

DAILY GLOBAL
COMMENTARY

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Who Holds Debt Issued by Government Sponsored Enterprises?

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Fannie Mae and Freddie Mac, the two Government Sponsored Enterprises (GSEs), are the talk of the town. Staying close to this, we looked at the details of ownership of debt issued by the GSEs. It is widely known that Fannie and Freddie have kept the housing market engine running and their debt is scattered in portfolios around the globe. Who owns debt issued by GSEs? The minutiae are interesting because they indicate how this asset class has grown in these portfolios and who is affected by the fortunes of Fannie Mae and Freddie Mac.

A majority of the owners of GSE issued debt include households, commercial banks, savings banks, credit unions, pension funds, life insurance companies, mutual funds, brokers, ABS issuers, REITs and the rest of the world. Table 1 lists the distribution of these securities among the largest five holders, excluding the GSEs themselves. As of 2007, outstanding GSE debt securities (non-mortgage and those backed by mortgages) summed up to \$7.37 trillion vs. \$972.7 billion in 1987.

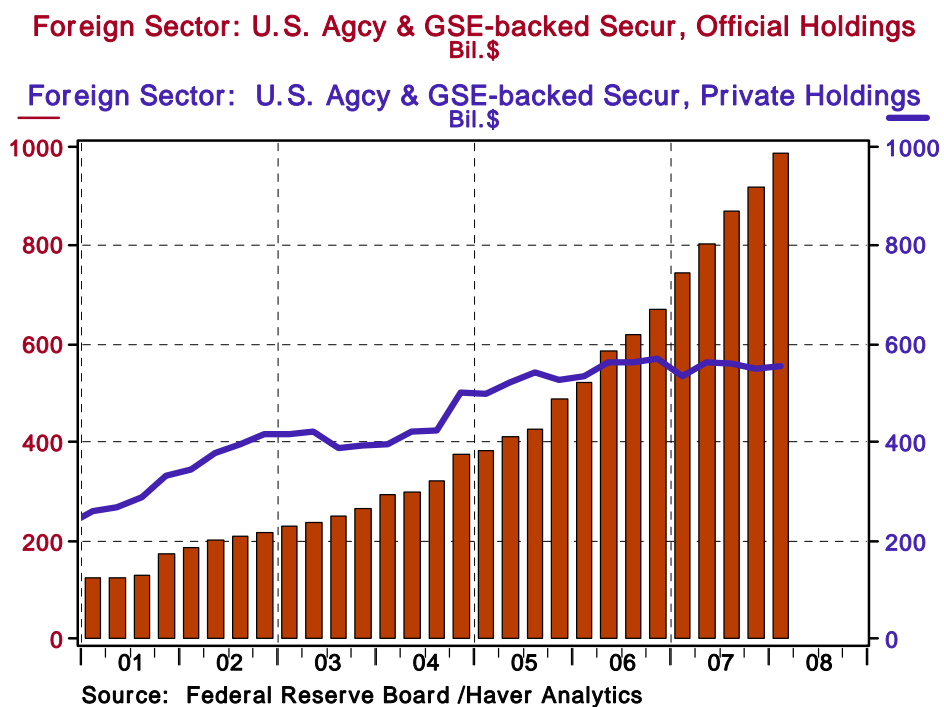
Table 1: Ownership of GSE Debt (as percent of total outstanding debt)

	Commercial		Rest of the World	Mutual Funds	ABS Issuers
	Households	Banks			
1987	3.37%	14.86%	2.91%	6.81%	8.34%
1988	4.87%	16.04%	3.13%	5.75%	9.71%
1989	6.08%	18.54%	3.80%	5.19%	7.91%
1990	8.43%	20.15%	3.50%	5.14%	7.17%
1991	7.52%	21.53%	3.75%	6.20%	4.80%
1992	6.79%	22.06%	4.16%	8.57%	3.37%
1993	3.29%	22.50%	5.49%	9.18%	4.25%
1994	8.90%	19.73%	4.91%	7.63%	4.63%
1995	9.38%	19.66%	5.18%	7.20%	5.08%
1996	13.06%	19.00%	5.15%	7.83%	4.40%
1997	14.13%	20.23%	5.57%	7.56%	3.29%
1998	13.73%	20.13%	5.63%	7.13%	3.53%
1999	14.20%	17.99%	5.98%	6.97%	3.97%
2000	14.09%	16.71%	8.06%	6.57%	3.77%
2001	8.90%	15.67%	10.16%	7.42%	3.96%
2002	5.50%	16.66%	11.43%	7.67%	4.93%
2003	7.36%	16.87%	11.05%	7.55%	6.01%
2004	6.66%	18.10%	14.46%	7.65%	5.84%
2005	8.20%	17.76%	16.49%	7.88%	5.21%
2006	7.56%	17.56%	19.16%	7.72%	5.37%
2007	12.06%	13.87%	19.92%	7.67%	5.13%

Source: Flow of Funds, Board of Governors, Federal Reserve Bank

In 2007, the rest of the world held the largest share of outstanding GSE debt. The share of the rest of the world has grown noticeably from under 10% in 2000 to nearly 20% in 2007. It is also noteworthy that within the component classified as “rest of the world,” official holdings (also known as foreign central banks) of these securities are larger than that of the private sector (see chart 1). At the cost of stating the obvious, the future of the GSEs and how the crisis is managed will influence the performance of these portfolios.

Chart 1



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