

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Government National Mortgage Association

SALARIES AND EXPENSES

(Dollars in Thousands)

	2023*	2024			2025		
	Actuals	Carry Over	Annualized CR	Total	Carry Over	President's Budget	Total
Personnel Services	\$40,882	\$2,027	\$40,400	\$42,427	-	\$60,065	\$60,065
Non-Personnel Services							
Travel	-	-	-	-	-	517	517
Transportation of Things	-	-	-	-	-	-	-
Rent and Utilities	-	-	-	-	-	-	-
Printing	-	-	-	-	-	6	6
Other services/Contracts	-	-	-	-	-	384	384
Training	-	-	-	-	-	330	330
Supplies	-	-	-	-	-	83	83
Furniture and Equipment	-	-	-	-	-	-	-
Claims and Indemnities	-	-	-	-	-	-	-
Total, Non-Personnel Services	-	-	-	-	-	\$1,320	\$1,320
Working Capital Fund	-	-	-	-	-	2,535	2,535
Carryover	2,027	-	-	-	-	3,080	3,080
Grand Total	\$42,909	\$2,027	\$40,400	\$42,427	-	\$67,000	\$67,000
FTEs	191	9	183	192	-	260	260

PROGRAM PURPOSE

The Government National Mortgage Association (Ginnie Mae) is a revenue-generating Government-owned corporation chartered to conduct commercial operations for a public purpose. Its operations are integral to the Nation's housing finance system and its mission is to bring low-cost domestic and global capital into that market. Ginnie Mae fulfills its mission by providing a mortgage-backed securities (MBS) guarantee, which provides the liquidity that keeps funds flowing to lenders that originate loans under HUD, via Federal Housing Administration (FHA) and Public and Indian Housing (PIH) programs, the Department of Veterans Affairs (VA), and the Department of Agriculture (USDA), via Rural Development programs.

BUDGET OVERVIEW

The 2025 President's Budget requests \$67 million for Ginnie Mae, which is \$26.6 million more than the 2024 Annualized CR level. The Budget reflects total funding of \$67 million, \$24.6 million above 2024 total funding.

The 2025 Budget will enable Ginnie Mae to achieve its mission of providing liquidity in the housing finance ecosystem, enabling first-time homebuyers, veterans, seniors, and members of targeted urban, rural, and Tribal communities' access to affordable housing. This core function includes the key operational activity of ensuring that the securitization platform supports access, as well as

liquidity, for all Government-insured mortgage programs (i.e., FHA, VA, USDA, and PIH) and remains stable and reliable through any economic cycle.

The increase above the 2024 level is vital to support the full-time equivalent employees (FTEs) required to advance the mission stated above, sustain Ginnie Mae's efforts to fulfill expanded operations of the MBS and Home Equity Conversion (HECM) MBS ("HMBS") programs, as well as further strategic priorities (see Key Operational Initiatives section below). Note: This funding level places Ginnie Mae on a path to achieve Ginnie Mae's mission, strategic priorities, and reduce reliance on contractors in accordance with the U.S. Government Accountability Office (GAO) and HUD Office of the Inspector General recommendations. The Budget is designed to optimize available resources to make headway in advancing equity in the housing finance system, mitigate increased counterparty and cyber-security risks, advance Information Technology (IT) modernization and competitive posture, and strengthen the Federal workforce.

Personnel Services (PS)

The Budget assumes total funding of \$60.1 million for PS to support 260 FTEs, which is 68 FTEs and \$17.6 million more than the total 2024 PS level. The requested 2025 PS funding level supports a two percent pay raise. This significant investment will allow Ginnie Mae to continue to afford onboarded staff, backfill critical vacancies, support critical pay for staff where approved, and establish limited management and staffing capacity to assist in mitigating identified risks in the housing sector, addressing unmet needs and concerns for financial institutions (Issuers/lenders), as well as support Administration goals and initiatives.

