## GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
## MORTGAGE-BACKED SECURITIES PROGRAM
## 2018 Summary Statement and Initiatives
## (Dollars in Thousands)

| GUARANTEES OF MORTGAGE-BACKED SECURITIES | Enacted/ Request | Carryover | Supplemental/ Rescission | Total Resources | Obligations | Outlays |
|---|---|---|---|---|---|---|
| 2016 Loan Limitation .............. | $500,000,000 | $494,413,897 | ... | $994,413,897 | $430,390,842 | ... |
| 2017 Annualized CR ................ | 500,000,000 | 500,000,000 | -$950,500[a/] | 999,049,500 | 999,049,500 | ... |
| 2018 Request ...................... | 500,000,000 | ... | ... | 500,000,000 | 500,000,000 | ... |
| Change from 2017 .................. | ... | -500,000,000 | +950,500 | -499,049,500 | -499,049,500 | ... |

a/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted loan limitation level of 0.1901 percent.

| GUARANTEES OF MORTGAGE-BACKED SECURITIES PROGRAM ACCOUNT | Carryover | Spending Authority from Offsetting Collections | Precluded from Obligation | Gross Budget Authority[1] | Obligations | Net Outlays |
|---|---|---|---|---|---|---|
| Administrative Expenses and Commitment and Multiclass Fees | | | | | | |
| 2016 Appropriation..................... | $409,121 | $139,528 | -$522,649 | $26,000 | $23,673 | -$115,855 |
| 2017 Annualized CR..................... | 522,649 | 101,000 | -600,693 | 23,000 | 25,456 | -75,544 |
| 2018 Request........................... | 600,693 | 116,000 | -691,293 | 25,400 | 28,400 | -87,600 |
| Change from 2017 ...................... | +78,044 | +15,000 | -90,600 | +2,400 | +2,944 | -12,056 |

### 1. Program Purpose and Fiscal Year 2018 Budget Overview

Ginnie Mae makes affordable housing a reality for millions of low- and moderate-income households across America by channeling global capital into the nation's housing markets. Specifically, the Ginnie Mae guarantee allows mortgage lenders to obtain a better price for their Mortgage Backed Securities (MBS) in the secondary mortgage market. The lenders can then use the proceeds of their

[1] Gross Budget Authority represents new budget authority to be collected within the fiscal year and does not include the $9.6 million balance of no-year S&E collected in prior fiscal years or the reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent for fiscal year 2017, per Public Law 114-254.

MBS sales to fund new mortgage loans. Without that liquidity, lenders would be forced to keep all loans in their own portfolio, meaning they would not have adequate capital to make new loans.

The fiscal year 2018 President's budget of $500 billion, equal to the fiscal year 2017 Annualized CR level, will allow Ginnie Mae to remain the primary financing mechanism for all government-insured or government-guaranteed mortgage loans.

## 2. Request

Ginnie Mae's fiscal year 2018 Budget request consists of two parts:

(1) $500 billion (non-cash) in limitation on new commitments of single class MBS; and

(2) $25.4 million to cover personnel compensation and benefits and non-personnel services expenses for fiscal year 2018. The appropriations request also includes up to $3 million in additional budget authority should the actual guarantee volume exceed the prescribed threshold during execution.

Commitment Authority

Ginnie Mae is requesting $500 billion in commitment authority, to remain available until September 30, 2019, to issue guarantees of MBS to meet the credit access and housing needs of Americans across the single-family, multifamily, and healthcare segments of the market. This request provides ample authority given estimates of mortgage insurance and guarantee activity of the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), HUD's Office of Public and Indian Housing (PIH), and the U.S. Department of Agriculture (USDA).

