

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Government National Mortgage Association

Ginnie Mae's mission and purpose is to bring global capital into the housing finance system – a system that runs through the core of our Nation's economy – while minimizing risk to the taxpayer. For more than 40 years, Ginnie Mae has continually provided liquidity and stability, serving as the principal financing arm for government loans and ensuring that funds can flow into the mortgage market. Today, Ginnie Mae is playing a vital role in our Nation's economic recovery efforts. Ginnie Mae provides liquidity and stability by ensuring that adequate capital is available for financing affordable single family homes, rental housing, and healthcare facilities even in times of economic stress. As the private sector dramatically retreated in recent years, Ginnie Mae stepped in and continued to facilitate the flow of private capital from global markets to the U.S. housing market. Not only does it provide an outlet for the sale of government-insured or government-guaranteed loans, its mortgage-backed securities (MBS) offer the explicit full faith and credit guaranty of the United States Government. This guaranty is highly attractive to investors and, to date, has kept demand high for Ginnie Mae MBS. The value that security holders place on guaranteed payments means that Ginnie Mae can ensure a consistent pool of funding for government-insured or government-guaranteed mortgage loans. This supports the economic stabilization efforts by making it possible for banks and financial institutions to continue mortgage lending.

Ginnie Mae has demonstrated its ability to be an effective and efficient conduit for bringing capital into the U.S. housing finance system with minimal risk to the taxpayer. It can do so because of its simple but powerful business model, which is inherently risk-averse. In recent years, Ginnie Mae has provided much needed countercyclical support through the housing downturn as the private market has diminished their role in residential housing finance; Ginnie Mae has seen its program grow from 5 percent of the market in 2007 to over 23 percent at the end of fiscal year 2012. Ginnie Mae manages over \$1.3 trillion of government obligations in the form of mortgage-backed securities, backed by the full faith and credit of the US Government.

Ginnie Mae continues to fulfill its responsibilities under its charter, provided by Congress under the National Housing Act, to:

- provide stability in the secondary market;
- respond appropriately to the private capital market;
- provide ongoing assistance to the secondary market for residential mortgages by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage finance;
- promote access to mortgage credit throughout the Nation; and
- manage and liquidate federally owned mortgage portfolios in an orderly manner, with a minimum of adverse effect upon the residential mortgage market and a minimum loss to the federal government.

During the period beginning in 2007 through today, we have witnessed the most dramatic evolution of the United States housing and housing finance system seen since the Great Depression.

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Ginnie Mae has seen its program expand in ways never previously imagined. The levels of business volumes, the perceived value of our MBS, the interest in program participation, the evolving regulatory landscape and the fundamental shifts in deployment of capital compel, if not outright require that Ginnie Mae ambitiously evolves with the market. Ginnie Mae must evolve in order to continue to effectively attract global capital to main street, protect tax payers and meet any and all policy goals of this and future administrations.

Ginnie Mae has, historically, been managed with a small staff and has undertaken a multi-year staffing initiative to continue to build capacity and address the challenges of the evolving marketplace while managing risk. To continue forward progress on this initiative in fiscal year 2014, Ginnie Mae is requesting \$21.2 million to cover personnel compensation and benefits and non-personnel services, with these expenses to be offset by commitment and multiclass fee collections. Of the \$21.2 million, \$20 million is to cover personnel compensation and benefits, and \$1.2 million is to cover non-personnel services. Ginnie Mae's fiscal year 2014 full-time equivalent (FTE) request is meant to continue its efforts to enhance counterparty risk and operational risk management practices across the organization.

By executing on its multi-year hiring plan, Ginnie Mae will be able to staff to a level that will allow it to better manage its counterparty and operational risk. At the proposed \$21.2 million funding level, Ginnie Mae will be able to continue to make progress on its multi-year staffing initiative and continue to make enhancements managing risks associated with counterparties including Issuers (lenders/servicers), Master Subservicers, and operations service-providers; and invest in its technology and infrastructure.

