



REPORT TO  

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**CONGRESS**  
2019

# FEDERAL HOUSING FINANCE AGENCY

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### **Dr. Mark A. Calabria**

Director

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### **Chris Bosland**

Senior Advisor for Regulation

### **Lynn Fisher**

Deputy Director  
Division of Research and Statistics

### **Robert Fishman**

Deputy Director  
Division of Resolutions

### **Kate Fulton**

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Division of Bank Regulation

### **Clinton Jones**

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Inspector General



# FEDERAL HOUSING FINANCE AGENCY

## OFFICE OF THE DIRECTOR

June 15, 2020

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

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

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

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

Dear Chairs and Ranking Members:

I am pleased to transmit the Federal Housing Finance Agency's (FHFA's) Report to Congress covering the activities of FHFA and its regulated entities in 2019. The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), as amended by the Housing and Economic Recovery Act of 2008, requires the Director to submit an annual report to Congress addressing several topics related to the fulfillment of FHFA's statutory responsibilities and the financial condition of the regulated entities: Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan Banks (FHLBanks). This report meets all such requirements applicable as of December 31, 2019.

This report encompasses actions taken by FHFA and the regulated entities, as well as the financial performance of the regulated entities, during calendar year 2019 prior to the outbreak of COVID-19 in the United States. As outlined in the timeline attached to this letter, FHFA took decisive action, starting before the pandemic had been declared a national emergency, to support the market and American families who should not have to worry about losing their homes during a global health crisis. FHFA's actions have been data driven and focused on supporting borrowers and renters, while ensuring the mortgage market continues to function properly both during and after the national emergency.

For homeowners who were facing foreclosure before this crisis began, FHFA directed the Enterprises to suspend all foreclosures and evictions. For homeowners struggling to pay their mortgage due to a COVID-related financial hardship, FHFA announced the Enterprises would make forbearance available for up to 12 months. To support renters, FHFA announced the Enterprises would make forbearance available to multifamily property owners and mandated that tenants cannot be evicted for the nonpayment of rent during the forbearance period. After the President signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020, the Enterprises updated their programs to conform with the guidelines set forth in the new law.

Throughout the national emergency, FHFA closely monitored the data and continued to collaborate with other federal regulators and industry stakeholders to understand and respond in real time to the challenges facing borrowers, renters, and market participants. FHFA worked with the Enterprises to ensure their servicer scripts provide borrowers accurate information about their forbearance options. To simplify options and provide an additional tool to mortgage servicers, FHFA enabled borrowers in forbearance with an Enterprise-backed mortgage who can return to making normal monthly payments to repay missed payments when they sell their home or refinance their loan or when the loan matures.

In response to congressional and stakeholder requests, FHFA worked with the Consumer Financial Protection Bureau (CFPB), the Department of Housing and Urban Development (HUD), the Department of Agriculture, and the Department of Veterans Affairs to create an inter-agency online portal that centralizes all federal information about forbearance options for consumers. As the primary consumer-facing agency on finance issues, CFPB hosts this single Federal resource for consumers, available at [cfpb.gov/housing](https://cfpb.gov/housing).

In addition to protecting borrowers and renters, FHFA took action to ensure the proper functioning of the mortgage market both during and after this national emergency. For instance, amidst uncertainty around servicer liquidity, FHFA directed the Enterprises to implement a four-month limit on mortgage servicers' obligation to advance principal and interest payments on loans in forbearance. This advance obligation limit provided much-needed stability and clarity to the mortgage market, enabling mortgage servicers to know the duration of their advance obligations on loans for which borrowers have not made their monthly payment.

As of this letter's writing, the pandemic's future course and effect on mortgage markets were uncertain. FHFA will continue to monitor new and evolving challenges facing the regulated entities and the nation's housing finance system and coordinate its policy response with government counterparts and stakeholders.

FHFA's principal statutory duties include overseeing the prudential operations and ensuring the financial safety and soundness of the regulated entities. Accordingly, the core of this report provides an overview of the regulated entities' financial condition and their and FHFA's activities in 2019 to support safety and soundness. The report also includes descriptions of the actions taken by FHFA and the regulated entities to fulfill other responsibilities assigned to them by statute. For instance, the Safety and Soundness Act requires each regulated entity to establish an Office of Minority and Women Inclusion, or a functional equivalent, to develop and implement standards and procedures to ensure, to the maximum extent possible, the inclusion and utilization of minorities and women in all business and activities at all levels (12 USC 4520(a)-(c)). The Safety and Soundness Act further provides that "the Director shall establish" standards and requirements to direct and assess the implementation of the regulated entities' diversity and inclusion (D&I) programs. These requirements are unique to FHFA and its regulated entities; no such statutory provisions apply to any other federal financial regulatory agency or financial institution in the United States. Accordingly, this report includes, for the first time, a section summarizing FHFA's oversight of the regulated entities' D&I programs.

I was sworn in as FHFA Director more than four months into the calendar year covered by this report, and most of the strategic goals that guided the work of FHFA and the Enterprises in 2019 were established before my tenure began. During the first seven-and-a-half months of my tenure, I focused on meeting existing goals while also transitioning the Agency toward new objectives that I believe are necessary to enable FHFA to fulfill its statutory responsibilities:

1. Cement FHFA as a world-class regulator to ensure that the regulated entities operate in a safe and sound manner.
2. Prepare the Enterprises to responsibly exit conservatorships by calibrating their risk to match their capital.
3. Foster competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets.

These goals are rooted in FHFA's statutory responsibility to ensure that "each regulated entity operates in a safe and sound manner, including maintenance of adequate capital and internal controls," and FHFA's statutory authority as conservator to "take such action as may be— necessary to put the regulated entity in a sound and solvent condition" (12 USC 4617(b)(2)(D)).



A root cause of the 2008 financial crisis was imprudent mortgage credit risk backed by insufficient capital. This fundamental problem remains unresolved today. The Enterprises are inarguably undercapitalized for their size, risk, and systemic importance. As of December 31, 2019, the Enterprises owned or guaranteed approximately \$5.7 trillion in single-family and multifamily mortgages, nearly half of all mortgage debt outstanding in the United States, and their combined leverage ratio was approximately 300 to 1. By contrast, the largest financial institutions in the nation have an average leverage ratio of approximately 12 to 1.

Given their risks and financial position, the Enterprises do not have the capital necessary to withstand a serious downturn in the housing market. The lack of safety and soundness at the Enterprises jeopardizes their important mission and countercyclical role, which is to support sustainable homeownership and affordable housing, especially during times of market stress. It also puts taxpayers at risk of absorbing their losses, as we saw after the housing and financial crisis of 2008, and it threatens every sector of the nation's housing and mortgage finance systems.

To provide the Enterprises a stronger foundation on which to weather crises, on May 20, 2020, FHFA announced that it is seeking comments on a notice of proposed rulemaking that establishes a new regulatory capital framework for the Enterprises, with the goal of finalizing the rule by the end of 2020. Building on the mortgage risk-sensitive framework of the proposed rulemaking published in July 2018, the re-proposed rule increases the quantity and quality of the Enterprises' regulatory capital and reduces the pro-cyclicality of the aggregate capital requirements. By ensuring each Enterprise's safety and soundness and ability to fulfill its statutory mission across the economic cycle, in particular during periods of financial stress, this rule will help build a strong, resilient housing finance system that supports sustainable homeownership and affordable rental housing.

However, only Congress has the authority to enact the legislative reforms necessary to address the structural flaws in the current model. To that end, in this report, I reiterate my recommendation that Congress remove unnecessary statutory exemptions and other advantages afforded the Enterprises and grant FHFA the authorities, similar to those of other financial regulators, to develop capital standards for the Enterprises and to issue new enterprise charters. However, FHFA has the statutory authority and responsibility to put the Enterprises in a safe and sound financial condition, capable of remaining well-capitalized and well-regulated outside of conservatorship, while furthering the missions for which they were created.

FHFA's end-state vision is for the Enterprises to return to operating as fully-private companies outside of conservatorship and within a competitive, liquid, efficient, and resilient housing finance system, while a strengthened and independent FHFA ensures they have the capital reserves, risk management capabilities, corporate governance, and regulatory oversight that are appropriate for their size, risk, and systemic importance. This vision and the associated goals mentioned above are well aligned with the housing finance reform plans released in September 2019 by the Department of the Treasury and HUD. Together, these plans aim to build a more resilient housing finance system that protects taxpayers and provides for access to sustainable mortgage funding.

As highlighted in this report, in 2019, FHFA made important progress toward strengthening the financial condition of the Enterprises and solidifying the Agency as a world-class regulator. In 2020, FHFA will build on this foundation by continuing to implement and advocate for changes that create a stronger and more resilient housing finance system that protects taxpayers, maintains a limited role for the federal government, encourages sustainable homeownership and affordable rental housing, and supports liquidity and mortgage credit access through the economic cycle.

Sincerely,



MARK A. CALABRIA  
Director, Federal Housing Finance Agency

# FHFA ACTIONS RELATED TO THE COVID-19 NATIONAL EMERGENCY

Starting before the President declared a national emergency on March 13 and the passage of the CARES Act on March 27, FHFA has taken decisive action to support the market and provide relief to renters and borrowers with a mortgage backed by Fannie Mae or Freddie Mac (the Enterprises). As of June 1, FHFA had issued 16 statements and policy changes to respond to the COVID-19 national emergency, which are summarized below.

## Preventing Foreclosures and Evictions for Homeowners and Renters

- On **March 10**, FHFA reminded servicers that hardship-related forbearance is an option for borrowers who are unable to make their monthly mortgage payment and encouraged borrowers who may be experiencing a hardship to reach out to their servicer.
- On **March 18**, FHFA announced a 60-day foreclosure moratorium for Enterprise-backed single-family mortgages, and on **May 14** the moratorium was extended until at least June 30.
- On **March 18**, FHFA extended existing disaster-related forbearance and loss mitigation flexibilities to borrowers affected by COVID-19. These forbearance policies were later aligned with the CARES Act.
- On **March 23**, FHFA announced the Enterprises' policies providing a forbearance option for multifamily property owners that prohibits tenants from being evicted for the non-payment of rent.
- On **May 13**, FHFA implemented a new loss mitigation alternative, Payment Deferral, that will allow borrowers in COVID-19 forbearances to place missed payments into a non-interest-bearing payment at the end of the mortgage.

## Providing Resources for Homeowners and Renters

- On **April 15**, FHFA announced, with CFPB, a new borrower protection program that allows the agencies to share information and work together to protect borrowers.
- On **April 27**, FHFA reminded servicers that borrowers in forbearance with an Enterprise-backed mortgage will not be required to repay the missed payments in one lump sum.
- On **May 4**, FHFA directed the Enterprises to publish an online multifamily property lookup tool so that tenants can determine if the multifamily property in which they reside has an Enterprise-backed mortgage and falls under the CARES Act 120-day eviction moratorium.
- On **May 12**, FHFA launched an interagency website with CFPB and HUD ([www.cfpb.gov/housing](http://www.cfpb.gov/housing)) to provide critical information about mortgage and housing assistance available for borrowers affected by COVID-19.

## Supporting Mortgage Originators and Homebuyers

- On **March 23**, FHFA directed the Enterprises to streamline the appraisal, employment verification, and loan closing processes to address frictions in the mortgage origination process created by social distancing and stay-at-home orders.
  - On **March 31** and **May 5**, additional changes and extensions were made.
- On **May 19**, FHFA announced that borrowers in forbearance are eligible for refinance and new home purchases under certain conditions.

## Supporting Market Stability

- On **March 23**, FHFA authorized the Enterprises to enter into dollar roll transactions, which provide liquidity to investors in mortgage-backed securities (MBS).
- On **April 21**, FHFA announced a four-month limit on servicer advance obligations for loans in forbearance and a requirement that loans in COVID-19 forbearance remain in MBS pools for the duration of the forbearance plan.
- On **April 22**, FHFA allowed the Enterprises to purchase certain single-family mortgages in forbearance that meet Enterprise eligibility criteria. Purchases of these previously ineligible loans helps provide liquidity to mortgage markets and allows originators to continue lending.
  - On **May 19**, this temporary authority was subsequently extended for mortgages with note dates on or before June 30, 2020.

## Supporting Paycheck Protection Program (PPP) Participants

- On **April 23**, FHFA allowed Federal Home Loan Banks (FHLBanks) to accept PPP loans as collateral for advances to FHLBank members.
- On **May 11**, FHFA approved the FHLBanks' counting PPP-eligible entities as targeted beneficiaries for Community Investment Cash Advance (CICA) funding.

# LIST OF COMMON ABBREVIATIONS

**AMA** – Acquired Member Assets

**AMI** – Area Median Income

**Bank Act** – Federal Home Loan Bank Act of 1932

**CDFI** – Community Development Financial Institution

**CRT** – Credit Risk Transfer

**CSP** – Common Securitization Platform

**CSS** – Common Securitization Solutions, LLC

**D&I** – Diversity and Inclusion

**Dodd-Frank Act** – Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

**DTS** – Duty to Serve

**EEO** – Equal Employment Opportunity

**Enterprises** – Fannie Mae and Freddie Mac

**Fannie Mae** – Federal National Mortgage Association

**FHLBank(s)** – Federal Home Loan Bank(s)

**Freddie Mac** – Federal Home Loan Mortgage Corporation

**GAAP** – Generally Accepted Accounting Principles

**Ginnie Mae** – Government National Mortgage Association

**HERA** – Housing and Economic Recovery Act of 2008

**HPI** – House Price Index

**LIBOR** – London Interbank Offered Rate

**MBS** – Mortgage-Backed Securities

**OF** – Office of Finance

**PSPA** – Senior Preferred Stock Purchase Agreement

**Regulated Entities** – Fannie Mae, Freddie Mac, and the FHLBanks

**Safety and Soundness Act** – Federal Housing Enterprises Financial Safety and Soundness Act of 1992

**SOFR** – Secured Overnight Financing Rate

**UMBS** – Uniform Mortgage-Backed Security

**UPB** – Unpaid Principal Balance

**URLA** – Uniform Residential Loan Application

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# ABOUT THE FEDERAL HOUSING FINANCE AGENCY AND THE ANNUAL REPORT

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## History of the Federal Housing Finance Agency

Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan Banks (FHLBanks) – collectively, the regulated entities – operate in the secondary mortgage market where they facilitate funding and liquidity for financial institutions or other lenders making residential mortgages. Congress created the FHLBank System (in 1932), Fannie Mae (in 1938), and Freddie Mac (in 1970) as private companies through authorizing statutes that contain mission directives, product authorizations and limitations, and corporate powers, and that establish their relationships to federal regulation, which has been entrusted to the Federal Housing Finance Agency (FHFA) since 2008.

In 2008, Fannie Mae and Freddie Mac faced financial crises. In the second half of 2007, the Enterprises reported a combined net loss of \$8.7 billion.<sup>1</sup> By June 2008, as mortgage default rates and foreclosures continued to increase across the country, the Enterprises' combined capital totaled just 1 percent of their mortgage credit risk exposure, raising concerns about their financial viability.<sup>2</sup> Congress passed bipartisan legislation enhancing the ability of the federal government to take control of Fannie Mae and Freddie Mac with taxpayer support, and on July 30, 2008, President George W. Bush signed into law the Housing and Economic Recovery Act of 2008 (HERA), amending the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act).

In the Safety and Soundness Act as amended by HERA, Congress created a framework for the Department of the Treasury (Treasury) to provide emergency financial support to the Enterprises. Through the Senior Preferred Stock Purchase Agreements (PSPAs) and their subsequent amendments, Fannie Mae and Freddie Mac each were provided access to over \$200 billion of Treasury support. To date, the Enterprises together

have received \$191.4 billion in taxpayer-funded draws under the PSPAs.<sup>3</sup> Congress also established FHFA to supervise, regulate, and oversee the housing missions of the Enterprises and the FHLBank System.<sup>4</sup> The creation of FHFA blended several former government entities: the Office of Federal Housing Enterprise Oversight (OFHEO), which previously regulated the Enterprises; the Federal Housing Finance Board, which previously regulated the FHLBanks; and legal and regulatory staff from the Department of Housing and Urban Development that previously oversaw Enterprise compliance with their statutory missions and certain affordable housing goals.

In addition to regulatory and supervisory authorities, Congress granted the director of FHFA the discretionary authority to appoint the Agency as conservator (which OFHEO possessed) or receiver of the regulated entities upon determining that any of these entities were in an unsafe or unsound condition or met other criteria. On September 6, 2008, the director of FHFA exercised this authority and placed Fannie Mae and Freddie Mac into conservatorships. Both Enterprises remain in conservatorships today nearly 12 years later.

Congress created FHFA to “be an independent agency of the Federal Government.”<sup>5</sup> FHFA's authorities related to safety and soundness supervision are modeled on those available to the nation's federal financial regulatory agencies, including the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, and the National Credit Union Administration. FHFA's authorities as conservator and receiver are modeled on those available to the FDIC.

<sup>1</sup> “The Rescue of Fannie Mae and Freddie Mac,” Federal Reserve Bank of New York, Staff Report No. 719, March 2015, at 9.

<sup>2</sup> *Id.* at 10.

<sup>3</sup> Actual amount is \$191.484 billion.

<sup>4</sup> The FHLBank System includes the 11 FHLBanks and the Office of Finance, a joint office of the FHLBanks.

<sup>5</sup> 12 U.S.C. § 4511(a).

## Core Statutory Authorities and Duties

The Safety and Soundness Act provides that FHFA's director "shall have general regulatory authority over each regulated entity and the Office of Finance, and shall exercise such general regulatory authority . . . to ensure that the purposes of this Act, the authorizing statutes, and any other applicable law are carried out."<sup>6</sup> Thus, the statute vests FHFA with the authorities, similar to those of other prudential financial regulators, to maintain the financial health of the regulated entities. FHFA is responsible for supervising the business and operations of the regulated entities to ensure that they are safe and sound and aligned with the missions set forth in their authorizing statutes. FHFA exercises these regulatory and supervisory authorities by issuing rules, policy guidance documents, and regulatory orders.

The Safety and Soundness Act requires FHFA to fulfill "two principal duties":

- A. to oversee the prudential operations of each regulated entity; and
- B. to ensure that—
  - i. each regulated entity operates in a safe and sound manner, including maintenance of adequate capital and internal controls;
  - ii. the operations and activities of each regulated entity foster liquid, efficient, competitive, and resilient national housing finance markets (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities);
  - iii. each regulated entity complies with this chapter and the rules, regulations, guidelines, and orders issued under this chapter and the authorizing statutes;

- iv. each regulated entity carries out its statutory mission only through activities that are authorized under and consistent with this chapter and the authorizing statutes; and
- v. the activities of each regulated entity and the manner in which such regulated entity is operated are consistent with the public interest.<sup>7</sup>

To carry out its duties related to prudential oversight and safety and soundness, FHFA establishes or implements standards for the regulated entities and examines them – both on-site and through required reporting – to assess their financial condition and compliance with statutory and regulatory requirements. Based on its assessments, FHFA may require corrective actions, take enforcement actions, and, if certain criteria are met, place a regulated entity into conservatorship or receivership.

## Supervision and Examination: Safety and Soundness and Risk Management

Under the Safety and Soundness Act, FHFA is required to conduct annual on-site examinations of the Enterprises and the FHLBanks "to determine the condition of the regulated entity for purposes of ensuring its financial safety and soundness" and may conduct an examination whenever the director determines it to be necessary or appropriate.<sup>8</sup>

For each regulated entity, FHFA prepares an annual Report of Examination (ROE) that assigns examination ratings and identifies weaknesses, deficiencies, and violations of rule or regulation. The 2019 ROEs were delivered to the directors and management of the Enterprises in March 2020 and to the FHLBanks periodically throughout the year based on FHFA's examination schedule.<sup>9</sup>

<sup>6</sup> 12 U.S.C. § 4511(b)(2).

<sup>7</sup> 12 U.S.C. § 4513(a)(1).

<sup>8</sup> 12 U.S.C. § 4517(a), (b). Examination of the FHLBanks is also performed pursuant to Section 20 of the Federal Home Loan Bank Act. 12 U.S.C. § 1440.

<sup>9</sup> Unless otherwise specified, all dates in this report refer to 2019.

For each regulated entity, FHFA uses a risk-based approach to identify existing and emerging risks, evaluate the effectiveness of risk management systems and controls, and assess compliance with applicable laws and regulations. FHFA assesses the remediation of Matters Requiring Attention (MRA) previously identified by FHFA examiners and whether and to what extent the board of directors and management of each regulated entity have responded to deficiencies and weaknesses identified by internal audit departments and external auditors.

FHFA's examination activities include examinations and ongoing monitoring. FHFA conducts targeted examinations of the Enterprises, allowing for deep or comprehensive assessments of the area under review, and ongoing monitoring activities to analyze real-time information and use those analyses to identify Enterprise practices and changes in an Enterprise's risk profile that may warrant supervisory attention.

FHFA also conducts examinations and ongoing monitoring of the FHLBanks and the Office of Finance (OF). These examinations cover several areas and are risk-focused and tailored to each institution's risk profile. The FHLBanks are also monitored on an ongoing basis, which supports examination activity and helps identify emerging risks between annual examinations.

FHFA uses the CAMELSO rating system to report its safety and soundness examination findings and supervisory views.<sup>10</sup> Each regulated entity receives a composite rating on its overall condition and individual ratings for each of the framework's seven components, which are related to the regulated entity's financial condition and risk management: **C**apital, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity, **S**ensitivity to market risk, **O**perational risk.<sup>11</sup>

## Conservatorship Statutory Authorities and Duties

FHFA's authority as both conservator and regulator of the Enterprises is based upon statutory mandates, which include the following conservatorship authorities granted by HERA:

- (D) ...take such action as may be—
- i. necessary to put the regulated entity in a sound and solvent condition; and
  - ii. appropriate to carry on the business of the regulated entity and preserve and conserve the assets and property of the regulated entity.<sup>12</sup>

Continuing the business of the Enterprises in conservatorships also incorporates the above-referenced responsibilities that are enumerated in 12 U.S.C. § 4513(a)(1).

Additionally, under the Emergency Economic Stabilization Act of 2008, FHFA has a statutory responsibility in its capacity as conservator to “implement a plan that seeks to maximize assistance for homeowners and use its authority to encourage the servicers of the underlying mortgages, and considering net present value to the taxpayer, to take advantage of... available programs to minimize foreclosures.”<sup>13</sup>

<sup>10</sup> See FHFA Examination Rating System, Advisory Bulletin AB 2012-03 (December 19, 2012).

<sup>11</sup> The FHLBanks' Office of Finance is not a regulated entity; it receives only two component ratings and a composite rating.

<sup>12</sup> 12 U.S.C. § 4617(b)(2)(D).

<sup>13</sup> 12 U.S.C. § 5220(b)(1).

## Background on the Regulated Entities

The Enterprises are not government agencies; rather they are private, shareholder-owned corporations and their common stock is traded in securities markets. The Enterprises were created by Congress to provide stability in the secondary housing finance market and promote access to mortgage credit throughout the United States by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.<sup>14</sup>

In the primary mortgage market, lenders loan money to borrowers to finance the purchase of a single-family home or a multifamily property (a residential building with five or more units). Mortgage servicers, sometimes the same entity as the lender, collect monthly mortgage payments from borrowers and manage the loans. The Enterprises transform bundles of single-family mortgages into collateral for financial instruments called mortgage-backed securities (MBS), and sell to investors a portion of the cash flows that come, via the servicers, from the loans underlying the MBS. The Enterprises guarantee the principal and interest payments to investors on behalf of mortgage borrowers and charge lenders a guarantee fee for taking on the credit risk associated with the purchased mortgages. The Enterprises also purchase multifamily mortgages.

The Federal Home Loan Bank Act of 1932 established the FHLBank System. The current system includes 11 district FHLBanks, each serving a designated geographic area of the United States, and OF, which issues consolidated obligations to fund the FHLBank operations. Each FHLBank is a private, member-owned cooperative that provides a reliable source of liquidity to member financial institutions by making loans, known as advances, to member institutions and housing associates. The FHLBanks secure these advances with eligible collateral, which consists primarily of single-family mortgages, multifamily mortgages, government and agency securities, and commercial real estate loans.

## Values and Organization of the Federal Housing Finance Agency

Four core values guide and inform FHFA's work at every level. **Respect:** We strive to act with respect for our public mission, our regulated entities, and each other, to share information and resources, to work together in teams, and to collaborate to solve problems. **Excellence:** We aspire to excel in every aspect of our work and to seek better ways to accomplish our mission and goals. **Integrity:** We are committed to the highest ethical and professional standards to inspire trust and confidence in our work. **Diversity:** We seek to promote diversity and inclusion in our employment and business practices and those of our regulated entities.

FHFA's workforce includes highly skilled examiners, economists, financial and policy analysts, attorneys, and subject matter experts in banking, housing, insurance, technology, accounting, and the law. The director sets the course for the Agency, which is organized into divisions and offices.

In January 2020, FHFA realigned its structure to strengthen the Agency's regulatory capabilities and prepare both the Agency and the Enterprises to responsibly exit and operate safely outside of conservatorship. Below is a summary of FHFA's principal organizational units and their responsibilities as of December 31, 2019 and the key changes implemented in January 2020, including the creation of two new divisions and one new office.

The **Office of the Director** provides overall leadership and strategic direction for the Agency. The **Office of Congressional Affairs and Communications** resides in the Office of the Director and is responsible for all external and internal communications.

The **Office of the Chief Operating Officer** oversees FHFA's day-to-day support operations, including financial planning and budgeting, human resource management, information technology, facilities management, continuity of operations, contracting,

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<sup>14</sup> See 12 U.S.C. § 1716 (Fannie Mae); 12 U.S.C. § 1451 note (Freddie Mac).



quality assurance, program management, and audit follow-up functions. The office leads FHFA's efforts related to strategic planning and performance management and reporting.

The **Division of Enterprise Regulation** (DER) supervises the Enterprises and evaluates the safety and soundness of their financial condition and operations. World-class supervision of the Enterprises is critical to fulfilling the Agency's mission of fostering competitive, liquid, efficient and resilient (CLEAR) national housing finance markets, and to preparing the Enterprises to responsibly exit the conservatorships. Using a risk-based supervisory approach, DER examiners conduct oversight through targeted examinations, ongoing monitoring and analysis activities, and issuing supervisory guidance to the Enterprises. DER prepares annual ROEs that identify supervisory findings, recommendations, and matters requiring Enterprise attention to ensure their safety and soundness. The division also provides support and advice to the Agency on supervisory issues, development of FHFA policy, and internal FHFA management activities.

The **Division of Federal Home Loan Bank Regulation** (DBR) supervises the FHLBanks and OF to ensure their safe and sound operation. DBR oversees and directs FHLBank examination activities, develops examination findings, and prepares ROEs. DBR monitors and assesses the financial condition and performance of the FHLBanks and OF and tests their compliance with laws and regulations through annual on-site examinations, periodic visits, and off-site monitoring and analysis. The division establishes supervisory policy and regulation for the FHLBanks and conducts FHLBank-focused assessments. DBR also conducts Affordable Housing Program (AHP) examinations at each FHLBank annually to assess compliance with program regulations and to evaluate the effectiveness of each FHLBank's AHP.

The **Division of Housing Mission and Goals** (DHMG) develops and administers FHFA's housing and regulatory policy and the mission of the Enterprises and the FHLBanks. DHMG develops regulations for and oversees implementation of affordable

housing goals and duty to serve requirements for the Enterprises, as well as affordable housing goals and the AHP, Community Investment Program, and Community Investment Cash Advances program of the 11 FHLBanks.

DHMG also monitors the Enterprises and FHLBanks for fair lending risk and conducts fair lending risk assessments and compliance reviews on the policies, programs, and activities of the regulated entities. In January 2020, DHMG created an Office of Multifamily Analytics and Policy to focus on policy development and analysis related to multifamily markets and realigned its Office of Housing and Regulatory Policy dedicated to single-family housing finance activities. DHMG coordinates FHFA activities related to policy development and analysis affecting housing finance and financial markets, and in support of FHFA's mission and the director's responsibilities as a member of the Federal Housing Finance Oversight Board, the Financial Stability Oversight Board, and the Financial Stability Oversight Council.

The Division of Conservatorship (DOC) was renamed the **Division of Resolutions** (DOR) in January 2020 to reflect its primary and long-run function and to align FHFA with other safety and soundness regulators. In 2019, the division assisted the director, as conservator, in carrying out conservatorship obligations and preparing the Enterprises to responsibly exit conservatorship. In the short run, DOR work will continue this work begun by DOC, which involves facilitating communication between the Enterprises and FHFA as conservator to ensure that emerging issues are identified and resolved in a prompt and timely manner. It also involves working with the Enterprises' boards of directors and senior management to accomplish the goals of the conservatorships. In the long run, DOR will oversee FHFA's resolution responsibilities, such as developing living wills and other contingency plans that will enable the Agency to resolve in a safe, sound, and timely manner issues related to financial stress, instability, and insolvency at the regulated entities.

The **Office of Minority and Women Inclusion** (OMWI) leads FHFA's efforts to advance diversity and inclusion (D&I) among its workforce, including senior management, and supervises and examines the regulated entities' D&I programs. OMWI is responsible for increasing the participation of minority-, women-, and disabled-owned businesses in FHFA programs and contracts. This includes establishing and upholding standards for coordinating technical assistance to such businesses and evaluating the good faith efforts of FHFA contractors. OMWI assesses the D&I policies and practices of the regulated entities and issues supervisory guidance and communicates examination findings such as recommendations and MRAs to ensure their compliance with D&I laws and regulations. In 2019, OMWI was responsible for developing internal Equal Employment Opportunity (EEO) standards and ensuring Agency compliance with EEO laws and regulations, functions that were transitioned in January 2020 to the new Office of Equal Opportunity and Fairness.

The **Office of General Counsel** (OGC) supports the policy initiatives of the director within the framework of the statutes that the Agency is charged with administering and other applicable laws. OGC lawyers advise and support the director, executives, and FHFA staff on legal matters related to the functions, activities, and operations of FHFA and its regulated entities. The office provides support for regulations, enforcement actions, and supervision, conservatorship, and policy functions; brings and defends litigation; supports compliance with laws and regulations applicable to federal agencies; analyzes pending legislation and advises the director and Agency staff; and coordinates legal matters with other government agencies.

The **Division of Accounting and Financial Standards** (DAFS) was created in January 2020 to elevate the cross-agency roles of FHFA's Office of the Chief Accountant and Office of the Ombudsman. DAFS enables FHFA's accounting expertise to inform and support all Agency divisions and offices, identify financial institution trends and best practices, engage with external standard-setters, and provide guidance on fraud and related risks. It also assists with Federal

Housing Finance Oversight Board responsibilities. The Office of the Ombudsman considers and helps resolve complaints and appeals from any regulated entity, OF, or any person who has a business relationship with a regulated entity or OF, concerning any matter relating to FHFA's regulation and supervision. Neither FHFA nor any of its employees may retaliate against a regulated entity, OF, or a person for submitting a complaint or an appeal to the Office of the Ombudsman.

The **Division of Research and Statistics** (DRS), created in January 2020, builds on and strengthens FHFA's economic research and data analytics functions, which are core competencies of effective regulators. DRS serves as a research, data, and statistical analysis center to support FHFA's divisions and offices engaged in oversight, supervision, rulemaking, and policy development. It examines trends and risks in housing finance markets, advances modeling capabilities, develops and maintains data, and evaluates policy impacts. DRS also engages with research communities across the public.

The **Office of Equal Opportunity and Fairness** (OEOF), created in January 2020, houses FHFA's EEO, anti-harassment, and alternative dispute resolution (ADR) functions, creating a specialized service center for employees dealing with harassment, bullying, discrimination, or retaliation in the workplace. In addition to complaint processing, compliance reporting, harassment prevention, and ADR, OEOF provides training, guidance, and analysis to foster a model EEO workplace free from discrimination and harassment.

The **Office of Inspector General** (OIG) conducts independent audits, evaluations, and investigations to help FHFA achieve its mission and goals and guard against waste, fraud, and abuse. OIG informs the director, Congress, and the public of any problems or deficiencies relating to programs and operations. OIG activities assist FHFA staff and program participants by ensuring the effectiveness, efficiency, and integrity of FHFA's programs and operations.

# THE DIRECTOR'S VIEW

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## Fulfilling the Federal Housing Finance Agency’s Statutory Duties

Article I, Section 8 of the United States Constitution states, “All legislative powers herein granted are vested” – and vested exclusively – “in a Congress of the United States.” By contrast, the powers and responsibilities of the Federal Housing Finance Agency (FHFA), an independent regulator of the federal government, are limited to faithfully executing the laws. Therefore, the role of FHFA director is to carry out the clear intent of Congress.

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act) identifies three lawful purposes of FHFA as either conservator or receiver: namely, “reorganizing, rehabilitating, or winding up the affairs of a regulated entity.” FHFA’s authorities as conservator include taking “such action as may be (i) necessary to put the regulated entity in a sound and solvent condition; and, (ii) appropriate to carry on the business of the regulated entity and preserve and conserve the assets and property of the regulated entity.” By contrast, FHFA’s authorities as receiver are designed to achieve the two other purposes – “reorganizing” and “winding up” – in the event that a regulated entity is unable to return to financial viability. As receiver, the Safety and Soundness Act grants FHFA the powers to “place the regulated entity in liquidation and proceed to realize upon the assets of the regulated entity in such a manner as the Agency deems appropriate,” or to “organize a successor enterprise.”<sup>15</sup>

FHFA is legally bound, as conservator or receiver, to direct its supervision and regulation of the Enterprises toward one of these three outcomes: (1) reconstitute the Enterprises into a successor entity or entities; (2) restore the Enterprises to a state of financial solvency and shareholder control; or (3) terminate the Enterprises and liquidate their assets. None of these three outcomes involve indefinite government control of Fannie Mae and Freddie Mac. Therefore, responsibly ending the Enterprise conservatorships is one of FHFA’s goals first and foremost because the statute requires it.

A precondition for responsibly ending the conservatorships is that the Enterprises must be well-regulated and well-capitalized, such that Fannie Mae and Freddie Mac are capable of operating outside of the conservatorship framework in a safe and sound manner that meets their core mission responsibilities to support sustainable homeownership and affordable rental housing. To that end, in 2019, FHFA began to transition toward, and make progress toward achieving, three new goals that are aligned with the Agency’s statutory responsibilities:

1. Cement FHFA as a world-class regulator to ensure that the regulated entities operate in a safe and sound manner.
2. Prepare the Enterprises to responsibly exit conservatorships by calibrating their risk to match their capital.
3. Foster competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets.

## World-Class Regulator

Prior to ending the conservatorships, FHFA’s supervision of the Enterprises must be strong and well-executed. All supervisory and oversight procedures and systems must ensure that FHFA’s examination work is consistently rigorous, timely, and effective, and that additional resources are efficiently allocated to meet the needs of critical areas such as risk modeling and information technology. In 2019, FHFA’s Enterprise examination program, which includes on-site examiners at both Fannie Mae and Freddie Mac, implemented a range of examination plans aimed at ensuring safety and soundness.

First, FHFA accounting experts continued their oversight of the Enterprises’ adoption of the new Current Expected Credit Loss (CECL) accounting standard. Second, FHFA published guidance to clarify certain supervisory expectations, providing supplemental detail to the Agency’s Prudential Management and Operating Standards. Third, FHFA issued new advisory bulletins addressing business resiliency management,

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<sup>15</sup> 12 U.S.C. § 4617(b)(2)(E), (F).

fraud reporting by Fannie Mae and Freddie Mac, and Enterprise-wide compliance risk management.

In addition to the supervision and regulation of the Enterprises, a vital role of FHFA is to oversee the Federal Home Loan Bank (FHLBank) System. In 2019, FHFA's Division of Bank Regulation (DBR) conducted on-site examinations of all eleven FHLBanks. These examinations concluded that the financial conditions of all eleven FHLBanks were satisfactory. They also identified deficiencies in certain areas, especially in operational risk for one FHLBank, and put forward recommendations to address them in the normal course of business. In addition, DBR completed eleven Affordable Housing Program examinations, including advances and grants for housing and economic development.

A key source of FHFA's success is the Agency's commitment to diversity. FHFA has one of the most diverse workforces amongst federal financial regulatory agencies. To cement FHFA as a world-class regulator, the Agency is strengthening its commitment to minority and women inclusion in examination processes, hiring practices, and procurement and supplier policies. For instance, in 2019, FHFA created and approved funding for a new executive Associate Director position within the Office of Minority and Women Inclusion for diversity and inclusion examinations of all FHFA's regulated entities.

## Responsibly Ending the Conservatorships

Capital is the foundation of safety and soundness regulation. Therefore, building capital at each Enterprise to match its risk profile is a precondition for responsibly exiting the conservatorships. As of December 31, 2019, the Enterprises owned or guaranteed approximately \$5.7 trillion in single-family and multifamily mortgages, or nearly half the market. Yet, for most of 2019, the Enterprises were limited to just \$6 billion in allowable capital reserves. This put their combined leverage ratio at nearly a thousand to one.

In September 2019, the Department of the Treasury and FHFA signed a letter agreement modifying the terms of the Preferred Stock Purchase Agreements.

Under this modification, the Enterprises can retain capital of up to \$45 billion combined. As a result, by the end of 2019, capital at the Enterprises nearly tripled. This is a significant step forward. But more work remains. As of December 31, 2019, the Enterprises' combined leverage ratio stood at approximately over three hundred to one. By comparison, the nation's largest banks have an average leverage ratio of around ten to one.

In October 2019, FHFA published *The 2019 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac* (Strategic Plan), which provides a framework for how FHFA intends to guide the Enterprises in accordance with FHFA's statutory authority and duty to responsibly end the conservatorships. The new Strategic Plan also lays the foundation for the Enterprises to raise private capital.

Premised on a new vision for reform that builds from the current realities of conservatorship toward a better housing finance system, the Strategic Plan will benefit:

- Taxpayers, by ensuring that the Enterprises should never need another bailout,
- Homeowners, borrowers, and renters, by supporting market stability and ensuring mortgage credit availability for affordable housing through the economic cycle, and
- Investors, by ensuring America's secondary mortgage market is strong and resilient.

In October 2019, FHFA also released the *2020 Scorecard for the Enterprises and Common Securitization Solutions* (2020 Scorecard). The 2020 Scorecard aligns tactical priorities and execution at the Enterprises to the Strategic Plan and serves as an essential tool in holding the Enterprises accountable for the effective implementation of the Strategic Plan. The three broad objectives of the Strategic Plan and 2020 Scorecard are to ensure that the Enterprises:

1. Focus on their core mission responsibilities to foster competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets that support sustainable homeownership and affordable rental housing,



2. Operate in a safe and sound manner appropriate for entities in conservatorships, and
3. Prepare for their eventual exit from the conservatorships.

The 2020 Scorecard requires the Enterprises to focus on their core mission responsibilities. This includes fulfilling their housing goals and Duty to Serve Plans with sustainable mortgage programs, ensuring that strong liquidity in the To-Be-Announced (TBA) secondary mortgage market continues by monitoring the Uniform Mortgage-Backed Security (UMBS) implementation and taking any additional actions necessary to ensure continued TBA liquidity, and implementing FHFA's regulation on credit score models. The 2020 Scorecard will also focus on successfully implementing ongoing initiatives related to managing the multifamily housing funding cap, preparing for an effective transition from LIBOR (London Interbank Offered Rate) to alternative reference rates, continuing to support market participants' needs to serve borrowers with limited English proficiency, and implementing the new Uniform Residential Loan Application (URLA). In addition, the Enterprises are to support actions that level the playing field with other mortgage market participants, including supporting efforts to revise the Consumer Financial Protection Bureau's Qualifying Mortgage standard and assessing additional data that can be made publicly available to support risk-transfer activities. They are also to assess opportunities to support state and local efforts to reduce housing production costs and lower the cost of providing mortgage finance.

In addition to meeting the above core mission responsibilities, the Enterprises are expected to devote substantial resources to ensuring that they operate in a safe and sound manner. FHFA expects the Enterprises to review their risk profiles across all business activities, with the goal of reducing both the risk and complexity of their businesses, given their conservatorship status and limited capital. In addition, they are to continue transferring significant credit risk to the private market through credit risk transfer (CRT) products and supporting FHFA's comprehensive review of the CRT program's costs and benefits. They are also to implement business management and capital planning capabilities to operationalize the conservator capital requirements; continue mortgage servicing efforts

that promote stability and readiness for a more challenging market; and focus on core operations and technology management to ensure stability, resiliency, and efficient operations, both within the Enterprises and at their joint venture, Common Securitization Solutions, LLC (CSS).

Finally, and perhaps most importantly, under the 2020 Scorecard, the Enterprises are directed to undertake activities to prepare for a responsible transition out of the conservatorships. This includes the Enterprises working with FHFA to develop the road map and milestones for exiting conservatorship and conducting activities as directed by FHFA arising from recommendations in the reform plans developed by the Department of the Treasury and Department of Housing and Urban Development. The Enterprises are also to develop and implement strategies that ensure the efficient use of capital targeted to support their core guarantee business with adequate returns to attract the private capital needed; develop a post-conservatorship strategy for CSS; maintain an effective process to ensure that areas identified for improvement by audit and supervisors are remediated in a timely manner; and maintain a sustainable, effective process for fair lending assessment, monitoring, and mitigation to prepare for a transition to post-conservatorship fair lending supervision and oversight.

## Fostering Competitive, Liquid, Efficient, and Resilient National Housing Finance Markets

In addition to strengthening the Agency's regulatory and supervisory capabilities and preparing the Enterprises to responsibly exit the conservatorships, in 2019, FHFA also implemented new policies that fulfill the Agency's statutory responsibility to foster CLEAR national housing finance markets.

### Revised Multifamily Caps to Prioritize Affordable Housing

In September, FHFA revised the Enterprise multifamily loan purchase caps to ensure a strong focus on their statutory mission while not crowding out private capital. The new caps provide ample support to the

multifamily market with a combined \$200 billion in purchase capacity through 2020, while closing loopholes that allowed the Enterprises to displace private capital where such other sources of financing were available. Importantly, the new cap framework increased the levels of the Enterprises' multifamily business that is mission-driven, affordable housing to at least 37.5 percent.

## Protected Equitable Market Access for Small Lenders

In September 2019, FHFA issued formal policy guidance to the Enterprises prohibiting volume-based guarantee fee discounts in order to provide a level playing field for small lenders. A central reason for the existence of Fannie Mae and Freddie Mac is to provide small lenders, community banks, and credit unions with access to the secondary market. Large market entities have access to varied sources of liquidity and the scale to access Wall Street liquidity through securitization. Smaller lenders rely on the liquidity provided by the Enterprises. But access alone is not sufficient. Small lenders must have access at terms that are equitable with larger entities.

In the lead up to the 2008 financial crisis, large financial institutions that controlled substantial market share received significant guarantee fee discounts from the Enterprises because of their volume. These volume-based discounts disadvantaged smaller institutions and drove consolidation that was not healthy for the market. FHFA's formal policy guidance implements the principle of "same rate of the return for the same risks, regardless of size." This principle supports equitable access for small lenders while appropriately allowing for guarantee fees to reflect differences that may exist in the risk profiles between lenders of different size.

## Ended Enterprise Pilots That Fall Outside Core Guarantee Business

One of FHFA's priorities is to focus the Enterprises on their core mission responsibilities, which include fostering CLEAR national housing finance markets. Therefore, FHFA is actively reviewing Enterprise pilots and new programs to ensure that they align with activities core to the Enterprises' guarantee business and statutory

mission, mitigate risk, and are essential to end the conservatorships. An example is the Mortgage Servicing Rights (MSR) pilot. The MSR pilot essentially allowed the Enterprises to become financiers to non-bank lenders, who, in turn, used their servicing rights as collateral. FHFA determined that a wide assortment of alternative sources of private capital and financing were readily available and, in September 2019, announced the end of the MSR pilot. The pilot, in which only Freddie Mac chose to participate, is being wound down in a responsible and orderly manner.

## Next Steps for Common Securitization Solutions, LLC, and the Common Securitization Platform

Next steps for CSS and the Common Securitization Platform (CSP) can be divided between short-term and longer-term objectives. In the short term, CSS is focusing on ways to enhance CSP efficiency by reducing the need for manual interventions and taking advantage of newer technologies that can reduce cost. These include database consolidation and software designed specifically for cloud-based computing. CSS is evaluating the costs and benefits of several projects, such as redesigning the disclosure module or restructuring the CSP database to reduce processing time. In addition, CSS is continually enhancing the CSP code on a scheduled basis as part of its new production routine. For the longer term, CSS is working with the Enterprises and FHFA to identify opportunities to expand the range of services it provides. Such opportunities are expected to arise from the evolution of technologies, financial markets, and business processes at the Enterprises.

The future of CSS and the CSP depends on the direction of housing finance reform taken by the Administration and Congress. CSS and the CSP were designed to accommodate other market participants if policymakers move in that direction. Opening CSS and the CSP to new users will, however, require more, and perhaps significant, work for both CSS and the new users. FHFA will continue its oversight and will work with the Administration, Congress, and other stakeholders as the direction of housing finance reform evolves.

## Coordinate with the Federal Housing Administration to Address Overlaps

An important mechanism for the Enterprises to match their risk profiles to their capital levels, and thereby prepare to responsibly exit their conservatorships, is addressing overlaps with the Federal Housing Administration (FHA). Thoughtfully addressing these overlaps makes sense for both the Enterprises and FHA because they were created to perform different roles in our housing finance system. FHA exists to support borrowers who would be served poorly – or not at all – by private capital. The Enterprises play an important role in supporting access to credit through low down payment lending and their Duty to Serve programs and Affordable Housing Goals. FHFA expects the Enterprises to continue those activities to ensure that borrowers and lenders continue to have a choice in the market. But the Enterprises have a different model than the fully taxpayer-backed FHA. Enterprise risks must be supported by private capital. Their activities are expected to earn “a reasonable economic return.” The Enterprises must be able to withstand a serious economic downturn and their loans must be sustainable through the cycle.

In 2019, FHFA and FHA started to address these overlaps. Our approach is to focus each program on fulfilling its distinct mission, while ensuring the secondary market continues to provide liquidity and access to credit. In order to responsibly exit the conservatorships, the Enterprises must not stretch to serve borrowers who are better served by FHA. This is critical to not repeating the mistakes of the 2008 crisis.

