

**6<sup>th</sup> Global Housing Finance Conference**  
**World Bank Group**  
**Washington, DC**

*Ted Tozer*

*President*

*May 28, 2014*



# Overview

- 1. Defining affordable housing**
- 2. Government support of mortgages**
- 3. Ginnie Mae's *housing finance* model**
- 4. *Housing finance* objectives**
- 5. Success in *housing finance***

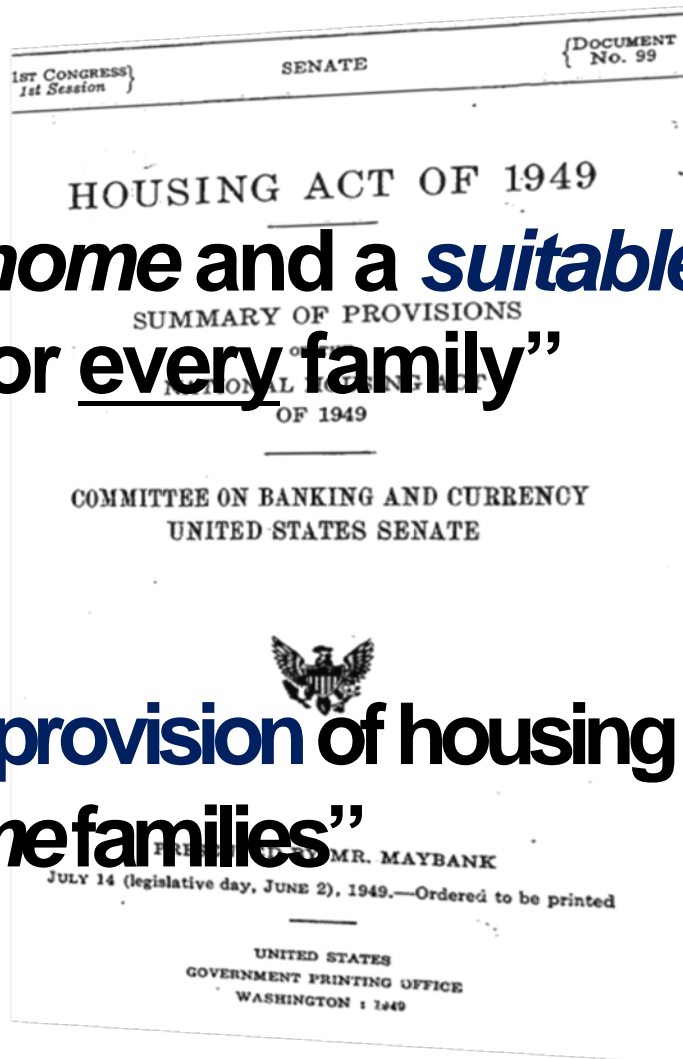
# What is affordable housing?

The goal is:

- “for a *decent home* and a *suitable living environment* for every family”

and

- “to assist in the provision of housing for low and moderate income families”

