

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Government National Mortgage Association (GNMA)

### Mortgage-Backed Securities Program

#### SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2022 Appropriation	[900,000,000]	[523,544,718]	-	[1,423,544,718]	[508,301,052]	-
2023 Appropriation	[900,000,000]	[900,000,000]	-	[1,800,000,000]	[534,604,134]	-
2024 President's Budget	[550,000,000]	[900,000,000]	-	[1,450,000,000]	[380,610,680]	-
Change from 2023	[(350,000,000)]	-	-	[(350,000,000)]	[(153,993,454)]	-

#### ADMINISTRATIVE EXPENSES AND COMMITMENT & MULTICLASS FEES

(Dollars in Thousands)

	Carryover	Spending Authority from Offsetting Collections	Budget Authority	Precluded	Obligations	Net Outlays
2022 Appropriation	1,270,294	183,691	36,500 <sup>a/</sup>	(1,417,485)	41,364	(143,038)
2023 Appropriation	1,417,485	176,898	40,400	(1,553,983)	49,138	(133,075)
2024 President's Budget	1,553,983	150,209	61,000	(1,643,192)	63,332	(87,899)
Change from 2023	136,498	(26,689)	20,600	(89,209)	14,194	45,176

<sup>a/</sup> 2022 Budget Authority includes \$3 million of earned no-year funds contingent on volume, which is not included in the S&E C.J.

### PROGRAM PURPOSE

The Government National Mortgage Association (Ginnie Mae) makes affordable housing a reality for millions of households across America by channeling global capital into the Nation's housing markets while minimizing the risk to the U.S. taxpayer. Specifically, the Ginnie Mae guaranty (i.e., the timely payment of principal and interest to mortgage-backed securities ("MBS") investors, backed by the full faith and credit of the U. S. Government) enables mortgage lenders to sell their loans at favorable prices in the U.S. secondary mortgage market, increasing the total funding available for lenders to make new loans at attractive interest rates to borrowers. This helps to lower financing costs and increase access to affordable and sustainable housing and homeownership for those that the Federal mortgage programs are intended to serve.

### BUDGET OVERVIEW

The 2024 President's Budget for Ginnie Mae consists of two parts:

- 1) \$550 billion in limitation on new commitments of single class MBS, which is \$350 billion less than the 2023 enacted level; and
- 2) \$61 million in spending authority from offsetting collections to cover salaries and expenses (S&E), which is \$20.6 million more than the 2023 enacted level.

### **Commitment Authority**

The 2024 President's Budget requests \$550 billion in commitment authority, to remain available until September 30, 2025. This funding level is necessary to ensure that Ginnie Mae can continue its mission of channeling funding from the global capital markets to the primary market for federally backed mortgages -- administered by HUD's Federal Housing Administration (FHA) and Public and Indian Housing (PIH) programs, Veterans Affairs (VA), and U.S. Department of Agriculture's (USDA) Rural Development program – in order to meet the credit access and housing needs of Americans across the single-family, multifamily, manufactured housing, and reverse mortgage segments of the market.

### **Salaries and Expenses (S&E)**

The 2024 President's Budget requests \$61 million, to remain available until September 30, 2025. Ginnie Mae's S&E budget is offset by an estimated \$150 million in collections from Commitment and Multiclass fees, resulting in net budget authority of -\$89 million. Please see the Ginnie Mae S&E Congressional Justification for more details.

This program aligns to HUD 2022-2026 Strategic Objective 3B: *Create a More Accessible and Inclusive Housing Finance System.*

## **JUSTIFICATION**

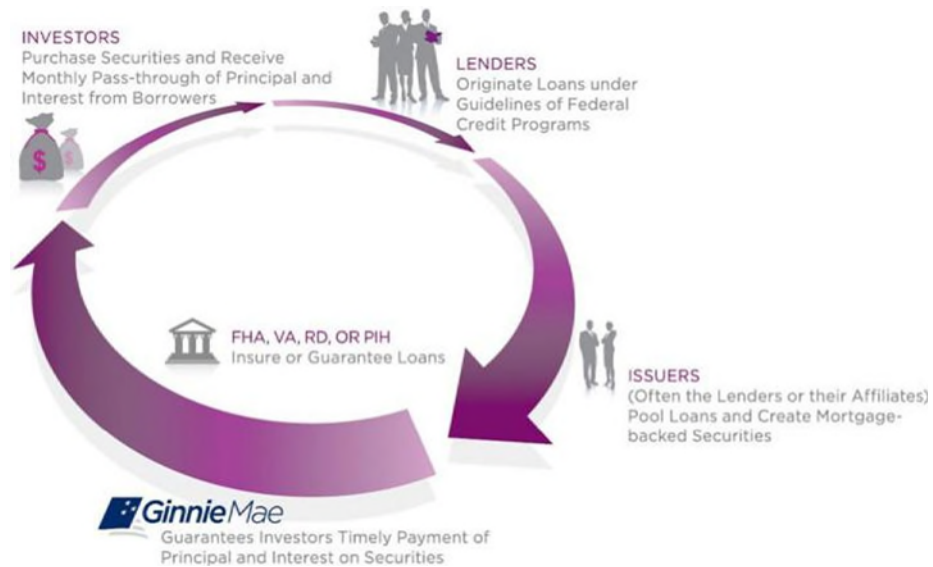
Ginnie Mae, authorized by Title III of the National Housing Act, as amended (P.L. 73-479; codified at 12 U.S.C. 1716 et seq.), does not make or purchase mortgage loans, nor does it buy, sell, or issue securities. Instead, Ginnie Mae supports liquidity in the mortgage market by guaranteeing timely payment of pass-through income to investors of MBS pooled by mortgages insured and guaranteed by the Federal Government. To do this, Ginnie Mae is provided by the Congress with a dollar amount of commitment authority. Ginnie Mae sells this commitment authority to approved lending institutions (Issuers), giving Issuers the ability to pool government insured mortgages and sell them as government 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. In return for this guarantee on MBS securitized by approved issuers, Ginnie Mae charges a guaranty fee. It is through this business model that Ginnie Mae executes its mission and furthers the Administration's priorities to 1) Support Underserved Communities; 2) Ensure Access to and Increase the Production of Affordable Housing; and 3) Promote Homeownership – while also significantly limiting its exposure to risk (see Figure 1).

