

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
2011 Summary and Initiatives
(Dollars in Thousands)**

GUARANTEES OF MORTGAGE-BACKED SECURITIES	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2009 Appropriation	\$300,000,000	\$141,689,017	\$100,000,000	\$541,689,017	\$446,632,146	...
2010 Appropriation/Request	500,000,000	95,056,871	...	595,056,871	595,056,871	...
2011 Request	<u>500,000,000</u>	<u>...</u>	<u>...</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>...</u>
Program Improvements/Offsets .....	...	-95,056,871	...	-95,056,871	-95,056,871	...

NOTE: Figures above represent loan limitation levels.

Summary Statement

Loan Guarantee limitation. The Government National Mortgage Association (Ginnie Mae) Budget proposes \$500 billion in limitation on new commitments of single class mortgage-backed securities (MBS) for fiscal year 2011. This request is based on estimates of mortgage insurance and guarantee activity of the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the U.S. Department of Agriculture (USDA) Rural Housing Service, or the Secretary of Housing and Urban Development under the Native American 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). In fiscal year 2011, Ginnie Mae is estimating \$283 billion in new guarantees in single class mortgage-backed securities including \$10 billion in Home Equity Conversion Mortgages (HECM) securities, and \$153.3 billion is estimated for guarantees of Multiclass securities. Since all the Ginnie Mae guaranteed Multiclass and HECM securities are based on and backed by mortgage-backed securities issued pursuant to commitment authority, separate commitment authority will not be required for Multiclass or HECM securities. Ginnie Mae will manage over 49 defaulted portfolios with remaining principle balances of over \$26 billion.

Ginnie Mae's targeted purpose is reflected in its mission statement, which is to support the expansion of affordable housing in America by linking the global capital markets to the nation's housing markets. In fiscal year 2009 alone, Ginnie Mae served more than 1.6 million households. The Budget request reflects the important contribution that Ginnie Mae makes in expanding homeownership and affordable rental housing opportunities to a great number of American families. Since 1970, Ginnie Mae has been helping millions of low- to moderate-income families achieve their dreams of homeownership. Through September 30, 2009, Ginnie Mae has guaranteed \$3.3 trillion in securities, enabling it to play a direct role in providing homeownership and housing opportunities for millions of households. Ginnie Mae is also helping to stabilize the housing market during the current crisis by supporting a number of Federal Government efforts to assist struggling homeowners and by facilitating a secondary market for the loans that result from these initiatives.

Guarantees of Mortgage-Backed Securities

Ginnie Mae provides opportunities for both affordable homeownership and rental housing. By securitizing pools of mortgages as MBS, Ginnie Mae enables qualified mortgage lenders to access both national and international capital markets. Lenders can then sell the securities at prices that allow them to offer loans to qualified homebuyers and developers at lower interest rates, thus lowering costs for homeowners and renters. Ginnie Mae does not make or purchase mortgage loans, nor does it buy, sell, or issue securities. Instead, private lending institutions, approved by Ginnie Mae, originate insured/guaranteed Government loans, place them in a pool, and issue an MBS.

Ginnie Mae is responsible for the administration of activities associated with the Mortgage-Backed Securities (MBS), the Multiclass Securities programs, the Home Equity Conversion Mortgages (HECM), and supports the Department in the Targeted Lending Initiatives, making loans in the nation's urban and rural Empowerment Zones or Enterprise Communities.

The Budget request reflects the important contribution that Ginnie Mae makes in expanding and strengthening homeownership and affordable housing opportunities for a great number of Americans. During fiscal year 2009, Ginnie Mae securitized more than 99 percent of eligible single family fixed-rate FHA loans, 97 percent of single family VA loans, and 97.5 percent of eligible FHA multifamily mortgages into MBS. Furthermore, 25.9 percent of all Ginnie Mae single family pools issued in fiscal year 2009 were Targeted Lending Initiative pools, reflecting Ginnie Mae's commitment to improving economic conditions in our nation's traditionally underserved areas. Ginnie Mae exceeded all of its fiscal year 2009 goals.