## Comprehensive Review of the Credit Risk Transfer Program

CRT will continue to be a component of the Enterprises’ approach to risk management. Continuing to transfer risk to private sources of capital both reduces risk to taxpayers and provides a measure of market discipline otherwise

lacking under conservatorship. Given the growth and total size of the CRT program, FHFA is conducting, with the Enterprises’ assistance, a comprehensive review of the program, including costs and benefits, to better inform future direction. This program is now more than six years old, providing credit enhancement on approximately \$3 trillion of Enterprise guaranteed mortgage loans.

## Addressing High-Risk Loans

In 2019, at FHFA’s direction, the Enterprises began to take measured steps to address high-risk loans. For instance, 25 percent of Enterprise loan acquisitions had high debt-to-income (DTI) ratios (exceeding 43 percent) by the end of 2019, down from 34 percent in December of the previous year.<sup>16</sup> A borrower’s likelihood of default is positively correlated with their number of risk factors, particularly high-risk factors such as high loan to value, low credit score, and high DTI ratios. If a borrower has just one high-risk factor, there may be ways to offset it with other compensating factors. But the chance of default is driven up when the same borrower has more than one such risk layered on top of the other.

Post-crisis, the proportion of layered-risk loans purchased by the Enterprises was low, but the rate began increasing in 2017. To address this risk, FHFA has worked with the Enterprises to reduce loan acquisitions with multiple risk factors. As of December 31, 2019, these measured changes did not have a material impact on the availability of mortgage credit in the single-family market. Reducing risk at the Enterprises and preparing them to withstand periods of financial stress is not optional – it is foundational to why FHFA exists, and it is essential to preserving the Enterprises’ affordable housing support. As the 2008 financial crisis illustrated, when the Enterprises fail, it restricts their ability to support affordable lending. Aligning their risk with their capital ensures that, when the housing market experiences serious financial stress, the Enterprises can still support sustainable homeownership for borrowers across the income spectrum.<sup>17</sup>

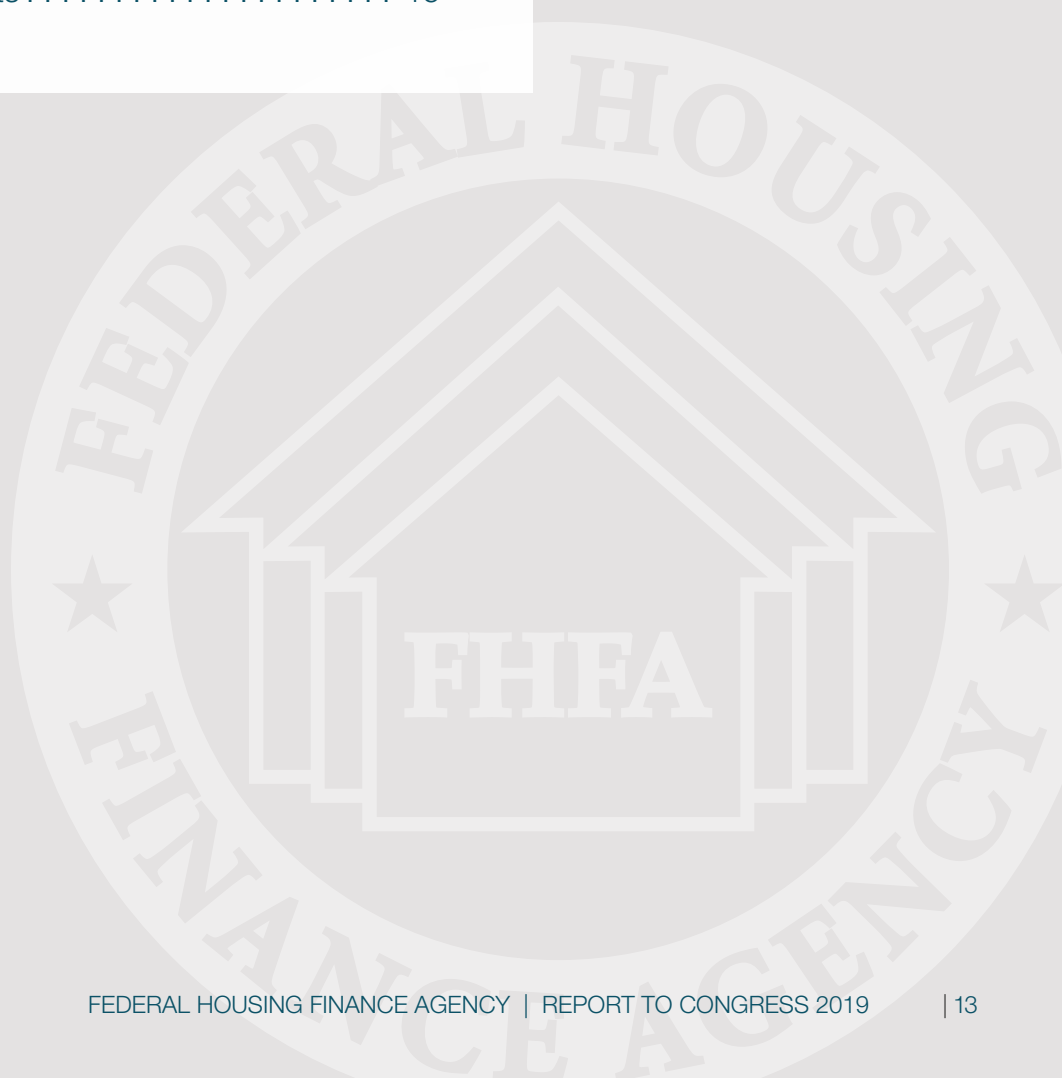
<sup>16</sup> In December 2019, 28 percent of Enterprise purchase acquisitions, 22 percent of rate and term refinance acquisitions, and 27 percent of cash-out refinances had DTI ratios greater than 43 percent.

<sup>17</sup> The COVID-19 national emergency affirmed the importance of the Enterprises’ missions to serve the American housing market across the economic cycle, particularly during periods of financial stress when low- and moderate-income households are hurt most. Ensuring that the Enterprises’ risk profiles match their capital levels is critical to enabling them to weather crises and continue fulfilling their statutory mission during downturns.

# LEGISLATIVE RECOMMENDATIONS

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As detailed in this annual report, the Federal Housing Finance Agency (FHFA) made progress in 2019 to ensure that each regulated entity operates in a safe and sound manner and that the operations and activities of each regulated entity foster liquid, efficient, competitive, and resilient national housing finance markets over the economic cycle, in particular during periods of financial stress. Notably, Fannie Mae and Freddie Mac (the Enterprises) reduced their combined leverage ratio from nearly a thousand to one to approximately three hundred to one during 2019. FHFA recently proposed a new regulatory capital framework for the Enterprises and continues to develop a roadmap, with clear and appropriate milestones, to responsibly end the conservatorships.

Notwithstanding FHFA's administrative actions, the nation's housing finance system remains in urgent need of comprehensive reform. Only Congress can address the flaws in the structure of the housing finance system that were at the root of the 2008 financial crisis and that continue to pose risk to taxpayers and financial stability. Reform remains overdue, and Congress should advance legislation to enhance the safety and soundness of the regulated entities and move our country toward a stronger and more resilient housing finance system.

To that end, FHFA needs to be strengthened with additional regulatory and supervisory authorities to prepare for an eventual post-conservatorship environment and to solidify itself, consistent with congressional intent, as a world-class regulator. To ensure the Enterprises are well regulated and well capitalized outside of conservatorship, FHFA's authorities should be on par with those of other independent federal financial regulators. Specifically, and pursuant to the statutory requirements related to this annual report, FHFA recommends that Congress consider the following legislative reforms.

## Chartering Authority

FHFA reiterates its recommendation that Congress provide FHFA with chartering authority, similar to that of other federal financial regulators such as the Office of the Comptroller of the Currency. Such authority would enable FHFA to charter competitors to the Enterprises. In the lead up to the financial crisis, the duopoly market structure, together with the Enterprises' congressional charters, size, and systemic importance, created a perception that the Enterprises were "too big to fail." Relying on that perception, each Enterprise was able to borrow at interest rates close to that of the debt

of the federal government while maintaining unsafe and unsound levels of leverage. That and other regulatory advantages over private-sector competition fueled the Enterprises' rapid growth, while the Enterprises' leverage shifted risk to taxpayers, created moral hazard, and incentivized excessive risk taking.

Moving beyond the duopoly market structure is critical to ending taxpayer bailouts of "too big to fail" institutions. Chartering competitors would reduce the systemic importance of each Enterprise. That in turn would enhance FHFA's capacity to resolve an insolvent Enterprise, mitigate moral hazard, increase market discipline, and protect taxpayers against future bailouts. Newly chartered competitors also would increase efficiency and innovation within the national housing finance markets, driving down costs for borrowers and leading to new products and advances in underwriting.

To foster a level playing field, the congressional grant of chartering authority should permit FHFA to re-charter each Enterprise on the same charter that would be available to newly chartered competitors. That generally available charter should continue to require the re-chartered Enterprises and their competitors to support equitable access to the secondary market. To enhance safety and soundness regulation, FHFA should, like the federal banking regulators, have the authority to revoke an FHFA-granted charter in the event of ongoing mismanagement or other limited circumstances that threaten safety and soundness.

## Service Provider Examination

The regulated entities rely on third-party service providers for a wide range of services, some of which are critical to their operations. These third-party relationships can pose risks related to information security, business continuity, and other safety and soundness issues. The Enterprises, for example, rely on non-bank servicers to collect payments from borrowers, advance some payments to investors in mortgage-backed securities, and perform loss mitigation on non-performing loans. Like the federal banking regulators, FHFA expects each regulated entity to implement a program to manage these third-party risks. Unlike the federal banking regulators, however, FHFA does not have the statutory authority to examine a regulated entity's service providers. As a result, FHFA must rely on provisions in the regulated entities' third-party contracts to obtain access to information about service providers that is necessary to fulfill FHFA's statutory safety and soundness responsibilities.



The Financial Stability Oversight Council and the Government Accountability Office each recommended that Congress authorize FHFA to examine third parties that do business with the regulated entities, and FHFA continues to concur with those recommendations. Specifically, FHFA recommends that Congress authorize FHFA to examine the records, operations, and facilities of each material service provider to a regulated entity for the limited purpose of identifying practices that could pose a safety and soundness risk to the regulated entity. Examination authority is distinct from regulatory authority, and FHFA is not requesting the authority to supervise or regulate these other market participants. A limited and tailored grant of examination authority, similar to that already provided to other federal safety and soundness regulators, should similarly position FHFA to achieve its statutory mandate to ensure the safe and sound operations of the regulated entities.

## Regulatory Capital

In 2008, Congress amended FHFA's authorizing statute to give FHFA relatively broad authority to prescribe regulatory capital requirements for the Enterprises. The 2008 amendments, however, did not remove some of the outdated definitions of regulatory capital from the original authorizing statute. Unlike the U.S. banking framework, these statutory definitions do not expressly authorize FHFA to provide by regulation for deductions or other adjustments for deferred tax assets (DTAs) and other capital elements that tend to have less loss-absorbing capacity during a period of financial stress.

The shortcomings in the statutory definitions of capital could pose safety and soundness risks. During the financial crisis, market confidence in the Enterprises collapsed in mid-2008 even when Fannie Mae and Freddie Mac had total capital, as defined by statute, of \$55.6 billion and \$42.9 billion, respectively. Questions about the Enterprises' solvency likely arose in part due to their sizeable DTAs, which had less loss-absorbing capacity during a period of negative income but still counted toward regulatory capital. In fact, after deducting its DTAs, Freddie Mac would have had a negative net worth as of June 30, 2008.

FHFA's proposed regulatory capital framework for the Enterprises, as set forth in the recent notice of proposed rulemaking, would mitigate the risk posed by the current statutory definitions of capital by prescribing supplemental capital requirements based on definitions of regulatory capital used by the federal banking regulators. While these supplemental requirements

should ensure that each Enterprise maintains adequate high-quality regulatory capital, the supplemental requirements introduce some added complexity to an already complex framework. If Congress gave FHFA the same flexibility as the federal banking regulators by amending or removing the statutory capital definitions, FHFA could simplify the proposed capital rule.

## Fostering Competitive National Housing Finance Markets

Prior to their rapid growth in the 1980s and 1990s, the Enterprises' market share was historically much smaller than it is today. The Enterprises' footprint further increased during the 2008 financial crisis, as might have been expected. However, the Enterprises' role has not scaled back since, notwithstanding the more than 10 years of post-crisis economic expansion. This has left the housing finance system at risk of an even larger and more unprecedented role for the Enterprises in the event of another serious downturn.

As described in the Housing Reform Plan released by the Department of the Treasury in September 2019, FHFA agrees that a driver of the Enterprises' growth has been a regulatory framework that has become biased in favor of Enterprise-supported mortgage lending. FHFA's proposed regulatory capital framework is an important step toward reducing the gap between the credit risk capital requirements of banking organizations and those that apply to the Enterprises with respect to similar mortgage exposures. FHFA will continue to support the efforts of the Consumer Financial Protection Bureau and other federal financial regulators to ensure that the special regulatory advantages afforded the Enterprises do not create opportunities for regulatory arbitrage or otherwise confer undue competitive advantages on the Enterprises. A congressional grant of chartering authority would significantly reduce any competitive advantage arising out of the perception that the Enterprises are "too big to fail." To further level the playing field with private-sector sources of capital, Congress should also consider other legislative reforms to remove unnecessary statutory exemptions and other special treatments afforded the Enterprises.

FHFA continues to stand ready to assist Congress in furthering these legislative recommendations. In the meantime, FHFA will work within its existing statutory authorities to address vulnerabilities in the housing finance system where possible.

# REPORTS OF ANNUAL EXAMINATIONS: FANNIE MAE AND FREDDIE MAC

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## Financial Safety and Soundness Supervision and Examination

In 2019, the Federal Housing Finance Agency (FHFA) performed examination activities in the areas of credit, market, model, and operational risk, as well as governance, compliance, accounting, auditing, and financial disclosure. Each Enterprise was assessed on safety and soundness (e.g., financial performance, condition, and risk management practices), as well as compliance with regulations.

Examinations are led by an Examiner-in-Charge and are carried out by an examination team stationed on-site at each Enterprise and supported by subject-matter experts at FHFA’s headquarters. Any adverse examination findings are communicated in writing to each Enterprise, and the Enterprise is required to submit a corrective action plan to remediate the findings. The Enterprise’s internal audit function or an independent third party validates the completion of remediation, and FHFA reviews corrective action through its examination activities. Each year, FHFA issues a Report of Examination (ROE) that details all identified supervisory concerns and contains examination ratings. The annual ROE is signed by the Examiner-in-Charge and issued to the Enterprise’s board of directors.

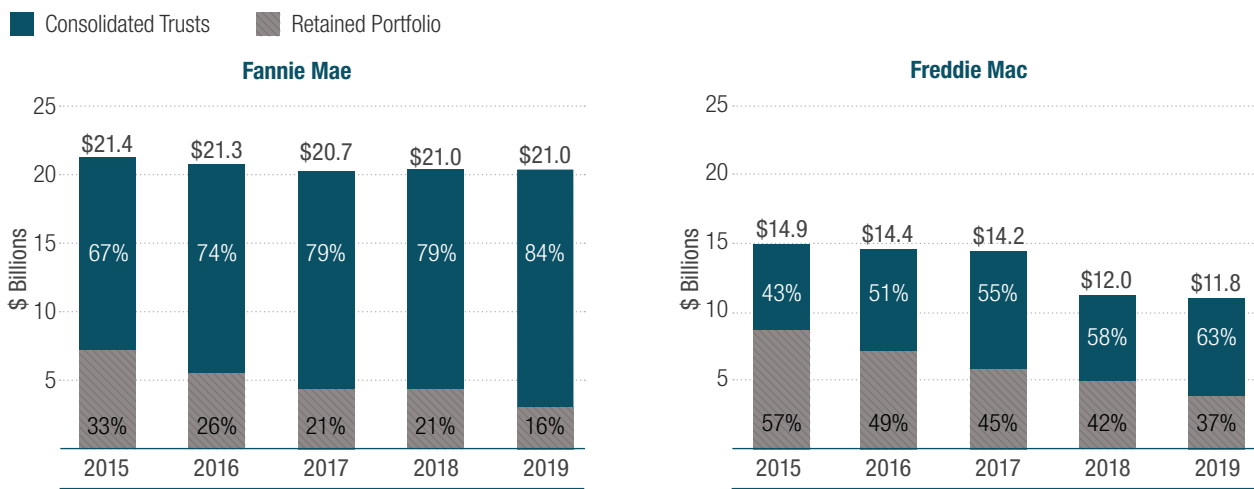
## Financial Condition

### Income

Fannie Mae reported annual net income of \$14.2 billion and annual comprehensive income of \$14.0 billion in 2019, down from \$16.0 billion and \$15.6 billion, respectively, in 2018.<sup>18</sup> Freddie Mac reported annual net income of \$7.2 billion and annual comprehensive income of \$7.8 billion in 2019, down from \$9.2 billion and \$8.6 billion, respectively, in 2018. The decrease in both Enterprises’ net income and comprehensive income was primarily due to declining interest rates, which reduced the fair value of their derivative instruments.

The Enterprises have two primary sources of revenue: guarantee fees on mortgages underlying Enterprise mortgage-backed securities (MBS) held by consolidated trusts, and the spread between the interest income earned on the assets in the Enterprises’ retained mortgage portfolios and the interest expense paid on the debt that funds those assets. In 2019, as in prior years, the Enterprises earned a greater proportion of net income from guarantee fees than from net interest income. This was primarily due to increases in guarantee fees and reductions in the Enterprises’ retained mortgage portfolios, in accordance with the Senior Preferred Stock Purchase Agreements (PSPAs) between the Department of the Treasury (Treasury) and the Enterprises. Figure 1 shows changes in the level and composition of the Enterprises’ net interest income since 2015.

**Figure 1: Enterprises’ Net Interest Income 2015-2019<sup>19</sup>**



<sup>18</sup> Comprehensive income is the sum of net income and changes in other comprehensive income (items excluded from net income on the income statement because they have not been realized). For both Enterprises, other comprehensive income primarily consists of changes in unrealized gains (losses) in available for-sale securities and changes in defined-benefit plans. Freddie Mac’s other comprehensive income also includes unrealized gains (losses) on cash flow hedging relationships.

<sup>19</sup> Unless otherwise noted, FHFA developed all figures in this report using data from Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System.

## Total Mortgage Portfolios

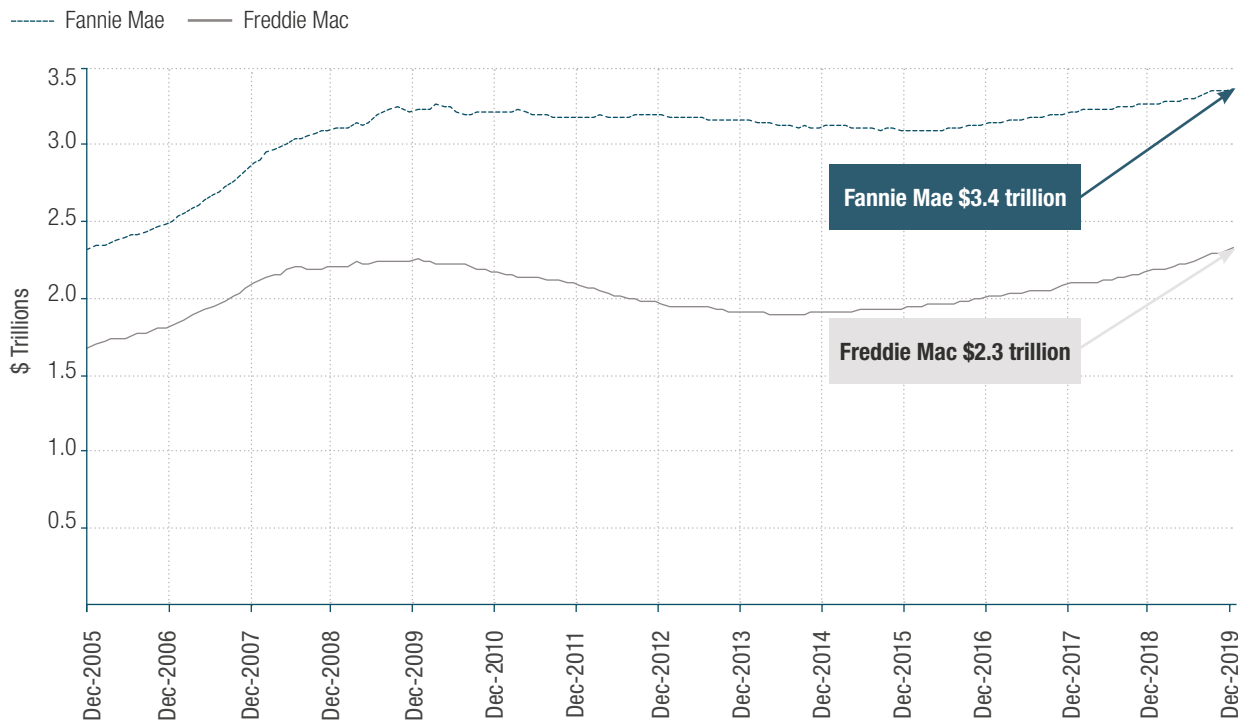
The Enterprises' total mortgage portfolios<sup>20</sup> have been stable over the past few years. Decreases in retained portfolio balances have generally been offset by increases in guarantee portfolio balances. In 2019, Fannie Mae purchased \$596 billion of single-family mortgages, an increase of approximately 34 percent from \$446 billion in 2018. Freddie Mac purchased \$453 billion of single-family mortgages in 2019, an increase of approximately 47 percent from \$308 billion in 2018. The increase in single-family mortgage purchase volume was primarily due to a significant increase in refinancing activity driven by relatively low average mortgage interest rates.

Multifamily purchase volumes increased slightly in 2019 compared to 2018. Fannie Mae's multifamily new purchase volume in 2019 was \$70 billion, an increase of approximately 7 percent from \$65 billion in 2018. Freddie Mac's multifamily new purchase volume in 2019 was \$78 billion, the same as in

2018. Figure 2 shows changes between 2005 and 2019 in the Enterprises' mortgage portfolios, which includes mortgages, mortgage-related securities held as investments, and mortgages pooled into MBS.

Historically, the Enterprises' investment portfolios exposed them to a significant amount of interest rate risk that was mitigated using derivatives, such as swaps and swaptions. In the absence of hedge accounting, derivatives are marked to market through earnings, but most of the Enterprises' other financial assets and liabilities (which the derivatives economically offset) are not. As a result, interest rate fluctuations drive changes in the fair values of derivatives but not the corresponding hedged items, leading to earnings volatility. Freddie Mac uses fair value hedge accounting to reduce earnings volatility. Hedge accounting increased Freddie Mac's net interest income in 2019 by approximately \$250 million. Fannie Mae plans to implement hedge accounting in the first quarter of 2021.

**Figure 2: Total Mortgage Portfolios 2005-2019**



<sup>20</sup> The "Guaranty Book of Business" (Fannie Mae) and "Total Mortgage Portfolio" (Freddie Mac) includes mortgages and mortgage-related securities held as investments and mortgages pooled into MBS for which the Enterprise guarantees payment of principal and interest.

## Revisions to the Senior Preferred Stock Purchase Agreements

In the Housing and Economic Recovery Act of 2008, Congress granted the FHFA director the authority to appoint FHFA as conservator or receiver of any of its regulated entities upon determining that a regulated entity is in an unsafe or unsound financial condition or meets other criteria. On September 6, 2008, FHFA placed Fannie Mae and Freddie Mac into conservatorships. Through the PSPAs and their subsequent amendments, Fannie Mae and Freddie Mac each were provided access to over \$200 billion of Treasury support. To date, the Enterprises together have received \$191.4 billion in taxpayer-funded draws under the PSPAs and paid approximately \$301 billion in dividends on Treasury's senior preferred stock.<sup>21</sup> Under the terms of the PSPAs, an Enterprise's dividend payments do not offset the amounts drawn from Treasury. The terms of the PSPAs also require the Enterprises to reduce their retained portfolios.

For part of 2019, the PSPAs allowed the Enterprises to retain \$3 billion each in capital reserves. In September 2019, FHFA and Treasury announced modifications to the PSPAs that permitted the Enterprises to retain more of their earnings and thus build up more capital (Net Worth Amount) – a critical element of safety and soundness and an important step toward preparing for a responsible end to the conservatorships. The modifications allowed Fannie Mae and Freddie Mac to accumulate up to \$25 billion and \$20 billion, respectively, in capital reserves. Also, the September 2019 modifications enhanced taxpayer protections by increasing the liquidation preference of the senior preferred stock by an amount equal to the increase in the Net Worth Amount.<sup>22</sup> As of December 31, 2019, Fannie Mae's net worth was \$14.6 billion and Freddie Mac's net worth was \$9.1 billion. While this significantly improved the Enterprises' combined leverage ratio, it remained high at approximately 240:1. The liquidation preference amounts were \$131.2 billion and \$79.3 billion

for Fannie Mae and Freddie Mac, respectively.

## Implementation of the Current Expected Credit Loss Accounting Standard

In June 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-13 (ASU), which became effective for FHFA's regulated entities on January 1, 2020. The ASU requires companies to measure the allowance for credit losses based on the current expected credit losses (CECL). This is a change from the incurred-loss methodology used previously. The objective of this change is to address concerns, which arose from the 2008 global financial crisis, that Generally Accepted Accounting Principles (GAAP) required companies to provide for credit losses for loans meeting a "probable," not an expected, threshold. The adoption of CECL on January 1, 2020, resulted in a reduction of retained earnings of \$1.1 billion and \$0.2 billion on an after-tax basis for Fannie Mae and Freddie Mac, respectively.<sup>23</sup>

## Future Outlook

Future earnings could be constrained by a high or rising interest rate environment, the continued reductions in income from the Enterprises' mortgage investment portfolios, mark-to-market volatility from the Enterprises' derivatives portfolio, the adoption of CECL, and certain initiatives, such as credit risk transfer transactions. While this report covers 2019, as of the report's publication date, both Enterprises have recorded significantly lower income primarily in the first quarter of 2020 due to higher credit-related expenses as a result of the COVID-19 national emergency.

<sup>21</sup> Actual amounts are \$191.484 billion and \$301.045 billion, respectively.

<sup>22</sup> The liquidation preference, with respect to the senior preferred stock issued to Treasury by the Enterprises, refers to the amount that must be paid to Treasury before investors in more junior classes of preferred or common stock can receive any payment on their stock in the event of liquidation. The amount of liquidation preference for the senior preferred stock is specified in the PSPAs and subsequent letter agreements amending certain terms of the PSPAs.

<sup>23</sup> In addition to the one-time CECL transition adjustments of \$1.1 billion and \$0.2 billion to retained earnings, in the first quarter of 2020, Fannie Mae and Freddie Mac recorded provision for credit losses of \$2.6 billion and \$1.2 billion, respectively, due to the COVID-19 national emergency.

## Overview of Annual Examination Results

CAMELSO is the examination framework that FHFA uses to report its examination findings. This section is organized according to the framework's seven components: Capital, Asset quality, Management, Earnings, Liquidity, Sensitivity to market risk, and Operational risk. Areas of concern cited in the reports of examination include deficient capital levels (Capital), weaknesses in enterprise-wide risk management and model risk governance (Management), deficiencies in volatility risk monitoring (Sensitivity to market risk) and challenges associated with migrating core technology to third-party cloud-based platforms (Operational risk).

### Capital

When reviewing a regulated entity's capital, examiners determine whether the regulated entity has sufficient capital relative to the entity's risk profile.

On September 30, 2019, FHFA as conservator and Treasury announced an amendment to the PSPAs that allows Fannie Mae and Freddie Mac to retain earnings to increase capital reserves up to a maximum level of \$25 billion and \$20 billion, respectively. Net worth above \$25 billion and \$20 billion will continue to be remitted to Treasury as a dividend. Although this increase in the capital reserve improves the Enterprises' abilities to absorb losses and reduces the potential for additional draws from Treasury, the level of capital will remain critically deficient even at the maximum permitted capital reserve.

### Asset Quality

When reviewing asset quality, FHFA examiners evaluate the quantity of existing and potential credit risk associated with loan and investment portfolios, as well as management's ability to identify, measure, monitor, and control credit risk.

In 2019, the Enterprises' underwriting standards for single-family loans improved. Additionally, the levels of adversely classified assets, serious delinquencies, and real estate owned properties continued to decline.

Single-family and multifamily mortgage portfolios grew in 2019, reflecting a strong economy. Similarly, low unemployment and rising rent levels contributed to a large increase in the volume of multifamily loans. Increased concentration of business with nonbank seller/servicers that have less regulatory oversight and access to liquidity can increase the Enterprises' credit risk exposure.

FHFA has emphasized to Fannie Mae the need to plan for the possibility of stressful economic scenarios that could lead to individual or multiple servicer failures, including by identifying reserve servicing capacity. Additionally, FHFA has stressed the importance of measuring and reporting counterparty risk. Exposure to mortgage insurers continued to grow in 2019 and mortgage insurers constitute Fannie Mae's largest counterparty exposure.

Freddie Mac has substantially increased the delivery of single-family loans using its underwriting and delivery tools, but it has not achieved full control of its delivered credit risk exposure. Exception-granting processes for single-family and multifamily loans are being improved, and counterparty credit risk monitoring and limit setting processes are being enhanced.

### Management

FHFA examiners assess the effectiveness of each Enterprise's efforts to identify, measure, monitor, and control the risks of the Enterprise's activities, and to evaluate the safety and soundness of the Enterprise's operations and its compliance with applicable laws and regulations.

Although both Enterprises continue to work on correcting enterprise-wide risk management and model risk framework and governance deficiencies identified in prior reports of examination, weaknesses remain.

Fannie Mae is engaged in a multi-year effort to improve risk-management capabilities and strengthen adherence to corporate governance standards. Examples of initiatives include: a governance, risk, and compliance program; enhancements to its risk limits framework; and a management-level governance program.

Freddie Mac requires additional work to improve operational risk components within its overall enterprise-wide risk-management framework. The framework and governance for stress testing is being improved. Significant enhancements have been made to Freddie Mac's model risk management; however, business units have yet to execute fully against the heightened standards. The board made progress in addressing vacancies and selecting the non-executive chairman.

## Earnings

When reviewing Enterprise earnings, FHFA examiners consider the quantity, trend, sustainability, and quality of earnings (*e.g.*, the adequacy of provisions to maintain the allowance for loan losses and other valuation allowance accounts).<sup>24</sup>

Fannie Mae's comprehensive income of \$14.0 billion in 2019 decreased from \$15.6 billion in 2018. The decrease of \$1.6 billion was primarily attributable to a shift from fair-value gains in 2018 to fair-value losses in 2019 due to the downward trend in interest rates during 2019. This decrease was partly offset by investment gains and an increase in credit-related income as a result of the Enterprise's decision to update its allowance for loan loss model, which had an incremental benefit of approximately \$850 million. The fair-value losses resulted from risk management derivatives used to hedge the retained mortgage portfolio and mortgage commitments used to hedge the whole-loan conduit. These derivative instruments are marked to market and primarily hedge assets that are held for investment.

Freddie Mac's comprehensive income of \$7.8 billion in 2019 decreased from \$8.6 billion in 2018. The \$0.8 billion reduction in earnings was driven primarily by a higher credit enhancement expense due to higher volumes of credit risk transfer transactions and lower income from litigation settlements as compared to 2018. While interest rates declined during 2019, the market-related impact was minimal as decreases in investment gains from mortgage loans and

securities were offset by increases in gains from available-for-sale securities.

## Liquidity

Review of liquidity includes assessing the current level and prospective sources of liquidity compared to funding needs, as well as the adequacy of funds management practices relative to the Enterprise's size, complexity, and risk profile.

In 2019, Fannie Mae had access to a variety of liquidity sources and maintained the ability to meet its cash requirements without adverse consequences to daily operations. Freddie Mac continued to carry sufficient liquid assets and was reliably able to access funds at acceptable terms to meet both current and anticipated funding needs.

## Sensitivity to Market Risk

Examination of sensitivity to market risk includes assessing the ability of management to identify, measure, monitor, and control exposure to market risk given the Enterprise's size, complexity, and risk profile.

At Fannie Mae, market value-based interest rate exposures remained low throughout the year as duration, convexity, and volatility risk metrics were managed within board- and management-approved limits. To address deficiencies identified by examiners, management improved governance of model performance tracking, developed additional metrics to monitor spread risk against the Enterprise's risk appetite, and expanded oversight of the valuation process.

Management took two additional steps to manage risk that are noteworthy. First, risk in the retained mortgage portfolio was reduced by selling nonperforming loans, reperforming loans, and private-label securities. Second, derivatives counterparty exposure was decreased by terminating offsetting swap transactions and moving bilateral swap arrangements to clearing houses.

<sup>24</sup> While this report covers 2019, as a result of the COVID-19 national emergency and related actions taken by both Enterprises, 2020 earnings are expected to be negatively impacted by higher credit costs and, depending on the level of forbearance and subsequent loan defaults, liquidity and capital may be adversely impacted.

At Freddie Mac, portfolio duration gap, convexity, and volatility measures indicate low sensitivity to rate changes. However, spread risk, which cannot be cost-effectively hedged, remains significant. Exposure to adverse spread movements on mortgage-related securities has declined with the reduction in the size of the mortgage investment portfolio. However, large single-family and multifamily pipelines and some retained assets continue to pose significant spread risk.

## Operational Risk

When assessing operational risk management, FHFA examiners consider exposures to loss from inadequate or failed internal processes, people, and systems, including internal controls and information technology.

The Enterprises inherently have high operational risk because of complex business processes and financial operations, reliance on information technology to manage and process large amounts of data, continually evolving information security and cybersecurity threats, and relationships with counterparties, vendors, and other third parties. Risks related to business resiliency, disaster recovery, data management, and modeling remain key management and supervisory concerns for both Enterprises, though progress has been made. Both Enterprises continue to enhance information security consistent with FHFA guidance.

The Enterprises completed implementation of the Common Securitization Platform and began issuing Uniform Mortgage-Backed Securities in 2019. This effort involved significant changes to systems and operational processes, which the Enterprises and Common Securitization Solutions, LLC (CSS) are managing.

Fannie Mae is in the process of migrating core information technology systems to third-party cloud-based platforms. Management restructured the information technology organization and enhanced the technology risk management function to better support

their cloud strategy, but the pace of the migration slowed due to ongoing control issues. Fannie Mae revised its operational risk-management framework and dedicated additional resources to remediating gaps in risk identification, technology risk oversight, and operational risk reporting.

Freddie Mac made progress in transitioning its information technology and other systems to third-party cloud-based platforms. Management enhanced information security management, but further work is needed to improve identity and access management. Freddie Mac's operational risk-management framework continues to improve, but implementation of a third-party risk-management framework is still in the early stages and model risk management remains an important focus for both the Enterprises and the examiners.

## Serving the Underserved

### Housing Goals

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act) requires FHFA to establish targets for both single-family and multifamily mortgages (housing goals) that the Enterprises are expected to meet every year. In determining whether an Enterprise has met a single-family housing goal, FHFA assesses the percentage of its total mortgage purchases that meet the goal in light of a benchmark level established in advance and a market level determined retrospectively using Home Mortgage Disclosure Act (HMDA) data. FHFA evaluates whether an Enterprise has met a multifamily goal by comparing the number of units in properties secured by a mortgage purchased by an Enterprise that meet the goal to a benchmark level that is established in advance.

In 2019, FHFA evaluated the mortgage purchases of the Enterprises based on the following eight housing goals, which were established by FHFA in February 2018 and will remain in effect through the end of 2020.<sup>25</sup>

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<sup>25</sup> See 12 CFR Part 1282.



1. **Low-income home purchase goal:** Home purchase mortgages to families with incomes no greater than 80 percent of area median income (AMI).
2. **Very low-income home purchase goal:** Home purchase mortgages to families with incomes no greater than 50 percent of AMI.
3. **Low-income areas home purchase subgoal:** Home purchase mortgages to families living in census tracts with tract median incomes no greater than 80 percent of AMI, or families with incomes no greater than 100 percent of AMI who live in census tracts with a minority population of at least 30 percent and a tract median income less than 100 percent of AMI.
4. **Low-income areas home purchase goal:** Home purchase mortgages that meet the criteria of the low-income areas home purchase subgoal or that are to families with incomes no greater than 100 percent of AMI who live in designated disaster areas.
5. **Low-income refinance goal:** Refinance mortgages to families with incomes no greater than 80 percent of AMI.
6. **Low-income multifamily goal:** Rental units in multifamily properties that are affordable to families with incomes no greater than 80 percent of AMI.
7. **Very low-income multifamily subgoal:** Rental units in multifamily properties that are affordable to families with incomes no greater than 50 percent of AMI.
8. **Small multifamily low-income subgoal:** Rental units in multifamily properties with 5 to 50 units that are affordable to families with incomes no greater than 80 percent of AMI.

Figure 3 summarizes Enterprise housing goals performance in 2018 and 2019. Enterprise 2018 performance figures are derived from FHFA's analysis of loan-level data provided by the Enterprises in 2019. In December 2019, FHFA finalized its determinations of Enterprise performance in 2018.

FHFA determined that both Enterprises met all five single-family housing goals in 2018, as the performance of each Enterprise exceeded the benchmark level for all five goals. Fannie Mae's performance exceeded the market level for all five single-family goals, while Freddie Mac's performance fell short of the market level for three of the five goals (the very low-income home purchase goal, the low-income areas home purchase subgoal, and the low-income refinance goal). Also, FHFA determined that both Enterprises exceeded the benchmark levels for each of the three multifamily goals in 2018.

FHFA's assessment of the Enterprises' 2019 housing goals performance is currently underway. Figure 3 shows the goal levels and preliminary figures for 2019 based on information released in March 2020 in each Enterprise's *Annual Housing Activities Report* and *Annual Mortgage Report*. Later in 2020, FHFA will make final determinations on Enterprise housing goals performance and market levels in 2019.

**Figure 3: 2018 and 2019 Enterprise Housing Goals Performance**

Category	2018				2019	
	Benchmark	Market <sup>a</sup>	Official Performance <sup>b</sup>	FHFA Goals Determination	Benchmark	Reported Performance <sup>c</sup>
<b>Single-Family Goals<sup>d</sup></b>						
Low-income home purchase goal	24%	25.5%	Fannie Mae: 28.2% Freddie Mac: 25.8%	Fannie Mae: Met Freddie Mac: Met	24%	Fannie Mae: 27.8% Freddie Mac: 27.4%
Very low-income home purchase goal	6%	6.5%	Fannie Mae: 6.7% Freddie Mac: 6.3%	Fannie Mae: Met Freddie Mac: Met	6%	Fannie Mae: 6.5% Freddie Mac: 6.8%
Low-income areas home purchase subgoal	14%	18%	Fannie Mae: 20.1% Freddie Mac: 17.3%	Fannie Mae: Met Freddie Mac: Met	14%	Fannie Mae: 19.5% Freddie Mac: 18.0%
Low-income areas home purchase goal	18%	22.6%	Fannie Mae: 25.1% Freddie Mac: 22.6%	Fannie Mae: Met Freddie Mac: Met	19%	Fannie Mae: 24.5% Freddie Mac: 22.9%
Low-income refinance goal	21%	30.7%	Fannie Mae: 31.2% Freddie Mac: 27.3%	Fannie Mae: Met Freddie Mac: Met	21%	Fannie Mae: 23.8% Freddie Mac: 22.4%
<b>Multifamily Goals (units)</b>						
Low-income multifamily goal	315,000	NA	Fannie Mae: 421,813 Freddie Mac: 474,062	Fannie Mae: Met Freddie Mac: Met	315,000	Fannie Mae: 384,572 Freddie Mac: 455,451
Very low-income multifamily subgoal	60,000	NA	Fannie Mae: 80,891 Freddie Mac: 105,612	Fannie Mae: Met Freddie Mac: Met	60,000	Fannie Mae: 78,835 Freddie Mac: 112,785
Small multifamily property low-income subgoal	10,000	NA	Fannie Mae: 11,890 Freddie Mac: 39,353	Fannie Mae: Met Freddie Mac: Met	10,000	Fannie Mae: 17,782 Freddie Mac: 34,847

<sup>a</sup> Goal-qualifying shares of single-family home purchase or refinance conventional conforming mortgages originated in the primary mortgage market, based on FHFA analysis of 2018 HMDA data. Market performance for 2019 will be determined by FHFA later in 2020.

<sup>b</sup> Official performance in 2018 as determined by FHFA, based on analysis of Enterprise loan-level data.

<sup>c</sup> Performance as reported by the Enterprises in their March 2020 *Annual Housing Activities Reports*. Official performance on all goals in 2019 will be determined by FHFA after analysis of Enterprise loan-level data.

<sup>d</sup> Benchmarks for single-family goals are minimum percentages of all mortgages financed by Enterprise acquisitions of home purchase or refinance mortgages on owner-occupied properties.

## Duty to Serve

The Safety and Soundness Act provides that the Enterprises have a “duty to serve underserved markets.” The law specifies that the Enterprises “shall provide leadership to the market in developing loan products and flexible underwriting guidelines” to improve the distribution and availability of mortgage financing in a safe and sound manner and “to facilitate a secondary market for mortgages for very low-, low-, and moderate-income families with respect to the following underserved markets:” manufactured housing, affordable housing preservation, and rural housing.<sup>26</sup> The statute directs FHFA every year to evaluate each Enterprise’s compliance with this duty to serve (DTS) and to rate the extent of such compliance.

In December 2016, FHFA issued a final rule implementing the DTS statutory requirements.<sup>27</sup> The regulation requires each Enterprise to develop an Underserved Markets Plan detailing the key objectives and activities in its effort to meet its DTS obligations over a three-year period; establishes a framework for FHFA to evaluate and rate the Enterprises’ compliance, which is further developed in separate FHFA Evaluation Guidance; lists specific activities eligible for DTS credit; and allows the Enterprises to propose additional activities that FHFA will consider for DTS credit eligibility. The regulation does not mandate any particular activities; rather, it requires the Enterprises to consider ways to better serve families in the three underserved markets.

FHFA’s process for evaluating and rating the Enterprises’ performance consists of three parts. First, FHFA conducts a quantitative assessment to determine whether each Enterprise achieved the objectives in its Underserved Markets Plan. Second, FHFA conducts a qualitative assessment of each Enterprise’s impact on affordable housing in the underserved markets. Third, FHFA evaluates extra credit-eligible activities undertaken by each Enterprise.

On January 1, 2018, the Underserved Markets Plan for 2018-2020 (Plan) of each Enterprise went into effect. In March 2019, the Enterprises submitted annual reports detailing their efforts to achieve the objectives in their Plans. In all three underserved markets, FHFA determined that each Enterprise complied with its DTS requirements and performed satisfactorily in increasing the liquidity and distribution of available capital. Due to the difficulty of assessing the impact after just one year of the Plans in operation, FHFA did not provide detailed ratings of the Enterprises for 2018.<sup>28</sup>

In 2019, the second year of the Enterprises’ Plans, FHFA monitored implementation by reviewing the Enterprises’ quarterly reports and proposed Plan modifications. There are two methods by which a Plan can be modified. First, under certain circumstances, FHFA may require one or both Enterprises to enact Plan modifications. Second, an Enterprise may propose to modify its Plan when events affect its ability to achieve the Plan’s original objectives.

In 2019, Fannie Mae and Freddie Mac submitted 27 and 18 proposed Plan modifications, respectively. FHFA sought public input on 15 of Fannie Mae’s and 6 of Freddie Mac’s proposed modifications; FHFA issued Non-Objections to each Enterprise’s modified Plan.<sup>29</sup> Among the modifications proposed by both Enterprises were changes to objectives in 2019 and 2020 related to the Department of Agriculture’s Section 515 Rural Multifamily Program (Section 515). FHFA’s Non-Objection applies to proposed modifications related to the Section 515 program in 2019. However, FHFA encouraged both Enterprises not to extend into 2020 these modifications on account of new developments that could significantly improve the Enterprises’ ability to achieve the original objectives.

An Enterprise may request that FHFA declare an objective infeasible and, in such cases, disregard the objective in FHFA’s annual evaluation of the Enterprise’s performance. Under FHFA’s Evaluation Guidance, an Enterprise may make such a request if

<sup>26</sup> 12 U.S.C. § 4565.

<sup>27</sup> 81 FR 96242 (Dec. 29, 2016). 12 CFR Part 1282.

<sup>28</sup> For further discussion of the Enterprises’ performance in 2018, see FHFA’s *Annual Housing Report*, released October 30, 2019.

<sup>29</sup> Both the request for input and commenter list are available on the DTS web page of FHFA’s website.

accomplishing an objective is significantly impeded by conditions in an underserved market or other circumstances beyond an Enterprise's control. Six objectives were infeasible in 2019, including two for each Enterprise related to their chattel pilot initiatives. On December 20, 2019, FHFA published the modified Plans for both Enterprises. The final revised Plans are available on the Duty to Serve web page of FHFA's website, including redline versions that show the modifications.

In March 2020, the Enterprises submitted annual reports on their efforts in 2019 to achieve their Plans' objectives in all three underserved markets, which will inform FHFA's evaluation of each Enterprise's performance. Noteworthy items from these annual reports are summarized below and in Figures 4 and 5.

In 2019, both Enterprises exceeded their Plans' loan purchase targets in the manufactured housing market. Both Enterprises launched pricing incentive programs for manufactured housing communities that provide tenant pad lease protections identified in FHFA's DTS regulation.<sup>30</sup> In the first year of these programs, Fannie Mae purchased 23 loans covering nearly 3,500 units and Freddie Mac purchased 8 loans covering 1,387 units. Fannie Mae introduced a loan purchase pilot program and Freddie Mac continued its pilot program, both of which are tailored to the financing needs of resident-owned manufactured housing communities.

In the affordable housing preservation market, both Enterprises' Plans include objectives to support the Department of Housing and Urban Development's (HUD) Section 8 program, the HUD Rental Assistance Demonstration (RAD) program, Low-Income Housing Tax Credit (LIHTC) properties, small multifamily properties, shared equity programs, energy efficiency for single-family and multifamily properties, and residential economic diversity. In 2019, both Enterprises took steps to meet these objectives. Freddie Mac purchased 15 loans that support the preservation of more than 2,000 units undergoing rehabilitation

through the RAD program, an increase of 4 loans and more than 900 units from 2018. In its first year of loan purchases financing properties under HUD's Section 202 program, Fannie Mae supported 195 units of housing for the elderly. Fannie Mae also purchased nine loans to promote residential economic diversity consistent with the DTS-eligible activity of purchasing loans under a state or local affordable housing program. More than half the 1,366 units covered by those 9 loans represent households below 50 percent of AMI; nearly all of them (97 percent) represent households below 80 percent of AMI.

