

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION  
MORTGAGE-BACKED SECURITIES PROGRAM  
2019 Summary Statement and Initiatives  
(Dollars in Thousands)**

GUARANTEES OF MORTGAGE-BACKED SECURITIES	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2017 Appropriation .....	\$500,000,000	\$500,000,000	...	\$1,000,000,000	\$529,754,189	...
2018 Annualized CR .....	500,000,000	470,245,811	...	970,245,811	970,245,811	...
2019 Request .....	<u>550,000,000</u>	...	...	<u>550,000,000</u>	<u>550,000,000</u>	...
Change from 2018 .....	+50,000,000	-470,245,811	...	-420,245,811	-420,245,811	...

GUARANTEES OF MORTGAGE-BACKED SECURITIES PROGRAM ACCOUNT	<u>Carryover</u>	<u>Spending Authority from Offsetting Collections</u>	<u>Precluded from obligation</u>	<u>Gross Budget Authority<sup>1</sup></u>	<u>obligations</u>	<u>Net Outlays</u>
<b>Administrative Expenses and Commitment and Multiclass Fees</b>						
2017 Appropriation.....	\$522,649	\$138,000	-\$634,649	\$26,000	\$27,200	-\$116,014
2018 Annualized CR.....	634,649	119,000	-727,826	25,823	28,700	-95,508
2019 Request.....	<u>727,826</u>	<u>128,000</u>	<u>-831,426</u>	<u>24,400</u>	<u>30,000</u>	<u>-106,088</u>
Change from 2018 .....	+93,177	+9,000	-103,600	-1,423	+1,300	-10,580

**1. Program Purpose and Fiscal Year 2019 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

<sup>1</sup> Gross Budget Authority represents new budget authority to be collected within the fiscal year and does not include the \$8 million balance of no-year S&E collected in prior fiscal years.

## Guarantees of Mortgage-Backed Securities

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 2019 President's Budget request of \$550 billion in commitment authority, \$50 billion more than the fiscal year 2018 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 2019 Budget request consists of two parts:

- (1) \$550 billion (non-cash) in limitation on new commitments of single class MBS; and
- (2) \$24.4 million to cover personnel compensation and benefits and non-personnel services expenses for fiscal year 2019.

### Commitment Authority

Ginnie Mae is requesting \$550 billion in commitment authority, to remain available until September 30, 2020, 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 2019 President's Budget request of \$24.4 million is \$1.4 million less than the fiscal year 2018 Annualized CR level. Ginnie Mae's salaries and expenses (S&E) request is offset by an estimated \$128 million in collections from multiclass and commitment fees for an expected net decrease to the deficit of \$103.6 million. Please see the Ginnie Mae S&E justification for more details.

## Guarantees of Mortgage-Backed Securities

### **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.

Over the last several years Ginnie Mae's MBS issuance volumes have continued to rise resulting in fiscal year 2017 issuances of \$505 billion, \$5 billion more than the current year 2-year limitation level. This increase in MBS production provided the necessary capital to finance home purchases, refinances, and rental housing for approximately 2.2 million households.

## Guarantees of Mortgage-Backed Securities

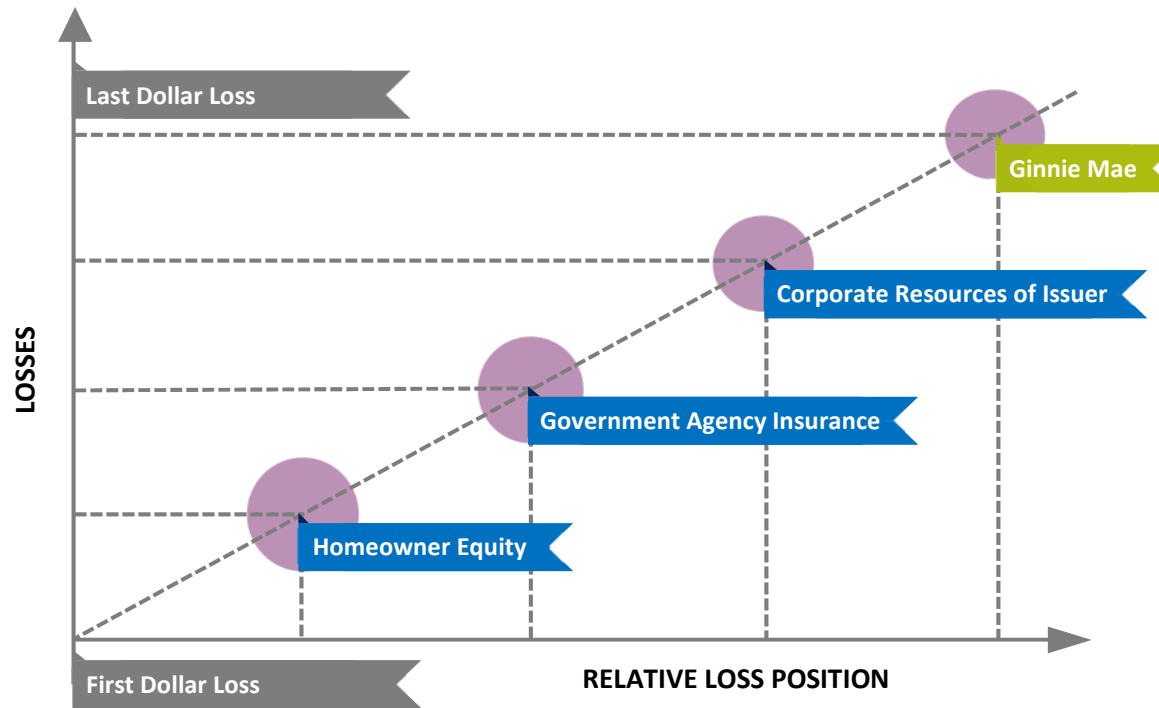
Figure 1: Capital Flow of Ginnie Mae Guaranteed Securities



