

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 4: GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. All data are presented on a comparable basis for the fiscal years 2005, 2006, and 2007.

SCOPE OF ACTIVITY

In 1968, Congress chartered the Government National Mortgage Association to help expand the supply of affordable housing in the United States by linking the capital markets to the nation's housing markets. Ginnie Mae accomplishes this by facilitating the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA) and the Rural Housing Service (RHS). This is administered through the activities associated with the Mortgage-Backed Securities (MBS) and Multiclass Securities Programs. A brief description of Ginnie Mae's programs is provided below.

Mortgage-Backed Securities Program. Is authorized by Title III of the National Housing Act, as amended, P.L. 73-479, codified at 12 U.S.C. 1716 et seq. Section 306(g) of the National Housing Act authorizes Ginnie Mae to guarantee the timely payment of principal and interest on securities which are issued by approved entities and which are backed by FHA, VA, or RHS mortgages. 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.

In fiscal year 2007, the Ginnie Mae Budget proposes a limitation on new commitment authority for single-class mortgage-backed securities (MBS) of \$100 billion and an appropriation of \$10.6 million is proposed to fund salaries and expenses. In the Multiclass Securities Program it is estimated that \$65.9 billion will be guaranteed in fiscal year 2007. Since all Ginnie Mae guaranteed Multiclass securities are based on and backed by mortgage-backed securities issued pursuant to commitment authority, separate commitment authority will not be required for the Multiclass securities.

Ginnie Mae currently guarantees modified "pass-through" type securities. Modified pass-through securities provide payment to registered holders of interest plus the monthly installments of principal due on the pooled mortgages, whether or not collected, plus any additional principal collections.

Separate pass-through programs have been developed to finance singlefamily homes, multifamily projects and manufactured housing. Ginnie Mae first issues a "commitment" to the prospective securities issuer (mortgagee) indicating that the firm meets Ginnie Mae's eligibility requirements. After Ginnie Mae issues the commitment, the issuer can begin to assemble mortgage pools and issue securities. Securities are issued with minimum face amounts of \$1,000 which have the same aggregate face amount as the aggregate unpaid balance of the pooled mortgages and bear interest at the rate borne by the mortgages--less the amount of issuer servicing fees and Ginnie Mae guarantee fees. Ginnie Mae's credit risk in this program is limited by mortgage insurance provided by Government agencies with respect to all pooled loans.

Multiclass Securities Program. In fiscal year 1994, Ginnie Mae began guaranteeing Real Estate Mortgage Investment Conduit (REMIC) and in fiscal year 1995, the Ginnie Mae Platinum securities. A pool or trust composed of mortgages or MBS back a REMIC security. The REMIC issuer issues certificates of interest to investors and elects to be taxed under the REMIC provisions of Federal tax law (Sections 860A through 860G of the Internal Revenue Code of 1986). REMICs are multiple class securities with different maturities, typically between 2 and 20 years, or with payments based on fractions of the MBS income stream. This multiple class characteristic is what largely distinguishes REMICs from single class Mortgage-Backed Securities of the kind that Ginnie Mae has been guaranteeing since 1970.

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The Ginnie Mae Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools that are sold to investors by securities dealers. Ginnie Mae, under its Multiclass securities program, will guarantee only securities based on and backed by mortgage-backed securities guaranteed by Ginnie Mae. Since all Ginnie Mae guaranteed Multiclass securities will be based on and backed by MBS issued securities pursuant to previously issued commitment authority, additional commitment authority will not be required for the Multiclass securities.

Targeted Lending Initiative. Ginnie Mae started and developed the Targeted Lending Initiative in fiscal year 1996. The Initiative is consistent with Ginnie Mae's statutory purpose to promote access to mortgage credit in the central cities by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Through the Targeted Lending Initiative, Ginnie Mae reduces the guarantee fees it charges lenders by up to 50 percent for making mortgage loans in any of the nation's urban and rural Empowerment Zones or Enterprise Communities, adjacent eligible central city areas, and areas with a majority population of Native Americans.

