Ginnie Mae's Role in Housing Finance

Ginnie Mae has been a cornerstone of the U.S. housing finance system since it was created more than 40 years ago. In 1968, Congress established the Government National Mortgage Association, also known as Ginnie Mae, creating the wholly-owned government corporation within the U.S. Department of Housing and Urban Development (HUD) to assist in raising capital for mortgage loans insured by other government agencies.

In 1970, Ginnie Mae created and issued the first mortgage-backed security (MBS) in the U.S. as a financial tool to help bring funds from worldwide investors to the U.S. housing market. The securities are collateralized by the cash flows from loans insured or guaranteed by the Federal Housing Administration (FHA), Department of Veterans Affairs Home Loan Program for Veterans (VA), Office of Public and Indian Housing (PIH), and the U.S. Department of Agriculture Rural Development (RD).

The Ginnie Mae guaranty – the only MBS guaranty explicitly backed by the full faith and credit of the U.S. Government – assures investors that they will receive their monthly principal and interest payments on outstanding securities in a timely manner.

The continued demand for Ginnie Mae securities provides a steady source of funding for government-backed loans. The securities also enjoy strong pricing in the secondary market and favorable trading spreads, which translate to lower interest rates for borrowers.

Ginnie Mae's business model significantly limits U.S. taxpayers' exposure to risk associated with secondary market transactions. Its strategy is to guarantee a simple pass-through security to investors rather than buy loans and issue its own securities. Because private lending institutions originate eligible loans, pool them into securities and issue Ginnie Mae MBS, the corporation's exposure to risk is limited to the ability and capacity of its MBS Issuer partners to fulfill their obligations to pay investors. By guaranteeing the servicing performance of the Issuer – not the underlying collateral – Ginnie Mae insulates itself from the credit risk of the mortgage loans.

Ultimately, before Ginnie Mae is at risk of paying out on its guaranty, three levels of protection must be exhausted:

- Homeowner equity
- Insurance provided by the government agency that insured the loans
- Corporate resources of the entity that issued the security

Ginnie Mae & the Consumer

Ginnie Mae's mission 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 US taxpayer.

Consumers are sometimes **mistakenly** advised that because their government-insured or government-guaranteed loans (FHA, VA, PIH, and RD) serve as collateral for Ginnie Mae-guaranteed securities, Ginnie Mae determines servicing decisions regarding their loans.

However, Ginnie Mae does not set standards for mortgages that are to be federally insured or guaranteed. Each agency that is providing the mortgage insurance or loan guarantee sets the standards for the mortgage originated and the approved lenders that participate in the Ginnie Mae program are responsible for ensuring those standards are met for consumers' loans. These lenders have complete responsibility for servicing decisions. **Ginnie Mae does not make any servicing decisions.**

Though it is a common misconception, Ginnie Mae is not a lending institution and does not purchase loans from mortgage lenders, make loans to consumers, assist consumers with purchasing homes, or determine eligibility for loan modifications. Rather, Ginnie Mae is the guarantor of securities issued by approved lenders who participate in a Ginnie Mae program. Moreover, Ginnie Mae only securitizes federally-insured or government-guaranteed loans.

Please take a moment to read our Consumer Education FAQs to learn more about Ginnie Mae and the consumer.

Ginnie Mae & the GSEs

Ginnie Mae and Fannie Mae began as one organization more than 70 years ago, known as the Federal National Mortgage Association (FNMA). In 1968, Congress partitioned FNMA into two entities: Fannie Mae and Ginnie Mae. Fannie Mae was charged with supporting the conventional mortgage market and Ginnie Mae was charged with supporting the market for FHA, VA, RD, and PIH loans. Freddie Mac was later created in 1970 and also supports the conventional mortgage market.

The key differences between Ginnie Mae and the Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, include:

- **Only Ginnie Mae securities are explicitly backed by the full faith and credit of the U.S. Government.** Ginnie Mae, Fannie Mae, and Freddie Mac guarantee mortgage-backed securities (MBS) for timely payment of principal and interest.

- **Ginnie Mae is a self-sustaining, profitable and wholly-owned government corporation located within the U.S. Department of Housing and Urban Development (HUD),** while the GSEs are public corporations chartered by Congress, but owned by shareholders*. As a wholly-owned government corporation, Ginnie Mae is not required to make decisions to increase value for shareholders; rather, it can remain soley focused on its mission of providing support for affordable housing.

- **Ginnie Mae's conservative and stable business model significantly mitigates taxpayers' exposure to risk associated with mortgage securitization**. Unlike the GSEs, Ginnie Mae acts only as the guarantor on the pools of federally-insured or guaranteed loans. Fannie Mae and Freddie Mac, however, guarantee the loans themselves. Another differentiating factor is that Ginnie Mae does not purchase mortgage loans for generating profit, nor does it actively buy, sell, or hold securities for investment purposes. Rather, approved private lending institutions issue the MBS for which Ginnie Mae provides the guaranty.