In the rural housing market, both Enterprises exceeded their Plans' loan purchase targets in high-needs rural regions.<sup>31</sup> Fannie Mae committed \$196.2 million to rural LIHTC transactions, supporting 98 properties and more than doubling its transactions in 2018. Freddie Mac committed \$111.9 million, \$39.1 million more than in 2018, and closed 13 LIHTC equity investment transactions. The Enterprises' LIHTC commitments represented a substantial portion of the \$500 million annual LIHTC investment cap per Enterprise. Both Enterprises made LIHTC investments in Middle Appalachia, the Lower Mississippi Delta, and rural persistent poverty counties.<sup>32</sup> Fannie Mae supported a project on Native American tribal land and two projects housing agricultural worker populations.

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<sup>30</sup> 12 CFR § 1282.33(c)(4).

<sup>31</sup> The DTS Regulation defines "high-needs rural region" as any of the following regions provided the region is located in a rural area: Middle Appalachia; the Lower Mississippi Delta; a colonia; or a tract located in a persistent poverty county outside of these three regions. 12 CFR § 1282.1.

<sup>32</sup> The DTS Regulation defines a persistent poverty county as a county in a rural area that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the most recent successive decennial censuses. 12 CFR § 1282.1.

**Figure 4: 2019 Fannie Mae DTS Loan Purchase Performance Relative to Targets**

\*New loan purchase objective in 2019

Underserved Market	Activity <sup>a</sup>	2019 Target <sup>b</sup>	2019 Purchases <sup>c</sup>	Performance Relative to Target
Manufactured Housing	Manufactured homes titled as real property	9,000 loans	11,976 loans	Exceeded 2019 Target
	Manufactured housing communities with certain pad lease protections*	431 units	23 loans 3,492 units	Exceeded 2019 Target
Rural Housing	High-needs rural regions (single-family)	11,000 loans	12,093 loans	Exceeded 2019 Target
	High-needs rural regions (multifamily)	43 loans	47 loans 4,872 units	Exceeded 2019 Target
	Small multifamily rental properties in rural areas*	60 loans	82 loans 2,824 units	Exceeded 2019 Target
	Small financial institutions (flow)	7,300 loans	9,432 loans	Exceeded 2019 Target
	Small financial institutions (bulk)*	600 loans	202 loans	Partially Met 2019 Target
	LIHTC investment	42 transactions	98 transactions \$196.2 million	Exceeded 2019 Target
Affordable Housing Preservation	Section 8	158 loans	129 loans 16,827 units	Partially Met 2019 Target
	Section 202*	2 loans	2 loans 195 units	Met 2019 Target
	Debt financing in LIHTC properties	86 loans	118 loans 16,572 units	Exceeded 2019 Target
	Other state or local affordable housing programs*	30 loans	51 loans 8,328 units	Exceeded 2019 Target
	Multifamily energy efficiency	684 loans	955 loans 180,993 units	Exceeded 2019 Target
	Rental Assistance Demonstration Program	10 loans	5 loans 1,307 units	Partially Met 2019 Target
	Purchase/rehab of distressed properties	7,235 loans	6,092 loans	Partially Met 2019 Target
	Residential Economic Diversity (RED) – LIHTC*	10 loans	10 loans 1,554 units	Met 2019 Target
	RED – Other state or local affordable housing programs*	4 loans	9 loans 1,366 units	Exceeded 2019 Target

<sup>a</sup> Each Enterprise determines which loans are eligible for credit under a given activity, subject to FHFA's parameters. Consequently, loan purchase performance for an activity may not be comparable across Enterprises.

<sup>b</sup> Each Enterprise determines its 2019 targets using the methodology described in its Plan.

<sup>c</sup> A loan purchase may qualify for DTS credit under multiple DTS objectives.

**Figure 5: 2019 Freddie Mac DTS Loan Purchase Performance Relative to Targets**

Underserved Market	Activity <sup>a</sup>	2019 Target <sup>b</sup>	2019 Purchases <sup>c</sup>	Performance Relative to Target
Manufactured Housing	Manufactured homes titled as real property	3,200 loans	4,390 loans	Exceeded 2019 Target
Rural Housing	High-needs rural regions	8,550 loans	9,849 loans	Exceeded 2019 Target
	Small financial institutions	3,700 loans	4,611 loans	Exceeded 2019 Target
	LIHTC investment (all rural)	9 transactions	13 transactions \$111.9 million	Exceeded 2019 Target
	LIHTC investment (high-needs rural regions)	3 transactions	4 transactions \$22.0 million	Exceeded 2019 Target
Affordable Housing Preservation	Section 8	17,250 units	369 loans 26,332 units	Exceeded 2019 Target
	Rental Assistance Demonstration Program	2,000 units	15 loans 2,073 units	Exceeded 2019 Target
	Debt financing in LIHTC properties	21,500 units	384 loans 54,302 units	Exceeded 2019 Target
	Small multifamily rental properties	2 transactions	4 transactions	Exceeded 2019 Target
	RED	2,700 units	52 loans 4,733 units	Exceeded 2019 Target

<sup>a</sup> Each Enterprise determines which loans are eligible for credit under a given activity, subject to FHFA's parameters. Consequently, loan purchase performance for an activity may not be comparable across Enterprises.

<sup>b</sup> Each Enterprise determines its 2019 targets using the methodology described in its Plan.

<sup>c</sup> A loan purchase may qualify for DTS credit under multiple DTS objectives.



## Affordable Housing Allocations

To support affordable housing, the Safety and Soundness Act requires the Enterprises to set aside in each fiscal year an amount equal to 4.2 basis points (0.042 percent) for every dollar of unpaid principal balance on total new business purchases. Of the amount set aside, the Enterprises must transfer 65 percent to the Secretary of HUD to fund the Housing Trust Fund and 35 percent to the Treasury Department to fund the Capital Magnet Fund.<sup>33</sup> The Housing Trust Fund is designed to assist states in meeting the housing needs of the lowest-income families. The Capital Magnet Fund is a special account within the Community Development Financial Institutions Fund designed to increase investment in affordable housing, economic development, and community development facilities in low-income or underserved rural areas.<sup>34</sup>

FHFA is statutorily authorized to temporarily suspend an Enterprise's affordable housing allocations, generally based on the financial condition of the Enterprise.<sup>35</sup>

In November 2008, FHFA directed each Enterprise to suspend the allocations until further notice. That suspension was lifted in December 2014 when FHFA directed each Enterprise to set aside amounts for allocation to the affordable housing funds, commencing with calendar year 2015.<sup>36</sup> The 2014 directive instructed the Enterprises to transfer allocated amounts to HUD and Treasury within 60 days after the end of the Enterprise's fiscal year, unless the set-aside and allocation would contribute to the financial instability of the Enterprise, cause it to be classified as undercapitalized, or hinder the Enterprise from successfully completing a capital restoration plan.<sup>37</sup>

Figure 6 shows the total amounts paid into these funds each year from 2016 through 2020. In March 2020, Fannie Mae and Freddie Mac made, as directed, a total of \$280.1 million and \$222.2 million, respectively, in total affordable housing allocation payments. These affordable housing allocation payments were calculated based on each Enterprise's total new business purchases in 2019, \$666.9 billion at Fannie Mae and \$529.1 billion at Freddie Mac.<sup>38</sup>

**Figure 6: Affordable Housing Allocation Payments**

Affordable Housing Allocation Payments (Dollars in Millions)						
Enterprise	2016	2017	2018	2019	2020	Total
Fannie Mae	\$216.5	\$268.0	\$239.0	\$215.0	\$280.1	\$1,218.5
Freddie Mac	\$165.4	\$187.1	\$174.8	\$161.7	\$222.2	\$911.2
<b>Total</b>	<b>\$381.9</b>	<b>\$455.1</b>	<b>\$413.8</b>	<b>\$376.7</b>	<b>\$502.2</b>	<b>\$2,129.7</b>

<sup>33</sup> See 12 U.S.C. § 4567(a).

<sup>34</sup> *Id.*; see also 12 U.S.C. §§ 4568 and 4569.

<sup>35</sup> *Id.* § 4567(b).

<sup>36</sup> In the December 11, 2014 letters to the Enterprises, FHFA found that none of the three bases for suspension of these payments was applicable at that time.

<sup>37</sup> See FHFA Statement on the Housing Trust Fund and Capital Magnet Fund.

<sup>38</sup> See Fannie Mae, Form 10-K for the Fiscal Year Ended December 31, 2019, at 66 and 180 (Feb. 13, 2020); Freddie Mac, Form 10-K for the Fiscal Year Ended December 31, 2019, at 130 (Feb. 13, 2020).

# REPORTS OF ANNUAL EXAMINATIONS: FEDERAL HOME LOAN BANKS

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## Financial Safety and Soundness Supervision and Examination

The Federal Housing Finance Agency (FHFA) Division of Bank Regulation (DBR) oversees the Federal Home Loan Bank (FHLBank) System. DBR's objective is to ensure that each entity operates in a safe and sound manner and achieves its housing finance and community investment mission. DBR performs annual on-site examinations of each FHLBank and the Office of Finance (OF) and conducts ongoing supervision throughout the year. An Examiner-in-Charge and a team of examiners, supported by financial analysts, economists, accountants, and attorneys, conduct the annual on-site examination of each FHLBank. Outside of the annual examination period, FHFA examiners periodically visit each of the FHLBanks to follow up on examination findings and to discuss emerging issues.

Examiners communicate all adverse findings to the FHLBank. In such cases, examiners obtain a commitment from the FHLBank to correct deficiencies in a timely manner and then verify the effectiveness of those corrective actions.

On an ongoing basis, DBR monitors and reviews monthly and quarterly financial reports, data on FHLBank investments, FHLBank member activity, OF debt issuances, and financial market trends. Also, DBR and other FHFA offices review FHLBank documents and analyze FHLBank responses to information requests related to FHLBank collateral, unsecured credit, liquidity, and advances.

### Core Mission

In 2019, FHFA continued its supervision and oversight to ensure that FHLBanks remain focused on their statutory housing finance and community development mission. The mission of the FHLBanks is to provide a source of liquidity for their members and housing associates, particularly in times of stress, and, as described in FHFA's Core Mission Activities (CMA) regulation,

to provide financial products and services that enhance the financing of housing and community lending. Historically, short- and long-term advances (loans) to members and housing associates, primarily collateralized by residential mortgage loans and government and agency securities, have been the primary mission asset of the FHLBanks; however, the CMA regulation also includes other types of assets, such as mortgage loans that qualify as Acquired Member Assets (AMA), in the definition of core mission activities. To ensure that the FHLBanks operate in a manner consistent with their housing finance mission, FHFA requires each FHLBank's board of directors to adopt, maintain, and periodically review a strategic business plan that describes "how the significant business activities of the regulated entity will achieve its mission and public purposes."<sup>39</sup> Also, FHFA measures each FHLBank's core mission achievement by calculating the ratio of its Primary Mission Assets (advances plus AMA) to its outstanding consolidated obligations.<sup>40</sup>

- Ratios at or above 70 percent indicate that a FHLBank's activities are achieving core mission;
- Ratios between 55 percent and 70 percent indicate that an FHLBank's ratio is "evolving" and FHFA will further evaluate the FHLBank's mission achievement; and
- Ratios below 55 percent indicate that more fundamental questions about the activities of the FHLBank need to be addressed.

FHFA calculates each FHLBank's core mission ratio using annual average par values, as reported by the FHLBanks. FHFA assesses each FHLBank's core mission achievement annually and expects any FHLBank markedly below 70 percent to include in its business plan a thorough strategy for increasing its core mission ratio.

As of December 31, 2019, the FHLBank System core mission ratio exceeded 70 percent. Nine of the FHLBanks had ratios of 70 percent or higher, down from ten in 2018. The remaining FHLBanks had core mission ratios of 69.4 percent and 65.8 percent.

<sup>39</sup> 12 CFR § 1239.14.

<sup>40</sup> See FHLBank Core Mission Achievement, Advisory Bulletin AB 2012-05 (July 14, 2015).

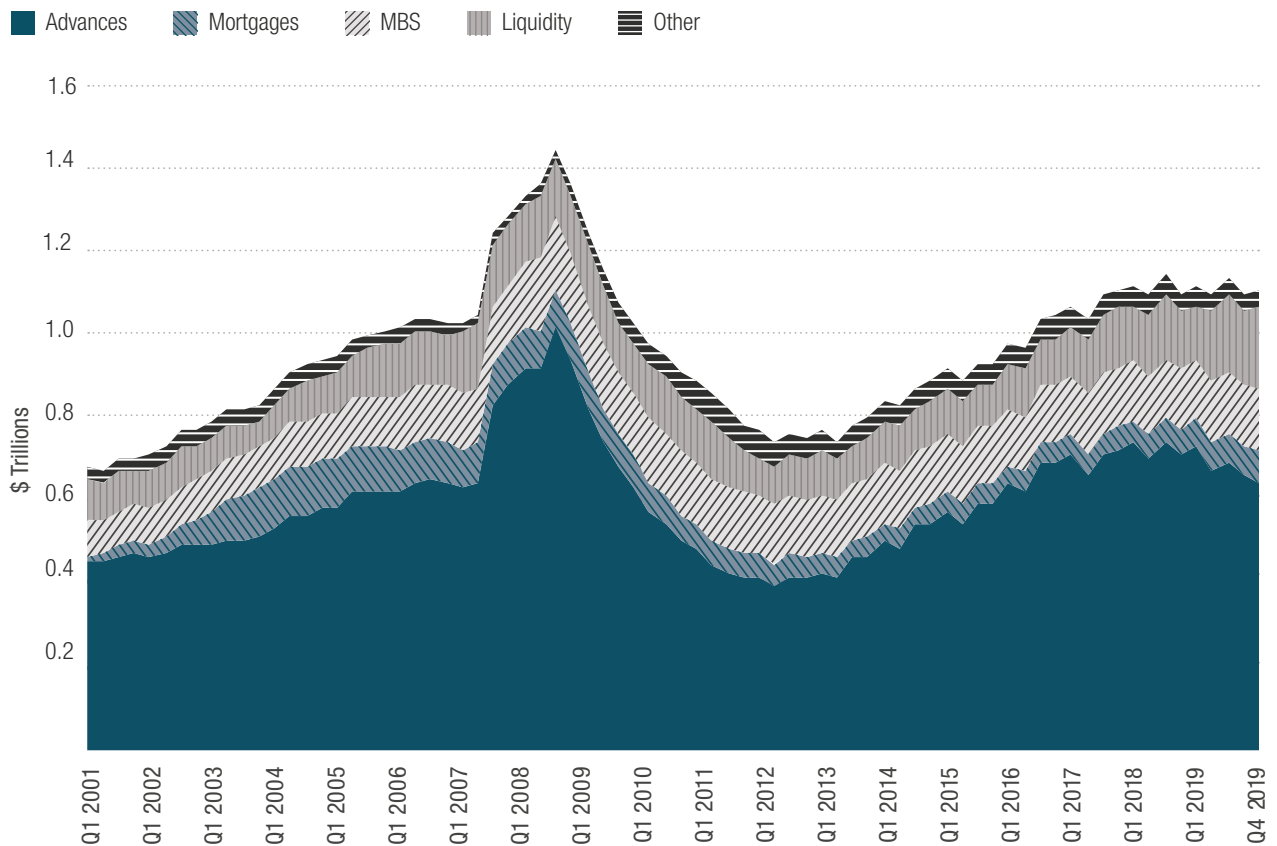
# Federal Home Loan Bank System Overview

## Financial Condition

As of December 31, 2019, total FHLBank assets were \$1.1 trillion, essentially unchanged from 2018. The FHLBanks reported aggregate net income of \$3.2 billion in 2019, down \$377.9 million from 2018. The decrease in aggregate net income was largely a function of spread compression, with a \$575.9 million decline in net interest income only partially offset by a \$271.6 million increase in non-interest income.

While the levels of aggregate assets remained roughly the same in 2019, there were some changes in composition (Figure 7). Cash and investments increased by 23.3 percent, largely spurred by increases in Department of the Treasury holdings, mortgages increased by 15.9 percent, and advances decreased by 12.0 percent. As of December 31, 2019, total assets held by the FHLBanks comprised advances (58.4 percent), cash and investments (34.6 percent), mortgages (6.6 percent), and other assets (0.5 percent).

**Figure 7: Historical Portfolio of the FHLBank System**



The FHLBanks provide short- and long-term advances, which their members use, among other reasons, to fund mortgage portfolios and meet operational liquidity needs. FHLBank advances are collateralized primarily by residential mortgage loans, commercial real estate loans, and government and agency securities. Community Financial Institutions may pledge small business, small farm, and small agri-business loans as collateral for advances.<sup>41</sup>

For the second consecutive year, FHLBank advances decreased (from \$728.8 billion in 2018 to \$641.5 billion in 2019), following six years of growth that ended in 2017. Only one FHLBank reported an increase in advances, while the other ten reported decreases.

The FHLBanks operate both on-balance sheet and off-balance sheet programs through which members can sell mortgage loans. AMA programs allow the FHLBanks to acquire and hold (on their balance sheets) conforming loans and loans guaranteed or insured by a department or agency of the federal government. The AMA programs are structured such that the FHLBanks manage the interest rate risk and the participating member manages a substantial portion of the risks associated with originating the mortgage, including much of the credit risk. Through the two existing AMA programs, Mortgage Partnership Finance (MPF) and Mortgage Purchase Program, FHLBanks offer various products to members with differing credit risk-sharing structures.

As of December 31, 2019, the FHLBanks held on their balance sheets mortgages worth \$72.6 billion, an increase from \$62.6 billion in 2018. This change was derived from \$22.0 billion of mortgage purchases and \$11.9 billion of mortgage principal payments and recoveries.

Under several off-balance sheet programs, FHLBank members sell mortgages to the FHLBank of Chicago, which concurrently sells the loans to Fannie Mae (MPF Xtra) or to an investor (MPF Direct) or pools the loans into securities guaranteed by the Government

National Mortgage Association (Ginnie Mae) (MPF Government MBS). In 2019, FHLBank members delivered \$2.7 billion of mortgages under MPF Xtra, \$275.0 million of jumbo mortgages under MPF Direct, and \$312.9 million of mortgages to the FHLBank of Chicago to securitize through the MPF Government MBS program.

As of December 31, 2019, the aggregate investment portfolio of the FHLBanks consisted of cash and liquidity<sup>42</sup> (\$202.3 billion or 53.2 percent); mortgage-backed securities (MBS) (\$145.6 billion or 38.3 percent), primarily securitized by Freddie Mac and Fannie Mae; and other investments (8.5 percent). The principal types of other investments are agency debt securities, and, in the case of the FHLBank of Chicago, asset-backed securities collateralized by federally-insured student loans.

In 2019, the FHLBanks' letters of credit (LOC) rose \$12.5 billion from 2018 to \$178.4 billion, an increase of \$125.4 billion over the preceding 10 years.

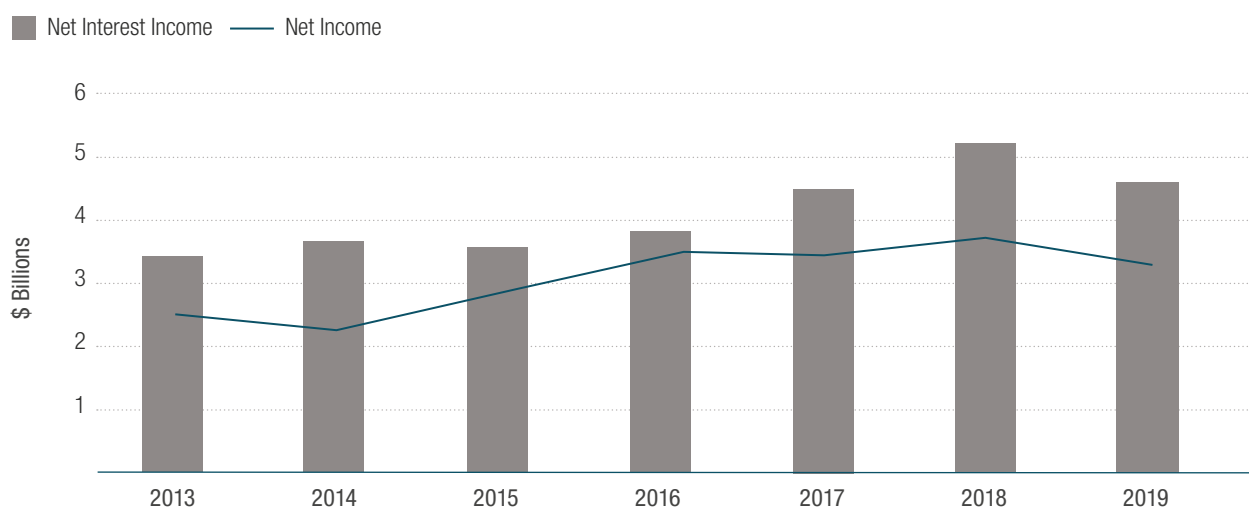
Consolidated obligations totaled \$1.0 trillion, consisting of \$622.3 billion in bonds (60.6 percent) and \$404.0 billion in discount notes (39.4 percent). The composition of the FHLBanks' consolidated obligations did not change substantially since 2018 (58.6 percent in bonds and 41.4 percent in discount notes). In recent years, the FHLBanks have shifted toward bonds, primarily those with short-term maturities. Short-term funding with a remaining maturity of less than one year made up 79.4 percent of consolidated obligations in 2019, up slightly from 76.2 percent in 2018.

Net income was \$3.2 billion in 2019, and all FHLBanks were profitable. However, net income decreased \$377.9 million due to declining net interest spreads that reduced net interest income by \$575.9 million (Figure 8). This decrease was partially offset by an increase in non-interest income of \$271.6 million. Operating expenses increased by \$98 million to \$1.2 billion in 2019.

<sup>41</sup> As defined in the Bank Act, the term Community Financial Institution (CFI) means a member, the deposits of which are insured under the Federal Deposit Insurance Act, that has average total assets over the last three years at or below an established threshold. For calendar year 2019, the CFI asset threshold was \$1.199 billion. FHLBank members that are CFIs may pledge small business loans, small farm loans, small agri-business loans, and, for 2013 and thereafter, community development loans, all of which may be fully secured by collateral other than real estate, and securities representing a whole interest in such loans.

<sup>42</sup> Includes Treasury Securities.

**Figure 8: Net Interest Income and Net Income**



Aggregate return on assets was 0.29 percent in 2019, down from 0.32 percent in 2018. Return on equity was 5.7 percent in 2019, down from 6.2 percent in 2018 (Figure 9). Sound profitability allowed the FHLBanks to continue to build retained earnings in 2019. Aggregate retained earnings totaled \$20.6 billion (1.9 percent of assets) at the end of 2019, up from \$19.5 billion (1.8 percent of assets) in 2018. By way of comparison, at the end of 2008, during the financial crisis, the FHLBanks held only \$3.0 billion of aggregate retained earnings, which represented 0.2 percent of assets (Figure 10).

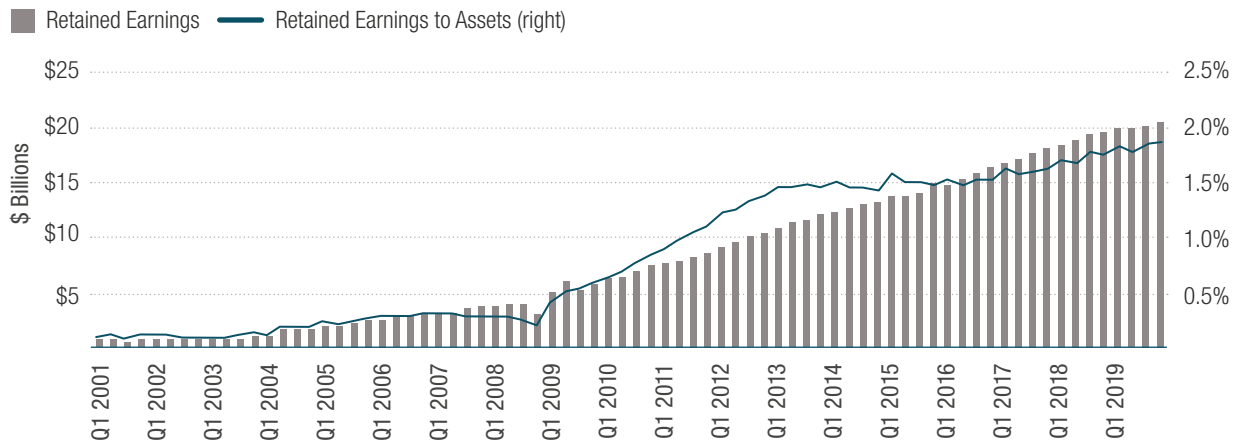
As of December 31, 2019, aggregate regulatory capital consisted of \$34.5 billion of paid-in Generally Accepted Accounting Principles (GAAP) capital stock, \$20.6 billion in retained earnings, and \$1.4 billion in mandatorily redeemable capital stock.<sup>43</sup> All FHLBanks met both the minimum regulatory capital ratio of four percent of assets and their individual risk-based capital requirements.

**Figure 9: Selected Income Statement Items and Ratios**

(\$ in Millions)	SYS	BOS	NYK	PIT	ATL	CIN	IND	CHI	DSM	DAL	TOP	SFR
Net Income - \$	3,188	191	473	317	367	276	142	300	384	227	185	327
Return on Assets	0.29%	0.35%	0.32%	0.31%	0.25%	0.28%	0.21%	0.30%	0.27%	0.32%	0.33%	0.31%
Return on Equity	5.68%	6.29%	6.53%	6.58%	5.09%	5.65%	4.55%	5.29%	5.38%	5.96%	7.32%	4.92%
Net Interest Income (NII) - \$	4,680	269	667	453	535	406	238	457	576	293	256	531
Net Interest Spread	0.32%	0.36%	0.36%	0.34%	0.25%	0.29%	0.24%	0.34%	0.29%	0.28%	0.35%	0.35%
Yield on Advances	2.55%	2.69%	2.64%	2.59%	2.49%	2.51%	2.54%	2.42%	2.65%	2.43%	2.53%	2.48%
Yield on Investments	2.60%	2.37%	2.58%	2.63%	2.61%	2.39%	2.48%	2.94%	2.55%	2.57%	2.46%	2.85%
Yield of Mortgage Loans	3.34%	3.35%	3.36%	3.61%	5.47%	3.17%	3.17%	3.76%	3.36%	3.58%	3.27%	2.64%
Cost of Funds on Consolidated Obligations (COs)	2.30%	2.29%	2.27%	2.30%	2.28%	2.24%	2.39%	2.36%	2.38%	2.27%	2.29%	2.25%
Operating Expenses to NII	26.4%	26.9%	22.8%	18.3%	21.8%	16.7%	35.8%	46.2%	25.3%	29.4%	22.4%	29.6%

<sup>43</sup> Banks reclassify capital stock subject to redemption from capital stock to mandatorily redeemable capital stock (a liability) generally after a member exercises a written redemption right, gives notice of intent to withdraw from membership, or attains non-member status by merger or acquisition, relocation, charter termination, or involuntary termination from membership. Additionally, when FHFA's 2016 Final Rule on FHLBank Membership declared captive insurance companies ineligible for membership at FHLBanks, all remaining captive insurance capital stock was reclassified as mandatorily redeemable capital stock.



**Figure 10: Retained Earnings of the FHLBanks**


## Comparisons

The size and composition of assets vary across the 11 FHLBanks. As of December 31, 2019, total assets of individual FHLBanks ranged from \$55.7 billion to \$162.1 billion. The ratio of advances to assets ranged from 47.8 percent to 68.5 percent. The ratio of mortgage loans to assets was 6.6 percent across all FHLBanks and above 15.0 percent at 2 of the FHLBanks. The estimated market value of equity was more than the par value of capital stock at all FHLBanks, indicating an ability to redeem capital stock at par value without adversely affecting other members (Figure 11).

**Figure 11: FHLBank Selected Balance Sheet Items and Ratios**

Balance Sheet (\$ Billions)	SYS	BOS	NYK	PIT	ATL	CIN	IND	CHI	DSM	DAL	TOP	SFR
Total Assets - \$	1,099.2	55.7	162.1	95.7	149.9	93.5	67.5	99.8	129.6	75.4	63.3	106.8
Advances - % of Assets	58.4%	62.2%	62.1%	68.5%	64.8%	50.7%	48.1%	50.6%	62.0%	49.2%	47.8%	61.2%
% of Advances with Remaining Maturity < 1 year	55.4%	54.9%	68.9%	63.1%	66.8%	68.4%	36.5%	36.6%	44.2%	45.2%	43.7%	49.7%
Mortgages - % of Assets	6.6%	8.1%	2.0%	5.3%	0.2%	12.0%	16.0%	10.1%	7.2%	5.4%	16.8%	3.1%
Cash and Investments - % of Assets	34.6%	29.1%	35.4%	25.7%	34.4%	36.8%	35.2%	39.0%	30.5%	45.0%	34.8%	35.3%
MBS Investments - % of Assets	13.2%	13.1%	10.3%	12.1%	14.8%	14.4%	14.5%	13.2%	11.3%	15.6%	11.5%	16.6%
MBS to Regulatory Capital Ratio	2.63	2.22	2.20	2.45	3.09	3.00	2.85	2.85	2.12	3.16	2.62	2.65
Liquidity - % of Assets	18.4%	14.2%	24.4%	11.3%	16.6%	20.1%	15.0%	20.5%	15.1%	21.2%	22.5%	18.7%
Consolidated Obligations (COs) - \$	1,026.3	51.6	152.7	89.9	140.6	87.5	62.4	92.2	121.1	70.1	59.5	98.7
Discount Notes - % of COs	39.4%	53.7%	48.4%	25.7%	37.1%	56.1%	28.3%	45.2%	24.4%	49.0%	46.2%	27.7%
% of COs with Remaining Maturity < 1 year	79.5%	72.2%	89.6%	81.8%	93.8%	77.0%	65.9%	69.7%	72.5%	73.2%	73.1%	82.0%
Regulatory Capital Ratio	5.1%	6.0%	4.7%	4.9%	4.8%	4.8%	5.1%	5.8%	5.3%	4.9%	4.4%	6.2%
Retained Earnings - \$	20.6	1.5	1.8	1.3	2.2	1.1	1.1	3.8	2.2	1.2	1.0	3.5
Market Value of Equity as a Percent of Capital Stock	160%	173%	130%	145%	141%	129%	141%	297%	147%	154%	174%	223%

## Membership

At the end of 2019, the FHLBanks had a total of 6,738 members, down from 6,863 in 2018 primarily due to mergers. The number of members at each FHLBank ranged from 286 to 1,338. Across all FHLBanks, aggregate membership consisted of 4,020 commercial banks, 1,526 credit unions, 347 saving associates, 313 savings banks, 472 insurance companies, and 60 non-depository Community Development Financial Institutions (CDFIs). Approximately 53 percent of FHLBank active members were borrowers. The top-10 largest borrowers at the FHLBanks of New York, Pittsburgh, Atlanta, Cincinnati, and San Francisco held more than 70 percent of the total advances at their respective FHLBanks (Figure 12).

Figure 12: FHLBank Membership

	SYS	BOS	NYK	PIT	ATL	CIN	IND	CHI	DSM	DAL	TOP	SFR
Total Members	6,738	435	327	286	811	640	373	689	1,338	795	709	335
Commercial Banks	4,020	54	120	140	470	367	157	465	962	565	571	149
Credit Unions	1,526	162	100	60	230	136	129	100	250	122	88	149
Saving Associate	347	28	33	19	48	62	21	34	41	26	23	12
Savings Bank	313	124	38	34	16	17	9	36	10	28	0	1
Insurance Companies	472	63	31	31	38	52	53	48	69	47	23	17
Non-depository CDFIs	60	4	5	2	9	6	4	6	6	7	4	7
Ten Largest Borrowers - % of Advances		46.1%	75.5%	84.7%	74.4%	71.9%	60.8%	67.2%	60.3%	54.7%	65.8%	80.7%

## Annual Examination Results

### Capital

Capital management practices were strong or satisfactory at all the FHLBanks in 2019. The FHLBanks have generally adequate levels of capital, including retained earnings, relative to their risk profiles. However, at certain FHLBanks examiners identified areas for improvement, including maintaining capital compliance under adverse scenarios, retaining risk-based capital under stressful conditions, and updating excess stock policies.

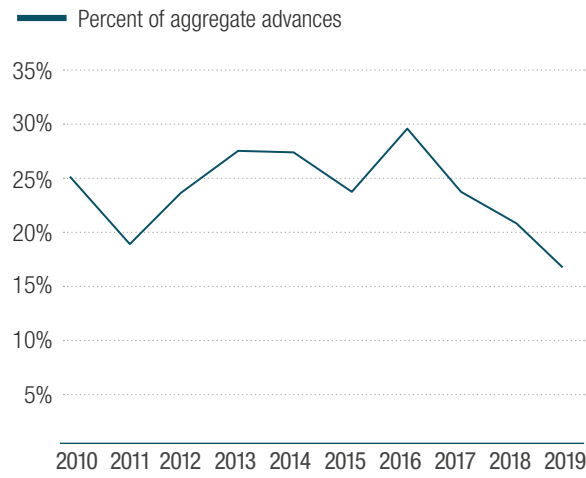
### Asset Quality

Asset quality was strong or satisfactory at all but one FHLBank. However, at all the FHLBanks examiners identified areas for improvement of risk management practices, including modeling and documenting collateral discounts; maintaining consistency in member credit analyses; improving pricing for LOC; determining AMA credit enhancement requirements; and managing concentration risk for both AMA and large borrowers.

In general, advances are low-risk loans, but they are subject to concentration risk. In 2019, the concentration of advances to subsidiaries of large bank holding companies remained elevated, though the concentration declined for the third consecutive year. In 2018, the largest borrowers at the holding company level (J.P. Morgan Chase & Co, Wells Fargo & Company, Ally Financial, and PNC Financial Services Group) represented \$153.8 billion or 21.1 percent of total FHLBank advances. In 2019, the largest aggregate borrowers at the holding company level (Wells Fargo & Company, J.P. Morgan Chase & Co., Citigroup Inc., and BB&T Corporation) represented \$102.0 billion or 16.0 percent of aggregate advances, the lowest top-four borrower concentration since at least 2010 (Figure 13).

The holding companies that have the most advances outstanding to their subsidiaries change over time. Since 2010, Bank of America Corporation, Capital One, Citigroup Inc., Hudson City Bancorp, J.P. Morgan Chase & Company, Metlife Inc., PNC Financial Services Group, Ally Financial, BB&T Corporation, and Wells Fargo & Company have been among the top-four borrowers at the end of the year.

**Figure 13: Top 4 Holding Companies with Advances Outstanding**



### Management

At nine of the FHLBanks, examination conclusions were either satisfactory or strong in 2019. However, at most of the FHLBanks examiners identified areas of concern, including membership application decisions, oversight of third parties, internal audits, and compliance with FHFA regulations. Additionally, one FHLBank exhibited continued weakness in the area of management, owing largely to a lack of compliance with federal financial regulations, and was downgraded to deficient by examiners. Examiners also identified significant concerns regarding overall risk management at another FHLBank.

### Earnings

Similar to previous years, while earnings and earnings quality continued to be strong or satisfactory at all FHLBanks, a few FHLBanks continued to rely on non-mission assets to support their earnings. Examiners also continued to monitor the potential effect of operating expenses on long-term profitability at several FHLBanks.

### Liquidity

Liquidity risk management was strong or satisfactory at nearly all the FHLBanks, though examiners identified one FHLBank that needs significant improvements. Examiners indicated few concerns across the other FHLBanks, although some identified a need for improved tracking of liquidity levels.

### Sensitivity to Market Risk

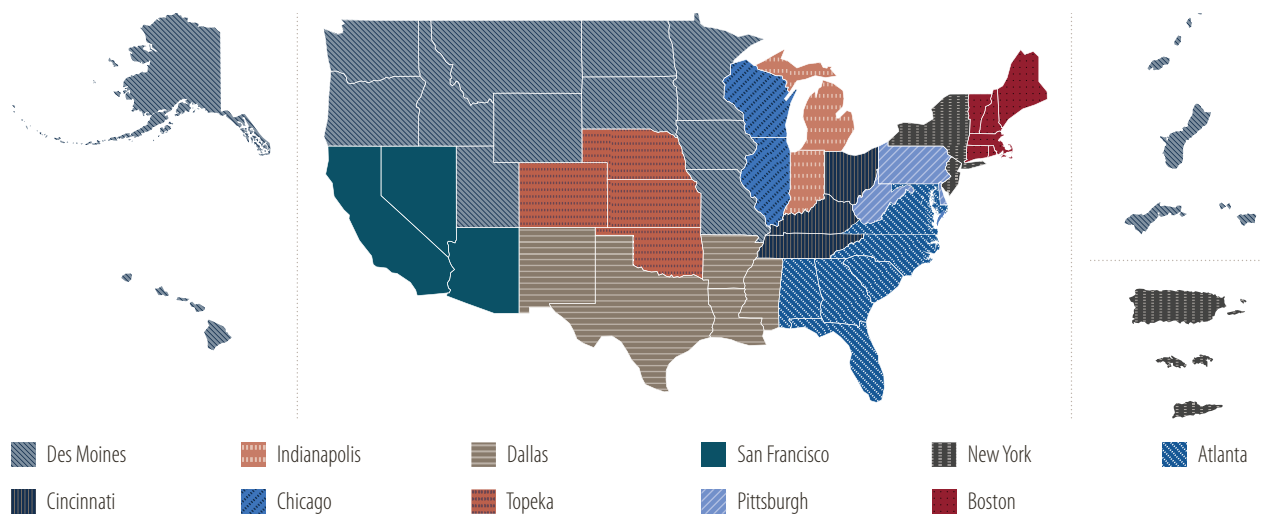
Overall, the FHLBanks had moderate levels of market risk exposure. Mortgage assets remained the greatest source of market risk, but the FHLBanks were also exposed to “basis risk,” which arises when the index for a floating-rate asset does not move identically with the index for the supporting floating-rate liability. Market risk management was well controlled or satisfactory at all but one FHLBank. However, examiners identified enhancements several FHLBanks should make to their market risk models, AMA programs, documentation, and internal controls.

### Operational Risk

While operational risk management was generally satisfactory, FHFA identified supervisory concerns at one FHLBank. Across the other FHLBanks, examiners identified areas that exhibited or could exhibit operational risks in information security, risk assessment, and third-party management. Several FHLBanks continue to have issues with vulnerability management, cloud computing, and other information technology matters.

# Examination Conclusions

## 11 Federal Home Loan Bank Districts



### District 1: The Federal Home Loan Bank of Boston

At the time of its examination in September 2019, the overall condition and operations of the FHLBank of Boston were satisfactory, reflected by its consistent performance and effective oversight by the board and senior management. The Bank had strong asset quality and the lowest borrower advance concentration among all the FHLBanks. The Bank's balance sheet reflected good credit quality based on investments that exhibit low risk and a shrinking private label mortgage-backed security (PLMBS) portfolio. Capital and liquidity levels were strong and earnings sufficiently covered operations. Management has been proactively planning for and managing the anticipated market transition from the London Interbank Offered Rate (LIBOR). Primary examination concerns related to the Bank's MPF funding strategy, operational risk appetite statement, and AMA investment grade determination.

### District 2: The Federal Home Loan Bank of New York

At the time of its examination in April 2019, the overall condition and operations of the FHLBank of New York were satisfactory. Oversight by the board and senior management remained effective, and the Bank's financial condition was strong, reflected in proactive capital management, early adoption of liquidity guidance, and near-record earnings results. Primary examination concerns related to the

Bank's information technology controls. Matters that merit ongoing monitoring include the Bank's efforts to meet certain FHLBank objectives, including those related to technology infrastructure upgrades, operational resiliency enhancements, LIBOR cessation preparedness, and introduction of a new mortgage loan purchase program.

### District 3: The Federal Home Loan Bank of Pittsburgh

At the time of its examination in April 2019, the overall condition and operations of the FHLBank of Pittsburgh were satisfactory. The Bank continued to have sound capital and liquidity positions and strong earnings sufficient to support operations and pay a reasonable dividend to members. The Bank exhibited satisfactory market, credit, and operational risk oversight, and maintained a strong mission orientation and conservative risk profile. Primary examination concerns related to oversight of investments in reverse repurchase agreements, internal audit's role in the second line of defense, advance portfolio concentration risk, and risk assessment of the AMA portfolio.

### District 4: The Federal Home Loan Bank of Atlanta

At the time of its examination in January 2019, the overall condition and operations of the FHLBank of Atlanta were strong. The Bank had sound capital and liquidity positions and strong earnings sufficient

to support operations and build retained earnings. Asset quality was sound. Oversight by the board of directors and management remained effective. Primary examination concerns related to business continuity planning, vendor management, and prioritization of information technology projects.

#### **District 5: The Federal Home Loan Bank of Cincinnati**

At the time of its examination in April 2019, the overall condition and operations of the FHLBank of Cincinnati were satisfactory. The Bank had satisfactory asset quality, management, mission orientation, liquidity, capital, and operational risk management. Earnings were sufficient to support operations. Sensitivity to market risk was moderate. Primary examination concerns related to CDFI credit administration, compliance with rules and regulations, deficiencies in the areas of AMA credit enhancement and monitoring practices, Sarbanes-Oxley Act governance, and capital management.

#### **District 6: The Federal Home Loan Bank of Indianapolis**

At the time of its examination in October 2019, the overall condition and operations of the FHLBank of Indianapolis were satisfactory. The Bank had strong asset quality and liquidity, sufficient capital and earnings, and acceptable operational risk. Oversight of operations by the board and senior management was satisfactory. Sensitivity to market risk had deteriorated and was identified as needing improvement. Primary examination concerns related to market risk management strategy, market risk measurement controls, AMA credit enhancement requirements, records and information management, Community Investment Cash Advance (CICA) reporting, and supplier diversity program oversight.

#### **District 7: The Federal Home Loan Bank of Chicago**

At the time of its examination in July 2019, the overall condition and operations of the FHLBank of Chicago were satisfactory. A strong capital position and adequate earnings supported moderate risk levels throughout operations. The Bank's capital position and conservative management of interest rate risk supported a strong market value of equity. In its role as MPF Provider, the FHLBank of Chicago adequately managed the MPF program. Primary examination concerns related to the Bank's Community Investment Program (CIP),

AMA investment grade credit modeling, and the collaboration between the compliance and internal audit functions. Additional examination concerns related to operational risk oversight included concerns about business resiliency risk management, vulnerability management, and data governance.

#### **District 8: The Federal Home Loan Bank of Des Moines**

At the time of its examination in September 2019, FHFA had supervisory concern about the FHLBank of Des Moines. Management needed improvement. Operational risk remained high and operational risk management practices were deficient. Intraday funds management practices and contingent funding plans were weak. The Bank's financial condition was adequate because of its satisfactory capital position and earnings performance. The Bank's asset quality and sensitivity to market risk were adequate. FHFA has heightened its oversight and supervision of the Bank, working closely with the Bank's new chief executive officer.

#### **District 9: The Federal Home Loan Bank of Dallas**

At the time of its examination in January 2019, the overall condition and operations of the FHLBank of Dallas were satisfactory. The Bank's financial condition was satisfactory, evidenced by adequate capitalization, strong liquidity, and improved earnings results. Oversight by the board and senior management remained effective. Primary examination concerns related to information technology testing, documentation, and controls; market risk methodology and modeling; and AMA modeling and support.

#### **District 10: The Federal Home Loan Bank of Topeka**

At the time of its examination in July 2019, the overall condition and operations of the FHLBank of Topeka were satisfactory. The Bank had strong asset quality and liquidity. Satisfactory earnings and capital supported operations. Oversight of operations by the board and senior management was effective. Sensitivity to market risk and operational risk were moderate. Primary examination concerns related to the Bank's capital management, MPF investment grade analysis and risk limits, MPF pooling and model validation, membership eligibility verification, and information security and security incident management.

## District 11: The Federal Home Loan Bank of San Francisco

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At the time of its examination in January 2019, the overall condition and operations of the FHLBank of San Francisco needed improvement. Despite a satisfactory financial condition, consisting of strong capital and liquidity positions and decreased credit risk exposure from the PLMBS portfolio, the number of identified weaknesses required closer supervision of the Bank. FHFA found supervisory concerns related to credit risk underwriting, collateral management practices, and compliance with rules and regulations. In addition, FHFA had concerns related to credit risk management, methodology for determining lendable value on collateral, minimum pricing for advances, and AMA investment grade determination, concentration risks, and minimum pricing.

### Office of Finance

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At the time of its examination in July 2019, the overall condition and operations of OF were satisfactory. Oversight by the board and senior management were effective. OF's operational risk position and management were satisfactory. Primary examination concerns related to information technology controls, business continuity testing, and communication protocols dealing with stressed funding conditions.

## Affordable Housing and Community Development

### Affordable Housing Program

The Bank Act requires each of the FHLBanks to establish an Affordable Housing Program (AHP) to fund the purchase, construction, or rehabilitation of affordable housing for very low- and low- or moderate-income households.<sup>44</sup> FHLBank member financial institutions can apply to their FHLBanks for AHP grants or subsidized advances, which the members pass on as grants or subsidized loans, respectively, to eligible households or projects. Annually, each FHLBank is required by statute to fund its AHP with 10 percent of its net earnings from the prior year, provided that the entire FHLBank System meets its contribution minimum of \$100 million. In 2019, the FHLBanks

made available more than \$404.1 million in AHP subsidies nationwide (Figure 14). From 1990, the AHP's first year, through 2019, the FHLBanks awarded approximately \$6.6 billion in AHP subsidies, assisting more than 957,000 households.

AHP subsidies must be used either to fund homeownership for households with incomes at or below 80 percent of area median income (AMI) or for the purchase, construction, or rehabilitation of rental housing in which at least 20 percent of the units will be occupied by, and affordable to, households with incomes at or below 50 percent of AMI.

FHFA's AHP regulation sets forth requirements for the FHLBanks' implementation of their AHPs and provides for two distinct subsidy programs.<sup>45</sup> First, under the mandatory competitive application program, the FHLBanks provide subsidized advances or grants to members on behalf of project sponsors for the purchase, construction, or rehabilitation of eligible projects. To evaluate the applications, each FHLBank adopts a competitive scoring process pursuant to parameters in the AHP regulation. Second, under the optional homeownership set-aside program, the FHLBanks disburse grants through members to eligible homebuyers or homeowners for down payment or closing cost assistance, counseling, or rehabilitation in connection with the household's purchase or rehabilitation of an owner-occupied unit to be used as the household's primary residence.

