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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Reviews Of The Audits Of The Federal Home Loan Mortgage Corporation For The Years Ended December 31, 1982 And 1981

GAO reviewed the independent certified public accountant's audits of the Federal Home Loan Mortgage Corporation's financial statements for the years ended December 31, 1982 and 1981. GAO found nothing which would indicate that the independent certified public accountant's opinion on the financial statements is inappropriate or cannot be relied on. GAO therefore concurs with the opinion.

In the opinion of the Corporation's independent certified public accountant, the Corporation's financial statements present fairly its financial position as of December 31, 1982 and 1981, and the results of its operations, the changes in its financial position, and the changes in its retained earnings for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

UNITED STATES GENERAL ACCOUNTING OFFICE

GAO/AFMD-83-99
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-179312

To the President of the Senate and the
Speaker of the House of Representatives

This report presents the results of our reviews of Arthur Andersen & Co.'s audits of the balance sheets of the Federal Home Loan Mortgage Corporation as of December 31, 1982 and 1981, and the related statements of income, changes in financial position, and changes in retained earnings for the years then ended. Our reviews were made pursuant to the provisions of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1456), which authorizes the U.S. General Accounting Office to audit the Corporation's financial statements.

In order to avoid unnecessary duplication and expense and to make the most efficient use of our available resources, we are relying on the work and report of the Corporation's independent certified public accountant. We made inquiries, examined Arthur Andersen and Co.'s workpapers, and performed analytical procedures to determine the quality of the auditor's work and the extent to which we could rely on it. We reviewed the adequacy of the auditor's work on internal controls and compliance with the laws and regulations.

In the opinion of Arthur Andersen and Co., the Corporation's financial statements present fairly its financial position as of December 31, 1982 and 1981, and the results of its operations, the changes in its financial position, and the changes in its retained earnings for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. During our reviews, we found nothing which would indicate that Arthur Andersen & Co.'s opinion on the Corporation's 1982 and 1981 financial statements is inappropriate or cannot be relied on. The auditor's work did not disclose any material internal control weaknesses or noncompliance with laws and regulations. We concur with and transmit to the Congress Arthur Andersen and Co.'s opinion on the Corporation's financial statements. The opinion, statement on internal controls, statement on compliance with laws and regulations, and the financial statements are included as appendix I.

We are sending copies of this report to the Director, Office of Management and Budget, and to the Corporation's board of directors.

Milton J. Socolar
for Comptroller General
of the United States

ARTHUR ANDERSEN & CO.

1666 K STREET, N. W.
WASHINGTON, D. C. 20006
(202) 862-3100

February 11, 1983

To the Board of Directors of
the Federal Home Loan Mortgage Corporation:

We have examined the balance sheets of the Federal Home Loan Mortgage Corporation (a Federally chartered corporation exempt from income taxes) as of December 31, 1982, and 1981, and the related statements of income, changes in financial position and changes in retained earnings for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Federal Home Loan Mortgage Corporation as of December 31, 1982 and 1981, and the results of its operations, the changes in its financial position and the changes in its retained earnings for each of the three years in the period ended December 31, 1982, all in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

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WASHINGTON, D. C. 20006
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February 11, 1983

To the Board of Directors of
the Federal Home Loan Mortgage Corporation:

We have examined the financial statements of the Federal Home Loan Mortgage Corporation ("Corporation") for the year ended December 31, 1982, and have issued our report thereon dated February 11, 1983. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Corporation to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. For the purpose of this report, we have classified the significant internal accounting controls in the following cycles:

- Treasury
- Expenditure
- Mortgage Loan
- Mortgage Investor
- Financial Reporting

The purpose of our study and evaluation, which included the above listed cycles, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Corporation's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the sytem of internal accounting control taken as a whole.

The management of the Corporation is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may

ARTHUR ANDERSEN & CO.

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nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Corporation taken as a whole or on any of the categories of internal accounting controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management of the Corporation, the General Accounting Office and other associated Federal organizations and should not be used for any other purpose.

