

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Government National Mortgage Association

SALARIES AND EXPENSES*
(Dollars in Thousands)

	2019	2020			2021		
	Actuals	Carry Over	Enacted	Total	Carry Over	President's Budget	Total
Personnel Services	\$24,895	-	\$28,132	\$28,132	-	\$31,479	\$31,479
Non-Personnel Services:							
Other Services/Contracts	-	147	-	147	113	-	113
Total, Non-Personnel Services	-	\$147	-	\$147	\$113	-	\$113
Working Capital Fund	980	978	-	978	2,255	-	2,255
Carryover	1,125	-	2,368	2,368	-	-	-
Grand Total	\$27,000	\$1,125	\$30,500	\$31,625	\$2,368	\$31,479	\$33,847
FTEs	138	-	148	148	-	161	161

*Excludes GNMA No-Year S&E

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 domestic and global capital into that market. Ginnie Mae fulfills its mission by providing a mortgage-backed securities (MBS) guarantee platform to lenders issuing MBS and attracting investors to the sale of the MBS, which provides the liquidity that keeps funds flowing to lenders that 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 provides potential investors with the U.S. Government's guarantee that they will receive timely payments from participating issuers 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.

BUDGET OVERVIEW

The 2021 President Budget's request of \$31.5 million is \$1 million more than the 2020 enacted level. The Budget reflects total funding (carryover and new authority) of \$33.8 million, \$2.2 million above 2020 total funding.

Ginnie Mae's core activities surround its guarantee of timely payment on Ginnie Mae guaranteed-MBS securities. These core 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.

Personnel Services (PS)

The Budget reflects total funding (carryover and new authority) of \$31.5 million for GNMA PS, \$3.3 million above 2020 total funding. This funding will support 161 full-time equivalents (FTEs), 13 FTEs above 2020. The 2021 PS request will be required to support the planned 2020 end-of-year onboard staffing level and to implement a critical pay hiring strategy. PS funding will also support an increase in awards spending above 2020 levels of not less than 1 percentage point of non-SES/SL/ST salary spending in 2021.

Finally, the amount requested in the President's Budget also supports the implementation of a Critical Pay authority pilot, described further under "Key Operational Initiatives section."

Non-Personnel Services (NPS)

The Budget reflects total funding of \$113 thousand (carryover only) which is \$34 thousand less than 2020. The Budget does not request new authority for NPS in 2021 due to the majority of NPS being funded by contingent spending authority from offsetting collections earned in the GNMA S&E X-year account.

Working Capital Fund (WCF)

The Budget reflects total funding of \$2.3 million (carryover only) for WCF, \$1.3 million more than 2020 total funding. The increase in WCF level primarily is attributable to the new WCF business lines of IT Devices and Records Management Services.

KEY OPERATIONAL INITIATIVES

Housing Finance Reform Support

The Salaries and Expense requested level of support is necessary for Ginnie Mae to pursue the agenda directed in the HUD Housing Finance Reform Plan published in September 2019, pursuant to the Presidential Memorandum issued March 27, 2019. The Plan, which updated and reaffirmed agency commitments previously described in the Ginnie Mae 2020 white paper (as well as other public communications), calls for Ginnie Mae to undertake (or continue) a number of substantial reforms centered on counterparty risk management and securitization platform modernization. These reforms will endow Ginnie Mae with specific capabilities that it does not possess today (or possesses only in limited fashion) that are necessary to better serve and protect borrowers, investors, issuers and taxpayer in an environment that has changed dramatically in the decade since the financial crisis.

Examples of these specific capabilities are:

- The conversion of the securitization platform from pool-level to loan-level denomination;
- The ability to accept for securitization notes and other instruments that exist only in digital form;
- The completion of a comprehensive stress test modeling program; and
- The enhanced use of analytics to evaluate servicing cash flows and the adequacy of the Ginnie Mae guaranty fee.

In many cases, these reforms have been detailed in Requests for Information (RFIs) or externally published documents, and progress will be monitored by a variety of stakeholders. The counterparty risk management initiatives are the subject of stepped-up collaboration with a group of governmental entities that includes the Federal Housing Finance Agency, the Conference of State Banking Supervisors, and the Financial Stability Oversight Council. Moreover, needed reforms (which include the strengthening of Ginnie Mae's financial administration infrastructure) have also been addressed by the Government Accountability Office, most recently in its April 2019 Report "Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed." The 2021 request, along with use of Ginnie Mae's accumulated no-year funding, will allow the agency to meet these priorities while managing a growing and changing portfolio as well as increasing business complexity and risk.

Critical Pay Flexibility

Ginnie Mae's 2021 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 mortgage securitization market.