The Budget supports the following critical objectives:

- Continuity of Operations (base-level) Resources, \$42.9 million (186 FTEs): Ginnie Mae intends to begin 2025 with 186 Full-Time Permanents (FTP) onboard to support the existing operational requirements. These resources will also support critical pay for identified and approved staff.
- Strategic Initiatives Resources, \$12.7 million (55 FTEs): These FTEs are needed to continue to expand on the implementation and development of IT platforms, policies, and procedures supporting Administration initiatives and goals. These resources will also support critical pay for identified and approved staff.
- Expanded Operations Resources, \$4.4 million (19 FTEs): These FTEs are needed to support the growing operations and reforms around the HMBS program. This level of funding will allow Ginnie Mae to make real progress on addressing present and emerging needs to stabilize reverse mortgage markets. These resources will also support critical pay for identified and approved staff.

Additional information regarding the strategic initiatives and expanded operations are further described under the "Key Operational Initiatives" section.

Non-Personnel Services (NPS)

The Budget assumes total funding of \$1.3 million for NPS to support travel, printing, contracts, training and supplies. Prior to 2025, GNMA has funded its NPS requirements using no-year funding. In 2025, all S&E execution (PS, NPS and WCF) will be funded using its regular two-year appropriation. The requested funds for travel are directly tied to core business operations with Ginnie Mae stakeholders and is important to the management of investor relationships and Issuer engagement.

Working Capital Fund (WCF)

The Budget assumes \$2.5 million for WCF. Please see the WCF Congressional Justification for details on current and proposed WCF business lines.

KEY OPERATIONAL INITIATIVES

Ginnie Mae's strategic initiatives are broad in scope, encompassing various facets of its operations, and require sustained efforts over multiple years to achieve their objectives. These initiatives are carefully designed to align with the strategic goals of Administration and Ginnie Mae's mission, and are vital drivers for growth, innovation, and staying competitive in the market.

The Budget aims to proactively address emerging challenges and capitalize on new opportunities. Any reduction to the Budget could lead to a redirection of resources towards maintaining existing operations, rather than fostering progress and advancement. This, in turn, may hinder Ginnie Mae's ability to adapt to changing market dynamics and capitalize on future market opportunities. It is imperative to acknowledge the significant impact that strategic investments can have on the organization's long-term success and its ability to drive transformative change that will lead to more robust and efficient operations via the strategies and expanded roles listed below.

HUD Strategic Objective 3B: Create a More Accessible and Inclusive Housing Finance System

Promote the preservation and creation of affordable housing

- *Core Business:* This category of funding is necessary to ensure that investors do not experience any disruption to timely receipt of principal and interest (P&I). As the size of the Ginnie Mae portfolio grows, funding supports additional staff, systems, and processes to facilitate the creation of mortgage securities by lenders/issuers, oversee requirements for the MBS program, maintain infrastructure through which MBS are issued, remit P&I payments to investors and produce relevant financial reporting, and manage the assets of defaulted portfolios. Amidst rapid and dynamic market fluctuations, core operations (e.g., new pool issuance, bond administration, managing securities data, managing MBS program and securitization platform, investor relations, managing Government Assets, etc.) must be performed to ensure continued viability.
- *Program Management:* Historically, Ginnie Mae has relied largely on contractors to support its Issuer Compliance Review function. With its growing Issuer base and the advent of new Issuer Compliance tools (field reviews, financial statements audits), Ginnie Mae needs to start acquiring Federal talent to manage/oversee these critical risk management functions and building both competency and capacity to phase in portions of its compliance functions from existing contractors. In essence, additional staff are needed to support the development and deployment of new Issuer compliance review tools to help ensure compliance with Ginnie Mae's MBS Guide and protect taxpayers. Ginnie Mae also does not have dedicated product management teams focused on each major product line. For example, Ginnie Mae's HMBS program does not have a dedicated product manager. Additional support is needed to ensure that there is bandwidth to properly evaluate each major product line and engage in revising product features and guidance on both a routine and urgent basis. At present, various Ginnie Mae staff across offices share in this obligation, but dedicated support is necessary to ensure proper oversight over each product line.