Ginnie Mae will continue to increase onsite and offsite issuer oversight by adding additional staff in the Office of Issuer and Portfolio Management, both account executives and monitoring staff. Ginnie Mae's base of issuers has grown 24 percent from fiscal year 2010 to fiscal year 2012. The issuer base is projected to continue to grow at a similar rate through fiscal year 2014. Furthermore, the complexion of Issuers is evolving, with private equity and hedge fund participants increasing dramatically (Table 2). These Issuers require an elevated level of expertise and labor hours to manage the complex risks presented by their capital structures and business plans. Also, Basel III may exacerbate the movement of capital away from mortgage servicing assets at depositories and the unintended consequences could result in a significantly less regulated and capitalized Issuer base for Ginnie Mae. These Issuers would introduce higher levels of counterparty risk to the enterprise.

Table 1: League Table

	2010	2012
Top 20 Issuer's Issuance	370,468,621,227	310,666,844,849
Percent of Total Issuance	95%	86%
Percent of Top 20 by Depositories	91%	83%
Percent of Top 20 by Mortgage Banks	9%	17%

Ginnie Mae staff closely reviews all its issuers from both an operational and financial perspective. New issuers and existing issuers are reviewed onsite through regular field reviews and offsite through reviews of their financial statements, loan origination characteristics, and other performance measures. The Ginnie Mae Portfolio Analysis Database System (GPADS) is an off-site tool that helps track counterparty risk using portfolio statistics and comparing issuers with broader peer group activity. Ginnie Mae will continue to work with Federal Housing Authority (FHA), Veterans Administration (VA), and the United States Department of Agriculture (USDA) on sharing loan data to match loan guarantees.

In addition, with this level of funding, Ginnie Mae will continue to build capacity, and begin investing in upgrading the MBS pooling and accounting operations and technology platforms. These multi-year technology improvement efforts will translate into enhanced productivity, efficiency and lower operational risk due to aging technology. A failure to modernize the infrastructure could elevate the possibility that Ginnie Mae could experience a processing mishap or may be unable to respond to a national essential function requirement in a Continuity of Operation Planning (COOP) event. With this level of funding, Ginnie Mae will begin to bring on adequate resources to guide and manage the multi-year technology improvement efforts and prevent lapses in meeting timelines and cost estimates.

TOTAL - SALARIES AND EXPENSES				
(dollars in thousands)				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Subtotal	13,179	18,429	20,010	6,831
Non-Personnel Services				
Travel	303	676	676	373
Printing and Reproduction	1	5	5	4
Other Services	663	263	263	(400)
Training	157	203	203	46
Supplies	20	43	43	22
Non-Personnel Subtotal	1,143	1,190	1,190	47
GRAND TOTAL	14,322	19,619	21,200	6,878
Associated FTE	89	122	130	41

DESCRIPTION OF CHANGE FROM FY 2012 TO FY 2014

Ginnie Mae request \$21,200K and 130 FTE in fiscal year 2014, an increase of \$6.9 million compared to fiscal year 2012. In fiscal year 2012, Ginnie Mae continued to execute its multi-year hiring initiative and estimates that it will increase FTE to 122, an increase of 33 FTE over fiscal year 2012. In fiscal year 2014, Ginnie Mae will continue this staffing initiative and estimates that it will increase FTE to 130, an increase of 41 FTE over fiscal year 2012. The fiscal year 2014 request assumes a .75 percent pay raise and Cost of Living Adjustment, as well as funding for promotions and within grade increases.

In fiscal year 2014, Other Services expenses are projected to decrease by approximately \$400K. The decrease is the result of Ginnie Mae funding two one-time contracts in fiscal year 2012 for procurement support and an administrative cost study to identify and determine the portion of administrative overhead and support services costs that are attributable to Ginnie Mae. These contracts will conclude and will not be needed in fiscal year 2014.

In fiscal year 2012, Ginnie Mae was just beginning to implement its multi-year hiring initiative and was continuing to operate with a very small staff. Due to an increase in procurements actions planned for fiscal year 2012, Ginnie Mae sought additional multifunctional contractor support services to assist with administrative functions related to contract acquisition and closeouts in accordance with the Federal Acquisition Regulation (FAR).

In fiscal year 2012, Ginnie Mae’s S&E funding structure was changed so that Ginnie Mae received an appropriation to fund personnel and non-personnel services through offsetting collections of commitment and multiclass fees. Ginnie Mae’s

administrative overhead and support services costs are paid for by HUD as Congress appropriated funds to HUD for administrative overhead and support services costs for all areas of HUD including Ginnie Mae. In order to capture the total cost of operations, Ginnie Mae sought to identify and determine the portion of administrative overhead and support services costs that are attributable to Ginnie Mae. The cost information is also intended to be used by HUD and Ginnie Mae management to evaluate the overall cost of the Ginnie Mae program and ensure appropriate funding in the budget process.

