,525
Annual Data									
2012	3,222,422	3,094,127	50,450	3,189,517	7,224	117,149	(66,451)	633,054	621,779
2011	3,211,484	3,072,709	95,848	3,189,872	(4,571)	112,578	(127,795)	708,414	742,293
2010	3,221,972	3,103,772	44,503	3,197,000	(2,517)	88,600	(120,212)	788,771	793,878
2009	869,141	745,271	57,782	774,554	(15,281)	60,900	(98,701)	769,252	785,775
2008	912,404	767,989	71,550	870,393	(15,314)	1,000	(105,150)	Not Applicable Before 2009	
2007	882,547	723,620	86,875	796,299	44,011	Not Applicable Before 2008	35,799		
2006	843,936	726,434	56,983	767,046	41,506		43,699		
2005	834,168	736,803	46,016	764,010	39,302		42,199		
2004	1,020,934	925,194	47,839	953,111	38,902		40,094		
2003	1,022,275	919,589	59,518	961,280	32,268		28,393		
2002	904,739	820,627	39,376	841,293	31,899		22,130		
2001	799,948	706,347	65,982	763,467	18,118		22,675		
2000	675,224	607,731	52,347	642,682	20,838		20,677		
1999	575,308	523,103	37,299	547,619	17,629		20,525		
1998	485,146	415,434	58,515	460,291	15,453		14,885		
1997	391,673	316,592	64,596	369,774	13,793		15,982		
1996	351,041	286,528	56,606	331,270	12,773		14,556		
1995	316,550	252,868	57,273	299,174	10,959		11,037		
1994	272,508	220,815	46,335	257,230	9,541		10,924		
1993	216,979	190,169	21,396	201,112	8,052		9,126		
1992	180,978	156,260	19,574	166,300	6,774		9,096		
1991	147,072	126,679	9,836	133,937	5,547		Not Available Before 1992		
1990	133,113	114,066	9,868	123,403	3,941				
1989	124,315	107,981	8,338	116,064	2,991				
1988	112,258	100,099	5,289	105,459	2,260				
1987	103,459	93,665	3,468	97,057	1,811				
1986	99,621	94,123	1,775	93,563	1,182				
1985	99,076	94,609	1,466	93,985	1,009				
1984	87,798	84,135	1,840	83,719	918				
1983	78,383	75,247	1,689	74,594	1,000				
1982	72,981	69,356	2,430	69,614	953				
1981	61,578	59,629	1,047	58,551	1,080				
1980	57,879	55,589	1,556	54,880	1,457				
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

a Adoption of accounting guidance related to transfers of financial assets and consolidation of variable interest entities, effective January 1, 2010, significantly changed presentation of these line items in the financial statements. Financial results for 2010 and later years are not directly comparable to previous years. Adoption of this guidance resulted in the consolidation of the substantial majority of mortgage-backed securities (MBS) trusts and recognition of the underlying assets and debt of the trusts in the consolidated balance sheet.

b Beginning in 1998, the guarantee liability for Fannie Mae MBS held for investment was classified as a liability.

c Gross mortgage assets net of unamortized purchase premiums, discounts, cost-basis adjustments, fair-value adjustments on securities and loans. Beginning in 2002, amounts include fair-value adjustments on available-for-sale and trading securities, as well as impairments on available-for-sale securities. Excludes allowance for loan losses on loans held for investment. Amounts for 1999 through 2001 include certain loans held for investment previously classified as nonmortgage investments.

d Data reflect unpaid principal balance net of unamortized purchase premiums, discounts, and cost-basis adjustments, as well as fair-value adjustments and impairments on available-for-sale and trading securities. Since 2005, advances to lenders have not been included. Amounts for periods before 2005 may include or consist of advances to lenders.

e Amounts shown for 2010 and later meet the definition of mortgage assets in the Treasury Senior Preferred Stock Purchase Agreement for the purpose of determining the maximum amount of mortgage assets that may be held. The amount shown for 2009 includes consolidation of variable interest entities. The 2009 amount would have been $772.5 billion excluding consolidation of variable interest entities.

f As defined in the Treasury Senior Preferred Stock Purchase Agreement for 2009 and later.

Table 4a. Fannie Mae Total MBS Outstanding Detail

	Single-Family Mortgages ($ in Millions)[a]							Multifamily Mortgages ($ in Millions)[a]			($ in Millions)	
End of Period	Conventional				FHA/VA[b]			Conventional ($)	FHA/RD[b] ($)	Total Multi-family ($)	Total MBS Outstanding[a] ($)	Multiclass MBS Outstanding[c] ($)
	Fixed-Rate ($)	Adjustable-Rate ($)	Seconds ($)	Total ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Total ($)					
4Q12	2,267,031	137,836	515	2,405,382	14,188	114	14,302	99,899	1,463	101,362	2,521,046	503,349
3Q12	2,248,297	142,982	545	2,391,824	15,021	118	15,139	92,075	1,506	93,581	2,500,544	510,126
2Q12	2,223,309	147,164	574	2,371,047	15,312	122	15,434	82,039	1,530	83,569	2,470,050	512,724
1Q12	2,223,453	149,831	609	2,373,893	15,887	125	16,012	78,031	1,588	79,619	2,469,524	517,379
Annual Data												
2012	2,267,031	137,836	515	2,405,382	14,188	114	14,302	99,899	1,463	101,362	2,521,046	503,349
2011	2,192,594	149,825	643	2,343,062	16,243	130	16,373	72,634	1,639	74,273	2,433,708	516,471
2010	2,172,092	150,378	805	2,323,275	17,167	144	17,311	57,206	1,785	58,991	2,399,577	507,268
2009	2,190,357	179,655	25	2,370,037	15,026	171	15,197	46,628	927	47,555	2,432,789	480,057
2008	2,035,020	203,206	31	2,238,257	12,903	214	13,117	37,298	787	38,085	2,289,459	481,137
2007	1,850,150	214,245	0	2,064,395	14,982	275	15,257	38,218	1,039	39,257	2,118,909	490,692
2006	1,484,147	230,667	0	1,714,814	18,615	454	19,069	42,184	1,483	43,667	1,777,550	456,970
2005	1,290,354	232,689	0	1,523,043	23,065	668	23,733	50,346	1,796	52,142	1,598,918	412,060
2004	1,243,343	75,722	0	1,319,065	31,389	949	32,336	47,386	9,260	56,646	1,408,047	368,567
2003	1,112,849	87,373	0	1,200,222	36,139	1,268	37,407	53,720	9,171	62,891	1,300,520	398,516
2002	875,260	75,430	0	950,690	36,057	1,247	37,304	47,025	5,420	52,445	1,040,439	401,406
2001	752,211	60,842	772	813,825	4,519	1,207	5,726	42,713	1,181	43,894	863,445	392,457
2000	599,999	61,495	1,165	662,659	6,778	1,298	8,076	35,207	780	35,987	706,722	334,508
1999	586,069	51,474	1,212	638,755	7,159	1,010	8,169	31,518	703	32,221	679,145	335,514
1998	545,680	56,903	98	602,681	5,340	587	5,927	28,378	157	28,535	637,143	361,613
1997	483,982	70,106	7	554,095	3,872	213	4,085	20,824	134	20,958	579,138	388,360
1996	460,866	65,682	9	526,557	4,402	191	4,593	16,912	111	17,023	548,173	339,798
1995	431,755	63,436	13	495,204	5,043	91	5,134	12,579	313	12,892	513,230	353,528
1994	415,692	55,780	18	471,490	5,628	0	5,628	8,908	319	9,227	486,345	378,733
1993	405,383	49,987	28	455,398	7,549	0	7,549	8,034	325	8,359	471,306	381,865
1992	360,619	45,718	43	406,380	9,438	0	9,438	8,295	331	8,626	424,444	312,369
1991	290,038	45,110	89	335,237	11,112	0	11,112	8,599	336	8,935	355,284	224,806
1990	225,981	42,443	121	268,545	11,380	0	11,380	7,807	343	8,150	288,075	127,278
1989	Not Available Before 1990	Not Available Before 1990	Not Available Before 1990	Not Available Before 1990	Not Available Before 1990	Not Available Before 1990	Not Available Before 1990	Not Available Before 1990	Not Available Before 1990	Not Available Before 1990	216,512	64,826
1988											170,097	26,660
1987											135,734	11,359
1986											95,568	Not Issued Before 1987
1985											54,552	
1984											35,738	
1983											25,121	
1982											14,450	
1981											717	
											Not Issued Before 1981	

Source : Fannie Mae

[a] Unpaid principal balance of Fannie Mae mortgage-backed securities (MBS) held by third-party investors. Includes guaranteed whole loan real estate mortgage investment conduits (REMICs) and private-label wraps not included in grantor trusts. The principal balance of resecuritized Fannie Mae MBS is included only once.

[b] FHA stands for Federal Housing Administration. RD stands for U.S. Department of Agriculture Rural Development loan programs. VA stands for Department of Veterans Affairs.

[c] Beginning in 2005, consists of securities guaranteed by Fannie Mae and backed by Ginnie Mae collateral, grantor trusts, and REMICs, as well as stripped MBS backed by Fannie Mae certificates.

Table 5. Fannie Mae Mortgage Assets Held for Investment Detail[a]

End of Period	($ in Millions)			
	Whole Loans[b,c] ($)	Fannie Mae Securities[b,c,d] ($)	Other Mortgage-Related Securities[b,d,e] ($)	Mortgage Assets Held for Investment (Gross)[f] ($)
4Q12	371,708	183,964	77,382	633,054
3Q12	379,596	194,252	80,421	654,269
2Q12	386,804	201,911	84,071	672,786
1Q12	394,777	209,834	87,052	691,663
Annual Data				
2012	371,708	183,964	77,382	633,054
2011	398,271	220,061	90,082	708,414
2010	427,074	260,429	101,268	788,771
2009	416,543	220,245	132,464	769,252
2008	429,493	228,950	133,753	792,196
2007	403,577	180,163	144,163	727,903
2006	383,045	199,644	146,243	728,932
2005	366,680	234,451	136,758	737,889
2004	400,157	344,404	172,648	917,209
2003	397,633	405,922	105,313	908,868
2002	323,244	380,383	96,152	799,779
2001	167,405	431,776	109,270	708,452
2000	152,634	351,066	106,551	610,251
1999	149,231	281,714	93,122	524,067
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	170,909	43,998	7,150	222,057
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	Not Available Before 1984	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		Not Available Before 1979	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

a Beginning with 2010, excludes effect of accounting guidance related to transfers of financial assets and consolidation of variable interest entities effective January 1, 2010. Amounts for 2010 have been revised from amounts previously reported to reflect this exclusion.

b Unpaid principal balance.

c Amounts for 2002 to 2009 include mortgage-related securities consolidated as loans as of period end. For 1999 through 2001, includes certain loans held for investment classified as nonmortgage investments.

d Amounts for 2002 to 2009 exclude mortgage-related securities consolidated as loans at period end.

e Includes mortgage revenue bonds.

f Amounts shown for 2010 and later meet the definition of mortgage assets in the Treasury Senior Preferred Stock Purchase Agreement for the purpose of determining the maximum amount of mortgage assets that may be held. Amounts before 2010 include consolidation of variable interest entities. Mortgage assets defined under the Senior Preferred Stock Purchase Agreement for 2009 totaled $772.5 billion excluding consolidation of variable interest entities.

Table 5a. Fannie Mae Mortgage Assets Held for Investment Detail — Whole Loans

End of Period	Whole Loans ($ in Millions)[a]								
	Single-Family					Multifamily			Total Whole Loans ($)
	Conventional								
	Fixed-Rate[b] ($)	Adjustable-Rate ($)	Seconds ($)	Total ($)	Total FHA/VA/RD[c] ($)	Conventional ($)	Total FHA/RD[c] ($)	Total ($)	
4Q12	251,081	18,008	170	269,259	40,886	61,251	312	61,563	371,708
3Q12	253,345	19,230	172	272,747	41,066	65,459	324	65,783	379,596
2Q12	255,173	20,589	178	275,940	41,300	69,228	336	69,564	386,804
1Q12	258,332	21,990	183	280,505	41,592	72,331	349	72,680	394,777
Annual Data									
2012	251,081	18,008	170	269,259	40,886	61,251	312	61,563	371,708
2011	255,914	23,490	185	279,589	41,555	76,765	362	77,127	398,271
2010	248,335	31,526	207	280,068	51,783	94,792	431	95,223	427,074
2009	208,915	34,602	213	243,730	52,399	119,829	585	120,414	416,543
2008	223,881	44,157	215	268,253	43,799	116,742	699	117,441	429,493
2007	240,090	43,278	261	283,629	28,202	90,931	815	91,746	403,577
2006	255,490	46,820	287	302,597	20,106	59,374	968	60,342	383,045
2005	261,214	38,331	220	299,765	15,036	50,731	1,148	51,879	366,680
2004	307,048	38,350	177	345,575	10,112	43,396	1,074	44,470	400,157
2003	335,812	19,155	233	355,200	7,284	33,945	1,204	35,149	397,633
2002	282,899	12,142	416	295,457	6,404	19,485	1,898	21,383	323,244
2001	140,454	10,427	917	151,798	5,069	8,987	1,551	10,538	167,405
2000	125,786	13,244	480	139,510	4,763	6,547	1,814	8,361	152,634
1999	130,614	6,058	176	136,848	4,472	5,564	2,347	7,911	149,231
1998	135,351	7,633	206	143,190	4,404	5,590	2,595	8,185	155,779
1997	134,543	10,389	268	145,200	4,631	7,388	2,883	10,271	160,102
1996	137,507	12,415	323	150,245	4,739	9,756	3,151	12,907	167,891
1995	137,032	14,756	423	152,211	4,780	11,175	3,315	14,490	171,481
1994	133,882	16,475	537	150,894	4,965	11,681	3,369	15,050	170,909
1993	123,308	19,175	772	143,255	5,305	11,143	3,446	14,589	163,149
1992	91,500	22,637	1,355	115,492	6,097	9,407	3,601	13,008	134,597
1991	69,130	19,763	2,046	90,939	6,962	7,641	3,709	11,350	109,251
1990	61,873	19,558	1,851	83,282	8,524	6,142	3,849	9,991	101,797
1989	55,638	20,751	1,614	78,003	9,450	3,926	4,350	8,276	95,729
1988	53,090	20,004	1,561	74,655	10,480	2,699	4,386	7,085	92,220
1987	55,913	13,702	1,421	71,036	11,652	2,448	4,482	6,930	89,618
1986	Not Available Before 1987	Not Available Before 1987	Not Available Before 1987	Not Available Before 1987	Not Available Before 1987	Not Available Before 1987	Not Available Before 1987	Not Available Before 1987	94,167
1985									97,421
1984									87,205
1983									77,983
1982									71,777
1981									61,411
1980									57,326
1979									51,096
1978									43,315
1977									34,377
1976									32,937
1975									31,916
1974									29,708
1973									24,459
1972									20,326
1971									18,515

Source: Fannie Mae

[a] Unpaid principal balance. Effective January 1, 2010, excludes the effect of accounting guidance related to transfers of financial assets and consolidation of variable interest entities. Amounts for 2010 have been revised from amounts previously reported to reflect this exclusion. Amounts for 2002 to 2009 include mortgage-related securities consolidated as loans at period end. For 1999 through 2001, includes certain loans held for investment classified as nonmortgage investments.

[b] Includes balloon loans. Includes energy loans before 2012.

[c] Includes loans guaranteed by the U.S. Department of Agriculture Rural Development (RD) loan programs. FHA stands for Federal Housing Administration. VA stands for Department of Veterans Affairs.

