DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Government National Mortgage Association

Mortgage-Backed Securities Program

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2020 Appropriation	550,000,000	550,000,000	-	1,100,000,000	877,359,279	-
2021 Appropriation	1,300,000,000	222,640,721	-	1,522,640,721	1,001,864,921	-
2022 President's Budget	900,000,000	520,775,800	-	1,420,775,800	927,255,438	-
Change from 2021	(400,000,000)	298,135,079	-	(101,864,921)	(74,609,483)	-

ADMINISTRATIVE EXPENSES AND COMMITMENT & MULTICLASS FEES

(Dollars in Thousands)

	Carryover	Spending authority from offsetting collections	Budget Authority	Precluded	Obligations	Net Outlays
2020 Appropriation	844,081	224,357	33,500[a/]	(1,034,938)	30,466	(194,357)
2021 Appropriation	1,034,938	239,586	36,500[a/]	(1,238, 024)	42,443	(200,586)
2022 President's Budget	1,238, 024	180,928	40,350	(1,378,602)	51,752	(133,928)
Change from 2021	203,086	(58,658)	3,850	(140,578)	9,309	66,658

[a/] Budget Authority for 2020 and 2021 include $3 million of earned no-year funds contingent on volume.

PROGRAM PURPOSE

The Government National Mortgage Association (Ginnie Mae) makes affordable housing a reality for millions of households across America by channeling global capital into the nation's housing markets while minimizing the risk to the U.S. taxpayer. Specifically, the Ginnie Mae guarantee (i.e., the timely payment of principal and interest to mortgage-backed securities (MBS) investors, backed by the full faith and credit of the U. S. Government) enables mortgage lenders to sell their loans at favorable prices in the U.S. secondary mortgage market, increasing the total funding available for lenders to make new loans at attractive interest rates to borrowers. This helps to lower financing costs and increases access to affordable and sustainable housing and homeownership for eligible borrowers.

BUDGET OVERVIEW

The 2022 President's Budget for Ginnie Mae consists of two parts:

1) $900 billion in limitation on new commitments of single class MBS which is $400 billion lower than the 2021 enacted level; and
2) $40.4 million in spending authority from offsetting collections to cover personnel compensation and benefits and non-personnel services expenses.

Commitment Authority

The 2022 President's Budget requests $900 billion in commitment authority, to remain available until September 30, 2023. This funding level is necessary to ensure that Ginnie Mae can continue its mission of channeling funding from the global capital markets to the primary market for federally-backed mortgages administered by the Departments of Housing and Urban Development, Veterans Affairs, and Agriculture in order to meet the credit access and housing needs of Americans across the single family, multifamily, and healthcare segments of the market.

Salaries and Expenses (S&E)

The 2022 President's Budget requests $40.4 million, to remain available until September 30, 2023. The Budget is $6.9 million above the 2021 enacted two-year level and $3.9 million more than the total 2021 enacted level (including no-year funds). Ginnie Mae's S&E budget is offset by an estimated $180.9 million in collections from Commitment and Multiclass fees, resulting in net budget authority of -$140.6 million. Please see the Ginnie Mae S&E Congressional Justification for more details.

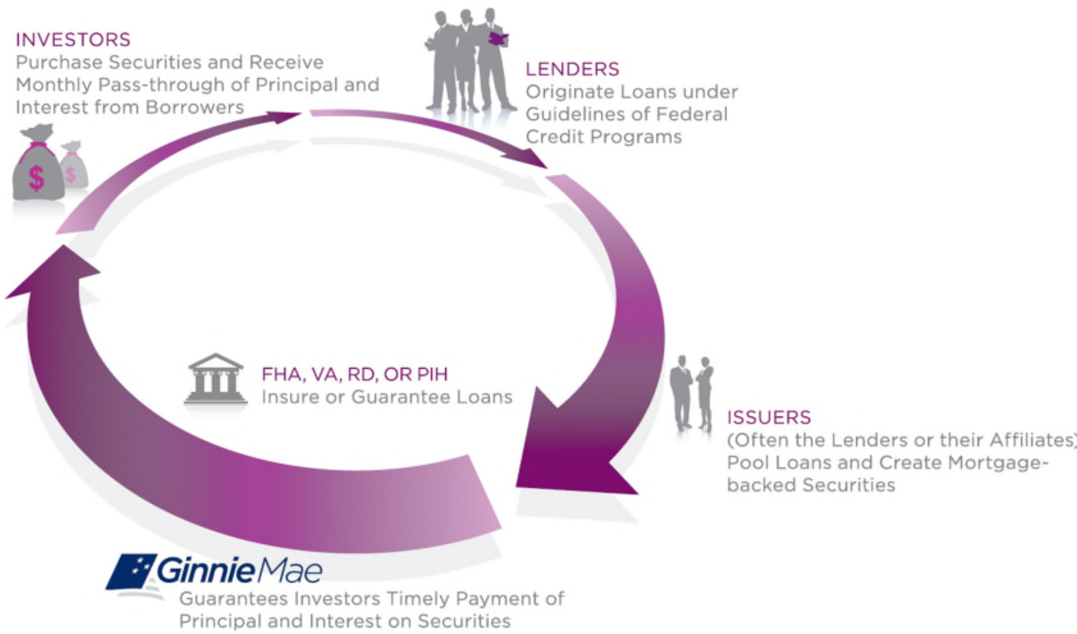
JUSTIFICATION

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.), does not make or purchase mortgage loans, nor does it buy, sell, or issue securities. Instead, Ginnie Mae supports liquidity in the mortgage market by guaranteeing timely payment of pass-through income to investors of MBS pooled by mortgages insured and guaranteed by the Federal government. To do this, Ginnie Mae sells commitment authority to approved private lending institutions (Issuers). These issuers then use that authority to assemble their eligible Federal government insured loans into pools of loans and issue Ginnie Mae guaranteed MBS up to their commitment amount. 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. In return for this guarantee on MBS securitized by approved issuers, Ginnie Mae charges a guarantee fee. It is through this business model that Ginnie Mae significantly limits its exposure to risk (see Figure 1).