Arthur Andersen & Co.

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WASHINGTON, D. C. 20006
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February 11, 1983

To the Board of Directors of
the Federal Home Loan Mortgage Corporation:

We have examined the financial statements of the Federal Home Loan Mortgage Corporation ("Corporation") as of and for the year ended December 31, 1982, and have issued our report thereon dated February 11, 1983. Our examination was made in accordance with generally accepted auditing standards and the provisions of "Standards for Audit of Governmental Organizations, Programs, Activities and Functions", promulgated by the Comptroller General as of February 27, 1981, which pertain to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our examination, we have reviewed the provisions of Title III of the Emergency Home Finance Act of 1970 (PL 91-351), as amended, to determine compliance with the requirements which would have a material financial statement impact in the event of noncompliance.

In our opinion, the Corporation complied with the requirements of Title III of the Emergency Home Finance Act of 1970 (PL 91-351), as amended, which would have a material financial statement impact in the event of noncompliance. With regard to the requirements that are not material to the financial statements, nothing came to our attention to indicate noncompliance by the Corporation. However, it should be noted that our examination was not directed primarily toward obtaining knowledge of noncompliance with requirements that are not material to the financial statements.

Arthur Andersen & Co.

Federal Home Loan Mortgage Corporation

FINANCIAL STATEMENTS

BALANCE SHEETS

Assets

	December 31, 1982	December 31, 1981
	(thousands of dollars)	
Mortgage loans, at unpaid principal balances (including approximately $250 million held for sale at December 31, 1982) (Notes 1 and 3):		
FHA/VA mortgages	$ 1,008,694	$ 1,046,796
Conventional mortgages	3,724,183	4,190,464
	4,732,877	5,237,260
Less—Unamortized mortgage purchase discount	53,776	58,772
—Portfolio valuation allowance (Note 4)	9,000	9,000
Total mortgage loans	4,670,101	5,169,488
Cash and temporary cash investments	755,077	629,132
Accrued interest receivable	50,232	50,258
Accounts receivable and other assets	305,421	215,955
Real estate owned	55,564	17,997
Unamortized mortgage sales discount	199,529	243,292
	$ 6,035,924	$ 6,326,122

Liabilities and Stockholders' Equity

	December 31, 1982	December 31, 1981
Notes and bonds payable (Note 5):		
Due within one year	$ 1,595,748	$ 1,943,270
Due after one year	2,928,565	3,536,792
	4,524,313	5,480,062
Other liabilities:		
Accrued interest	90,784	108,494
Accounts payable and other accrued expenses	4,502	2,553
Principal and interest due to Mortgage Participation Certificate investors	546,741	203,883
	5,166,340	5,794,992
Reserve for uninsured principal losses (Note 6)	104,000	81,000
Contingencies (Notes 2 and 7):		
Mortgage Participation and Guaranteed Mortgage Certificates	42,952,361	19,897,363
Less—Underlying mortgage loans sold	42,952,361	19,897,363
	—0—	—0—
Subordinated borrowings (Note 8)	469,526	200,000
Stockholders' equity:		
Common stock, non-voting, $1,000 par value; no maximum authorization; 100,000 shares issued and outstanding	100,000	100,000
Capital in excess of par value	100,000	100,000
Retained earnings	96,058	50,130
Total stockholders' equity	296,058	250,130
	$ 6,035,924	$ 6,326,122

The accompanying notes are an integral part of these balance sheets.