BUDGET REQUEST BY FUNCTION

President and Executive Vice-President

This office directs the global development of policy and provides enterprisewide oversight of all operational support related to Ginnie Mae's current and future business, and assures that organizational performance is consistent with established Departmental and organizational goals and objectives.

The Communications and Congressional Relations Division coordinates all Ginnie Mae communications and marketing efforts, public policy and government relations, and conference planning to ensure consistent messaging on all Ginnie Mae initiatives.

President and Executive Vice President				
(dollars in thousands)				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Services	\$1,005	\$1,500	\$1,629	\$624
Non-Personnel Services				
Travel	72	90	90	18
Other Services	5	12	12	7
Training	8	17	17	9
Non-Personnel Subtotal	85	119	119	34
GRAND TOTAL	1,090	1,619	1,748	659
Associated FTE	7	10	11	4

FTE/Workload Summary & Summary of Change

- 3 FTE will be used to provide leadership, general guidance, and oversight of operations. This is an increase of 1 FTE. The additional FTE serves as an advisor to the Executive Vice President and Chief Operating Officer to assist in articulating and execute Ginnie Mae's mission, strategies and activities towards achievement of its' goals.
- 8 FTE will be used to provide administrative support, conference planning, external and media relations, marketing and outreach, and strategic communication. This is an increase of 3 FTE from fiscal year 2012. Since the housing crises, Ginnie Mae's role in the housing finance market has increased significantly. The three FTEs will provide communications support as a result of increased attention from media outlets, Congress, industry stakeholders, and the general public.

Office of the Chief Financial Officer

The Chief Financial Officer (OCFO) works to strengthen financial and risk management throughout Ginnie Mae by evaluating and promoting effective internal controls in all core business areas, implementing financial procedures, and enhancing risk assessment and prevention methodologies. The responsibilities of the Ginnie Mae OCFO include but are not limited to:

- Maintaining all financial management and operational controls for Ginnie Mae;
- Ensuring compliance with the reporting requirements of the Federal Financial Managers' Integrity Act and the Chief Financial Officers Act;
- Providing accounting and financial reporting services, manages the investment of Ginnie Mae funds;
- Preparing and monitoring the execution of the budget;
- Managing the accounting of defaulted portfolio assets, and developing financial models, including performing econometric modeling and forecasting, and the development of appropriate operational performance measures;
- Performing or managing all internal audits, maintaining necessary internal controls, and managing and coordinating external audits, and minimizes financial risks to Ginnie Mae; and
- Serving as the liaison between Ginnie Mae and HUD's OCFO, the Office of the Inspector General, the Office of Management and Budget (OMB), the General Accounting Office (GAO), the U.S. Department of Treasury, and the U.S. Congress for budget, reporting, and/or audit matters.

Chief Financial Officer				
<i>(dollars in thousands)</i>				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Services	\$2,085	\$2,719	\$3,028	\$943
Non-Personnel Services				
Travel	29	61	61	31
Training	27	33	33	6
Non-Personnel Subtotal	56	94	94	38
GRAND TOTAL	2,141	2,813	3,122	981
Associated FTE	15	19	20	5

FTE/Workload Summary & Summary of Change

- 4 FTE will be used to oversee all financial activities, and manage internal controls, governance, and compliance. This is an increase of 1 FTE from fiscal year 2012. Ginnie Mae will increase its compliance and governance function by one FTE in order to continue to enhancing controls associated with its operations and those of its contractors; this FTE will oversee in the A-123 Internal Controls and Contractor Assessment Review (CARS).
- 4 FTE will be used to perform cash collections, disbursements, and investment management. This is the same level as fiscal year 2012.
- 8 FTE will be used for financial reporting and analysis, to maintain financial systems, to manage defaulted portfolio assets and perform contract administration. This is an increase of 2 FTE from fiscal year 2012, due to implementing Loan Level Accounting to meet enhanced Financial Reporting and disclosure requirements associated with defaulted portfolio of loans.
- 4 FTE will be used to design, develop and maintain econometric models and formulate and execute budget. This is an increase of 2 FTE from fiscal year 2012. The 2 additional FTE are in response to the conditions cited in GAO Report 12-49, "Ginnie Mae: Risk Management and Cost Modeling Require Continuing Attention" to support the modeling associated with valuation of the non-pooled loans, modeling default behavior, and supporting the estimates of loss contingencies.