In November 2018, FHFA amended the AHP regulation to provide the FHLBanks additional authority and flexibility over the use of their AHP funds and the selection of projects. The FHLBanks were required to comply with the final rule's retention agreement amendments by January 1, 2020 and will be required to comply with the rest of the final rule amendments by January 1, 2021. An FHLBank may choose, however, to comply with amended provisions prior to those compliance dates. In 2019, some FHLBanks chose to implement certain amended provisions prior to the applicable compliance dates, including streamlining monitoring requirements for rental projects funded by the AHP and certain other federal programs.

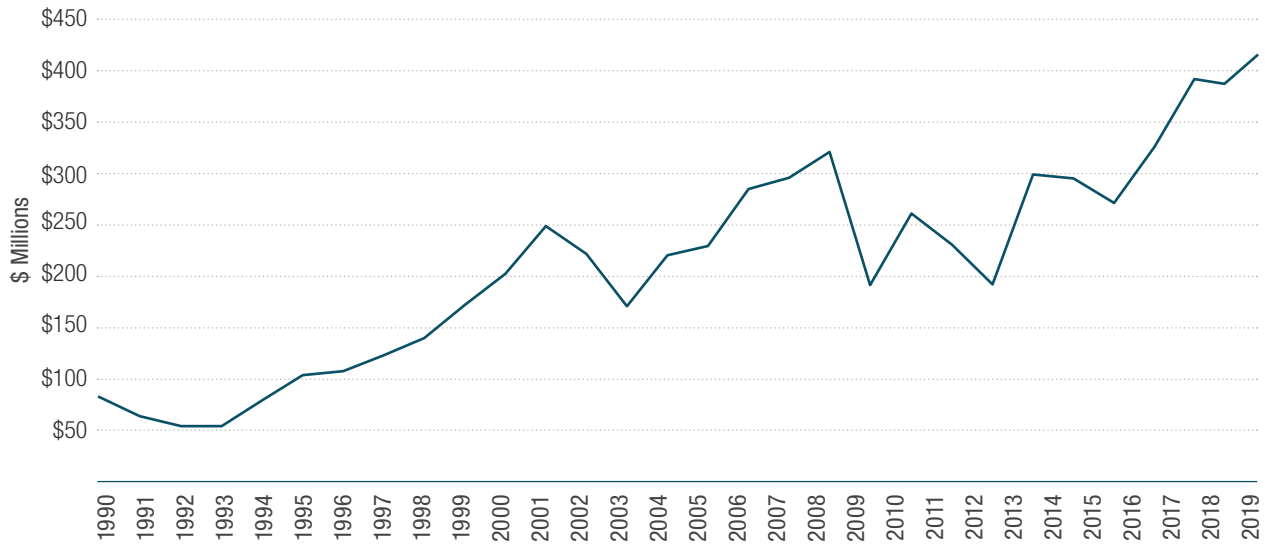
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<sup>44</sup> See 12 U.S.C. § 1430(j).

<sup>45</sup> See 12 CFR Part 1291.



**Figure 14: Federal Home Loan Banks' AHP Statutory Contributions<sup>a</sup>**



<sup>a</sup> Data as of December 31, 2019.

**AHP Competitive Application Program** – Under the AHP competitive application program, FHLBank members apply on behalf of project sponsors, typically nonprofit organizations or housing finance agencies, to their FHLBanks for AHP funds pursuant to a competitive application scoring process. In 2019, rental housing units made up approximately 91 percent of all units funded under the competitive application program, a slight increase from 89 percent in 2018 (Figure 15).

**Figure 15: 2019 AHP Competitive Application Overview<sup>a</sup>**

	Rental Housing Projects	Owner-Occupied Housing Projects	Total Housing Projects
Total Number of Awarded Projects	436	116	552
Subsidy Awarded (\$ in Millions)	\$296.8	\$43.8	\$340.6
Number of Housing Units	25,898	2,477	28,375
Average Subsidy per Unit	\$11,462	\$17,674	\$12,004
Number of Very Low-Income Housing Units <sup>b</sup>	18,140	1,106	19,246

<sup>a</sup> Data are current as of December 31, 2019 excluding AHP competitive application withdrawn projects. Dollars have been rounded.

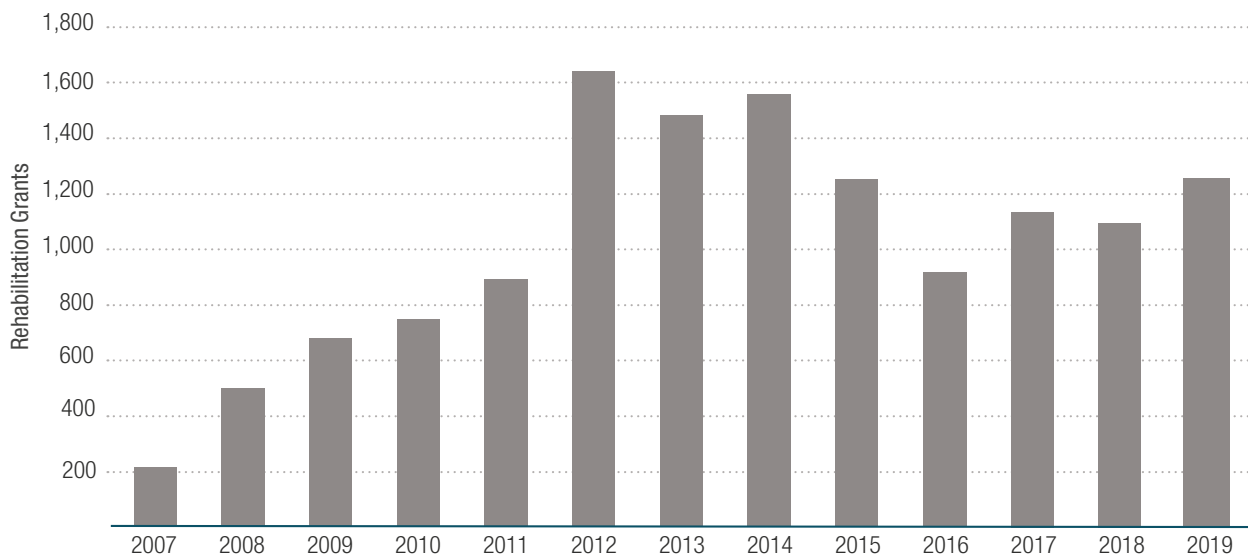
<sup>b</sup> Very low-income is defined as households with incomes at or below 50 percent of AMI.

**AHP Homeownership Set-Aside Program** – Under the AHP Homeownership Set-Aside Program, an FHLBank may annually set aside funds for homeownership programs. The limit that each FHLBank may set aside is the greater of either \$4.5 million or 35 percent of its statutorily required AHP annual contribution (10 percent of its net earnings for the prior year). All 11 FHLBanks offered homeownership set-aside programs in 2019, with total funding of approximately \$117 million.

At least one-third of an FHLBank’s annual aggregate homeownership set-aside program allocation must be designated to assist low- or moderate-income first-time homebuyers. FHLBank members may also use set-aside funds to assist other low- or moderate-income households to purchase or rehabilitate a home.

The 2018 amendments to the AHP regulation increased the maximum permissible set-aside subsidy per household from \$15,000 to \$22,000. Although the FHLBanks were not required to comply with this amendment in 2019, one FHLBank did provide some subsidies at this new maximum. The average set-aside subsidy per household in 2019 was \$6,581. The most common use of set-aside funds is to defray borrowers' down payment and closing costs. In 2019, 1,298 set-aside grants funded the rehabilitation of owner-occupied homes (*e.g.*, lead-based paint removal, weather proofing, and accessibility retrofits), an increase from 1,120 grants in 2018, but below the historic peak of 1,642 grants in 2012 (Figure 16).

**Figure 16: Number of AHP Homeownership Set-Aside Grants Used for Rehabilitation Assistance (2007-2019)**



**AHP Used in Conjunction with Other Sources of Funding** – The AHP is designed to work with a variety of other funding sources and is frequently used in conjunction with funding from nonprofit organizations and housing programs at the federal, state, or local level. For instance, an FHLBank member could use an AHP subsidy to provide a construction or permanent loan to a project, a mortgage to a homebuyer, or a home repair grant to a homeowner. In all cases, the Bank Act requires that the AHP subsidy be passed on to the household.

In 2019, approximately 66 percent of AHP projects received additional funding from federal programs (Figure 17), such as the HOME Investment Partnerships Program, the Community Development Block Grant Program, and the Low-Income Housing Tax Credit (LIHTC) Program. LIHTC was the most common source of funding, supporting about 65 percent of all approved AHP applications for rental housing.

**Figure 17: Number of AHP Projects Approved in 2019 Receiving Federal Funding<sup>a</sup>**

Program	Number of AHP Projects
Community Development Block Grant Program	49
HOME Investment Partnerships Program	145
LIHTC Program	282
Federal Housing Administration Programs	20
Other Federal Housing Programs	77
Projects Not Receiving Funding from Federal Sources	186

<sup>a</sup> Data as of December 31, 2019 excluding AHP competitive withdrawn projects. Some projects may have federal funding from more than one source.

## Community Investment Program and Community Investment Cash Advance Program

Each FHLBank, through its statutorily mandated CIP, offers advances to its members at the cost of the FHLBanks' consolidated obligations of comparable maturities, taking into account reasonable administrative costs. CIP advances may assist the financing of housing for households with incomes at or below 115 percent of AMI. CIP funds also may be used for economic development projects in low- and moderate-income neighborhoods or that benefit low- and moderate-income households. In 2019, the FHLBanks issued approximately \$3.3 billion in CIP advances for housing projects and approximately \$90.5 million for economic development projects.

Each FHLBank may also offer optional CICA programs, which are authorized under the CICA regulation and the Bank Act. Under these programs, FHLBanks may support the financing of targeted economic development projects by offering low-cost, long-term advances and grants through FHLBank members, as well as through housing associates, such as state and local housing finance agencies and economic development finance authorities. In 2019, the FHLBanks provided approximately \$3.1 billion in CICA advances for economic development projects, such as commercial, industrial, and manufacturing projects, social services, and public facilities that met the requirements for qualifying as one of the specified targeted beneficiaries in the CICA regulation. This was roughly the same amount of funding as in 2018.

### Community Development Financial Institutions –

Two types of CDFIs are eligible to become FHLBank members: federally-insured depository CDFIs and non-depository CDFIs. As of December 31, 2019, 60 non-depository CDFIs were members of the FHLBank System, the same number as in 2018.<sup>46</sup>

## Housing Goals

FHFA's FHLBank Housing Goals regulation establishes requirements for single-family loans purchased by the FHLBanks from their members through their AMA programs (housing goals). The housing goals measure the extent to which FHLBanks' AMA programs serve low- and very low-income families and families residing in low-income areas. The housing goals are generally consistent with the single-family housing goals for the Enterprises, while taking into account the unique mission and ownership structure of the FHLBanks.<sup>47</sup>

The housing goals apply only to a FHLBank that purchases loans through the AMA programs with a total unpaid principal balance exceeding \$2.5 billion in a given year. For each FHLBank subject to the housing goals, FHFA evaluates the FHLBank's performance across four categories: low-income home purchase, very low-income home purchase, low-income areas home purchase, and low-income refinance. For each category, FHFA uses Home Mortgage Disclosure Act (HMDA) data to develop a market comparison benchmark and then evaluates whether the percentage share of the FHLBank's applicable AMA mortgage purchases meets or exceeds that level.

In 2018, the FHLBank of Chicago exceeded the \$2.5 billion volume threshold. In 2019, FHFA evaluated the FHLBank's housing goals performance based on its AMA mortgage purchases and determined that the FHLBank did not meet the housing goal levels for the four goal categories in 2018 (Figure 18). FHFA's final determination letter to the FHLBank of Chicago did not require the submission of a housing plan based on its performance in 2018.

In 2019, four FHLBanks exceeded the \$2.5 billion volume threshold: Chicago, Cincinnati, Des Moines, and Topeka. FHFA is in the process of evaluating their housing goals performance. FHFA's evaluation will be completed after the release of the 2019 HMDA data.

On June 4, 2020, FHFA amended the FHLBank Housing Goals regulation to address limitations in the regulation. The final rule sets a single prospective

<sup>46</sup> Bank membership is available at: <https://www.fhfa.gov/DataTools/Downloads/Pages/Federal-Home-Loan-Bank-Member-Data.aspx>.

<sup>47</sup> See 12 CFR Part 1281.

mortgage purchase housing goal as a share of each FHLBank's total AMA purchases and sets a new small member participation housing goal for participation by small institutions. The amendments provide greater certainty about each year's housing goals expectations by eliminating the volume threshold. The rule also allows FHLBanks to propose different target levels for mortgage purchases and small member participation, subject to FHFA approval. The new housing goals become effective in 2021.

**Figure 18: FHFA Determination of FHLBank of Chicago Housing Goals Performance 2018**

Single-Family Housing Goals	Goal Level – 2018 (Chicago District) <sup>a</sup>	FHFA Determination of Bank's 2018 Performance (Total AMA Purchases) <sup>b</sup>	Difference between Bank 2018 Performance and Goal Level
Low-Income Home Purchase	30.5%	15.5%	-15.0%
Very Low-Income Home Purchase	9.1%	2.8%	- 6.3%
Low-Income Areas Home Purchase	17.6%	10.9%	- 6.7%
Low-Income Refinance	34.3%	19.1%	-15.2%

<sup>a</sup> Market affordability for loans originated within the district based on HMDA data.

<sup>b</sup> Based on all qualifying AMA purchases. Includes AMA purchases regardless of whether the loan was originated within the district.

## Community Support Program

The Bank Act requires FHFA to adopt regulations establishing standards of community investment or service that FHLBank members must meet in order to maintain access to long-term advances.<sup>48</sup> The Bank Act further states that the regulations shall take into account factors such as a member's performance under the Community Reinvestment Act of 1977 (CRA) and the member's record of lending to first-time homebuyers.<sup>49</sup> FHFA's Community Support Program (CSP) regulation implements these statutory provisions by establishing standards and procedures for the submission and review of FHLBank members' performance.<sup>50</sup> Under the CSP regulation, every two years, members are required to submit to FHFA a Community Support Statement describing their latest CRA ratings and activities supporting first-time homebuyers.

Based on its review of each member's Community Support Statement, FHFA determines whether the member has complied with the community support standards and whether the member's access to long-term advances, FHLBank AHPs, or other FHLBank CICA programs should be restricted. FHFA gives each FHLBank member one of three Community Support Statement review results: compliance, probation, or restriction (Figure 19).

Pursuant to the biennial review cycle, 6,409 FHLBank members submitted their Community Support Statement in 2019. Of these members, 99 percent received a compliance review result and fewer than 1 percent received a probation or restriction review result.

<sup>48</sup> 12 U.S.C. § 1430(g)(1).

<sup>49</sup> *Id.* § 1430(g)(2).

<sup>50</sup> 12 CFR Part 1290.

**Figure 19: FHFA Community Support Statement Review Results, Standards and Actions**

Results	Standard	Action
Compliance	Member institution is in compliance with the requirements of FHFA's CSP regulation.	Member maintains access to FHLBank's long-term advances and AHP and other CICA programs.
Probation	Member institution is placed on probation if: <ul style="list-style-type: none"> <li>its most recent CRA rating was "Needs to Improve," and</li> <li>either the member has not received any other CRA rating or its second-most recent CRA rating was "Outstanding" or "Satisfactory."</li> </ul>	If a member is placed on probation, the member may continue to obtain long-term FHLBank advances and access to AHP and CICA programs during the probationary period. The probationary period runs until the member's next CRA rating.
Restriction	Member institution is placed on restriction if: <ul style="list-style-type: none"> <li>it does not submit a Community Support Statement;</li> <li>it has not demonstrated compliance with the first-time homebuyer standard;</li> <li>its most recent CRA rating was "Substantial Noncompliance";</li> <li>its most recent CRA rating was "Needs to Improve," and its second-most recent CRA rating was "Needs to Improve"; or</li> <li>its most recent CRA rating was "Needs to Improve," its second-most recent CRA rating was "Substantial Noncompliance," and its third-most recent CRA rating was "Needs to Improve" or "Substantial Noncompliance."</li> </ul>	If a member is placed on restriction, the member is unable to obtain long-term FHLBank advances or to participate in AHP and other CICA programs until the restriction is removed.

Source: Community Support Program Regulation (12 CFR Part 1290).

## Directors' Compensation and Expenses

The FHLBanks are governed by boards of directors, which range in size from 14 to 22 members. Statute requires the majority of FHLBank board members to be Member directors, who are officers or directors of member institutions, and at least 40 percent to be Independent directors. Independent directors must reside in the district of the FHLBank where they serve as a board member and cannot be officers of a FHLBank or directors, officers, or employees of a member of the FHLBank where they serve. OF's board comprises 5 independent directors and all 11 FHLBank presidents. The FHLBank presidents do not receive compensation for their service on the OF board.

The FHLBanks are permitted to provide reasonable compensation to their boards of directors for time required and necessary expenses, subject to FHFA review. Each of the 11 FHLBanks and OF provides FHFA with its Directors Compensation Policy (Policy), which establishes the maximum compensation for each director, the criteria for each director to receive that compensation, and the timing of payments for

the upcoming year. FHFA reviews each Policy to assess the reasonableness of the proposed maximum compensation considering third-party market data and to ensure that it includes a provision for reduced compensation of any director who does not attend a certain number of meetings or fails to be a contributing board member. In 2019, based on the reports of attendance and compensation paid submitted by OF and each FHLBank, FHFA found that OF and all the FHLBanks adhered to their Policies and reduced director compensation when required. Figure 20 shows the approved maximum compensation amounts available in 2019 for the listed board positions at each FHLBank and OF.

Included in director compensation are payments for certain expenses incurred by a director's spouse or guest. Spouse and guest payments include travel expenses reimbursed to the director and the cost per attendee of group events offered to directors and their guests in conjunction with a meeting. Figure 21 contains information on FHLBank directors' compensation in 2019 and its component parts: compensation paid in cash, compensation deferred, and amounts paid for spouse and guest expenses.

Figure 20: 2019 Annual Maximum Compensation for FHLBank Directors

Federal Home Loan Bank	Chair	Vice Chair	Audit Committee Chair	Other Committee Chairs	Directors
Atlanta	\$130,000	\$120,000	\$115,000	\$110,000	\$100,000
Boston	\$132,500	\$112,500	\$112,500	\$112,500	\$102,500
Chicago	\$137,000	\$122,000	\$122,000	\$112,000	\$102,000
Cincinnati	\$145,000	\$125,500	\$125,500	\$122,500	\$110,000
Dallas	\$132,613	\$116,699	\$116,699	\$111,395	\$100,786
Des Moines	\$138,000	\$127,000	\$122,000	\$117,000	\$106,000
Indianapolis	\$132,500	\$119,000	\$118,000	\$113,000	\$103,000
New York	\$133,000	\$118,000	\$116,000	\$112,500	\$102,500
Office of Finance <sup>a,b</sup>	\$135,000	N/A	\$115,000	\$110,000	\$102,500
Pittsburgh	\$145,000	\$122,500	\$122,500	\$122,500	\$110,000
San Francisco <sup>c</sup>	\$140,000	\$135,000	\$125,000	\$120,000	\$115,000
Topeka	\$137,500	\$117,500	\$117,500	\$117,500	\$107,500
<b>Average</b>	<b>\$136,509</b>	<b>\$121,427</b>	<b>\$118,975</b>	<b>\$115,075</b>	<b>\$105,149</b>
<b>Median</b>	<b>\$136,000</b>	<b>\$120,000</b>	<b>\$117,750</b>	<b>\$112,750</b>	<b>\$102,750</b>

<sup>a</sup> The compensation at OF is for independent directors only. FHLBank presidents do not receive compensation for these responsibilities. The vice chair is a FHLBank president.

<sup>b</sup> The chair of the Risk Committee for OF also receives \$115,000.

<sup>c</sup> The chair of the Risk Committee receives \$125,000 and members of the audit committee receive \$120,000.



Figure 21: FHLBank Directors' Compensation for 2019

Federal Home Loan Bank	Director Compensation Paid in Cash		Director Deferred Compensation		Spouse/Guest Expenses		Total Director Compensation Paid (Cash + Deferred + Spouse/Guest Expenses)	
	Average	Total	Average	Total	Average	Total	Average	Total
Atlanta	\$85,321	\$1,194,500	\$22,893	\$320,500	\$1,620	\$22,683	\$109,835	\$1,537,683
Boston	\$67,428	\$1,146,275	\$41,543	\$706,225	\$0	\$0	\$108,971	\$1,852,500
Chicago	\$99,093	\$1,783,675	\$8,942	\$160,950	\$982	\$17,673	\$109,017	\$1,962,298
Cincinnati	\$114,699	\$2,064,575	\$0	\$0	\$1,588	\$28,591	\$116,287	\$2,093,166
Dallas	\$71,689	\$1,218,714	\$35,962	\$611,346	\$506	\$8,599	\$108,156	\$1,838,659
Des Moines <sup>a</sup>	\$86,070	\$1,893,547	\$24,442	\$537,720	\$48	\$1,064	\$110,560	\$2,432,330
Indianapolis	\$77,521	\$1,317,850	\$31,979	\$543,650	\$870	\$14,784	\$110,370	\$1,876,284
New York	\$108,263	\$2,057,000	\$0	\$0	\$997	\$18,935	\$109,260	\$2,075,935
Office of Finance	\$114,000	\$570,000	\$0	\$0	\$0	\$0	\$114,000	\$570,000
Pittsburgh <sup>b</sup>	\$94,335	\$1,509,354	\$22,187	\$354,984	\$428	\$6,844	\$116,949	\$1,871,182
San Francisco	\$74,467	\$1,117,000	\$47,200	\$708,000	\$501	\$7,522	\$122,168	\$1,832,522
Topeka <sup>c</sup>	\$78,916	\$1,420,490	\$29,882	\$537,875	\$2,011	\$36,198	\$110,809	\$1,994,562
<b>Total (All Directors)</b>	<b>\$1,071,802</b>	<b>\$17,292,980</b>	<b>\$265,028</b>	<b>\$4,481,250</b>	<b>\$9,551</b>	<b>\$162,893</b>	<b>\$1,346,381</b>	<b>\$21,937,123</b>
<b>Average</b>	<b>\$89,317</b>	<b>\$1,441,082</b>	<b>\$22,086</b>	<b>\$373,437</b>	<b>\$796</b>	<b>\$13,574</b>	<b>\$112,198</b>	<b>\$1,828,094</b>
<b>Median</b>	<b>\$85,696</b>	<b>\$1,369,170</b>	<b>\$23,667</b>	<b>\$446,352</b>	<b>\$688</b>	<b>\$11,692</b>	<b>\$110,465</b>	<b>\$1,873,733</b>

<sup>a</sup> At the FHLBank of Des Moines, a director was declared ineligible on April 8, 2019 and replaced on June 25, 2019.

<sup>b</sup> At the FHLBank of Pittsburgh, 3 of the 16 directors resigned (1 each in the first, third, and fourth quarters) and 2 directors were added in the second quarter.

<sup>c</sup> At the FHLBank of Topeka, a director resigned on June 30, 2019 and was replaced on July 1, 2019, and another director died in August 2019.

In addition to information about director compensation, the FHLBanks and OF are required each year to submit to FHFA for review major expenses incurred by the boards of directors, which are either paid directly by the FHLBank or reimbursed to the directors. Figure 22 summarizes this information. Board Expenses Attributable to Directors includes all travel-related expenses for which the directors are reimbursed, including transportation, lodging, and food. Director Training Expenses includes the costs of external speakers at board meetings, board member attendance at training conferences, and educational materials. Other Director Expenses includes the costs of attendance at FHLBank-related events, such as annual member meetings, chair and vice chair meetings, and Council of FHLBanks meetings. Group Expenses includes costs not directly attributable to individuals, such as food and beverages at meetings, audio-visual services, and meeting space rentals. Figure 23 summarizes the average and total costs of the directors of each FHLBank and OF as the sum of compensation and expenses.

Figure 22: FHLBank Directors' Expenses in 2019

Federal Home Loan Bank	Board Expenses Attributable to Directors		Director Training Expenses		Other Director Expenses		Group Expenses	
	Average	Total	Average	Total	Average	Total	Average	Total
Atlanta	\$14,432	\$202,049	\$5,012	\$70,162	\$1,271	\$17,791	\$6,474	\$90,641
Boston	\$5,126	\$87,144	\$518	\$8,804	\$419	\$7,120	\$2,419	\$41,126
Chicago	\$9,164	\$164,958	\$3,389	\$61,002	\$717	\$12,901	\$7,346	\$132,230
Cincinnati	\$10,284	\$185,111	\$1,943	\$34,970	\$388	\$6,985	\$2,067	\$37,203
Dallas	\$4,466	\$75,930	\$1,887	\$32,077	\$608	\$10,331	\$4,698	\$79,869
Des Moines	\$7,685	\$169,076	\$4,052	\$89,150	\$968	\$21,297	\$7,621	\$167,664
Indianapolis	\$4,892	\$83,160	\$3,499	\$59,489	\$1,056	\$17,951	\$4,343	\$73,834
New York	\$7,839	\$148,945	\$808	\$15,360	\$729	\$13,848	\$4,641	\$88,188
Office of Finance <sup>a</sup>	\$6,455	\$32,275	\$2,001	\$10,004	\$916	\$4,582	\$4,489	\$71,818
Pittsburgh	\$7,569	\$121,097	\$1,207	\$19,309	\$3,739	\$59,818	\$1,665	\$26,641
San Francisco	\$8,392	\$125,875	\$5,209	\$78,136	\$2,459	\$36,880	\$4,621	\$69,313
Topeka	\$8,237	\$148,265	\$2,522	\$45,401	\$1,108	\$19,936	\$1,876	\$33,770
<b>Total (All Directors)</b>	<b>\$94,541</b>	<b>\$1,543,884</b>	<b>\$32,047</b>	<b>\$523,866</b>	<b>\$14,376</b>	<b>\$229,438</b>	<b>\$52,261</b>	<b>\$912,299</b>
<b>Average</b>	<b>\$7,878</b>	<b>\$128,657</b>	<b>\$2,671</b>	<b>\$43,656</b>	<b>\$1,198</b>	<b>\$19,120</b>	<b>\$4,355</b>	<b>\$76,025</b>
<b>Median</b>	<b>\$7,762</b>	<b>\$137,070</b>	<b>\$2,262</b>	<b>\$40,185</b>	<b>\$942</b>	<b>\$15,819</b>	<b>\$4,555</b>	<b>\$72,826</b>

<sup>a</sup> Group Expenses for OF covers the full board including the 11 FHLBank presidents.

Figure 23: FHLBank Directors' Total Cost for 2019

Federal Home Loan Bank	Total Director Compensation (Cash Paid + Deferred + Spouse/Guest Expenses)		Total Director Expenses (All Expenses Including Board Expenses, Training, Group and Other Expenses)		Total Director Cost (Total Compensation + Total Expenses)	
	Average	Total	Average	Total	Average	Total
Atlanta	\$109,835	\$1,537,683	\$27,189	\$380,643	\$137,023	\$1,918,326
Boston	\$108,971	\$1,852,500	\$8,482	\$144,194	\$117,453	\$1,996,694
Chicago	\$109,017	\$1,962,298	\$20,616	\$371,092	\$129,633	\$2,333,390
Cincinnati	\$116,287	\$2,093,166	\$14,682	\$264,269	\$130,969	\$2,357,435
Dallas	\$108,156	\$1,838,659	\$11,659	\$198,207	\$119,816	\$2,036,866
Des Moines <sup>a</sup>	\$110,560	\$2,432,330	\$20,327	\$447,187	\$130,887	\$2,879,517
Indianapolis	\$110,370	\$1,876,284	\$13,790	\$234,434	\$124,160	\$2,110,718
New York	\$109,260	\$2,075,935	\$14,018	\$266,341	\$123,278	\$2,342,276
Office of Finance	\$114,000	\$570,000	\$23,736	\$118,679	\$137,736	\$688,679
Pittsburgh <sup>b</sup>	\$116,949	\$1,871,182	\$14,179	\$226,865	\$131,128	\$2,098,047
San Francisco	\$122,168	\$1,832,522	\$20,680	\$310,205	\$142,848	\$2,142,727
Topeka <sup>c</sup>	\$110,809	\$1,994,562	\$13,743	\$247,372	\$124,552	\$2,241,935
<b>Total (All Directors)</b>	<b>\$1,346,381</b>	<b>\$21,937,123</b>	<b>\$203,101</b>	<b>\$3,209,487</b>	<b>\$1,549,482</b>	<b>\$25,146,610</b>
<b>Average</b>	<b>\$112,198</b>	<b>\$1,828,094</b>	<b>\$16,925</b>	<b>\$267,457</b>	<b>\$129,123</b>	<b>\$2,095,551</b>
<b>Median</b>	<b>\$110,465</b>	<b>\$1,873,733</b>	<b>\$14,430</b>	<b>\$255,821</b>	<b>\$130,260</b>	<b>\$2,126,722</b>

<sup>a</sup> At the FHLBank of Des Moines, a director was declared ineligible on April 8, 2019 and replaced on June 25, 2019.

<sup>b</sup> At the FHLBank of Pittsburgh, 3 of the 16 directors resigned (1 each in the first, third, and fourth quarters) and 2 directors were added in the second quarter.

<sup>c</sup> At the FHLBank of Topeka, a director resigned on June 30, 2019 and was replaced on July 1, 2019, and another director died in August 2019.

# DODD-FRANK ACT STRESS TESTS

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## Overview of the Dodd-Frank Wall Street Reform and Consumer Protection Act Stress Tests

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) requires certain financial companies with total consolidated assets of more than \$10 billion, and which are regulated by a primary federal financial regulatory agency, to conduct annual stress tests to determine whether the companies have the capital necessary to absorb losses as a result of severely adverse economic conditions. Dodd-Frank Act stress testing is a forward-looking exercise that assesses the impact on capital levels that would result from a global market shock and nine quarters of adverse economic conditions.

The 2019 Dodd-Frank Act stress tests conducted by Fannie Mae and Freddie Mac (the Enterprises) and the FHLBanks (collectively, the regulated entities) were based on their portfolios as of December 31, 2018. The stress tests covered three distinct scenarios, each over the nine-quarter period from January 1, 2019 through March 31, 2021.

First, the Baseline scenario models an environment of moderate economic expansion in the United States. Average nominal house price appreciation is approximately 2.5 percent per year through 2020 and roughly 3.0 percent per year thereafter. The unemployment rate declines modestly through the first half of 2020 then rises over the remaining three quarters. Mortgage interest rates increase moderately in line with long-term Treasury yields.

Second, the Adverse scenario models an environment of weakening economic activity in the United States. House prices decline 14 percent. The unemployment rate steadily rises. Short-term interest rates and long-term Treasury yields fall. Mortgage interest rates increase in the first half of the scenario period then fall gradually.

Third, the Severely Adverse scenario models an environment marked by a severe global recession. House prices and commercial real estate prices in the United States decline 25 percent and 35 percent, respectively. The unemployment rate increases significantly. Short-term interest rates drop to nearly zero. Long-term Treasury rates increase slightly through the first quarter of 2020. Mortgage interest rates increase in the first half of the scenario period then fall gradually.

The Federal Housing Finance Agency (FHFA) aligned the stress test scenario variables and assumptions with those used by the Board of Governors of the Federal Reserve System (Federal Reserve Board) in its annual Dodd-Frank Act stress tests. Similar to the stress testing assumptions used by the Federal Reserve Board for the Adverse and Severely Adverse scenarios, FHFA required the regulated entities to apply a global market shock to securities and other assets held at fair value. The assumed result of the global market shock was an instantaneous loss and reduction of capital in the first quarter of the planning horizon with no recovery of such losses over the nine quarters.

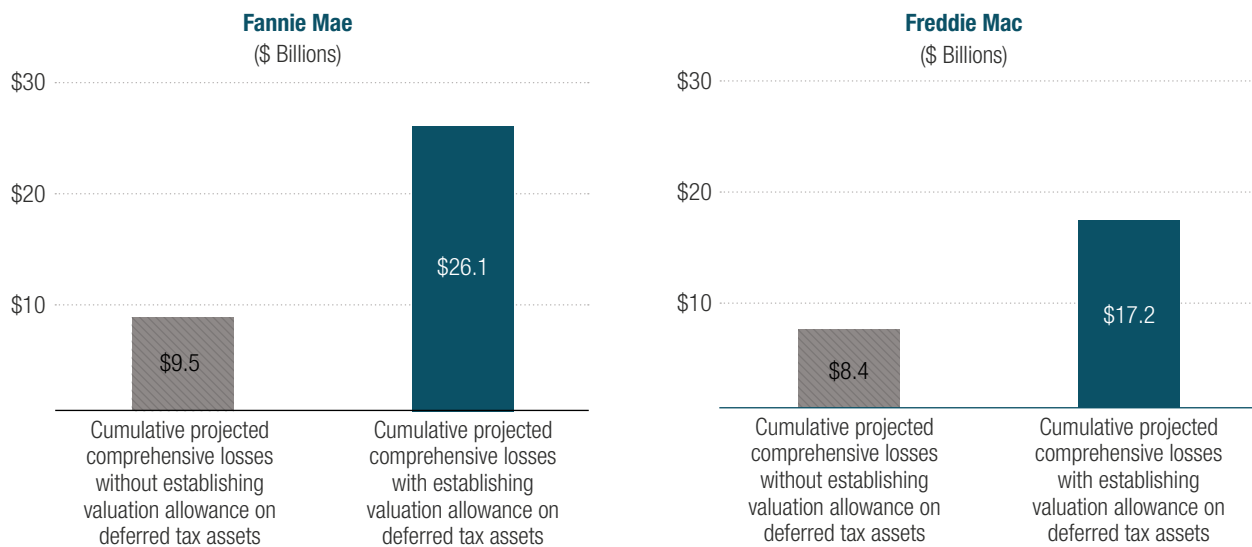
FHFA required the regulated entities to incorporate a counterparty default scenario component into the Adverse and Severely Adverse scenarios. This additional component required each regulated entity to estimate the potential losses and effects on capital associated with the instantaneous and unexpected default of its largest counterparty across one of the following: secured and unsecured lending, securities lending, repurchase and reverse repurchase agreements, and derivative exposures; single-family mortgage insurance providers; or providers of multifamily credit enhancements.

# 2019 Results for the Severely Adverse Scenario

## The Enterprises

FHFA, acting in its capacity as conservator, published the results of the Severely Adverse scenario stress tests of the Enterprises on August 15, 2019. In the Severely Adverse scenario, each Enterprise projected total comprehensive losses with and without establishing a valuation allowance on deferred tax assets. As shown in Figure 24, Fannie Mae projected total comprehensive losses of \$9.5 billion (without allowance) and \$26.1 billion (with allowance), and Freddie Mac projected total comprehensive losses of \$8.4 billion (without allowance) and \$17.2 billion (with allowance). The largest contributor to comprehensive losses at both Enterprises was the provision for credit losses, followed by the global market shock impact on trading securities and Available-for-Sale (AFS) securities.

Figure 24: Severely Adverse Scenario Projections - Cumulative Comprehensive Losses



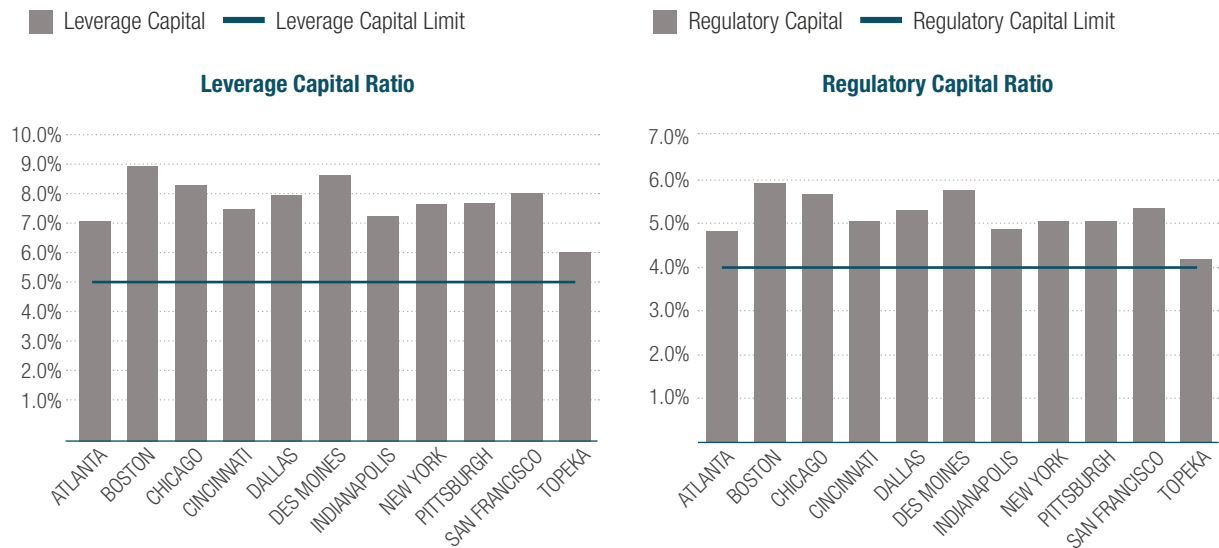


### Federal Home Loan Banks

The FHLBanks published the results of their Severely Adverse scenario stress tests between November 15, 2019 and November 30, 2019. All the FHLBanks maintained compliance with regulatory capital and leverage capital requirements over the nine quarters of the stress test. Although some variables caused negative net income or other reductions in capital under the Severely Adverse scenarios, these losses were lower than the cushion the FHLBanks held above their capital requirements at the start of the stress test. Figure 25 depicts the lowest regulatory capital and leverage capital ratios at each FHLBank during the nine-quarter planning horizon.

Under the Severely Adverse scenario, 9 of the 11 FHLBanks projected negative net income in the first quarter. Three of the FHLBanks projected cumulative losses over the nine-quarter period, largely due to losses in the first quarter as a result of counterparty default exposure. Several FHLBanks projected significant declines in Generally Accepted Accounting Principles (GAAP) capital, mainly due to declines in the market value of AFS securities that resulted from the projected global market shock. Decreased value of AFS securities directly reduced GAAP capital but did not affect net income. The limited effect of reduced values of AFS securities was primarily a function of the size and rating of the private label mortgage-backed security portfolios held as AFS.

**Figure 25: Regulatory and Leverage Capital Ratios of the FHLBanks**



# DIVERSITY AND INCLUSION

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## About the Federal Housing Finance Agency’s Diversity and Inclusion Efforts and Statutory Responsibilities

Pursuant to Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act),<sup>51</sup> the Federal Housing Finance Agency (FHFA) Office of Minority and Women Inclusion (OMWI) advances diversity and inclusion (D&I) at the Agency and the regulated entities. This includes developing and implementing standards to ensure equal employment opportunity (EEO) within, and to promote the racial, ethnic, and gender diversity of, FHFA’s workforce and senior management; increasing participation of minority- and women-owned businesses in FHFA programs and contracts and providing technical assistance to such businesses; and assessing the D&I policies and practices of the regulated entities through supervision, policy oversight, and annual on-site examinations.<sup>52</sup> Led by a director, OMWI staff consists of Diversity and Inclusion Specialists, Financial Institution Examiners, EEO Specialists, and Policy, Data, Management, and Program Analysts.

FHFA is among eight federal financial regulators, often referred to as the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) agencies, that the Dodd-Frank Act requires to submit an annual report to Congress providing an overview of its workforce demographics, contracting data, and D&I program, strategies, and initiatives. FHFA delivered its 2019 *OMWI Annual Report to Congress* in March 2020.<sup>53</sup> The report describes FHFA’s progress in expanding its contracting opportunities within the Agency and among the regulated entities, and it summarizes OMWI’s significant activities during calendar year 2019, including successes achieved and challenges to overcome. Select highlights from the report are summarized below.

<sup>51</sup> See 12 U.S.C. § 5452.

<sup>52</sup> See 12 U.S.C. § 5452(b)(2).

<sup>53</sup> FHFA’s 2019 *OMWI Annual Report to Congress* is available at: <https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/OMWI-2019-Annual-Report.pdf>.

<sup>54</sup> 12 U.S.C. § 4520(f).

## Promoting Diversity and Inclusion in the Federal Housing Finance Agency’s Workforce

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 requires FHFA to “take affirmative steps to seek diversity in its workforce at all levels of the Agency consistent with the demographic diversity of the United States.”<sup>54</sup> OMWI’s D&I branch leads the Agency’s efforts to fulfill this statutory responsibility by implementing D&I strategic goals and objectives that promote workforce and supplier diversity through the Agency’s Minority and Women Outreach Program.

In 2019, FHFA’s total minority population represented 43.9 percent of the Agency workforce, a slight increase from 42.9 percent in 2018, and up from 41.0 percent in 2015. FHFA evaluates the composition of its workforce against the federal workforce and the Civilian Labor Force (CLF). As of December 31, 2019, the total representation of minorities in FHFA’s workforce (43.9 percent) was higher than that of the federal workforce (37.1 percent as of March 2019) and the CLF (27.6 percent as of 2010). FHFA’s minority workforce in 2019 comprised the following groups: African American (22.1 percent), Hispanic (2.0 percent), Asian (14.0 percent), Native American (0.2 percent), and two or more races (5.7 percent). While the number of male employees has grown at a faster rate than the number of female employees between 2015 and 2019, an increase in the proportion of women and minorities among new hires and promotions helped to diversify the face of the workforce and management at FHFA in 2019.

Of the 45 employees hired in 2019, minorities and women represented 51.1 percent and 44.4 percent, respectively. FHFA’s 2019 minority hiring rate was higher than those of the CLF (27.6) and the federal

workforce (36.9 percent); FHFA's 2019 female hiring rate was higher than that of the federal workforce (43.8 percent) and lower than that of the CLF (48.1 percent). Of the 39 employees promoted in 2019, minorities and women represented 53.9 percent and 61.5 percent, respectively.

FHFA is required by statute to promote diversity among all levels of the workforce, including management and executives. OMWI leads the Agency's efforts to meet this requirement. Between 2015 and 2019, FHFA saw a decrease in the proportion of women supervisors (from 43.9 percent to 41.9 percent), women executives (from 32.7 percent to 27.7 percent), and minority women executives (from 18.4 percent to 12.8 percent). However, over that same time period, the proportion of minority women supervisors increased from 15.2 percent to 17.7 percent, and the proportion of minority supervisors increased from 31.8 percent to 40.3 percent.

To foster a diverse workforce of the future, the Office of Human Resources Management (OHRM) and OMWI conduct outreach for FHFA's recruitment and internship activities. In 2019, FHFA continued to sponsor its annual Pathways Summer Internship Program for college and graduate students, as well as recent college graduates. The program provides meaningful training and professional development opportunities for individuals interested in a career in financial services or the federal government, especially those pursuing degrees in economics, financial or business management, statistics, mathematics, accounting, and information technology. These internships are paid positions that offer students work experiences related to their field of study. FHFA announced its 2019 internship opportunities on USAJobs, the federal government's recruiting website, and on the Agency's website. OHRM and OMWI conducted outreach to numerous colleges and universities, including Historically Black Colleges and Universities and Hispanic-Serving Institutions. Of FHFA's 22 summer interns in 2019, 59.1 percent were minorities and 54.5 percent were women.

## Supervision and Examination of the Regulated Entities' Diversity and Inclusion Programs

The Enterprises and the Federal Home Loan Banks (FHLBanks) are unique among federally regulated financial institutions in that they are required by law to establish an OMWI, or its functional equivalent, to promote diversity and ensure inclusion in all business activities, including employment, management, and contracting, in accordance with FHFA standards and requirements.<sup>55</sup> FHFA's Minority and Women Inclusion regulation (MWI regulation) implementing the statute requires the regulated entities to "develop, implement, and maintain policies and procedures to ensure, to the maximum extent possible in balance with financially safe and sound business practices, the inclusion and utilization of minorities, women, individuals with disabilities, and minority-, women-, and disabled-owned businesses in all business and activities and at all levels" of the organization.<sup>56</sup> FHFA's MWI Regulation also requires each regulated entity to develop a D&I strategic plan and report annually to FHFA a variety of related data.

In 2019, OMWI's supervision and examination team completed its third year of examinations of the D&I Program (Program) of the regulated entities. OMWI completed 14 examinations, surpassing its FY2020 Performance Measure target of 10 examinations. Leveraging the results from the 2017 and 2018 examinations, OMWI provided further guidance to the regulated entities in the areas of workforce, contracting, and finance. Also, OMWI enhanced its standards and systems that support standardized data reporting under the MWI Regulation. These enhancements facilitate OMWI's continued development and assessment of D&I standards and regulatory compliance across the regulated entities.

D&I examinations of the Enterprises are led and carried out by an OMWI Senior Examination Specialist

<sup>55</sup> See 12 U.S.C. § 4520(a)-(c).

<sup>56</sup> See 12 CFR Part 1223.

stationed on-site and supported by subject-matter experts at FHFA's headquarters. In alignment with the requirements of FHFA regulation and the guidance in the *2019 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions* (2019 Scorecard), in 2019, both Enterprises continued to implement a formalized process to assess and, where appropriate, integrate D&I across programs and initiatives. They also identified performance-based D&I goals aligned with the objectives in the 2019 Scorecard. OMWI also provided guidance to the management of Common Securitization Solutions, LLC (CSS), to support its creation and implementation of a D&I strategic plan, then executed its 2019 examination plan to perform a comprehensive review of the Enterprises' joint venture's Program. Components reviewed include board oversight, strategic planning, organizational framework, contracting, workforce, finance, reporting, compliance, and internal auditing.

FHFA's OMWI supervises and performs annual on-site examinations of the FHLBank System's D&I programs. An OMWI Senior Examination Specialist leads and carries out D&I examination activities, and continuous monitoring and ongoing supervision throughout the year. Consistent with the requirements of FHFA regulation, in 2019, the FHLBank System developed strategies to ensure the consideration and integration of D&I in all their businesses and activities. Each of the 11 FHLBanks and the Office of Finance established D&I goals and performance-based targets. FHFA's OMWI is working with the chairs and vice chairs of the FHLBank System's boards of directors to identify D&I competencies, which once finalized, should be considered when assessing and selecting board members across the FHLBank System.