	<u>POOLS</u>	<u>LOANS</u>	<u>MORTGAGE AMOUNT</u>
10/01/96 through 09/30/05.....	23,448	605,324	\$60.2 billion

PROGRAM ACTIVITY

Status of Program. In fiscal year 2005, the Ginnie Mae Mortgage-Backed Securities program approved \$112.5 billion in commitment authority and issued \$90.3 billion for its single class guarantees. Guarantees of mortgage-backed securities are estimated at \$89 billion in fiscal year 2006 and \$86 billion in fiscal year 2007.

The estimated changes in the outstanding principal balance of mortgage-backed securities for fiscal years 2005, 2006, and 2007 are shown in the following table:

TYPE OF ACTIVITY BY FUNCTION

	<u>ACTUAL</u> <u>2005</u>	<u>ESTIMATE</u> <u>2006</u>	<u>ESTIMATE</u> <u>2007</u>
	(Dollars in Thousands)		
<u>Guarantees of Mortgage-Backed Securities</u>			
Issued during year.....	\$ 90,285,552	\$89,000,000	\$86,000,000
Outstanding, end of year.....	412,385,502	395,312,999	405,197,304
 <u>MULTICLASS:</u>			
Issued during year	56,800,000	59,000,000	65,900,000
Outstanding, end of year.....	184,100,000	187,500,000	191,100,000

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TRAVEL

	<u>ACTUAL</u> <u>2005</u>	<u>ENACTED</u> <u>2006</u> (Dollars in Thousands)	<u>ESTIMATE</u> <u>2007</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2007 vs 2006</u>
Travel (HQ)	\$107	\$114	\$112	-\$2
Training	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	107	114	112	-2

Travel funds on-site visits and the monitoring of program participants.

CONTRACTS

	<u>ACTUAL</u> <u>2005</u>	<u>ENACTED</u> <u>2006</u> (Dollars in Thousands)	<u>ESTIMATE</u> <u>2007</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2007 vs 2006</u>
General Support	<u>\$56</u>	<u>\$55</u>	<u>\$56</u>	<u>+\$1</u>
Total	56	55	56	+1

General Support funds the MBS, Multiclass Securities Program, and related administrative functions.

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GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
 Personal Services
 Summary of Change
 (Dollars in Thousands)

<u>Personal Services</u>	<u>FTE</u>	<u>S&E Cost</u>
2005 Actual.....	67	\$7,424
2006 Appropriation.....	69	7,950
<u>Changes Due To</u>		
2007 January Pay Raise.....	0	141
2006 January Pay Raise.....	0	64
Staffing increase/decrease.....	-1	-116
Other benefit changes.....	0	81
2007 Request.....	68	\$8,120

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GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
 Summary of Requirements by Grade
 Salaries and Expenses
 (Dollars in Thousands)

	<u>2005</u> <u>Appropriation</u>	<u>2006</u> <u>Request</u>	<u>2007</u> <u>Request</u>	<u>Increase/</u> <u>Decrease</u>
<u>Grade:</u>				
Executive Level	0	0	0	0
Executive Service	5	5	5	0
GS-15	14	15	15	0
GS-14	14	16	15	-1
GS-13	16	17	17	0
GS-12	3	3	3	0
GS-11	2	2	2	0
GS-10	1	1	1	0
GS-9	4	4	4	0
GS-8	0	0	0	0
GS-7	3	3	3	0
GS-6	1	1	1	0
GS-5	0	0	0	0
GS-4	1	1	1	0
GS-3	1	1	1	0
GS-2	0	0	0	0
GS-1	0	0	0	0
Total Positions	65	69	68	-1
Average ES Salary	\$148,458	\$153,357	\$157,038	+\$3,681
Average GS Salary	\$87,232	\$90,110	\$92,273	+\$2,163
Average GS Grade	12.5	12.6	12.6	0.0

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GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
 Summary of Requirements by Object Class
 Salaries and Expenses
 (Dollars in Thousands)