Modernization initiatives that support a more equitable housing finance system

- *MBS Platform Transformation:* This calls for the execution of already-planned initiatives that take advantage of cloud migration to introduce further technology transformation and ensure that the Ginnie Mae securitization platform remains competitive. In the last decade, several billion dollars of investment has been made in the Common Securitization Platform (CSP) supporting Fannie Mae and Freddie Mac—the Government’s platform cannot be allowed to stagnate relative to the CSP (because failure to modernize the Ginnie Mae platform would result in a loss of issuance volume, which would raise the relative cost of homeownership for borrowers under the Government programs, and over time would also affect access to mortgage credit). These requirements were pushed backed to the 2025 Budget due to other priorities; however, transformation is essential for Ginnie Mae to be agile and scalable in the market. Without dedicated resources, the timeline to get to the ideal future state to be responsive to market needs is impacted. Resources here will lead/support key MBS infrastructure and business transformation initiatives, which include loan-level operational capabilities, document custodian module development, and Business to Government data exchanges. These investments represent significant enhancements to the MBS platform and have been long awaited by program participants. For example, with respect to loan-level operational capabilities, Ginnie Mae’s securities program operates at the pool level. However, other mortgage guarantors transitioned previously to loan-level securities operations. For the last several years, Issuers have asked Ginnie Mae to prioritize loan-level bifurcation, which would allow Issuers significant additional flexibility in managing collateral at the loan level. Development of loan-level functionality is critical to the long-term viability of the Ginnie Mae MBS Program. Regarding the document custodial module, Ginnie Mae’s document custodians maintain the collateral that is the backstop to its securities. At present, the organization does not have the infrastructure to capture loan-level information from its document custodians who participate in the MBS program. With regards to the Business-to-Government data exchange, Issuers have expressed the need to view loan-level data maintained by Ginnie Mae to validate the accuracy of their records. Now that Ginnie Mae has successfully migrated its securitization to the cloud, it is well-situated to advance these important initiatives.
- *Digital Collateral Expansion:* The HUD 2022-2026 Strategic Plan commits Ginnie Mae to “advance the digitalization and optimization of the Ginnie Mae MBS securities platform.” The plan specifically calls for an expansion of the existing Digital Collateral program that made possible securitization of eNotes on Government loans, addressing a significant disadvantage of the Government sector of housing finance relative to the GSEs. The next phase of this effort will focus on the integration of paper and digital eNotes and collateral innovation.

HUD Strategic Objective 3B & Goal 5: Strengthen HUD’s internal capacity and efficiency to ensure better delivery of HUD’s mission

Advance new policy and strengthen internal capacity

- *Data Analytics:* Development of new MBS products, structures and channels will require staff to research and develop opportunities and implement and manage strategies on an ongoing basis. To this effect, Ginnie Mae’s cloud migration has made possible opportunities in the organization’s ability to generate and utilize MBS program data. However, Ginnie Mae’s resources are limited or non-existent in the Statistics and Data Analytics subdivision. Ginnie Mae is seeking resources for additional Data Scientists to create a core team with diversified machine learning, artificial intelligence, and predictive analytics capabilities. These resources would be central to achieving key aims of the organization that include:

- Supporting HUD efforts under Executive Order 14030 on Climate-Related Financial Risk;
 - Environmental, social, and governance (ESG) opportunity analysis;
 - Community Development Financial Institution (CDFI) partnership exploration;
 - Mission-focused analysis of first-time homebuyer and underserved markets; and
 - Evidence building data functions in compliance with the Evidence-Based Policymaking Act.
- *Expanded Operations:* The cost and availability of liquidity for HMBS issuers remains a source of concern and requires continued focus, lest this lack of liquidity threaten the availability of HECMs for future borrowers. Inside the current environment of high inflation, increasing interest rates, and tighter financial conditions in the banking and nonbanking sectors, there is heightened economic risk and potential for forward and reverse mortgage issuer defaults. This is clearly evidenced by Ginnie Mae's extinguishment of its largest reverse mortgage issuer in 2023, which represented the first Issuer default of a Ginnie Mae-guaranteed HMBS Issuer. In response to the market conditions facing its counterparties, Ginnie Mae is proactively seeking to address exposure to risk and allow quicker paths to HMBS securitization to support issuer liquidity. As such, Ginnie Mae requests resources dedicated to this program to assist in program enhancements to stabilize/sustain the reverse mortgage program. These resources will also support any future defaults, provide oversight of the HMBS application process, perform operational impact assessments, engage with business partners as needed, and support any new product that may come out of current program enhancement efforts. Ginnie Mae is also looking to modernize its HMBS platform similar to upgrades done to the Multi-family and Single-Family tools.

