

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT
BUDGET ACTIVITY 4: GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

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), the U.S. Department of Agriculture (USDA) Rural Development Housing and Community Facilities Programs and the Secretary of Housing and Urban Development under Native American Indian Housing Loan Guarantee Program (Section 184 of the Housing and Community Development Act of 1992) and administered by the Office of Public and Indian Housing (PIH). 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. It 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, to guarantee the timely payment of principal and interest on securities which are issued by approved entities and which are backed by FHA, VA, USDA Rural Development or PIH mortgages. Ginnie Mae's guarantee 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 2008, the Ginnie Mae Budget proposes a limitation on new commitment authority for single-class mortgage-backed securities (MBS) of \$100 billion and a net appropriation of \$11 million is proposed to fund salaries and expenses. In the Multiclass Securities Program, it is estimated that \$50 billion will be guaranteed in fiscal year 2008. 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 single-family 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 09/30/06 Actual.....	26,747	682,997	\$70.5 billion

PROGRAM ACTIVITY

Status of Program. In fiscal year 2006, the Ginnie Mae Mortgage-Backed Securities program approved \$63.8 billion in commitment authority and issued \$81.7 billion for its single class guarantees. Guarantees of mortgage-backed securities are estimated at \$86 billion in fiscal year 2007 and \$77.4 billion in fiscal year 2008.

The estimated changes in the outstanding principal balance of mortgage-backed securities for fiscal years 2006, 2007, and 2008 are shown in the following table:

TYPE OF ACTIVITY BY FUNCTION

	<u>ACTUAL 2006</u>	<u>ESTIMATE 2007</u>	<u>ESTIMATE 2008</u>
	(Dollars in Thousands)		
<u>Guarantees of Mortgage-Backed Securities</u>			
Issued during year.....	\$81,694,246	\$86,000,000	\$77,400,000
Outstanding, end of year.....	410,057,124	414,446,792	414,861,815
 <u>MULTICLASS:</u>			
Issued during year	38,300,000	48,000,000	50,000,000
Outstanding, end of year.....	198,700,000	199,200,000	200,000,000

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TRAVEL

	<u>ACTUAL</u> <u>2006</u>	<u>ESTIMATE</u> <u>2007</u> (Dollars in Thousands)	<u>ESTIMATE</u> <u>2008</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2008 vs 2007</u>
Travel (HQ)	<u>\$128</u>	<u>\$112</u>	<u>\$130</u>	<u>+\$18</u>
Total	128	112	130	+18

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

CONTRACTS

	<u>ACTUAL</u> <u>2006</u>	<u>ESTIMATE</u> <u>2007</u> (Dollars in Thousands)	<u>ESTIMATE</u> <u>2008</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2008 vs 2007</u>
General Support	<u>\$71</u>	<u>\$56</u>	<u>\$395</u>	<u>+\$339</u>
Total	71	56	395	+339

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

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

<u>Personal Services</u>	<u>FTE</u>	<u>S&E Cost</u>
2006 Actual.....	66	\$7,724
2007 Request.....	68	8,120
<u>Changes Due To</u>		
ADDITIONAL WORKDAYS (2)		62
2008 January Pay Raise.....	0	145
2007 January Pay Raise.....	0	49
Staffing increase/decrease.....	+3	364
Other benefit changes.....	0	245
2008 Request.....	71	\$8,985

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

	<u>2006</u> <u>Appropriation</u>	<u>2007</u> <u>Request</u>	<u>2008</u> <u>Request</u>	<u>Increase/</u> <u>Decrease</u>
Grade:				
Executive Level	1	0	1	1
Executive Service	5	5	5	0
GS-15	14	15	15	0
GS-14	12	15	14	-1
GS-13	19	17	20	+3
GS-12	3	3	3	0
GS-11	0	2	0	-2
GS-10	1	1	1	0
GS-9	7	4	7	3
GS-8	0	0	0	0
GS-7	2	3	2	-1
GS-6	1	1	1	0
GS-5	0	0	0	0
GS-4	1	1	1	0
GS-3	0	1	0	-1
GS-2	1	0	1	1
GS-1	0	0	0	0
Total Positions	67	68	71	+3
Average ES Salary	\$149,767	\$157,038	\$160,807	+\$3,769
Average GS Salary	\$88,882	\$92,273	\$94,488	+\$2,215
Average GS Grade	12.5	12.6	12.6	0.00

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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>2006 Actual</u>	<u>2007 Estimate</u>	<u>2008 Request</u>	<u>Increase/Decrease</u>
Personal Services.....	\$7,724	\$8,120	\$8,985	+\$865
Travel and Transportation of Persons.....	128	112	130	+18
Printing and Reproduction.....	1	1	1	0
Other Services.....	71	56	395	+339
Supplies and Materials.....	22	8	16	+8
Furniture & Equipment.....	...	...	0	0
Total Obligations.....	\$7,946	\$8,297	\$9,527	+\$1,230

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
 Performance Measurement Table**