## Diversity and Inclusion Examination Results

The scope of the examinations changes from year to year. The results summarized below are based on the aspects of each regulated entity's Program that were examined in 2019: Board Oversight, Strategic Planning, Organizational Framework, Contracting, and Internal Audit.

### Fannie Mae

At the time of its examination in 2019, the Program was satisfactory. The aspects of the Program reviewed during the 2019 examination demonstrated Fannie Mae's continued commitment to D&I and the successful development, implementation, and execution of a Program that has far-reaching impact on the housing industry and the advancement of minority-, women-, and disabled-owned businesses (MWDONB). Fannie Mae's Program contained an acceptable D&I governance framework, including effective board oversight and adequate organizational structure, including dedicated resources, an acceptable D&I Strategic Plan, and effective reporting protocols. Although Fannie Mae successfully remediated prior D&I supervisory concerns and continued to advance efforts to ensure development and implementation of a sound Program, FHFA identified opportunities for Fannie Mae's OMWI to enhance documentation that demonstrates the execution of its oversight and monitoring responsibilities. As a result, FHFA issued a finding with which management concurred and committed to implementing corrective action.

### Freddie Mac

At the time of its examination in 2019, the Program needed improvement. In 2019, FHFA found that, while Freddie Mac's Program made progress since FHFA's initial examination in 2017, there are facets of the Program that require implementation or improvement. Freddie Mac continued work to enhance its Program in response to D&I supervisory concerns from the 2017 examination. For instance, Freddie Mac established an acceptable D&I governance framework, including effective board oversight, adequate resources, and acceptable reporting protocols. However, FHFA identified several elements of the Program that continue to require attention. For example, the D&I Strategic Plan is inadequate, Program policies require improvement, and elements of the supplier diversity Program are underdeveloped. FHFA's conclusions prohibited closure of the previously issued finding.

## **Common Securitization Solutions, LLC**

At the time of its examination in 2019, the Program needed improvement. In 2019, CSS made progress toward meeting its D&I objectives. FHFA rated CSS “complete” with respect to the 2019 Scorecard’s D&I provisions; however, concerns remain. For instance, the year-end status of many CSS D&I goals was either “on track” or “in process, ongoing” and CSS did not achieve its target for female workforce representation. The D&I objectives in the *2020 Scorecard for the Enterprises and Common Securitization Solutions* require CSS to develop new strategies, goals, and targets that align with executing a D&I operational plan. FHFA recommends that CSS partner with the Enterprises to leverage their successful adoption of Agency-acceptable, quantifiable D&I goals and reporting. CSS will need to focus on operating within a developed framework and reporting against Program performance.

## **District 1: The Federal Home Loan Bank of Boston**

At the time of its examination in September 2019, the Program was satisfactory. Management successfully resolved findings from the previous examination and deficiencies that remained open from the 2017 examination. The Bank’s D&I policies, procedures, and practices were satisfactory in 2019 and allowed for adequate implementation and oversight of the supplier diversity program. However, FHFA recommended that the Bank enhance its vendor search practices and that management remain focused on fully implementing a sustainable Program.

## **District 2: The Federal Home Loan Bank of New York**

At the time of its examination in April 2019, the Program needed improvement. The Program governance framework improved in 2019. FHFA found the Bank had an acceptable D&I organizational framework, including proper organizational structure, established policies, procedures, and processes ensuring proper execution of the D&I program, adequate board oversight and reporting protocols, and an effective strategic planning process. However, the Bank exhibited deficiencies in the areas of compliance and

the supplier diversity program, as a result of which FHFA issued findings.

## **District 3: The Federal Home Loan Bank of Pittsburgh**

At the time of its examination in April 2019, the Program continued to improve. The Bank corrected the deficiencies identified at the previous examination. Policies, procedures and practices governing supplier diversity were sound and allowed for adequate implementation and oversight of the Program. However, FHFA found that the Program did not include a process to ensure that the Bank appropriately identified nonexempt services (pursuant to the MWI Regulation) and provided opportunities to bid for those contracts available to eligible businesses, including MWDOB. Management must review the process for identifying, distinguishing, and communicating exempt and non-exempt contracts for goods and services to ensure that contracting opportunities are available to all eligible businesses, including MWDOB.

## **District 4: The Federal Home Loan Bank of Atlanta**

At the time of its examination in January 2019, the Program was satisfactory. Policies, procedures, and practices were sound and allowed for adequate implementation and oversight of the Program. All prior examination issues were satisfactorily addressed. Management adopted quantifiable goals and metrics for the key areas of workforce, contracting, and finance. The goals were included in the 2018 board-approved D&I Strategic Plan. The goals and metrics included strategies and activities to achieve established targets. Management provided quarterly performance reports to the board.

## **District 5: The Federal Home Loan Bank of Cincinnati**

At the time of its examination in April 2019, the Program needed improvement. The Bank continued working to enhance its Program and the Program’s governance, workforce, contracting, and finance frameworks. FHFA found the Bank had an acceptable D&I organizational framework, including proper organizational structure, adequate board oversight and



reporting protocols, and an effective strategic planning process. However, the Bank did not remediate the deficiencies in the risk assessment process identified at the 2018 examination, nor did the governance structure include all the necessary elements of a comprehensive Program. FHFA identified deficiencies in the contracting and workforce components of the Program; as a result, the 2018 finding remains open and FHFA issued a new finding at this examination.

### **District 6: The Federal Home Loan Bank of Indianapolis**

At the time of its examination in October 2019, the Program continued to improve. The Bank directed significant attention to remediating deficiencies previously identified, which management successfully resolved. The Bank made progress in developing a comprehensive Program, covering workforce, contracting, and finance. However, the supplier diversity program did not appropriately identify the rationale for exempting contracts and activities from D&I consideration and management did not adequately document the adverse impact these exemptions potentially had on MWDOB. FHFA also found that the Bank did not have formal policies and procedures governing the publication of contracting opportunities and notification to MWDOB to submit bids for such opportunities. FHFA issued findings as a result of these deficiencies.

### **District 7: The Federal Home Loan Bank of Chicago**

At the time of its examination in July 2019, the Program needed improvement. Management successfully remediated previously identified deficiencies. The Bank continued to work to enhance its Program in the areas of governance, workforce, contracting, and finance. The Bank established an acceptable D&I framework, including effective board oversight and strategic planning process, mostly adequate policies and procedures, and acceptable reporting protocols. However, several elements of the Program require attention. The Bank did not demonstrate that the OMWI Officer performed all the role's required duties and responsibilities; supplier diversity policies, procedures and processes required improvement; and the Program

did not include formal training. FHFA issued a finding requiring management to implement corrective actions to address these deficiencies.

### **District 8: The Federal Home Loan Bank of Des Moines**

At the time of its examination in September 2019, the Program needed improvement. The Bank's OMWI consists of the OMWI Officer, a Diversity and Inclusion Manager, and a newly hired Reporting and Compliance Analyst. The OMWI Officer is a member of the Bank's executive team, participates in board meetings, and serves as the Bank's liaison to the board's Human Resources and Compensation Committee. The Bank incorporated D&I into its succession planning and strategic planning processes and established D&I policies and procedures. While the Bank devoted significant time and resources to the D&I Program in recent years, FHFA identified several opportunities for OMWI to improve its oversight responsibilities and develop a more comprehensive Program. FHFA issued findings pertaining to supplier diversity, publication of contracting opportunities, internal audit, succession planning, strategic planning, and the D&I organizational framework.

### **District 9: The Federal Home Loan Bank of Dallas**

At the time of its examination in January 2019, the Program was satisfactory. The Bank corrected the deficiencies identified at the 2018 examination and fully remediated all prior issues. However, the Bank's OMWI policy did not fully describe a comprehensive Program that is integrated into all aspects of the Bank's business and activities, including workforce, contracting, and finance. Management should enhance the OMWI policy and related procedures to clearly articulate the Bank's D&I framework. The succession plan was updated to reflect the addition of D&I competencies, each executive job profile, and assessments of each potential successor. The development plan for each potential successor was also updated. The board reviewed and approved the revised succession plan.

## District 10: The Federal Home Loan Bank of Topeka

At the time of its examination in July 2019, the Program continued to improve. Policies, procedures, and practices governing the Program were sound and allowed for adequate governance and oversight by the board and management. The Bank's supplier diversity program was effective. Management successfully adopted recommendations from the previous examination and remediated deficiencies from the 2017 examination. FHFA found that the Bank's list of exemptions included insurance, which is specifically included as a business and activity in the MWI Regulation.<sup>57</sup> The exempt designation precluded the Bank from considering MWDOB in the contracting process for insurance, and management did not analyze or evaluate the availability of diverse insurance carriers to provide the services. As a result of this supervisory concern, FHFA issued a finding requiring management to review the list of exemptions, remove insurance, and adequately document the rationale and need for all exemptions together with any potential negative impact of the exemption on MWDOB, as required by the MWI Regulation.<sup>58</sup>

## District 11: The Federal Home Loan Bank of San Francisco

At the time of its examination in January 2019, the Program needed improvement. The Program governance structure was segmented, disjointed, and did not include all the necessary elements of a comprehensive Program. The Program documentation did not evidence cohesive, comprehensive oversight by a management or board committee. Management did not clearly distinguish the differences in the roles and responsibilities among the OMWI Officer, OMWI, and the Enterprise Risk Committee. OMWI, as structured, failed to confer full authority on the OMWI Officer as the leader of the Bank's Program. Further, the Bank did not demonstrate that the OMWI Officer performed the full scope of responsibilities required by

that role. Although management established acceptable contracting metrics and goals to monitor and measure performance, the Bank's supplier diversity program was not structured appropriately. The D&I policy did not fully address all elements of the Program. Finally, the D&I policy lacked a comprehensive training strategy. FHFA issued findings for the identified deficiencies.

## Office of Finance

At the time of its examination in July 2019, the Program needed improvement. Management successfully adopted recommendations from the previous examination. Policies, procedures, and practices governing the Program were sound and allowed for appropriate governance and oversight by the board and management. While the supplier diversity program is generally effective, FHFA found that the program lacked key quality controls to ensure that the status of diverse suppliers is verified upon selection and periodically re-verified. FHFA also found that the Office of Finance's (OF) list of exempt business activities included insurance, which the MWI Regulation specifically includes as a business activity. The exempt designation precluded OF from considering MWDOB in the contracting process for insurance, and management did not analyze or evaluate the availability of diverse insurance carriers to provide the services. FHFA issued findings for both deficiencies and required management to develop a supplier certification process that allows for the verification of diverse vendor status, remove insurance from the list of exemptions, and adequately document the rationale for all exemptions along with any potential negative impact of the exemption on MWDOB, as required by the MWI Regulation.<sup>59</sup>

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<sup>57</sup> See 12 CFR § 1223.21.

<sup>58</sup> *Id.*

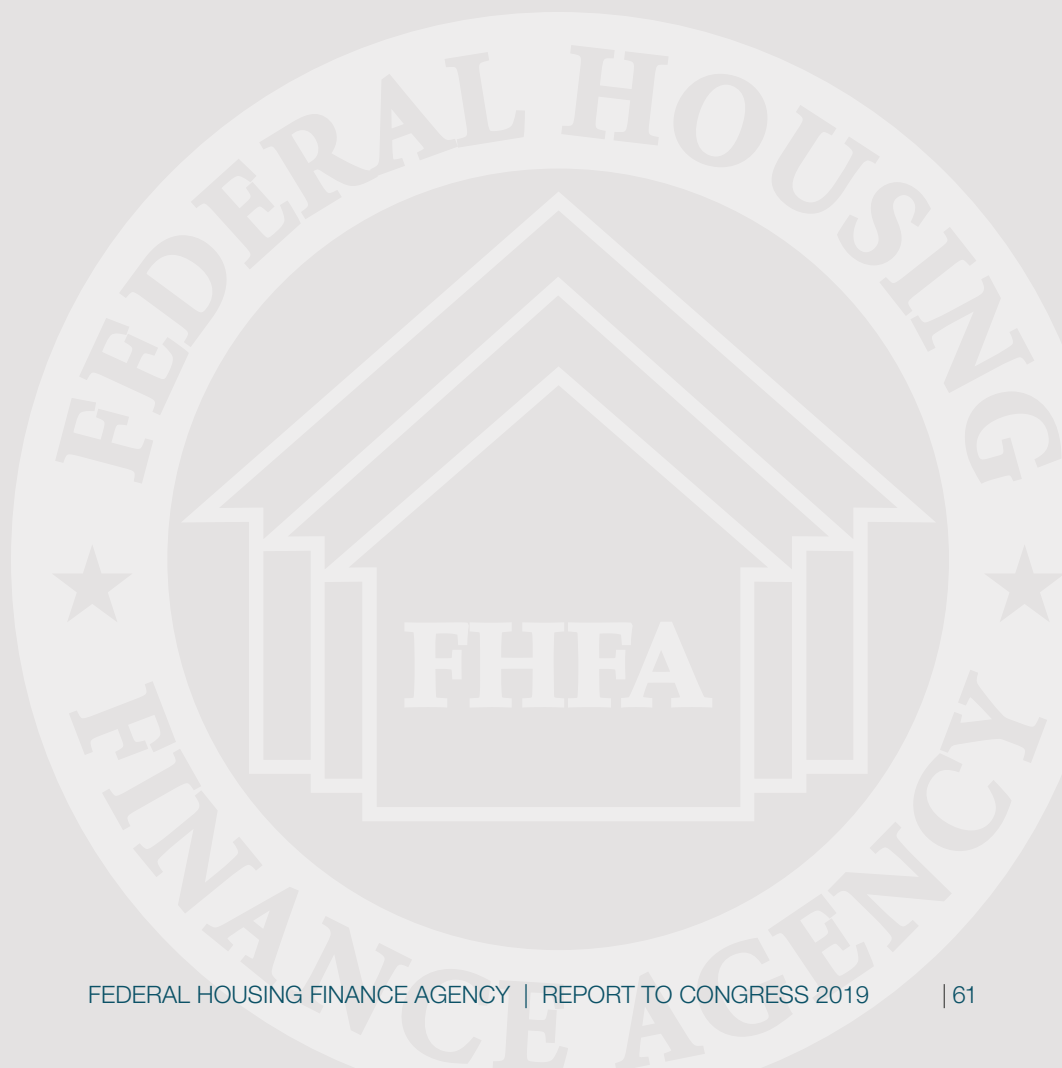
<sup>59</sup> *Id.*

# CONSERVATORSHIPS OF THE ENTERPRISES

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# Federal Housing Finance Agency and Enterprise Activities Under the 2019 Scorecard

The Federal Housing Finance Agency (FHFA) periodically releases a Strategic Plan for the conservatorships of Fannie Mae and Freddie Mac (the Enterprises) that establishes a multi-year framework for how the Agency, as conservator and in accordance with its statutory mandates, intends to guide the Enterprises while they remain in conservatorships. In addition, FHFA releases an annual Scorecard that sets forth the Agency's tactical priorities and aligns execution by the Enterprises and Common Securitization Solutions, LLC (CSS), to those priorities and to the Strategic Plan. The Scorecard is an essential tool in holding the Enterprises accountable for the Strategic Plan's effective implementation. On October 28, 2019, FHFA released *The 2019 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac*, effective immediately, and the *2020 Scorecard for the Enterprises and Common Securitization Solutions* for calendar year 2020. However, the Strategic Plan in effect during the majority of 2019, the year covered by this report, was published in 2014, and the Scorecard in effect during calendar year 2019 was published in 2018 (2019 Scorecard). Accordingly, this section highlights actions taken in 2019 by the Enterprises and FHFA that align with the three strategic goals in the 2019 Scorecard.

## Strategic Goal #1

The first strategic goal of the 2019 Scorecard was to maintain, in a safe and sound manner, foreclosure prevention activities and credit availability for new and refinanced mortgages to foster liquid, efficient, competitive, and resilient national housing finance markets. This strategic goal reflects FHFA's expectation that the Enterprises will efficiently and effectively operate their single-family and multifamily business activities in a manner that supports safety and soundness, market liquidity, and access to credit. Within this strategic goal, FHFA established the following specific objectives, each discussed further below, to guide the work of the Enterprises:

- Support access to single-family mortgage credit, including for underserved market segments
- Responsibly support the Neighborhood Stabilization Initiative (NSI)
- Continue efforts related to mortgage servicing that promote mortgage market stability
- Prepare for transition from the London Interbank Offered Rate (LIBOR)
- Explore multifamily energy and water efficiency program impact on affordability
- Manage dollar volume of new multifamily business within published cap

## Support Access to Mortgage Credit

### Consider Borrower Needs and Technology to Support Credit Access in a Safe and Sound Manner –

In 2019, Fannie Mae continued a marketing campaign, started in late 2018, to educate lenders and realtors about its HomeStyle Renovation product. This product is available to finance home improvements and renovations and can be used by seniors aging in place or other homeowners making maintenance upgrades, maximizing existing space, or adding square footage. HomeStyle allows for a loan-to-value (LTV) ratio of up to 97 percent for a one-unit principal residence.

In 2019, Freddie Mac prepared CreditSmart Homebuyer U, a new online homeownership education course that launched in January 2020. The course includes educational material related to money management, credit fundamentals, obtaining a mortgage, the home-buying process, and homeownership. The course satisfies requirements for Freddie Mac programs targeting low- and moderate-income households (Home Possible) and first-time homebuyers (HomeOne) and aligns with the National Industry Standards on Homeownership Education and Counseling.

On August 16, 2019, FHFA published a final rule on the validation and approval of third-party credit score model(s) that can be used by the Enterprises. The rule implements the requirements in Section 310 of the Economic Growth, Regulatory Relief, and Consumer Protection Act enacted on May 24, 2018. The

regulation requires a four-phase process for validation and approval of credit score model(s):

1. Solicitation of applications from credit score model developers;
2. Submission and initial review of submitted applications;
3. Credit score assessment; and,
4. Enterprise business assessment.

The rule became effective 60 days after publication in the Federal Register, after which the Enterprises submitted a Joint Credit Score Solicitation to FHFA for its review and approval. On February 18, 2020, FHFA announced the Enterprises had made publicly available a Joint-Enterprise Credit Score Solicitation, which describes the process for credit score model developers to submit applications to the Enterprises. The Enterprises began accepting applications on May 18, 2020. The application period will be open for 120 days, ending on September 15, 2020. The validation and approval of credit score models will be a multiyear effort by the Enterprises under requirements established by FHFA's final rule.

#### **Support Borrowers with Limited English Proficiency**

– In 2019, the Enterprises and FHFA continued to support access to credit for borrowers with limited English proficiency (LEP) by making progress on the previously released Language Access Multi-Year Plan.<sup>60</sup> The Enterprises worked with FHFA to raise the profile and expand the reach of the Mortgage Translations clearinghouse, a centralized online repository for translated mortgage-related terms and documents hosted by FHFA and developed in collaboration with the Enterprises. The first phase of the clearinghouse launched with Spanish language resources in October 2018. On October 23, 2019, traditional Chinese language resources were added to the clearinghouse. Over the next two years, FHFA plans to add resources in Vietnamese, Korean, and Tagalog. Together with Spanish and Chinese, these are the five languages that cover the majority of LEP households.

**Support Appraisal Modernization** – The Enterprises continued working with market participants, including

lenders, appraisers, and other valuation-service providers and vendors to assess and discuss solutions to challenges in the current appraisal process. The Enterprises continued to offer appraisal waivers on low-risk loans to reduce costs to borrowers and improve loan origination timelines.

#### **Supporting the Neighborhood Stabilization Initiative**

In 2019, the Enterprises supported the NSI through partnership with the National Community Stabilization Trust. The NSI promotes neighborhood stability by permitting nonprofits to acquire deeply distressed properties in 28 metropolitan statistical areas and return them to productive use, which significantly reduces the Enterprises' costs for property preservation and maintenance. In 2019, the Enterprises jointly published a research paper documenting their efforts to support neighborhood stabilization through the NSI.

#### **Mortgage Servicing and Mortgage Market Stability**

The Enterprises have engaged in a multi-year effort to assess challenges in mortgage servicing, particularly the transfer of servicing data. In 2019, the Enterprises held an industry roundtable to discuss, and consider solutions to, challenges related to the data transfer process, including data mapping and reconciliation. During the 2008 financial crisis, there were widespread data errors. These errors led to operational failures, such as the misapplication of escrow payments, the assessment of erroneous fees, and missed opportunities for loss mitigation, which adversely affected borrowers. They also resulted in significant financial costs and penalties borne by servicers. It was generally accepted at the industry roundtable that common and consistent data standards will help maintain continuity of servicer operations, including foreclosure prevention activities, in a stressed environment. In 2020, the Enterprises will work with the Mortgage Industry Standards Maintenance Organization and industry stakeholders to begin developing a standardized mortgage servicing transfer dataset.

<sup>60</sup> Borrowers with limited English proficiency or a preference to speak their native language are collectively referred to as LEP borrowers.

In 2019, the Enterprises continued efforts to improve their servicer-facing systems and processes. Freddie Mac developed a website for servicers (Servicing Gateway) that consolidates servicer-oriented systems and applications, including those used to submit expenses, request reimbursement for servicing advances, and correct servicing data. Fannie Mae standardized and reduced the costs of its pre-foreclosure property preservation and inspection program.

### **Prepare for Transition from the London Interbank Offered Rate**

LIBOR is the most widely used interest rate benchmark. According to its United Kingdom-based regulator, banks submitting to the LIBOR administrator (known as panel banks) cannot be expected to continue their submissions beyond December 31, 2021. Upon the withdrawal of a panel bank, the regulator of the LIBOR administrator is required to make a declaration as to whether LIBOR is still representative of market activity. Thus, LIBOR's representativeness and continuance beyond 2021 cannot be guaranteed.

Preparing for the transition away from LIBOR has been, and will continue to be, an enormous undertaking with a variety of implications for all participants in the global financial system. FHFA and the Enterprises have taken a number of important steps in this effort. FHFA has also worked closely with its fellow regulators and the Alternative Reference Rates Committee (ARRC), of which FHFA is a non-voting ex-officio member.<sup>61</sup> FHFA's efforts to transition away from LIBOR are guided by the same core objectives that direct all of its work: ensure the safety and soundness of our regulated entities, support liquidity and resilience in our nation's housing

finance markets, protect homeowners and renters, and maximize transparency while minimizing market disruption. Toward that end, FHFA has worked with the Consumer Financial Protection Bureau and the Board of Governors of the Federal Reserve System to prioritize outreach to and input from organizations representing consumers. This includes actively participating in ARRC Consumer Product Working Group meetings, one of which was hosted at FHFA headquarters. In addition, FHFA hosted a roundtable with consumer groups to discuss issues related to the LIBOR transition.

LIBOR is the reference rate for a significant number of financial products central to the Enterprises' operations and therefore a critical benchmark within our nation's mortgage finance system. For instance, the Enterprises purchase single-family and multifamily adjustable-rate mortgages (ARMs) and issue securities collateralized by those assets that currently pay LIBOR-based interest rates. In addition, LIBOR is currently the primary benchmark rate for the Enterprises' collateralized mortgage rate obligations, credit risk transfer (CRT) products, and derivative transactions. Therefore, FHFA's efforts to transition away from LIBOR-based transactions are focused on establishing a new reference rate for all these products and, equally important, ensuring that FHFA's and the Enterprises' related internal operating systems, vendor systems, and counterparty contracts are appropriately converted. While FHFA is open to any robust alternative reference rate that meets the principles of the International Organization of Securities Commissions,<sup>62</sup> the Enterprises have taken steps to use the ARRC's recommended replacement for LIBOR, the Secured Overnight Financing Rate (SOFR).<sup>63</sup>

<sup>61</sup> The Alternative Reference Rates Committee (ARRC) is a group of private-market participants convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York to help ensure a successful transition from U.S. dollar (USD) LIBOR to a more robust reference rate. The ARRC's recommended alternative rate is the Secured Overnight Financing Rate (SOFR). The ARRC is comprised of a diverse set of private-sector entities that have an important presence in markets affected by USD LIBOR and a wide array of public-sector entities, including banking and financial-sector regulators, as ex-officio members.

<sup>62</sup> See the Board of the International Organization of Securities Commissions' *Principles for Financial Benchmarks Final Report*, July 2013, available at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>.

<sup>63</sup> There have been concerns about using SOFR to replace LIBOR. For example, SOFR has experienced a few days of dramatically higher rates. However, most financial contracts use averages of daily rates rather than daily rates. When comparing a three-month average of SOFR to the three-month LIBOR rate, SOFR demonstrates lower volatility. Some market participants have raised concerns that SOFR is a nearly risk-free rate and therefore does not mirror actual bank funding costs. Despite this concern, the ARRC still recommended SOFR, citing the lack of transaction data on which to construct a credit-based reference rate. In recent months, several regional banks have agreed to work with the Federal Reserve Bank of New York to determine whether a credit-based alternative reference rate can be produced.



In July 2018, Fannie Mae became the first institution to issue SOFR-based debt, followed shortly thereafter by Freddie Mac and the Federal Home Loan Banks, the latter of which are now the largest issuers of SOFR-based floating-rate debt in the world. In 2019, FHFA and the Enterprises worked with members of the ARRC's Consumer Products Working Group to develop the parameters of an ARM based on SOFR that is acceptable to all market participants, including consumers, regulators, lenders, servicers, and investors. This effort resulted in a white paper published in 2019 by the ARRC outlining the basic structure of future ARMs based on SOFR. The Enterprises are currently building the necessary systems to start purchasing SOFR-based ARMs in the second half of 2020, and they plan to stop accepting ARMs based on LIBOR by the end of 2020.

For LIBOR-based ARMs closed prior to the end of 2020, FHFA and the Enterprises helped develop new contract “fallback language” that explains how the interest rate on the mortgage would be switched to a replacement rate if LIBOR is declared unrepresentative or stopped outright. This language, which was created in close consultation with groups representing consumers, regulators, lenders, servicers, and investors, provides clarity to borrowers and other market participants. The Enterprises will require this new fallback language for single-family Uniform ARM instruments closed on or after June 1, 2020.

While significant work remains, FHFA expects the Enterprises to fully transition away from LIBOR as soon as prudently possible before the end of 2021. This includes developing and implementing a fair, transparent, and rational process to address LIBOR-based ARMs owned or guaranteed by the Enterprises. These so-called “legacy” LIBOR products are LIBOR-based ARMs that do not refinance or mature before December 31, 2021. An employee from one Enterprise serves as a co-chair of a sub-working group of the ARRC's Consumer Products Working Group devoted to legacy products, which is focused on determining a path forward on this issue. Also, FHFA is working with this group and other regulators to ensure that consumer groups are active participants in finding a solution to legacy LIBOR products.

### **Explore Multifamily Energy and Water Efficiency Program Impact on Affordability**

Pursuant to the 2019 Scorecard, the Enterprises conducted research on multifamily loan programs that finance energy and water efficiency improvements, including current practices, potential innovations, and the financial, social, and environmental impacts. This research builds on the Enterprises' current multifamily energy and water efficiency programs.

### **Manage Multifamily Business Volume within Published Cap**

In 2014, FHFA set a cap on the Enterprises' conventional (market rate) multifamily businesses. The purpose of the cap is to support liquidity in the multifamily market, especially in affordable housing and traditionally underserved segments, without crowding out private capital. To encourage Enterprise financing in underserved market segments, in 2014 FHFA excluded several categories of business from the cap, such as financing for properties subsidized by the Low-Income Housing Tax Credit program, small multifamily properties (5 to 50 units), and manufactured housing rental communities. In 2016, loans that finance certain energy and water efficiency improvements (green loans) were added to the list of multifamily business categories excluded from the caps.

Contrary to FHFA's intention not to crowd out private capital, as the multifamily market has grown in recent years, the Enterprise share of multifamily loan originations expanded considerably. This expansion put the Enterprises in a pro-cyclical role in the multifamily market. Enterprise share of new multifamily originations increased from approximately 36 percent in 2015 to 49 percent in 2017 and 42 percent in 2018. Between 2015 and 2017, the overall multifamily market grew by roughly 14 percent, and Enterprise multifamily loan purchases grew by roughly 54 percent – 41 percent more growth than the overall market. By 2017, and continuing in 2018, approximately 50 percent of Enterprise production was excluded from the cap altogether. The recent growth in Enterprise multifamily market share is largely attributable to the exclusion of green loans from the cap starting in 2016. The increase in Enterprise share of multifamily loan



purchases since 2015 compounded the longer-term growth of the Enterprises in the multifamily market under conservatorship. Enterprise share of multifamily debt outstanding increased from approximately 25 percent at the end of 2007 to approximately 40 percent by the end of 2018.

To place the Enterprises in a more countercyclical role in the multifamily market, on September 13, 2019, FHFA revised the structure of the cap to provide ample liquidity to the market without crowding out private capital and to significantly increase affordable housing support. The new cap is \$100 billion for each Enterprise, a combined total of \$200 billion in support to the multifamily market, for the five-quarter period from the fourth quarter of 2019 through the fourth quarter of 2020. The new cap applies to all multifamily business; there are no exclusions. To ensure a strong focus on affordable housing and traditionally underserved markets, FHFA directed that at least 37.5 percent of each Enterprise's multifamily business must be mission-driven affordable housing. Loans that finance energy and water efficiency improvements will be considered conventional business, unless they meet other mission-driven affordability requirements as outlined in the revised Appendix A to the 2019 Scorecard. To maintain market stability, FHFA also expects the Enterprises to manage their business to remain in the market throughout the entire five-quarter period.

In the first three quarters of 2019, the Enterprises managed their multifamily loan production within the published cap applicable at the time, which was \$35 billion for each Enterprise as established in the 2019 Scorecard. Fannie Mae's total multifamily finance activity for the first three quarters of 2019 was approximately \$52.2 billion, of which \$22.8 billion fell within the cap and \$29.4 billion was in the excluded categories. Freddie Mac's total multifamily finance activity for the year was approximately \$60.5 billion, of which \$24.4 billion fell within the cap and \$36.0 billion was in the excluded categories. Figure 26 provides further information on each Enterprise's multifamily activity, including activities in each category excluded from the caps.

In the fourth quarter of 2019, the Enterprises actively managed their loan production to stay within the published cap as revised on September 13, 2019. Fannie Mae's total multifamily finance activity for the fourth quarter of 2019 was approximately \$18.0 billion, of which \$10.9 billion was conventional business and \$7.2 billion (39.7 percent) was mission-driven business. Freddie Mac's total multifamily finance activity for the fourth quarter of 2019 was approximately \$17.5 billion, of which \$11.1 billion was conventional business and \$6.4 billion (36.4 percent) was mission-driven business. FHFA will continue to track the Enterprises' multifamily loan purchases through the fourth quarter of 2020 to stay within the \$100 billion cap per Enterprise and the required 37.5 percent mission-driven minimum.

**Figure 26: Enterprise Multifamily Activity in First Quarter 2019 – Third Quarter 2019**

	Fannie Mae		Freddie Mac	
	\$ Billion	Percent	\$ Billion	Percent
Total included within cap	\$22.8	44.0%	\$24.4	40%
<b>Total excluded from cap<sup>a</sup></b>	<b>\$29.4</b>	<b>56.0%</b>	<b>\$36.0</b>	<b>60%</b>
Loans to finance energy or water efficiency improvements	\$16.2	31.0%	\$14.7	24.3%
Loans on manufactured housing communities	\$1.5	3.0%	\$1.0	1.7%
Financing for targeted affordable housing properties <sup>b</sup>	\$4.4	8.5%	\$6.4	10.5%
Loans on small multifamily properties	\$1.1	2.2%	\$3.4	5.6%
Loans on properties located in rural areas	\$1.1	2.1%	\$0.7	1.1%
Loans on seniors housing	\$1.4	2.7%	\$2.4	3.9%
Loans on units affordable at 60% AMI <sup>c</sup>	\$9.3	17.9%	\$11.6	19.1%
Loans on units affordable at 80% AMI <sup>c</sup>	\$1.0	1.9%	\$3.4	5.6%
Loans on units affordable at 100% AMI <sup>c</sup>	\$1.5	2.9%	\$3.2	5.2%
Loans on units affordable at 120% AMI <sup>c</sup>	\$0.4	0.7%	\$2.6	4.4%

<sup>a</sup> For more information on excluded categories, see the 2019 Scorecard, Appendix A: Multifamily Definitions, pp. 7-10. Dollar amounts and percentages of the categories of loans excluded from the cap do not add to the totals for all excluded loans because some loans qualify under more than one exclusion category. Such double counting is not included in the “Total excluded from cap.” In addition, some loans only partially qualify for exclusion from the cap for some exclusion categories. Only the qualifying excluded portion of a loan is included in the total for each category. If the loan qualifies for exclusion under more than one exclusion category, the greatest portion of the loan that qualifies for any exclusion category is included in the “Total excluded from the cap.”

<sup>b</sup> Includes the excluded portion of the unpaid principal balance (UPB) for properties that are affordable to low- and very low-income households. Only the qualifying portion of a loan is included in the total.

<sup>c</sup> FHFA excludes from the capped category units with rents affordable to tenants at various income thresholds, based on each individual market. This entails exclusion of financing for units affordable to household incomes below 60 percent of area median income (AMI) in most areas, below 80 percent of AMI in high-cost areas, below 100 percent of AMI in very high-cost areas, and below 120 percent of AMI in extremely high-cost areas. For additional detail on the high-cost, very high-cost, and extremely high-cost areas, see the 2019 Scorecard, Appendix A: Multifamily Definitions, p. 8.

## Strategic Goal #2

The second strategic goal of the 2019 Scorecard was to reduce taxpayer risk through increasing the role of private capital in the mortgage market. This strategic goal reflected FHFA’s expectation that, in 2019, the Enterprises would continue single-family and multifamily credit risk transfers as core business practices, continue to refine and improve their credit risk transfer programs, transfer a meaningful amount of credit risk, and publish in CRT progress reports the actual amount of credit risk transferred by each Enterprise.

## Credit Risk Transfers for Single-Family Credit Guarantee Business

The Enterprises’ CRT programs have become a core part of the Enterprises’ single-family credit guarantee business. The programs transfer credit risk to private capital via securities issuances, insurance/reinsurance transactions, senior-subordinate securitizations, front-end lender risk sharing transactions, and other pilot transactions.<sup>64</sup>

For 2019, the Enterprises were required to transfer a meaningful portion of credit risk on at least 90 percent of the unpaid principal balance (UPB) of their 2018 acquisitions of single-family mortgage loans targeted for credit risk transfer. Targeted loans include fixed-rate,

<sup>64</sup> For a detailed description of transaction types, see FHFA’s *Overview of Fannie Mae and Freddie Mac Credit Risk Transfer Transactions*, August 2015; *Credit Risk Transfer Progress Report*, Fourth Quarter 2018.

non-HARP (Home Affordable Refinance Program) loans with terms over 20 years and LTV ratios above 60 percent. Such loans represent a substantial amount of the credit risk associated with all new loan acquisitions. Through the end of 2019, Fannie Mae and Freddie Mac transferred 85 percent and 89 percent, respectively, of the allocated credit risk capital on 2018 acquisitions covered by credit risk transfer.

Since the beginning of the program in 2013, the Enterprises have transferred a portion of credit risk on loans with approximately \$3.5 trillion in UPB and total risk-in-force (RIF) of about \$115.1 billion. In 2019, the Enterprises transferred credit risk on single-family mortgage loans with a total UPB of approximately \$709 billion and total RIF of about \$23.6 billion as shown in Figure 27.

**Figure 27: Enterprise Single-Family Mortgage Credit Risk Transfer Activity, 2013 – 2019**

Year	Enterprise	Risk in Force <sup>a</sup> \$ Billion	Reference Pool UPB <sup>b</sup> \$ Billion
2013	Fannie Mae	\$0.8	\$31.9
	Freddie Mac	\$1.5	\$57.9
	<b>Total</b>	<b>\$2.2</b>	<b>\$89.8</b>
2014	Fannie Mae	\$6.1	\$230.9
	Freddie Mac	\$6.1	\$147.5
	<b>Total</b>	<b>\$12.2</b>	<b>\$378.4</b>
2015	Fannie Mae	\$7.3	\$239.1
	Freddie Mac	\$8.8	\$181.3
	<b>Total</b>	<b>\$16.1</b>	<b>\$420.4</b>
2016 <sup>c</sup>	Fannie Mae	\$9.8	\$335.0
	Freddie Mac	\$8.4	\$214.1
	<b>Total</b>	<b>\$18.1</b>	<b>\$549.1</b>
2017	Fannie Mae	\$12.6	\$417.3
	Freddie Mac	\$8.1	\$271.8
	<b>Total</b>	<b>\$20.6</b>	<b>\$689.1</b>
2018	Fannie Mae	\$11.1	\$332.0
	Freddie Mac	\$11.0	\$311.4
	<b>Total</b>	<b>\$22.1</b>	<b>\$643.4</b>
2019	Fannie Mae	\$14.8	\$488.5
	Freddie Mac	\$8.8	\$220.5
	<b>Total</b>	<b>\$23.6</b>	<b>\$709.0</b>
<b>TOTAL</b>	Fannie Mae	\$62.4	\$2,075
	Freddie Mac	\$52.6	\$1,404
	<b>Total</b>	<b>\$115.1</b>	<b>\$3,479</b>

<sup>a</sup> Volume of notes issued in debt transactions or RIF in insurance/reinsurance transactions. Together those amounts equal the maximum credit loss exposure of private investors.

<sup>b</sup> UPB of pools of mortgage loans on which credit risk is transferred.

<sup>c</sup> Totals for 2016 and 2017 include the total contracted UPB and RIF for front-end mortgage insurance pilot transactions.

### Credit Risk Transfers for Multifamily Business

Transferring credit risk to the private sector is an integral part of the multifamily business model for both Enterprises. The 2019 Scorecard called for the Enterprises to transfer a meaningful portion of the credit risk on mortgages that were acquired in 2018. Over 97 percent of the 2018 multifamily new acquisitions by the Enterprises involved a transfer of credit risk to private capital.

In Fannie Mae's multifamily program (known as the Delegated Underwriting and Servicing Program or DUS), lenders share in loan-level credit losses in two ways: 1) they bear losses up to the first five percent of the UPB of the loan and share in remaining losses up to a prescribed limit, or 2) they share up to one-third of the losses on a pro rata basis. Through the DUS program, Fannie Mae transferred a portion of credit risk on 99 percent, or approximately \$65 billion, of its 2018 multifamily new acquisitions. Additionally, Fannie Mae continued to grow its multifamily credit insurance risk transfer (MCIRT) program, in which Fannie Mae transfers a portion of the risk it retained from DUS transactions to a panel of reinsurers. In 2019, Fannie Mae executed 3 multifamily CIRT transaction with total UPB of \$32 billion and RIF of \$1.0 billion. Fannie Mae also executed its first multifamily capital markets transaction, the Multifamily Connecticut Avenue Securities (MCAS) in 2019. The MCAS transaction had total UPB of \$17.1 billion and RIF of \$473 million. As a result, through the end of 2019 Fannie Mae transferred 71 percent of the credit risk capital on 2018 acquisitions covered by CRT. Fannie Mae plans to continue transferring credit risk through its multifamily MCAS and MCIRT programs and to continue exploring other multifamily credit risk transfer options.

Freddie Mac transferred a portion of credit risk on 94 percent, or \$72 billion, of its 2018 new acquisitions. Through the end of 2019, Freddie Mac transferred 91 percent of the credit risk capital on 2018 acquisitions covered by CRT. Freddie Mac's K Certificate program is its primary multifamily credit risk transfer mechanism. Since 2010, Freddie Mac has securitized senior-subordinate notes through its K Certificates to transfer risk on approximately 90 percent of the UPB of its multifamily loan acquisitions. K Certificates transfer most of the credit risk to investors

through subordinated bonds that are structured to absorb expected and unexpected credit risk. Additionally, Freddie Mac continued its multifamily credit risk transfer transactions to reinsurers through its Multifamily Credit Insurance Pool (MCIP) product. Under the MCIP structure, which is similar to the single-family reinsurance product, Freddie Mac purchases insurance policies that provide first loss credit protection. During 2019, Freddie Mac purchased credit risk insurance on a reference pool with total UPB of approximately \$1.9 billion and RIF of \$84 million.

### Retained Mortgage Portfolios

Leading up to the 2008 financial crisis, the Enterprises built up large retained mortgage portfolios funded by unsecured debt. The Enterprises' retained portfolios were far larger than necessary to support the core activities of their single-family and multifamily businesses, and they exposed taxpayers to substantial credit, asset liquidity, and interest rate risk. Since entering conservatorship in 2008, the Senior Preferred Stock Purchase Agreements (PSPAs) between the Enterprises and Department of the Treasury required the Enterprises to decrease the size of these portfolios by establishing a limit on the value of the assets within each Enterprise's retained portfolio.

At FHFA's direction, each Enterprise continues to implement plans to maintain their retained portfolios below the limit set forth in its respective PSPA, executing any sales of assets within their retained portfolios in a commercially reasonable manner that considers the impact on borrowers, the market, and neighborhood stability. On December 31, 2019, the PSPA cap was \$250 billion. Historically, the Enterprises have increased the use of their retained portfolios under adverse market conditions. Therefore, FHFA directed the Enterprises to maintain their respective retained portfolios at a level 10 percent lower than the PSPA cap, or \$225 billion. This 10 percent buffer is intended to enable the Enterprises to meet the PSPA cap of \$250 billion even in a stressed environment. As of December 31, 2019, Freddie Mac's portfolio was approximately \$213 billion, and Fannie Mae's was approximately \$154 billion, a reduction in their combined portfolios of \$31 billion in 2019.

## Updated Seller/Servicer Minimum Financial Eligibility Requirements

The 2019 Scorecard directed the Enterprises to evaluate and consider changes to the minimum financial requirements for their non-depository seller/servicer counterparties, which were last updated in 2015.<sup>65</sup> In 2019, the Enterprises worked with FHFA to develop new minimum financial requirements for approved non-depository seller/servicers to engage in business with the Enterprises, which were released for public comment on January 31, 2020. The proposed new eligibility requirements would establish capital and liquidity requirements that are transparent and consistent across different seller/servicer business models. Importantly, they would improve on the 2015 requirements by establishing financial requirements for the servicing of Ginnie Mae mortgages. The updated requirements would support the safety and soundness of the Enterprises by strengthening the financial condition of seller/servicer counterparties.

## Strategic Goal #3

The third strategic goal of the 2019 Scorecard was to build a new single-family securitization infrastructure for use by the Enterprises and adaptable for use by other participants in the secondary market in the future. To support this strategic goal, FHFA directed the Enterprises and CSS to implement the Single Security Initiative on the Common Securitization Platform (CSP) for both Fannie Mae and Freddie Mac in the second quarter of 2019. FHFA also directed the Enterprises to continue providing active support for mortgage data standardizations initiatives.

### Implementation of the Single Security Initiative on the Common Securitization Platform

On June 3, 2019, Fannie Mae and Freddie Mac began issuing the new, common Uniform Mortgage-Backed Security (UMBS) through Release 2 of the CSP, which simultaneously became the system of record for UMBS settlements. With deployment of Release 2, Fannie Mae and Freddie Mac both use the CSP for issuance and

monthly processing of single-class UMBS backed by fixed-rate loans, single-class resecuritizations of UMBS (to be known as Supers), multiclass securities such as real estate mortgage investment conduits (REMICs), and various functions that will differ by Enterprise for securities that are backed by adjustable-rate loans. Release 2 modules include Data Acceptance, Issuance Support, Bond Administration with Tax Calculations, and Disclosure. CSS continues to implement changes to enhance performance and improve overall service quality.

To implement the Single Security Initiative on schedule, the Enterprises and CSS completed all functional, operational, and technical readiness testing for Release 2 of the CSP. Throughout the testing process, CSS worked with the Enterprises to identify and remediate code and execution errors or acceptable manual workarounds to stay on schedule. Before authorizing implementation, the Enterprises and CSS completed final readiness assessments, risk assessments, external audits, and appropriate governance activities.

The successful daily operations of the CSP demonstrate the incorporation of two design principles: providing functions necessary for the Enterprises' current single-family securitization activities and administration of the common security. A third principle – supporting the integration of additional market participants – is addressed through the technology and business architectures of the CSP, which will support additional participants in the same manner as they support the Enterprises.

The initial months of UMBS trading and settlement have been smooth and orderly and have established a well-functioning, consolidated Enterprise To-Be-Announced (TBA) market with fungibility of UMBS across issuers. As of December 31, 2019, UMBS trading had totaled nearly \$27 trillion and other measures of market functioning were generally within recent norms, such as the level of total trading in Enterprise MBS on the TBA market and the rate spreads between 30-year fixed-rate mortgages and 10-year constant-maturity Treasuries.

<sup>65</sup> A seller/servicer is an institution approved to sell mortgages to and/or service mortgages purchased by an Enterprise. The term "seller" refers to a seller/servicer acting in its capacity as a seller of mortgages, and the term "servicer" refers to a seller/servicer acting in its capacity as a servicer of mortgages. A seller may sell mortgages it originated itself or mortgages it purchased from other originators. A servicer may service the mortgages it sold to an Enterprise or other mortgages sold to the Enterprise by other sellers.

Since June 3, 2019, Fannie Mae joined Freddie Mac in using CSS and the CSP to issue all new TBA-eligible MBS and provide bond administration, related disclosures, and tax reporting for approximately 27 million loans and over 987,000 securities, with a UPB of approximately \$4.6 trillion. CSS and the CSP have supported the Enterprises' issuance of \$734 billion in UMBS and \$449 billion in Supers. In addition, the CSP is providing issuance, bond administration, disclosures, and tax reporting for the Enterprises' multi-class securitizations.

### Industry Outreach and Other Readiness Activities

In addition to the internal activities required to develop and test the CSP and UMBS, successful implementation required the Enterprises and CSS to work with other market participants to facilitate market readiness. This required planning, investment, and preparation on the part of a wide variety of market participants, including MBS investors, dealers, seller/servicers, vendors, and providers of critical infrastructure.

The Enterprises continued to engage in activities to facilitate market readiness through the first half of 2019. As in 2018, those activities included a Single Security Conference organized by the Enterprises, participation in other industry conferences, joint calls and meetings with investors and broker-dealers, and a joint trip to visit investors in Asia. The Enterprises also published a market readiness newsletter and tracked and measured market readiness for FHFA on a bi-weekly basis.