<u>Object Class</u>	<u>2005 Actual</u>	<u>2006 Appropriation</u>	<u>2007 Request</u>	<u>Increase/Decrease</u>
Personal Services.....	\$7,424	\$7,950	\$8,120	+\$170
Travel and Transportation of Persons.....	107	114	112	-2
Printing and Reproduction.....	0	1	1	0
Other Services.....	56	55	56	+1
Supplies and Materials.....	11	8	8	0
Total Obligations.....	\$7,598	\$8,128	\$8,297	+\$169

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
 Performance Measurement Table**

Program Mission: To expand affordable housing in America by linking global capital markets to the nation's housing markets.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2005 Plan	2005 Actual	2006 Enacted	2007 Plan
Increase Homeownership Opportunities: Ginnie Mae secures at least 95 percent of singlefamily fixed rate FHA loans.	Ginnie Mae database of monthly endorsements by FHA and VA.	85%	92.7%	90%	95%
Promote Decent Affordable Housing: Ginnie Mae secures at least 95 percent of eligible FHA multifamily mortgages.	Ginnie Mae database of multifamily loan securities, compared with FHA multifamily database adjusted to remove ineligible projects.	80%	91.1%	90%	95%

Explanation of Indicators

In fiscal year 2007, the Government National Mortgage Association (Ginnie Mae) proposes \$100 billion in commitment authority, \$8.3 million in Salaries and Expenses, and 68 FTEs to support the Department's Strategic Goal H: Increase homeownership opportunities and Strategic Goal A: Promote decent affordable housing.

The primary function of Ginnie Mae is to support the Federal Government's 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.

Indicator: Ginnie Mae Securitizes at least 95 percent of single family fixed rate FHA loans in fiscal year 2007.

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 Departmental goals. Ginnie Mae's fiscal year 2007 goal is to securitize at least 95 percent of FHA singlefamily fixed rate loans.

Indicator: Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages in fiscal year 2007.

To contribute to Strategic Objective, "Expand Access To Affordable Rental Housing," Ginnie Mae set its goal to securitize 95 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.

Overall Summary of Government National Mortgage Association Staff Requirements

	Actual 2005	Estimate 2006	Estimate 2007	Increase + Decrease - 2007 vs 2006
Headquarters.....	67.0	69.0	68.0	-1.0
Field	0.0	0.0	0.0	0.0
Total	67.0	69.0	68.0	-1.0

Summary of Government National Mortgage Association Staff Requirements

	Actual 2005	Estimate 2006	Estimate 2007	Increase + Decrease - 2007 vs 2006
<u>Headquarters Employment</u>				
Office of the President, Ginnie Mae	4.5	5.0	5.0	0.0
Office of Management Operations	19.0	20.0	19.6	-0.4
Office of Mortgage-Backed Securities (MBS)	18.0	18.0	17.8	-0.2
Office of Program Operations	7.6	8.0	8.0	0.0
Office of Capital Markets	5.0	4.0	4.0	0.0
Office of Finance	12.9	14.0	13.6	-0.4
Total, Government National Mortgage Association	67.0	69.0	68.0	-1.0

Detail of Government National Mortgage Association Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2005			Fiscal Year 2006			Fiscal Year 2007				
		Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Unfunded FTE	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Unfunded FTE	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE
Headquarters Employment											0.0	
Office of the President, Ginnie Mae												
Overall Guidance of Ginnie Mae Activities	NA	...	...	1.6		...	...	2.0		...	...	2.0
Provide General Direction, Policy, and Program Development for Ginnie Mae Activities	NA	...	...	2.9		...	...	3.0		...	...	3.0
Subtotal				4.5				5.0				5.0
Office of Management Operations												
General Guidance of Ginnie Mae Management Operations	NA	...	...	0.4		...	...	2.0		...	...	2.0
Provide Administrative Support	NA	...	...	3.0		...	...	3.0		...	...	3.0
Provide Information Technology Support	NA	...	...	8.6		...	...	8.0		...	...	7.6
Support Procurement Activities and Contract Administration	NA	...	...	5.0		...	...	5.0		...	...	5.0
Perform Marketing Outreach Administration Functions	NA	...	...	2.0		...	...	2.0		...	...	2.0
Subtotal				19.0				20.0				19.6
Office of Mortgage-Backed Securities (MBS)												
General Guidance, Management Oversight, and Contract Administration of MBS Activities	NA	...	...	0.6		...	...	1.0		...	...	1.0
Support SF/Manufactured Housing MBS Program	# of SF / Manufactured Housing MBS Program Supported	33	461.97	7.3		29	506.18	7.0		29	506.18	7.0
Perform Monitoring and Asset Management	Total # of SF/ MH / Multifamily MBS Programs Supported	39	252.36	4.7		39	267.69	5.0		39	267.69	5.0
Support the Multifamily MBS Program	# of Multifamily MBS Programs Supported	6	989.50	2.8		7	1,044.00	3.5		7	1,044.00	3.5
Perform Contract Administration - MBS	NA	...	...	2.6		...	...	1.5		...	...	1.3
Subtotal				18.0				18.0				17.8
Office of Program Operations												
General Guidance of Ginnie Mae Program Operations	NA	...	...	0.2		...	...	2.0		...	...	2.0
Provide Program and Policy Support of MBS Programs and Capital Markets	# of Programs Supported	48	301.02	6.9		47	225.73	5.1		47	225.73	5.1
Provide Risk Management Support	NA	...	...	0.1		...	...	0.5		...	...	0.4