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.

## Guarantees of Mortgage-Backed Securities

Figure 2: Protecting the Ginnie Mae Guarantee



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, which would weaken the 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

## Guarantees of Mortgage-Backed Securities

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.

For nearly 50 years, Ginnie Mae has provided liquidity and stability through all market cycles, serving as the principal financing arm for government-insured loans and ensuring that mortgage lenders always have funds to provide loans to consumers. Prior to the introduction of the 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. 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.

### 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).
- **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 (Sec. 216).

Guarantees of Mortgage-Backed Securities

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

<u>Budget Activity</u>	<u>2017 Budget Authority</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2017 Obligations</u>	<u>2018 Annualized CR</u>	<u>2017 Carryover Into 2018</u>	<u>2018 Total Resources</u>	<u>2019 Request</u>
Commitment Limitation..	\$500,000,000	\$500,000,000	\$1,000,000,000	\$529,754,189	\$500,000,000	\$470,245,811	\$970,245,811	\$550,000,000
Total .....	500,000,000	500,000,000	1,000,000,000	529,754,189	500,000,000	470,245,811	970,245,811	550,000,000

Guarantees of Mortgage-Backed Securities

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

The fiscal year 2019 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 \$550,000,000,000, to remain available until September 30, 2020: Provided, That \$24,400,000 shall be available for necessary salaries and expenses of the Office of Government National Mortgage Association. 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 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.*



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

*(Dollars in Thousands)*

	<b>FY 2017 Actuals</b>	<b>FY 2018 Annualized CR</b>	<b>FY 2019 President's Budget</b>
<b>Personnel Services</b>	<b>\$22,702</b>	<b>\$22,844</b>	<b>\$24,400</b>
<b>Non-Personnel Services</b>	-	-	-
Travel	-	-	-
Transportation of Things	-	-	-
Rent and Utilities	-	-	-
Printing	-	-	-
Other services/Contracts	-	-	-
Training	-	-	-
Supplies	-	-	-
<b>Non-Personnel Services Subtotal</b>	-	-	-
Working Capital Fund	-	-	-
<b>Grand Total</b>	<b>\$22,702</b>	<b>\$22,844</b>	<b>\$24,400</b>
<b>Permanent FTE</b>	<b>134</b>	<b>134</b>	<b>138</b>
<b>Temporary FTE*</b>	<b>15</b>	<b>20</b>	<b>20</b>
<b>Associated FTE</b>	<b>149</b>	<b>154</b>	<b>158</b>

\*Temporary FTE are term employees paid via GNMA no-year funding. Non-Personnel Services and WCF are also paid via GNMA no-year funding.

**1. Program Purpose and Fiscal Year 2019 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

## Government National Mortgage Association – Salaries and Expenses

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 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 fiscal year 2019 Budget request, 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 fiscal year 2019 President's Budget request of \$24,400K for Salaries and Expenses (S&E) is \$1,556K more than the fiscal year 2018 CR level. The Budget does not request a contingent S&E appropriations due to balances of no-year funds from prior years.

**Personnel Services (PS):** Ginnie Mae's request of \$24,400K will support 138 Full-Time Equivalent (FTE) in fiscal year 2019, including 5 of the most urgently needed new staff. These additional staff are needed for mission critical functions, compliance and oversight functions and related foundational technology development to manage the increasing business complexity and risks associated with growing MBS program volume and dynamic changes in the housing finance market and risk profile of program participants -- to continue seamlessly operating as a successful, self-financed government corporation that supports housing credit access and liquidity across the Nation at no cost, and at limited risk to taxpayers.