- **In the Ginnie Mae program, Issuers are financially responsible for their securities, even if the underlying mortgage collateral becomes delinquent**. While the GSEs are responsible for the financial losses related to the loans in their investment portfolios and MBS, the Ginnie Mae Issuer must make principal and interest pass-through payments to investors for delinquent loans, as well as provide the funds to re-purchase loans to foreclose on a home or modify a loan. Ginnie Mae Issuers are responsible for any unreimbursed costs associated with either violating insurers' servicing guidelines or for inadequate insurance coverage. This requirement provides a strong incentive for private institutions to make better quality mortgage loans. It is important to note that Ginnie Mae does not have a financial obligation to MBS investors unless the Issuer becomes insolvent.

GINNIE MAE	FANNIE MAE AND FREDDIE MAC
» Wholly-Owned Government Corporation	» Shareholder-Owned,* Publicly Traded
» Explicit Guarantee to Investors	» Implicit Guarantee to Lenders and Investors
» Government-Insured Loans (FHA, VA, PIH and RD)	» Conventional Loans
» MBS Only	» MBS and Whole Loan Portfolio
» Issuer/Servicer Risk	» Borrower Credit Risk, Interest Rate Risk and Servicer Risk

** GSEs are currently under conservatorship and not on NYSE.*

Troubled Homeowners

Borrowers are sometimes **mistakenly** advised that Ginnie Mae has the authority to resolve servicing issues in connection with their loans. On the contrary, Ginnie Mae is the guarantor of the security in which the loan serves as the collateral. As a condition to providing the guaranty, the servicer agrees to service the loan and holds the authority to perform servicing functions such as determining eligibility for loan modifications and other loss mitigation options.

Though it is a common misconception, Ginnie Mae does not purchase loans from mortgage lenders, make loans to borrowers, or determine eligibility for loan modifications. The loan modification/loss mitigation process is managed by the loan servicer who is responsible for servicing loans according to the guidelines of the agency providing the loan insurance or guaranty. Therefore, **Ginnie Mae does not make any servicing determinations in connection with borrowers' loans.**

Nevertheless, Ginnie Mae is happy to provide information that may help consumers get in touch with the appropriate agency.

A consumer's mortgage company handles the day-to-day tasks associated with managing their mortgage loan. The mortgage company's duties include, but are not limited to:

- Collecting loan payments
- Responding to borrower concerns
- Holding funds for payment of property taxes and hazard insurance
- Counseling delinquent borrowers
- Providing loss-mitigation options
- Supervising foreclosures

As such, consumers should first call the mortgage company to which s/he sends their monthly mortgage payments to determine who insures their loan. Consumers should check their monthly mortgage bill or payment booklet for a phone number or website address.

- If a loan is insured by the Federal Housing Administration, the consumer should contact the FHA Outreach Center at 1-800-225-5342 or the National Servicing Center (NSC) at 1-877-622-8525.
- If a loan is insured by the Veterans Administration, the consumer should call Veterans Affairs at 1-877-827-3702 to reach the nearest Loan Guaranty office.
- If a loan is insured by Rural Development, the consumer should call 1-800-414-1226 to speak to a representative at USDA's Centralized Servicing Center.
- If a consumer's mortgage is insured or owned by Fannie Mae or Freddie Mac, he/she should visit www.makinghomeaffordable.gov for more information.

Despite the availability of loss mitigation options, consumers still may not qualify for a loan modification. Consumers should work with their mortgage company and the insuring agency to decide which option, if any, is right for their unique situation.

Consumers can also contact a HUD-approved housing counselor, call HUD's interactive voice system at (800) 569-4287, or visit HUD's "Avoiding Foreclosure" web page to obtain helpful information and assistance on avoiding foreclosure.

Ginnie Mae
Our Guaranty Matters

Ginnie Mae Online University

Welcome to Ginnie Mae Online University

As Government lending has increased over the past few years, Ginnie Mae has also seen an increase in lenders who have the desire to participate in our program. Understanding the time constraints of mortgage professionals, this site was created to offer Ginnie Mae business partners free access to training courses 24 hours a day/7 days a week.

We are pleased to launch the University with our initial courses that will help you understand the role Ginnie Mae plays in the housing finance industry and guide new issuers through the onboarding process. Over the next few months we will add to our course program with resources that will help business partners navigate through our systems and pooling process.

As we continue to develop the curriculum, we welcome your suggestions on topics of interest. To access Ginnie Mae Online University and create your online password, click here.