Salaries and Expenses

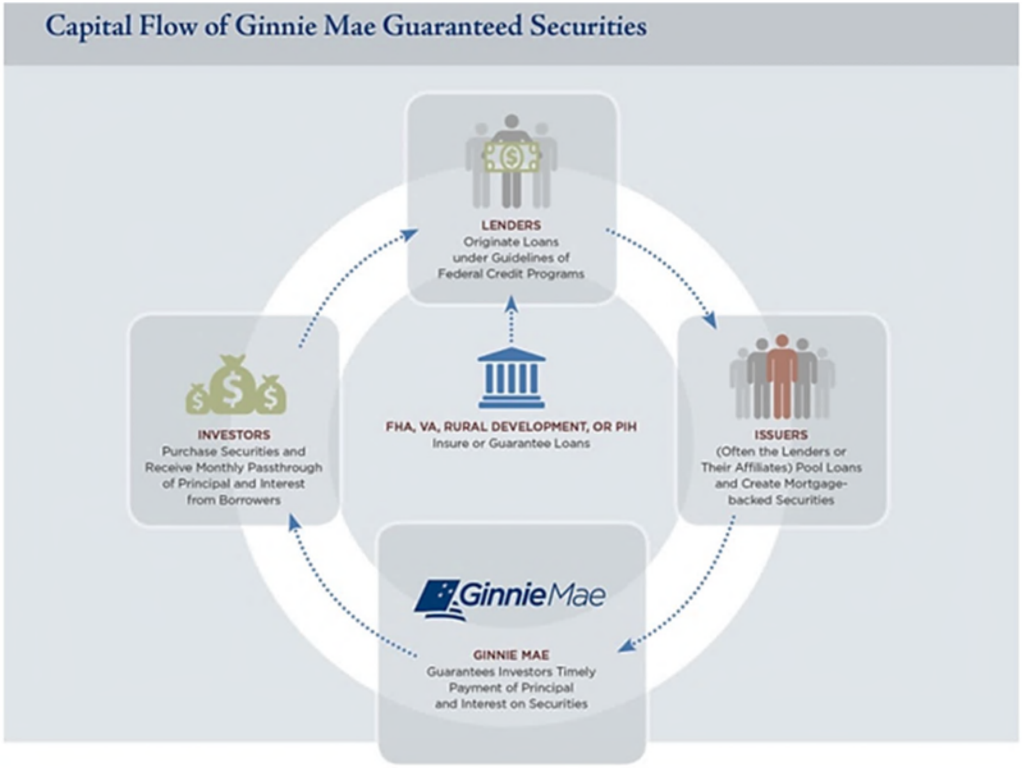
The fiscal year 2018 President's Budget of $25.4 million, is $2.4 million more than the fiscal year 2017 Annualized CR level. Ginnie Mae's salaries and expenses (S&E) request of $25.4 million, is offset by an estimated $116 million in collections from multiclass and commitment fees for an expected net decrease to the deficit of $90.6 million. Please see the Ginnie Mae S&E justification for more details.

## 3. Justification

Ginnie Mae, authorized by Title III of the National Housing Act, as amended (P.L. 73-479; codified at 12 U.S.C. 1716 et seq.), is not in the business of making or purchasing mortgage loans, nor does it buy, sell, or issue securities. Instead, Ginnie Mae supports liquidity in the mortgage market by guaranteeing timely payment on securities backed by federally guaranteed mortgages, for which qualified mortgage issuers pay a fee. Issuers use that authority to pool their eligible government insured loans into securities and issue Ginnie Mae guaranteed MBS. Ginnie Mae, in turn and as authorized by Section 306(g) of the National Housing Act, guarantees the performance (i.e., timely payment of principal and interest) of the Issuer who issues the MBS and who continues to service and manage the underlying loans. The guarantee to investors also earns Ginnie Mae guarantee fee income from issuers. The Ginnie Mae guarantee, coupled with an expected return higher than U.S. Treasury securities, makes Ginnie Mae securities highly liquid and attractive to domestic and foreign investors of all types. This liquidity is passed on to the issuers who can then use the proceeds from Issuances to make new mortgage loans at attractive interest rates to borrowers. The ongoing cycle (as depicted in Figure 1) helps to lower financing costs and supports increased access to capital for housing finance across the single-family, multifamily, and healthcare housing markets. Because the Ginnie Mae-guaranteed MBS are backed by the full faith and credit of the U.S. Government, capital continues to flow even during recessionary periods when liquidity stalls in the private market and in times of great market change as we experienced with the withdrawal of major banks from the origination space.