Federal Home Loan Mortgage Corporation

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31,		
	1982	1981	1980
		(thousands of dollars)	
Funds Provided:			
Net income	$ 59,928	$ 30,904	$ 33,586
Charges (credits) to income not affecting funds:			
Amortization of mortgage purchase discount	(8,042)	(8,794)	(7,891)
Amortization of mortgage sales discount	36,619	33,606	34,843
Provision for mortgage loan losses	26,263	16,413	22,758
Funds provided from operations	114,768	72,129	83,296
Mortgage loan principal repayments	132,395	124,960	208,548
Proceeds from issuance of notes and bonds, net of debt expense	254,758	399,150	1,048,337
Mortgage loans sold:			
Mortgage Participation Certificates:			
Guarantor	21,900,385	2,305,414	—
Other	2,238,154	1,202,990	2,485,373
Other items	76,344	(138,065)	(28,560)
Total funds provided	$24,716,804	$3,966,578	$3,796,994
Funds Applied:			
Mortgage loans purchased:			
Guarantor	$21,900,385	$2,305,414	$ —
Other	1,749,322	1,417,101	3,667,736
Dividends paid	14,000	2,000	50,000
Notes and bonds retired	492,695	388,894	215,083
Increase (decrease) in cash and temporary cash investments	125,945	609,800	(213,923)
Decrease (increase) in short-term notes	434,457	(756,631)	78,098
Total funds applied	$24,716,804	$3,966,578	$3,796,994

STATEMENTS OF CHANGES IN RETAINED EARNINGS

	Year Ended December 31,		
	1982	1981	1980
		(thousands of dollars)	
Retained earnings at the beginning of the period	$50,130	$21,226	$37,640
Net income	59,928	30,904	33,586
Dividends paid	(14,000)	(2,000)	(50,000)
Retained earnings at the end of the period	$96,058	$50,130	$21,226

The accompanying notes are an integral part of these statements.

Federal Home Loan Mortgage Corporation

STATEMENTS OF INCOME

	Year Ended December 31,		
	1982	1981	1980
		(thousands of dollars)	
Income from total portfolio:			
Interest and discount on mortgage loans	$542,452	$560,965	$438,657
Interest on temporary cash investments	78,423	29,313	31,678
Management and guarantee income (Note 2)	76,980	36,175	22,717
	697,855	626,453	493,052
Interest and related expenses (Note 5):			
Long-term debt expense	406,025	412,480	336,941
Short-term debt expense	184,650	144,459	79,585
	590,675	556,939	416,526
Net interest margin on portfolio	107,180	69,514	76,526
Provision for mortgage loan losses (Notes 4 and 6)	26,263	16,413	22,758
Administrative expenses	37,101	30,298	26,098
	63,364	46,711	48,856
Commitment fee income (Note 1)	6,333	1,542	1,080
Other income, net (Note 1)	9,779	6,559	4,836
	16,112	8,101	5,916
Net income	$ 59,928	$ 30,904	$ 33,586

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED DECEMBER 31, 1982, 1981 AND 1980

1) Summary of Significant Accounting Policies

The Federal Home Loan Mortgage Corporation (the corporation) is a federally chartered corporation whose capital stock consists solely of non-voting common stock held by the 12 Federal Home Loan Banks.

Accounting for Mortgage Loan Sales

The corporation sells Mortgage Participation Certificates (PCs) and Guaranteed Mortgage Certificates (GMCs), representing undivided interests in conventional mortgage loans. The issued certificates have been accounted for as a sale of assets and the mortgage loans sold are accordingly excluded from the corporation's retained mortgage portfolio. Since the corporation guarantees the timely payment of interest at the PC and GMC certificate rate, the ultimate collection of principal on the PCs and the scheduled collection of principal on the GMCs, they are reflected in the balance sheets as contingent liabilities.

A separate Trust has been established for each GMC issue. The corporation, as Trustee, is primarily responsible for forwarding principal collections and interest to GMC investors and for conducting such other investment transactions prescribed in accordance with the terms of each Indenture of Trust.

Recognition of Gain (Loss) on Mortgage Loans

Interest margin, representing the excess of effective interest income to the corporation over that payable to the investor, is recognized as income over the life of the related mortgage loans and is reported as "Management and guarantee income" in the accompanying financial statements.

The corporation recognizes losses (negative interest margin) currently on sales of mortgage loans and on outstanding commitments. The corporation provides currently for losses on mortgage loans, either retained in portfolio or sold under the PC and GMC programs. Mortgage loan losses, net of gains, are charged against the appropriate reserve as incurred.