**Non-Personnel Services (NPS):** Ginnie Mae intends to support its NPS requirements in travel, training, contract and supplies using carryover of no-year funds.

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**Working Capital Fund (WCF):** Ginnie Mae's fiscal year 2019 WCF fees of \$1,131K, for its use of shared services and other investments directed by the Secretary, will be funded using carryover of no-year funds.

This budget and staffing support the 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 \$1.8 trillion supporting over ten 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. Ginnie Mae will continue to utilize full-time staff to develop its programs and infrastructure in response to market changes, thereby reducing the risk of increased Issuer failures, potential taxpayer losses, and a decrease in the utility of the Ginnie Mae securitization platform, leading to higher interest rates and lower availability of credit for home buyers and borrowers served by the government mortgage insurance programs - FHA, VA, PIH, and RHS.

### **GNMA Priorities:**

- **Carry out mission-critical work** in the *Offices of Issuer and Portfolio Management, Enterprise Risk, Enterprise Data and Technology Solutions, and the Chief Financial Officer*, including building the foundation eventually to reach a right-sized Issuer to staff ratio.
- **Enhance risk management and reduce risks in certain aspects of operations** and management of the portfolio of \$1.8 trillion in outstanding 30-year MBS that continues to grow and evolve through market forces. That growth and increased program complexity is affecting all core business processes and has expanded contractor dependence and increased enterprise risk in the most vulnerable areas.
- **Eliminate or lessen single-person dependencies and improve internal controls and efficiency** by providing adequate back-up personnel and segregation of certain duties, particularly in the CFO's office.
- **Address some of the numerous functions that are currently not able to be performed** at all due to the absence of adequate staff in certain areas and the inappropriateness of having contractors perform the functions.
- **Make meaningful progress in audit remediation**, by the *Office of the CFO*, which demands experienced and highly skilled staff with expertise to resolve disclaimers. Current accounting staff and information technology (IT) infrastructure are inadequate to handle the complex loan-level accounting requirements.
- **Build some increased capacity to strengthen management oversight of contractors** across the parts of the enterprise and reduce dependence on contractors for certain core business functions, increase efficiency and contractor effectiveness, reduce cost, and begin to right size significantly lopsided contractor to staff ratio. Inherently Government Functions, such as Issuer and contractor oversight, require Government human resources to execute business operations identified as Ginnie Mae core competencies, for more effective internal controls.

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- **Increase oversight of and risk management of non-depository Issuers** by the *Offices of Issuer and Portfolio Management and Enterprise Risk* to allow Ginnie Mae to continue issuing commitment authority, approving servicing transfers and managing Issuer defaults, all critical to ensuring ongoing MBS liquidity and access to credit capital for low/moderate income homebuyers.
  - **MBS Volume Sources have Shifted from Depositories to Non Depositories as Issuers**, from a few large depository institutions to many smaller, unregulated non-depository mortgage companies. Ginnie Mae's Issuer base is almost 80 percent non-banks, issuing 73 percent of MBS.
  - **Ginnie Mae is Primary Evaluator of Non-Depositories** to determine their financial soundness, including their ability to make pass-through payments to investors during the life of a 30-year mortgage.
  - **Highly Skilled Staffing Needed to oversee unregulated non-depository Issuers**, which commonly have lower capital, fewer liquidity sources and more complex and creative financing than traditional banks.
- **Begin to implement Ginnie Mae's comprehensive Issuer Monitoring Framework**, with special focus on troubled Issuer remediation and the Issuer Default Process, to ensure adequate staffing for the broad strategy, expanded actions steps and resources required at each stage of Issuer oversight, remediation and default resolution, including contingency planning for extreme adverse situations.
- **Maintain investor confidence in Issuer stability.** Investors must have confidence that Ginnie Mae properly monitors Issuers to reduce risk of improper prepayments and provide a consistent rate-of return. Loss of investor confidence could adversely affect investor participation in Ginnie Mae's MBS programs.
- **Mitigate against guaranty overextension, which is a growing risk.** Ginnie Mae's model depends on minimizing the activation and the losses to the guaranty of the full faith and credit of the Federal Government. The model only works if Ginnie Mae's risk, operations, monitoring, and securities processes are fully operational.
- **Continue modernization and transformational initiatives** by the *Offices of the CFO, Securities Operations and Enterprise Data and Technology Solutions* necessary to remain competitive in the market; comply with audits, organizational internal controls, security standards (FISMA, FISCAM, NIST Rev. 4) and other regulatory mandates; align with internal policies and procedures. This will eliminate outdated systems technology to facilitate ability to adapt to future Issuer market demands, which will help keep the program relevant, maintain Issuer interest and preserve program cost benefits to borrowers.