The acquisition of the defaulted portfolio has left Ginnie Mae with an asset that continues to generate borrower draws. It is critical for Ginnie Mae to explore the benefits, and potentially establish the capability to securitize mortgages as part of its efforts to support liquidity in this market that remains under significant liquidity strain.

- *Insourcing:* While Ginnie Mae's ability to utilize contracted services is generally a source of strength, internal reviews (at the recommendation of GAO) identified several areas where insourcing was appropriate, feasible and could reduce costs. These include functions related to the maintenance of the issuer stress testing program, certain specialized technology functions, etc. These activities should be performed within the organization for greater agility and flexibility, and Ginnie Mae requires funding to invest in these types of roles.
- *Risk Management:* Ginnie Mae's securitization platform (which supports National Essential Function 7) maintains the books and records on over \$2.5 trillion in securities, backed by over 785,000 pools that are comprised of over 11.5 million loans. Additionally, the platform processes between \$24 and \$66 billion in MBS issuance monthly and processes between \$20 and \$100 billion in investor funds monthly. This platform must be highly resilient, with a near 24/7 operating status and surety of the integrity of its record keeping and processing of transactions. The exacting expectation of the platform necessitates continued investment in cyber risk mitigation over the next few years in order to meet the requirements of Executive Order (EO) 14028, "Executive Order on Improving the Nation's Cybersecurity."¹

Beyond the investments driven by EO 14028, continued investments are needed in cyber risk mitigation, issuer/counterparty risk management (e.g., investments in analytical tools and human capital that focus on macro econometric impacts to Ginnie Mae's issuer and non-

¹ <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/12/executive-order-on-improving-the-nations-cybersecurity/>

issuer counterparties), and contract risk management. These are all critical to maintaining the operating status and surety of the integrity of the MBS platform.

- *Communications:* Enterprise Communications consists of tools and practices to collaborate and share information both internally and externally (e.g., public policy, Issuer/investor relations, conference planning, etc.). Furthermore, the division staff is responsible for creating, implementing, and monitoring all marketing and outreach strategies, which cover an array of Ginnie Mae programs and their communications with internal/external audiences. Funding will ensure that Ginnie Mae can build the staff to ensure that it is continuously communicating to its audiences about its value proposition and highlighting the work it is doing as a social impact organization to bring liquidity to the market.

Equity

Ginnie Mae intends to utilize its Federal staff to drive Administration initiatives to advance equity and inclusion throughout the housing industry and anticipates increasing exploration of areas where resources can be applied in ways that reach beyond historical activities. Ginnie Mae's current role in advancing economic equity and inclusion cannot be overstated. Ginnie Mae and its insuring agency partners support the overwhelming majority of first-time homeowner mortgages and an even higher concentration of first-time homeowners of color. Ginnie Mae is focused on reaching even more members of underserved communities, but adequately providing for Ginnie Mae's core operational needs is critical to supporting the continued effectiveness of government mortgage programs in helping to close the racial wealth gap.

Operational Improvements

At the heart of the Budget is the protection of the Ginnie Mae MBS Program. It is the only explicit Government guaranty that effectively removes credit risk for MBS investors. This makes the Ginnie Mae MBS an invaluable international commodity in the housing finance market. And to continue providing a level of consistent service to the market, Ginnie Mae must continue to grow its workforce as the size of its program grows. Evolving the MBS platform and managing ever growing counterparty risk is critical for the continued engagement of both issuers and investors, and each year Ginnie Mae experiences limitations in executing on these investments due to funding constraints, it leaves the Government MBS guaranty program at a disadvantage. The 2025 Budget will allow Ginnie Mae to triage these risks, oversee a growing and changing portfolio, and manage increasing business complexities.