Treasury Interest Rates. Revenues from interest on investment declined in fiscal year 2009 due to low Treasury note interest rates.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Summary of Resources by Program
(Dollars in Thousands)**

Budget Activity	2009 Budget Authority	2008 Carryover Into 2009	2009 Total Resources	2009 Obligations	2010 Budget Authority/ Request	2009 Carryover Into 2010	2010 Total Resources	2011 Request
Loan Limitation	\$400,000,000	\$141,689,017	\$541,689,017	\$446,632,146	\$500,000,000	\$95,056,871	\$595,056,871	\$500,000,000
Total	400,000,000	141,689,017	541,689,017	446,632,146	500,000,000	95,056,871	595,056,871	500,000,000

2011 Budget Authority. The fiscal year 2011 Budget proposes \$64 million in administrative contract obligations.

FTE	2009 Actual	2010 Estimate	2011 Estimate
Headquarters	59	78	75
Field .....	...	...	...
Total	59	78	75

Proposed Action

Ginnie Mae is responsible for the administration of its single class and multiclass Mortgage-Backed Securities (MBS), the Multiclass Securities programs, the Home Equity Conversion Mortgages (HECM), and supports the Department in the Targeted Lending Initiatives; making loans in the nation's urban and rural Empowerment Zones or Enterprise Communities. Also, Ginnie Mae responded to the HOPE for Homeowners (H4H) government initiatives which became effective October 1, 2009 and will continue through September 30, 2011. A brief description of Ginnie Mae's programs is provided below.

1. Single Class Mortgage-Backed Securities Program (MBS). 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 are backed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the U.S. Department of Agriculture (USDA) Rural Development Housing & Community Facilities Programs, and the Office of Public and Indian Housing (PIH) loans.

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. Generally, individuals can invest in Ginnie Mae's securities with face amounts of as little as \$1,000. The securities 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.

Guarantees of Mortgage-Backed Securities

Ginnie Mae provides opportunities for both affordable homeownership and rental housing. By securitizing pools of mortgages as MBS, Ginnie Mae enables qualified mortgage lenders to access international capital markets. Lenders can then sell the securities at prices that allow them to offer loans to qualified homebuyers and developers at lower interest rates, thus lowering costs for homeowners and renters. Ginnie Mae does not make or purchase mortgage loans, nor does it buy, sell, or issue securities. Instead, private lending institutions approved by Ginnie Mae originate eligible government loans, pool them into securities, and issue MBS.

The Ginnie Mae guarantee is backed by the full-faith and credit of the United States Government. This backing, combined with the flexibility and performance of its securities, make Ginnie Mae securities a very attractive investment for domestic and international investors alike.

Targeted Lending Initiative (TLI). Ginnie Mae started and developed the TLI 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 TLI, 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. It is estimated that in fiscal year 2010, 20 percent of all Ginnie Mae single family pools issued will be TLI pools.

Home Equity Conversion Mortgages (HECM). In fiscal year 2007, Ginnie Mae developed its HECM program. America's aging population makes HECM an increasingly attractive product for lenders, and Ginnie Mae has a capital markets solution to support this population (and prospective Ginnie Mae qualified lenders). HECM allows homeowners aged 62 and older to tap into their home equity without repaying the money as long as they live in their homes. These "reverse mortgages" help more senior homeowners enjoy a better quality of life by allowing them to retain their homes and use their home's accumulated wealth to help with health care costs and other expenses.

Currently, FHA insures approximately 95 percent of all reverse mortgages. This allows Ginnie Mae-qualified lenders to help underserved and elderly borrowers while tapping into a safe, secure, and guaranteed capital markets solution. Ginnie Mae's securitization of HECM will reduce costs to seniors by allowing lenders to offer loans at lower-than-market interest rates. By focusing on senior housing, Ginnie Mae is well positioned to serve the needs of a major demographic subgroup that is predicted to explode in the coming years.

HOPE for Homeowners (H4H). When the H4H program became effective October 1, 2009, Ginnie Mae responded quickly by setting up a product under the Ginnie Mae II MBS program's multiple-issuer pool type, accepting H4H loan packages starting with November 1, 2008, pool dates. The H4H program was designed to assist homeowners facing foreclosure. It enables lenders to refinance conventional mortgages and existing government-insured or government-guaranteed mortgages into FHA-insured loans. The program ends September 30, 2011.

2. Multiclass Mortgage-Backed Securities Program. In fiscal year 1994, Ginnie Mae began guaranteeing Real Estate Mortgage Investment Conduits (REMICs) and, in fiscal year 1995, the Ginnie Mae Platinum securities. A pool or trust composed of mortgages or MBS backed 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.