CSS contributed to market readiness by completing testing with third parties, such as the Federal Reserve Bank of New York and vendors, that use and distribute securities disclosure data.

Another important aspect of market readiness was the ability to exchange Freddie Mac's legacy TBA-eligible securities, PCs and Giants, for "mirror" 55-day Supers,

which are backed by the same loans as the existing securities.<sup>66</sup> Those legacy securities pay investors on the 45th day after interest starts to accrue for the payment period, whereas UMBS and Supers pay on the 55th day. Therefore, the exchange offer includes compensation for the ten-day delay in receipt of payments to investors.

Freddie Mac offers two paths for current owners of its legacy securities to conduct an exchange: Dealer-facilitated Exchange and Direct-to-Freddie Mac Exchange via TradeWeb.<sup>67</sup> As the names imply, a primary distinction between these paths is whether a Freddie Mac-approved dealer acts as an agent for the investor to facilitate the exchange with Freddie Mac. In the first quarter of 2019, Freddie Mac used its retained portfolio to conduct test exchanges to ensure readiness and promote industry confidence and began publishing weekly compensation pricing grids. In May 2019, Freddie Mac started exchanging legacy securities and publishing daily and monthly exchange disclosures. Through December 31, 2019, investors exchanged over \$280 billion in Freddie Mac legacy securities for "mirror" Supers. About two-thirds of exchanges by UPB were conducted through the Direct-to-Freddie path.

### Mortgage Data Standardization

The Uniform Mortgage Data Program is a multifaceted technology strategy first announced in May 2010 with the goal of standardizing data throughout the mortgage industry to improve lender efficiency, loan quality, and mortgage credit risk management. In 2019, the Enterprises continued collaborating with the mortgage industry to develop and implement uniform data standards for single-family mortgage loans. This effort included continuing implementation of the redesigned Uniform Residential Loan Application (URLA) and new specifications for each Enterprise's automated underwriting system. The Enterprises continued to implement strategies to redesign the Uniform Appraisal Dataset and appraisal forms.

<sup>66</sup> Freddie Mac will also offer investors the opportunity to exchange non-TBA-eligible 45-day PCs and Giants for 55-day MBS and Giants. Technically, in the exchange of TBA-eligible securities, investors will receive Supers, which are second-level resecritizations of UMBS. Supers and UMBS will trade under the same TBA contracts just as Freddie Mac PCs and Giants or Fannie Mae MBS and Megs do today. Giants are second-level securitizations of Freddie Mac PCs and Megs are second-level securitizations of Fannie Mae MBS.

<sup>67</sup> See Freddie Mac's "Freddie Mac will provide two paths for exchange of Gold PCs into new UMBS", available at: [http://www.freddiemac.com/mbs/docs/Exchange\\_Overview\\_One\\_Pager.pdf](http://www.freddiemac.com/mbs/docs/Exchange_Overview_One_Pager.pdf).



# Enterprise Leadership and Compensation

## Board of Directors

As conservator, FHFA reviews the appointment of new directors serving on the board of directors of each Enterprise. In 2019, FHFA reviewed the election of Mark Bloom, David Brickman, Kathleen Casey, and Aleem Gillani to serve on Freddie Mac's board of directors. Six Freddie Mac board members resigned or rotated off the board in 2019: Carolyn Byrd, Thomas Goldstein, Donald Layton, Christopher Lynch, Eugene Shanks, and Anthony Williams. This reduced the number of members of the board of directors by two, leaving the board with ten members as of December 31, 2019.

With respect to Fannie Mae, in 2019, FHFA reviewed the election of Sheila Bair, Brian Brooks, and Karin Kimbrough to serve on the board of directors. FHFA also reviewed the appointment of Hugh Frater as chief executive officer (CEO) of Fannie Mae. Before his appointment as CEO, Mr. Frater served as a member of the Fannie Mae board of directors. Because of his appointment as CEO, Mr. Frater continued to serve as a Fannie Mae board member. No Fannie Mae board members resigned or rotated off the board in 2019. This increased the number of members of the board of directors by 3, leaving the board with 13 members as of December 31, 2019.

## Management

FHFA, as conservator, worked closely with the Enterprises to ensure continuity as they selected new CEOs following the resignations of Fannie Mae CEO Timothy Mayopoulos in October 2018 and Freddie Mac CEO Donald Layton in June 2019. On March 26, 2019, Fannie Mae appointed Hugh Frater, then a Fannie Mae board member, as permanent CEO. Mr. Frater had been acting CEO since October 16, 2018. On March 21, 2019, Freddie Mac announced David Brickman would succeed Mr. Layton as CEO effective July 1, 2019.

## Enterprise Compensation

In August 2019, FHFA directed the Enterprises to limit base salaries for all employees to \$600,000 and increase the deferral period of at-risk compensation earned by executive officers from one year to two years. Many financial institutions defer a portion of executive compensation, a policy that can increase retention and aid in recovery of compensation if necessary, for example, in the event of executive misconduct or financial statement error. The two-year deferral period did not apply to compensation earned in 2019 and will go into effect for compensation earned in 2020 for new hires and in 2022 for current executives. No other changes were made to the Enterprises' Executive Compensation Plans.

In September 2019, FHFA instituted a new policy requiring the Enterprises to submit for Agency approval any proposed increase in compensation for an employee or any new hire's compensation if the target total direct compensation equals or exceeds \$600,000. Subsequently, FHFA instructed the Enterprises that compensation for executive officers should target the 25th percentile of market compensation for similar positions at peer companies. Compensation for the Enterprises' CEOs is maintained at the statutory limit.<sup>68</sup> FHFA continues to closely examine all compensation requests by the Enterprises and maintains an active dialogue with each Enterprise about current and future compensation actions.

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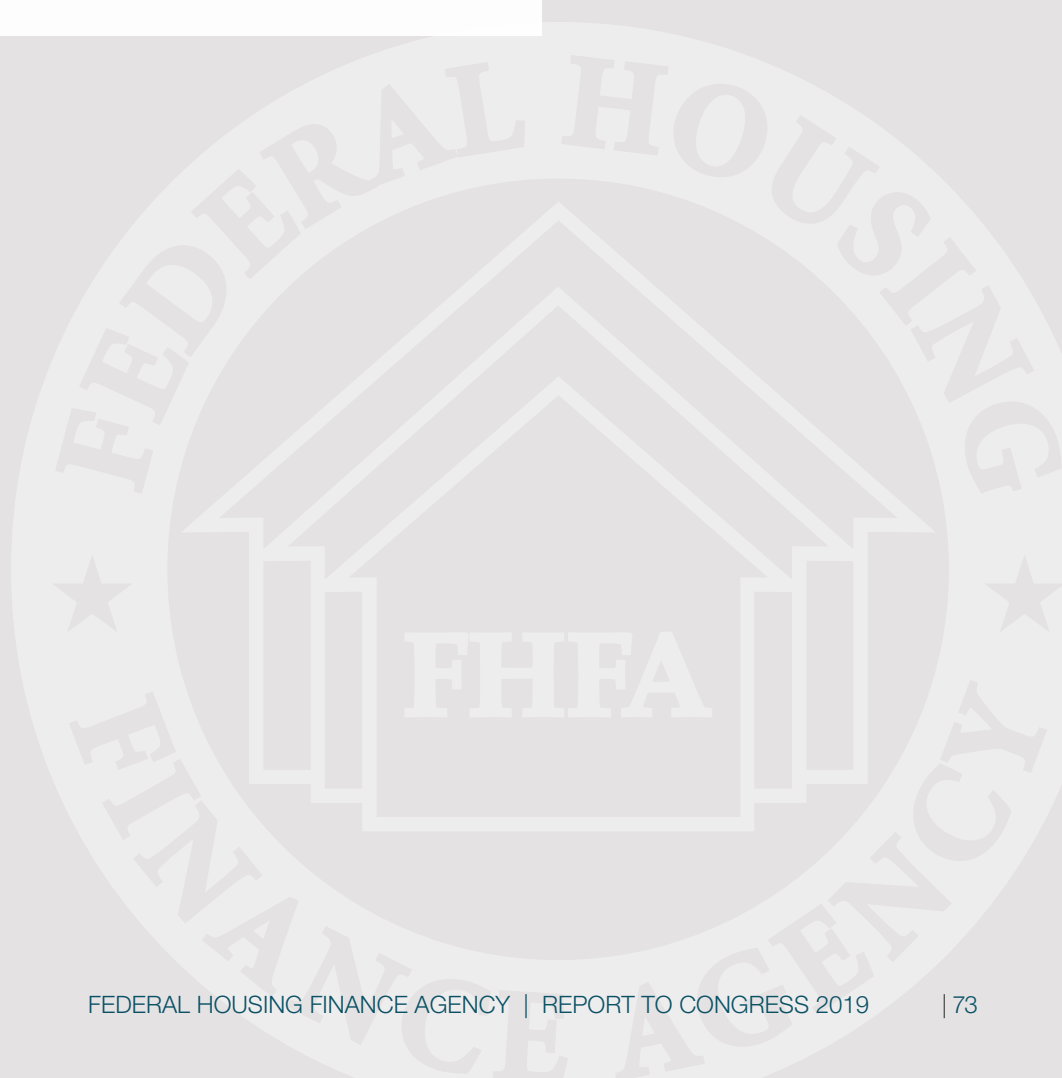
<sup>68</sup> See 12 U.S.C. § 4518 note. The Equity in Government Compensation Act of 2015 effectively limits the annual direct compensation for the CEOs of Fannie Mae and Freddie Mac to no more than \$600,000 in base salary. The law also provides that compensation and benefits for the CEOs may not be increased while the Enterprises are in conservatorship or receivership.



# REGULATORY ACTIVITIES

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Regulatory activities of the Federal Housing Finance Agency (FHFA) support FHFA’s mission as regulator of Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan Banks (FHLBanks) (collectively, the regulated entities). In 2019, FHFA issued 19 proposed rules, final rules, policy guidance documents, and regulatory orders, which are summarized in the following tables. FHFA has published the listed regulations in the Federal Register.

The tables also indicate if a proposed rule has been adopted in final form since the proposal was published. More information about FHFA’s regulatory activities is available on FHFA’s website.

Proposed Regulations: Regulated Entities			
Rule/Regulation Title	Reference	Date (2019)	Description/Explanation/Comments
Stress Testing of Regulated Entities Amendments	84 FR 68350; 12 CFR Part 1238	December 16	Proposes amendments to FHFA's stress testing regulation to implement the changes to stress testing of the regulated entities as set forth in the Economic Growth, Regulatory Relief, and Consumer Protection Act. Reduces the \$50 billion required asset threshold for stress testing to \$250 billion; requires periodic stress tests instead of annual stress tests. The proposed rule also makes certain conforming and technical changes.  A final rule was published on March 24, 2020 and went into effect on March 24, 2020 (85 FR 16528).
Margin and Capital Requirements for Covered Swap Entities	84 FR 59970; 12 CFR Part 1221	November 7	This is a joint proposed rule by FHFA, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Federal Reserve Board), Federal Deposit Insurance Corporation (FDIC), and Farm Credit Administration (FCA) – collectively, the agencies. To prepare for the transition away from the London Interbank Offered Rate (LIBOR), the agencies proposed amending regulations that require swap dealers and security-based swap dealers under the agencies’ respective jurisdictions to exchange margin with their counterparties for swaps that are not centrally cleared (Swap Margin Rule). The amendments address the status of grandfathered swaps in the event of contractual amendments resulting from a possible discontinuation of an interbank offered rate; relocate the permissibility of amendments resulting from the Qualified Financial Contract Rules; remove the inter-affiliate initial margin provisions; introduce an additional compliance date for initial margin requirements; clarify the point in time at which trading documentation must be in place; and address the status of grandfathered swaps in the event of contractual amendments resulting from portfolio compression exercises.

### Final Regulations: Regulated Entities

Rule/Regulation Title	Reference	Date (2019)	Description/Explanation/Comments
Validation and Approval of Credit Score Models	84 FR 41886; 12 CFR Part 1254	August 16	<p>Implements the statutory mandate of Pub. L. 115–174, § 310, by establishing a four-step process for validation and approval of credit score models by the Enterprises: (1) the solicitation of applications from credit score model developers; (2) an initial review of submitted applications; (3) a Credit Score Assessment by an Enterprise; and (4) an Enterprise Business Assessment.</p> <p>The regulation went into effect on October 15.</p>
Margin and Capital Requirements for Covered Swap Entities Joint Interim Final Rule	84 FR 9940; 12 CFR Part 1221	March 19	<p>FHFA adopted a joint interim final rule with the OCC, the Federal Reserve Board, the FDIC, and the FCA – collectively, the agencies – to amend the Swap Margin Rule to enable the grandfathering of certain inter-affiliate swap transactions implicated by the United Kingdom exit from the European Union (Brexit). The Swap Margin Rule requires swap dealers and security-based swap dealers under the agencies' respective jurisdictions to exchange margin with their counterparties for swaps that are not centrally cleared.</p> <p>The interim final rule went into effect on March 19.</p>
Civil Money Penalty Inflation Adjustments	84 FR 9702; 12 CFR Parts 1209, 1217, and 1250	March 18	<p>Amends FHFA's Rules of Practice and Procedure and other agency regulations to adjust each civil money penalty within its jurisdiction to account for inflation, pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.</p> <p>The regulation went into effect on April 17.</p>
Uniform Mortgage-Backed Security	84 FR 7793; 12 CFR Part 1248	March 5	<p>Final rule requires the Enterprises to maintain policies that promote aligned investor cash flows for To-Be-Announced (TBA)-eligible mortgage-backed securities. The final rule codifies alignment requirements established by FHFA as conservator of the Enterprises. The rule is integral to the ongoing fungibility of the Uniform Mortgage-Backed Security (UMBS). The Enterprises began issuing UMBS in place of their current TBA-eligible securities on June 3, 2019.</p> <p>The regulation went into effect on May 6.</p>
Federal Home Loan Bank Capital Requirements	84 FR 5308; 12 CFR Part 1277	February 20	<p>Amends FHFA's regulatory capital requirements for the FHLBanks. Revises the credit risk component of the risk-based capital requirement and the limitations on extensions of unsecured credit, principally by requiring the FHLBanks to use their own internal rating methodologies (instead of ratings issued by a Nationally Recognized Statistical Rating Organization) to calculate those requirements. The final rule also revises the percentages used in the regulation to calculate the credit risk capital charges for advances and non-mortgage assets.</p> <p>The regulation went into effect on January 1, 2020.</p>

## Policy Guidance: Regulated Entities and the Office of Finance

Policy Subject	Reference	Date (2019)	Description/Explanation/Comments
Advisory Bulletin on Credit Risk Transfer – Analysis and Reporting	AB 2019-06	November 14	Communicates FHFA's supervisory expectations for analysis and internal reporting of certain proposed or in-force credit risk transfer (CRT) activities to the Enterprises. This Advisory Bulletin (AB) addresses risk analysis and reporting for individual and aggregate CRT activities. The AB does not cover primary mortgage insurance, seller indemnification, collateralized lender recourse, or multifamily lender loss sharing.
Advisory Bulletin on Compliance Risk Management	AB 2019-05	October 3	Communicates to the Enterprises FHFA's supervisory expectations for a compliance risk management program (compliance program) to maintain the safety and soundness of the Enterprises' operations. The sophistication of the compliance program should be proportionate to each Enterprise's size, complexity, and risk profile. The compliance program should be designed to promote compliance with applicable laws, regulations, rules, prescribed practices, internal policies and procedures, and ethical and conflict-of-interest standards.
Advisory Bulletin on Enterprise Fraud Reporting	AB 2019-04	September 18	Communicates to the Enterprises FHFA's minor changes regarding the content and timing of fraud reports submitted to FHFA by the Enterprises. The Housing and Economic Recovery Act of 2008 subjects the Enterprises to fraud reporting (12 U.S.C. § 4642) and requires an Enterprise to submit to FHFA a "timely" report upon discovery that it has purchased or sold a fraudulent loan or financial instrument, or when it suspects a possible fraud related to the purchase or sale of any loan or financial instrument. This AB became effective January 1, 2020, and rescinds and replaces AB 2015-02, <i>Enterprise Fraud Reporting</i> (which was issued March 26, 2015).
Advisory Bulletin on Capital Stock Management	AB 2019-03	August 15	Communicates FHFA's guidance to the FHLBanks regarding their management of capital accounts, augmenting existing statutory and regulatory capital requirements. The guidance describes an appropriate level of capital stock that each FHLBank should maintain, distinct from their retained earnings, expressed as a percentage of assets, in order to help preserve the cooperative nature of the FHLBanks.
Advisory Bulletin on Implementation of Streamlined Monitoring Requirements for Affordable Housing Program Projects Funded by Certain Other Federal Government Rental Housing Programs	AB 2019-02	May 9	Identifies four federal government rental housing programs that have monitoring standards and practices that are substantially equivalent to those required under the FHLBanks' Affordable Housing Program (AHP) as well as very low noncompliance rates: Department of Housing and Urban Development (HUD) Section 202 Program for the Elderly, HUD Section 811 Program for Housing for the Disabled, Department of Agriculture (USDA) Section 514 Farmworker Multifamily Program, and USDA Section 515 Rural Multifamily Program. Permits FHLBanks to implement streamlined monitoring for AHP projects funded by any of the four programs.
Advisory Bulletin on Business Resiliency Management	AB 2019-01	May 7	Communicates to the regulated entities FHFA's supervisory expectations regarding an effective business resiliency management program. Business resiliency management refers to a regulated entity's ability to minimize the impact of disruptions and maintain business operations at predefined levels. An effective business resiliency management program establishes documented strategic processes and procedures that a regulated entity should follow to mitigate and respond to risks in order to continue its business operations.

## Regulatory Orders

Rule/Regulation Title	Reference	Date (2019)	Description/Explanation/Comments
Approval of 2020 Financing Corporation (FICO) Budget	2019-OR-B-4	December 6	FHFA's regulations require the FHFA director to approve the annual FICO budget. This Director's Order approves the 2020 FICO annual budget.
Designation of Federal Home Loan Bank Directorships for 2020	2019-OR-B-3	June 17	The director is required by statute to establish annually the size and composition of the board of directors of each FHLBank for the following year. This Director's Order maintains the current size and composition of the boards of directors of the FHLBanks for 2020, with the exception of the Boston, Pittsburgh, and Topeka FHLBanks.
Amendment to 2018 Financing Corporation Dissolution Budget	2019-OR-B-2	March 25	FHFA's regulations require the FHFA director to approve any subsequent amendments to the approved FICO budget. This Director's Order amends the 2018 FICO annual budget to allow for non-administrative expenses.
Reporting by Regulated Entities of Stress Testing Results	2019-OR-FNMA-01; 2019-OR-FHLMC-01; and 2019-OR-B-01	March 5	Stress tests pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 are designed to determine whether the regulated entities have the capital necessary to absorb losses under adverse economic conditions.  FHFA's stress testing regulation (12 CFR Part 1238) requires annual stress testing and reporting of results for the Enterprises and FHLBanks. The Orders, effective immediately, directed the regulated entities to report their 2018 stress testing results (based on portfolios as of December 31, 2018), in the form and content required by the regulation and the summary instructions and guidance issued on March 5, 2019. (As noted above, on March 24, 2020, FHFA published final amendments to its stress testing regulation.)

# RESEARCH AND PUBLICATIONS

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## Reports to Congress

In 2019, pursuant to Federal law, including the Housing and Economic Recovery Act of 2008 (HERA) and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the Federal Housing Finance Agency (FHFA) submitted all required annual reports to Congress and all required monthly reports on the number of loan modifications and other foreclosure prevention activities of Fannie Mae and Freddie Mac (the Enterprises).

**Guarantee Fee Study** – The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act) requires FHFA to study the guarantee fees charged by the Enterprises, and in December 2019, FHFA released its eleventh annual *Guarantee Fee Study Report*. The report examines the fees charged by the Enterprises for guaranteeing conventional single-family mortgages in 2018, including the amount of these fees and the criteria used to determine them. The report utilized aggregated data collected from the Enterprises.

**Annual Housing Report** – FHFA submitted its eleventh *Annual Housing Report* to Congress in October 2019. This report details the Enterprises' performance in 2018 under their housing goals and Duty to Serve, as well as other information on the Enterprises' activities to support affordable housing.

**FHLBank Advance Collateral Study** – The Federal Home Loan Bank Act requires FHFA to submit to Congress an annual report on the collateral pledged to the Federal Home Loan Banks (FHLBanks). In December 2019, FHFA released its eleventh *Report on Collateral Pledged to the Federal Home Loan Banks* based on the results of the FHLBank Collateral Data Survey, conducted quarterly by FHFA's Division of Bank Regulation.

**No FEAR Act Report** – The Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act) requires federal agencies to be publicly accountable for violations of antidiscrimination and whistleblower protection laws. Federal agencies must publish on their public websites quarterly and annual data related to federal-sector Equal Employment Opportunity (EEO) complaints, reimburse the Treasury Department Judgment Fund for any payments made, and notify employees and applicants for employment about their rights under the federal antidiscrimination and whistleblower laws. In March 2020, FHFA filed the *Fiscal Year 2019 No Fear Act Annual Report to Congress*, covering fiscal years 2015 through 2019.

**OMWI Annual Report** – The Dodd-Frank Act requires most federal financial regulators to establish an Office of Minority and Women Inclusion (OMWI). FHFA's OMWI is responsible for leading efforts to advance diversity and inclusion and developing standards for: 1) EEO and the racial, ethnic, and gender diversity of the workforce and senior management; 2) increased participation of minority- and women-owned businesses in FHFA programs and contracts; and 3) assessing the diversity policies and practices of entities regulated by FHFA. Also, Section 1116(f) of HERA requires FHFA to seek diversity at all levels of its workforce, consistent with the demographic diversity of the United States. In March 2020, FHFA submitted its annual *OMWI Report to Congress* detailing the activities of FHFA's OMWI during the previous calendar year.

**Federal Property Manager's Report/Foreclosure Prevention Report** – The Emergency Economic Stabilization Act of 2008 directs Federal Property Managers (FPM) to develop and implement plans to maximize assistance for homeowners and encourage servicers of underlying mortgages to take advantage of programs to minimize foreclosures. Each FPM is also required to report to Congress the number and types of loan modifications and the number of foreclosures on a monthly and quarterly basis. FHFA is a designated FPM in its role as conservator of Fannie Mae and Freddie Mac. In 2019, pursuant to statutory requirements, FHFA delivered all monthly and quarterly FPM reports to Congress.

**Interest Rate Disparities Analysis** – FHFA is required to report to Congress annually on “the actions taken, and being taken, by the Director to carry out” 12 U.S.C. § 4561(d), which authorizes FHFA to require the Enterprises to submit information from which FHFA may assess whether loan pricing by lenders results in disparities for minority borrowers compared with non-minority borrowers of similar creditworthiness. If FHFA makes a preliminary finding that a pattern of disparities exists for a lender, FHFA must refer that finding to the appropriate regulatory or enforcement agency for further review. FHFA has conducted exploratory data analysis and met with peer financial regulators about implementing this statutory requirement. FHFA's Office of Fair Lending Oversight (OFLO), in collaboration with the Office of General Counsel, currently leads FHFA's effort to implement 12 U.S.C. § 4561(d).

In August 2019, FHFA reported to Congress that availability of data for 12 U.S.C. § 4561(d) analysis has increased due to updated data collection by the



Enterprises. In 2019, OFLO conducted an exploratory analysis for discussion using a sample of loans from the combined Enterprises' 2018 loan acquisitions to assess data quality and establish a baseline pricing disparity analysis by seller. The analysis controlled for credit-related factors to analyze potential disparities in loan pricing for minority borrowers. FHFA shared its exploratory analysis with the Interagency Fair Lending Task Force member agencies, some of which could be "appropriate regulatory and enforcement agencies" for possible FHFA referrals, to solicit feedback on FHFA's approach to implementing 12 U.S.C. § 4561(d). In the coming year, FHFA plans to continue to engage with these and other appropriate agencies, improve data reporting, refine the statistical analysis, and develop policy options to fully implement 12 U.S.C. § 4561(d).

## House Price Index

In 2019, FHFA continued its regular publication of house price indexes (HPI), including all transactions and purchase-only indexes using data obtained from the Enterprises, and expanded-data indexes using data obtained from the Enterprises and Federal Housing Administration and county recorder data. Such measures are estimated using different underlying datasets, and all provide indications of house price movements for various geographic areas. These standard indexes are produced quarterly and monthly.

FHFA updated a set of experimental price indexes that are produced on an annual basis for cities, counties, ZIP codes, and census tracts. These measures have been useful in policy analysis and have enabled several lines of research on topics including housing market trends, price cycles, and localized credit risk. Six staff research papers related to these HPI data have progressed through various stages of development over this past year; two have been presented at conferences, one has won a national award, and four have been published in leading academic journals.

## Public Use Databases

The Safety and Soundness Act requires FHFA to make available to the public loan-level data submitted by the Enterprises in the reports required under Section 309(m) of Fannie Mae's Charter Act and Section 307(e) of Freddie Mac's Charter Act, except for certain proprietary information and personally identifiable information. FHFA is required to make publicly available Enterprise data elements analogous to those

required to be reported by mortgage originators under Home Mortgage Disclosure Act (HMDA) at the census tract level. The Safety and Soundness Act also requires FHFA to make public certain high-cost securitized loan data it collects to compare the characteristics of high-cost loans the Enterprises purchase and securitize. FHFA is required to release the data by September 30 of the year following the year the mortgages were acquired by an Enterprise. For 2019, FHFA released the required 2018 data to the public through its Public Use Database as an interim release, pending receipt of data fields reflecting changes to 2018 HMDA reporting requirements. The Public Use Database contains census tract- and national-level data by Enterprise, for both single-family and multifamily mortgages.

FHFA also maintains a similar Public Use Database with respect to the FHLBanks, required by HERA Section 1212. The data are at the census tract level and are reported directly by the FHLBanks to FHFA.

## Monthly Interest Rate Survey

On May 29, 2019, due to dwindling participation by financial institutions, FHFA published its final Monthly Interest Rate Survey (MIRS). MIRS provided monthly information on interest rates, loan terms, and house prices (by property, loan, and lender type), and 15-year and 30-year fixed-rate loans. Also, MIRS provided quarterly information on conventional loans by major metropolitan area and by FHLBank district. Importantly, FHFA used MIRS to compile its monthly adjustable-rate mortgage index (ARM Index). Given that some banks use the ARM Index as the basis for the interest rates on adjustable-rate mortgages, FHFA created the MIRS Transition Index as the replacement for the ARM Index. The MIRS Transition Index is a version of Freddie Mac's 30-year Primary Mortgage Market Survey<sup>®</sup> that adjusts for differences between Freddie Mac's survey and the historic ARM Index. FHFA publishes the MIRS Transition Index on its website on the last Thursday of every month.

## National Mortgage Database Program

The National Mortgage Database (NMDB) program is jointly funded and managed by FHFA and the Consumer Financial Protection Bureau and is designed to provide a rich source of information about the U.S. mortgage market. It has three primary components:

1. The National Mortgage Database (NMDB)<sup>69</sup>
2. The National Survey of Mortgage Originations (NSMO)
3. The American Survey of Mortgage Borrowers

Pursuant to requirements of the Safety and Soundness Act, the NMDB program conducts a monthly mortgage market survey to collect data on the characteristics of individual mortgages and the credit history of borrowers. The survey covers mortgages that are and are not eligible for purchase by Fannie Mae and Freddie Mac, including subprime and nontraditional mortgages.<sup>69</sup>

NMDB and its components collect data for a nationally representative sample of mortgages. In 2019, the quarterly NSMO survey was administered four times. Each quarter, FHFA updated two national statistics datasets that are derived from the NMDB: National Statistics for New Residential Mortgages in the United States and National Delinquency Rates in the United States.

## Patents and Publications

In May 2019, FHFA received its first-ever patent from the United States Patent and Trademark office for the invention by FHFA staff of a data analysis tool that can be used to project credit losses and mortgage prepayments. The motivation to build the FHFA Mortgage Analytics Platform derived from the need for an independent empirical view on multiple policy initiatives. Academic empirical studies tend to suffer from a lack of high-resolution data, while empirical work from inside the industry typically represents a specific view. FHFA maintains several vendor platforms from which an independent view is possible, yet these platforms tend to be inflexible and opaque. The unique role of FHFA as regulator, conservator, and policymaker necessitated platform flexibility and transparency.

FHFA's Data Analytics Database and Platform System and Method integrates econometric loan performance models, individual loan data, and external economic forecasts to project future mortgage cash flows. The platform forecasts mortgage delinquencies, prepayments, mortgage insurance claims and credit losses among more than 20 additional elements across multiple economic scenarios. The information that this new tool generates improves FHFA's ability to analyze

the mortgage finance market, ultimately making FHFA a more effective regulator. FHFA applied the tool toward setting the Private Mortgage Insurers Eligibility Standard, annual Dodd-Frank Act Stress Tests evaluations, and other policy decisions. FHFA continues to use historical data to appropriately inform decision-making and develop products and services that anticipate future industry and borrower needs.

In 2019, FHFA published two staff working papers and received the American Real Estate Society's "Best Research Paper by a Practicing Professional" award for a working paper published in 2018 on a new home affordability estimate. The original research in these working papers provides substantial scholarly contributions to the academic, practitioner, and policy communities in the areas of housing finance and regional and urban economics. Working papers prepared by FHFA staff are preliminary products circulated within various research communities to generate discussion and receive feedback. The analysis and conclusions of these working papers belong exclusively to the authors and should not be interpreted as conveying an official FHFA position, policy, analysis, opinion, or endorsement.

*Working Paper 19-01: The Price of Residential Land for Counties, ZIP Codes, and Census Tracts in the United States* – This study employs appraised land value from a data set of more than 14 million appraisals to produce annual estimates of the average price of land used in single-family housing. The balanced land price panel covers 87.3 percent of the population and 85.1 percent of all single-family homes. Results indicate that land prices in most areas increased between 2012 and 2018; land prices tended to rise faster than house prices; and, on average, land's share of home value increased in large cities and declined in small cities.

*Working Paper 19-02: A Quarter Century of Mortgage Risk* – This paper brings together several data sources, including loan-level data from the Enterprises, to provide a comprehensive account of the evolution of default risk for newly-originated home purchase loans over the past quarter century. It tracks many loan characteristics and a summary measure of risk, the stressed default rate. The paper finds that mortgage risk rose in the 1990s, planting seeds of the financial crisis well before the actual event.

<sup>69</sup> Statute also calls for the survey to include a determination of whether subprime and nontraditional borrowers would qualify for prime lending. Because of uncertainty around defining the concept of subprime (see Interagency Statement on Subprime Mortgage Lending, 72 FR 37569 (July 10, 2007)) and the paucity of data on the subprime market, it has not been feasible to incorporate such determinations in the NMDB.

# OPERATIONS AND PERFORMANCE

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## Performance and Program Assessment

The Federal Housing Finance Agency (FHFA) publishes a strategic plan for the Agency (FHFA Strategic Plan) to set forth its priorities as regulator of the Federal Home Loan Bank System and as regulator and conservator of Fannie Mae and Freddie Mac (the Enterprises). In 2019, the Strategic Plan in effect was published in January 2018 and had three strategic goals: ensure safe and sound regulated entities; ensure liquidity, stability and access in housing finance; and manage the Enterprises' ongoing conservatorships. These goals will be revised and enhanced with the publication of a new FHFA Strategic Plan in 2020, which will advance FHFA's current priorities:

1. Cement FHFA as a world-class regulator to ensure that the Enterprises operate in a safe and sound manner.
2. Prepare the Enterprises to responsibly exit conservatorship by calibrating risk to match their capital.
3. Foster competitive, liquid, efficient, and resilient (CLEAR) national housing finance markets.

On November 19, 2019, FHFA published its annual *Performance and Accountability Report* (PAR), summarizing performance and achievements during Fiscal Year (FY) 2019. The PAR evaluates FHFA's performance against 28 measures and assesses FHFA's progress toward its strategic goals. In FY 2019, FHFA met annual performance targets for 25 of the measures (89 percent) and did not meet annual performance targets for three (11 percent) of the performance measures.

In April 2020, the Association of Government Accountants awarded FHFA its twelfth consecutive Certificate for Excellence in Accountability Reporting (CEAR) for fiscal year 2019. The CEAR is presented to agencies that have demonstrated excellence in integrating performance and accountability reporting. Agencies must receive unmodified opinions on their financial reports from an independent auditor to be eligible for the award.

## Financial Operations

### Financial Highlights

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act) authorizes FHFA to collect annual assessments from its regulated entities to pay its expenses and maintain a working capital fund. In FY 2019, FHFA assessed the regulated entities a total of \$273.8 million, including \$49.9 million to support the Office of Inspector General (FHFA OIG). FHFA issues assessment notices to the regulated entities semi-annually, with the collections occurring on October 1 and April 1. The Financial Summary for FY 2019 can be found in FHFA's PAR on pages 26-28, with the full set of audited financial statements on pages 73-105.

In accordance with the Housing and Economic Recovery Act of 2008, FHFA is authorized to retain a working capital fund for unforeseen or emergent requirements, which can be funded through a special assessment to the entities or through retention of unobligated balances at the end of the fiscal year. At the end of FY 2019, the FHFA working capital fund had a balance of \$24.0 million, up from \$10.0 million in FY 2018.

### Federal Management System and Strategy

The Safety and Soundness Act 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.

FHFA, including FHFA OIG, uses the Department of the Treasury's Bureau of the Fiscal Service for its accounting services and financial management system (FMS). FHFA is responsible for overseeing the Bureau of the Fiscal Service's performance of accounting services for FHFA. Additionally, during FY 2019, FHFA used the Department of Agriculture's National Finance Center and the Department of the Interior's Interior Business Center for its payroll and personnel processing. FHFA's accounting processes electronically

interface data to FMS from charge cards, investment activities, the Concur travel system, the procurement system, the Invoice Processing Platform payments system, the Interior Business Center payroll system, and the National Finance Center payroll system.

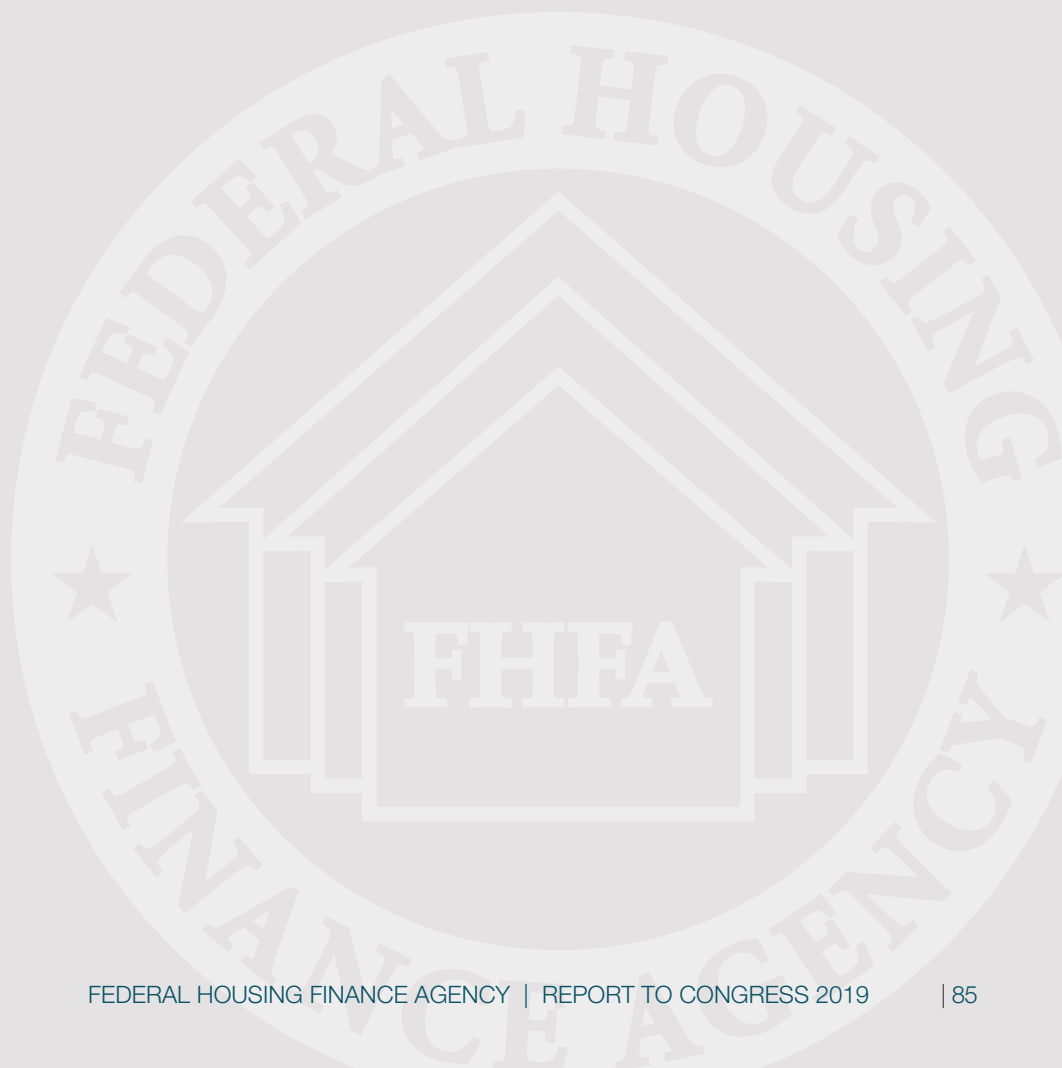
## **Unmodified Audit Opinions in Fiscal Year 2019**

Every year since its creation in 2008, FHFA has received an unmodified audit opinion on its financial statements from the Government Accountability Office (GAO). For fiscal years 2019 and 2018, GAO found:

- FHFA financial statements were presented fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles;
- FHFA maintained, in all material respects, effective internal control over financial reporting; and
- No reportable noncompliance with provisions of applicable laws, regulations, contracts, or grant agreements.

FHFA OIG operates its own information network, systems, and security programs separately from those of FHFA. FHFA OIG contracted with an independent audit firm to conduct the FY 2019 audit of the FHFA Information Security Program pursuant to the Federal Information Security Modernization Act of 2014 (FISMA). The audit concluded that FHFA's Information Security Program was compliant with FISMA legislation and applicable guidance from the Office of Management and Budget, and that sampled security controls from the National Institute of Standards and Technology SP 800-53 demonstrated operating effectiveness. The auditor also concluded that there were no significant deficiencies in the FHFA and FHFA OIG information security programs.

# FEDERAL HOUSING FINANCE OVERSIGHT BOARD ASSESSMENT





# Federal Housing Finance Oversight Board Assessment

June 2020

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

- The safety and soundness of FHFA's regulated entities, Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan Banks (FHLBanks);
- 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.

As a basis for this assessment, FHFA's Annual Report provides a review of these matters related to the Agency's regulated entities. The assessment of the Federal Housing Finance Oversight Board follows:

## The COVID-19 National Emergency

At the beginning of 2020, a strong labor market and sustained house price appreciation supported liquidity in the housing finance system. Starting in March 2020, the effects of the COVID-19 national emergency significantly disrupted economic activity, including the primary and secondary mortgage markets. In response, FHFA has announced a range of new policies to provide relief to renters and borrowers with a single-family or multifamily mortgage owned or guaranteed by the Enterprises and to support the proper functioning of the mortgage market both during and after this crisis. As of the date of this report, the future course of the pandemic and its effects on general economic activity and mortgage markets remain uncertain. FHFA will continue to monitor new and

evolving challenges facing the regulated entities and the nation's housing finance system, while continuing to coordinate its policy response efforts with government counterparts, including members of the Federal Housing Finance Oversight Board.

## Enterprises

The Enterprises continue to operate in conservatorships under FHFA, as they have since 2008. The U.S. Department of the Treasury (Treasury) continues to provide the Enterprises with more than \$250 billion in support through the Senior Preferred Stock Purchase Agreements (PSPAs). Through year-end 2019, the Enterprises' cumulative draws under the PSPAs totaled \$191.4 billion, and the Enterprises have paid approximately \$301 billion in cumulative cash dividends to the Treasury. Under the terms of the PSPAs, the payment of dividends does not offset or pay down the Enterprises' prior draws from the Treasury.

The ongoing conservatorships result in far-reaching government influence over the nation's housing finance system. FHFA noted various concerns with continuing the conservatorships, including perpetuating an unlevel playing field, exposing taxpayers to undue financial risk, and adversely impacting homeowners, borrowers, and renters. As of December 31, 2019, the Enterprises owned or guaranteed approximately \$5.7 trillion in single-family and multifamily mortgages, representing nearly half the market. However, the Enterprises remain undercapitalized for their size, risk, and systemic importance. Ending the conservatorships is dependent on the Enterprises meeting key milestones, chief among which is retaining or raising sufficient capital or other loss-absorbing capacity. For most of 2019, the PSPAs limited each Enterprise to a maximum capital reserve amount of \$3 billion per Enterprise. In September 2019, FHFA and Treasury agreed to modify the PSPAs to allow the Enterprises to retain capital reserves of up to \$45 billion combined (\$25 billion for Fannie Mae and \$20 billion for Freddie Mac). To compensate Treasury for the dividends that it would have received absent these modifications, the liquidation preferences for its Fannie Mae and Freddie Mac preferred stock will gradually increase by an amount equal to the increase in the capital reserve amount. As of December 31, 2019,

Fannie Mae's net worth was \$14.6 billion and Freddie Mac's net worth was \$9.1 billion; the liquidation preference amounts were \$131.2 billion and \$79.3 billion for Fannie Mae and Freddie Mac, respectively.

As a result of the PSPA modifications, as of December 31, 2019, the Enterprises' combined leverage ratio had improved to approximately 300:1 from nearly 1,000:1 earlier in 2019, but the Enterprises remain undercapitalized. Building capital is an important step toward restoring the Enterprises to a sound financial condition and preparing for a responsible end to the conservatorships. By contrast, the largest financial institutions in the nation have an average leverage ratio of approximately 12 to 1. Given their risks and financial position, the Enterprises do not have the capital necessary to withstand a serious downturn in the nation's housing markets. The lack of loss-absorbing capital at the Enterprises puts taxpayers at risk of absorbing their losses and jeopardizes their important mission and the countercyclical aspects of their role, which is to provide stability and liquidity to secondary mortgage markets and support sustainable homeownership and affordable housing.

To promote the safety and soundness of the Enterprises and in furtherance of responsibly ending the conservatorships, on May 20, 2020, FHFA released a re-proposed capital rule to provide the Enterprises a stronger foundation on which to weather crises, with the goal of finalizing the rule by the end of 2020. The rule aims to ensure a housing finance system that provides all Americans with access to sustainable and affordable mortgage financing through the economic cycle by ensuring the long-term safety and soundness of Fannie Mae and Freddie Mac.

Only Congress can enact the reforms necessary to fix the structural flaws in the nation's current mortgage finance system. The Housing Finance Reform Plans released in September 2019 by the U.S. Department of Housing and Urban Development and Treasury identify several such legislative reforms, which are broadly consistent with FHFA's legislative recommendations outlined in this report. However, in 2019, FHFA took several steps to fulfill its statutory responsibilities as conservator to implement critical reforms that will strengthen the Enterprises' financial

condition. Selected financial and operational results of the Enterprises are summarized below.

The Enterprises were chartered by Congress to provide stability in the secondary housing finance market, promote access to mortgage credit, and increase the liquidity of mortgage investments. In 2019, the Enterprises purchased single-family mortgages with a combined unpaid principal balance (UPB) of \$1,049 billion, compared to \$754 billion UPB in 2018. The Enterprises purchased a combined volume of multifamily mortgages with a UPB of \$148 billion in 2019, compared to \$143 billion in 2018, while increasing their focus on affordable multifamily mortgages.

In 2019, the Enterprises generated combined net income of \$21.4 billion, down from \$25.2 billion in 2018. Each Enterprise continues to have a significant but declining exposure to credit losses from mortgages originated in the several years prior to conservatorship. Both Enterprises are subject to quarterly volatility in their financial results primarily as a result of accounting-driven gains and losses on the derivatives they use to manage their interest-rate risk. To minimize the impact of interest rate fluctuation and mitigate the accounting volatility in its financial results, Freddie Mac implemented fair value hedge accounting in 2017. Fannie Mae does not currently utilize hedge accounting but is planning to implement hedge accounting in the first quarter of 2021.

In 2019, the Enterprises continued to transfer credit risk to private markets through credit risk transfer transactions. In 2019, the Enterprises transferred a portion of credit risk on approximately \$709 billion of UPB, with about \$23.6 billion of risk-in-force. Pursuant to the 2020 Scorecard, FHFA is conducting, with the Enterprises' assistance, a comprehensive review of the operations, costs, and benefits of the credit risk transfer program to better inform future direction.

The Enterprises' joint-venture, Common Securitizations Solutions, LLC (CSS), continued implementing the Common Securitization Platform (CSP) and common uniform mortgage-backed security (UMBS). On June 3, 2019, Fannie Mae and Freddie Mac began issuing the new UMBS to replace each Enterprise's proprietary mortgage securities deliverable into the to-be-

announced (TBA) market. With this implementation of Release 2, both Fannie Mae and Freddie Mac use the CSP for issuance and monthly processing of single-class UMBS backed by fixed-rate loans, single-class resecuritizations of UMBS, and multiclass securities such as real estate mortgage investment conduits. Since the first issuance of UMBS in June 2019, UMBS trading and settlement have proceeded in an orderly manner. As of December 31, 2019, UMBS trading totaled nearly \$27 trillion; common measures of market functioning, such as total UMBS trading volume in the TBA market and the rate spreads between 30-year, fixed-rate mortgages and 10-year, constant-maturity Treasuries, indicated depth and liquidity for UMBS consistent with the program objectives.

In January 2020, FHFA announced that J. Christopher Giancarlo will serve as independent, non-Executive Chairman of the Board of Directors of CSS and that CSS will amend the structure of its Board of Directors. This amended structure provides a Board seat to CSS CEO Anthony Renzi, appointed December 2019, and allows FHFA to appoint up to three additional independent directors. Each Enterprise will each retain its two current Board seats. There will be up to nine total Board members. Independent CSS Board members are expected to enhance corporate governance and facilitate the assessment of permitting additional issuers to access the CSP to promote a more liquid and stable housing finance market.