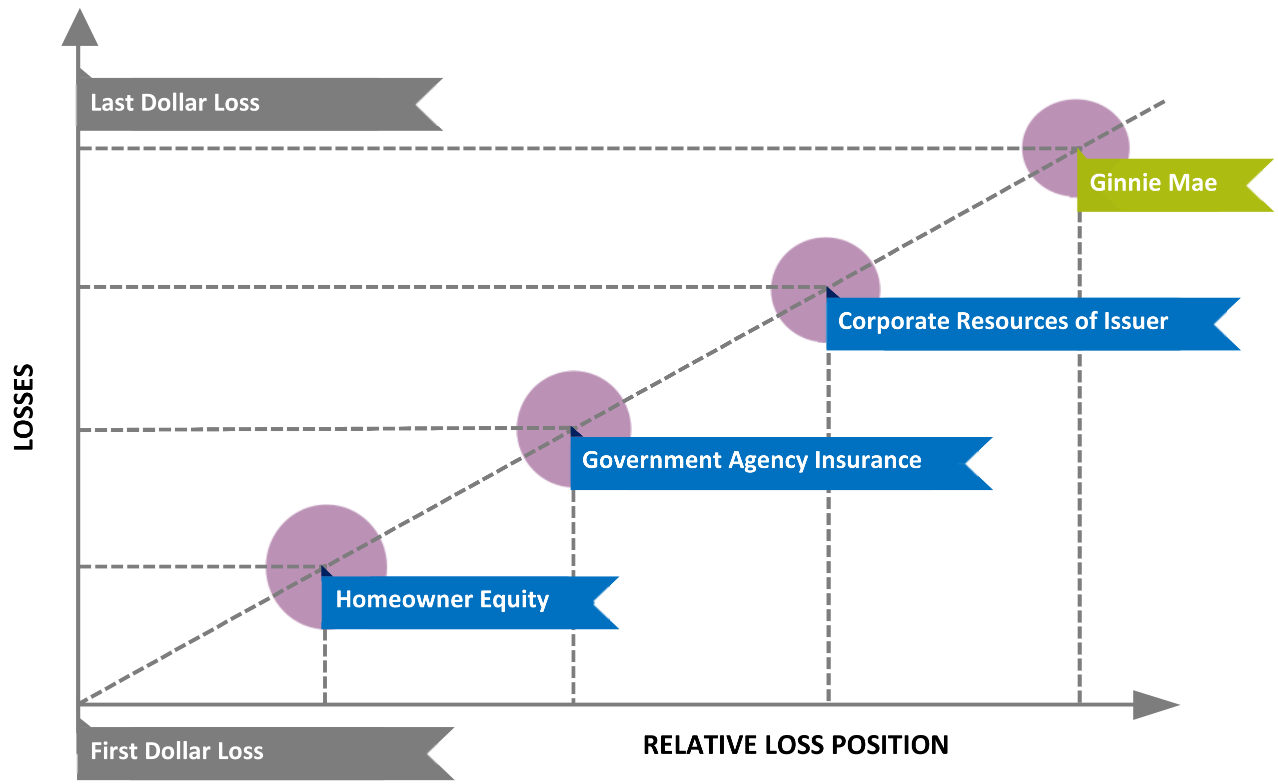
Guarantees of Mortgage-Backed Securities

Figure 1: Capital Flow of Ginnie Mae Guaranteed Securities




Ginnie Mae is a mono-line business taking only counterparty risk – the risk that the Issuer does not have the financial strength and liquidity to cover borrower defaults and un-reimbursed losses on mortgage loans underlying their MBS issuances. There are three levels of credit exposure that must be exhausted before the Ginnie Mae guarantee is at risk, thus, Ginnie Mae is in the fourth and last loss position, as shown in Figure 2. As such, Ginnie Mae Issuers' must exhaust their corporate resources — usually through bankruptcy — before Ginnie Mae will pay on its guarantee. This process is similar to the Federal Deposit Insurance Corporation (FDIC) closing a failed bank.  Insuring only the performance of the Issuer and requiring that Issuers make principal and interest payments to investors until they can no longer do so significantly reduces taxpayer exposure to risk. By actively managing and monitoring issuers, Ginnie Mae manages its risk of potential Issuer default and can better protect the guarantee from loss.

