

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Government National Mortgage Association

SALARIES AND EXPENSES**

(Dollars in Thousands)

| | 2021* | 2022 | | | 2023 | | |
|--------------------------------------|-----------------|----------------|-----------------|-----------------|------------|--------------------|-----------------|
| | Actuals | Carry Over | Annualized CR | Total | Carry Over | President's Budget | Total |
| Personnel Services: | \$30,788 | \$5,735 | \$33,500 | \$39,235 | - | \$42,400 | \$42,400 |
| Non-Personnel Services: | | | | | | | |
| Total, Non-Personnel Services | - | - | - | - | - | - | - |
| Working Capital Fund | - | - | - | - | - | - | - |
| Carryover | 5,735 | - | - | - | - | - | - |
| Grand Total | \$36,523 | \$5,735 | \$33,500 | \$39,235 | - | \$42,400 | \$42,400 |
| FTEs | 154 | 28 | 163 | 191 | - | 198 | 198 |

*Includes 2020 Carryover

**2021 and 2022 exclude x-year S&E (\$3 million earned in each year). The 2023 Budget does not request x-year S&E funds.

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 the Federal Housing Administration (FHA), Veterans Affairs (VA), Rural Housing Services (RHS) and Public and Indian Housing (PIH) programs.

BUDGET OVERVIEW

The 2023 President's Budget requests \$42.4 million for Ginnie Mae, which is \$8.9 million above the 2022 Annualized CR level. The Budget reflects total funding (carryover and new authority) of \$42.4 million, which is \$3.2 million above 2022 total funding.

Ginnie Mae's core functions surround its guarantee to investors of timely payment of principal and interest on MBS issued under Ginnie Mae's program. These core functions include the key operational activities of establishing requirements for the MBS program, approving and monitoring issuers and servicers, maintaining the infrastructure through which MBS are issued, provide loan-level information about pools to investors and analysts, remit principal and interest to investors, and support multiclass securities formed from MBS.

Personnel Services (PS)

The Budget assumes \$42.4 million for Ginnie Mae personnel services (PS), \$3.2 million above 2022 total funding. This funding will support 198 full-time equivalents (FTEs), seven FTEs above the 2022 total level. The 2023 PS request will support the annualized costs of hiring projected in 2022 and additional hiring planned in 2023. Funding also supports the proposed 4.6 percent pay raise.

The amount requested in the President's Budget also supports staffing for the implementation of essential risk management and technology platform improvements, as well as new program

initiatives reflecting administration priorities, as described further under the “Key Operational Initiatives” section.

Non-Personnel Services (NPS)

Ginnie Mae intends to support its 2023 Non-Personnel Services (NPS) requirements in travel, training, contracts, and supplies using balances of contingent spending authority from offsetting collections earned in the Ginnie Mae S&E x-year account. The Budget does not request new x-year funds in 2023. The requested two-year funds in combination with carryover of x-year funds is sufficient to cover Ginnie Mae’s S&E needs in 2023.

Working Capital Fund (WCF)

Ginnie Mae intends to support its 2023 WCF requirements using balances of contingent spending authority from offsetting collections earned in the Ginnie Mae S&E x-year account.

KEY OPERATIONAL INITIATIVES

Ginnie Mae will utilize the entire two-year S&E appropriations (spending authority from offsetting collections) for PS, and pay for NPS, Term PS and WCF expenses from carryover of S&E x-year funding. Below is a summary of strategic staffing objectives.

- **\$39.2 million - Upholding Current Responsibilities (Continuance S&E):**
Ginnie Mae’s core mission is in direct support of the agency’s strategic goals to: Support Underserved Communities; Ensure Access to and Increase the Production of Affordable Housing; Promote Homeownership; and Advance Sustainable Communities. The Budget provides \$39.2 million to support the 184 FTEs planned for the start of 2023. The funding will enable Ginnie Mae to support its core functions surrounding its guarantee to investors of timely payment of principal and interest on MBS issued under Ginnie Mae’s program. These core functions link the U.S. housing market to the global capital markets, thus providing low-cost financing for federal housing programs; minimize the disruption of the pandemic and support the related forbearance and loss mitigation efforts of our partner government mortgage insurance agencies; and provide relief to mortgage servicers struggling with the impact of natural disasters and other market conditions.

The funding will support the planned permanent staff for the start of year and considers expected annual attrition.

- **\$1.3 million - Managing Risks (Risk S&E):**
The changing operating environment continues to pressure Ginnie Mae core functions and increase vulnerabilities and exposure to enterprise risk (including risks that relate to use of contracted services). In alignment with the Department’s strategic goal to Strengthen HUD’s Internal Capacity, the Budget would support the hiring of essential positions to enhance Ginnie Mae’s staffing capabilities to manage these risks, specifically in the domains of Cybersecurity, Counterparty Risk and Climate Change Modeling, and Oversight and Compliance (including of contracted services). This would allow Ginnie Mae to continue to develop its programs and infrastructure to enable resiliency and readiness to respond in the event of cyber-attacks, single or multiple issuer failures, or securitization platform degradation or interruption – these needs have increased, such as through the Executive Order on Improving the Nation’s Cybersecurity and cannot be met with existing staffing levels.

The Budget provides \$1.3 million of support to enable Ginnie Mae to hire approximately six FTEs to address high-priority needs relating to cybersecurity risk, counterparty and climate change risk modeling, and risk in procurement.

- **\$1.9 million - Program and Platform Improvement:**

Ginnie Mae has already embarked on a program of substantial improvements to its securitization platform infrastructure, and furthermore has now been committed to enhanced mission responsibilities in connection with Departmental and Administration priorities – both needs, reflected in the HUD 2022-2026 Strategic Plan, will require dedicated staffing that is not currently provided for.

The securitization platform is now being transitioned to the cloud and re-engineered to support increased digitalization (such as through expansion of the pilot program supporting the use of eMortgages as security collateral). In addition, Ginnie Mae must upgrade its data capabilities to support increased levels of market disclosure that have value from an Environmental, Social and Governance (ESG) standpoint – this is an important tool for directing capital to needed areas. These initiatives carry with them responsibilities that require dedicated resources that Ginnie Mae does not currently have.

The 2022 – 2026 HUD Strategic Plan explicitly directs Ginnie Mae to pursue new programs and security products to reach communities that are currently not being adequately served by the government’s housing finance program. While early-stage explorations of opportunities are well underway, the work involved in full development and implementation of the resulting improvements will be significant and cannot be met through existing resources.

An example of this is supporting the creation of affordable housing supply through the transition of the FHA Section 542(c) Housing Finance Agency (HFA) Risk Sharing Program so that it can be financed through the Ginnie Mae MBS program as a means of ensuring reliable liquidity. This Administration priority will require not just that the prohibition of Ginnie Mae securitization be lifted (see General Provisions Section 230), but that Ginnie Mae be equipped to support the participation of HFA issuers in new and different ways.

The Budget provides \$1.9 million of support to enable Ginnie Mae to provide eight FTEs for these program improvements that have been deemed central to HUD’s agenda in the years ahead.