Credit risk management remains a priority for both Enterprises, including both post-2008 credit risk exposures and remaining distressed legacy assets. In 2019, at FHFA's direction, the Enterprises began to take measured steps to address high-risk loans. As a borrower's likelihood of default is positively correlated with having multiple risk factors, particularly high-risk factors such as high loan-to-value, low credit score, and high debt-to-income, FHFA has worked with the Enterprises to reduce loan acquisitions with multiple high-risk factors. FHFA and the Enterprises are also carefully monitoring counterparty risk exposures, given changes in the mortgage industry in recent years that have affected the structure of the Enterprises' counterparties and added new types of seller/servicers. For example, there has been significant migration

of mortgage servicing for Enterprise portfolios from banking organizations to non-depository institutions, which are typically less well-capitalized than depository institutions subject to federal bank capital and liquidity requirements. In 2019, FHFA worked with the Enterprises to develop new minimum financial requirements for approved non-depository seller/servicers, which were proposed on January 31, 2020, and remained open to public comment through April 30, 2020. The proposed new eligibility standards would establish capital and liquidity requirements that are transparent and consistent across different seller/servicer business models. Public comments to the proposed standards are currently under review.

The Enterprises and FHFA actively monitor and manage additional risks to the Enterprises' safety and soundness, including market and operational risk. Operational risk, including information and cyber security, remains an area of critical importance and focus due to the Enterprises' concentration of borrower information and their market importance. With the publication of LIBOR not guaranteed beyond the end of 2021, FHFA, both in its regulatory role and through its membership on the Alternative Reference Rates Committee, has taken several steps to reduce the Enterprises' and FHLBanks' exposure to LIBOR-based products in advance of its end date and to eliminate that exposure as promptly as practicable. This will continue to be an area of focus for FHFA and the Federal Housing Finance Oversight Board due to the risks to the regulated entities, homeowners, and other market participants.

The Enterprises continue to have annual housing goal requirements as established by FHFA. In 2019, FHFA determined that Fannie Mae and Freddie Mac met each single-family goal requirement for 2018. The Enterprises also met each of their multifamily goal requirements for 2018. In support of the Enterprises' statutory duty to serve three underserved markets – manufactured housing, affordable housing preservation, and rural housing – the Enterprises entered into Duty to Serve plans (the Plans) for 2018-2020. In March 2019, the Enterprises submitted annual reports detailing their efforts to achieve the objectives in their Plans. In all three underserved markets, FHFA

determined that each Enterprise complied with its Duty to Serve requirements and performed satisfactorily in increasing the liquidity and distribution of available capital. Due to the difficulty of assessing the impact after just one year of the Plans in operation, FHFA did not provide detailed ratings of the Enterprises for 2018. The Enterprises also made statutorily required contributions to the National Housing Trust Fund and the Capital Magnet Fund in 2019 to support affordable housing initiatives.

## FHLBanks

As of December 31, 2019, all 11 FHLBanks exceeded the minimum 4.0 percent regulatory capital ratio. The regulatory capital-to-assets ratio for the FHLBank System was 5.1 percent at the end of 2019, down from 5.4 percent as leverage increased moderately. All FHLBanks were profitable for the year. The FHLBanks' primary business of extending advances to members continued to operate effectively without credit losses.

The FHLBanks' advances declined \$87.2 billion to \$641.5 billion during 2019. This decrease extends a downward trend that began in 2018, although advances increased significantly in the first quarter of 2020 to \$806.9 billion in response to member demand due to the COVID-19 national emergency. As of December 31, 2019, the ten largest company borrowers accounted for 29.7 percent of aggregate advances outstanding, down from 34.7 percent in 2018. Generally, FHLBanks with high levels of advances outstanding have one or more very large borrowers in their districts.

In addition to advances, the FHLBanks continued to meet their primary mission of providing liquidity to their members through the purchase of whole mortgage loans, origination of off-balance sheet items, and support of the Affordable Housing Program. System balances of whole mortgage loans totaled \$72.6 billion at year-end 2019, up from \$62.6 billion at year-end 2018. Off-balance sheet programs include letters of credit and mortgage delivery programs. Letters of credit had a total notional value of \$178.4 billion at year-end 2019 and allow members diverse collateral options when securing public unit deposits. Mortgage

delivery programs to third-party investors had a combined volume of \$3.3 billion in 2019 and provide members with alternative conduits to move mortgages off their balance sheets, to allow additional mortgage originations. In 2019, the FHLBanks contributed \$362 million toward the Affordable Housing Program, which provides funds to support local affordable housing initiatives.

## Conclusion

During 2019, FHFA engaged in significant efforts to oversee and support the safety and soundness of the Enterprises and FHLBanks. These efforts were aligned with FHFA's statutory responsibilities and authorities to put the Enterprises into a sound and solvent financial condition, oversee the prudential operations of the FHLBanks, and to ensure that its regulated entities foster liquid, efficient, competitive, and resilient national housing finance markets that support sustainable homeownership and affordable rental housing.

Mark A. Calabria

*Chairman*

Federal Housing Finance Oversight Board

Steven T. Mnuchin

*Secretary*

U.S. Department of the Treasury

Benjamin S. Carson, Sr.

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U.S. Department of Housing and Urban Development

Jay Clayton

*Chairman*

Securities and Exchange Commission

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TABLE 1 • FANNIE MAE MORTGAGE PURCHASES

Period	Business Activity (\$ in Millions)					
	Purchases					
	Single-Family <sup>a</sup> (\$)	Multifamily <sup>a</sup> (\$)	Total Mortgages <sup>a</sup> (\$)	Mortgage-Related Securities <sup>b</sup> (\$)		
4Q19	189,200	18,038	207,238	13,551		
3Q19	194,712	18,082	212,794	13,833		
2Q19	128,618	16,941	145,559	18,914		
1Q19	85,457	16,737	102,194	14,585		
<b>Annual Data</b>						
2019	597,987	69,798	667,785	60,883		
2018	452,026	65,079	517,105	80,982		
2017	504,119	65,438	569,557	85,535		
2016	583,744	55,024	638,768	72,175		
2015	475,031	42,032	517,063	49,554		
2014	382,747	28,620	411,367	24,885		
2013	733,242	28,558	761,800	36,848		
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

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

<sup>b</sup> 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) <sup>a</sup>											
	Single-Family Mortgages							Multifamily Mortgages				
	Conventional				FHA/VA/RD <sup>c</sup>			Total Single-Family Mortgages (\$)	Conventional (\$)	FHA/RD <sup>c</sup> (\$)	Total Multifamily Mortgages (\$)	Total Mortgage Purchases (\$)
	Fixed-Rate <sup>b</sup> (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Fixed-Rate <sup>b</sup> (\$)	Adjustable-Rate (\$)	Total (\$)					
4Q19	187,719	1,222	0	188,941	25	234	259	189,200	18,038	0	18,038	207,238
3Q19	193,493	908	0	194,401	31	280	311	194,712	18,082	0	18,082	212,794
2Q19	127,366	924	0	128,290	21	307	328	128,618	16,941	0	16,941	145,559
1Q19	83,657	1,469	0	85,126	13	318	331	85,457	16,737	0	16,737	102,194
Annual Data												
2019	592,235	4,523	0	596,758	90	1,139	1,229	597,987	69,798	0	69,798	667,785
2018	442,778	7,736	0	450,514	114	1,398	1,512	452,026	65,079	0	65,079	517,105
2017	489,487	13,160	1	502,648	111	1,360	1,471	504,119	65,438	0	65,438	569,557
2016	573,415	8,834	3	582,252	98	1,394	1,492	583,744	55,024	0	55,024	638,768
2015	459,201	14,245	4	473,450	73	1,508	1,581	475,031	42,032	0	42,032	517,063
2014	363,716	17,324	8	381,048	11	1,688	1,699	382,747	28,620	0	28,620	411,367
2013	713,326	17,785	13	731,124	210	1,908	2,118	733,242	28,558	0	28,558	761,800
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

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

<sup>b</sup> Includes balloon loans. Prior to 2012, includes energy loans.

<sup>c</sup> RD refers to 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 1B • FANNIE MAE PURCHASES OF MORTGAGE-RELATED SECURITIES – PART 1

Period	Purchases (\$ in Millions) <sup>a</sup>																
	Fannie Mae Securities					Other Securities											
	Single-Family				Total Fannie Mae <sup>b</sup> (\$)	Freddie Mac				Ginnie Mae						Mortgage Revenue Bonds (\$)	Total Mortgage-Related Securities (\$)
	Fixed-Rate <sup>b</sup> (\$)	Adjustable-Rate (\$)	Multi-family (\$)	Total		Single-Family		Multi-family (\$)	Total Freddie Mac (\$)	Single-Family		Multi-family (\$)	Total Ginnie Mae (\$)	Total Private-Label <sup>b</sup> (\$)			
Fixed-Rate (\$)					Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)										
4Q19	7,306	42	2,268	9,616	65	-	-	65	3,666	204	-	3,870	-	-	13,551		
3Q19	7,540	26	3,359	10,925	24	-	-	24	2,341	543	-	2,884	-	-	13,833		
2Q19	11,209	98	3,708	15,015	16	-	-	16	3,561	322	-	3,883	-	-	18,914		
1Q19	8,277	133	3,460	11,870	31	10	-	41	2,596	78	-	2,674	-	-	14,585		
<b>Annual Data</b>																	
2019	34,332	299	12,795	47,426	136	10	-	146	12,164	1,147	-	13,311	-	-	60,883		
2018	48,622	781	12,980	62,383	105	12	-	117	16,546	1,936	-	18,482	-	-	80,982		
2017	52,765	1,382	16,337	70,484	1,341	-	-	1,341	13,150	560	-	13,710	-	-	85,535		
2016	38,597	1,062	16,119	55,778	3,416	20	-	3,436	12,593	368	-	12,961	-	-	72,175		
2015	26,384	1,214	10,710	38,308	3,417	21	0	3,438	7,519	289	0	7,808	0	0	49,554		
2014	9,097	1,538	9,939	20,574	1,433	124	0	1,557	2,557	197	0	2,754	0	0	24,885		
2013	21,506	1,017	7,422	29,945	3,832	217	0	4,049	2,792	62	0	2,854	0	0	36,848		
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

<sup>a</sup> 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.

<sup>b</sup> 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) <sup>a</sup>									
	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 (\$)				
4Q19	0	0	0	0	0	0	0	0	0	
3Q19	0	0	0	0	0	0	0	0	0	
2Q19	0	0	0	0	0	0	0	0	0	
1Q19	0	0	0	0	0	0	0	0	0	
Annual Data										
2019	0	0	0	0	0	0	0	0	0	
2018	0	0	0	0	0	0	0	0	0	
2017	0	0	0	0	0	0	0	0	0	
2016	0	0	0	0	0	0	0	0	0	
2015	0	0	0	0	0	0	0	0	0	
2014	0	0	0	0	0	0	0	0	0	
2013	0	0	0	0	0	0	0	0	0	
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

<sup>a</sup> 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 <sup>a</sup>			
	Single-Family MBS (\$)	Multifamily MBS (\$)	Total MBS (\$)	Multiclass MBS <sup>b</sup> (\$)
4Q19	194,155	18,038	212,193	22,578
3Q19	188,467	18,146	206,613	17,533
2Q19	120,094	16,941	137,035	17,773
1Q19	88,372	16,737	105,109	10,142
<b>Annual Data</b>				
2019	591,088	69,862	660,950	68,026
2018	470,478	64,327	534,805	57,940
2017	514,000	66,363	580,363	68,883
2016	582,817	55,020	637,837	73,269
2015	472,471	43,923	516,394	63,433
2014	375,676	31,997	407,673	59,608
2013	733,111	31,403	764,514	121,237
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

<sup>a</sup> 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.

<sup>b</sup> Beginning in 2006, includes grantor trusts, real estate mortgage investment conduits, and stripped MBS backed by Fannie Mae certificates.

<sup>c</sup> Beginning with the introduction of single security in June 2019, includes the portion of Freddie Mac-issued securities.

TABLE 3 • FANNIE MAE EARNINGS

Period	Earnings (\$ in Millions)						Return on Equity <sup>d</sup> (%)
	Net Interest Income <sup>a,b</sup> (\$)	Guarantee Fee Income <sup>c</sup> (\$)	Administrative Expenses (\$)	Credit-Related Expense/ (Income) <sup>c</sup> (\$)	Net Income (Loss) (\$)		
Q419	5,850	17	786	128	4,365	N/A	
Q319	5,229	19	749	1,761	3,963	N/A	
Q219	5,150	15	744	1,097	3,421	N/A	
1Q19	4,733	18	744	510	2,400	N/A	
Annual Data							
2019	20,962	69	3,023	3,496	14,160	N/A	
2018	20,951	171	3,059	2,692	15,959	N/M	
2017	20,733	96	2,737	-1,520	2,463	N/A	
2016	21,295	109	2,741	-1,511	12,313	N/A	
2015	21,409	128	3,050	834	10,954	N/A	
2014	19,968	175	2,777	-3,822	14,208	N/A	
2013	22,404	205	2,545	-11,788	83,963	N/A	
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

<sup>a</sup> 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, guaranty fee income associated with the securitization activities of consolidated trusts is reflected in net interest income.

<sup>b</sup> Interest income net of interest expense.

<sup>c</sup> Credit-related expense (income) includes provision (benefit) for loan losses and guaranty losses (collectively, credit losses) and foreclosed property expense (income).

<sup>d</sup> 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 <sup>a,b</sup> (\$)	Total Mortgage Assets <sup>a,c</sup> (\$)	Nonmortgage Investments <sup>d</sup> (\$)	Total Debt Outstanding <sup>e</sup> (\$)	Shareholders' Equity (Deficit) <sup>a</sup> (\$)	Senior Preferred Stock (\$)	Fair Value of Net Assets <sup>a</sup> (\$)	Mortgage Assets Held for Investment (Gross) <sup>e</sup> (\$)	Indebtedness <sup>f</sup> (\$)
4Q19	3,503,319	3,354,125	53,158	3,467,386	14,608	120,836	16,762	153,611	182,247
3Q19	3,494,436	3,296,579	59,276	3,461,858	10,342	120,836	15,872	176,989	213,574
2Q19	3,443,287	3,294,991	54,912	3,416,579	6,365	120,836	21,729	170,516	216,963
1Q19	3,421,034	3,282,006	57,354	3,395,010	5,361	120,836	18,494	176,433	221,449
Annual Data									
2019	3,503,319	3,354,125	53,158	3,467,386	14,608	120,836	16,762	153,611	182,247
2018	3,418,318	3,273,303	68,529	3,391,920	6,240	120,836	22,640	179,153	232,471
2017	3,345,529	3,207,909	48,692	3,330,054	(3,686)	117,149	16,389	230,783	277,469
2016	3,287,968	3,119,826	62,732	3,262,316	6,071	117,149	103	272,354	328,824
2015	3,221,917	3,078,248	56,835	3,197,671	4,059	117,149	(4,177)	345,103	389,496
2014	3,248,176	3,097,727	50,416	3,222,155	3,720	117,149	-16,754	413,313	464,464
2013	3,270,108	3,122,719	55,281	3,234,523	9,591	117,149	-33,318	490,701	534,211
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	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

<sup>a</sup> 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.

<sup>b</sup> Beginning in 1998, the guaranty liability for Fannie Mae MBS held for investment was classified as a liability.

<sup>c</sup> 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.

<sup>d</sup> Data reflect unpaid principal balance net of unamortized purchase premiums, discounts, cost-basis adjustments, 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.

<sup>e</sup> Amounts 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 for 2009 includes consolidation of variable interest entities. The 2009 amount would have been \$772.5 billion excluding consolidation of variable interest entities.

<sup>f</sup> As defined in the Treasury Senior Preferred Stock Purchase Agreement for 2009 and later years.

TABLE 4A • FANNIE MAE TOTAL MBS OUTSTANDING DETAIL

End of Period	Single-Family Mortgages (\$ in Millions) <sup>a,b</sup>							Multifamily Mortgages (\$ in Millions) <sup>a</sup>			(\$ in Millions)	
	Conventional				FHA/VA <sup>c</sup>			Conventional (\$)	FHA/RD <sup>b</sup> (\$)	Total Multi-family (\$)	Total MBS Outstanding <sup>a</sup> (\$)	Multiclass MBS Outstanding <sup>d</sup> (\$)
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Total (\$)					
4Q19	2,825,663	53,902	86	2,879,651	2,896	1,629	4,525	322,147	953	323,100	3,207,276	400,188
3Q19	2,793,020	57,539	92	2,850,651	2,984	1,775	4,759	312,208	997	313,205	3,168,615	398,101
2Q19	2,749,420	61,851	98	2,811,369	3,063	1,830	4,893	303,990	1,000	304,990	3,121,252	399,121
1Q19	2,730,307	65,771	104	2,796,182	3,276	1,915	5,191	294,521	1,005	295,526	3,096,899	398,374
<b>Annual Data</b>												
2019	2,825,663	53,902	86	2,879,651	2,896	1,629	4,525	322,147	953	323,100	3,207,276	400,188
2018	2,722,503	68,267	111	2,790,881	3,355	1,966	5,321	285,996	1,028	287,024	3,083,226	401,777
2017	2,628,581	81,011	147	2,709,739	3,801	2,266	6,067	254,569	1,061	255,630	2,971,436	412,927
2016	2,546,156	87,681	200	2,634,037	4,372	2,795	7,167	214,199	1,145	215,344	2,856,548	421,442
2015	2,445,482	106,130	258	2,551,870	4,787	3,842	8,629	176,071	1,204	177,275	2,737,774	436,544
2014	2,418,717	114,519	329	2,533,565	9,964	83	10,047	147,117	1,237	148,354	2,691,966	460,997
2013	2,386,128	119,084	402	2,505,614	11,383	97	11,480	125,045	1,276	126,321	2,643,415	480,200
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	
1980											Not Issued Before 1981	

Source: Fannie Mae

<sup>a</sup> 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 resecuturized Fannie Mae MBS is included only once.<sup>b</sup> Beginning in Q3 2015, we reclassified certain Fannie Mae Single-Family securities from fixed-rate to adjustable-rate.<sup>c</sup> FHA stands for Federal Housing Administration. RD refers to loans guaranteed by the U.S. Department of Agriculture Rural Development (RD) loan programs. VA stands for Department of Veterans Affairs.<sup>d</sup> 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 <sup>a</sup>

End of Period	(\$ in Millions)			
	Whole Loans <sup>b,c</sup> (\$)	Fannie Mae Securities <sup>b,d</sup> (\$)	Other Mortgage-Related Securities <sup>b,d,e</sup> (\$)	Mortgage Assets Held for Investment (Gross) <sup>f</sup> (\$)
4Q19	105,558	41,994	6,059	153,611
3Q19	121,520	49,694	5,775	176,989
2Q19	122,081	42,679	5,756	170,516
1Q19	122,012	48,290	6,131	176,433
<b>Annual Data</b>				
2019	105,558	41,994	6,059	153,611
2018	126,675	45,405	7,073	179,153
2017	177,365	48,792	4,626	230,783
2016	220,069	42,054	10,231	272,354
2015	253,592	68,697	22,814	345,103
2014	285,610	92,819	34,884	413,313
2013	314,664	129,841	46,196	490,701
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

<sup>a</sup> Beginning in 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.

<sup>b</sup> Unpaid principal balance.

<sup>c</sup> Amounts for 2002 to 2009 include mortgage-related securities consolidated as loans at period end.

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

<sup>e</sup> Includes mortgage revenue bonds.

<sup>f</sup> Amounts 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 prior to 2010 include consolidation of variable interest entities. Mortgage assets as 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)									
	Single-Family					Multifamily				
	Conventional					Total FHA/VA/RD <sup>c</sup> (\$)	Conventional (\$)	Total FHA/RD <sup>c</sup> (\$)	Total (\$)	Total Whole Loans (\$)
	Fixed-Rate <sup>a</sup> (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Total (\$)					
4Q19	68,373	18,036	72	86,481	17,493	1,432	151	1,584	105,558	
3Q19	79,299	21,568	76	100,943	18,864	1,555	158	1,713	121,520	
2Q19	75,414	23,873	78	99,365	20,452	2,105	159	2,264	122,081	
1Q19	71,058	26,963	81	98,102	21,521	2,225	164	2,389	122,012	
Annual Data										
2019	68,373	18,036	72	86,481	17,493	1,432	151	1,584	105,558	
2018	72,945	28,629	84	101,658	22,244	2,597	176	2,773	126,675	
2017	89,138	56,656	101	145,895	26,879	4,391	200	4,591	177,365	
2016	107,307	73,317	115	180,739	29,923	9,198	209	9,407	220,069	
2015	198,255	8,453	143	206,851	33,376	13,141	224	13,365	253,592	
2014	214,830	10,810	160	225,800	36,442	23,125	243	23,368	285,610	
2013	224,174	13,171	156	237,501	39,399	37,497	267	37,764	314,664	
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

<sup>a</sup> Unpaid principal balance. Beginning in 2010, excludes the 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. 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.

<sup>b</sup> Includes balloon loans. Prior to 2012, includes energy loans.

<sup>c</sup> RD refers to 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)													
	Fannie Mae Securities (\$) <sup>b</sup>				Other Securities									
	Single-Family <sup>c</sup>				Freddie Mac				Ginnie Mae					
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Multi-family (\$)	Total Fannie Mae (\$)	Single-Family			Total Freddie Mac (\$)	Single-Family			Total Ginnie Mae (\$)	Total Private-Label (\$)	Total Other Securities <sup>d</sup> (\$)
Fixed-Rate (\$)					Adjustable-Rate (\$)	Multi-family (\$)	Fixed-Rate (\$)		Adjustable-Rate (\$)	Multi-family (\$)				
4Q19	29,703	5,715	6,576	41,994	360	23	-	383	1,330	2,824	-	4,154	1,209	5,746
3Q19	35,939	6,077	7,678	49,694	373	25	-	398	694	2,710	-	3,404	1,629	5,431
2Q19	29,302	6,499	6,878	42,679	391	39	-	430	1,004	2,294	-	3,298	1,668	5,396
1Q19	34,432	6,913	6,945	48,290	417	43	-	460	789	2,060	-	2,849	2,400	5,709
	Annual Data													
2019	29,703	5,715	6,576	41,994	360	23	0	383	1,330	2,824	0	4,154	1,209	5,746
2018	30,347	7,390	7,668	45,405	422	35	0	457	1,134	2,065	0	3,199	2,986	6,642
2017	29,841	11,091	7,860	48,792	518	58	0	576	284	557	0	841	2,544	3,961
2016	21,886	12,475	7,693	42,054	1,292	92	0	1,384	950	165	0	1,115	6,455	8,954
2015	40,739	17,022	10,936	68,697	2,856	2,376	0	5,232	734	6	8	748	13,729	19,709
2014	64,904	9,257	18,658	92,819	3,506	2,862	0	6,368	555	9	8	572	23,388	30,328
2013	94,722	12,710	22,409	129,841	4,758	3,366	0	8,124	859	8	32	899	30,854	39,877
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

<sup>a</sup> Unpaid principal balance. Amounts for 2002 to 2009 exclude mortgage-related securities consolidated as loans at period end.

<sup>b</sup> Beginning in 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.

<sup>c</sup> Beginning in Q3 2015, we reclassified certain Fannie Mae Single-Family securities from fixed-rate to adjustable-rate.

<sup>d</sup> 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)								
	Private-Label								
	Single-Family <sup>a</sup>								
	Manufactured Housing (\$)	Subprime		Alt-A		Other		Multifamily (\$)	Total Private-Label (\$)
Fixed-Rate (\$)		Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)			
4Q19	36	-	832	2	40	5	294	-	1,209
3Q19	37	-	1,089	2	192	5	304	-	1,629
2Q19	39	-	1,111	2	199	6	311	-	1,668
1Q19	41	-	1,830	2	203	6	318	-	2,400
Annual Data									
2019	36	0	832	2	40	5	294	0	1,209
2018	43	0	2,392	2	218	6	325	0	2,986
2017	51	0	1,135	3	965	8	358	24	2,544
2016	72	4	2,487	4	1,881	33	407	1,567	6,455
2015	460	5	5,208	567	2,914	89	970	3,516	13,729
2014	1,699	194	8,719	4,329	3,416	149	1,194	3,688	23,388
2013	1,902	218	12,104	3,512	7,641	168	1,322	3,987	30,854
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

<sup>a</sup> Unpaid principal balance. Beginning in 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.

<sup>b</sup> Beginning in Q3 2015, we reclassified certain Single-Family securities from fixed-rate to adjustable-rate.

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 <sup>a</sup> (\$)	Total Mortgage-Related Securities <sup>a,b</sup> (\$)	Unamortized Premiums, Discounts, Deferred Adjustments, and Fair-Value Adjustments on Securities and Loans <sup>b,c</sup> (\$)	Mortgage Assets Held for Investment (Net) <sup>b</sup> (\$)	Mortgage Assets Held for Investment (Gross) <sup>b,d</sup> (\$)	Limit on Mortgage Assets Held for Investment (Gross) <sup>e</sup> (\$)
4Q19	313	48,053	(2,284)	151,327	153,611	250,000
3Q19	344	55,469	(3,278)	173,712	176,989	250,000
2Q19	360	48,435	(2,008)	168,508	170,516	250,000
1Q19	422	54,421	(3,175)	173,258	176,433	250,000
Annual Data						
2019	313	48,053	(2,284)	151,327	153,611	250,000
2018	431	52,478	(3,619)	175,534	179,153	250,000
2017	665	53,418	-6,044	224,739	230,783	288,400
2016	1,278	52,285	-9,570	262,784	272,354	339,300
2015	3,105	91,511	-8,446	336,657	345,103	399,200
2014	4,556	127,703	-6,861	406,452	413,313	422,700
2013	6,319	176,037	-10,302	480,399	490,701	552,500
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 Before 2009	Not Applicable Before 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

<sup>a</sup> Unpaid principal balance.

<sup>b</sup> Beginning in 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.

<sup>c</sup> 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.

<sup>d</sup> Amounts 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 for 2009 includes consolidation of variable interest entities. The 2009 amount would have been \$772.5 billion excluding consolidation of variable interest entities.

<sup>e</sup> 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 <sup>a</sup> (\$)	Interest Rate Caps, Floors, and Corridors (\$)	Foreign Currency Contracts (\$)	Over-the-Counter Futures, Options, and Forward Rate Agreements <sup>b</sup> (\$)	Mandatory Mortgage Purchase & Sell Commitments (\$)	Other <sup>c</sup> (\$)	Total (\$)
4Q19	170,464		461	38,957	192,341	37,918	440,141
3Q19	175,074	0	428	65,519	279,320	36,916	557,257
2Q19	229,271	0	442	37,987	241,941	36,456	546,097
1Q19	235,626	0	454	40,044	166,279	35,619	478,022
Annual Data							
2019	170,464	0	461	38,957	192,341	37,918	440,141
2018	240,741	0	444	35,881	117,007	34,350	428,423
2017	294,339	0	470	30,565	177,613	13,240	516,227
2016	307,034	0	430	25,205	148,472	15,078	496,219
2015	384,184	0	553	41,191	125,443	0	551,371
2014	404,375	0	617	67,900	119,026	0	591,918
2013	413,738	500	1,042	137,450	72,937	0	625,667
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
1990	4,800	0		25		1,700	6,525

Source: Fannie Mae

<sup>a</sup> 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).<sup>b</sup> Beginning in 2010, includes exchange-traded futures, if applicable.<sup>c</sup> Beginning in 2016, includes credit risk transfer transactions that we account for as derivatives.

TABLE 7 • FANNIE MAE NONMORTGAGE INVESTMENTS

End of Period	Nonmortgage Investments (\$ in Millions)						Total (\$)
	Federal Funds and Eurodollars (\$)	Asset-Backed Securities (\$)	Repurchase Agreements <sup>b</sup> (\$)	Commercial Paper and Corporate Debt <sup>c</sup> (\$)	Other <sup>d</sup> (\$)		
4Q19	-	-	13,578	79	39,501	53,158	
3Q19	-	-	23,176	84	36,016	59,276	
2Q19	-	-	19,562	84	35,266	54,912	
1Q19	-	-	22,250	84	35,020	57,354	
Annual Data							
2019	-	-	13,578	79	39,501	53,158	
2018	-	-	32,938	89	35,502	68,529	
2017	0	0	19,470	0	29,222	48,692	
2016	0	0	30,415	0	32,317	62,732	
2015	0	0	27,350	0	29,485	56,835	
2014	0	0	30,950	0	19,466	50,416	
2013	0	0	38,975	0	16,306	55,281	
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

<sup>a</sup> 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.

<sup>b</sup> 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.

<sup>c</sup> Includes corporate bonds.

<sup>d</sup> 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 <sup>a</sup> (%)	Multifamily Serious Delinquency Rate <sup>b</sup> (%)	Credit Losses as a Proportion of the Guarantee Book of Business <sup>c,d</sup> (%)	Real Estate Owned as a Proportion of the Guarantee Book of Business <sup>d</sup> (%)	Credit-Enhanced Outstanding as a Proportion of the Guarantee Book of Business <sup>e</sup> (%)		
4Q19	0.66	0.04	0.05	0.07			57.42
3Q19	0.68	0.06	0.04	0.07			54.10
2Q19	0.70	0.05	0.08	0.07			54.01
1Q19	0.74	0.07	0.06	0.08			53.20
<b>Annual Data</b>							
2019	0.66	0.04	0.05	0.07			57.42
2018	0.76	0.06	0.07	0.08			51.0
2017	1.24	0.11	0.10	0.10			44.3
2016	1.20	0.05	0.12	0.15			37.2
2015	1.55	0.07	0.35	0.22			23.1
2014	1.89	0.05	0.20	0.35			20.9
2013	2.38	0.10	0.15	0.38			19.6
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

<sup>a</sup> 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. Prior to 1988, data included all seriously delinquent loans for which Fannie Mae had primary risk of loss. Beginning in 1998, data include all seriously delinquent conventional loans owned or backing Fannie Mae MBS with and without primary mortgage insurance or credit enhancement. Data prior to 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.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> Guaranty 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 guaranty book of business plus non-Fannie Mae mortgage-related securities held as investments not guaranteed by Fannie Mae.

<sup>e</sup> 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. Additionally, beginning in Q4 2016, the credit-enhanced category was expanded to include credit enhancements from Connecticut Avenue Securities (CAS) transactions.

TABLE 9 • FANNIE MAE CAPITAL

End of Period	Capital (\$ in Millions) <sup>a</sup>										
	Minimum Capital Requirement			Risk-Based Capital Requirement			Market Capitalization <sup>b</sup> (\$)	Core Capital/Total Assets (%)	Core Capital/Total Assets Plus Unconsolidated MBS <sup>c</sup> (%)	Common Share Dividend Payout Rate <sup>d</sup> (%)	
	Core Capital <sup>e</sup> (\$)	Minimum Capital Requirement <sup>e</sup> (\$)	Minimum Capital Surplus (Deficit) <sup>f</sup> (\$)	Total Capital <sup>g</sup> (\$)	Risk-Based Capital Requirement <sup>h</sup> (\$)	Risk-Based Capital Surplus (Deficit) <sup>g</sup> (\$)					
4Q19	(106,360)	22,392	(128,752)	N/A	N/A	N/A	\$3,613	-3.03%	-3.03%	N/A	
3Q19	(110,725)	23,038	(133,763)	N/A	N/A	N/A	\$4,401	-3.17%	-3.16%	N/A	
2Q19	(114,688)	22,315	(137,003)	N/A	N/A	N/A	\$3,127	-3.33%	-3.32%	N/A	
1Q19	(115,759)	22,057	(137,815)	N/A	N/A	N/A	\$3,243	-3.38%	-3.38%	N/A	
Annual Data											
2019	(106,360)	22,392	(128,752)	N/A	N/A	N/A	\$3,613	-3.03%	-3.03%	N/A	
2018	(114,919)	22,216	(137,135)	N/A	N/A	N/A	1,228	-3.36%	-3.36%	N/A	
2017	-121,389	23,007	-144,396	N/A	N/A	N/A	3,069	-3.63	-3.62	N/A	
2016	-111,836	24,351	-136,187	N/A	N/A	N/A	4,517	(3.40)	-3.39	N/A	
2015	-114,526	25,144	-139,670	N/A	N/A	N/A	1,899	(3.55)	-3.54	N/A	
2014	-115,202	27,044	-142,246	N/A	N/A	N/A	2,380	(3.55)	-3.53	N/A	
2013	-108,811	28,472	-137,283	N/A	N/A	N/A	3,486	-3.33	-3.31	N/A	
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

<sup>a</sup> 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.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> Minimum capital surplus is the difference between core capital and minimum capital requirement.

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

<sup>f</sup> 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.

<sup>g</sup> 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.

<sup>h</sup> Stock price at the end of the period multiplied by the number of outstanding common shares.

<sup>i</sup> 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.

<sup>j</sup> Unconsolidated MBS are those held by third parties.

<sup>k</sup> 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 (other than to Treasury as holder of the Senior Preferred Stock).

TABLE 10 • FREDDIE MAC MORTGAGE PURCHASES

Period	Business Activity (\$ in Millions)			
	Purchases <sup>a</sup>			
	Single-Family (\$)	Multifamily (\$)	Total Mortgages <sup>b</sup> (\$)	Mortgage-Related Securities <sup>c,d</sup> (\$)
4Q19	146,865	17,465	164,330	28,855
3Q19	134,479	29,359	163,838	32,155
2Q19	102,075	17,755	119,830	19,944
1Q19	70,062	13,274	83,336	12,313
Annual Data				
2019	453,481	77,853	531,334	93,267
2018	308,197	77,457	385,654	66,763
2017	343,566	73,201	416,767	81,592
2016	392,507	56,830	449,337	77,239
2015	350,560	47,264	397,824	58,580
2014	255,253	28,336	283,589	59,690
2013	422,742	25,872	448,614	49,383
2012	426,849	28,774	455,623	16,627
2011	320,793	20,325	341,118	108,281
2010	386,378	15,372	401,750	46,134
2009	475,350	16,571	491,921	236,856
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

<sup>a</sup> Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled.<sup>b</sup> Consists of loans purchased from lenders, as well as those loans covered under other mortgage-related guarantees.<sup>c</sup> Not included in total mortgages. From 2002 through the current period, 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 in 2010 through the current period, include purchases of Freddie Mac MBS, most accounted for as debt extinguishments under Generally Accepted Accounting Principles rather than as investment in securities.<sup>d</sup> Freddie Mac mortgage-related securities include mortgage-related securities issued or guaranteed by Freddie Mac. In prior periods, certain of these securities that were issued by third-party trusts but guaranteed by Freddie Mac were classified as non-agency mortgage-related securities. The "total private-label" data for 2009 and later periods have been revised to conform to the current period presentation.

TABLE 10A • FREDDIE MAC MORTGAGE PURCHASES DETAIL BY TYPE OF LOAN

Period	Purchases (\$ in Millions)											
	Single-Family Mortgages							Multifamily Mortgages				Total Mortgage Purchases (\$)
	Conventional				FHA/VA <sup>d</sup>			Total Single-Family Mortgages (\$)	Conventional (\$)	FHA/RD (\$)	Total Multi-family Mortgages (\$)	
	Fixed-Rate <sup>b</sup> (\$)	Adjustable-Rate <sup>b</sup> (\$)	Seconds (\$)	Total (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Total (\$)					
4Q19	145,970	837	0	146,807	58	0	58					
3Q19	133,538	889	0	134,427	52	0	52	134,479	29,359	0	29,359	163,838
2Q19	100,333	1,713	0	102,046	29	0	29	102,075	17,755	0	17,755	119,830
1Q19	68,219	1,818	0	70,037	25	0	25	70,062	13,274	0	13,274	83,336
Annual Data												
2019	448,060	5,257	0	453,317	164	0	164	453,481	77,853	0	77,853	531,334
2018	304,246	3,848	0	308,094	103	0	103	308,197	77,457	0	77,457	385,654
2017	333,612	9,841	0	343,453	113	0	113	343,566	73,201	0	73,201	416,767
2016	385,806	6,555	0	392,361	146	0	146	392,507	56,830	0	56,830	449,337
2015	337,637	12,760	0	350,397	163	0	163	350,560	47,264	0	47,264	397,824
2014	239,469	15,711	0	255,180	73	0	73	255,253	28,336	0	28,336	283,589
2013	406,605	16,007	0	422,612	130	0	130	422,742	25,872	0	25,872	448,614
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

<sup>a</sup> Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled. Activity includes issuances of other mortgage-related guarantees for loans held by third parties.

<sup>b</sup> From 2002 through the current period, includes loans guaranteed by U.S. Department of Agriculture Rural Development (RD) loan programs.

<sup>c</sup> From 2001 to 2012, includes balloon/reset mortgages. Freddie Mac discontinued purchase of balloon/reset mortgages on January 1, 2013.

<sup>d</sup> 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) <sup>a</sup>															
	Freddie Mac Securities <sup>b</sup>				Other Securities											
	Single-Family			Total Freddie Mac (\$)	Fannie Mae				Ginnie Mae <sup>c</sup>				Total Private-Label <sup>d</sup> (\$)	Mortgage Revenue Bonds (\$)	Total Mortgage-Related Securities <sup>c</sup> (\$)	
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Multi-family (\$)		Single-Family		Multi-family (\$)	Total Fannie Mae (\$)	Single-Family		Multi-family (\$)	Total Ginnie Mae (\$)				
			Fixed-Rate (\$)	Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)			Multi-family (\$)	Total Ginnie Mae (\$)						
4Q19	23,700	324	0	24,024	4,792	39	0	4,831	0	0	0	0	0	0	0	28,855
3Q19	25,270	656	24	25,950	6,191	14	0	6,205	0	0	0	0	0	0	0	32,155
2Q19	15,414	870	0	16,284	3,589	71	0	3,660	0	0	0	0	0	0	0	19,944
1Q19	11,240	733	0	11,973	340	0	0	340	0	0	0	0	0	0	0	12,313
Annual Data																
2019	75,624	2,583	24	78,231	14,912	124	-	15,036	-	-	-	-	-	-	-	93,267
2018	61,614	3,339	321	65,274	18	1,471	0	1,489	0	-	0	-	-	0	0	66,763
2017	72,631	2,833	0	75,464	5,117	437	0	5,554	0	24	0	24	0	550	0	81,592
2016	65,274	5,981	12	71,267	5,345	485	0	5,830	0	142	0	142	0	0	0	77,239
2015	48,764	5,532	97	54,393	1,624	2,239	0	3,863	0	324	0	324	0	0	0	58,580
2014	43,922	7,568	392	51,882	2,695	5,005	0	7,700	0	73	0	73	35	0	0	59,690
2013	44,760	296	0	45,056	4,251	50	0	4,301	0	0	0	0	26	0	0	49,383
2012	13,272	3,045	119	16,436	0	170	0	170	0	0	0	0	21	0	0	16,627
2011	94,543	5,057	472	100,072	5,835	2,297	0	8,132	0	0	0	0	77	0	0	108,281
2010	40,462	923	382	41,767	0	373	0	373	0	0	0	0	3,994	0	0	46,134
2009	176,974	5,414	0	182,388	43,298	2,697	0	45,995	0	0	27	27	8,266	180	0	236,856
2008	192,701	26,344	111	219,156	49,534	18,519	0	68,053	0	0	8	8	10,316	81	0	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	0	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	0	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	0	325,575
2004	72,147	23,942	146	96,235	756	3,282	0	4,038	0	0	0	0	121,082	1,944	0	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	0	385,078
2002				192,817				45,798				820	59,376	863	0	299,674
2001				157,339				64,508				1,444	24,468	707	0	248,466
2000				58,516				18,249				3,339	10,304	1,488	0	91,896
1999				69,219				12,392				3,422	15,263	1,602	0	101,898
1998				107,508				3,126				319	15,711	1,782	0	128,446
1997				31,296				897				326	1,494	1,372	0	35,385
1996				33,338				Not Available Before 1997				Not Available Before 1997	Not Available Before 1997	Not Available Before 1997	0	36,824
1995				32,534											0	39,292
1994				19,817											0	19,817

Source: Freddie Mac

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

<sup>b</sup> 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. Amounts for 2012 and later primarily consists of third party purchases.

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

<sup>d</sup> Freddie Mac mortgage-related securities include mortgage-related securities issued or guaranteed by Freddie Mac. In prior periods, certain of these securities that were issued by third-party trusts but guaranteed by Freddie Mac were classified as non-agency mortgage-related securities. 2009 and later periods have been revised to conform to the current period presentation.

TABLE 10B • FREDDIE MAC PURCHASES OF MORTGAGE-RELATED SECURITIES – PART 2, PRIVATE-LABEL DETAIL

Period	Purchases (\$ in Millions) <sup>a</sup>									
	Private-Label									
	Single-Family								Multifamily <sup>d</sup> (\$)	Total Private-Label (\$)
	Manufactured Housing (\$)	Subprime		Alt-A <sup>b</sup>		Other <sup>c</sup>				
Fixed-Rate (\$)		Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)				
4Q19	0	0	0	0	0	0	0	0	0	
3Q19	0	0	0	0	0	0	0	0	0	
2Q19	0	0	0	0	0	0	0	0	0	
1Q19	0	0	0	0	0	0	0	0	0	
<b>Annual Data</b>										
2019	0	0	0	0	0	0	0	0	-	-
2018	0	0	0	0	0	0	0	0	-	-
2017	0	0	0	0	0	0	0	0	0	-
2016	0	0	0	0	0	0	0	0	-	-
2015	0	0	0	0	0	0	0	0	-	-
2014	0	0	0	0	0	0	0	0	35	35
2013	0	0	0	0	0	0	26	0	-	26
2012	0	0	0	0	0	0	21	0	-	21
2011	0	0	0	0	0	0	77	0	-	77
2010	0	0	0	0	0	0	3,172	0	822	3,994
2009	0	0	0	0	0	0	7,874	0	392	8,266
2008	0	60	46	0	618	0	8,175	0	1,417	10,316
2007	127	843	42,824	702	9,306	48	0	0	22,284	76,134
2006	0	116	74,645	718	29,828	48	0	0	16,875	122,230
2005	0	Not Available Before 2006	Not Available Before 2006	Not Available Before 2006	Not Available Before 2006	0	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

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

<sup>b</sup> Includes Alt-A and option ARM private-label mortgage-related securities purchased for other securitization products. ARM stands for adjustable-rate mortgage.

<sup>c</sup> Freddie Mac mortgage-related securities include mortgage-related securities issued or guaranteed by Freddie Mac. In prior periods, certain of these securities that were issued by third-party trusts but guaranteed by Freddie Mac were classified as non-agency mortgage-related securities. 2016 and later periods have been revised to conform to the current period presentation.

<sup>d</sup> Freddie Mac mortgage-related securities include mortgage-related securities issued or guaranteed by Freddie Mac. In prior periods, certain of these securities that were issued by third-party trusts but guaranteed by Freddie Mac were classified as non-agency mortgage-related securities. 2009 and later periods have been revised to conform to the current period presentation.

TABLE 11 • FREDDIE MAC MBS ISSUANCES

Period	Business Activity (\$ in Millions)			
	MBS Issuances <sup>a</sup>			
	Single-Family MBS <sup>b</sup> (\$)	Multifamily MBS (\$)	Total MBS <sup>b</sup> (\$)	Multiclass MBS <sup>c</sup> (\$)
4Q19	151,488	20,411	171,899	40,577
3Q19	132,466	19,633	152,099	39,704
2Q19	101,548	14,326	115,874	27,940
1Q19	68,245	13,538	81,783	27,691
<b>Annual Data</b>				
2019	453,747	67,908	521,655	135,912
2018	317,910	64,087	381,997	183,615
2017	354,131	62,571	416,702	126,752
2016	395,459	47,744	443,203	123,435
2015	356,599	33,392	389,991	82,620
2014	259,763	19,770	279,533	105,174
2013	435,499	25,267	460,766	111,436
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

<sup>a</sup> Based on unpaid principal balances. Excludes mortgage loans, mortgage-related securities traded but not yet settled and unguaranteed subordinated whole loan securities. Includes issuance of other mortgage-related guarantees for mortgages not in the form of a security.<sup>b</sup> Includes mortgage-backed securities (MBS), real estate mortgage investment conduits (REMICs), other structured securities, and other securitization products. From 2002 through the current period, includes Freddie Mac REMICs and other structured securities backed by Freddie Mac 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 securitization of Freddie Mac MBS.<sup>c</sup> Includes activity related to multiclass securities, primarily REMICs, but excludes securitizations of MBS into single-class securities. Amounts are not included in total MBS issuances if the activity represents a securitization of Freddie Mac MBS.



TABLE 12 • FREDDIE MAC EARNINGS

Period	Earnings (\$ in Millions)						Return on Equity <sup>d</sup> (%)
	Net Interest Income <sup>a</sup> (\$)	Guarantee Fee Income <sup>b</sup> (\$)	Administrative Expenses (\$)	Credit-Related (Benefit) Expenses <sup>c</sup> (\$)	Net Income (Loss) (\$)		
4Q19	3,358	239	747	(215)	2,592	N/M	
3Q19	2,410	280	620	(121)	1,709	N/M	
2Q19	2,927	280	619	(79)	1,506	N/M	
1Q19	3,153	290	578	(102)	1,407	N/M	
Annual Data							
2019	11,848	1,089	2,564	(517)	7,214	N/M	
2018	12,021	811	2,293	(567)	9,235	N/M	
2017	14,164	662	2,106	105	5,625	N/M	
2016	14,379	513	2,005	-516	7,815	N/M	
2015	14,946	369	1,927	-2,327	6,376	N/M	
2014	14,263	329	1,881	254	7,690	N/M	
2013	16,468	271	1,805	-2,605	48,668	N/M	
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

<sup>a</sup> 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.

<sup>b</sup> 2017 and 2018 have been revised to conform to current period presentation.

<sup>c</sup> For years 2002 through the current period, 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.

