

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
<b>Strategic Goal H: Increase homeownership opportunities.</b>			
Discretionary BA (Dollars in Thousands)	\$4,692	\$5,172	\$5,348
FTE			
Headquarters	32	39	39
Field	0	0	0
Subtotal	32	39	39
S&E Cost (Dollars in Thousands)			
Personal Services	\$3,190	\$4,009	\$4,117
Travel	67	50	81
Printing	2	1	1
Other Services	51	98	127
Supplies	5	5	5
Subtotal	3,315	4,163	4,331
<b>Strategic Objective H.1: Expand national homeownership opportunities.</b>			
Indicator: Ginnie Mae securitizes at least 85 percent of single family FHA and VA loans.	85%	85%	85%

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

The Government National Mortgage Association (Ginnie Mae) proposes \$5.348 million in program funding and \$4.331 million in S&E funding, for a total of \$9.679 million to support Strategic Goal H: Increase homeownership opportunities.

Ginnie Mae's Mortgage-Backed securities program is authorized by Title III of the National Housing Act, as amended, Public Law 73-479, codified at 12 U.S.C. 1716 et seq. 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 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.

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

## Guarantees of Mortgage-Backed Securities

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.

For fiscal year 2004, Ginnie Mae's 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.

H.1.7: Ginnie Mae Securitizes at least 85 percent of single family FHA and VA loans.

The direct focus of Ginnie Mae's Mortgage-Backed Securities Program is in support of the Department's goal of increasing housing and homeownership. In contribution toward this goal, Ginnie Mae lends indirect support to all of the other Department goals.

Ginnie Mae supports strategic objective H.1: by creating a secondary market that securitizes a high level of FHA insured and VA guaranteed loans. Ginnie Mae's guaranteed securities increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers the cost to first time homebuyers and also increases first time homeownership. In fiscal year 2004, Ginnie Mae requested \$200 billion in new commitment authority and it has estimated that the entire amount will be used to facilitate the financing of residential mortgage loans insured or guaranteed by FHA, VA, and 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 PIH. Ginnie Mae will also improve and expand use of technology with new computer applications that will increase the attractiveness of Ginnie Mae's securities.

In fiscal year 2002, Ginnie Mae was apportioned \$200 billion in commitment authority and used \$178.9 billion to securitized FHA and VA insured or guarantee loans. Our mortgage-backed securities outstanding totaled \$568.4 billion and guarantees issued were \$174.8 billion. Over its lifetime, Ginnie Mae has surpassed a total of \$2 trillion in original issues of mortgage-backed securities guaranteed since 1970. Reaching this milestone means that Ginnie Mae's mortgage-backed securities have financed homeownership opportunities for more than 28.4 million families.

Ginnie Mae's fiscal year 2002 goal was to securitize at least 85 percent of FHA and VA insured or guarantee loans. The year-end result was 87.5 percent securitized in single family. Ginnie Mae achieved and slightly succeeded the fiscal year 2002 goal due to the decrease in purchases of FHA/VA loans by the Federal Home Loan Banks' (Banks). The Banks became less active in purchasing government loans because their regulator limited the amount of government loan purchases the Banks could make to a percentage of their conventional loan purchases.

### Resource Management Information

From fiscal year 2003 to 2004, the Department does not request any additional FTEs. A total of 39 FTEs for the Mortgage-Backed Securities program, and \$5.3 million are requested to support Strategic Goal H: Increase homeownership opportunities. Ginnie Mae is estimating that with the fiscal year 2004 request of \$200 billion in commitment authority and \$10.7 million in salaries and expenses, it will guarantee \$150 billion more in new securities thereby increasing the homeownership opportunities for more families.