Table 5b. Fannie Mae Mortgage Assets Held for Investment Detail – Part 1, Mortgage-Related Securities

End of Period	Mortgage-Related Securities ($ in Millions)[a]													
	Fannie Mae Securities[b] ($)				Other Securities									
	Single-Family				Freddie Mac				Ginnie Mae					
					Single-Family				Single-Family					
	Fixed-Rate ($)	Adjustable-Rate ($)	Multi-family ($)	Total Fannie Mae ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Multi-family ($)	Total Freddie Mac ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Multi-family ($)	Total Ginnie Mae ($)	Total Private-Label ($)	Total Other Securities[c] ($)
4Q12	140,118	15,717	28,129	183,964	6,911	4,363	0	11,274	1,012	5	32	1,049	56,573	68,896
3Q12	150,058	16,747	27,447	194,252	7,381	4,639	0	12,020	892	7	32	931	58,151	71,102
2Q12	153,997	17,673	30,241	201,911	7,949	5,005	0	12,954	916	28	32	976	60,129	74,059
1Q12	162,041	18,445	29,348	209,834	8,171	5,333	0	13,504	962	21	32	1,015	62,015	76,534
Annual Data														
2012	140,118	15,717	28,129	183,964	6,911	4,363	0	11,274	1,012	5	32	1,049	56,573	68,896
2011	172,502	19,189	28,370	220,061	8,888	5,621	0	14,509	1,003	7	33	1,043	63,631	79,183
2010	217,075	23,406	19,948	260,429	10,005	7,327	0	17,332	1,393	8	24	1,425	69,986	88,743
2009	203,577	16,272	396	220,245	29,783	11,607	0	41,390	1,119	137	21	1,277	75,344	118,011
2008	207,867	20,637	446	228,950	18,420	14,963	0	33,383	1,343	153	21	1,517	83,406	118,306
2007	158,863	20,741	559	180,163	16,954	14,425	0	31,379	1,575	34	50	1,659	94,810	127,848
2006	194,702	4,342	600	199,644	17,304	12,773	0	30,077	1,905	0	56	1,961	97,281	129,319
2005	230,546	3,030	875	234,451	18,850	9,861	0	28,711	2,273	0	57	2,330	86,915	117,956
2004	339,138	3,869	1,397	344,404	29,328	8,235	0	37,563	4,131	1	68	4,200	108,809	150,572
2003	400,863	3,149	1,910	405,922	30,356	558	0	30,914	6,993	0	68	7,061	46,979	84,954
2002	373,958	3,827	2,598	380,383	32,617	207	0	32,824	15,436	0	85	15,521	28,157	76,502
2001	417,796	5,648	8,332	431,776	42,516	287	26	42,829	18,779	1	109	18,889	29,175	90,893
2000	Not Available Before 2001	Not Available Before 2001	Not Available Before 2001	351,066	Not Available Before 2001	Not Available Before 2001	Not Available Before 2001	33,290	Not Available Before 2001	Not Available Before 2001	Not Available Before 2001	23,768	34,266	91,324
1999				281,714				25,577				23,701	31,673	80,951
1998				197,375				23,453				8,638	19,585	51,676
1997				130,444				5,262				7,696	5,554	18,512
1996				102,607				3,623				4,780	1,486	9,889
1995				69,729				3,233				2,978	747	6,958
1994				43,998				564				3,182	1	3,747
1993				24,219				Not Available Before 1994				972	2	974
1992				20,535								168	3	171
1991				16,700								180	93	273
1990				11,758								191	352	543
1989				11,720								202	831	1,033
1988				8,153								26	810	836
1987				4,226								Not Available Before 1988	1,036	1,036
1986				1,606									1,591	1,591
1985				435									Not Available Before 1986	Not Available Before 1986
1984				477										
1983				Not Available Before 1984										

Source: Fannie Mae

[a] Unpaid principal balance. Amounts for 2002 to 2009 exclude mortgage-related securities consolidated as loans at period end.

[b] Beginning with 2010, excludes effect of accounting guidance related to transfers of financial assets and consolidation of variable interest entities effective January 1, 2010. Amounts for 2010 have been revised from amounts previously reported to reflect this exclusion.

[c] Excludes mortgage revenue bonds.

Table 5b. Fannie Mae Mortgage Assets Held for Investment Detail – Part 2, Mortgage-Related Securities, Private-Label Detail

End of Period	Mortgage-Related Securities ($ in Millions)[a]								
	Private-Label								
	Single-Family								
	Manufactured Housing ($)	Subprime		Alt-A		Other		Multifamily ($)	Total Private-Label ($)
		Fixed-Rate ($)	Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)		
4Q12	2,140	299	14,794	6,423	10,656	190	1,477	20,594	56,573
3Q12	2,201	306	15,131	6,701	11,039	195	1,515	21,063	58,151
2Q12	2,261	318	15,478	6,968	11,424	200	1,543	21,937	60,129
1Q12	2,325	326	15,849	7,246	11,810	205	1,569	22,685	62,015
Annual Data									
2012	2,140	299	14,794	6,423	10,656	190	1,477	20,594	56,573
2011	2,387	331	16,207	6,232	13,438	208	1,590	23,238	63,631
2010	2,660	361	17,678	7,119	15,164	237	1,700	25,067	69,986
2009	2,485	391	20,136	7,515	16,990	255	1,849	25,723	75,344
2008	2,840	438	24,113	8,444	19,414	286	2,021	25,850	83,406
2007	3,316	503	31,537	9,221	23,254	319	1,187	25,473	94,810
2006	3,902	268	46,608	10,722	24,402	376	1,282	9,721	97,281
2005	4,622	431	46,679	11,848	21,203	634	1,455	43	86,915
2004	5,461	889	73,768	11,387	14,223	2,535	487	59	108,809
2003	6,522	1,437	27,738	8,429	383	1,944	428	98	46,979
2002	9,583	2,870	6,534	3,905	20	3,773	1,325	147	28,157
2001	10,708	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	Not Available Before 2002	299	29,175
2000	Not Available Before 2001							Not Available Before 2001	34,266
1999									31,673
1998									19,585
1997									5,554
1996									1,486
1995									747
1994									1
1993									2
1992									3
1991									93
1990									352
1989									831
1988									810
1987									1,036
1986									1,591

Source: Fannie Mae

[a] Unpaid principal balance. Beginning with 2010, excludes effect of accounting guidance related to transfers of financial assets and consolidation of variable interest entities effective January 1, 2010. Amounts for 2010 have been revised from amounts previously reported to reflect this exclusion.

Table 5b. Fannie Mae Mortgage Assets Held for Investment Detail – Part 3, Mortgage-Related Securities

End of Period	Mortgage-Related Securities ($ in Millions)		($ in Millions)			
	Mortgage Revenue Bonds[a] ($)	Total Mortgage-Related Securities[a,b] ($)	Unamortized Premiums, Discounts, Deferred Adjustments, & Fair-Value Adjustments on Securities and Loans[b,c] ($)	Mortgage Assets Held for Investment (Net)[b] ($)	Mortgage Assets Held for Investment (Gross)[b,d] ($)	Limit on Mortgage Assets Held for Investment (Gross)[e] ($)
4Q12	8,486	261,346	(6,267)	626,787	633,054	650,000
3Q12	9,319	274,673	(5,605)	648,664	654,269	N/A
2Q12	10,012	285,982	(8,371)	664,415	672,786	N/A
1Q12	10,518	296,886	(8,199)	683,464	691,663	N/A
Annual Data						
2012	8,486	261,346	(6,267)	626,787	633,054	650,000
2011	10,899	310,143	(9,784)	698,630	708,414	729,000
2010	12,525	361,697	(12,284)	776,487	788,771	810,000
2009	14,453	352,709	(23,981)	745,271	769,252	900,000
2008	15,447	362,703	(24,207)	767,989	Not Applicable Befire 2009	Not Applicable Befire 2009
2007	16,315	324,326	(4,283)	723,620		
2006	16,924	345,887	(2,498)	726,434		
2005	18,802	371,209	(1,086)	736,803		
2004	22,076	517,052	7,985	925,194		
2003	20,359	511,235	10,721	919,589		
2002	19,650	476,535	20,848	820,627		
2001	18,377	541,046	(2,104)	706,347		
2000	15,227	457,617	(2,520)	607,731		
1999	12,171	374,836	(964)	523,103		
1998	9,685	258,736	919	415,434		
1997	7,620	156,576	(86)	316,592		
1996	6,665	119,161	(525)	286,527		
1995	5,343	82,030	(643)	252,868		
1994	3,403	51,148	(1,242)	220,815		
1993	2,519	27,712	(692)	190,169		
1992	2,816	23,522	(1,859)	156,260		
1991	2,759	19,732	(2,304)	126,679		
1990	2,530	14,831	(2,562)	114,066		
1989	2,239	14,992	(2,740)	107,981		
1988	1,804	10,793	(2,914)	100,099		
1987	1,866	7,128	(3,081)	93,665		
1986	469	Not Available Before 1987	(3,710)	94,123		
1985	Not Available Before 1986		(4,040)	95,250		
1984			(3,974)	84,695		
1983			(3,009)	75,782		
1982			(2,458)	69,842		
1981			(1,783)	59,949		
1980			(1,738)	55,878		
1979			(1,320)	49,777		
1978			(1,212)	42,103		
1977			(1,125)	33,252		
1976			(1,162)	31,775		
1975			(1,096)	30,821		
1974			(1,042)	28,665		
1973			(870)	23,579		
1972			(674)	19,650		
1971			(629)	17,886		

Source: Fannie Mae

N/A = not applicable

a Unpaid principal balance.

b Effective January 1, 2010, excludes effect of accounting guidance related to transfers of financial assets and consolidation of variable interest entities. Amounts for 2010 have been revised from amounts previously reported to reflect this exclusion.

c Includes unamortized premiums, discounts, deferred adjustments, and fair-value adjustments on securities and loans. Beginning in 2002, amounts include fair-value adjustments and impairments on mortgage-related securities and securities commitments classified as trading and available-for-sale. Excludes allowance for loan losses on loans held for investment.

d Amounts shown for 2010 and later meet the definition of mortgage assets in the Treasury Senior Preferred Stock Purchase Agreement for the purpose of determining the maximum amount of mortgage assets that may be held. The amount shown for 2009 includes consolidation of variable interest entities. The 2009 amount would have been $772.5 billion excluding consolidation of variable interest entities.

e Maximum allowable mortgage assets under the Treasury Senior Preferred Stock Purchase Agreement.

Table 6. Fannie Mae Financial Derivatives

End of Period	Financial Derivatives - Notional Amount Outstanding ($ in Millions)						
	Interest Rate Swaps[a] ($)	Interest Rate Caps, Floors, and Corridors ($)	Foreign Currency Contracts ($)	Over-the-Counter Futures, Options, and Forward Rate Agreements[b] ($)	Mandatory Mortgage Purchase & Sell Commitments ($)	Other ($)	Total ($)
4Q12	572,349	6,500	1,195	121,910	159,057	0	861,011
3Q12	570,418	6,500	1,202	106,563	179,541	0	864,224
2Q12	516,231	6,500	1,151	91,492	176,219	0	791,593
1Q12	475,841	6,500	1,104	99,145	139,285	0	721,875
Annual Data							
2012	572,349	6,500	1,195	121,910	159,057	0	861,011
2011	426,688	7,000	1,032	178,470	101,435	0	714,625
2010	502,578	7,000	1,560	176,010	119,870	0	807,018
2009	661,990	7,000	1,537	174,680	121,947	0	967,154
2008	1,023,384	500	1,652	173,060	71,236	0	1,269,832
2007	671,274	2,250	2,559	210,381	55,366	0	941,830
2006	516,571	14,000	4,551	210,271	39,928	0	785,321
2005	317,470	33,000	5,645	288,000	39,194	0	683,309
2004	256,216	104,150	11,453	318,275	40,600	0	730,694
2003	598,288	130,350	5,195	305,175	43,560	0	1,082,568
2002	253,211	122,419	3,932	275,625	Not Available Before 2003	0	655,187
2001	299,953	75,893	8,493	148,800		0	533,139
2000	227,651	33,663	9,511	53,915		0	324,740
1999	192,032	28,950	11,507	41,081		1,400	274,970
1998	142,846	14,500	12,995	13,481		3,735	187,557
1997	149,673	100	9,968	0		1,660	161,401
1996	158,140	300	2,429	0		350	161,219
1995	125,679	300	1,224	29		975	128,207
1994	87,470	360	1,023	0		1,465	90,317
1993	49,458	360	1,023	0		1,425	52,265
1992	24,130	0	1,177	0		1,350	26,658
1991	9,100	0	Not Available Before 1992	50		1,050	10,200

Source: Fannie Mae

[a] Beginning in 2002, includes mortgage-backed securities options, swap credit enhancements, and forward-starting debt. Forward-starting debt is a commitment to issue debt at some future time (generally to fund a purchase or commitment that starts at the agreed future time).

[b] Beginning in 2010, includes $440 million of exchange-traded futures at December 31, 2012.

Table 7. Fannie Mae Nonmortgage Investments

End of Period	Nonmortgage Investments ($ in Millions)[a]					
	Federal Funds and Eurodollars ($)	Asset-Backed Securities ($)	Repurchase Agreements[b] ($)	Commercial Paper and Corporate Debt[c] ($)	Other[d] ($)	Total ($)
4Q12	0	0	32,500	0	17,950	50,450
3Q12	0	0	45,500	0	19,897	65,397
2Q12	0	537	24,000	0	27,064	51,601
1Q12	0	1,896	15,000	0	50,030	66,926
Annual Data						
2012	0	0	32,500	0	17,950	50,450
2011	0	2,111	46,000	0	47,737	95,848
2010	5,000	5,321	6,750	0	27,432	44,503
2009	44,900	8,515	4,000	364	3	57,782
2008	45,910	10,598	8,000	6,037	1,005	71,550
2007	43,510	15,511	5,250	13,515	9,089	86,875
2006	9,410	18,914	0	27,604	1,055	56,983
2005	8,900	19,190	0	16,979	947	46,016
2004	3,860	25,644	70	16,435	1,829	47,839
2003	12,575	26,862	111	17,700	2,270	59,518
2002	150	22,312	181	14,659	2,074	39,376
2001	16,089	20,937	808	23,805	4,343	65,982
2000	7,539	17,512	87	8,893	18,316	52,347
1999	4,837	19,207	122	1,723	11,410	37,299
1998	7,926	20,993	7,556	5,155	16,885	58,515
1997	19,212	16,639	6,715	11,745	10,285	64,596
1996	21,734	14,635	4,667	6,191	9,379	56,606
1995	19,775	9,905	10,175	8,629	8,789	57,273
1994	17,593	3,796	9,006	7,719	8,221	46,335
1993	4,496	3,557	4,684	0	8,659	21,396
1992	6,587	4,124	3,189	0	5,674	19,574
1991	2,954	2,416	2,195	0	2,271	9,836
1990	5,329	1,780	951	0	1,808	9,868
1989	5,158	1,107	0	0	2,073	8,338
1988	4,125	481	0	0	683	5,289
1987	2,559	25	0	0	884	3,468
1986	1,530	0	0	0	245	1,775
1985	1,391	0	0	0	75	1,466
1984	1,575	0	0	0	265	1,840
1983	9	0	0	0	227	236
1982	1,799	0	0	0	631	2,430
1981	Not Available Before 1982	Not Available Before 1982	Not Available Before 1982	Not Available Before 1982	Not Available Before 1982	1,047
1980						1,556
1979						843
1978						834
1977						318
1976						245
1975						239
1974						466
1973						227
1972						268
1971						349

Source: Fannie Mae

[a] Data reflect unpaid principal balance net of unamortized purchase premiums, discounts and cost-basis adjustments, fair-value adjustments, and impairments on available-for-sale and trading securities.

[b] Since 2005, advances to lenders have not been included in the data. Amounts for years before 2005 may include or consist of advances to lenders. Includes tri-party repurchase agreements.

[c] Includes commercial paper, floating-rate notes, taxable auction notes, corporate bonds, and auction-rate preferred stock. Starting with 2006, medium-term notes previously reported in “Other” are included in commercial paper.

[d] Includes Treasury and agency securities, Yankee Bonds, and domestic certificates of deposit.