**Figure 1: Protecting the Ginnie Mae Guaranty**



The Ginnie Mae guaranty, 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 loans available. The ongoing cycle (as depicted in Figure 2) helps support accessible and affordable housing for America. 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. This powerful feature ensures that mortgage financing is available for homeownership and rental properties regardless of the economic climate. In 2022, Ginnie Mae supported approximately 2.2 million households in our Nation’s urban, rural, and tribal communities, including underserved segments of the population, service members, and veterans – with nearly 800,000 Americans achieving the dream of homeownership for the first time.

**Figure 2: Capital Flow of Ginnie Mae Guaranteed Securities**



## Equity

Ginnie Mae serves in a critical role to support the Administration’s ongoing efforts to ensure the housing finance, homeownership, and affordable rental housing ecosystem is sustainable, equitable, and accessible. By leveraging the Federal mortgage programs to break down longstanding barriers, Ginnie Mae makes access to affordable homeownership and rental housing possible for millions of middle-and lower-income borrowers and renters, many of whom are first-time homebuyers, veterans, and in minority households.

## Funding Impact

Ginnie Mae’s commitment authority budget is market-driven to ensure that the lenders can fully meet the borrowers’ demand for Federal mortgage programs, and the extent to which the request is used will be driven by market conditions in the housing finance industry. The requested funding level, if used in full, will provide funding for approximately 2 million loans to borrowers under Federal loan programs, assuming the 2022 average loan amount of \$281,631.

## Key Assumptions

The commitment authority budget reflects the forecasted reduction in commitment authority sales, because of the decline in loan originations due to a shifting economic environment. Specifically, interest rate increases combined with inflation have dramatically slowed housing purchase and refinance originations, which contributed to the increased demand for commitment authority in 2020 (\$877 billion) and 2021 (\$999 billion).

The Budget, coupled with forecasted carryover funds, will support uninterrupted operations while still retaining a balance to account for any unforeseen changes to market and economic conditions.

### SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carry over Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carry over Into 2023	2023 Total Resources	2024 President's Budget
Commitment Authority	[900,000,000]	[523,544,718]	[1,423,544,718]	[508,301,052]	[900,000,000]	[900,000,000]	1,800,000,000]	[550,000,000]
<b>Total</b>	<b>[900,000,000]</b>	<b>[523,544,718]</b>	<b>[1,423,544,718]</b>	<b>[508,301,052]</b>	<b>[900,000,000]</b>	<b>[900,000,000]</b>	<b>1,800,000,000]</b>	<b>[550,000,000]</b>

## LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

### Appropriations Language Changes

The 2024 President’s Budget includes the following:

- Clarifying S&E Funding Source as Offsetting Collections: The Budget requests a revision to the appropriations language that clarifies the source of Ginnie Mae’s S&E as receipts from Commitment and Multiclass fees credited as offsetting collections in the program account. It was brought to the Department’s attention that the appropriations language could be interpreted in such a way that Ginnie Mae’s annual S&E is funded through an appropriation instead of, as it was intended, from offsetting collections. The 2024 Budget explicitly provides for offsetting collections as the source of S&E funds.

## Legislative Proposals

The 2024 Budget supports the following legislative proposal and will seek changes through the authorization process:

- 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.

## General Provisions

The 2024 President's Budget repropose the following general provisions that were enacted in the 2023 appropriations bill:

- GNMA Legal Services: This provision 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 for in annual appropriations bills do 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)
- GNMA Securitizations of Risk Share Loans: This proposal authorizes Ginnie Mae to securitize affordable multifamily loans made by Housing Finance Agencies (HFAs) and insured under FHA's 542(c) Risk-Sharing program. (Sec. 232)
- HUD Corporation Expenditures: This provision is an authorization by which the 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)
- Eminent Domain Restrictions: Prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain. (Sec. 217)

## APPROPRIATIONS LANGUAGE

The 2024 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

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 [~~\$900,000,000,000~~]*\$550,000,000,000*, to remain available until September 30, [2024] *2025*: Provided, That [~~\$40,400,000~~]*\$61,000,000*, to remain available until September 30, [2024] *2025*, *to be derived from fees credited as offsetting collections to this account, including balances of fees collected and credited in prior fiscal years*, shall be for necessary salaries and expenses of the Government National Mortgage Association: [Provided further, That to the extent that guaranteed loan commitments exceed \$155,000,000,000 on or before April 1, 2023, an additional \$100 for necessary salaries and expenses shall be available until expended for each \$1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below \$1,000,000), but in no case shall funds made available by this proviso exceed \$3,000,000: ]Provided further, That receipts from Commitment and Multiclass fees collected pursuant to title III of the National Housing Act (12 U.S.C. 1716 et seq.) shall be credited as offsetting collections to this account. (*Department of Housing and Urban Development Appropriations Act, 2023.*)