

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
**SALARIES AND EXPENSES**  
**Government National Mortgage Association**

**Program Area Overview:**

The Government National Mortgage Association's (Ginnie Mae) mission and purpose is to bring domestic and global capital into the nation's housing finance markets while minimizing risk to the taxpayer. Ginnie Mae's portfolio is over \$1.5 trillion. While Ginnie Mae's limited staff has kept pace with growing demands, Ginnie Mae is now adapting to complexities presented by the current evolving environment. The three key drivers behind the need for additional resources are:

- 1) Managing the increasing number and complexity of issuers<sup>1</sup>.
- 2) Continuing its multi-year, enterprise-wide foundational, modernization and transformational initiatives.
- 3) Managing expanded and continuous IT system enhancements, upgrades and compliance.

The investment in a more robust workforce will allow Ginnie Mae to continue meeting today's housing finance needs of low- to moderate-income families, veterans, and rural homeowners while building better systems for tomorrow.

As seen in Table 1 below, Ginnie Mae anticipates a growth rate in the number of issuers exceeding 40 percent between calendar years 2008 and 2016.

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<sup>1</sup> In the Ginnie Mae program, participating lenders issue the mortgage-backed securities (MBS) comprised of their loans. Hence, lenders in the Ginnie Mae program are referred to as issuers.

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Table 1: Calendar Years 2008 – 2016

**Number of SF, MF, MH and HECM Approved Issuers by Institution Type**

Source: Ginnie Mae B07 Issuer Load file

Excludes Defaulted and Terminated Issuers

Institution Type	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Nov-14	Estimated 2015	Estimated 2016
1. Mortgage Company	222	232	252	256	286	314	312	333	340
2. Savings & Loan	36	32	28	25	24	24	20	20	20
3. Commercial Bank	63	62	57	58	61	67	75	82	86
4. Mutual Savings	7	9	9	8	9	11	11	11	11
5. Credit Union	7	8	12	14	14	16	14	15	16
6. Other	20	24	27	24	22	25	26	27	27
Total	355	367	385	385	416	457	458	488	500

The growth in the number of new issuers is straining the staff’s capacity to manage financial institutions as ratios of issuers per Account Executive and Risk Analyst have skyrocketed well above targeted levels, as shown in Table 2.

Table 2: Issuer to Ginnie Mae Staff Ratio

	Issuers	Account Executive Ratio	Monitoring Analyst Ratio
FY 2014 (actual)	458	35:1	76:1
FY 2015 (estimated)	488	27:1	54:1
FY 2016 (estimated)	500	23:1	45:1
Targeted Ratio		15:1	45:1

Another critical factor in the need for additional staff is the increasing financial complexity of many of the new issuers. Historically, the Ginnie Mae operating model worked well largely because its issuers were depository institutions overseen by prudential regulators such as the Office of Comptroller of the Currency or Federal Deposit Insurance Corporation. The mortgage finance industry, however, is rapidly evolving away from depository institutions toward non-banks not subject to federal safety and soundness oversight. These new entrants bring critical new capital to the nation’s housing markets yet they also require more Ginnie Mae supervision since safety and soundness reviews are not being performed by prudential regulators. Non-banks now comprise 51 percent of single-family MBS issuance, up from 28 percent just two years ago. (Table 3)

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Table 3: League Table Fiscal Years 2012 – 2014

	2012	2013	2014
Total Single-Family Issuance	\$ 360,639,014,137	\$ 423,929,730,766	\$ 277,475,469,367
Percent of Total by Mortgage Banks	28%	37%	51%

<b>TOTAL - SALARIES AND EXPENSES</b>				
(Dollars in Thousands)				
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2015 to FY 2016</b>
<b>Personal Services</b>	<b>\$17,323</b>	<b>\$21,497</b>	<b>\$26,338</b>	<b>\$4,841</b>
<b>Non-Personnel Services</b>				
Travel	369	726	926	200
Printing	-	3	5	2
Other Services/Contracts	1,574	465	585	120
Training	155	267	393	126
Supplies	14	42	53	11
<b>Non-Personnel Subtotal</b>	<b>2,112</b>	<b>1,503</b>	<b>1,962</b>	<b>459</b>
<b>GRAND TOTAL</b>	<b>\$19,435</b>	<b>\$23,000</b>	<b>\$28,300</b>	<b>\$5,300</b>
<b>Associated FTE</b>	<b>109.7</b>	<b>138.8</b>	<b>167.8</b>	<b>29.0</b>

**DESCRIPTION OF CHANGE FROM FY 2015 TO FY 2016**

Ginnie Mae request \$28,300K in fiscal year 2016, an increase of \$5,300K compared to fiscal year 2015 enacted.