Table 8. Fannie Mae Mortgage Asset Quality

End of Period	Mortgage Asset Quality				
	Single-Family Serious Delinquency Rate[a] (%)	Multifamily Serious Delinquency Rate[b] (%)	Credit Losses as a Proportion of the Guarantee Book of Business[c, d] (%)	Real Estate Owned as a Proportion of the Guarantee Book of Business[d] (%)	Credit-Enhanced Outstanding as a Proportion of the Guarantee Book of Business[e] (%)
4Q12	3.29	0.24	0.48	0.35	18.8
3Q12	3.41	0.28	0.46	0.34	18.5
2Q12	3.53	0.29	0.50	0.34	18.3
1Q12	3.67	0.37	0.67	0.35	18.3
Annual Data					
2012	3.29	0.24	0.48	0.35	18.8
2011	3.91	0.59	0.61	0.37	18.4
2010	4.48	0.71	0.77	0.53	19.1
2009	5.38	0.63	0.45	0.30	21.2
2008	2.42	0.30	0.23	0.23	23.9
2007	0.98	0.08	0.05	0.13	23.7
2006	0.65	0.08	0.02	0.09	22.3
2005	0.79	0.32	0.01	0.08	21.8
2004	0.63	0.11	0.01	0.07	20.5
2003	0.60	0.29	0.01	0.06	22.6
2002	0.57	0.08	0.01	0.05	26.8
2001	0.55	0.27	0.01	0.04	34.2
2000	0.45	0.07	0.01	0.05	40.4
1999	0.47	0.11	0.01	0.06	20.9
1998	0.56	0.23	0.03	0.08	17.5
1997	0.62	0.37	0.04	0.10	12.8
1996	0.58	0.68	0.05	0.11	10.5
1995	0.56	0.81	0.05	0.08	10.6
1994	0.47	1.21	0.06	0.10	10.2
1993	0.48	2.34	0.04	0.10	10.6
1992	0.53	2.65	0.04	0.09	15.6
1991	0.64	3.62	0.04	0.07	22.0
1990	0.58	1.70	0.06	0.09	25.9
1989	0.69	3.20	0.07	0.14	Not Available 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

[a] Single-family loans are seriously delinquent when the loans are 90 days or more past due or in the foreclosure process. Rate is calculated using the number of conventional single-family loans owned and backing Fannie Mae mortgage-backed securities (MBS). Includes loans referred to foreclosure proceedings but not yet foreclosed. Before 1988, data included all seriously delinquent loans for which Fannie Mae had primary risk of loss. Beginning with 1998, data include all seriously delinquent conventional loans owned and backing Fannie Mae MBS with and without primary mortgage insurance or credit enhancement. Data before 1992 include loans and securities in relief or bankruptcy, even if the loans were less than 90 days delinquent, calculated based on number of loans.

[b] Before 1998, data include multifamily loans for which Fannie Mae had primary risk of loss. Beginning in 1998, data include all multifamily loans and securities 60 days or more past due. Beginning in 2002, rate is calculated using the unpaid principal balance of multifamily loans owned by Fannie Mae or underlying Fannie Mae guaranteed securities as the denominator. For the period 1998 to 2001, the denominator also includes other credit enhancements Fannie Mae provides on multifamily mortgage assets and multifamily non-Fannie Mae mortgage-related securities held for investment.

[c] Credit losses are charge-offs, net of recoveries and foreclosed property expense (income). Average balances used to calculate ratios subsequent to 1994. Quarterly data are annualized. Beginning in 2005, credit losses exclude the impact of fair-value losses of credit impaired loans acquired from MBS trusts. Beginning in 2008, credit losses also exclude the effect of HomeSaver Advance program fair-value losses.

[d] Guarantee book of business refers to the sum of the unpaid principal balance of mortgage loans held as investments, Fannie Mae MBS held as investments, Fannie Mae MBS held by third parties, and other credit enhancements Fannie Mae provides on mortgage assets. It excludes non-Fannie Mae mortgage-related securities held for investment that Fannie Mae does not guarantee. Before 2005, the ratio was based on the mortgage credit book of business, which consists of the guarantee book of business plus non-Fannie Mae mortgage-related securities held as investments not guaranteed by Fannie Mae.

[e] Beginning in 2000, the credit-enhanced category was expanded to include loans with primary mortgage insurance. Amounts for periods before 2000 reflect the proportion of assets held for investment with additional recourse from a third party to accept some or all of the expected losses on defaulted mortgages.

Table 9. Fannie Mae Capital

	Capital ($ in Millions)[a]									
	Minimum Capital Requirement			Risk-Based Capital Requirement						
End of Period	Core Capital[b] ($)	Minimum Capital Requirement[c] ($)	Minimum Capital Surplus (Deficit)[d] ($)	Total Capital[e] ($)	Risk-Based Capital Requirement[f] ($)	Risk-Based Capital Surplus (Deficit)[g] ($)	Market Capitalization[h] ($)	Core Capital/ Total Assets (%)	Core Capital/ Total Assets Plus Unconsolidated MBS[i,j] (%)	Common Share Dividend Payout Rate[k] (%)
4Q12	(110,350)	30,862	(141,212)	N/A	N/A	N/A	295	(3.42)	(3.41)	N/A
3Q12	(114,991)	31,373	(146,364)	N/A	N/A	N/A	322	(3.56)	(3.54)	N/A
2Q12	(113,884)	31,214	(145,098)	N/A	N/A	N/A	295	(3.56)	(3.54)	N/A
1Q12	(116,066)	31,696	(147,762)	N/A	N/A	N/A	341	(3.62)	(3.59)	N/A
Annual Data										
2012	(110,350)	30,862	(141,212)	N/A	N/A	N/A	295	(3.42)	(3.41)	N/A
2011	(115,967)	32,463	(148,430)	N/A	N/A	N/A	233	(3.61)	(3.59)	N/A
2010	(89,516)	33,676	(123,192)	N/A	N/A	N/A	336	(2.78)	(2.76)	N/A
2009	(74,540)	33,057	(107,597)	N/A	N/A	N/A	1,314	(8.58)	(2.26)	N/A
2008	(8,641)	33,552	(42,193)	N/A	N/A	N/A	825	(0.95)	(0.27)	N/M
2007	45,373	31,927	13,446	48,658	24,700	23,958	38,946	5.14	1.51	N/M
2006	41,950	29,359	12,591	42,703	26,870	15,833	57,735	4.97	1.60	32.4
2005	39,433	28,233	11,200	40,091	12,636	27,455	47,373	4.73	1.62	17.2
2004	34,514	32,121	2,393	35,196	10,039	25,157	69,010	3.38	1.42	42.1
2003	26,953	31,816	(4,863)	27,487	27,221	266	72,838	2.64	1.16	20.8
2002	20,431	27,688	(7,257)	20,831	17,434	3,397	63,612	2.26	1.05	34.5
2001	25,182	24,182	1,000	25,976	Not Applicable Before 2002	Not Applicable Before 2002	79,281	3.15	1.51	23.0
2000	20,827	20,293	533	21,634			86,643	3.08	1.51	26.0
1999	17,876	17,770	106	18,677			63,651	3.11	1.43	28.8
1998	15,465	15,334	131	16,257			75,881	3.19	1.38	29.5
1997	13,793	12,703	1,090	14,575			59,167	3.52	1.42	29.4
1996	12,773	11,466	1,307	13,520			39,932	3.64	1.42	30.4
1995	10,959	10,451	508	11,703			33,812	3.46	1.32	34.6
1994	9,541	9,415	126	10,368			19,882	3.50	1.26	30.8
1993	8,052	7,064	988	8,893			21,387	3.71	1.17	26.8
1992	Not Applicable Before 1993	Not Applicable Before 1993	Not Applicable Before 1993	Not Applicable Before 1993			20,874	Not Applicable Before 1993	Not Applicable Before 1993	23.2
1991							18,836			21.3
1990							8,490			14.7
1989							8,092			12.8
1988							3,992			11.2
1987							2,401			11.7
1986							3,006			8.0
1985							1,904			30.1
1984							1,012			N/A
1983							1,514			13.9
1982							1,603			N/A
1981							502			N/A
1980							702			464.2
1979							Not Available Before 1980			45.7
1978										30.3
1977										31.8
1976										33.6
1975										31.8
1974										29.6
1973										18.1
1972										15.2
1971										18.7

Sources: Fannie Mae and FHFA

N/A = not applicable N/M = not meaningful

a On October 9, 2008, the Federal Housing Finance Agency (FHFA) suspended capital classifications of Fannie Mae. As of the fourth quarter of 2008, neither the existing statutory nor the FHFA-directed regulatory capital requirements were binding and will not be binding during conservatorship.

b The sum of the stated value of outstanding common stock (common stock less treasury stock), the stated value of outstanding noncumulative perpetual preferred stock, paid-in capital, and retained earnings (accumulated deficit). Core capital excludes accumulated other comprehensive income (loss) and senior preferred stock.

c Beginning in the third quarter of 2005, FHFA required Fannie Mae to maintain an additional 30 percent capital in excess of the statutory minimum capital requirement. The regulator reduced the requirement to 20 percent as of the first quarter of 2008 and to 15 percent as of the second quarter of 2008. The minimum capital requirement and minimum capital surplus numbers stated in this table do not reflect these additional capital requirements.

d Minimum capital surplus is the difference between core capital and minimum capital requirement.

e Total capital is core capital plus the total allowance for loan losses and guarantee liability for mortgage-backed securities (MBS), less any specific loss allowances.

f Risk-based capital requirement is the amount of total capital an Enterprise must hold to absorb projected losses flowing from future adverse interest rate and credit risk conditions and is specified by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. For 2004 through 2006, the requirements were calculated based on originally reported, not restated or revised, financial results.

g The difference between total capital and the risk-based capital requirement. For 2004 through 2006, the difference reflects restated and revised total capital, rather than total capital originally reported by Fannie Mae and used by FHFA to set capital classifications. FHFA is not reporting on risk-based capital levels during conservatorship.

h Stock price at the end of the period multiplied by the number of outstanding common shares.

i Adoption of accounting guidance related to transfers of financial assets and consolidation of variable interest entities effective January 1, 2010, significantly changed presentation of this item in the financial statements. Financial results for 2010 and beyond are not directly comparable to previous years.

j Unconsolidated MBS are those held by third parties.

k Common dividends declared during the period divided by net income available to common stockholders for the period. As a result of conservatorship status and the terms of the Senior Preferred Stock Purchase Agreement with Treasury, no amounts are available to distribute as dividends to common or preferred stockholders except the Department of the Treasury, which is the holder of the senior preferred stock.

Table 10. Freddie Mac Mortgage Purchases

Period	Business Activity ($ in Millions)			
	Purchases[a]			
	Single-Family ($)	Multifamily ($)	Total Mortgages[b] ($)	Mortgage-Related Securities[c] ($)
4Q12	130,285	9,552	139,837	25,628
3Q12	102,841	6,810	109,651	26,234
2Q12	88,650	6,661	95,311	17,387
1Q12	105,073	5,751	110,824	6,786
Annual Data				
2012	426,849	28,774	455,623	76,035
2011	320,793	20,325	341,118	120,001
2010	386,378	15,372	401,750	51,828
2009	475,350	16,571	491,921	238,835
2008	357,585	23,972	381,557	297,614
2007	466,066	21,645	487,711	231,039
2006	351,270	13,031	364,301	241,205
2005	381,673	11,172	392,845	325,575
2004	354,812	12,712	367,524	223,299
2003	701,483	15,292	716,775	385,078
2002	533,194	10,654	543,848	299,674
2001	384,124	9,510	393,634	248,466
2000	168,013	6,030	174,043	91,896
1999	232,612	7,181	239,793	101,898
1998	263,490	3,910	267,400	128,446
1997	115,160	2,241	117,401	35,385
1996	122,850	2,229	125,079	36,824
1995	89,971	1,565	91,536	39,292
1994	122,563	847	123,410	19,817
1993	229,051	191	229,242	Not Available Before 1994
1992	191,099	27	191,126	
1991	99,729	236	99,965	
1990	74,180	1,338	75,518	
1989	76,765	1,824	78,589	
1988	42,884	1,191	44,075	
1987	74,824	2,016	76,840	
1986	99,936	3,538	103,474	
1985	42,110	1,902	44,012	
1984	Not Available Before 1985	Not Available Before 1985	21,885	
1983			22,952	
1982			23,671	
1981			3,744	
1980			3,690	
1979			5,716	
1978			6,524	
1977			4,124	
1976			1,129	
1975			1,716	
1974			2,185	
1973			1,334	
1972			1,265	
1971			778	

Source: Freddie Mac

a Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled.

b Consists of loans purchased from lenders, as well as those loans covered under other guarantee commitments.

c Not included in total mortgages. From 2002 to 2012, amounts include non-Freddie Mac mortgage-related securities as well as repurchased Freddie Mac mortgage-backed securities (MBS) held for investment. Before 2002, amounts exclude Freddie Mac real estate mortgage investment conduits and other structured securities backed by Ginnie Mae MBS. Amounts listed for 2010 through 2012 include purchases of Freddie Mac MBS, most accounted for as debt extinguishments under Generally Accepted Accounting Principles rather than as investment in securities

Table 10a. Freddie Mac Mortgage Purchases Detail by Type of Loan

Period	Purchases ($ in Millions)[a]											
	Single-Family Mortgages								Multifamily Mortgages			Total Mortgage Purchases ($)
	Conventional				FHA/VA[d]			Total Single-Family Mortgages ($)	Conventional ($)	FHA/RD ($)	Total Multi-family Mortgages ($)	
	Fixed-Rate[b] ($)	Adjustable-Rate[c] ($)	Seconds ($)	Total ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Total ($)					
4Q12	125,921	4,292	0	130,213	72	0	72	130,285	9,552	0	9,552	139,837
3Q12	98,471	4,319	0	102,790	51	0	51	102,841	6,810	0	6,810	109,651
2Q12	84,298	4,312	0	88,610	40	0	40	88,650	6,661	0	6,661	95,311
1Q12	99,886	5,152	0	105,038	35	0	35	105,073	5,751	0	5,751	110,824
Annual Data												
2012	408,576	18,075	0	426,651	198	0	198	426,849	28,774	0	28,774	455,623
2011	294,918	25,685	0	320,603	190	0	190	320,793	20,325	0	20,325	341,118
2010	368,352	17,435	0	385,787	591	0	591	386,378	15,372	0	15,372	401,750
2009	470,355	3,615	0	473,970	1,380	0	1,380	475,350	16,571	0	16,571	491,921
2008	327,006	30,014	0	357,020	565	0	565	357,585	23,972	0	23,972	381,557
2007	387,760	78,149	0	465,909	157	0	157	466,066	21,645	0	21,645	487,711
2006	272,875	77,449	0	350,324	946	0	946	351,270	13,031	0	13,031	364,301
2005	313,842	67,831	0	381,673	0	0	0	381,673	11,172	0	11,172	392,845
2004	293,830	60,663	0	354,493	319	0	319	354,812	12,712	0	12,712	367,524
2003	617,796	82,270	0	700,066	1,417	0	1,417	701,483	15,292	0	15,292	716,775
2002	468,901	63,448	0	532,349	845	0	845	533,194	10,654	0	10,654	543,848
2001	353,056	30,780	0	383,836	288	0	288	384,124	9,507	3	9,510	393,634
2000	145,744	21,201	0	166,945	1,068	0	1,068	168,013	6,030	0	6,030	174,043
1999	224,040	7,443	0	231,483	1,129	0	1,129	232,612	7,181	0	7,181	239,793
1998	256,008	7,384	0	263,392	98	0	98	263,490	3,910	0	3,910	267,400
1997	106,174	8,950	0	115,124	36	0	36	115,160	2,241	0	2,241	117,401
1996	116,316	6,475	0	122,791	59	0	59	122,850	2,229	0	2,229	125,079
1995	75,867	14,099	0	89,966	5	0	5	89,971	1,565	0	1,565	91,536
1994	105,902	16,646	0	122,548	15	0	15	122,563	847	0	847	123,410
1993	208,322	20,708	1	229,031	20	0	20	229,051	191	0	191	229,242
1992	175,515	15,512	7	191,034	65	0	65	191,099	27	0	27	191,126
1991	91,586	7,793	206	99,585	144	0	144	99,729	236	0	236	99,965
1990	56,806	16,286	686	73,778	402	0	402	74,180	1,338	0	1,338	75,518
1989	57,100	17,835	1,206	76,141	624	0	624	76,765	1,824	0	1,824	78,589
1988	34,737	7,253	59	42,049	835	0	835	42,884	1,191	0	1,191	44,075
1987	69,148	4,779	69	73,996	828	0	828	74,824	2,016	0	2,016	76,840
1986	96,105	2,262	90	98,457	1,479	0	1,479	99,936	3,538	0	3,538	103,474
1985	40,226	605	34	40,865	1,245	0	1,245	42,110	1,902	0	1,902	44,012

Source: Freddie Mac

[a] Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled. Activity includes issuances of other guarantee commitments for loans held by third parties.