Mortgage Purchase and Sales Discount

Discount on mortgage loans purchased is recorded as income over the life of the related mortgage loans, using the level yield method.

Discount on the sale of PCs is amortized over the life of the related underlying mortgage loans, and discount on the sale of GMCs is amortized over the period to the optional repurchase date, both using the level yield method. Amortization of sales discount is recorded as a reduction of "Management and guarantee income" in the accompanying financial statements.

Commitment Fees

Commitment fees on optional contracts are recognized at the PC settlement date. Other commitment fees, including Guarantor Program fees, are recognized as the commitments are taken.

Amortization of Debt Expense

Debt expense is amortized over the period during which the related indebtedness is outstanding. Debt expense relating to the zero coupon capital debentures is amortized using the level yield method. All other debt expense is amortized on a straight line basis.

Interest Rate Futures Contracts

Beginning in 1982, in connection with management's strategy of hedging its position on the issuance of debt securities, the corporation entered into interest rate futures contracts. The gains and losses resulting from these futures contracts are deferred and included in the computation of interest expense over the life of the corresponding debt securities.

Other Income

Other income includes a $5.5 million non-recurring gain relating to inter-bank clearing activities in 1982, a $5.2 million gain from the repurchase of mortgage-backed bonds to meet sinking fund requirements in 1981, and a $2.9 million gain from the repurchase of mortgage-backed bonds to meet sinking fund requirements in 1980.

Application of Statement of Financial Accounting Standards No. 65

In 1982, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 65 "Accounting for Certain Mortgage Banking Activities" (the Statement). The significant provisions of the Statement and their impact on the corporation are described in the following paragraphs.

At December 31, 1982 the corporation held approximately $4,420 million (at cost) in mortgage loans for long-term investment. Effective January 1, 1983 the corporation adopted the provisions of the Statement on a prospective basis and, accordingly, subsequent transfers of mortgage loans to a long-term investment classification will be made at the lower of cost or market value as of the transfer date.

At December 31, 1982 the corporation held approximately $250 million (at cost) in mortgage loans for sale. In the aggregate, the market value of these loans exceeded their cost. Effective January 1, 1983 the corporation, under the provisions of the Statement, will value mortgage loans held for sale at the lower of cost or market.

2) Mortgage Loan Sales and Related Matters

Holders of PCs receive interest monthly at the certificate rate together with their pro rata share of principal payments received by the corporation. Unpaid balances of the outstanding certificates were approximately $41.2 billion and $17.9 billion at December 31, 1982, and December 31, 1981, respectively. Based on the corporation's experience, management believes that the weighted average life of the conventional mortgage loans purchased by the corporation which have 25 or 30 year scheduled maturities is approximately ten years. At December 31, 1982, December 31, 1981, and December 31, 1980 the effective interest income rate to the corporation over that payable to the PC investor was .43 percent, .42 percent, and .41 percent, respectively. After giving effect to the amortization of deferred charges, the net interest margin was .32 percent, .15 percent, and .04 percent, respectively. The effective interest income rate to the corporation and effective rate payable to the investor have been adjusted to a semiannual yield equivalent. Additionally, the effective rate payable to the PC investors has been adjusted for the effect of reinvestment of portfolio collections pending disbursement to PC holders.

Holders of GMCs are paid interest semiannually at the certificate rate and are paid annually their pro rata share of principal collected or the specified minimum annual principal reductions, whichever is greater. Any GMC holder may, at his option, require the corporation to repurchase such certificates on a designated optional repurchase date at the then unpaid principal balance. At December 31, 1982 such optional repurchase dates range from March 15, 1990 to September 15, 2004. At December 31, 1982 and December 31, 1981, outstanding GMCs totaled $1.8 billion and $2.0 billion, respectively. At December 31, 1982, 1981 and 1980 the effective interest income rate to the corporation over that payable to the GMC investor was .37 percent at all three dates. After giving effect to the amortization of deferred charges, the net interest margin was .24 percent, .23 percent and .21 percent, respectively. The effective interest income rate to the corporation has been adjusted to a semiannual yield equivalent. Additionally, the effective rate payable to the GMC investors has been adjusted for the effect of reinvestment of portfolio collections held in trust pending disbursement to GMC holders.

