

Resolution No. 3

Date: 1/21/2016

City: Las Vegas, NV

NAHB Resolution

Title: Support for Ginnie Mae
Sponsor: Housing Finance Committee
Submitted by: Michael Fink

WHEREAS, since 1970 the Government National Mortgage Association (Ginnie Mae) has provided a full faith and credit government guarantee to investors in Ginnie Mae mortgage-backed securities (MBS);

WHEREAS, Ginnie Mae is a self-financing, wholly-owned U.S. government corporation within the Department of Housing and Urban Development and funds its programs entirely through its own annual profits generated by user fees;

WHEREAS, Ginnie Mae has never required funding from the U.S. government or taxpayers, remained profitable during the recent financial crisis and continues to be highly profitable in the aftermath, returning more than \$900 million annually to the U.S. Treasury in each of the last five years;

WHEREAS, additional funding for affordable homeownership and rental programs would benefit America's families, communities and overall economic growth;

WHEREAS, Ginnie Mae's annual budget appropriations for salaries and expenses must be authorized by Congress, but other program and contractor expenses are not subject to Congressional appropriations;

WHEREAS, Ginnie Mae's success depends upon its ability to attract skilled and experienced staff knowledgeable about housing finance and secondary market transactions;

WHEREAS, Ginnie Mae has experienced remarkable growth since 2006 when the agency issued \$72 billion MBS, had a portfolio of \$352 billion in outstanding MBS, employed 66 staff and had a budget for salaries and expenses of \$10.9 million;

WHEREAS, in fiscal year 2015, as of September 30, Ginnie Mae had guaranteed \$434 billion in MBS; had a portfolio of \$1.6 trillion; employed 130 staff; and had a budget for salaries and expenses of \$23 million;

WHEREAS, while, historically, issuers of Ginnie Mae MBS have been federally regulated banking institutions, in recent years issuance by non-bank lenders has eclipsed that of depositories by a significant degree -- 65 percent to 35 percent in fiscal year 2015;

WHEREAS, the success of Ginnie Mae's business model depends on the financial soundness of its issuers and their access to sufficient capital and liquidity to meet their obligations as Ginnie Mae issuers/servicers, which require them to advance principal and interest payments to MBS investors regardless of whether or not they receive payment from the mortgagor(s) on the underlying mortgage(s);

WHEREAS, non-banking institutions often have business models that are more complex and unique to the individual lenders than banking institutions and, therefore, require Ginnie Mae to perform significant due diligence to assess their financial condition and accurately gauge counterparty risk;

WHEREAS, without access to adequate capital and liquidity, a non-bank lender could face capital shortfalls in the face of defaulting mortgagors and require Ginnie Mae to step in to ensure that monthly payments are made to MBS investors by transferring their Mortgage Servicing Rights and associated assets to other servicers.

WHEREAS, Ginnie Mae requested an increase in its operating budget from \$23 million in fiscal year 2015 to \$28 million for fiscal year 2016 to cover staff and system upgrades needed to monitor and mitigate the counterparty risk associated with the increasing number of non-bank issuers and the critical costs associated with running the agency's single security platform which is the foundation for all government MBS, but the request was rejected by Congress; and

WHEREAS, Ginnie Mae plans to seek a \$10 million to \$15 million budget increase for fiscal year 2017 which could prove difficult in a tight budget process.

NOW, THEREFORE, BE IT RESOLVED that NAHB urge Congress to remove Ginnie Mae's salary and expenses from the federal budget appropriations.

BE IT FURTHER RESOLVED that NAHB urge Congress to authorize Ginnie Mae to establish policies with respect to matters involving hiring, compensation, personnel management and procurement that are free from federal government constraints in order to be operated in a manner more consistent with the bank regulatory agencies, such as the Federal Deposit Insurance Corporation.

BE IT FURTHER RESOLVED that until such time that Ginnie Mae is removed from the federal budget appropriations process, NAHB urge Congress to ensure that Ginnie Mae has adequate funding to effectively monitor the financial health of its issuers/servicers and thereby continue to serve as an efficient and reliable contributor to mortgage market liquidity.

Board of Directors Action:	Approved
Executive Board Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Multifamily Council Board of Trustees Action:	Recommends Approval