[b] From 2002 to 2012, includes loans guaranteed by U.S. Department of Agriculture Rural Development (RD) loan programs.

[c] From 2001 to 2012, includes balloon/reset mortgages.

[d] FHA stands for Federal Housing Administration. VA stands for Department of Veterans Affairs.

Table 10b. Freddie Mac Purchases of Mortgage-Related Securities – Part 1

Period	Purchases ($ in Millions)[a]														
	Freddie Mac Securities[b]				Other Securities										
					Fannie Mae				Ginnie Mae[c]						
	Single-Family				Single-Family				Single-Family						
	Fixed-Rate ($)	Adjustable-Rate ($)	Multifamily ($)	Total Freddie Mac ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Multifamily ($)	Total Fannie Mae ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Multifamily ($)	Total Ginnie Mae ($)	Total Private-Label ($)	Mortgage Revenue Bonds ($)	Total Mortgage-Related Securities[c] ($)
4Q12	18,767	404	80	19,251	0	120	0	120	0	0	0	0	6,257	0	25,628
3Q12	21,649	1,317	0	22,966	0	0	0	0	0	0	0	0	3,268	0	26,234
2Q12	9,001	3,003	39	12,043	0	0	0	0	0	0	0	0	5,344	0	17,387
1Q12	3,465	132	0	3,597	0	50	0	50	0	0	0	0	3,139	0	6,786
Annual Data															
2012	52,882	4,856	119	57,857	0	170	0	170	0	0	0	0	18,008	0	76,035
2011	94,543	5,057	472	100,072	5,835	2,297	0	8,132	0	0	0	0	11,797	0	120,001
2010	40,462	923	382	41,767	0	373	0	373	0	0	0	0	9,688	0	51,828
2009	176,974	5,414	0	182,388	43,298	2,697	0	45,995	0	0	27	27	10,245	180	238,835
2008	192,701	26,344	111	219,156	49,534	18,519	0	68,053	0	0	8	8	10,316	81	297,614
2007	111,976	26,800	2,283	141,059	2,170	9,863	0	12,033	0	0	0	0	76,134	1,813	231,039
2006	76,378	27,146	0	103,524	4,259	8,014	0	12,273	0	0	0	0	122,230	3,178	241,205
2005	106,682	29,805	0	136,487	2,854	3,368	0	6,222	64	0	0	64	179,962	2,840	325,575
2004	72,147	23,942	146	96,235	756	3,282	0	4,038	0	0	0	0	121,082	1,944	223,299
2003	Not Available Before 2004	Not Available Before 2004	Not Available Before 2004	266,989	Not Available Before 2004	Not Available Before 2004	Not Available Before 2004	47,806	Not Available Before 2004	Not Available Before 2004	Not Available Before 2004	166	69,154	963	385,078
2002				192,817				45,798				820	59,376	863	299,674
2001				157,339				64,508				1,444	24,468	707	248,466
2000				58,516				18,249				3,339	10,304	1,488	91,896
1999				69,219				12,392				3,422	15,263	1,602	101,898
1998				107,508				3,126				319	15,711	1,782	128,446
1997				31,296				897				326	1,494	1,372	35,385
1996				33,338				Not Available Before 1997				Not Available Before 1997	Not Available Before 1997	Not Available Before 1997	36,824
1995				32,534											39,292
1994				19,817											19,817

Source: Freddie Mac

a Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled.

b Amounts for 2010 and later include purchases of Freddie Mac mortgage-backed securities (MBS), many accounted for as debt extinguishments under Generally Accepted Accounting Principles rather than as investment in securities.

c Before 2002, amounts exclude real estate mortgage investment conduits and other structured securities backed by Ginnie Mae MBS.

Table 10b. Freddie Mac Purchases of Mortgage-Related Securities – Part 2, Private-Label Detail

Period	Purchases ($ in Millions)[a]								
	Private-Label								
	Single-Family								
	Manufactured Housing ($)	Subprime		Alt-A[b]		Other[c]		Multifamily[c] ($)	Total Private-Label ($)
		Fixed-Rate ($)	Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)		
4Q12	0	0	0	0	0	11	0	6,246	6,257
3Q12	0	0	0	0	0	5	0	3,263	3,268
2Q12	0	0	0	0	0	0	0	5,344	5,344
1Q12	0	0	0	0	0	5	0	3,134	3,139
Annual Data									
2012	0	0	0	0	0	21	0	17,987	18,008
2011	0	0	0	0	0	77	0	11,720	11,797
2010	0	0	0	0	0	3,172	0	6,516	9,688
2009	0	0	0	0	0	7,874	0	2,371	10,245
2008	0	60	46	0	618	8,175	0	1,417	10,316
2007	127	843	42,824	702	9,306	48	0	22,284	76,134
2006	0	116	74,645	718	29,828	48	0	16,875	122,230
2005	0	Not Available Before 2006	Not Available Before 2006	Not Available Before 2006	Not Available Before 2006	2,191	162,931	14,840	179,962
2004	0					1,379	108,825	10,878	121,082
2003	0					Not Available Before 2004	Not Available Before 2004	Not Available Before 2004	69,154
2002	318								59,376
2001	0								24,468
2000	15								10,304
1999	3,293								15,263
1998	1,630								15,711
1997	36								1,494

Source: Freddie Mac

a Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled.

b Includes Alt-A and option ARM private-label mortgage-related securities purchased for other guarantee transactions. ARM stands for adjustable-rate mortgage.

c Includes non-Freddie Mac mortgage-related securities purchased for other guarantee transactions, including Ginnie Mae mortgage-backed securities, as well as nonagency securities held for investment. Purchases for 2009 and 2010 include amounts related to housing finance agency bonds acquired and resecuritized under a bond initiative program.

Table 11. Freddie Mac MBS Issuances

Period	Business Activity ($ in Millions)			
	MBS Issuances[a]			
	Single-Family MBS[b] ($)	Multifamily MBS ($)	Total MBS[b] ($)	Multiclass MBS[c] ($)
4Q12	128,347	6,962	135,309	28,510
3Q12	107,394	3,364	110,758	34,034
2Q12	99,863	6,748	106,611	31,662
1Q12	110,558	3,243	113,801	30,170
Annual Data				
2012	446,162	20,317	466,479	124,376
2011	304,629	12,632	317,261	166,539
2010	384,719	8,318	393,037	136,366
2009	472,461	2,951	475,412	86,202
2008	352,776	5,085	357,861	64,305
2007	467,342	3,634	470,976	133,321
2006	358,184	1,839	360,023	169,396
2005	396,213	1,654	397,867	208,450
2004	360,933	4,175	365,108	215,506
2003	705,450	8,337	713,787	298,118
2002	543,716	3,596	547,312	331,672
2001	387,234	2,357	389,591	192,437
2000	165,115	1,786	166,901	48,202
1999	230,986	2,045	233,031	119,565
1998	249,627	937	250,564	135,162
1997	113,758	500	114,258	84,366
1996	118,932	770	119,702	34,145
1995	85,522	355	85,877	15,372
1994	116,901	209	117,110	73,131
1993	208,724	0	208,724	143,336
1992	179,202	5	179,207	131,284
1991	92,479	0	92,479	72,032
1990	71,998	1,817	73,815	40,479
1989	72,931	587	73,518	39,754
1988	39,490	287	39,777	12,985
1987	72,866	2,152	75,018	0
1986	96,798	3,400	100,198	2,233
1985	37,583	1,245	38,828	2,625
1984	Not Available Before 1985	Not Available Before 1985	18,684	1,805
1983			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

[a] Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled. Includes issuance of other guarantee commitments for mortgages not in the form of a security.

[b] Includes mortgage-backed securities (MBS), real estate mortgage investment conduits (REMICs), other structured securities, and other guarantee transactions. From 2002 to 2012, includes Freddie Mac REMICs and other structured securities backed by Ginnie Mae MBS. Before 2002, excludes Freddie Mac REMICs and other structured securities backed by Ginnie Mae MBS. Amounts are not included in total MBS issuances if the activity represents a resecuritization of Freddie Mac MBS.

[c] Includes activity related to multiclass securities, primarily REMICs, but excludes resecuritizations of MBS into single-class securities. Amounts are not included in total MBS issuances if the activity represents a resecuritization of Freddie Mac MBS.

Table 12. Freddie Mac Earnings

Period	Earnings ($ in Millions)					
	Net Interest Income[a] ($)	Guarantee Fee Income[a] ($)	Administrative Expenses ($)	Credit-Related Expenses[b] ($)	Net Income (Loss) ($)	Return on Equity[c] (%)
4Q12	4,456	56	422	(733)	4,457	N/M
3Q12	4,269	51	401	561	2,928	N/M
2Q12	4,386	49	401	125	3,020	N/M
1Q12	4,500	45	337	1,996	577	N/M
Annual Data						
2012	17,611	201	1,561	1,949	10,982	N/M
2011	18,397	170	1,506	11,287	(5,266)	N/M
2010	16,856	143	1,597	17,891	(14,025)	N/M
2009	17,073	3,033	1,685	29,837	(21,553)	N/M
2008	6,796	3,370	1,505	17,529	(50,119)	N/M
2007	3,099	2,635	1,674	3,060	(3,094)	(21.0)
2006	3,412	2,393	1,641	356	2,327	9.8
2005	4,627	2,076	1,535	347	2,113	8.1
2004	9,137	1,382	1,550	140	2,937	9.4
2003	9,498	1,653	1,181	2	4,816	17.7
2002	9,525	1,527	1,406	126	10,090	47.2
2001	7,448	1,381	1,024	39	3,158	20.2
2000	3,758	1,243	825	75	3,666	39.0
1999	2,926	1,019	655	159	2,223	25.5
1998	2,215	1,019	578	342	1,700	22.6
1997	1,847	1,082	495	529	1,395	23.1
1996	1,705	1,086	440	608	1,243	22.6
1995	1,396	1,087	395	541	1,091	22.1
1994	1,112	1,108	379	425	983	23.3
1993	772	1,009	361	524	786	22.3
1992	695	936	329	457	622	21.2
1991	683	792	287	419	555	23.6
1990	619	654	243	474	414	20.4
1989	517	572	217	278	437	25.0
1988	492	465	194	219	381	27.5
1987	319	472	150	175	301	28.2
1986	299	301	110	120	247	28.5
1985	312	188	81	79	208	30.0
1984	213	158	71	54	144	52.0
1983	125	132	53	46	86	44.5
1982	30	77	37	26	60	21.9
1981	34	36	30	16	31	13.1
1980	54	23	26	23	34	14.7
1979	55	18	19	20	36	16.2
1978	37	14	14	13	25	13.4
1977	31	9	12	8	21	12.4
1976	18	3	10	(1)	14	9.5
1975	31	3	10	11	16	11.6
1974	42	2	8	33	5	4.0
1973	31	2	7	15	12	9.9
1972	10	1	5	4	4	3.5
1971	10	1	Not Available Before 1972	Not Available Before 1972	6	5.5

Source: Freddie Mac

N/M = not meaningful

[a] Adoption of accounting guidance related to transfers of financial assets and consolidation of variable interest entities, effective January 1, 2010, significantly changed presentation of these items in the financial statements. Consequently, financial results for 2010 and later are not directly comparable to previous years. Effective January 1, 2010, guarantee fee income associated with the securitization activities of consolidated trusts is reflected in net interest income.

[b] For years 2002 through 2012, defined as provision/(benefit) for credit losses and real-estate owned operations income/expense. For years 2000 and 2001, includes only provision for credit losses.

[c] Ratio computed as annualized net income (loss) available to common stockholders divided by the simple average of beginning and ending common stockholders' equity (deficit).

Table 13. Freddie Mac Balance Sheet

End of Period	Balance Sheet ($ in Millions)[a]								
	Total Assets ($)	Total Mortgage Assets[b] ($)	Nonmortgage Investments ($)	Total Debt Outstanding ($)	Stockholders' Equity ($)	Senior Preferred Stock ($)	Fair-Value of Net Assets ($)	Mortgage Assets Held for Investment (Gross)[c] ($)	Indebtedness[d] ($)
4Q12	1,989,856	1,912,929	58,076	1,967,042	8,827	72,336	(58,300)	557,544	552,472
3Q12	2,016,503	1,938,543	69,214	1,997,668	4,907	72,336	(62,300)	567,966	570,320
2Q12	2,066,335	1,986,237	59,823	2,050,356	1,086	72,336	(76,600)	581,279	589,681
1Q12	2,114,944	2,035,335	54,168	2,100,251	(18)	72,317	(89,200)	618,298	629,320
Annual Data									
2012	1,989,856	1,912,929	58,076	1,967,042	8,827	72,336	(58,300)	557,544	552,472
2011	2,147,216	2,062,713	39,342	2,131,983	(146)	72,171	(78,400)	653,313	674,314
2010	2,261,780	2,149,586	74,420	2,242,588	(401)	64,200	(58,600)	696,874	728,217
2009	841,784	716,974	26,271	780,604	4,278	51,700	(62,500)	755,272	805,073
2008	850,963	748,747	18,944	843,021	(30,731)	14,800	(95,600)	804,762	
2007	794,368	710,042	41,663	738,557	26,724	Not Applicable Before 2008	12,600	720,813	
2006	804,910	700,002	68,614	744,341	26,914		31,800	703,959	
2005	798,609	709,503	57,324	740,024	25,691		30,900	710,346	
2004	795,284	664,582	62,027	731,697	31,416		30,900	653,261	
2003	803,449	660,531	53,124	739,613	31,487		27,300	645,767	
2002	752,249	589,899	91,871	665,696	31,330		22,900	567,272	
2001	641,100	503,769	89,849	578,368	19,624		18,300	497,639	
2000	459,297	385,451	43,521	426,899	14,837		Not Available Before 2001	385,693	
1999	386,684	322,914	34,152	360,711	11,525			324,443	
1998	321,421	255,670	42,160	287,396	10,835			255,009	
1997	194,597	164,543	16,430	172,842	7,521			164,421	
1996	173,866	137,826	22,248	156,981	6,731			137,755	
1995	137,181	107,706	12,711	119,961	5,863			107,424	
1994	106,199	73,171	17,808	93,279	5,162			73,171	
1993	83,880	55,938	18,225	49,993	4,437			55,938	
1992	59,502	33,629	12,542	29,631	3,570			33,629	
1991	46,860	26,667	9,956	30,262	2,566			26,667	
1990	40,579	21,520	12,124	30,941	2,136			21,520	
1989	35,462	21,448	11,050	26,147	1,916			21,448	
1988	34,352	16,918	14,607	26,882	1,584			16,918	
1987	25,674	12,354	10,467	19,547	1,182			12,354	
1986	23,229	13,093	Not Available Before 1987	15,375	953			13,093	
1985	16,587	13,547		12,747	779			13,547	
1984	13,778	10,018		10,999	606			10,018	
1983	8,995	7,485		7,273	421			7,485	
1982	5,999	4,679		4,991	296			4,679	
1981	6,326	5,178		5,680	250			5,178	
1980	5,478	5,006		4,886	221			5,006	
1979	4,648	4,003		4,131	238			4,003	
1978	3,697	3,038		3,216	202			3,038	
1977	3,501	3,204		3,110	177			3,204	
1976	4,832	4,175		4,523	156			4,175	
1975	5,899	4,878		5,609	142			4,878	
1974	4,901	4,469		4,684	126			4,469	
1973	2,873	2,521		2,696	121			2,521	
1972	1,772	1,726		1,639	110			1,726	
1971	1,038	935		915	107			935	

Source: Freddie Mac

[a] Adoption of accounting guidance related to transfers of financial assets and consolidation of variable interest entities effective January 1, 2010, significantly changed the presentation of these items in the financial statements. Consequently, financial results for 2010 and later are not directly comparable to previous years.

