

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION**

(Dollars in Thousands)

| | FY 2018 Actuals | FY 2019 Annualized CR | FY 2020 President's Budget |
|--|----------------------------|--------------------------------------|---|
| Personnel Services | \$25,526 | \$26,007 | \$27,293 |
| Non-Personnel Services | | | |
| Training/Conferences | 130 | - | - |
| Supplies | 33 | - | - |
| Non-Personnel Services Subtotal | \$164 | - | - |
| Working Capital Fund | 774 | 993 | 1,057 |
| Grand Total | \$26,464 | \$27,000 | \$28,400 |
| Associated FTEs | 148 | 148 | 154 |

1. Program Purpose and Budget Overview

The Government National Mortgage Association (Ginnie Mae) is a revenue generating government corporation originally chartered to conduct commercial operations for a public purpose. Its operations are integral to the viability of our Nation's housing finance system and its mission is to bring domestic and global capital into that market. Ginnie Mae fulfills its mission by providing a mortgage backed securities (MBS) platform to lenders and attracting investors to the sale of the MBS, which provides the liquidity that keeps funds flowing to lenders, allowing them to continue to originate loans under the Federal Housing Authority (FHA), Veterans Affairs (VA), Rural Housing Services (RHS) and Public and Indian Housing (PIH) programs. At the heart of the demand for the Ginnie Mae MBS is the explicit government guaranty that effectively removes credit risk for investors, making Ginnie Mae MBS a valuable international commodity.

Ginnie Mae's core activities surround its guarantee of timely payment on Ginnie Mae guaranteed-MBS securities. Activities include the key operational functions of approving and monitoring the mortgage lenders who can issue and service the Ginnie Mae MBS and maintaining the platform over which the MBS is issued, and investors receive payment. Ginnie Mae provides potential investors with

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the U.S. government's guarantee that they will receive timely payments from said Issuer while they remain in good standing in the Ginnie Mae program. Due to its critical role in providing liquidity to lenders and the housing market, Ginnie Mae is designated by the federal government as a Nationally Essential Function (NEF) for protecting and stabilizing the Nation's economy and ensuring public confidence in its financial system. Ginnie Mae's ability to fulfill its NEF role effectively and seamlessly is a direct function of its ability to conduct timely and efficient business operations and transactions and oversee and manage complex program and Issuer risks.

Protecting the government guaranty, by insuring that only financially sound and operationally capable lenders (Issuers) can issue MBS and reliably make payments to investors, has been one of Ginnie Mae's two operational priorities. The other priority has been running the platform over which the MBS are issued, and investors receive payment. Without access to the Ginnie Mae program, lenders would be challenged to offer a 30-year fixed-rate mortgage at affordable interest rates. The 2020 Budget, along with use of Ginnie Mae's accumulated no-year funding, will allow it to meet these priorities while managing a growing and changing portfolio as well as increasing business complexity and risk.

The 2020 President's Budget of \$28.4 million, is \$1.4 million more than the 2019 Annualized Continuing Resolution (CR) level. Ginnie Mae's request would support 154 full-time equivalents (FTEs) in 2020, an increase of 6 FTEs from 2019 CR Annualized levels, and the implementation of a critical pay hiring strategy. The proposed 2020 staffing budget increase supports the continued hiring of key positions in Oversight, Risk Management/Compliance and Financial Accounting. These additions would allow Ginnie Mae to continue the evolution of enhanced risk management and monitoring to oversee various risk mitigating elements (such as our CorporateWatch modeling framework and Stress Testing of all issuers.) The request also provides \$1 million for Working Capital Fund fees for shared services and other investments as directed by the Secretary.

The enhanced accounting functionality is related to the operationalization of the sub-ledger data base that will be in its second year of implementation and audit remediation. This will allow Ginnie Mae to continue to transition work from the contract support it has relied on to build this loan-level capability. For more than three years Ginnie Mae has been balancing the need to execute a growing program while re-engineering operations to manage MBS growth, increased business complexity and risk related to changing market conditions.

Previously, hiring decisions were made primarily based on the following factors:

- Funding availability
- Readiness of the Position Description; and
- Criticality of the position

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Ginnie Mae has since re-engineered its hiring strategy to incorporate:

- **Enterprise-wide collaboration:** Hiring decisions continue to be prioritized and acted upon at an enterprise level. All SVPs have equal participation in the hiring decisions of the organization and positions are prioritized based on a ranking from all senior executives at the agency.
- **Mission Critical:** Focus has been placed on identifying the key resources who oversee core business, financial, administrative, and technical functions that are critical to support Ginnie Mae’s day-to-day operations. “Mission-critical” activities are defined as critical business functions (CBFs) in Ginnie Mae’s Business Continuity Plan.
- **Oversight, Risk Management and Compliance:** While resources have been added in these areas, Ginnie Mae continues to prioritize hiring in the key functions that are necessary to address or comply with audit, regulatory, risk management and oversight or technology expiration/end-of-life mandates.

The budget and staffing request supports the 2020 President’s Budget Program Office policy goal of “Supporting homeownership through provision of Federal Housing Administration mortgage insurance programs.” Ginnie Mae plays an increasingly important role in the U.S. economy and MBS market upon which residential lenders and low and moderate-income homebuyers depend for access to liquidity and credit and is currently funding 1 in 3 new single-family mortgages securitized, with currently outstanding MBS of \$2 trillion supporting over 10 million households. If Ginnie Mae fails to meet either of its roles, liquidity to the housing mortgage market and homebuyer credit access will be insufficient or the taxpayer dollar will be at greater risk.

2. Key Operational Initiatives

Critical Pay Flexibility

Ginnie Mae’s 2020 President’s Budget supports its Critical Pay Authority hiring strategy. The existing Critical Pay authority permits an agency to set a higher rate of basic pay than would otherwise be payable for a position that requires expertise of an extremely high level in a scientific, technical, professional, or administrative field and is critical to the successful accomplishment of an important mission. Ginnie Mae is pursuing the use of Critical Pay authority to attract and retain mission critical employees with specialized skills that understand the complex mortgage securitization market.

Technical fix for S&E funding source as offsetting collections

Ginnie Mae is requesting revised appropriations language that clarifies Ginnie Mae’s annual salaries and expenses funding source as collections from Commitment and Multiclass fees credited as offsetting collections in the program account.