Workload Guideline	Workload Indicator	Fiscal Year 2005			Fiscal Year 2006			Fiscal Year 2007				
		Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Unfunded FTE	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Unfunded FTE	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE
Perform Contract Administration - Office of Program Operations	NA	...	...	0.4		...	...	0.4		...	...	0.5
Subtotal				7.6				8.0				8.0
Office of Capital Markets												
General Guidance of Capital Markets Activities	NA	...	...	0.1		...	...	0.1		...	...	0.1
Provide Multi-Class Securities Transactions Functions	NA	...	...	1.4		...	...	0.5		...	...	0.5
Perform Capital Market Activities	NA	...	...	2.5		...	...	2.5		...	...	2.5
Conduct Monitoring and Risk Management Functions	# of Multi-Class Program Participants served	110	3.13	0.2		150	1.64	0.1		150	1.64	0.1
Perform Contract Administration - Office of Capital Markets	NA	...	...	0.8		...	...	0.8		...	...	0.8
Subtotal				5.0				4.0				4.0
Office of Finance												
Provide General Guidance for the Office of Finance	NA	...	...	0.5		...	...	1.0		...	...	1.0
Provide General Oversight and Support to Financial Activities	NA	...	...	0.8		...	...	0.8		...	...	0.8
Provide Cash Control Functions	NA	...	...	4.7		...	...	5.0		...	...	4.8
Provide Cash Management and Disbursements	NA	...	...	3.4		...	...	3.5		...	...	3.5
Perform Budgetary/Financial Management Activities	NA	...	...	2.3		...	...	2.5		...	...	2.5
Perform Contract Administration - Office of Finance	NA	...	...	1.2		...	...	1.2		...	...	1.0
Subtotal				12.9				14.0				13.6
Ginnie Mae Total				67.0	0.0			69.0	0.0			68.0

HEADQUARTERS EMPLOYMENT

EXPLANATION OF CHANGES FROM 2006 ESTIMATE TO 2007 ESTIMATE

All positions are required to support the consolidation of program activities, to maintain and enhance performance accountability and risk management of Ginnie Mae programs, and to assure continuity of operations.

The Office of the President - The FTE level for fiscal years 2006 and 2007 remain unchanged (5.0 FTE).

The Office of Management Operations - The 19.6 FTE is requested in fiscal year 2007. The decrease of 0.4 FTE is from the IT support effort.

The Office of Mortgage-Backed Securities (MBS) - The 17.8 FTE is requested in fiscal year 2007. The decrease of 0.2 FTE is from the contract administration effort.

The Office of Program Operations - The FTE level for fiscal years 2006 and 2007 remain unchanged (8.0 FTE).

The Office of Capital Markets - The FTE level for fiscal years 2006 and 2007 remain unchanged (4.0 FTE).

The Office of Finance - The 14.0 FTE is funded in fiscal year 2006. The decrease of 0.4 FTE is from the contract administration effort and cash control function.