[b] Excludes allowance for loan losses.

[c] Amounts for 2009 and later meet the definition of mortgage assets in the Treasury Senior Preferred Stock Purchase Agreement for the purpose of determining the maximum amount of mortgage assets that may be held.

[d] As defined in the Treasury Senior Preferred Stock Purchase Agreement for 2009 and later.

Table 13a. Freddie Mac Total MBS Outstanding Detail[a]

End of Period	Single-Family Mortgages ($ in Millions)					Multifamily Mortgages ($ in Millions)			($ in Millions)	
	Conventional									
	Fixed-Rate[b] ($)	Adjustable-Rate[c] ($)	Seconds[d] ($)	Total ($)	Total FHA/VA[d]	Conventional ($)	FHA/RD ($)	Multifamily Mortgages ($)	Total MBS Outstanding[e] ($)	Multiclass MBS Outstanding[f] ($)
4Q12	1,269,642	76,095	1	1,345,738	3,452	49,542	0	49,542	1,398,732	427,650
3Q12	1,280,060	77,494	1	1,357,555	3,618	43,766	0	43,766	1,404,939	438,275
2Q12	1,307,436	79,290	1	1,386,727	3,786	40,432	0	40,432	1,430,945	442,313
1Q12	1,316,361	82,507	1	1,398,869	3,957	35,377	0	35,377	1,438,203	449,166
Annual Data										
2012	1,269,642	76,095	1	1,345,738	3,452	49,542	0	49,542	1,398,732	427,650
2011	1,303,916	81,977	2	1,385,895	4,106	32,080	0	32,080	1,422,081	451,716
2010	1,357,124	84,471	2	1,441,597	4,434	21,954	0	21,954	1,467,985	429,115
2009	1,364,796	111,550	3	1,476,349	3,544	15,374	0	15,374	1,495,267	448,329
2008	1,242,648	142,495	4	1,385,147	3,970	13,597	0	13,597	1,402,714	517,654
2007	1,206,495	161,963	7	1,368,465	4,499	8,899	0	8,899	1,381,863	526,604
2006	967,580	141,740	12	1,109,332	5,396	8,033	0	8,033	1,122,761	491,696
2005	836,023	117,757	19	953,799	6,289	14,112	0	14,112	974,200	437,668
2004	736,332	91,474	70	827,876	9,254	15,140	0	15,140	852,270	390,516
2003	649,699	74,409	140	724,248	12,157	15,759	0	15,759	752,164	347,833
2002	647,603	61,110	5	708,718	12,361	8,730	0	8,730	729,809	392,545
2001	609,290	22,525	10	631,825	14,127	7,132	0	7,132	653,084	299,652
2000	533,331	36,266	18	569,615	778	5,708	0	5,708	576,101	309,185
1999	499,671	33,094	29	532,794	627	4,462	0	4,462	537,883	316,168
1998	Not Available Before 1999	Not Available Before 1999	Not Available Before 1999	Not Available Before 1999	Not Available Before 1999	Not Available Before 1999	Not Available Before 1999	Not Available Before 1999	478,351	260,504
1997									475,985	233,829
1996									473,065	237,939
1995									459,045	246,336
1994									460,656	264,152
1993									439,029	265,178
1992									407,514	218,747
1991									359,163	146,978
1990									316,359	88,124
1989									272,870	52,865
1988									226,406	15,621
1987									212,635	3,652
1986									169,186	5,333
1985									99,909	5,047
1984									70,026	3,214
1983									57,720	1,669
1982									42,952	Not Issued Before 1983
1981									19,897	
1980									16,962	
1979									15,316	
1978									12,017	
1977									6,765	
1976									2,765	
1975									1,643	
1974									780	
1973									791	
1972									444	
1971									64	

Source: Freddie Mac

a Based on unpaid principal balances of mortgage guarantees held by third parties. Excludes mortgage-backed securities (MBS) held for investment by Freddie Mac.

b Includes U.S.Department of Agriculture Rural Development (RD) loan programs.

c From 2001 to 2012, includes MBS with underlying mortgages classified as balloon/reset loans.

d From 2002 to 2012, includes resecuritizations of non-Freddie Mac securities.

e Excludes mortgage loans and mortgage-related securities traded but not yet settled. From 2002 to 2012, amounts include real estate mortgage investment conduits and other structured securities, other guarantee transactions, and other guarantee commitments of mortgage loans and MBS held by third parties.

f Amounts are included in total MBS outstanding column.

Table 14. Freddie Mac Mortgage Assets Held for Investment Detail

End of Period	($ in Millions)			
	Whole Loans[a] ($)	Freddie Mac Securities[a] ($)	Other Mortgage-Related Securities[a] ($)	Mortgage Assets Held for Investment (Gross)[b, c] ($)
4Q12	221,313	186,763	149,468	557,544
3Q12	225,700	186,727	155,539	567,966
2Q12	232,112	186,991	162,176	581,279
1Q12	247,985	201,746	168,567	618,298
Annual Data				
2012	221,313	186,763	149,468	557,544
2011	253,970	223,667	175,676	653,313
2010	234,746	263,603	198,525	696,874
2009	138,816	374,615	241,841	755,272
2008	111,476	424,524	268,762	804,762
2007	82,158	356,970	281,685	720,813
2006	65,847	354,262	283,850	703,959
2005	61,481	361,324	287,541	710,346
2004	61,360	356,698	235,203	653,261
2003	60,270	393,135	192,362	645,767
2002	63,886	341,287	162,099	567,272
2001	62,792	308,427	126,420	497,639
2000	59,240	246,209	80,244	385,693
1999	56,676	211,198	56,569	324,443
1998	57,084	168,108	29,817	255,009
1997	48,454	103,400	Not Available Before 1998	164,421
1996	46,504	81,195		137,755
1995	43,753	56,006		107,424
1994	Not Available Before 1995	30,670		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

[a] Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled.

[b] Excludes allowance for loan losses.

[c] Amounts shown for 2009 and later meet the definition of mortgage assets in the Treasury Senior Preferred Stock Purchase Agreement for the purpose of determining the maximum amount of mortgage assets that may be held.

Table 14a. Freddie Mac Mortgage Assets Held for Investment Detail – Whole Loans

End of Period	Whole Loans ($ in Millions)[a]								
	Single-Family					Multifamily			Total Whole Loans ($)
	Conventional				Total FHA/VA[c] ($)	Conventional ($)	FHA/RD ($)	Total ($)	
	Fixed-Rate[b] ($)	Adjustable-Rate ($)	Seconds ($)	Total ($)					
4Q12	133,506	9,953	0	143,459	1,285	76,566	3	76,569	221,313
3Q12	132,960	11,166	0	144,126	1,306	80,265	3	80,268	225,700
2Q12	138,924	12,150	0	151,074	1,441	79,577	20	79,597	232,112
1Q12	150,918	13,026	0	163,944	1,552	82,486	3	82,489	247,985
Annual Data									
2012	133,506	9,953	0	143,459	1,285	76,566	3	76,569	221,313
2011	156,361	13,804	0	170,165	1,494	82,308	3	82,311	253,970
2010	130,722	16,643	0	147,365	1,498	85,880	3	85,883	234,746
2009	50,980	2,310	0	53,290	1,588	83,935	3	83,938	138,816
2008	36,071	2,136	0	38,207	548	72,718	3	72,721	111,476
2007	21,578	2,700	0	24,278	311	57,566	3	57,569	82,158
2006	19,211	1,233	0	20,444	196	45,204	3	45,207	65,847
2005	19,238	903	0	20,141	255	41,082	3	41,085	61,481
2004	22,055	990	0	23,045	344	37,968	3	37,971	61,360
2003	25,889	871	1	26,761	513	32,993	3	32,996	60,270
2002	33,821	1,321	3	35,145	705	28,033	3	28,036	63,886
2001	38,267	1,073	5	39,345	964	22,480	3	22,483	62,792
2000	39,537	2,125	9	41,671	1,200	16,369	Not Available Before 2001	16,369	59,240
1999	43,210	1,020	14	44,244	77	12,355		12,355	56,676
1998	47,754	1,220	23	48,997	109	7,978		7,978	57,084
1997	40,967	1,478	36	42,481	148	5,825		5,825	48,454
1996	Not Available Before 1997	Not Available Before 1997	Not Available Before 1997	Not Available Before 1997	Not Available Before 1997	4,746		4,746	46,504
1995						3,852		3,852	43,753

Source: Freddie Mac

[a] Based on unpaid principal balances of mortgage loans. Excludes mortgage loans traded but not yet settled.

[b] From 2001 to 2012, includes U.S.Department of Agriculture Rural Development (RD) loan programs.

[c] FHA stands for Federal Housing Administration. VA stands for Department of Veterans Affairs.

Table 14b. Freddie Mac Mortgage Assets Held for Investment Detail – Part 1, Mortgage-Related Securities

End of Period	Mortgage-Related Securities ($ in Millions)[a]													
	Freddie Mac Securities[b]				Other Securities									
	Single-Family				Fannie Mae				Ginnie Mae					
					Single-Family				Single-Family					
	Fixed-Rate ($)	Adjustable-Rate ($)	Multi-family ($)	Total Freddie Mac ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Multi-family ($)	Total Fannie Mae ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Multi-family ($)	Total Ginnie Mae ($)	Total Private-Label ($)	Total Other Securities ($)
4Q12	147,751	36,630	2,382	186,763	10,864	12,518	84	23,466	202	91	15	308	120,038	143,812
3Q12	145,152	39,249	2,326	186,727	12,165	13,226	99	25,490	217	94	15	326	123,365	149,181
2Q12	141,762	42,596	2,633	186,991	13,517	14,105	104	27,726	231	97	15	343	126,944	155,013
1Q12	155,540	43,592	2,614	201,746	14,859	14,908	123	29,890	243	100	16	359	130,848	161,097
Annual Data														
2012	147,751	36,630	2,382	186,763	10,864	12,518	84	23,466	202	91	15	308	120,038	143,812
2011	174,440	46,219	3,008	223,667	16,543	15,998	128	32,669	253	104	16	373	134,841	167,883
2010	206,974	54,534	2,095	263,603	21,238	18,139	316	39,693	296	117	27	440	148,515	188,648
2009	294,958	77,708	1,949	374,615	36,549	28,585	528	65,662	341	133	35	509	163,816	229,987
2008	328,965	93,498	2,061	424,524	35,142	34,460	674	70,276	398	152	26	576	185,041	255,893
2007	269,896	84,415	2,659	356,970	23,140	23,043	922	47,105	468	181	82	731	218,914	266,750
2006	282,052	71,828	382	354,262	25,779	17,441	1,214	44,434	707	231	13	951	224,631	270,016
2005	299,167	61,766	391	361,324	28,818	13,180	1,335	43,333	1,045	218	30	1,293	231,594	276,220
2004	304,555	51,737	406	356,698	41,828	14,504	1,672	58,004	1,599	81	31	1,711	166,411	226,126
2003	Not Available Before 2004	Not Available Before 2004	Not Available Before 2004	393,135	Not Available Before 2004	Not Available Before 2004	Not Available Before 2004	74,529	Not Available Before 2004	Not Available Before 2004	Not Available Before 2004	2,760	107,301	184,590
2002				341,287				78,829				4,878	70,752	154,459
2001				308,427				71,128				5,699	42,336	119,163
2000				246,209				28,303				8,991	35,997	73,291
1999				211,198				13,245				6,615	31,019	50,879
1998				168,108				3,749				4,458	16,970	25,177
1997				103,400				Not Available Before 1998				6,393	Not Available Before 1998	Not Available Before 1998
1996				81,195								7,434		
1995				56,006								Not Available Before 1996		
1994				30,670										
1993				15,877										
1992				6,394										

Source: Freddie Mac

[a] Based on unpaid principal balances.

[b] From 2001 to 2012, includes real estate mortgage investment conduits and other structured securities backed by Ginnie Mae mortgage-backed securities.

Table 14b. Freddie Mac Mortgage Assets Held for Investment Detail – Part 2, Mortgage-Related Securities, Private-Label Detail

End of Period	Mortgage-Related Securities ($ in Millions)[a]								
	Private-Label								
	Single-Family							Multifamily ($)	Total Private-Label ($)
	Manufactured Housing ($)	Subprime		Alt-A[b]		Other[c]			
		Fixed-Rate ($)	Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)		
4Q12	862	311	44,086	1,774	13,036	0	12,012	47,957	120,038
3Q12	886	322	45,188	1,876	13,438	0	12,477	49,178	123,365
2Q12	909	327	46,336	1,959	13,849	0	12,958	50,606	126,944
1Q12	935	332	47,519	2,047	14,272	0	13,508	52,235	130,848
Annual Data									
2012	862	311	44,086	1,774	13,036	0	12,012	47,957	120,038
2011	960	336	48,696	2,128	14,662	0	13,949	54,110	134,841
2010	1,080	363	53,855	2,405	16,438	0	15,646	58,728	148,515
2009	1,201	395	61,179	2,845	18,594	0	17,687	61,915	163,816
2008	1,326	438	74,413	3,266	21,801	0	19,606	64,191	185,041
2007	1,472	498	100,827	3,720	26,343	0	21,250	64,804	218,914
2006	1,510	408	121,691	3,626	31,743	0	20,893	44,760	224,631
2005	1,680	Not Available Before 2006	Not Available Before 2006	Not Available Before 2006	Not Available Before 2006	4,749	181,678	43,487	231,594
2004	1,816					8,243	115,168	41,184	166,411
2003	2,085					Not Available Before 2004	Not Available Before 2004	Not Available Before 2004	107,301
2002	2,394								70,752
2001	2,462								42,336
2000	2,896								35,997
1999	4,693								31,019
1998	1,711								16,970

Source: Freddie Mac

[a] Based on unpaid principal balances.

[b] Includes nonagency mortgage-related securities backed by home equity lines of credit.

[c] Consists of nonagency mortgage-related securities backed by option ARM loans. Before 2006, includes securities principally backed by subprime and Alt-A mortgage loans. ARM stands for adjustable-rate mortgage.

Table 14b. Freddie Mac Mortgage Assets Held for Investment Detail – Part 3, Mortgage-Related Securities

End of Period	Mortgage-Related Securities ($ in Millions)		($ in Millions)			
	Mortgage Revenue Bonds[a] ($)	Total Mortgage-Related Securities[a] ($)	Unamortized Premiums, Discounts, Deferred Fees, Plus Unrealized Gains/ Losses on Available-for-Sale Securities[b] ($)	Mortgage Assets Held for Investment (Net)[c] ($)	Mortgage Assets Held for Investment (Gross)[d] ($)	Limit on Mortgage Assets Held for Investment (Gross)[e] ($)
4Q12	5,656	336,231	N/A	N/A	557,544	650,000
3Q12	6,358	342,266	N/A	N/A	567,966	Not Applicable
2Q12	7,163	349,167	N/A	N/A	581,279	Not Applicable
1Q12	7,470	370,313	N/A	N/A	618,298	Not Applicable
Annual Data						
2012	5,656	336,231	N/A	N/A	557,544	650,000
2011	7,793	399,343	N/A	N/A	653,313	729,000
2010	9,877	462,128	N/A	N/A	696,874	810,000
2009	11,854	616,456	(38,298)	716,974	755,272	900,000
2008	12,869	693,286	(56,015)	748,747	804,762	Not Applicable Before 2009
2007	14,935	638,655	(10,771)	710,042	720,813	
2006	13,834	638,112	(3,957)	700,002	703,959	
2005	11,321	648,865	(843)	709,503	710,346	
2004	9,077	591,901	11,321	664,582	653,261	
2003	7,772	585,497	14,764	660,531	645,767	
2002	7,640	503,386	22,627	589,899	567,272	
2001	7,257	434,847	6,130	503,769	497,639	
2000	6,953	326,453	(242)	385,451	385,693	
1999	5,690	267,767	(1,529)	322,914	324,443	
1998	4,640	197,925	661	255,670	255,009	
1997	3,031	Not Available Before 1998	122	164,543	164,421	
1996	1,787		71	137,826	137,755	
1995	Not Available Before 1996		282	107,706	107,424	
1994			Not Available Before 1995 and after 2009	73,171	73,171	
1993				55,938	55,938	
1992				33,629	33,629	
1991				26,667	26,667	
1990				21,520	21,520	
1989				21,448	21,448	
1988				16,918	16,918	
1987				12,354	12,354	
1986				13,093	13,093	
1985				13,547	13,547	
1984				10,018	10,018	
1983				7,485	7,485	
1982				4,679	4,679	
1981				5,178	5,178	
1980				5,006	5,006	
1979				4,003	4,003	
1978				3,038	3,038	
1977				3,204	3,204	
1976				4,175	4,175	
1975				4,878	4,878	
1974				4,469	4,469	
1973				2,521	2,521	
1972				1,726	1,726	
1971				935	935	

Source: Freddie Mac

N/A = not available

[a] Based on unpaid principal balances.