Guarantees of Mortgage-Backed Securities

The Ginnie Mae Platinum security consolidates those 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 pursuant to previously issued commitment authority, additional commitment authority will not be required for the Multiclass securities.

3. Status of Program. In fiscal year 2009, Ginnie Mae's MBS program approved \$446.6 billion in commitment authority and issued \$418.9 billion in its single class guarantees. Issuance of guaranteed mortgage-backed securities is estimated at \$380 billion and \$283 billion in fiscal years 2010 and 2011 respectively.

The amount of securities outstanding at September 30, 2009, is \$826.0 billion; in addition, there are \$26.8 million of Ginnie Mae-guaranteed bonds. Starting in late fiscal year 2008, the Association experienced an average steady growth of \$35 billion in issuance a month with respect to its MBS. Also, since the current market crises, Ginnie Mae, with its full faith and credit Federal Government guarantee, has captured 25 percent of the MBS market, levels not seen since the mid-1990s. The estimated changes in the outstanding principal balance of mortgage-backed securities for fiscal years 2009, 2010, and 2011 are shown in the following table:

	<u>ACTUAL</u> <u>2009</u>	<u>ESTIMATE</u> <u>2010</u>	<u>ESTIMATE</u> <u>2011</u>
	(Dollars in Thousands)		
Securities Outstanding, start of year.....	\$576,761,926	\$826,016,583	\$1,076,699,431
Issued During Year.....	418,937,907	380,942,000	283,000,000
Principal Payments to Securities Holders.....	<u>-169,683,250</u>	<u>-130,259,152</u>	<u>-288,569,137</u>
Securities Outstanding, end of year.....	826,016,583	1,076,699,431	1,071,130,294

The TLI allows Ginnie Mae to reduce the guarantee fee 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 and adjacent eligible central city areas, as well as in eligible Indian lands. The following table shows TLI cumulative activities as of September 30, 2009:

	<u>Pools</u>	<u>Loans</u>	<u>Mortgage</u> <u>Amount</u>
10/01/96 through 9/30/09.....	40,886	1,226,777	\$170.1 billion

Guarantees of Mortgage-Backed Securities

Home Equity Conversion Mortgages (HECM), would allow homeowners age 62 and older to tap into their home equity without repaying the money as long as they live in their homes. These "reverse mortgages" will help more senior homeowners enjoy a better quality of life by allowing them to retain their homes and use their home's accumulated wealth to help with health care costs and other expenses. In fiscal year 2008, Ginnie Mae launched its first issuance of HECM securitization and guaranteed \$1 billion. In fiscal year 2009, Ginnie Mae estimates that it issued \$3 billion in new HECM, \$5 billion in fiscal year 2010, and \$10 billion in fiscal year 2011, as shown in the following table:

	ACTUAL <u>2009</u>	ESTIMATE <u>2010</u>	ESTIMATE <u>2011</u>
	(Dollars in Thousands)		
<u>HECM</u>			
Beginning Balance.....	\$1,059,049	\$6,126,908	\$8,441,049
Issued During Year.....	5,094,526	5,000,000	10,000,000
Liquidation.....	<u>(26,667)</u>	<u>(2,685,859)</u>	<u>(640,000)</u>
Ending Balance.....	6,126,908	8,441,049	17,801,049

The Multiclass Program activity, which involves a Ginnie Mae guarantee on the Multiclass securities that are backed by securities already guaranteed, is shown in the following table:

	ESTIMATE <u>2009</u>	ESTIMATE <u>2010</u>	ESTIMATE <u>2011</u>
	(Dollars in Thousands)		
<u>MORTGAGE-BACKED SECURITIES</u>			
Securities Outstanding, start of year.....	\$245,000,000	\$305,800,000	\$357,800,000
Issued During Year.....	169,600,000	161,220,000	153,260,000
Principal Payments to Securities Holders.....	<u>-73,200,000</u>	<u>-55,720,000</u>	<u>-148,120,000</u>
Securities Outstanding, end of year.....	341,400,000	411,300,000	362,940,000