The maximum contingent liability of $43.0 billion and $19.9 billion at December 31, 1982 and December 31, 1981, respectively, plus interest, is offset by a like amount of interest bearing mortgage loans underlying the PCs and GMCs, including principal collections held in the GMC Trusts of $36 million at December 31, 1982 and $39 million at December 31, 1981.

3) Mortgage Loans

As of December 31, 1982, 1981 and 1980, the effective net yields on retained mortgage loans, adjusted to a semiannual yield equivalent and adjusted for the effect of discount amortizations, less servicing fees, were as follows:

	December 31, 1982	December 31, 1981	December 31, 1980
FHA/VA mortgages	7.85%	7.93%	8.02%
Conventional mortgages	11.55%	11.73%	11.72%
Total effective income	10.72%	10.95%	10.92%

4) Portfolio Valuation Allowance

An analysis of the portfolio valuation allowance for the years ended December 31, 1982, 1981 and 1980 follows:

	December 31, 1982	December 31, 1981	December 31, 1980
	(thousands of dollars)		
Balance, beginning of period	$9,000	$9,000	$9,000
Provision for mortgage loan losses	1,680	35	7,400
Loss on sales of mortgage loans	(1,680)	(35)	(7,400)
Balance, end of period	$9,000	$9,000	$9,000

Bond Payable to Bank

The bond payable to bank is collateralized by a like amount of FHA/VA mortgages and calls for specific annual principal repayments ranging from $1,227,000 to $1,408,000 over the remaining life of the bond, with the balance due at maturity.

Notes to Federal Home Loan Bank

The Federal Home Loan Banks are required to maintain certain assets equal to their outstanding consolidated obligations. With respect to $600 million maturing in 1983, $200 million maturing in 1984, $400 million maturing in 1985, $250 million maturing in 1986, and $200 million maturing in 1987, the corporation may be required to pledge a portion of its mortgages retained in portfolio and/or temporary cash investments to collateralize a portion or all of the $1.65 billion obligation for the periods during which the Federal Home Loan Banks do not meet this aforementioned requirement. The 1983/1993 and 1987/1997 notes are redeemable at the corporation's option commencing 1983 and 1987, respectively, at their face value.

Mortgage-Backed Bonds

The 1982/1997, 1983/1995, and 1984/1996 Mortgage-Backed Bonds are redeemable at the corporation's option commencing 1982, 1983 and 1984, respectively, at their face value. On the 1983/1995 and 1984/1996 bonds, a sinking fund provides for annual retirements of $7.0 million and $7.5 million of the principal amount of bonds, respectively, which commenced in 1976 and 1977. In addition, the corporation has a noncumulative option to increase the sinking fund amounts each year by an amount not to exceed the annual retirement amounts. All Mortgage-Backed Bonds are guaranteed as to principal and interest by Government National Mortgage Association (GNMA). Under the provision of a Trust Indenture with GNMA dated October 26, 1970, and supplements thereto, the corporation conveyed mortgages to the Trust as security for the Mortgage-Backed Bonds. As of December 31, 1982 and December 31, 1981, Trust assets of approximately $578 million and $600 million, respectively, constituting primarily the principal balances of such mortgages, are restricted for the payment of principal and interest on the Mortgage-Backed Bonds and are included in the accompanying balance sheets. Gains from the repurchase of a portion of the Mortgage-Backed Bonds for the purpose of meeting sinking fund requirements were $0.3 million for the year ended December 31, 1982 and $5.2 million and $2.9 million in 1981 and 1980, respectively.