Program Name: MORTGAGE-BACKED SECURITIES					
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	
		2006 Plan	2006 Actual	2007 Plan	2008 Plan
Increase Homeownership Opportunities: Ginnie Mae secures at least 93.5 percent of single-family fixed rate FHA loans in fiscal year 2008.	Ginnie Mae database of monthly endorsements by FHA.	90%	91.4%	93%	93.5%
Increase Homeownership Opportunities: Ginnie Mae securitizes at least 84 percent of single-family VA loans in fiscal year 2008.	Ginnie Mae database of monthly guarantees by FHA.	Not Applicable	NA	83%	84%
Increase Homeownership Opportunities: At least 29 percent of all Ginnie Mae single-family pools issued in fiscal year 2008 are Targeted Lending Initiative pools.	Ginnie Mae database of monthly endorsements by FHA.	Not Applicable	NA	28%	29%
Promote Decent Affordable Housing: Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages in fiscal year 2008.	Ginnie Mae database of multifamily loan securities, compared with FHA multifamily database adjusted to remove ineligible projects.	90%	96.9%	95%	95%

NA = Not Applicable.

Explanation of Indicators

In fiscal year 2008, the Government National Mortgage Association (Ginnie Mae) proposes \$100 billion in commitment authority, \$11 million in Salaries and Expenses, and 71 FTEs to support the Department's Strategic Goal H: Increase homeownership opportunities and Strategic Goal A: Promote decent affordable housing. Discretionary BA for Ginnie Mae's Strategic Goals does not increase from fiscal year 2007 to fiscal year 2008, but FTEs are expected to increase by 3. The additional FTEs will provide for a professional Assistant in the Office of the President and the Executive Vice President that is capable of analyzing the program performance goals, complex multiclass and MBS transactions/deals and the policy development functions required to assure program compliance, efficiency, and responsiveness to new product development--Home Equity Conversion Mortgages (HECM), and anticipated FHA modernization proposal.

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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), U.S. Department of Agriculture (USDA) Rural Development Housing & Community Facilities Programs, Veterans Affairs (VA) and Office of Public and Indian Housing (PIH) Native American (Section 184) mortgage loans 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 93.5 percent of single-family fixed rate FHA loans in fiscal year 2008.

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 2008 goal is to securitize at least 93.5 percent of FHA single-family fixed rate loans.

Indicator: Ginnie Mae securitizes at least 84 percent of single-family Veterans Affairs (VA) loans in fiscal year 2008.

Ginnie Mae created this indicator to separately track the ratio between the reported value of VA guarantees and the total value of Ginnie Mae VA single-family securities guaranteed.

Indicator: At least 29 percent of all Ginnie Mae single-family pools issued in fiscal year 2008 are Targeted Lending Initiative pools.

Under the TLI program, issuers receive discounts on Ginnie Mae's guarantee fee base upon the percentage of loans in the pool that are in under served areas.

Indicator: Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages in fiscal year 2008.

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	2006	Estimate 2007	Estimate 2008	Increase + Decrease - 2008 vs 2007
Headquarters.....		66.0	68.0	71.0	+3.0
Field		0.0	0.0	0.0	0.0
Total		66.0	68.0	71.0	+3.0

Summary of Government National Mortgage Association Staff Requirements

	Actual	2006	Estimate 2007	Estimate 2008	Increase + Decrease - 2008 vs 2007
<u>Headquarters Employment</u>					
Office of the President, Ginnie Mae		5.0	5.0	5.0	0.0
Office of Management Operations		19.6	19.6	19.6	0.0
Office of Mortgage-Backed Securities (MBS)		17.8	17.8	18.8	+1.0
Office of Program Operations		7.0	8.0	8.0	0.0
Office of Capital Markets		4.0	4.0	5.0	+1.0
Office of Finance		12.6	13.6	14.6	+1.0
Total, Government National Mortgage Association		66.0	68.0	71.0	+3.0