Issuer and Portfolio Management

The Office of Issuer and Portfolio Management (IPM) is responsible for the management and execution of the Single Family, Multifamily and HMBS Ginnie Mae MBS programs. The Office is responsible for establishing policies governing eligibility of securities issuers and the manner in which they perform their responsibilities in Ginnie Mae's programs, and oversees the management of the relationship with the issuers. The functions of the office are carried out in three divisions: Single Family Division, Multifamily Division, and the Monitoring and Asset Management Division, under the day-to-day supervision of individual Division Directors.

Issuer and Portfolio Management				
<i>(dollars in thousands)</i>				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Services	\$3,723	\$5,197	\$5,546	\$1,823
Non-Personnel Services				
Travel	118	179	179	61
Other Services	13	15	15	2
Training	27	33	33	6
Non-Personnel Subtotal	157	227	227	69
GRAND TOTAL	3,880	5,423	5,772	1,892
Associated FTE	25	34	36	11

FTE/Workload Summary & Summary of Change

- 30 FTE will be used to manage issuers and portfolio and perform monitoring and asset managing for 46 single family MBS programs and 9 multifamily MBS Programs. This is an increase of 9 FTE from fiscal year 2012, due to increased onsite and offsite issuer oversight requirements as the number of approved Ginnie Mae single family issuers continues to increase at a steady rate.
- 6 FTE will be used to provide general guidance, perform contract administration, and provide administrative support. This is an increase of 2 FTE from fiscal year 2012, and supports the additional workload requirements generated by increased oversight of onsite and offsite issuers as the number of approved Ginnie Mae single family issuers continue to increase at a steady rate.

Enterprise Risk

The office provides the framework for risk management, identifies particular events or circumstances relevant to Ginnie Mae's objectives (risks and opportunities), assesses them in terms of likelihood and magnitude of impact, determines a response strategy, and monitors progress. The office develops risk policies to which the business areas must comply to avoid business that may be detrimental to Ginnie Mae and/or is outside of acceptable risk boundaries, and is responsible for the risk management strategies of Ginnie Mae's MBS programs and support program offices.

Enterprise Risk				
<i>(dollars in thousands)</i>				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Services	\$835	\$1,360	\$1,476	\$641
Non-Personnel Services				
Travel	18	52	52	34
Other Services	1	6	6	5
Training	19	22	22	3
Non-Personnel Subtotal	38	80	80	42
GRAND TOTAL	873	1,440	1,556	683
Associated FTE	5	9	10	5

FTE/Workload Summary & Summary of Change

- 10 FTE will be used to analyze and manage counterparty and operational risk, perform issuer approvals, and provide risk management support. This is an increase of 5 FTE from fiscal year 2012, due to increased level of expertise and labor hours to manage these issuers and the complex risks presented by their capital structures and business plans. As the number of Ginnie Mae issuers continues to grow and the issuer base becomes more complex, Ginnie Mae must devote more of its resources in order to manage increased risks. The complexion of Issuers is evolving, with private equity and hedge fund participants increasing dramatically.

Capital Markets

The Office of Capital Markets directs and manages all capital markets activities and administers the Ginnie Mae Multiclass Securities Program, including, but not limited to, the Real Estate Mortgage Investment Conduit (REMIC), and Platinum Securities programs. This office directs and coordinates all activities to assist the investor community in creating and marketing existing and new securities products that are designed to enhance the competitiveness of all Ginnie Mae securities, and be of greater value/liquidity to investors in the U.S and foreign markets. This office consists of three areas:

- 1) The Securitized Product Unit
 - The Securitized Product Unit is responsible for the administration and successful execution of all Multiclass Securities product.