The increase is greatly offset by rising revenues at Ginnie Mae. Ginnie Mae’s Salaries and Expenses (S&E) request is more than counterbalanced by an estimated \$118 million in collections from multiclass and commitment fees in fiscal year 2016. The net result is a \$90 million contribution to the federal government’s bottom line. Since 2012, Ginnie Mae’s total impact to reducing the deficit is estimated at \$451 million through the end of the next fiscal year. Moreover, Ginnie Mae’s total operations have generated revenues to the federal government exceeding \$1 billion annually.

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Personnel Services:

Ginnie Mae requests \$26,338K and 167.8 Full-Time Equivalents (FTE) in fiscal year 2016, with an increase from fiscal year 2015 enacted by \$4,841K and 29 FTE. A nominal increase in funding will support the additional hiring, pay raise, promotions and within-grade increases. The increase in Personnel Services will allow Ginnie Mae to:

- Increase staff in the Offices of issuer and Portfolio Management, Enterprise Risk, Enterprise Data and Technology and the Office of the Chief Financial Officer.
- Provide sufficient and enhanced oversight of non-depository issuers to allow Ginnie Mae to continue issuing commitment authority and approving servicing transfers, both critical to ensuring liquidity in the Ginnie Mae MBS, loosening credit and providing greater accessibility to capital.
- Continue with modernization and transformational initiatives necessary to remain competitive in the market; comply with audits, organizational internal controls, security standards (e.g. FISMA, FISCAM, NIST Rev. 4) and other regulatory mandates; and align with Ginnie Mae-imposed policies and procedures.
- Proceed in building capacity to strengthen the management oversight of contractors across the enterprise.
- Increase focus on risk management of more than \$1.5 trillion in outstanding guaranteed securities, as the level of specialized skills needed to manage these risks continues to grow. Ginnie Mae estimates that its portfolio will grow another \$100 billion in fiscal year 2016.

Function	<b>Personnel Services Functional Summary</b>					
	(Dollars in Thousands)					
	FY 2014		FY 2015		FY 2016	
	FTE	Cost	FTE	Cost	FTE	Cost
President and Executive Vice President	7	\$1,169	7	\$1,146	7	\$1,161
Chief Financial Officer	15	\$2,416	16	\$2,462	20	\$3,084
Issuer and Portfolio Management	33	\$5,274	48	\$7,422	57	\$8,878
Enterprise Risk	7	\$1,105	8	\$1,161	10	\$1,499
Capital Markets	5	\$758	5	\$805	7	\$1,044
Enterprise Data and Technology Solutions	16	\$2,511	26	\$4,057	30	\$4,685
Securities Operations	13	\$2,100	14	\$2,121	19	\$2,993
Management Operations	13	\$1,990	15	\$2,323	19	\$2,994
<b>Total</b>	<b>109.7</b>	<b>\$17,323</b>	<b>138.8</b>	<b>\$21,497</b>	<b>167.8</b>	<b>\$26,338</b>

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### Non-Personnel Services:

An increase of \$459K in Non-Personnel Services

- An increase of \$200K in Travel to:
  - Perform essential policy functions such as issuer applicant on-site reviews, on-site visits for new or probationary issuers, compliance reviews and reviews of its master servicers.
  - Implement additional oversight/monitoring protocols.
  - Support Ginnie Mae's Global Investor Initiative, designed to help increase Ginnie Mae's access to global official and private institutions investor community, which is currently estimated at 30-40 percent of its entire investor base. It will also provide better international client services and position Ginnie Mae as a market leader in attracting global financial capital.
- An increase of \$126K in Training, which is consistent with Ginnie Mae's commitment to increase the performance of its workforce. On average, Ginnie Mae estimates that it will spend \$2.3K per employee on training in fiscal year 2016, compared to \$2K per employee in fiscal year 2015.
- An increase of \$120K in Other services, which will help support temporary staffing services for Ginnie Mae until permanent employees can be on-boarded.
- A total increase of \$13K in supplies and printing, which will support the cost for general supplies associated with increased staff.