Figure 1: Protecting the Ginnie Mae Guarantee

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 loans available. The ongoing cycle (as depicted in Figure 2) helps support accessible and affordable housing for America. 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 – ensuring that mortgage financing is available for homeownership and rental properties regardless of the economic climate. In 2020, over 2.8 million homeowners and renters benefitted from the Ginnie Mae MBS program.

Figure 2: Capital Flow of Ginnie Mae Guaranteed Securities



Over the last several years, Ginnie Mae's MBS issuances have continued to rise significantly based on market demand and there has been a corresponding increased demand for commitment authority. In 2020, commitment authority sales totaled $877 billion, which represents a 93 percent increase over 2019. This increase in issuer demand for commitment authority was driven largely by the general decline in interest rates and commensurate increase in refinance activity.

The 2021 commitment authority sales estimate is based on the expectation of low or lower interest rates for the remainder of the year. In estimating 2022 needs, legislation and rules about borrower forbearance associated with the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the economic effects of the COVID-19 pandemic give rise to uncertainty. Nevertheless, Ginnie Mae anticipates that some number of loans, more than historical experience, will be bought out of pools at the expiration of the forbearance period, modified, and then re-pooled into a Ginnie Mae MBS – further fueling an increased demand for commitment authority.

For over 50 years, Ginnie Mae has been a cornerstone of the U.S. mortgage market, providing stability and liquidity to America's housing finance system and promoting homeownership and affordable rental housing by ensuring a steady source of funding for the vast majority of loans insured and guaranteed by the Federal government. If increased levels of demand for government-backed loans materialize and are not able to be supported via commitment authority sales, the result will be a rationing of access to the Federal housing programs, which Ginnie Mae believes is counter to its mission and to be avoided at all costs. The Budget will allow Ginnie Mae to fulfill its mission and maintain support for low-cost homeownership and housing opportunities for Americans, including Veterans, across the nation.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2020 Appropriation	2019 Carryover Into 2020	2020 Total Resources	2020 Obligations/ CA Sold	2021 Appropriation	2020 Carryover Into 2021/Unsold CA	2021 Total Resources	2022 President's Budget
Commitment Authority (CA)	550,000,000	550,000,000	1,100,000,000	877,359,279	1,300,000,000	222,640,721	1,522,640,721	900,000,000
Total	550,000,000	550,000,000	1,100,000,000	877,359,279	1,300,000,000	222,640,721	1,522,640,721	900,000,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Explanation

The 2022 President's Budget requests the following changes to appropriations language from the 2021 enacted bill:

- Clarifying S&E Funding Source as Offsetting Collections: The Budget requests a revision to the appropriations language that clarifies the source of Ginnie Mae's S&E as receipts from Commitment and Multiclass fees credited as offsetting collections in the program account. It was brought to the Department's attention that the appropriations language could be interpreted in such a way that Ginnie Mae's annual S&E is funded through an appropriation instead of, as it was intended, from offsetting collections. The 2022 Budget explicitly provides for offsetting collections as the source of S&E funds.
- Eliminating no-year S&E Contingent on Volume: The Budget fully addresses Ginnie Mae's S&E needs via the requested $40.4 million in two-year funds. The Budget does not request additional no-year S&E funds.

General Provisions

The 2022 President's Budget proposes the following new general provision:

GINNIE MAE SECURITIZATION

Paragraph (6) of section 542(c) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-22(c)) is amended in its title by deleting "Prohibition on" and by revising the text of paragraph (6) to read as follows: "The Government National Mortgage Association may, at the discretion of the Secretary, securitize any multifamily loan insured under this subsection, provided that, notwithstanding any other provision, any successors and assigns of the risk share partner (including the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named) shall not assume any obligation under the risk-sharing agreement and may assign any defaulted loan to the Federal Housing Administration in exchange for payment of the full mortgage insurance claim. The risk-sharing agreement must provide for reimbursement to the Secretary by the risk share partner(s) for either all or a portion of the losses incurred on the loans insured. The originating Housing Finance Agency cannot assign or otherwise be relieved of its risk share obligations under the risk-sharing agreement." (2022 President's Budget, Sec. 230).

The 2022 President's Budget re-proposes the following general provisions that were enacted in the 2021 appropriations bill:

GNMA Legal Services: This provision 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. (2022 President's Budget, Sec. 204)

HUD Corporation Expenditures: 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. (2022 President's Budget, Sec. 205)

Prohibition on Insuring Mortgages Subject to Eminent Domain: Prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain. (2022 President's Budget, Sec. 217)

These provisions are described further in the "Explanation of General Provisions" section.

APPROPRIATIONS LANGUAGE

The 2022 President's Budget includes proposed changes in the appropriation language listed below. New language is italicized, and language proposed for deletion is bracketed.

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 [$1,300,000,000,000] *$900,000,000,000*, to remain available until September 30, [2022]*2023*: Provided, That [$33,500,000]*$40,350,000*, to remain available until September 30, [2022]*2023*, *to be derived from fees credited as offsetting collections to this account, including balances of fees collected and credited in prior fiscal years*, 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 exceed $155,000,000,000 on or before April 1, 2021, 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 (12 U.S.C. 1716 et seq.), shall be credited as offsetting collections to this account. (*Department of Housing and Urban Development Appropriations Act, 2021.)*