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- 2) Securities Market Policy Intel and Research Unit
 - The Securities Market Policy Intel and Research area is the product specialist area and is responsible for the research, analysis and interpretation of market related information supporting Ginnie Mae securities product.
- 3) The Business Development Unit
 - The Business Development Unit serves as the primary client service arm for non-traditional institutional investors and Official Institutions

Capital Markets				
<i>(dollars in thousands)</i>				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Services	\$774	\$952	\$1,033	\$259
Non-Personnel Services				
Travel	21	174	174	153
Other Services	2	2	2	0
Training	2	21	21	19
Non-Personnel Subtotal	26	198	198	172
GRAND TOTAL	800	1,150	1,231	430
Associated FTE	5	6	7	2

FTE/Workload Summary & Summary of Change

- 7 FTE will be used to perform multi-class securities function activities, capital market activities, provide general guidance, develop and manage new products, perform risk management and contract administration. This is an increase of 2 FTE from fiscal year 2012 which will support Ginnie Mae’s Global Investor Initiative and provide additional leadership for Capital Markets.

Enterprise Data and Technologies Solutions

The Office of Enterprise Data and Technology Solutions is responsible for defining, developing and implementing enterprisewide technical and information management strategies to ensure the ongoing and future alignment of Ginnie Mae's operations and technical infrastructure across the enterprise business model. This new office consists of three areas: the Project Management Office (PMO), the Technology Management Division (TMD) and the Enterprise Data Solutions Division. The PMO Office provides governance and oversight ensuring that projects are in compliance with established standards. The TMD is responsible for

providing the planning and technical execution leadership that meets the information and security needs of Ginnie Mae. The Enterprise Data Solutions Division is responsible for defining and implementing Ginnie Mae’s data strategy.

Enterprise Data and Technologies Solution				
<i>(dollars in thousands)</i>				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Services	\$1,377	\$2,447	\$2,687	\$1,310
Non-Personnel Services				
Travel	14	73	73	59
Other Services	1	19	19	18
Training	10	24	24	14
Non-Personnel Subtotal	25	117	117	92
GRAND TOTAL	1,402	2,564	2,804	1,402
Associated FTE	9	16	17	8

FTE/Workload Summary & Summary of Change

- 8 FTE will be used to define and implement enterprise data strategy, provide IT leadership, and deliver solutions. This is an increase of 7 FTE from fiscal year 2012 which are needed to manage and implement OMB directives, data center consolidation, and direct ownership of Ginnie Mae software and hardware licenses which presents new opportunities for Ginnie Mae to mitigate operational risks.
- 9 FTE will be used to implement a project management governance framework, IT strategies, and provide administrative support. This is an increase of 1 FTE from fiscal year 2012 due to increased volume of projects in the Project Management Office.

Securities Operations

This Office manages Ginnie Mae's day-to-day back office functions necessary to administer Ginnie Mae's mortgage-backed securities program. Primary back office functions include issuance of new securities; collection of pool factors; timely and accurate payments to security holders; collection, processing and analyses of monthly pool and loan level accounting reports; daily, weekly and monthly disclosures on outstanding Ginnie Mae securities; transfer of mortgage servicing rights; transfer of security ownership; and collection of monthly guarantee fees. In addition, it works closely with Ginnie Mae program offices in implementing new programs and products.

Securities Operations				
<i>(dollars in thousands)</i>				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Services	\$1,638	\$2,486	\$2,693	\$1,055
Non-Personnel Services				
Travel	24	44	44	20
Other Services	6	20	20	14
Training	17	32	32	15
Non-Personnel Subtotal	46	95	95	48
GRAND TOTAL	1,684	2,580	2,788	1,103
Associated FTE	11	16	17	6

FTE/Workload Summary & Summary of Change

- 6 FTE will be used to provide program support of MBS programs and capital markets for 64 programs. This is an increase of 2 FTE from fiscal year 2012 due to the expansion of the Ginnie Mae MBS program and increased workload in Policies and Procedures development, updates, and maintenance.
- 11 FTE will be used to oversee day-to-day operations, manage publication of policies and procedures, and perform contract administration. This is an increase of 4 FTE from fiscal year 2012 due to the modernizing of the infrastructure and applications that support Ginnie Mae’s Securitization Platform (Integrated Pool Management System) and they will support a Loan Level Disclosure Initiative to provide loan level disclosure on Ginnie Mae’s MBS securities.