Guarantees of Mortgage-Backed Securities

	ACTUAL <u>2009</u>	ESTIMATE <u>2010</u>	ESTIMATE <u>2011</u>	INCREASE + DECREASE – <u>2011 vs. 2010</u>
	(Dollars in Thousands)			
<u>SINGLE CLASS MBS</u>				
Limitation.....	\$400,000,000	\$500,000,000	\$500,000,000	...
Carryover.....	<u>141,689,017</u>	<u>95,056,871</u>	....	<u>-95,056,871</u>
Subtotal.....	541,689,017	595,056,871	500,000,000	-95,056,871
Use.....	-446,632,146	-595,056,871	-500,000,000	-95,056,871
Lapsed carry-forward limitation.....				
Subtotal.....	95,056,871	...	...	...
Guarantees:				
Issued in Year.....	418,937,908	380,942,000	283,000,000	-97,942,000
Outstanding, end of year...(see page 5).....	\$826,016,583	\$1,076,699,431	\$1,071,130,294	-5,569,173
Guarantee Fees.....	438,348	579,036	709,000	+129,964
Advances to Investors.....	317,855	1,128,048	1,257,069	+129,021
Default Expenses & Servicing Expenses....	\$97,779	\$281,081	\$295,114	+\$14,033
<u>MULTICLASS MBS</u>				
Guarantees:				
Issued During Year...(see page 6).....	169,600,000	161,220,000	153,260,000	-7,960,000
Outstanding, end of year.....	341,400,000	411,300,000	659,180,000	+247,880,000
Guarantee Fees.....	28,138	29,455	29,455	...

Guarantees of Mortgage-Backed Securities

	ACTUAL <u>2009</u>	ESTIMATE <u>2010</u>	ESTIMATE <u>2011</u>	INCREASE + DECREASE – <u>2011 vs. 2010</u>
(Dollars in Thousands)				
<u>Budget Authority (Program):</u>				
Appropriation for Administrative Expenses.....	...	...	\$11,000	+11,000
<u>Outlays (Program):</u>				
Outlays.....	...	...	11,000	+11,000
<u>Liquidating Account:</u>				
Budget Authority (net).....	...	...	...	...
Outlays.....	21,185	23,000	23,000	...
<u>Financing Account:</u>				
Budget Authority (net).....	...	...	...	...
Net Disbursements.....	462,089	446,000	322,000	-124,000
<u>Reserve Receipt Account:</u>				
Payment to Reserve Receipt Account.....	888,087	914,260	679,300	-234,960

4. Financing. Application fees, guarantee fees, and other charges are paid by issuers of guaranteed securities to cover Ginnie Mae's issuing and claims costs under the guarantees and to provide additional amounts to reduce the deficit. The Association may borrow from the Treasury or use permanent indefinite budget authority in order to meet obligations. However, it has not had to use that authority.

Guarantees of Mortgage-Backed Securities

The following table reflects the composition of program net income.

	ACTUAL <u>2009</u>	ESTIMATE <u>2010</u>	ESTIMATE <u>2011</u>
	(Dollars in Thousands)		
<u>Revenue:</u>			
Investment Interest.....	\$38,411	\$100,986	\$125,443
Interest Payment from Treasury.....	63,275	75,347	123,990
Guarantee Fees.....	438,348	578,036	608,740
Multiclass Fees.....	28,138	29,455	29,455
Commitment and Other Fees.....	81,447	60,071	64,261
Servicing Fee Income.....	13,755	31,237	37,420
Interest on Mortgages.....	-511	7,025	6,912
Other Income.....	<u>8,250</u>	<u>9,120</u>	...
Subtotal.....	671,113	891,277	996,221
Contingency.....	-13,823	...	...
Total Revenue.....	657,290	891,277	996,221