Debentures

The debentures are unsecured general obligations of the corporation. They are issued in the minimum principal amount of $10,000 and are not subject to redemption prior to maturity date.

6) Reserve for Uninsured Principal Losses

An analysis of the reserve for uninsured principal losses for the years ended December 31, 1982, 1981 and 1980 follows:

	December 31, 1982	December 31, 1981	December 31, 1980
		(thousands of dollars)	
Balance, beginning of period	$ 81,000	$65,000	$50,000
Provision for mortgage loan losses	24,583	16,378	15,358
Uninsured principal losses	(1,583)	(378)	(358)
Balance, end of period	$104,000	$81,000	$65,000

Beginning in 1982 the corporation adopted a policy of netting gains on the disposal of real estate owned against uninsured principal losses. Such gains totaled $827,000, $212,000 and $167,000 for 1982, 1981 and 1980, respectively.

7) Commitments

Commitments—Guarantor Program

Under this program, mortgage originators sell mortgages to the corporation at par and in exchange simultaneously purchase PCs equal to the unpaid principal balance of the mortgages sold to the corporation. This program was not in effect prior to 1981.

Outstanding Commitments			
December 31, 1982		December 31, 1981	
Basis Point Spread	Amount	Basis Point Spread	Amount
	(thousands of dollars)		(thousands of dollars)
40.9 bp	$6,202,416	50.0 bp	$3,128,591

Commitments to Purchase

The average effective income rate on commitments to purchase mortgages is determined after deducting servicing fees. Delivery of mortgages under the forward commitment program is at the option of the seller. Delivery is mandatory under all other commitment programs and must occur within 60 days of the contract date.

	Outstanding Commitments			
	December 31, 1982		December 31, 1981	
	Average Effective Income Rate*	Amount	Average Effective Income Rate*	Amount
		(thousands of dollars)		(thousands of dollars)
Conventional mortgages:				
Home	13.49%	$1,063,429	16.93%	$244,117
Multifamily	14.66	79,658	17.47	3,553
Forward programs	15.17	203,299	18.57	123,038
Commitments to purchase		$1,346,386		$370,708

5) Notes and Bonds Payable

A summary of notes and bonds payable is as follows:

	Maturity	December 31, 1982 Effective Interest Rate	December 31, 1982 Balance (thousands of dollars)	December 31, 1981 Effective Interest Rate	December 31, 1981 Balance (thousands of dollars)
Due within one year:					
Discount notes		8.51%	$ 667,357	11.94%	$ 982,275
Mortgage securities sold under agreements to repurchase		9.74	320,164	13.07	410,000
Advances from Federal Home Loan Bank (pass-through of short-term discount notes)		—	—	15.53	58,300
Current portion of long-term debt		11.87	608,227	10.67	492,695
Total due within one year		10.04	1,595,748	11.96	1,943,270
Due after one year:					
Bond payable to bank	1986	7.75	12,679	7.75	13,906
Notes to Federal Home Loan Bank (pass-through of Consolidated Federal Home Loan Bank Obligations)	1983	—	—	11.91	600,000
	1984	10.41	500,000	10.41	500,000
	1985	8.32	640,000	8.32	640,000
	1986	9.93	250,000	9.93	250,000
	1987	11.13	200,000	11.13	200,000
	1983/1993	7.41	400,000	7.41	400,000
	1987/1997	7.91	300,000	7.91	300,000
			2,290,000		2,890,000
Mortgage-Backed Bonds	1985	5.42	3,461	5.30	3,461
	1983/1995	8.68	77,025	8.68	84,025
	1984/1996	7.81	95,400	7.81	95,400
	1982/1997	7.25	150,000	7.25	150,000
			325,886		332,886
Debentures	1984	16.53	300,000	16.53	300,000
Total due after one year		9.61	2,928,565	10.00	3,536,792
Notes and Bonds Payable		9.76	$4,524,313	10.70	$5,480,062

Note: The effective interest rates above assume interest payments are made on a semiannual basis.