## 2. Key Operational Initiatives

- **Data Center Consolidation Initiative:**

Currently Ginnie Mae has technology infrastructure, technology services, technology operations deployed and supported across multiple contracts. Ginnie Mae is pursuing a strategy of collapsing its IT infrastructure and migrating approved platforms to a

## Government National Mortgage Association - Salaries and Expenses

cloud hosting environment to increase IT agility, scalability, control costs and align with Federal Government mandates and direction. Consolidating IT infrastructure and migrating to cloud hosting will help the organization drive business value and achieve its strategic vision. It will also help alleviate the cost, performance, and service challenges Ginnie Mae is facing with its current hosting providers. Currently, the organization is hampered by the lengthy and costly process that is required to expand and provision computing infrastructure when a new IT capability is needed or when current IT capacity is not sufficient to meet user demands. This delay in providing IT capabilities can adversely affect Ginnie Mae's ability to provide customers with innovative services in a timely manner. Listed below are several important benefits directly related to Ginnie Mae transitioning to a consolidated infrastructure and cloud hosting model:

- **Reduce Capital Expenditures:** Under a consolidated infrastructure and cloud hosting model, Ginnie Mae will only pay for the services that it consumes. Ginnie Mae will no longer be required to purchase computing hardware at multiple sites, and costs associated with cloud consolidation will be shifted from capital expenditures (buying hardware) to operations expenditures (services).
  - **Improve IT Agility & Scalability:** The current several-month process to procure, install, and configure computing equipment can potentially be reduced significantly through consolidated and cloud infrastructures and platforms. When a new need is identified, additional computing instances can quickly be provisioned in the cloud. Platforms requiring hardware will only be required at a single location/provider, not at multiple locations and multiple providers. Additionally, if the need is short term, Ginnie Mae will no longer be responsible for a large capital expenditure for a piece of equipment that may only be used briefly. Finally, as user demand increases with increased business activity over time, computing capacity can be rapidly expanded to meet rising demands.
  - **Reduce Computing Needs:** Currently Ginnie Mae maintains several alternative computing environments for each key IT system. The current hosting model requires each of these environments to be up and running 24 hours/day, 7 days/week, 365 days/year, leading to additional expenditures required to power, maintain and monitor servers and platforms that may be rarely used, at multiple locations. Consolidating infrastructure and migrating to cloud services will allow the organization to be far more tactical in the way it consumes computing resources, bandwidth, and power by switching to an on-demand service model.
  - **New Approaches to Disaster Recovery:** Ginnie Mae currently maintains multiple sites for an always-on disaster recovery environment for each key IT system. Although these environments provide a blanket of security should the production environment fail, they are costly and may never be used. In a consolidated and cloud environment, if a system is architected for high availability, the need to maintain multiple sites or a separate disaster recovery environment for each system can be reduced or eliminated.
- **Counterparty Issuer Monitoring Initiative**

Ginnie Mae is re-engineering how it manages its relationship with Issuers, to support their participation in the MBS program and prevent problems from arising within the Ginnie Mae MBS portfolio. This initiative includes the following:

## Government National Mortgage Association – Salaries and Expenses

- Re-orientation of counterparty risk management emphasis
- Re-organization around strengthened, cross-functional team approach
- Addition of specialized functions within teams (e.g. account associates, account analysts)
- Addition of specialized functions supporting teams (e.g. transactions, financing Issuers, data management, program development, training)
- Re-defined and fully-documented processes for identifying, analyzing, and addressing Issuer-related issues, especially pertaining to counterparty risk

### **Benefits**

- Better alignment of Ginnie Mae's organization and functions to business-driven needs
- Improvement in Ginnie Mae staff's ability to execute these functions successfully
- Improvement in Ginnie Mae's ability to identify and address counterparty risk and other Issuer-related issues effectively

### • **Issuer Failure Resolution Initiative**

Ginnie Mae is re-engineering how it manages segments of the MSR portfolio where problems have occurred, to ensure that servicing is performed by capable institutions and losses are avoided/minimized. This initiative includes the following:

- Reformulation of a wide variety of processes (pre-default mitigation, Issuer termination, collateral management, portfolio asset stabilization and management, asset disposition) into an integrated whole
- Breakdown of key decision points and processes
- Identification of areas where further development is necessary (e.g. legal, policy, intergovernmental, market, contracts with third-party service providers)
- Documentation of resulting comprehensive portfolio management program

### **Benefits**

- Improved decision making and documentation of procedure, roles and responsibilities relating to the management of troubled segments of the MBS portfolio
- Improved ability to execute related activities effectively
- Minimized disruptions and losses resulting from troubled portfolios