<sup>d</sup> 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) <sup>a</sup>								
	Total Assets (\$)	Total Mortgage Assets <sup>b</sup> (\$)	Nonmortgage Investments (\$)	Total Debt Outstanding (\$)	Stockholders' Equity (\$)	Senior Preferred Stock (\$)	Fair-Value of Net Assets (\$)	Mortgage Assets Held for Investment (Gross) <sup>c</sup> (\$)	Indebtedness <sup>d</sup> (\$)
4Q19	2,203,623	2,073,090	98,327	2,179,528	9,122	72,648	Not Available	212,673	283,157
3Q19	2,170,246	2,051,044	80,908	2,149,259	6,674	72,648	Not Available	221,601	282,295
2Q19	2,124,500	2,015,972	79,807	2,105,335	4,826	72,648	Not Available	218,986	279,730
1Q19	2,092,907	1,995,676	70,739	2,073,614	4,665	72,648	Not Available	218,940	272,822
Annual Data									
2019	2,203,623	2,073,090	98,327	2,179,528	9,122	72,648	Not Available	212,673	283,157
2018	2,063,060	1,983,053	55,751	2,044,950	4,477	72,648	Not Available	218,080	255,700
2017	2,049,776	1,941,680	79,991	2,034,630	(312)	72,336	Not Available	253,455	316,729
2016	2,023,376	1,906,843	72,685	2,002,004	5,075	72,336	Not Available	298,426	356,743
2015	1,985,892	1,866,588	80,795	1,970,269	2,940	72,336	Not Available	346,911	418,021
2014	1,945,360	1,852,646	58,585	1,929,363	2,651	72,336	(30,400)	408,414	454,029
2013	1,965,831	1,855,095	69,019	1,940,521	12,835	72,336	(41,200)	461,024	511,345
2012	1,989,557	1,912,929	58,076	1,966,743	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	Not Applicable Before 2009
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.

<sup>a</sup> 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.<sup>b</sup> Excludes allowance for loan losses.<sup>c</sup> 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.<sup>d</sup> As defined in the Treasury Senior Preferred Stock Purchase Agreement for 2009 and later years.

TABLE 13A • FREDDIE MAC TOTAL MBS OUTSTANDING DETAIL <sup>a/g</sup>

End of Period	Single-Family Mortgages (\$ in Millions)				Multifamily Mortgages (\$ in Millions)			(\$ in Millions)		
	Conventional				Total FHA/VA <sup>d</sup>	Conventional (\$)	FHA/RD (\$)	Multifamily Mortgages (\$)	Total MBS Outstanding <sup>e</sup> (\$)	Multiclass MBS Outstanding <sup>f</sup> (\$)
	Fixed-Rate <sup>b</sup> (\$)	Adjustable-Rate <sup>c</sup> (\$)	Seconds <sup>d</sup> (\$)	Total (\$)						
4Q19	1,821,287	30,461	0	1,851,748	1,354	265,344	0	265,344	2,118,446	546,166
3Q19	1,786,218	32,035	0	1,818,253	1,389	254,882	0	254,882	2,074,524	541,818
2Q19	1,741,221	34,623	0	1,775,844	1,433	243,696	0	243,696	2,020,973	534,912
1Q19	1,711,311	36,204	0	1,747,515	1,484	236,983	0	236,983	1,985,982	532,664
<b>Annual Data</b>										
2019	1,821,287	30,461	0	1,851,748	1,354	265,344	0	265,344	2,118,446	546,166
2018	1,694,596	37,568	0	1,732,164	1,532	230,892	0	230,892	1,964,588	528,413
2017	1,598,054	45,791	0	1,643,845	1,783	199,168	0	199,168	1,844,796	475,624
2016	1,510,170	48,467	0	1,558,637	2,110	152,236	0	152,236	1,712,983	422,528
2015	1,409,898	68,234	0	1,478,132	2,413	114,130	0	114,130	1,594,675	411,016
2014	1,338,926	72,095	0	1,411,021	2,835	87,836	0	87,836	1,501,692	410,133
2013	1,306,504	72,187	1	1,378,692	3,152	71,793	0	71,793	1,453,637	402,309
2012	1,269,642	76,095	1	1,345,738	3,452	49,542	0	49,542	1,398,732	427,630
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

<sup>a</sup> Based on unpaid principal balances of mortgage guarantees held by third parties. Excludes mortgage-backed securities (MBS) held for investment by Freddie Mac and unguaranteed subordinated whole loan securities.

<sup>b</sup> Includes U.S. Department of Agriculture Rural Development (RD) loan programs.

<sup>c</sup> From 2001 to the current period, includes MBS with underlying mortgages classified as balloon/reset loans. Freddie Mac discontinued purchase of balloon/reset mortgages on January 1, 2013.

<sup>d</sup> From 2002 to the current period, includes securitizations of non-Freddie Mac securities.

<sup>e</sup> Excludes mortgage loans and mortgage-related securities traded but not yet settled. From 2002 to the current period, 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.

<sup>f</sup> Amounts are included in total MBS outstanding column.

<sup>g</sup> Freddie Mac mortgage-related securities include mortgage-related securities issued or guaranteed by Freddie Mac. In prior periods, certain of these securities that were issued by third-party trusts but guaranteed by Freddie Mac were classified as non-agency mortgage-related securities. 2017 and later periods have been revised to conform to the current period presentation.

TABLE 14 • FREDDIE MAC MORTGAGE ASSETS HELD FOR INVESTMENT DETAIL

End of Period	(\$ in Millions)			
	Whole Loans <sup>a</sup> (\$)	Freddie Mac Securities <sup>a</sup> (\$)	Other Mortgage-Related Securities <sup>a</sup> (\$)	Mortgage Assets Held for Investment (Gross) <sup>b, c</sup> (\$)
4Q19	83,652	118,647	10,374	212,673
3Q19	95,823	116,425	9,353	221,601
2Q19	89,902	122,155	6,929	218,986
1Q19	90,462	122,365	6,113	218,940
Annual Data				
2019	83,652	118,647	10,374	212,673
2018	91,618	120,148	6,314	218,080
2017	107,171	135,552	10,732	253,455
2016	127,549	136,184	34,693	298,426
2015	145,664	147,824	53,423	346,911
2014	164,472	161,541	82,401	408,414
2013	181,308	168,034	111,682	461,024
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

<sup>a</sup> Based on unpaid principal balances. Excludes mortgage loans and mortgage-related securities traded but not yet settled.<sup>b</sup> Excludes allowance for loan losses.<sup>c</sup> 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.

TABLE 14A • FREDDIE MAC MORTGAGE ASSETS HELD FOR INVESTMENT DETAIL – WHOLE LOANS

End of Period	Whole Loans (\$ in Millions) <sup>a</sup>									
	Single-Family					Multifamily			Total Whole Loans (\$)	
	Conventional					Total FHA/VA <sup>c</sup> (\$)	Conventional (\$)	FHA/RD (\$)		Total (\$)
	Fixed-Rate <sup>b</sup> (\$)	Adjustable-Rate (\$)	Seconds (\$)	Total (\$)	Total (\$)					
4Q19	52,649	892	0	53,541	326					
3Q19	57,840	962	0	58,802	333	36,686	2	36,688	95,823	
2Q19	56,975	1,090	0	58,065	307	31,528	2	31,530	89,902	
1Q19	57,146	1,138	0	58,284	304	31,872	2	31,874	90,462	
<b>Annual Data</b>										
2019	52,649	892	0	53,541	326	29,783	2	29,785	83,652	
2018	55,311	1,214	0	56,525	306	34,785	2	34,787	91,618	
2017	66,926	1,675	0	68,601	331	38,222	17	38,239	107,171	
2016	82,295	2,439	0	84,734	398	42,415	2	42,417	127,549	
2015	92,931	3,185	0	96,116	461	49,084	3	49,087	145,664	
2014	106,499	4,544	0	111,043	473	52,953	3	52,956	164,472	
2013	115,073	6,511	0	121,584	553	59,168	3	59,171	181,308	
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

<sup>a</sup> Based on unpaid principal balances of mortgage loans. Excludes mortgage loans traded but not yet settled.

<sup>b</sup> From 2001 to the current period, includes U.S. Department of Agriculture Rural Development (RD) loan programs.

<sup>c</sup> 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) <sup>a</sup>													
	Freddie Mac Securities <sup>b,c</sup>				Other Securities <sup>d</sup>									
	Single-Family			Total Freddie Mac (\$)	Fannie Mae				Ginnie Mae				Total Private-Label (\$)	Total Other Securities (\$)
	Fixed-Rate (\$)	Adjustable-Rate (\$)	Multi-family (\$)		Single-Family			Total Fannie Mae (\$)	Single-Family			Total Ginnie Mae (\$)		
Fixed-Rate (\$)				Adjustable-Rate (\$)	Multi-family (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)		Multi-family (\$)					
4Q19	97,710	15,227	5,710	118,647	7,756	962	0	8,718	16	3	11	30	1,452	10,200
3Q19	94,363	16,584	5,478	116,425	5,844	1,719	0	7,563	17	3	11	31	1,578	9,172
2Q19	99,206	17,049	5,900	122,155	2,913	1,981	0	4,894	18	3	11	32	1,803	6,729
1Q19	97,842	17,597	6,926	122,365	1,556	2,247	0	3,803	24	3	11	38	2,056	5,897
Annual Data														
2019	97,710	15,227	5,710	118,647	7,756	962	0	8,718	16	3	11	30	1,452	10,200
2018	95,705	17,282	7,161	120,148	1,520	2,419	0	3,939	25	4	11	40	2,099	6,078
2017	107,213	21,258	7,081	135,552	2,861	2,191	0	5,052	36	123	12	171	5,157	10,380
2016	102,778	27,651	5,755	136,184	7,650	3,876	0	11,526	56	178	12	246	22,266	34,038
2015	119,072	22,873	5,879	147,824	6,038	6,753	0	12,791	90	77	12	179	39,265	52,235
2014	131,683	26,532	3,326	161,541	6,852	9,303	0	16,155	119	67	12	198	63,879	80,232
2013	137,164	28,083	2,787	168,034	7,240	9,421	3	16,664	150	78	15	243	91,237	108,144
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

<sup>a</sup> Based on unpaid principal balances.

<sup>b</sup> From 2001 to the current period, includes real estate mortgage investment conduits and other structured securities backed by Ginnie Mae mortgage-backed securities.

<sup>c</sup> Freddie Mac mortgage-related securities include mortgage-related securities issued or guaranteed by Freddie Mac. In prior periods, certain of these securities that were issued by third-party trusts but guaranteed by Freddie Mac were classified as non-agency mortgage-related securities. 2017 and later periods have been revised to conform to the current period presentation.

<sup>d</sup> From 3Q 2019 to the current periods, amounts include the Fannie Mae-backed portion of partially-owned Freddie Mac issued commingled securities.

<sup>e</sup> From 2Q 2019 to the current periods, amounts include the Fannie Mae-backed portion of 100%-owned Freddie Mac-issued commingled 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) <sup>a/d</sup>									
	Private-Label									
	Single-Family								Multifamily (\$)	Total Private-Label (\$)
	Manufactured Housing (\$)	Subprime		Alt-A <sup>b</sup>		Other <sup>c</sup>				
Fixed-Rate (\$)		Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)	Fixed-Rate (\$)	Adjustable-Rate (\$)				
4Q19	325	3	896	39	77	0	82	30	1,452	
3Q19	333	3	916	40	170	0	85	31	1,578	
2Q19	343	3	1,123	41	175	0	87	31	1,803	
1Q19	351	3	1,358	43	181	0	89	31	2,056	
Annual Data										
2019	325	3	896	39	77	0	82	30	1,452	
2018	358	3	1,383	45	187	0	91	32	2,099	
2017	428	3	3,315	58	410	0	812	131	5,157	
2016	566	9	10,311	340	1,461	0	3,176	6,403	22,266	
2015	630	10	17,285	753	3,045	0	5,309	12,233	39,265	
2014	704	11	27,675	955	5,035	0	8,287	21,212	63,879	
2013	778	116	39,583	1,417	9,594	0	10,426	29,323	91,237	
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

<sup>a</sup> Based on unpaid principal balances.

<sup>b</sup> Includes nonagency mortgage-related securities backed by home equity lines of credit.

<sup>c</sup> 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.

<sup>d</sup> Freddie Mac mortgage-related securities include mortgage-related securities issued or guaranteed by Freddie Mac. In prior periods, certain of these securities that were issued by third-party trusts but guaranteed by Freddie Mac were classified as non-agency mortgage-related securities. 2017 and later periods have been revised to conform to the current period presentation.



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 <sup>a</sup> (\$)	Total Mortgage-Related Securities <sup>a</sup> (\$)	Unamortized Premiums, Discounts, Deferred Fees, Plus Unrealized Gains/Losses on Available-for-Sale Securities <sup>b</sup> (\$)	Mortgage Assets Held for Investment (Net) <sup>c</sup> (\$)	Mortgage Assets Held for Investment (Gross) <sup>d</sup> (\$)	Limit on Mortgage Assets Held for Investment (Gross) <sup>e</sup> (\$)	
4Q19	174	129,021	N/A	N/A	212,673	250,000	
3Q19	181	125,778	N/A	N/A	221,601	250,000	
2Q19	200	129,084	N/A	N/A	218,986	250,000	
1Q19	216	128,478	N/A	N/A	218,940	250,000	
Annual Data							
2019	174	129,021	N/A	N/A	212,673	250,000	
2018	236	126,462	N/A	N/A	218,080	250,000	
2017	352	146,284	N/A	N/A	253,455	288,408	
2016	657	170,877	N/A	N/A	298,426	339,304	
2015	1,188	201,247	N/A	N/A	346,911	399,181	
2014	2,169	243,942	N/A	N/A	408,414	469,625	
2013	3,538	279,716	N/A	N/A	461,024	552,500	
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

<sup>a</sup> Based on unpaid principal balances.<sup>b</sup> 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.<sup>c</sup> Excludes allowance for loan losses.<sup>d</sup> 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.<sup>e</sup> Maximum allowable mortgage assets under the Treasury Senior Preferred Stock Purchase Agreement.

TABLE 15 • FREDDIE MAC FINANCIAL DERIVATIVES

End of Period	Financial Derivatives – Notional Amount Outstanding (\$ in Millions)									
	Interest Rate Swaps <sup>a</sup> (\$)	Interest Rate Caps, Floors, and Corridors (\$)	Foreign Currency Contracts (\$)	Over-the-Counter Futures, Options, and Forward Rate Agreements (\$)	Treasury-Based Contracts <sup>b</sup> (\$)	Exchange-Traded Futures, Options and Other Derivatives (\$)	Credit Derivatives <sup>c</sup> (\$)	Commitments <sup>d</sup> (\$)	Other <sup>e</sup> (\$)	Total (\$)
4Q19	680,608	10,000	0	153,464	164,475	45,830	1,312	93,960	17,034	1,166,683
3Q19	662,249	10,000	0	136,443	36,939	144,540	1,822	152,300	16,991	1,161,284
2Q19	604,758	10,000	0	154,705	42,197	74,887	1,932	117,840	16,814	1,023,133
1Q19	546,593	10,000	0	141,889	34,837	91,790	1,966	76,516	15,412	919,003
<b>Annual Data</b>										
2019	680,608	10,000	0	153,464	164,475	45,830	1,312	93,960	17,034	1,166,683
2018	516,240	10,000	0	138,331	40,075	121,110	2,030	36,044	12,212	876,042
2017	557,115	10,000	0	115,118	50,820	216,565	3,569	54,207	2,906	1,010,300
2016	586,033	10,000	0	114,392	28,763	109,531	2,951	45,353	2,879	899,902
2015	429,712	10,000	0	99,463	1,332	55,000	3,899	29,114	3,033	631,553
2014	418,844	10,000	0	95,260	7,471	40,000	5,207	27,054	3,204	607,040
2013	524,624	19,000	528	103,010	270	50,000	5,386	18,731	3,477	725,026
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

<sup>a</sup> Amounts for 2010 through the current period include exchange-settled interest rate swaps.

<sup>b</sup> Amounts for years 2002 through the current period include exchange-traded.

<sup>c</sup> Includes prepayment management agreement and swap guarantee derivatives. Beginning 4Q 2019, certain derivatives related to our credit risk transfer transactions were reclassified to other.

<sup>d</sup> 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.

<sup>e</sup> Beginning in 4Q 2019, includes certain derivatives previously reported as credit derivatives.

TABLE 16 • FREDDIE MAC NONMORTGAGE INVESTMENTS

End of Period	Nonmortgage Investments (\$ in Millions) <sup>a</sup>					
	Federal Funds and Eurodollars (\$)	Asset-Backed Securities (\$)	Repurchase Agreements (\$)	Commercial Paper and Corporate Debt (\$)	Other <sup>b</sup> (\$)	Total (\$)
4Q19	0	0	66,114	0	32,213	98,327
3Q19	0	0	51,187	0	29,721	80,908
2Q19	0	0	52,698	0	27,109	79,807
1Q19	0	0	50,134	0	20,604	70,738
Annual Data						
2019	0	0	66,114	0	32,213	98,327
2018	0	0	34,771	0	20,980	55,751
2017	0	0	55,903	0	24,088	79,991
2016	0	0	51,548	0	21,137	72,685
2015	0	0	63,644	0	17,151	80,795
2014	0	0	51,903	0	6,682	58,585
2013	0	0	62,383	0	6,636	69,019
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
1987	3,177	0	5,859	0	1,431	10,467

Source: Freddie Mac

<sup>a</sup> 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.<sup>b</sup> Beginning in 2017, amounts include certain secured lending activity. From 2009 through current period, 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 <sup>a</sup> (%)	Multifamily Delinquency Rate <sup>b</sup> (%)	Credit Losses/Average Total Mortgage Portfolio <sup>c</sup> (%)	REO/Total Mortgage Portfolio <sup>d</sup> (%)	Credit-Enhanced <sup>e</sup> /Total Mortgage Portfolio <sup>d</sup> (%)
4Q19	0.63	0.08	0.08	0.02	60.0
3Q19	0.61	0.04	0.06	0.03	60.0
2Q19	0.63	0.03	0.04	0.03	60.0
1Q19	0.67	0.03	0.10	0.03	60.0
Annual Data					
2019	0.63	0.08	0.07	0.02	60.0
2018	0.69	0.01	0.11	0.04	58.0
2017	1.08	0.02	0.19	0.04	48.0
2016	1.00	0.03	0.09	0.06	40.0
2015	1.32	0.02	0.26	0.09	33.0
2014	1.88	0.04	0.22	0.14	26.0
2013	2.39	0.09	0.27	0.25	16.0
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

<sup>a</sup> 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 and thereafter include other guarantee transactions.

<sup>b</sup> Before 2008, rates were based on the unpaid principal balance of loans 60 days or more delinquent or in foreclosure and include 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.

<sup>c</sup> 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.

<sup>d</sup> 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. The credit enhanced percentage of our total mortgage portfolio has been rounded to the nearest whole percent. Since 2004, the credit-enhanced percentage of our total mortgage portfolio has been rounded to the nearest whole percent.

<sup>e</sup> 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. Also includes credit enhancement coverage, such as through STACR debt notes or other risk transfer transactions that were completed by the end of each period.

TABLE 18 • FREDDIE MAC CAPITAL<sup>a</sup>

End of Period	Capital (\$ in Millions)									
	Minimum Capital Requirement			Risk-Based Capital Requirement			Market Capitalization <sup>g</sup>	Core Capital/ Total Assets <sup>h</sup>	Core Capital/ Total Assets plus Unconsolidated MBS <sup>i</sup>	Common Share Dividend Payout Rate <sup>j</sup>
	Core Capital <sup>b</sup> (\$)	Minimum Capital Requirement <sup>c</sup> (\$)	Regulatory Capital Surplus (Deficit) <sup>c</sup> (\$)	Total Capital <sup>d</sup> (\$)	Risk-Based Capital Requirement <sup>e</sup> (\$)	Risk-Based Capital Surplus (Deficit) <sup>f</sup> (\$)				
4Q19	(63,964)	19,123	(83,087)	N/A	N/A	N/A	1,950	(2.90)	(2.60)	N/A
3Q19	(66,556)	18,817	(85,373)	N/A	N/A	N/A	2,334	(3.07)	(2.76)	N/A
2Q19	(68,265)	18,433	(86,698)	N/A	N/A	N/A	1,690	(3.21)	(2.90)	N/A
1Q19	(68,106)	18,127	(86,233)	N/A	N/A	N/A	1,749	(3.25)	(2.94)	N/A
Annual Data										
2019	(63,964)	19,123	(83,087)	N/A	N/A	N/A	1,950	(2.90)	(2.60)	N/A
2018	(68,036)	17,553	(85,589)	N/A	N/A	N/A	689	(3.30)	(2.99)	N/A
2017	(73,037)	18,431	(91,468)	N/A	N/A	N/A	1,638	(3.56)	(3.30)	N/A
2016	(67,717)	18,933	(86,650)	N/A	N/A	N/A	2,431	(3.35)	(3.18)	N/A
2015	(70,549)	19,687	(90,236)	N/A	N/A	N/A	1,053	(3.55)	(3.42)	N/A
2014	(71,415)	20,090	(91,505)	N/A	N/A	N/A	1,339	(3.67)	(3.54)	N/A
2013	(59,495)	21,404	(80,899)	N/A	N/A	N/A	1,885	(3.03)	(2.94)	N/A
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

<sup>a</sup> 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 were binding and will not be binding during conservatorship.<sup>b</sup> 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.<sup>c</sup> 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.<sup>d</sup> Total capital includes core capital and general reserves for mortgage and foreclosure losses.<sup>e</sup> 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.<sup>f</sup> The difference between total capital and risk-based capital requirement.<sup>g</sup> Stock price at the end of the period multiplied by the number of outstanding common shares.<sup>h</sup> 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.<sup>i</sup> Includes unconsolidated MBS held by third parties. Before 2010, Freddie Mac MBS held by third parties were not consolidated.<sup>j</sup> Common dividends paid as a percentage of net income available to common stockholders. As a result of conservatorship and the Senior Preferred Stock Purchase Agreement with Treasury, no amounts are available to distribute as dividends to common or preferred stockholders (other than Treasury as the holder of the Senior Preferred Stock).

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 <sup>1,2</sup> (\$)	Net Income (\$)
4Q19	1,223	338	101	0	892
3Q19	1,082	303	78	0	689
2Q19	1,103	300	81	0	709
1Q19	1,274	287	102	0	900
Annual Data					
2019	4,682	1,228	362	0	3,190
2018	5,256	1,131	404	0	3,562
2017	4,481	1,064	384	0	3,376
2016	3,835	1,025	392	0	3,408
2015	3,548	1,085	332	0	2,856
2014	3,522	932	269	0	2,245
2013	3,415	889	293	0	2,527
2012	4,052	839	296	0	2,606
2011	4,104	853	188	160	1,593
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<sup>3</sup>

<sup>1</sup> Before 2000, the Federal Home Loan Banks charged a \$300 million annual capital distribution to the Resolution Funding Corporation (REFCORP) directly to retained earnings.

<sup>2</sup> 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.

<sup>3</sup> Financial data is from the FHLBanks' Office of Finance annual Combined Financial Report for each year listed. Data may not reflect subsequent adjustments or restatements. Quarterly values are from quarterly Combined Financial Reports.

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 (\$)	GAAP Capital Stock (\$)	Retained Earnings (\$)	Regulatory Capital (\$)	Regulatory Capital/Total Assets (%)
4Q19	1,099,113	641,519	72,492	145,616	1,026,196	34,495	20,588	56,461	5.14
3Q19	1,085,878	658,756	69,417	145,336	1,010,778	35,195	20,183	56,768	5.23
2Q19	1,122,006	689,384	66,545	145,413	1,048,181	36,661	20,017	57,915	5.16
1Q19	1,082,456	671,382	64,076	144,052	1,009,588	35,785	19,849	56,669	5.24
Annual Data									
2019	1,099,113	641,519	72,492	145,616	1,026,196	34,495	20,588	56,461	5.14
2018	1,102,850	728,767	62,534	142,991	1,029,525	38,498	19,504	59,064	5.36
2017	1,103,451	731,544	53,827	141,299	1,033,081	37,657	18,099	57,027	5.17
2016	1,056,712	705,225	48,476	138,650	988,742	36,234	16,330	54,318	5.14
2015	969,353	634,022	44,585	133,680	905,982	34,185	14,325	49,449	5.10
2014	913,343	570,726	43,563	139,180	848,334	33,705	13,244	49,577	5.43
2013	834,200	498,599	44,442	140,309	767,141	33,375	12,206	50,578	6.06
2012	762,454	425,750	49,425	138,522	692,138	33,535	10,524	50,989	6.69
2011	766,086	418,157	53,377	140,154	697,124	35,542	8,577	52,936	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	Not Available Before 1992	118,437	11,104	521	Not Available Before 1992	Not Available Before 1992

Source: Federal Home Loan Bank System Office of Finance<sup>1</sup>

<sup>1</sup> Financial data is from the FHLBanks' Office of Finance annual Combined Financial Report for each year listed. Data may not reflect subsequent adjustments or restatements. Quarterly items are from quarterly Combined Financial Reports.



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
4Q19	97	69	68	76	62	96	48	129	81	113	--	52	(1)	892
3Q19	76	32	79	63	53	80	26	101	70	61	--	49	(1)	689
2Q19	93	36	76	64	54	96	35	108	68	49	--	31	(1)	709
1Q19	101	54	77	73	58	112	33	135	98	104	--	53	2	900
Annual Data														
2019	367	191	300	276	227	384	142	473	317	327	--	185	1	3,190
2018	416	217	303	339	199	460	195	560	347	360	--	170	(4)	3,562
2017	349	190	317	314	150	518	156	479	340	376	--	197	(10)	3,376
2016	278	173	327	268	79	649	113	401	260	712	--	162	(14)	3,408
2015	301	289	349	249	67	131	121	415	257	638	(32)	93	(22)	2,856
2014	271	150	392	244	49	121	117	315	256	205	60	106	(41)	2,245
2013	338	212	343	261	88	110	218	305	148	308	61	119	16	2,527
2012	270	207	375	235	81	111	143	361	130	491	71	110	21	2,606
2011	184	160	224	138	48	78	110	244	38	216	84	77	(8)	1,593
2010	278	107	366	164	105	133	111	276	8	399	21	34	79	2,081
2009	283	(187)	(65)	268	148	146	120	571	(37)	515	(162)	237	18	1,855
2008	254	(116)	(119)	236	79	127	184	259	19	461	(199)	28	(7)	1,206
2007	445	198	111	269	130	101	122	323	237	652	71	150	18	2,827
2006	414	196	188	253	122	89	118	285	216	542	26	136	27	2,612
2005	344	135	244	220	242	228	153	230	192	369	2	136	30	2,525
2004	294	90	365	227	65	100	131	161	119	293	83	93	(27)	1,994
2003	207	92	437	171	113	135	134	46	69	323	144	88	(74)	1,885
2002	267	76	205	178	(50)	46	81	234	(27)	292	147	58	0	1,507
2001	162	113	164	189	114	74	104	285	85	425	178	77	0	1,970
2000	298	146	129	193	129	124	127	277	173	377	139	99	0	2,211
1999	282	137	131	173	109	132	125	244	184	332	165	90	24	2,128
1998	221	116	111	176	99	116	111	186	143	294	154	81	(30)	1,778
1997	192	103	99	135	87	110	98	144	110	249	129	65	(29)	1,492
1996	165	96	92	116	95	111	80	131	97	219	118	58	(48)	1,330
1995	159	92	73	91	91	103	74	136	82	200	87	50	63	1,300
1994	120	69	57	68	78	76	71	126	58	196	75	45	(16)	1,024
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	1,159

Source: Federal Home Loan Bank System Office of Finance<sup>1</sup>

<sup>1</sup> Financial data is from the FHLBanks' Office of Finance annual Combined Financial Report for each year listed. Data may not reflect subsequent adjustments or restatements.

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
4Q19	97,167	34,596	50,508	47,370	37,117	80,360	32,480	100,695	65,610	65,374	--	30,241	641,519
3Q19	102,466	38,540	57,629	46,358	38,181	85,009	32,487	94,301	70,326	62,826	--	30,635	658,756
2Q19	101,776	37,097	51,141	42,869	38,779	101,288	33,891	102,429	81,827	67,189	--	31,099	689,384
1Q19	90,929	32,152	50,776	54,880	36,097	99,228	32,380	99,132	75,233	70,262	--	29,863	671,382
Annual Data													
2019	97,167	34,596	50,508	47,370	37,117	80,360	32,480	100,695	65,610	65,374	--	30,241	641,519
2018	108,462	43,193	52,628	54,822	40,794	106,323	32,728	105,179	82,476	73,434	--	28,730	728,767
2017	102,440	37,566	48,085	69,918	36,461	102,613	34,055	122,448	74,280	77,382	-	26,296	731,544
2016	99,077	39,099	45,067	69,882	32,506	131,601	28,096	109,257	76,809	49,845	-	23,986	705,225
2015	104,168	36,076	36,778	73,292	24,747	89,173	26,909	93,874	74,505	50,919	-	23,580	634,022
2014	99,644	33,482	32,485	70,406	18,942	65,168	20,790	98,797	63,408	38,986	10,314	18,303	570,726
2013	89,588	27,517	23,489	65,270	15,979	45,650	17,337	90,765	50,247	44,395	10,935	17,425	498,599
2012	87,503	20,790	14,530	53,944	18,395	26,614	18,130	75,888	40,498	43,750	9,135	16,573	425,750
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	418,157
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.<sup>1</sup><sup>1</sup> Financial data is from the FHLBanks' Office of Finance annual Combined Financial Report for each year listed. Data may not reflect subsequent adjustments or restatements. Quarterly items are from quarterly Combined Financial Reports.

TABLE 23 • FEDERAL HOME LOAN BANKS REGULATORY CAPITAL

End of Period	(\$ in Millions)													Combining Adjustment <sup>1</sup>	System Total
	Atlanta	Boston	Chicago	Cincinnati	Dallas	Des Moines	Indianapolis	New York	Pittsburgh	San Francisco	Seattle	Topeka			
4Q19	7,142	3,388	5,807	4,483	3,706	6,888	3,412	7,585	4,725	6,605	--	2,769	-49	56,461	
3Q19	7,346	3,469	5,892	4,678	3,675	7,009	3,354	7,237	5,025	6,441	--	2,646	-4	56,768	
2Q19	7,335	3,429	5,664	4,866	3,745	7,627	3,316	7,595	5,286	6,502	--	2,552	-2	57,915	
1Q19	6,880	3,260	5,583	5,113	3,560	7,511	3,244	7,405	5,074	6,586	--	2,455	-2	56,669	
<b>Annual Data</b>															
2019	7,142	3,388	5,807	4,483	3,706	6,888	3,412	7,585	4,725	6,605	--	2,769	-49	56,461	
2018	7,597	3,956	5,547	5,366	3,643	7,719	3,178	7,766	5,327	6,522	--	2,442	1	59,064	
2017	7,157	3,628	5,051	5,211	3,266	7,292	2,998	8,316	4,822	6,797	--	2,486	3	57,027	
2015	6,956	3,507	4,688	5,232	2,311	5,812	2,377	6,875	4,427	5,369	--	1,863	32	49,449	
2014	6,914	3,613	4,317	5,019	1,928	4,213	2,344	6,682	3,879	6,356	2,659	1,605	48	49,577	
2013	6,563	4,297	3,703	5,435	1,782	3,379	2,379	6,594	3,648	7,925	2,958	1,824	90	50,578	
2012	6,373	4,259	3,347	4,759	1,794	2,694	2,677	5,714	3,806	10,750	2,987	1,752	77	50,989	
2011	7,258	4,251	4,527	3,845	1,765	2,684	2,515	5,292	3,871	12,176	2,958	1,738	56	52,936	
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<sup>2</sup>

<sup>1</sup> Combining adjustment for Federal Home Loan Bank System retained earnings reported by the Office of Finance.

<sup>2</sup> Financial data is from the FHLBanks' Office of Finance annual Combined Financial Report for each year listed. Data may not reflect subsequent adjustments or restatements. Quarterly items are from quarterly Combined Financial Reports.

TABLE 24 • LOAN LIMITS

Period	Single-Family Conforming Loan Limits			
	One Unit	Two Units	Three Units	Four Units
2020 <sup>a</sup>	510,400-765,600	653,550-980,325	789,950-1,184,925	981,700-1,472,550
2019 <sup>a</sup>	484,350-726,525	620,200-930,300	749,650-1,124,475	931,600-1,397,400
2018 <sup>a</sup>	453,100-679,650	580,150-870,225	701,250-1,051,875	871,450-1,307,175
2017 <sup>a</sup>	424,100-636,150	543,000-814,500	656,350-984,525	815,650-1,223,475
2016 <sup>a</sup>	417,000-625,500	533,850-800,775	645,300-967,950	801,950-1,202,925
2015 <sup>a</sup>	417,000-625,500	533,850-800,775	645,300-967,950	801,950-1,202,925
2014 <sup>a</sup>	417,000-625,500	533,850-800,775	645,300-967,950	801,950-1,202,925
2013 <sup>a</sup>	417,000-625,500	533,850-800,775	645,300-967,950	801,950-1,202,925
2012 <sup>a</sup>	417,000-625,500	533,850-800,775	645,300-967,950	801,950-1,202,925
2011 <sup>a</sup>	417,000-729,750	533,850-934,200	645,300-1,129,250	801,950-1,403,400
2010 <sup>a</sup>	417,000-729,750	533,850-934,200	645,300-1,129,250	801,950-1,403,400
2009 <sup>a</sup>	417,000-729,750	533,850-934,200	645,300-1,129,250	801,950-1,403,400
2008 <sup>a</sup>	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 (HUD), 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 Maximum loan limits for loans acquired between 2012 and 2020 were determined based on the formula established in the Housing and Economic Recovery Act of 2008.
- 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 U.S.

- 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, however, 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
2020 <sup>a</sup>	331,760	765,600	424,800	980,325	513,450	1,184,925	638,100	1,472,550
2019 <sup>a</sup>	314,827	726,525	403,125	930,300	487,250	1,124,475	605,525	1,397,400
2018 <sup>a</sup>	294,515	679,650	377,075	870,225	455,800	1,051,875	566,425	1,307,175
2017 <sup>a</sup>	275,665	636,150	352,950	814,500	426,625	984,525	530,150	1,223,475
2016 <sup>a</sup>	271,050	625,500	347,000	800,775	419,425	967,950	521,250	1,202,925
2015 <sup>a</sup>	271,050	625,500	347,000	800,775	419,425	967,950	521,250	1,202,925
2014 <sup>a</sup>	271,050	625,500	347,000	800,775	419,425	967,950	521,250	1,202,925
2013 <sup>b</sup>	271,050	729,750	347,000	934,200	419,425	1,129,250	521,250	1,403,400
2012 <sup>b</sup>	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2011 <sup>b</sup>	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2010 <sup>d</sup>	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2009 <sup>d</sup>	271,050	729,750	347,000	934,200	419,400	1,129,250	521,250	1,403,400
2008 <sup>e</sup>	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

- a HUD loan limit authority given by Congress in the Economic Stimulus Act of 2008 and extended by the Consolidated and Further Continuing Appropriations Act of 2012 (PL 112-55) expired at the end of December 2013. The Federal Housing Administration single-family loans limits for 2014 were established using the permanent authority under section 203(b)(2) of the National Housing Act, as amended by the Housing Economic Recovery Act of 2008. This shift in legal authority resulted in changes in loan limits for 2014 and beyond.
- b 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 were set pursuant to Public Law 112-55 at the higher of the limits established by the Economic Stimulus Act of 2008 and those determined under a formula prescribed by the Housing and Economic Recovery Act of 2008.
- c 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.
- d 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, however, the American Recovery and Reinvestment Act of 2009 restored the \$729,750 maximum loan limit for mortgages with credit approvals issued in 2009.
- e 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 (%)
4Q19	3.7	3.1	Discontinued*	N/A
3Q19	3.6	3.1	Discontinued*	N/A
2Q19	3.7	3.3	Discontinued*	N/A
1Q19	4.1	3.4	4.6	N/A
<b>Annual Data</b>				
2019	3.7	3.1	Discontinued*	N/A
2018	4.6	3.5	4.7	N/A
2017	4.0	2.9	4.1	N/A
2016	4.3	2.8	4.0	N/A
2015	4.0	2.7	4.0	N/A
2014	3.8	2.4	4.3	N/A
2013	4.5	2.6	4.1	N/A
2012	3.4	2.6	4.7	N/A
2011	4.0	2.8	4.8	N/A
2010	4.9	3.3	4.9	N/A
2009	5.1	4.3	5.2	N/A
2008	5.1	5.0	6.2	5.8
2007	6.2	5.5	6.5	6.3
2006	6.2	5.5	6.7	6.4
2005	6.2	5.2	6.1	5.5
2004	5.8	4.2	6.0	5.2
2003	5.8	3.7	5.9	5.0
2002	5.9	4.0	6.7	5.7
2001	7.2	5.3	7.1	6.4
2000	7.1	6.9	8.3	7.1
1999	8.1	6.6	7.4	6.5
1998	6.8	5.6	7.2	6.5
1997	7.0	5.5	7.9	6.9
1996	7.6	5.6	8.0	7.1
1995	7.1	5.6	8.2	7.1
1994	9.2	6.8	8.2	6.4
1993	7.1	4.2	7.5	5.7
1992	8.1	5.4	8.5	6.6
1991	8.4	6.0	9.7	8.3
1990	9.7	7.9	10.4	9.2
1989	9.8	8.4	10.5	9.4
1988	10.8	8.5	10.4	8.5
1987	10.6	8.0	9.9	8.5
1986	9.3	7.6	10.5	9.4
1985	11.1	9.2	12.4	10.9
1984	13.1	10.9	13.2	12.0
1983	13.4	Not Available Before 1984	13.0	12.3
1982	13.6		Not Available Before 1983	Not Available Before 1983
1981	17.0			
1980	15.0			
1979	12.9			
1978	10.4			
1977	9.0			
1976	8.8			
1975	9.1			
1974	9.6			
1973	8.6			
1972	7.5			
1971	Not Available Before 1972			

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

N/A = not available

\*Data at end of period as reported by Bloomberg

Discontinued\*: FHFA's Monthly Interest Rate Survey was discontinued following the May 2019 release. See the Research and Publication section for more.

TABLE 26 • HOUSING MARKET ACTIVITY<sup>a</sup>

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
4Q19	1,095	531	1,626	708	5,530
3Q19	913	353	1,266	725	5,410
2Q19	875	358	1,233	729	5,320
1Q19	838	361	1,199	693	5,230
<b>Annual Data</b>					
2019	1,095	531	1,626	708	5,540
2018	835	307	1,142	564	5,000
2017	849	361	1,210	656	5,570
2016	815	453	1,268	560	5,520
2015	767	371	1,138	545	5,440
2014	748	333	1,081	497	5,090
2013	676	334	1,010	433	4,860
2012	632	344	976	399	4,890
2011	545	149	694	341	4,350
2010	438	101	539	326	4,270
2009	497	84	581	352	4,400
2008	411	149	560	377	4,010
2007	816	221	1,037	619	4,410
2006	1,299	350	1,649	998	6,400
2005	1,659	335	1,994	1,239	6,840
2004	1,761	281	2,042	1,242	6,890
2003	1,676	381	2,057	1,129	6,490
2002	1,474	314	1,788	1,048	5,970
2001	1,302	266	1,568	979	5,490
2000	1,265	267	1,532	983	5,100
1999	1,401	307	1,708	873	5,080
1998	1,439	353	1,792	949	Not Available
1997	1,211	355	1,566	793	Before 1999
1996	1,105	265	1,370	805	
1995	1,197	234	1,431	709	
1994	1,188	267	1,455	629	
1993	1,338	195	1,533	812	
1992	1,110	117	1,227	650	
1991	989	90	1,079	558	
1990	766	203	969	464	
1989	959	292	1,251	630	
1988	1,193	370	1,563	658	
1987	1,085	315	1,400	595	
1986	1,338	495	1,833	784	
1985	1,209	733	1,942	721	
1984	1,213	399	1,612	597	
1983	1,141	547	1,688	773	
1982	943	360	1,303	521	
1981	639	271	910	457	
1980	1,061	421	1,482	532	
1979	1,124	374	1,498	559	
1978	1,581	463	2,044	805	
1977	1,677	465	2,142	835	
1976	1,416	388	1,804	767	
1975	1,102	219	1,321	669	
1974	799	176	975	417	
1973	908	618	1,526	519	
1972	1,402	964	2,366	772	
1971	1,427	868	2,295	689	

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

Seasonally adjusted annual rates.

<sup>a</sup> Components may not add to totals due to rounding.

\*\*Data at end of period as reported by Bloomberg. Historical values in this table are subject to revision and therefore may not match values for the same period in previous Annual Reports to Congress.

TABLE 27 • WEIGHTED REPEAT SALES HOUSE PRICE INDEX (ANNUAL DATA)<sup>a</sup>

Period	USA	New England	Mid-Atlantic	South Atlantic	East North Central	West North Central	East South Central	West South Central	Mountain	Pacific
4Q19	1.26	0.80	1.50	1.66	1.02	1.11	1.45	0.87	1.36	1.23
3Q19	1.21	1.36	0.96	1.14	1.26	1.24	1.13	1.10	1.81	1.21
2Q19	1.15	0.84	0.78	1.21	1.09	0.94	1.21	1.05	1.64	1.44
1Q19	1.37	0.86	1.23	1.73	1.55	1.21	1.61	1.22	1.74	0.83
Annual Data										
2019	5.09	3.91	4.54	5.86	5.00	4.58	5.52	4.31	6.71	4.79
2018	5.95	5.02	4.93	6.43	6.14	6.13	6.25	4.67	8.01	5.85
2017	6.56	5.58	5.29	6.46	5.92	5.37	5.69	6.34	8.94	8.75
2016	6.07	4.73	4.07	6.86	5.79	5.31	5.05	5.60	7.97	7.55
2015	5.58	3.82	2.51	6.53	4.18	4.39	4.64	5.94	8.09	8.23
2014	4.75	2.55	2.04	5.02	4.26	4.00	3.37	5.82	5.73	7.34
2013	6.93	3.30	2.83	7.35	5.65	4.22	3.18	5.33	10.73	15.16
2012	4.93	0.57	1.29	4.90	2.77	3.67	2.75	4.80	11.91	10.10
2011	(2.46)	(2.21)	(3.80)	(2.56)	(2.57)	(1.12)	(1.27)	0.80	(3.54)	(4.83)
2010	(3.99)	(2.29)	(1.72)	(5.38)	(3.11)	(3.48)	(4.08)	(2.27)	(7.50)	(5.16)
2009	(2.52)	(2.03)	(1.90)	(4.04)	(2.26)	(0.60)	(1.27)	0.88	(7.35)	(3.37)
2008	(10.15)	(6.71)	(5.30)	(14.33)	(7.92)	(4.51)	(4.00)	(2.09)	(14.05)	(21.85)
2007	(2.66)	(2.38)	(0.01)	(3.54)	(3.53)	(0.75)	1.71	3.24	(3.48)	(10.07)
2006	2.91	(1.93)	2.46	4.80	(0.07)	1.98	5.99	6.16	6.72	0.32
2005	10.22	6.27	9.93	14.86	3.40	4.92	7.44	6.77	17.84	18.16
2004	10.17	10.55	12.30	12.82	4.28	5.49	5.23	4.38	12.83	21.82
2003	7.84	10.70	10.93	8.52	4.65	5.56	4.05	3.20	6.83	15.62
2002	7.64	13.37	11.63	8.17	4.49	5.57	3.35	3.60	5.52	13.98
2001	6.73	11.99	9.43	7.30	4.74	6.17	3.22	3.99	5.41	9.71
2000	6.95	12.62	8.34	6.40	5.14	6.38	2.82	5.55	5.47	11.37
1999	6.16	9.94	6.82	5.74	5.11	5.47	3.81	5.48	5.60	8.65
1998	5.70	7.98	4.82	4.59	4.88	6.49	4.76	5.58	4.65	8.80
1997	3.33	4.37	2.05	3.35	3.37	3.67	2.83	3.07	3.25	4.23
1996	2.81	2.68	0.92	2.77	4.50	4.01	3.96	2.42	3.78	0.97
1995	2.76	0.92	0.11	2.59	4.99	4.80	4.79	3.13	5.06	(0.47)
1994	2.88	0.48	(0.70)	3.41	4.90	4.41	5.13	3.22	8.51	(1.11)
1993	2.77	(1.78)	0.05	2.43	4.67	6.17	4.71	4.69	9.51	(2.55)
1992	2.75	(0.52)	1.80	2.14	4.70	4.27	4.01	3.83	6.74	(1.05)
1991	3.12	(2.23)	1.56	3.01	4.72	3.81	4.04	3.98	5.60	1.88
1990	1.18	(7.18)	(2.50)	0.39	3.80	1.10	0.41	0.47	2.41	5.68
1989	5.60	0.82	2.53	4.49	5.92	3.18	2.77	2.48	2.54	18.32
1988	5.62	4.17	6.68	5.75	6.43	2.69	2.36	(1.90)	0.88	16.38
1987	5.40	15.06	15.94	5.73	7.63	2.35	3.34	(8.24)	(2.90)	8.59
1986	7.27	21.12	17.55	6.63	7.18	3.77	5.39	(0.08)	2.51	6.39
1985	5.71	22.36	13.57	5.14	4.80	3.68	5.55	(1.64)	2.30	4.65
1984	4.65	15.01	11.17	4.39	2.83	3.51	4.35	0.09	2.66	3.98
1983	4.29	13.77	10.86	3.52	4.81	4.39	2.95	1.67	(1.15)	0.76
1982	2.81	7.59	6.84	3.35	(4.44)	1.75	5.70	5.38	4.92	3.25
1981	4.21	6.69	2.27	5.18	2.02	0.61	0.11	10.51	8.17	4.46
1980	6.62	5.63	8.61	9.36	2.03	3.84	4.80	8.22	5.70	10.18
1979	12.32	13.80	15.83	11.63	7.93	10.43	8.46	14.74	14.16	16.41
1978	13.27	17.61	4.68	10.29	15.23	13.58	11.14	16.63	17.36	16.87
1977	14.69	8.32	12.50	9.61	14.83	15.85	11.30	14.42	16.52	25.65
1976	8.27	10.71	(1.26)	4.61	7.56	7.93	6.12	9.54	13.07	20.27

Source: Federal Housing Finance Agency

<sup>a</sup> Percentage changes based on FHFA's purchase-only index for 1992 through 2019 and all-transactions index for prior years. Annual data are measured based on fourth quarter to fourth quarter percentage change. Quarterly data for 2019 reflect changes over the previous four quarters. Because quarterly index estimates are subject to revision, the historical values in this table may not exactly match values for the same period in previous Annual Reports to Congress.

Regional Divisions

- New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
- Mid-Atlantic: New Jersey, New York, Pennsylvania
- South Atlantic: Washington, D.C., Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
- East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin
- West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
- East South Central: Alabama, Kentucky, Mississippi, Tennessee
- West South Central: Arkansas, Louisiana, Oklahoma, Texas
- Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
- Pacific: Alaska, California, Hawaii, Oregon, Washington







## FEDERAL HOUSING FINANCE AGENCY

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