Scheduled principal payments (at par value) for all notes and bonds payable for each of the next five calendar years are as follows:

	(thousands of dollars)
1983	$1,599,216
1984	$ 813,717
1985	$ 659,369
1986	$ 274,455
1987	$ 214,500

Discount Notes

The discount notes are unsecured general obligations of the corporation. They are offered on a discounted basis and have maturities of one year or less. Of the discount notes outstanding at December 31, 1982, $239.5 million require minimum bank lines of credit of $80.2 million. The remaining discount notes outstanding at December 31, 1982 and 1983 issues have no minimum credit line requirements. At December 31, 1982, the corporation had established with various commercial banks lines of credit aggregating $520 million.

Mortgage Securities Sold Under Agreements to Repurchase

Repurchase agreement programs have maturities ranging up to one year. The agreements outstanding at December 31, 1982 provide for the sale and repurchase of $332.3 million of PCs issued by the corporation as collateral for the $320.2 million in borrowings. The agreements are accounted for as financing transactions and, accordingly, such mortgages are included in the corporation's retained mortgage portfolio on the accompanying balance sheets.

Commitments to Sell

The corporation's PCs are continuously offered for sale under both mandatory and optional delivery programs. Delivery periods range from 7 to 150 days under the mandatory program. Settlements occur a minimum of 270 days from the date of contract where delivery is at the option of the corporation.

	Outstanding Commitments			
	December 31, 1982		December 31, 1981	
	Average Effective Rate Payable To Investor*	Amount	Average Effective Rate Payable To Investor*	Amount
		(thousands of dollars)		(thousands of dollars)
Mandatory	12.09%	$807,425	16.52%	$ 65,000
Optional	15.07	116,550	18.10	117,650
Commitments to sell		$923,975		$182,650

* The average effective income rate and the average effective rate payable to investors are on a semiannual basis and have been adjusted for discounts and fees. Such rates have been computed based on management's estimate of mortgage loan repayments, which incorporates historical experience, using the level yield method. The effective rate payable to investors has been adjusted for the effect of reinvestment of portfolio collections pending disbursement to PC holders. If actual mortgage loan repayments or reinvestment rates vary from the assumptions, the average effective income rate and the average rate payable to investors will also vary.

8) Subordinated Borrowings

Subordinated borrowings at December 31, 1982 and December 31, 1981 consisted of:

	December 31, 1982		December 31, 1981	
Maturity	Effective Interest Rate	Balance	Effective Interest Rate	Balance
		(thousands of dollars)		(thousands of dollars)
Capital Debentures				
1987	11.50%	$ 50,000	11.50%	$ 50,000
1988	9.41	150,000	9.41	150,000
1989	12.69	100,000	—	—
		300,000		200,000
Zero Coupon Capital Debentures				
1992		600,000		—
Unamortized discount and fees		(430,474)		—
Net	13.79	169,526	—	—
Total subordinated borrowings		$469,526		$200,000

The debentures are subordinated to all obligations and liabilities of the corporation, including obligations of others that the corporation has guaranteed, whether existing at the date of issuance or thereafter incurred or created. The zero coupon capital debentures rank equally with the 9.41 percent and the 12.69 percent capital debentures and all are senior in right of payment to the 11.50 percent capital debentures.

9) Pension Plan

The corporation has a defined-benefit pension plan covering substantially all of its employees. The corporation makes annual contributions to the plan equal to the amounts accrued for pension expense.

Since net assets available for plan benefits exceed the actuarial present value of accumulated plan benefits, there was no pension expense in 1982. The corporation expects there will be little or no expense in 1983 as well.

A comparison of accumulated plan benefits and plan net assets for the corporation's pension plan follows:

	January 1,	
	1982	1981
	(thousands of dollars)	
Actuarial present value of accumulated plan benefits:		
Vested	$2,166	$1,447
Non-vested	586	511
	$2,752	$1,958
Net assets available for benefits	$5,371	$4,255

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