[b] Includes premiums, discounts, deferred fees, impairments of unpaid principal balances, and other basis adjustments on mortgage loans and mortgage-related securities plus unrealized gains or losses on available-for-sale mortgage-related securities. Amounts prior to 2006 include mortgage-backed securities residuals at fair value.

[c] Excludes allowance for loan losses.

[d] Amounts for 2009 and later meet the definition of mortgage assets in the Treasury Senior Preferred Stock Purchase Agreement for the purpose of determining the maximum amount of mortgage assets that may be held.

[e] Maximum allowable mortgage assets under the Treasury Senior Preferred Stock Purchase Agreement.

Table 15. Freddie Mac Financial Derivatives

End of Period	Interest Rate Swaps[a] ($)	Interest Rate Caps, Floors, and Corridors ($)	Foreign Currency Contracts ($)	Over-the-Counter Futures, Options, and Forward Rate Agreements ($)	Treasury-Based Contracts[b] ($)	Exchange-Traded Futures, Options and Other Derivatives ($)	Credit Derivatives[c] ($)	Commitments[d] ($)	Other[e] ($)	Total ($)
	Financial Derivatives – Notional Amount Outstanding ($ in Millions)									
4Q12	547,491	28,000	1,167	90,585	1,185	39,938	8,307	25,530	3,628	745,831
3Q12	553,794	28,000	1,139	101,037	1,485	39,938	8,934	15,953	3,620	753,900
2Q12	555,438	28,000	1,123	105,487	0	39,938	9,272	13,032	3,622	755,912
1Q12	547,426	28,000	1,179	120,590	3,000	41,281	9,338	22,298	3,631	776,743
Annual Data										
2012	547,491	28,000	1,167	90,585	1,185	39,938	8,307	25,530	3,628	745,831
2011	503,893	28,000	1,722	182,974	2,250	41,281	10,190	14,318	3,621	788,249
2010	721,259	28,000	2,021	207,694	4,193	211,590	12,833	14,292	3,614	1,205,496
2009	705,707	35,945	5,669	287,193	540	159,659	14,198	13,872	3,521	1,226,304
2008	766,158	36,314	12,924	251,426	28,403	106,610	13,631	108,273	3,281	1,327,020
2007	711,829	0	20,118	313,033	0	196,270	7,667	72,662	1,302	1,322,881
2006	440,879	0	29,234	252,022	2,000	20,400	2,605	10,012	957	758,109
2005	341,008	45	37,850	193,502	0	86,252	2,414	21,961	738	683,770
2004	178,739	9,897	56,850	224,204	2,001	127,109	10,926	32,952	114,100	756,778
2003	287,592	11,308	46,512	349,650	8,549	122,619	15,542	89,520	152,579	1,083,871
2002	290,096	11,663	43,687	277,869	17,900	210,646	17,301	191,563	117,219	1,177,944
2001	442,771	12,178	23,995	187,486	13,276	358,500	10,984	121,588	0	1,170,778
2000	277,888	12,819	10,208	113,064	2,200	22,517	N/A	N/A	35,839	474,535
1999	126,580	19,936	1,097	172,750	8,894	94,987	Not Applicable Before 2000	Not Applicable Before 2000	0	424,244
1998	57,555	21,845	1,464	63,000	11,542	157,832			0	313,238
1997	54,172	21,995	1,152	6,000	12,228	0			0	95,547
1996	46,646	14,095	544	0	651	0			0	61,936
1995	45,384	13,055	0	0	24	0			0	58,463
1994	21,834	9,003	0	0	0	0			0	30,837
1993	17,888	1,500	0	0	0	0			0	19,388

Source: Freddie Mac

N/A = not available

a Amounts for 2010 through 2012 include exchange-settled interest rate swaps.

b Amounts for years 2002 through 2012 include exchange-traded.

c Amounts included in "Other" in 2000, not applicable in prior years.

d Commitments include commitments to purchase and sell investments in securities and mortgage loans and commitments to purchase and extinguish or issue debt securities of consolidated trusts. Years before 2004 include commitments to purchase and sell various debt securities.

e Includes prepayment management agreement and swap guarantee derivatives.

Table 16. Freddie Mac Nonmortgage Investments

End of Period	Nonmortgage Investments ($ in Millions)[a]					
	Federal Funds and Eurodollars ($)	Asset-Backed Securities ($)	Repurchase Agreements ($)	Commercial Paper and Corporate Debt ($)	Other[b] ($)	Total ($)
4Q12	0	292	37,563	0	20,221	58,076
3Q12	0	543	45,805	1,312	21,554	69,214
2Q12	0	526	38,858	1,399	19,040	59,823
1Q12	0	695	24,349	2,960	26,164	54,168
Annual Data						
2012	0	292	37,563	0	20,221	58,076
2011	0	302	12,044	2,184	24,812	39,342
2010	3,750	44	42,774	441	27,411	74,420
2009	0	4,045	7,000	439	14,787	26,271
2008	0	8,794	10,150	0	0	18,944
2007	162	16,588	6,400	18,513	0	41,663
2006	19,778	32,122	3,250	11,191	2,273	68,614
2005	9,909	30,578	5,250	5,764	5,823	57,324
2004	18,647	21,733	13,550	0	8,097	62,027
2003	7,567	16,648	13,015	5,852	10,042	53,124
2002	6,129	34,790	16,914	13,050	20,988	91,871
2001	15,868	26,297	17,632	21,712	8,340	89,849
2000	2,267	19,063	7,488	7,302	7,401	43,521
1999	10,545	10,305	4,961	3,916	4,425	34,152
1998	20,524	7,124	1,756	7,795	4,961	42,160
1997	2,750	2,200	6,982	3,203	1,295	16,430
1996	9,968	2,086	6,440	1,058	2,696	22,248
1995	110	499	9,217	1,201	1,684	12,711
1994	7,260	0	5,913	1,234	3,401	17,808
1993	9,267	0	4,198	1,438	3,322	18,225
1992	5,632	0	4,060	53	2,797	12,542
1991	2,949	0	4,437	0	2,570	9,956
1990	1,112	0	9,063	0	1,949	12,124
1989	3,527	0	5,765	0	1,758	11,050
1988	4,469	0	9,107	0	1,031	14,607

Source: Freddie Mac

[a] Adoption of accounting guidance related to transfers of financial assets and consolidation of variable interest entities, effective January 1, 2010, changed presentation of nonmortgage investments. Values for 2010 and later are not directly comparable to previous years.

[b] Beginning in 2009, amounts include Treasury bills and Treasury notes. For 2004 through 2006, amounts include obligations of states and municipalities classified as available-for-sale securities. For 2003 and previous years, amounts include nonmortgage-related securities classified as trading, debt securities issued by the U.S. Treasury and other federal agencies, obligations of states and municipalities, and preferred stock.

Table 17. Freddie Mac Mortgage Asset Quality

End of Period	Mortgage Asset Quality				
	Single-Family Delinquency Rate[a] (%)	Multifamily Delinquency Rate[b] (%)	Credit Losses/Average Total Mortgage Portfolio[c] (%)	REO/Total Mortgage Portfolio[d] (%)	Credit-Enhanced[e]/ Total Mortgage Portfolio[d] (%)
4Q12	3.25	0.19	0.54	0.24	13.0
3Q12	3.37	0.27	0.65	0.25	13.0
2Q12	3.45	0.27	0.63	0.26	13.0
1Q12	3.51	0.23	0.74	0.29	13.0
Annual Data					
2012	3.25	0.19	0.64	0.24	13.0
2011	3.58	0.22	0.68	0.30	14.0
2010	3.84	0.26	0.72	0.36	15.0
2009	3.98	0.20	0.41	0.23	16.0
2008	1.83	0.05	0.20	0.17	18.0
2007	0.65	0.02	0.03	0.08	17.0
2006	0.42	0.06	0.01	0.04	16.0
2005	0.53	0.00	0.01	0.04	17.0
2004	0.73	0.06	0.01	0.05	19.0
2003	0.86	0.05	0.01	0.06	21.0
2002	0.77	0.13	0.01	0.05	27.4
2001	0.62	0.15	0.01	0.04	34.7
2000	0.49	0.04	0.01	0.04	31.8
1999	0.39	0.14	0.02	0.05	29.9
1998	0.50	0.37	0.04	0.08	27.3
1997	0.55	0.96	0.08	0.11	15.9
1996	0.58	1.96	0.10	0.13	10.0
1995	0.60	2.88	0.11	0.14	9.7
1994	0.55	3.79	0.08	0.18	7.2
1993	0.61	5.92	0.11	0.16	5.3
1992	0.64	6.81	0.09	0.12	Not Available 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

a Based on the number of mortgages 90 days or more delinquent or in foreclosure. Excludes modified loans if the borrower is less than 90 days past due under the modified terms. Rates are based on loans in the single-family credit guarantee portfolio, which excludes that portion of Freddie Mac real estate mortgage investment conduits (REMICs) and other structured securities backed by Ginnie Mae mortgage-backed securities (MBS). Rates for years 2005 and 2007 also exclude other guarantee transactions. Single-family delinquency rates for 2008 through 2012 include other guarantee transactions.

b Before 2008, rates were based on the net carrying value of mortgages 60 days or more delinquent or in foreclosure and exclude other guarantee transactions. Beginning in 2008, rates were based on the unpaid principal balance of loans 60 days or more delinquent or in foreclosure and include other guarantee transactions.

c Credit losses equal to real estate owned operations expense (income) plus net charge-offs and exclude other market-based valuation losses. Calculated as credit losses divided by the average balance of mortgage loans in the total mortgage portfolio, excluding non-Freddie Mac MBS and the portion of REMICs and other structured securities backed by Ginnie Mae MBS.

d Calculated based on the balance of mortgage loans in the total mortgage portfolio excluding non-Freddie Mac MBS and the portion of REMICS and other structured securities backed by Ginnie Mae certificates.

e Includes loans with a portion of the primary default risk retained by the lender or a third party who pledged collateral or agreed to accept losses on loans that default. In many cases, the lender's or third party's risk is limited to a specific level of losses at the time the credit enhancement becomes effective.

Table 18. Freddie Mac Capital[a]

End of Period	Capital ($ in Millions)									
	Minimum Capital Requirement			Risk-Based Capital Requirement						
	Core Capital[b] ($)	Minimum Capital Requirement[c] ($)	Regulatory Capital Surplus (Deficit)[c] ($)	Total Capital[d] ($)	Risk-Based Capital Requirement[e] ($)	Risk-Based Capital Surplus (Deficit)[f] ($)	Market Capitalization[g] ($)	Core Capital/ Total Assets[h] (%)	Core Capital/ Total Assets plus Unconsolidated MBS[i] (%)	Common Share Dividend Payout Rate[j] (%)
4Q12	(60,571)	22,063	(82,634)	N/A	N/A	N/A	169	(3.04)	(3.02)	N/A
3Q12	(63,220)	22,329	(85,549)	N/A	N/A	N/A	169	(3.14)	(3.13)	N/A
2Q12	(64,339)	22,701	(87,040)	N/A	N/A	N/A	163	(3.11)	(3.12)	N/A
1Q12	(65,552)	23,518	(89,070)	N/A	N/A	N/A	195	(3.10)	(3.12)	N/A
Annual Data										
2012	(60,571)	22,063	(82,634)	N/A	N/A	N/A	169	(3.04)	(3.02)	N/A
2011	(64,322)	24,405	(88,727)	N/A	N/A	N/A	136	(3.00)	(3.03)	N/A
2010	(52,570)	25,987	(78,557)	N/A	N/A	N/A	195	(2.32)	(2.37)	N/A
2009	(23,774)	28,352	(52,126)	N/A	N/A	N/A	953	(2.82)	(1.02)	N/A
2008	(13,174)	28,200	(41,374)	N/A	N/A	N/A	473	(1.55)	(0.58)	N/M
2007	37,867	26,473	11,394	40,929	14,102	26,827	22,018	4.77	1.74	N/M
2006	35,365	25,607	9,758	36,742	15,320	21,422	44,896	4.39	1.83	63.9
2005	35,043	24,791	10,252	36,781	11,282	25,499	45,269	4.35	1.97	56.4
2004	34,106	23,715	10,391	34,691	11,108	23,583	50,898	4.29	2.07	30.7
2003	32,416	23,362	9,054	33,436	5,426	28,010	40,158	4.03	2.08	15.6
2002	28,990	22,339	6,651	24,222	4,743	19,479	40,590	3.85	1.96	6.2
2001	20,181	19,014	1,167	Not Applicable Before 2002	Not Applicable Before 2002	Not Applicable Before 2002	45,473	3.15	1.56	18.9
2000	14,380	14,178	202				47,702	3.13	1.39	20.0
1999	12,692	12,287	405				32,713	3.28	1.37	20.1
1998	10,715	10,333	382				44,797	3.33	1.34	20.7
1997	7,376	7,082	294				28,461	3.79	1.10	21.1
1996	6,743	6,517	226				19,161	3.88	1.04	21.3
1995	5,829	5,584	245				14,932	4.25	0.98	21.1
1994	5,169	4,884	285				9,132	4.87	0.91	20.5
1993	4,437	3,782	655				9,005	5.29	0.85	21.6
1992	Not Applicable Before 1993	Not Applicable Before 1993	Not Applicable Before 1993				8,721	Not Applicable Before 1993	Not Applicable Before 1993	23.1
1991							8,247			21.6
1990							2,925			23.2
1989							4,024			24.3

Sources: Freddie Mac and FHFA

N/A = not applicable N/M = not meaningful

a On October 9, 2008, the Federal Housing Finance Agency (FHFA) suspended capital classifications of Freddie Mac. As of the fourth quarter of 2008, neither the existing statutory nor the FHFA-directed regulatory capital requirements are binding and will not be binding during conservatorship.

b The sum of the stated value of outstanding common stock (common stock less treasury stock), the stated value of outstanding noncumulative perpetual preferred stock, paid-in capital, and retained earnings (accumulated deficit). Core capital excludes accumulated other comprehensive income (loss) and senior preferred stock.

c Beginning in the fourth quarter of 2003, FHFA directed Freddie Mac to maintain an additional 30 percent capital in excess of the statutory minimum capital requirement. On March 19, 2008, FHFA announced a reduction in the mandatory target capital surplus from 30 percent to 20 percent above the statutory minimum capital requirements. The minimum capital requirement and minimum capital surplus (deficit) numbers stated in this table do not reflect the additional capital requirement. Minimum capital surplus (deficit) is the difference between core capital and the minimum capital requirement.

d Total capital includes core capital and general reserves for mortgage and foreclosure losses.

e The risk-based capital requirement is the amount of total capital an Enterprise must hold to absorb projected losses flowing from future adverse interest rate and credit risk conditions and is specified by the Federal Housing Enterprise Financial Safety and Soundness Act of 1992.

f The difference between total capital and risk-based capital requirement.

g Stock price at the end of the period multiplied by the number of outstanding common shares.

h Adoption of the changes in the accounting guidance related to transfers of financial assets and consolidation of variable interest entities changed presentation of total assets on the balance sheet. Financial results for 2010 and later are not directly comparable to years before 2010.

i Includes unconsolidated MBS held by third parties. Before 2010, Freddie Mac MBS held by third parties were not consolidated.

j Common dividends paid as a percentage of net income available to common stockholders.