Management Operations

The Office of Management Operations is responsible for the development and implementation of enterprise management policies and procedures related to Human Capital/Administration Management and Procurement Management. The office manages the coordination and preparation of various routine and special Secretarial/Departmental reports. It is responsible for coordinating with the Ginnie Mae Budget Officer to develop fiscal year budget formulation and reporting documentation of all administrative categories; developing internal policies for administrating HUD human resource policies and procedures related to staff development and training; and managing performance planning, leave, pay, space, and employee and labor relations activities. The office develops and implements internal policies and procedures which ensure procurement planning and oversight. The office serves as a liaison office between the Office of the Chief Procurement Officer and the Office of Small and Disadvantaged Business Utilization, develops the annual Strategic Procurement Plan, and provides technical support to program areas in the identification of contracting vehicles to procure required services.

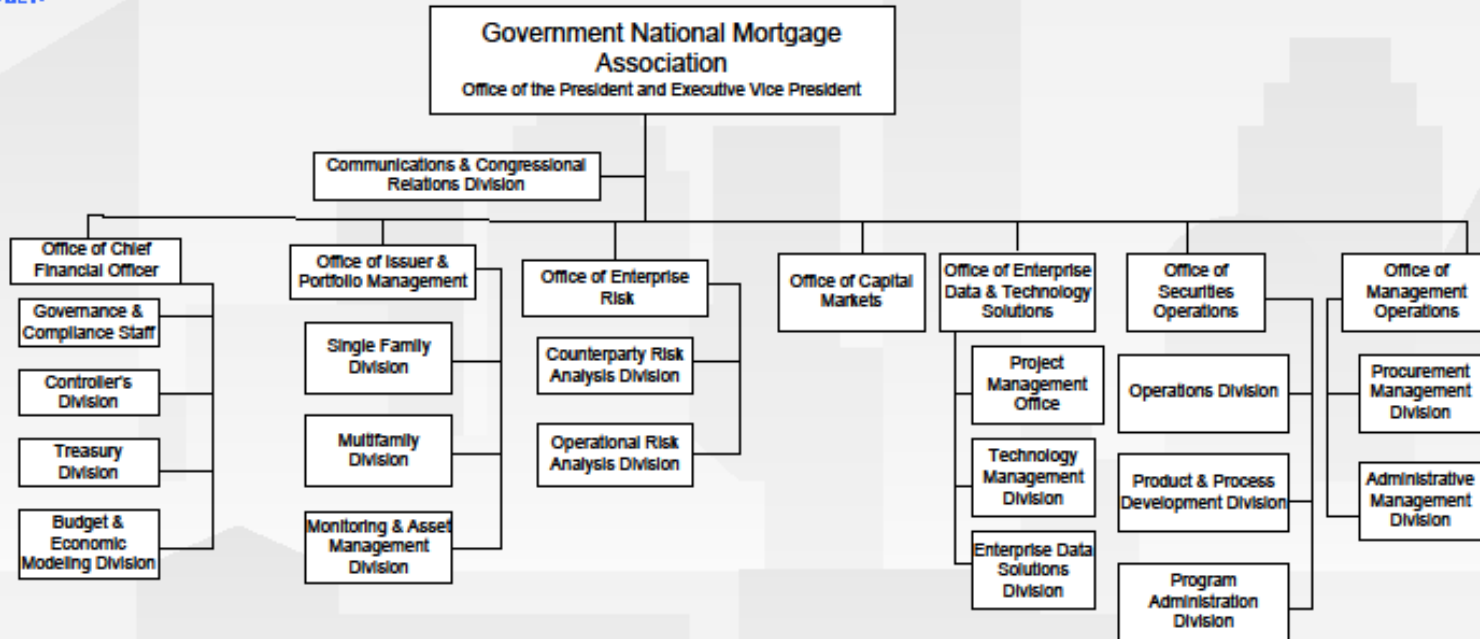
Management Operations				
<i>(dollars in thousands)</i>				
	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014
Personnel Services	\$1,742	\$1,768	\$1,918	\$176
Non-Personnel Services				
Travel	6	2	2	(4)
Printing and Reproduction	1	5	5	4
Other Services	635	189	189	(446)
Training	48	22	22	(26)
Supplies	20	43	43	22
Non-Personnel Subtotal	710	260	260	(449)
GRAND TOTAL	2,452	2,028	2,179	(273)
Associated FTE	12	12	12	0

FTE/Workload Summary & Summary of Change

- 12 FTE will be used to provide general guidance, human resource, procurement and contract administration, and management operations support. This is the same FTE level as fiscal year 2012.



GOVERNMENTAL NATIONAL MORTGAGE ASSOCIATION



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