Figure 2:  Protecting the Ginnie Mae Guarantee



Guarantees of Mortgage-Backed Securities

Ginnie Mae plays a critical role in the U.S. housing finance system, as it is a low risk, high revenue-generating conduit for bringing private capital into the U.S. housing markets. Without such a conduit, the prevalence of the 30-year mortgage would significantly diminish. If Issuers were unable to access the global capital market through the sale of Ginnie Mae securities, they would not have the long-term funding necessary to continue originating FHA, VA, PIH and USDA insured loans upon which so many in America depend. In response, Issuers would originate mainly adjustable-rate mortgage (ARM) loans and be forced to raise mortgage rates for the loans they do make to individual borrowers, weakening a recovering but still somewhat fragile housing market. In addition, the existing global MBS market would experience a major disruption, with negative effects on both the liquidity and value of existing Ginnie Mae MBS (which represent an important component of the balance sheets of many of the world's largest financial institutions). Ginnie Mae benefits borrowers, Issuers, and investors while helping to stabilize the U.S. housing and capital markets. Accordingly, Ginnie Mae is designated by the Federal Government as a National Essential Function (NEF) for protecting and stabilizing the nation's economy in the aftermath of a disaster and ensuring public confidence in its financial system.

During recent market crises, Ginnie Mae has provided market stability and liquidity to America's housing finance system. In addition, Ginnie Mae has become the major outlet for providing global capital and liquidity to the housing market by providing a steady source of funding for the vast majority of government-insured or guaranteed loans offered. Prior to the introduction of Ginnie Mae MBS in 1970, borrowers across the United States had limited access to fixed interest rate home mortgages and faced strikingly uneven mortgage rates across different regions. Without Ginnie Mae's continuing support of the mortgage market, such problems could resurface.

**General Provisions**

- **Administrative Expenses Fiscal Year Limitations:** The budget seeks to permanently authorize the provision that makes limitations on administrative expenses inapplicable to certain expenditures of Ginnie Mae, including legal services contracts and the expenses of carrying out its programmatic duties. This provision ensures that administrative expenses provided in annual appropriations bills does not preclude Ginnie Mae's reliance upon its permanent, indefinite appropriation, in Section 1 of the National Housing Act, for essential operating funds (Sec. 204).

- **Government Corporations Control Act:** This provision is an authorization by which Congress implements its responsibilities under section 104 of the Government Corporations Control Act (31 U.S.C. 9104), which is necessary to carry out the programs set forth in Ginnie Mae's budget for the coming year. (Sec. 205).

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

| Budget Activity | 2016 Loan Limitation | 2015 Carryover Into 2016 | 2016 Total Resources | 2016 Obligations | 2017 Annualized CR | 2016 Carryover Into 2017 | 2017 Total Resources | 2018 Request |
|---|---|---|---|---|---|---|---|---|
| Commitment Limitation | $500,000,000 | $494,413,897 | $994,413,897 | $430,390,842 | $499,049,500 | $500,000,000 | $999,049,500 | $500,000,000 |
| Total ............... | 500,000,000 | 494,413,897 | 994,413,897 | 430,390,842 | 499,049,500 | 500,000,000 | 999,049,500 | 500,000,000 |

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION**
**MORTGAGE-BACKED SECURITIES PROGRAM**
**Appropriations language**

The fiscal year 2018 President's Budget includes the appropriation language listed below.

*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, 2019: Provided, That $25,400,000 shall be available for necessary salaries and expenses of the Office of Government National Mortgage Association: Provided further, that to the extent that guaranteed loan commitments will and do exceed $155,000,000,000 on or before April 1, 2018, an additional $100 for necessary salaries and expenses shall be available until expended for each $1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below $1,000,000), but in no case shall funds made available by this proviso exceed $3,000,000: Provided further, That receipts from Commitment and Multiclass fees collected pursuant to title III of the National Housing Act, as amended, shall be credited as offsetting collections to this account.*

*Note. —A full-year 2017 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.*