

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
 GUARANTEES OF MORTGAGE-BACKED SECURITIES

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
Strategic Goal A: Promote decent affordable housing.			
Discretionary BA (Dollars in Thousands)	\$4,691	\$5,171	\$5,347
FTE			
Headquarters	31	38	38
Field
Subtotal	31	38	38
S&E Cost (Dollars in Thousands)			
Personal Services	\$3,190	\$4,009	\$4,118
Travel	68	51	81
Printing	1	1	1
Other Services	52	98	126
Supplies	5	5	5
Subtotal	3,316	4,164	4,331
Strategic Objective A.1: Expand access to affordable rental housing.			
Indicator: Ginnie Mae securitizes at least 80 percent of eligible FHA multifamily mortgages.	100%	80	80
Indicator: Ginnie Mae credit enhancements on multi-class securities increase to \$115 billion in fiscal year 2004.	\$122.2 Billion	\$133.3 Billion	\$147 Billion

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

The Government National Mortgage Association (Ginnie Mae) proposes \$5.347 million in program funding and \$4.331 million in S&E funding for a total of 9.8 million to support Strategic Goal A: Promote decent affordable housing.

Ginnie Mae is a wholly owned instrumentality of the United States within the Department of Housing and Urban Development; authorized by Section 306(g) of the National Housing Act to facilitate the financing of residential mortgage loans insured or guaranteed by the FHA, VA and the Rural Housing Service (RHS), or guaranteed by the Secretary of Housing and Urban Development under Section 184 of the Housing and Community Development Act of 1992 and administered by the Office of Public and Indian Housing (PIH). Ginnie Mae's guaranty of mortgage-backed securities (MBS) is backed by the full faith and credit of the United States. Funds available to mortgagees to lend to borrowers are provided through investments in long-term securities guaranteed by Ginnie Mae that are backed by pools of such mortgages. The investment proceeds are used in turn to finance additional mortgage loans.

Guarantees of Mortgage-Backed Securities

The primary function of the Ginnie Mae is to support the Federal Governments' housing initiatives by providing liquidity to the secondary mortgage market and to attract capital from the nation's capital markets into the residential mortgage markets. Through its Mortgage-Backed Securities Program, Ginnie Mae guarantees the timely payment of principal and interest on securities issued by private institutions and backed by pools of Federally insured or guaranteed mortgage loans. The securitization of Federal Housing Administration (FHA) insured, Rural Housing Service, and Veterans Affairs (VA) guaranteed mortgages increases the liquidity of funds available to lenders making these loans and, thereby, decreases the costs associated with making and servicing loans. This decrease in costs helps lower mortgage cost for homebuyers using Federal Government housing programs.

Strategic Goal A: Promote decent affordable housing.

A.1.8: Ginnie Mae securitizes at least 80 percent of eligible FHA multifamily mortgages.

Ginnie Mae makes the multifamily mortgages market more liquid by helping lenders package FHA insured loans into securities for investors to purchase on the secondary market. Ginnie Mae guaranteed securities increase the availability of capital for multifamily mortgages, thereby making loans less costly and easier to obtain. To contribute to Strategic Objective A.1, Ginnie Mae securitizes 80 percent of eligible FHA multifamily mortgages to support the increase in housing available for low- and moderate-income Americans. Ginnie Mae will also incorporate improvements from and expand use of information technology with new computer applications into its business and marketing processes to improve its operational efficiencies and market capabilities that should increase the attractiveness of Ginnie Mae's securities.

In the multifamily arena, Ginnie Mae was successful in exceeding its target for program growth of 80 percent. Ginnie Mae streamlined requirements for the multifamily program, which enhanced its efficiency as a securitization vehicle. As a result, in fiscal year 2002, Ginnie Mae securitized 100 percent of eligible FHA multifamily mortgages. The multifamily portfolio had steady growth in both loan volume and remaining principal balance at an annualized rate of 10 percent. The multifamily remaining principal balance increased from \$22 billion in fiscal year 2001 to \$25 billion in fiscal year 2002. This reflected the preference of investors in multifamily securities for stable, insured government guaranteed loans over conventional loans. Investor preference induced issuers to use Ginnie Mae's multifamily MBS programs. Furthermore, performance improvement in fiscal year 2002 was the result of exceptional market conditions.

A.1.9: Ginnie Mae credit enhancements on multi-class securities increase to \$115 billion in fiscal year 2004.

Ginnie Mae's multiclass products include Real Estate Mortgage Investment Conduits (REMIC) and Ginnie Mae Platinum securities. REMIC securities pool mortgages or mortgages-backed securities for sale as multiple-class securities. By packaging for investors specific needs among the various security classes (tranches), REMIC increase the secondary mortgage market's liquidity, which can reduce the cost of capital for borrowers. The Platinum product provides customers the ability to trade a group of small pools for one large pool. Ginnie Mae will also incorporate improvements from and expand use of information technology with new computer applications into its business and marketing processes to improve its operational efficiencies and market capabilities that should increase the attractiveness of Ginnie Mae's securities.

In fiscal year 2002, Ginnie Mae's credit enhancement in its Multiclass Securities program increased by 81 percent from fiscal year 2001. The REMIC and Platinum programs issued a total of \$122.2 billion in securities.

Ginnie Mae's Multiclass Securities activities are divided into its two principal product segments: REMIC Securities and Platinum Securities. The Multiclass Securities business generated record REMIC transaction volume--a 191 percent higher than fiscal year 2001--as Ginnie Mae capitalized on lower interest rates, increased volatility in the equity markets, and strong investor demand. Ginnie Mae guaranteed 86 transactions in fiscal year 2002, totaling \$75.1 billion, up from \$25.8 billion in 2001.

The Ginnie Mae Platinum transaction volume in fiscal 2002 exceeded fiscal year 2001's record year by \$5.5 billion. The Platinum product line provides customers the ability to trade a group of small pools for one large pool. Platinum transactions increased 13 percent to \$47.1 billion.

Resource Management Information

In fiscal year 2004, the Department is not requesting any additional FTEs. A total of 38 FTEs, and \$5.3 million in salaries and expenses are requested to support Strategic Goal A: Promote decent affordable housing is needed. Ginnie Mae is projecting that in fiscal year 2004, it will securitize at least 80 percent of eligible FHA multifamily mortgages. The decrease in the multifamily goal from 90 percent in fiscal year 2002 to 80 percent in fiscal year 2004 is due

Guarantees of Mortgage-Backed Securities

to corrections made in the tracking system. Multifamily is approximately 2 percent of Ginnie Mae's entire outstanding portfolio.

In its multiclass securities program, Ginnie Mae is projecting that in fiscal year 2004 it will issue at least \$147 billion in REMIC and platinum. Since all Ginnie Mae guaranteed multiclass securities will be based on and backed by Mortgage-backed securities issued pursuant to previously issued commitment authority, additional commitment authority will not be required from the multiclass securities.

For fiscal year 2004, the Ginnie Mae budget proposes a limitation on new commitments for single-class mortgage-backed securities (MBS) of \$200 billion and \$10.7 million is proposed to fund salaries and expenses. The projected goal for multifamily is 80 percent and the multifamily program is \$147 billion in volume in fiscal year 2004.