Details of Ginnie Mae Staff Requirements

Workload Guideline	Workload Indicator	FY 2006			FY 2007			FY 2008		
		Actual Accomplishment	Actual Unit Cost (Hrs)	FTE	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE
Headquarters Employment										
Office of the President, Ginnie Mae										
Overall Guidance of Ginnie Mae Activities	NA	...	...	2.0	...	...	2.0	...	...	2.0
Provide General Direction, Policy, and Program Development for Ginnie Mae Activities	NA	...	...	3.0	...	...	3.0	...	...	3.0
Subtotal				5.0			5.0			5.0
Office of Management Operations										
General Guidance of Ginnie Mae Management Operations	NA	...	...	2.0	...	...	2.0	...	...	2.0
Provide Administrative Support	NA	...	...	3.0	...	...	3.0	...	...	3.0
Provide Information Technology Support	NA	...	...	7.6	...	...	7.6	...	...	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				19.6			19.6			19.6
Office of Mortgage-Backed Securities (MBS)										
General Guidance, Management Oversight, and Contract Administration of MBS Activities	NA	...	...	1.4	...	...	1.0	...	...	1.0
Support SF/Manufactured Housing MBS Program	# of SF / Manufactured Housing MBS Program Supported	34	427.39	7.0	34	428.24	7.0	34	493.18	8.0
Perform Monitoring and Asset Management	Total # of SF / MH / Multifamily MBS Programs Supported	41	234.17	4.3	41	253.66	5.0	41	255.61	5.0
Support the Multifamily MBS Program	# of Multifamily MBS Programs Supported	7	930.05	3.1	7	1,044.00	3.5	7	1,044.00	3.5
Perform Contract Administration - MBS	NA			2.0			1.3			1.3
Subtotal				17.8			17.8			18.8
Office of Program Operations										
General Guidance of Ginnie Mae Program Operations	NA	...	...	2.0	...	...	2.0	...	...	2.0
Provide Program and Policy Support of MBS Programs and Capital Markets	# of Programs Supported	50	270.16	4.0	50	212.16	5.1	50	213.79	5.1

Details of Ginnie Mae Staff Requirements

Workload Guideline	Workload Indicator	FY 2006			FY 2007			FY 2008		
		Actual Accomplishment	Actual Unit Cost (Hrs)	FTE	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE
Provide Risk Management Support	NA	...	...	0.5	...	...	0.4	...	...	0.4
Perform Contract Administration - Office of Program Operations	NA	...	...	0.5	...	...	0.5	...	...	0.5
Subtotal				7.0			8.0			8.0
Office of Capital Markets										
General Guidance of Capital Markets Activities	NA	...	...	0.6	...	...	0.1	...	...	1.1
Provide Multi-Class Securities Transactions Functions	NA	...	...	1.2	...	...	0.5	...	...	0.5
Perform Capital Market Activities	NA	...	...	1.5	...	...	2.5	...	...	2.5
Conduct Monitoring and Risk Management Functions	# of Multi-Class Program Participants serviced	78	1.58	0.1	78	1.58	0.1	78	1.58	0.1
Perform Contract Administration - Office of Capital Markets	NA	...	...	0.6	...	...	0.8	...	...	0.8
Subtotal				4.0			4.0			5.0
Office of Finance										
Provide General Guidance for the Office of Finance	NA	...	...	1.3	...	...	1.0	...	...	1.0
Provide General Oversight and Support to Financial Activities	NA	...	...	0.8	...	...	0.8	...	...	0.8
Provide Cash Control and Internal Control audit Functions	NA	...	...	4.2	...	...	4.8	...	...	5.8
Provide Cash Management and Disbursements	NA	...	...	2.4	...	...	3.5	...	...	3.5
Perform Budgetary/Financial Management Activities	NA	...	...	2.6	...	...	2.5	...	...	2.5
Perform Contract Administration - Office of Finance	NA	...	...	1.2	...	...	1.0	...	...	1.0
Subtotal				12.6			13.6			14.6
Ginnie Mae Total				66.0			68.0			71.0

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 year 2007 remains unchanged. (5.0 FTE)

The Office of Management Operations - The FTE level for fiscal year 2007 remains unchanged. (19.6 FTE)

The Office of Mortgage-Backed Securities (MBS) - The FTE level for fiscal year 2007 remains unchanged. (17.8 FTE)

The Office of Program Operations - The FTE level for fiscal year 2007 has changed from 7.0 FTE to 8.0 FTE. The 1.0 FTE increase will provide additional support toward office functions and increased coordination between the Office of Program Operations, Mortgage-Backed Securities and Capital Markets. (8.0 FTE)

The Office of Capital Markets - The FTE level for fiscal year 2007 remains unchanged. (4.0 FTE)

The Office of Finance - The 1.0 FTE increase for FY 2007 will provide support in Cash Control functions group and implementing a new accounting system on business processes within the Controller's Division. (13.6 FTE)

EXPLANATION OF CHANGES FROM 2007 ESTIMATE TO 2008 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 year 2008 remains unchanged. (5.0 FTE)

The Office of Management Operations - The FTE level for fiscal year 2008 remains unchanged. (19.6 FTE)

The Office of Mortgage-Backed Securities (MBS) - The FTE level for fiscal year 2008 has been increased by 1.0 FTE. The additional 1.0 FTE is to provide ongoing customer support for Multifamily MBS programs. (18.8 FTE)

The Office of Program Operations - The FTE level for fiscal year 2008 remains unchanged. (8.0 FTE)

The Office of Capital Markets - The FTE level for fiscal year 2008 has been increased by 1.0 FTE. The additional 1.0 FTE is to focus on transactions management and market research. (5.0 FTE)

The Office of Finance - The FTE level is projected to increase by 1.0 FTE from FY 2007 to 2008. To fulfill its mission, Ginnie Mae contracts for a wide variety of supplies and services. Ginnie Mae is responsible for validating that a Ginnie Mae contractor complied with the requirements of the statement of work. (14.6 FTE)