Table 19. Federal Home Loan Banks Combined Statement of Income

End of Period	($ in Millions)				
	Net Interest Income ($)	Operating Expenses ($)	Affordable Housing Program Assessment ($)	REFCORP Assessment [a, b] ($)	Net Income ($)
4Q12	996	223	76	0	645
3Q12	1,013	201	73	0	643
2Q12	1,009	208	64	0	560
1Q12	1,041	207	84	0	738
Annual Data					
2012	4,059	840	297	0	2,586
2011	4,131	855	189	159	1,602
2010	5,234	860	229	498	2,081
2009	5,432	813	258	572	1,855
2008	5,243	732	188	412	1,206
2007	4,516	714	318	703	2,827
2006	4,293	671	295	647	2,612
2005	4,207	657	282	625	2,525
2004	4,171	547	225	505	1,994
2003	3,877	450	218	490	1,885
2002	3,722	393	168	375	1,507
2001	3,446	364	220	490	1,970
2000	3,313	333	246	553	2,211
1999	2,534	282	199	Not Applicable Before 2000	2,128
1998	2,116	258	169		1,778
1997	1,772	229	137		1,492
1996	1,584	219	119		1,330
1995	1,401	213	104		1,300
1994	1,230	207	100		1,023
1993	954	197	75		884
1992	736	207	50		850
1991	1,051	264	50		1,159
1990	1,510	279	60		1,468

Source : Federal Home Loan Bank System Office of Finance

[a] Before 2000, the Federal Home Loan Banks charged a $300 million annual capital distribution to the Resolution Funding Corporation (REFCORP) directly to retained earnings.

[b] The Federal Home Loan Banks made their final payment satisfying the REFCORP obligation on July 15, 2011, based on income earned in the second quarter of 2011.

Table 20. Federal Home Loan Banks Combined Balance Sheet

End of Period	($ in Millions)								
	Total Assets ($)	Advances to Members Outstanding ($)	Mortgage Loans Held ($)	Mortgage-Related Securities ($)	Consolidated Obligations ($)	Capital Stock ($)	Retained Earnings ($)	Regulatory Capital[a]	Regulatory Capital/Total Assets
4Q12	762,675	425,748	49,424	138,522	692,416	33,538	10,447	50,989	6.69
3Q12	748,982	412,262	50,677	140,713	679,710	33,593	10,001	50,791	6.78
2Q12	759,766	418,366	51,712	142,113	690,472	34,073	9,508	51,126	6.73
1Q12	737,987	393,931	52,603	141,102	663,051	34,708	9,102	51,768	7.01
Annual Data									
2012	762,675	425,748	49,424	138,522	692,416	33,538	10,447	50,989	6.69
2011	766,352	418,156	53,377	140,156	697,385	35,542	8,521	52,934	6.91
2010	878,109	478,589	61,191	146,881	800,998	41,735	7,552	57,356	6.53
2009	1,015,583	631,159	71,437	152,028	934,876	44,982	6,033	60,153	5.92
2008	1,349,053	928,638	87,361	169,170	1,258,267	49,551	2,936	59,625	4.42
2007	1,271,800	875,061	91,610	143,513	1,178,916	50,253	3,689	56,051	4.41
2006	1,016,469	640,681	97,974	130,228	934,214	42,001	3,143	47,247	4.65
2005	997,389	619,860	105,240	122,328	915,901	42,043	2,600	46,102	4.62
2004	924,751	581,216	113,922	124,417	845,738	40,092	1,744	42,990	4.65
2003	822,418	514,037	113,438	97,867	740,721	37,703	1,098	38,801	4.72
2002	763,052	489,338	60,455	96,386	673,383	35,186	716	35,904	4.71
2001	696,254	472,540	27,641	86,730	621,003	33,288	749	34,039	4.89
2000	653,687	437,861	16,149	77,385	591,606	30,537	728	31,266	4.78
1999	583,212	395,747	2,026	62,531	525,419	28,361	654	29,019	4.98
1998	434,002	288,189	966	52,232	376,715	22,287	465	22,756	5.24
1997	348,575	202,265	37	47,072	304,493	18,833	341	19,180	5.50
1996	292,035	161,372	0	42,960	251,316	16,540	336	16,883	5.78
1995	272,661	132,264	0	38,029	231,417	14,850	366	15,213	5.58
1994	239,076	125,893	0	29,967	200,196	13,095	271	13,373	5.59
1993	178,897	103,131	0	22,217	138,741	11,450	317	11,766	6.58
1992	162,134	79,884	0	20,123	114,652	10,102	429	10,531	6.50
1991	154,556	79,065	0	Not Available Before 1992	108,149	10,200	495	Not Available Before 1992	Not Available Before 1992
1990	165,742	117,103	0		118,437	11,104	521		

Source: Federal Home Loan Bank System Office of Finance

[a] The sum of regulatory capital amounts reported in call reports filed by each Federal Home Loan Bank plus the combining adjustment for Federal Home Loan Bank System retained earnings reported by the Office of Finance.

Table 21. Federal Home Loan Banks Net Income

End of Period	($ in Millions)													
	Atlanta	Boston	Chicago	Cincinnati	Dallas	Des Moines	Indianapolis	New York	Pittsburgh	San Francisco	Seattle	Topeka	Combining Adjustment	System Total
4Q12	64	53	100	65	17	30	36	84	52	94	21	29	16	661
3Q12	76	51	90	58	18	19	33	89	33	137	14	28	14	660
2Q12	59	56	70	55	23	18	33	87	23	92	23	22	(7)	552
1Q12	70	47	116	58	24	45	41	102	22	169	13	32	(6)	733
Annual Data														
2012	270	207	375	235	81	111	143	361	130	491	71	110	(21)	2606
2011	184	160	224	138	48	78	110	244	38	216	84	77	(8)	1593
2010	278	107	366	164	105	133	111	276	8	399	21	34	79	2081
2009	283	(187)	(65)	268	148	146	120	571	(37)	515	(162)	237	18	1855
2008	254	(116)	(119)	236	79	127	184	259	19	461	(199)	28	(7)	1206
2007	445	198	111	269	130	101	122	323	237	652	71	150	18	2827
2006	414	196	188	253	122	89	118	285	216	542	26	136	27	2612
2005	344	135	244	220	242	228	153	230	192	369	2	136	30	2525
2004	294	90	365	227	65	100	131	161	119	293	83	93	(27)	1994
2003	207	92	437	171	113	135	134	46	69	323	144	88	(74)	1885
2002	267	76	205	178	(50)	46	81	234	(27)	292	147	58	0	1507
2001	162	113	164	189	114	74	104	285	85	425	178	77	0	1970
2000	298	146	129	193	129	124	127	277	173	377	139	99	0	2211
1999	282	137	131	173	109	132	125	244	184	332	165	90	24	2128
1998	221	116	111	176	99	116	111	186	143	294	154	81	(30)	1778
1997	192	103	99	135	87	110	98	144	110	249	129	65	(29)	1492
1996	165	96	92	116	95	111	80	131	97	219	118	58	(48)	1330
1995	159	92	73	91	91	103	74	136	82	200	87	50	63	1300
1994	120	69	57	68	78	76	71	126	58	196	75	45	(16)	1024
1993	114	57	49	33	39	50	53	117	62	163	122	35	(12)	884
1992	124	52	51	41	26	47	59	141	58	131	93	33	(5)	850
1991	158	88	58	51	38	46	64	156	57	316	58	64	7	1159

Source: Federal Home Loan Bank System Office of Finance

Table 22. Federal Home Loan Banks Advances Outstanding

End of Period	($ in Millions)												
	Atlanta	Boston	Chicago	Cincinnati	Dallas	Des Moines	Indianapolis	New York	Pittsburgh	San Francisco	Seattle	Topeka	System Total
4Q12	87,503	20,790	14,530	53,944	18,395	26,614	18,129	75,888	40,498	43,750	9,135	16,573	425,748
3Q12	80,543	23,916	13,531	36,003	19,480	25,831	18,652	77,864	37,739	51,825	8,963	17,915	412,262
2Q12	81,842	26,457	15,797	35,095	19,207	26,561	18,814	77,610	33,617	56,074	9,562	17,730	418,366
1Q12	72,441	24,892	14,739	27,177	18,172	26,608	18,042	72,093	31,446	62,040	9,343	16,938	393,931
Annual Data													
2012	87,503	20,790	14,530	53,944	18,395	26,614	18,129	75,888	40,498	43,750	9,135	16,573	425,748
2011	86,971	25,195	15,291	28,424	18,798	26,591	18,568	70,864	30,605	68,164	11,292	17,394	418,156
2010	89,258	28,035	18,901	30,181	25,456	29,253	18,275	81,200	29,708	95,599	13,355	19,368	478,589
2009	114,580	37,591	24,148	35,818	47,263	35,720	22,443	94,349	41,177	133,559	22,257	22,254	631,159
2008	165,856	56,926	38,140	53,916	60,920	41,897	31,249	109,153	62,153	235,664	36,944	35,820	928,638
2007	142,867	55,680	30,221	53,310	46,298	40,412	26,770	82,090	68,798	251,034	45,524	32,057	875,061
2006	101,476	37,342	26,179	41,956	41,168	21,855	22,282	59,013	49,335	183,669	27,961	28,445	640,681
2005	101,265	38,068	24,921	40,262	46,457	22,283	25,814	61,902	47,493	162,873	21,435	27,087	619,860
2004	95,867	30,209	24,192	41,301	47,112	27,175	25,231	68,508	38,980	140,254	14,897	27,490	581,216
2003	88,149	26,074	26,443	43,129	40,595	23,272	28,925	63,923	34,662	92,330	19,653	26,882	514,037
2002	82,244	26,931	24,945	40,063	36,869	23,971	28,944	68,926	29,251	81,237	20,036	25,921	489,338
2001	71,818	24,361	21,902	35,223	32,490	20,745	26,399	60,962	29,311	102,255	24,252	22,822	472,540
2000	58,249	21,594	18,462	31,935	30,195	21,158	24,073	52,396	25,946	110,031	26,240	17,582	437,861
1999	45,216	22,488	17,167	28,134	27,034	22,949	19,433	44,409	36,527	90,514	26,284	15,592	395,747
1998	33,561	15,419	14,899	17,873	22,191	18,673	14,388	31,517	26,050	63,990	21,151	8,477	288,189
1997	23,128	12,052	10,369	14,722	13,043	10,559	11,435	19,601	16,979	49,310	15,223	5,844	202,265
1996	16,774	9,655	10,252	10,882	10,085	10,306	9,570	16,486	12,369	39,222	10,850	4,921	161,372
1995	13,920	8,124	8,282	8,287	9,505	11,226	7,926	15,454	9,657	25,664	9,035	5,185	132,264
1994	14,526	8,504	6,675	7,140	8,039	9,819	7,754	14,509	8,475	25,343	8,899	6,212	125,893
1993	11,340	7,208	4,380	4,274	10,470	6,362	6,078	12,162	6,713	23,847	5,889	4,407	103,131
1992	9,301	5,038	2,873	2,415	7,322	3,314	5,657	8,780	3,547	23,110	5,025	3,502	79,884
1991	8,861	5,297	1,773	2,285	4,634	2,380	5,426	11,804	2,770	24,178	5,647	4,011	79,065

Source: Federal Home Loan Bank System Office of Finance

Table 23. Federal Home Loan Banks Regulatory Capital[a]

End of Period	($ in Millions)													
	Atlanta	Boston	Chicago	Cincinnati	Dallas	Des Moines	Indianapolis	New York	Pittsburgh	San Francisco	Seattle	Topeka	Combining Adjustment[b]	System Total
4Q12	6,373	4,259	3,347	4,759	1,793	2,694	2,677	5,714	3,807	10,751	2,987	1,751	77	50,989
3Q12	6,233	4,187	3,304	4,160	1,809	2,640	2,638	5,756	3,791	11,416	2,988	1,812	57	50,791
2Q12	6,467	4,129	3,364	4,012	1,748	2,676	2,608	5,758	3,796	11,742	2,998	1,787	43	51,126
1Q12	7,533	4,058	3,358	3,878	1,768	2,679	2,550	5,416	3,748	11,990	2,971	1,771	50	51,768
Annual Data														
2012	6,373	4,259	3,347	4,759	1,793	2,694	2,677	5,714	3,807	10,751	2,987	1,751	77	50,989
2011	7,257	4,251	4,527	3,845	1,765	2,684	2,515	5,292	3,871	12,176	2,958	1,738	56	52,934
2010	8,877	4,004	4,962	3,887	2,061	2,746	2,695	5,304	4,419	13,640	2,871	1,826	64	57,356
2009	9,185	3,876	4,502	4,151	2,897	2,953	2,830	5,874	4,415	14,657	2,848	1,980	-15	60,153
2008	8,942	3,658	4,327	4,399	3,530	3,174	2,701	6,112	4,157	13,539	2,687	2,432	-33	59,625
2007	8,080	3,421	4,343	3,877	2,688	3,125	2,368	5,025	4,295	13,859	2,660	2,336	-26	56,051
2006	6,394	2,542	4,208	4,050	2,598	2,315	2,111	4,025	3,655	10,865	2,303	2,225	-44	47,247
2005	6,225	2,675	4,507	4,130	2,796	2,346	2,349	3,900	3,289	9,698	2,268	1,990	-71	46,102
2004	5,681	2,240	4,793	4,002	2,846	2,453	2,132	4,005	2,791	7,959	2,166	2,023	-101	42,990
2003	5,030	2,490	4,542	3,737	2,666	2,226	1,961	3,765	2,344	5,858	2,456	1,800	-74	38,801
2002	4,577	2,323	3,296	3,613	2,421	1,889	1,935	4,296	1,824	5,687	2,382	1,661	0	35,904
2001	4,165	2,032	2,507	3,240	2,212	1,574	1,753	3,910	1,970	6,814	2,426	1,436	0	34,039
2000	3,649	1,905	1,701	2,841	2,166	1,773	1,581	3,747	2,175	6,292	2,168	1,267	0	31,266
1999	3,433	1,868	1,505	2,407	1,862	2,264	1,446	3,093	2,416	5,438	2,098	1,190	0	29,019
1998	2,427	1,530	1,299	1,952	1,570	1,526	1,179	2,326	1,827	4,435	1,813	894	-24	22,756
1997	2,077	1,344	1,159	1,694	1,338	1,320	1,090	1,881	1,440	3,545	1,495	791	6	19,180
1996	1,846	1,239	1,091	1,377	1,150	1,245	903	1,616	1,230	3,150	1,334	666	35	16,883
1995	1,615	1,201	941	1,128	1,168	1,217	799	1,531	1,030	2,719	1,148	632	83	15,213
1994	1,488	1,091	749	961	944	905	676	1,281	924	2,627	1,094	612	20	13,373
1993	1,423	927	648	692	914	652	584	1,251	740	2,440	934	526	36	11,766
1992	1,333	843	564	563	661	515	548	1,181	566	2,453	782	474	48	10,531
1991	1,367	807	525	517	645	450	515	1,234	492	2,924	652	514	53	10,695

Source: Federal Home Loan Bank System Office of Finance

[a] For the Federal Home Loan Bank of Chicago and for all other FHLBanks before 2005, amounts for regulatory capital are from call reports filed by each Federal Home Loan Bank. Except for the Federal Home Loan Bank of Chicago, amounts from 2005 through 2012 are as reported by the Office of Finance.

[b] Combining adjustment for Federal Home Loan Bank System retained earnings as reported by the Office of Finance.

