



## CHLA Ginnie Mae Modernization Plan

May 2024

Ginnie Mae plays a critical mortgage access to mortgage credit role for 1<sup>st</sup> time homebuyers, securitizing FHA, VA, and RHS loans for underserved families, including minorities, veteran and other underserved mortgage borrowers. For decades, Ginnie Mae has consistently made a huge profit for American taxpayers – \$15.744 billion in net profits over the last decade. Yet, remarkably, in spite of this strong financial performance, Congress continues to short-change Ginnie Mae - underfunding their Salaries and Expenses and denying them critical flexibilities that other comparable federal financial agencies enjoy. This undermines Ginnie Mae's ability to run a market-driven program.

This CHLA Modernization Plan for Ginnie Mae contains proposed action items for Congressional authorizing and appropriations committees – which are designed to achieve the following important objectives:

1. To help Ginnie Mae carry out its multiple access to mortgage credit statutory charter objectives.
2. To maintain a broad Ginnie Mae issuer base, maximizing competition and consumer choice.
3. To reduce Ginnie Mae risk, through more resources and flexibility to manage issuer and resolutions.
4. To re-invest a tiny bit more of the billions in Ginnie Mae taxpayer profits back in Ginnie Mae.

### DEVELOPMENT OF LIQUIDITY FACILITY

- **Appropriations Funding and Report Language Directing Ginnie Mae to develop a liquidity facility for Ginnie Mae issuers, to facilitate servicer advances/pool buyouts:**
  - (1) **Ted Tozer Proposal**: Debt guarantee for a Ginnie Mae issuer, collateralized by assets insured or guaranteed by a federal mortgage program agency, AND/OR
  - (2) **Expand PTAP Program**. Expand PTAP from a lender of last resort program to a loan or warehouse loan guarantee program for financially sound Ginnie issuers.

*EXPLANATION: Ginnie Mae requires issuers to act as a banker to defaulted borrowers, advancing missed payments and buying loans out of pools. Bank Ginnie Mae issuers have multiple liquidity facilities, but non-bank Ginnie Mae issuers have none. An IMB liquidity facility would reduce Ginnie Mae's already limited financial risk by (1) stabilizing financially sound issuers stressed by rising advance responsibilities, (2) increasing confidence of warehouse lenders, & (3) creating additional tools to use in issuer resolutions.*

**Federal Reserve TALF.** Also, during COVID, the Fed created a **Liquidity Facility** for auto loans, student loans, credit cards, equipment loans, floor plan loans, small business loans, commercial mortgage loans – but **not** mortgage servicers, even though advances skyrocketed. In the next crisis, a TALF facility should include mortgage servicers.

### GINNIE MAE SALARIES AND EXPENSES (S&E) FUNDING INCREASE FOR FY 2025

- **Funding: Fund FY 2025 Ginnie Mae S&E Budget Request (\$67 million) and fund 5 more FTE positions in HUD Office of General Counsel Dedicated to Ginnie Mae.**
- *EXPLANATION: Additional funding would help: (1) Enhance Ginnie oversight of issuers, (2) facilitate actions like prompt execution of acknowledgment agreements to support small issuers, (3) carry out issuer resolutions and transfer of servicing portfolios if needed, and (4) develop an expanded PTAP program.*

### PAYSCALE COMPARABILITY

- **PayScale Comparability: Give Ginnie Mae the same flexibility FHFA, FDIC, and other financial government agencies enjoy to pay top employees a higher wage scale.**
- *EXPLANATION: Ginnie Mae should have flexibility to attract and maintain (at least a certain percentage or number of) high value personnel, just as other comparable financial federal agencies have.*

### ENHANCED FLEXIBILITIES

- **Ginnie Mae should have more flexibility** to quickly hire personnel & procure contracts.
- *EXPLANATION: Ginnie Mae should be given streamlined authority to hire staff and procure contracts – at least in exigent circumstances such as a financial crisis or dealing with issuer resolutions.*