Guarantees of Mortgage-Backed Securities

	ACTUAL <u>2009</u>	ESTIMATE <u>2010</u>	ESTIMATE <u>2011</u>
	(Dollars in Thousands)		
Expenses:			
Operating Expenses:			
Administrative Expenses.....	\$10,000	\$11,095	\$14,000
Pool Processing.....	7,698	10,008	10,508
Issuer Reviews.....	15,072	18,765	19,703
Other Contractor Expenses.....	11,455	20,221	16,383
Soldiers & Sailors Act.....	2,189	8,428	8,470
Mortgage Insurance Claims.....	8,012	8,012	8,012
Default Expenses & Servicing Expenses.....	97,779	281,081	295,114
Multiclass Expenses.....	<u>10,863</u>	<u>15,078</u>	<u>15,832</u>
Total Operating Expenses.....	163,068	372,688	388,022
Non-Operating Expenses:			
Write-Down of Assets to Lower of Cost			
Or Market.....	<u>-107,980</u>	---	---
Subtotal.....	55,088	372,688	388,022
Contingency.....	13,975	...	...
Total Expenses.....	<u>69,063</u>	<u>372,688</u>	<u>388,022</u>
Net Income.....	588,227	518,589	608,199

Guarantees of Mortgage-Backed Securities

Soldiers and Sailors

Under the Servicemembers Civil Relief Act of 2003 (SCRA), Ginnie Mae's issuers may be forbidden from collecting interest in excess of 6 percent per annum on certain mortgages while the borrowers are on active military duty. Ginnie Mae reimbursement of issuers for interest shortfalls on loans eligible for interest rate reduction under the SCRA has been decreasing since fiscal year 2006. Currently, Ginnie Mae absorbs the costs of the interest reduction in all cases where a qualified (under SCRA) Reservist or member of the National Guard is called to active duty, regardless of the military effort.

**GINNIE MAE MORTGAGE-BACKED SECURITIES
FY 2011 CREDIT ON-BUDGET PRESENTATION
(Dollars in Thousands)**

BUDGET AUTHORITY

On-Budget Accounts

Liquidating Account

Gross Budget Authority.....	\$44,000
Offsetting Collections.....	<u>-44,000</u>
Net Budget Authority (Mandatory).....	...

Receipt Account

Deduction for Offsetting Receipts:	
Proprietary Receipts from the Public (Discretionary).....	679,300

Off-Budgetary Account

Financing

Gross Financing Authority.....	1,866,000
Offsetting Collections.....	<u>-1,866,000</u>
Net Financing Authority.....	...

OUTLAYS

On-Budget Accounts

Liquidating Account

Gross Outlays.....	67,000
Offsetting Collections.....	<u>-44,000</u>
Net Outlays (Mandatory).....	23,000

Guarantees of Mortgage-Backed Securities

**GINNIE MAE MORTGAGE-BACKED SECURITIES
 FY 2011 CREDIT ON-BUDGET PRESENTATION
 (Dollars in Thousands)**

<u>Reserve Receipt Account</u>	
Transferred from Liquidating Account.....	...
Transferred from Financing Account.....	679,300
<u>Program Account</u>	
Outlays (Discretionary).....	11,000
<u>Off-Budgetary Account</u>	
<u>Financing</u>	
Gross Outlays.....	2,188,000
Offsetting Collections.....	<u>-1,866,000</u>
	322,000

Guarantees of Mortgage-Backed Securities

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
GUARANTEES OF MORTGAGE-BACKED SECURITIES
Program Offsets
(Dollars in Thousands)**

Loan Limitation	<u>Amount</u>
2009 Appropriation	\$400,000,000
2010 Appropriation/Request	500,000,000
2011 Request	<u>500,000,000</u>
Program Improvements/Offsets .....	...

Guarantees of Mortgage-Backed Securities

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Justification of Proposed Changes in Appropriations Language**

The fiscal year 2011 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

New commitments to issue guarantees to carry out the purposes of section 306 of the National Housing Act, as amended (12 U.S.C. 1721(g)), shall not exceed \$500,000,000,000, to remain available until September 30, ~~2011~~2012. (Department of Housing and Urban Development Appropriations Act, 2010).

Guarantees of Mortgage-Backed Securities

**Government National Mortgage Association
MORTGAGE-BACKED SECURITIES PROGRAM
Crosswalk of 2009 Availability
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Loan Limitation	<u>\$300,000,000</u>	<u>\$100,000,000</u>	...	...	<u>\$141,689,017</u>	<u>\$541,689,017</u>
Total	300,000,000	100,000,000	...	...	141,689,017	541,689,017

Guarantees of Mortgage-Backed Securities

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Crosswalk of 2010 Changes
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Loan Limitation	\$500,000,000	\$500,000,000	...	...	\$95,056,871	\$595,056,871
Total	500,000,000	500,000,000	...	...	95,056,871	595,056,871