Table 24. Loan Limits

Period	Single-Family Conforming Loan Limits[a]			
	One Unit	Two Units	Three Units	Four Units
2013[b]	417,000-625,500	533,850-800,775	645,300-967,950	801,950-1,202,925
2012[b]	417,000-625,500	533,850-800,775	645,300-967,950	801,950-1,202,925
2011[c]	417,000-729,750	533,850-934,200	645,300-1,129,250	801,950-1,403,400
2010[d]	417,000-729,750	533,850-934,200	645,300-1,129,250	801,950-1,403,400
2009[e]	417,000-729,750	533,850-934,200	645,300-1,129,250	801,950-1,403,400
2008[f]	417,000-729,750	533,850-934,200	645,300-1,129,250	801,950-1,403,400
2007	417,000	533,850	645,300	801,950
2006	417,000	533,850	645,300	801,950
2005	359,650	460,400	556,500	691,600
2004	333,700	427,150	516,300	641,650
2003	322,700	413,100	499,300	620,500
2002	300,700	384,900	465,200	578,150
2001	275,000	351,950	425,400	528,700
2000	252,700	323,400	390,900	485,800
1999	240,000	307,100	371,200	461,350
1998	227,150	290,650	351,300	436,600
1997	214,600	274,550	331,850	412,450
1996	207,000	264,750	320,050	397,800
1995	203,150	259,850	314,100	390,400
1994	203,150	259,850	314,100	390,400
1993	203,150	259,850	314,100	390,400
1992	202,300	258,800	312,800	388,800
1991	191,250	244,650	295,650	367,500
5/1/1990 – 12/31/1990	187,450	239,750	289,750	360,150
1989 – 4/30/1990	187,600	239,950	290,000	360,450
1988	168,700	215,800	260,800	324,150
1987	153,100	195,850	236,650	294,150
1986	133,250	170,450	205,950	256,000
1985	115,300	147,500	178,200	221,500
1984	114,000	145,800	176,100	218,900
1983	108,300	138,500	167,200	207,900
1982	107,000	136,800	165,100	205,300
1981	98,500	126,000	152,000	189,000
1980	93,750	120,000	145,000	170,000
10/27/1977 – 1979	75,000	75,000	75,000	75,000
1975 – 10/26/1977	55,000	55,000	55,000	55,000

Sources: Department of Housing and Urban Development, Federal Housing Finance Agency, Freddie Mac

[a] Conforming loan limits are 50 percent higher in Alaska, Hawaii, Guam, and the U.S. Virgin Islands.

[b] The Housing and Economic Recovery Act of 2008 prescribed the formula used to set maximum loan limits for mortgages acquired in 2012 and 2013.

[c] Public Law 111-242 set maximum loan limits for mortgages originated through September 30, 2011, at the higher of the limits established by the Economic Stimulus Act of 2008 or those determined under a formula prescribed by the Housing and Economic Recovery Act of 2008. Loans originated after September 30 were subject to the Housing and Economic Recovery Act limits, which had a ceiling of $625,500 in the contiguous United States.

[d] Public Law 111-242 set maximum loan limits for mortgages originated in 2010 at the higher of the limits established by the Economic Stimulus Act of 2008 or those determined under a formula prescribed by the Housing and Economic Recovery Act of 2008. For all areas, the resulting 2010 limits were the same as those in effect for 2009.

[e] Loan limits for mortgages originated in 2009 were initially set under provisions of the Housing and Economic Recovery Act of 2008, which allowed for high-cost area limits of up to $625,500. In February 2009, the American Recovery and Reinvestment Act of 2009 restored the $729,750 maximum loan limit for mortgages originated in 2009.

[f] The Economic Stimulus Act of 2008 allowed Fannie Mae and Freddie Mac to raise the conforming loan limits in certain high-cost areas to a maximum of $729,750 for one-unit homes in the continental United States. Higher limits applied to two-, three-, and four-unit homes. Alaska, Hawaii, Guam, and the Virgin Islands have higher maximum limits. The limits applied to loans originated between July 1, 2007, and December 31, 2008.

Period	FHA Single-Family Insurable Limits							
	One Unit		Two Units		Three Units		Four 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
2013[a]	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2012[a]	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2011[a]	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2010[b]	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2009[c]	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2008[d]	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2007	200,160	362,790	256,248	464,449	309,744	561,411	384,936	697,696
2006	200,160	362,790	256,248	464,449	309,744	561,411	384,936	697,696
2005	172,632	312,895	220,992	400,548	267,120	484,155	331,968	601,692
2004	160,176	290,319	205,032	371,621	247,824	449,181	307,992	558,236
2003	154,896	280,749	198,288	359,397	239,664	434,391	297,840	539,835
2002	144,336	261,609	184,752	334,863	223,296	404,724	277,512	502,990
2001	132,000	239,250	168,936	306,196	204,192	370,098	253,776	459,969
2000	121,296	219,849	155,232	281,358	187,632	340,083	233,184	422,646
1999	115,200	208,800	147,408	267,177	178,176	322,944	221,448	401,375
1998	109,032	197,621	139,512	252,866	168,624	305,631	209,568	379,842
1997	81,546	170,362	104,310	205,875	126,103	248,888	156,731	309,338

Source: Federal Housing Administration

[a] Public Law 111-242 set the maximum loan limits for mortgages with credit approvals issued in Fiscal Year 2011 (October 1, 2010—September 30, 2011) at the higher of the limits established by the Economic Stimulus Act of 2008 or those determined under a formula prescribed by the Housing and Economic Recovery Act of 2008. The maximum limit for loans with case numbers assigned between November 18, 2011, and December 31, 2013, wer set pursuant to Public Law 112-55 at the higher of the limits established by the Economic Stimulus Act of 2008 or those determined under a formula prescribed by the Housing and Economic Recovery Act of 2008.

[b] Public Law 111-88 set maximum loan limits for mortgages with credit approvals issued in 2010 at the higher of the limits established by the Economic Stimulus Act of 2008 or those determined under a formula prescribed by the Housing and Economic Recovery Act of 2008. For all areas, the resulting 2010 limits were the same as those in effect for 2009.

[c] Loan limits for mortgages with credit approvals issued in 2009 were initially set under provisions of the Housing and Economic Recovery Act of 2008, which allowed for high-cost area limits of up to $625,500. In February 2009, the American Recovery and Reinvestment Act of 2009 restored the $729,750 maximum loan limit for mortgages with credit approvals issued in 2009.

[d] The Economic Stimulus Act of 2008 allowed the Federal Housing Administration to increase the single-family insurable limits to a maximum of $729,750 for one-unit homes in the continental United States. Higher limits applied to two-, three-, and four-unit homes. Alaska, Hawaii, Guam, and the Virgin Islands have higher maximum limits. The limits applied to loans with credit approvals issued between July 1, 2007, and December 31, 2008.

Table 25. Mortgage Interest Rates

Period	Average Commitment Rates on Loans		Effective Rates on Closed Loans	
	Conventional		Conventional	
	30-Year Fixed-Rate ($)	One-Year Adjustable-Rate ($)	Fixed-Rate ($)	Adjustable-Rate ($)
4Q12	3.4	2.6	4.6	N/A
3Q12	3.5	2.7	4.8	N/A
2Q12	3.8	2.8	4.9	N/A
1Q12	3.9	2.8	4.6	N/A
Annual Data				
2012	3.7	2.7	4.7	N/A
2011	4.5	3.0	4.8	N/A
2010	4.7	3.8	4.9	N/A
2009	5.0	4.7	5.2	N/A
2008	6.0	5.2	6.2	5.8
2007	6.3	5.6	6.5	6.3
2006	6.4	5.5	6.7	6.4
2005	5.9	4.5	6.1	5.5
2004	5.8	3.9	6.0	5.2
2003	5.8	3.8	5.9	5.0
2002	6.5	4.6	6.7	5.7
2001	7.0	5.8	7.1	6.4
2000	8.1	7.0	8.3	7.1
1999	7.4	6.0	7.4	6.5
1998	6.9	5.6	7.2	6.5
1997	7.6	5.6	7.9	6.9
1996	7.8	5.7	8.0	7.1
1995	7.9	6.1	8.2	7.1
1994	8.4	5.4	8.2	6.4
1993	7.3	4.6	7.5	5.7
1992	8.4	5.6	8.5	6.6
1991	9.3	7.1	9.7	8.3
1990	10.1	8.4	10.4	9.2
1989	10.3	8.8	10.5	9.4
1988	10.3	7.9	10.4	8.5
1987	10.2	7.8	9.9	8.5
1986	10.2	8.4	10.5	9.4
1985	12.4	10.1	12.4	10.9
1984	13.9	11.5	13.2	12.0
1983	13.2	Not Available Before 1984	13.0	12.3
1982	16.0		Not Available Before 1983	Not Available Before 1983
1981	16.6			
1980	13.7			
1979	11.2			
1978	9.6			
1977	8.9			
1976	8.9			
1975	9.1			
1974	9.2			
1973	8.0			
1972	7.4			
	Not Available Before 1972			

Sources: Freddie Mac for average commitment rates; Federal Housing Finance Agency for effective rates

N/A = not available

Table 26. Housing Market Activity[a]

Period	Housing Starts (units in thousands)			Home Sales (units in thousands)	
	One- to Four-Unit Housing Starts	Multifamily Housing Starts	Total Housing Starts	Sales of New One- to Four-Unit Homes	Sales of Existing One- to Four-Unit Homes
4Q12[b]	N/A	296	904	380	4,320
3Q12[b]	N/A	220	774	371	4,200
2Q12[b]	N/A	209	736	362	4,010
1Q12[b]	N/A	216	715	352	3,990
Annual Data					
2012	547	234	781	367	4,128
2011	442	167	609	306	3,787
2010	483	104	587	323	3,708
2009	457	97	554	375	3,870
2008	640	266	906	485	3,665
2007	1,078	277	1,355	776	4,398
2006	1,508	293	1,801	1,051	5,677
2005	1,757	311	2,068	1,283	6,180
2004	1,653	303	1,956	1,203	5,958
2003	1,533	315	1,848	1,086	5,446
2002	1,397	308	1,705	973	4,974
2001	1,310	293	1,603	908	4,735
2000	1,270	299	1,569	877	4,603
1999	1,334	307	1,641	880	4,649
1998	1,314	303	1,617	886	4,495
1997	1,178	296	1,474	804	3,964
1996	1,206	271	1,477	757	3,797
1995	1,110	244	1,354	667	3,519
1994	1,234	224	1,457	670	3,544
1993	1,155	133	1,288	666	3,427
1992	1,061	139	1,200	610	3,151
1991	876	138	1,014	509	2,886
1990	932	260	1,193	534	2,914
1989	1,059	318	1,376	650	3,010
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	1,990
1981	797	288	1,084	436	2,419
1980	962	331	1,292	545	2,973
1979	1,316	429	1,745	709	3,827
1978	1,558	462	2,020	817	3,986
1977	1,573	414	1,987	819	3,650
1976	1,248	289	1,538	646	3,064
1975	956	204	1,160	549	2,476
1974	956	382	1,338	519	2,272
1973	1,250	795	2,045	634	2,334
1972	1,450	906	2,357	718	2,252
1971	1,272	781	2,052	656	2,018

Sources: U.S. Census Bureau for housing starts and sales of new one- to four-unit properties; National Association of Realtors® for sales of existing one- to four-unit properties

N/A = not available

[a] Components may not add to totals due to rounding.

[b] Seasonally adjusted annual rates.

Table 27. Weighted Repeat Sales House Price Index (Annual Data)[a]

Period	USA	New England	Mid-Atlantic	South Atlantic	East North Central	West North Central	East South Central	West South Central	Mountain	Pacific
4Q12	5.43	0.38	1.29	5.43	2.76	4.55	2.82	5.51	13.53	10.94
3Q12	4.07	(0.05)	(0.41)	4.75	2.72	3.37	2.22	5.27	10.56	6.27
2Q12	3.50	(0.61)	(0.17)	4.55	2.86	3.47	3.68	3.99	7.67	4.09
1Q12	0.60	(1.22)	(1.07)	1.19	0.30	1.92	1.48	2.75	0.92	(1.29)
Annual Data										
2012	5.43	0.38	1.29	5.43	2.76	4.55	2.82	5.51	13.53	10.94
2011	(2.34)	(1.74)	(3.63)	(2.54)	(2.54)	(1.39)	(0.57)	1.20	(3.94)	(4.71)
2010	(4.17)	(2.01)	(1.43)	(5.81)	(3.12)	(3.61)	(4.58)	(2.37)	(7.63)	(5.72)
2009	(2.12)	(1.39)	(1.42)	(3.40)	(1.86)	(0.15)	(0.80)	1.17	(7.39)	(3.21)
2008	(9.70)	(6.20)	(4.63)	(13.72)	(7.13)	(4.25)	(3.80)	(1.89)	(13.86)	(21.62)
2007	(2.40)	(1.98)	0.40	(3.44)	(3.33)	(0.54)	1.95	3.49	(3.30)	(9.62)
2006	3.08	(1.77)	2.73	5.04	0.03	2.17	6.16	6.29	6.82	0.42
2005	10.18	6.37	10.00	14.62	3.43	4.94	7.43	6.73	17.84	18.08
2004	10.16	10.46	12.28	12.80	4.36	5.61	5.17	4.43	12.75	21.65
2003	7.86	10.70	11.01	8.50	4.76	5.55	4.01	3.17	6.96	15.57
2002	7.68	13.41	11.79	8.16	4.53	5.62	3.39	3.63	5.56	13.98
2001	6.75	12.02	9.50	7.29	4.82	6.13	3.32	3.95	5.35	9.74
2000	6.99	12.62	8.51	6.39	5.19	6.40	2.84	5.52	5.58	11.35
1999	6.22	10.15	6.91	5.78	5.14	5.50	3.86	5.56	5.63	8.71
1998	5.69	7.93	4.82	4.50	4.89	6.40	4.71	5.50	4.75	8.88
1997	3.33	4.50	2.08	3.36	3.39	3.76	2.83	3.05	3.18	4.08
1996	2.79	2.57	0.84	2.76	4.49	4.00	3.93	2.39	3.72	1.00
1995	2.66	0.78	0.05	2.46	4.96	4.73	4.70	3.11	4.81	(0.69)
1994	2.90	0.55	(0.59)	3.39	4.89	4.49	5.14	3.15	8.53	(1.10)
1993	2.72	(1.85)	0.00	2.34	4.66	6.12	4.65	4.65	9.51	(2.62)
1992	2.75	(0.51)	1.82	2.15	4.74	4.31	4.13	3.80	6.63	(1.13)
1991	3.12	(2.20)	1.53	3.04	4.71	3.78	4.04	3.99	5.59	1.87
1990	1.20	(7.17)	(2.51)	0.42	3.80	1.21	0.43	0.51	2.41	5.65
1989	5.58	0.84	2.54	4.48	5.92	3.03	2.77	2.38	2.61	18.33
1988	5.65	4.20	6.70	5.78	6.44	2.74	2.50	(1.86)	0.80	16.42
1987	5.38	14.97	15.91	5.72	7.62	2.34	3.15	(8.17)	(3.02)	8.58
1986	7.22	21.13	17.46	6.55	7.16	3.79	5.39	(0.23)	2.61	6.39
1985	5.69	22.47	13.53	5.07	4.81	3.61	5.30	(1.49)	2.29	4.64
1984	4.65	14.95	11.28	4.45	2.84	3.47	4.21	0.08	2.49	4.06
1983	4.28	13.75	10.79	3.72	4.54	4.32	3.43	1.43	(0.98)	0.77
1982	2.79	7.39	7.00	3.09	(4.21)	1.73	5.03	5.43	5.34	3.18
1981	4.22	6.27	2.12	4.61	2.29	0.97	0.91	10.71	7.72	4.43
1980	6.48	5.59	8.75	9.34	1.54	3.65	4.18	8.18	5.63	10.28
1979	12.49	14.58	15.39	11.97	8.52	10.32	8.85	14.50	14.55	16.46
1978	13.30	17.28	5.13	10.16	14.98	13.77	12.14	16.55	17.06	16.83
1977	14.26	8.39	12.16	9.12	13.86	15.52	10.41	13.94	17.76	25.53
1976	8.44	8.77	(0.93)	5.28	8.46	7.99	6.49	9.80	11.12	20.05

Source: Federal Housing Finance Agency

a Percentage changes based on Federal Housing Finance Agency's purchase-only index for 1992 through 2011 and all-transactions index for prior years. Annual data are measured based on fourth quarter-to-fourth quarter percentage change. Quarterly data for 2011 reflect changes over the previous four quarters.

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East South Central: Alabama, Kentucky, Mississippi, Tennessee

West South Central: Arkansas, Louisiana, Oklahoma, Texas

Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

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Federal Housing Finance Agency

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