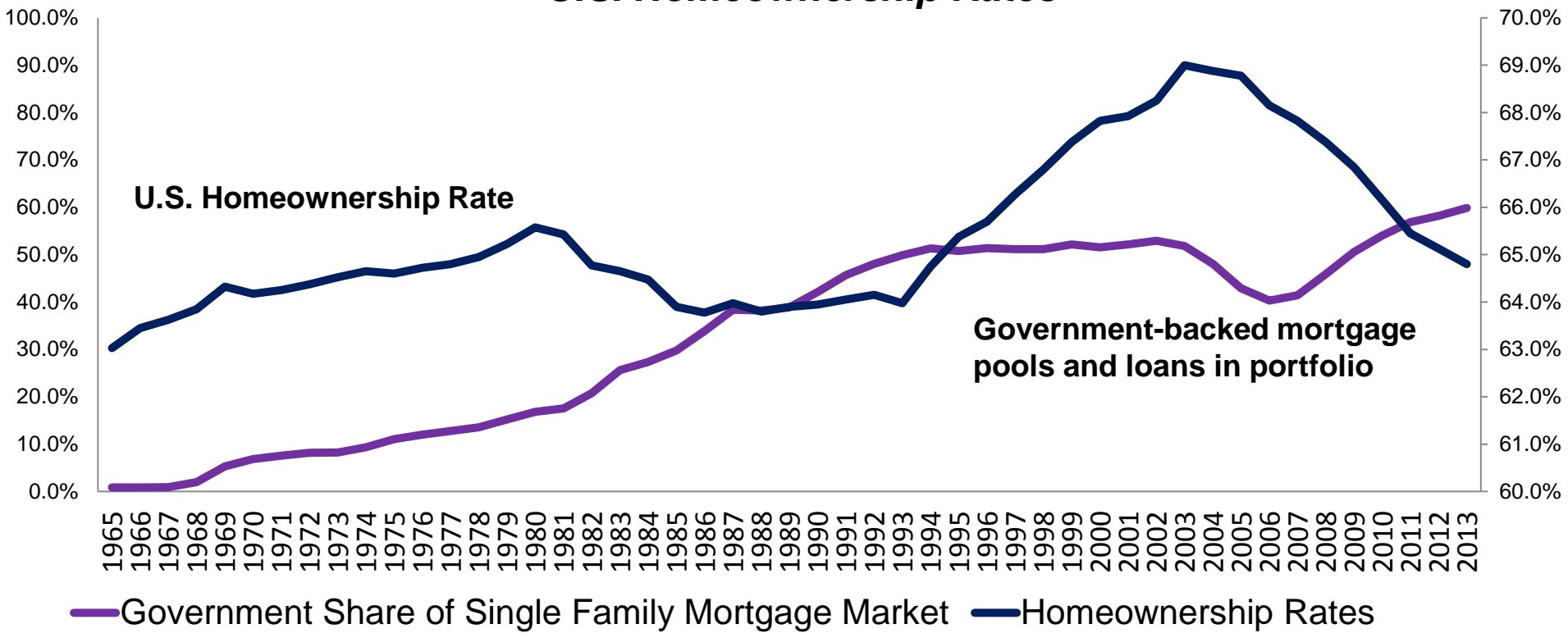




# Government Support of Mortgages

- The U.S. Government has had a significant role in the mortgage market going back at least 30 years

**Government Market Share of Single-Family Mortgages (1965-2013) and U.S. Homeownership Rates**



Left Axis

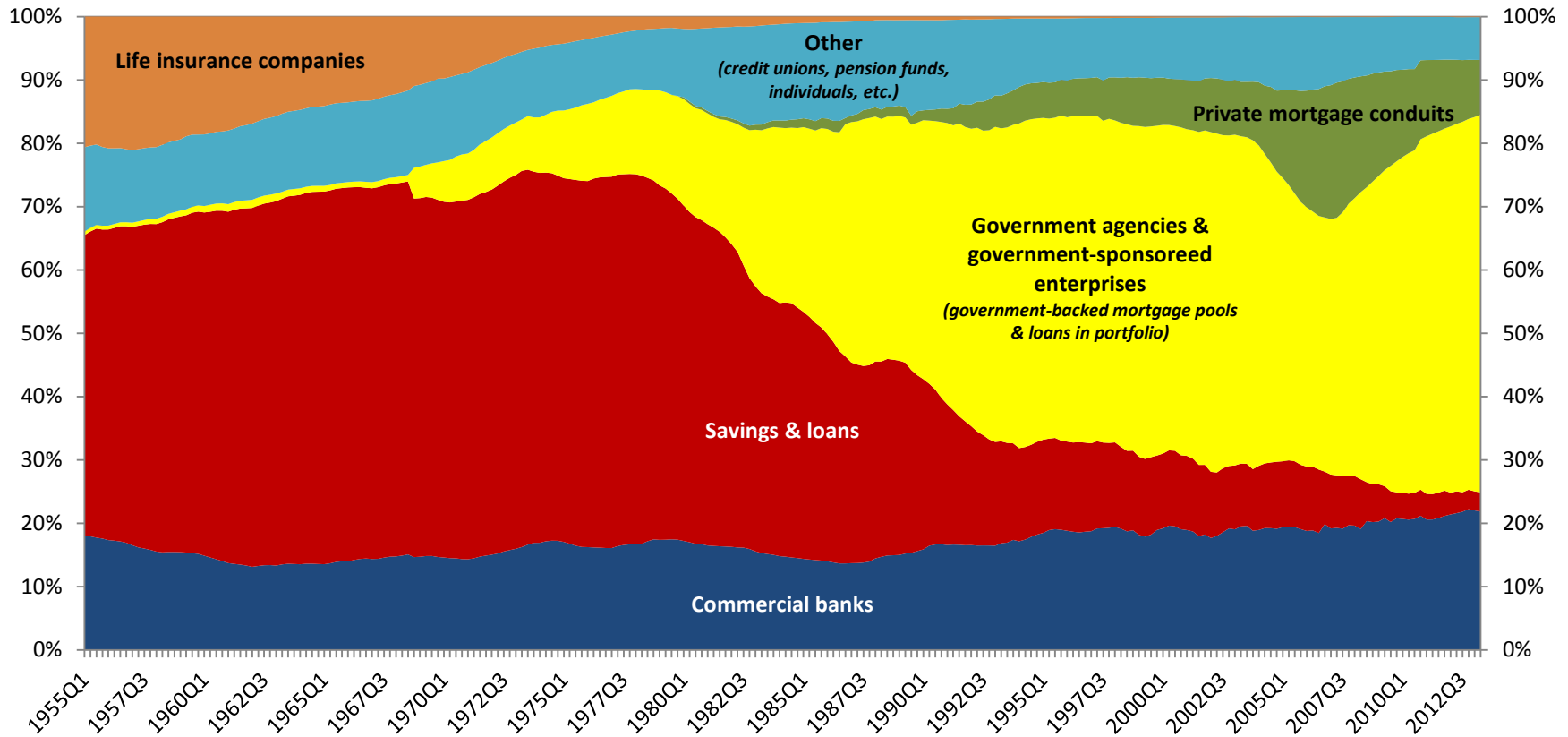
Source: Federal Reserve

Right Axis

# Government Support of Mortgages

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## Single-Family Mortgage Market Share 1955-2010



Source: Federal Reserve

# ***Ginnie Mae facilitates housing finance for:***

**Ownership**

**Affordable  
Rental  
Housing**

**Assistance  
Living**

**Senior  
Citizens**

**Single Family  
&  
Manufactured  
Housing**

**Multifamily  
Housing**

**Home Equity  
Conversion  
Mortgage  
(HECM)**

**\$1.37 trillion**

**\$84.5 billion**

**\$47.7 billion**

**&  
\$280 million**

***Principal Balance (in U.S. Dollars)***

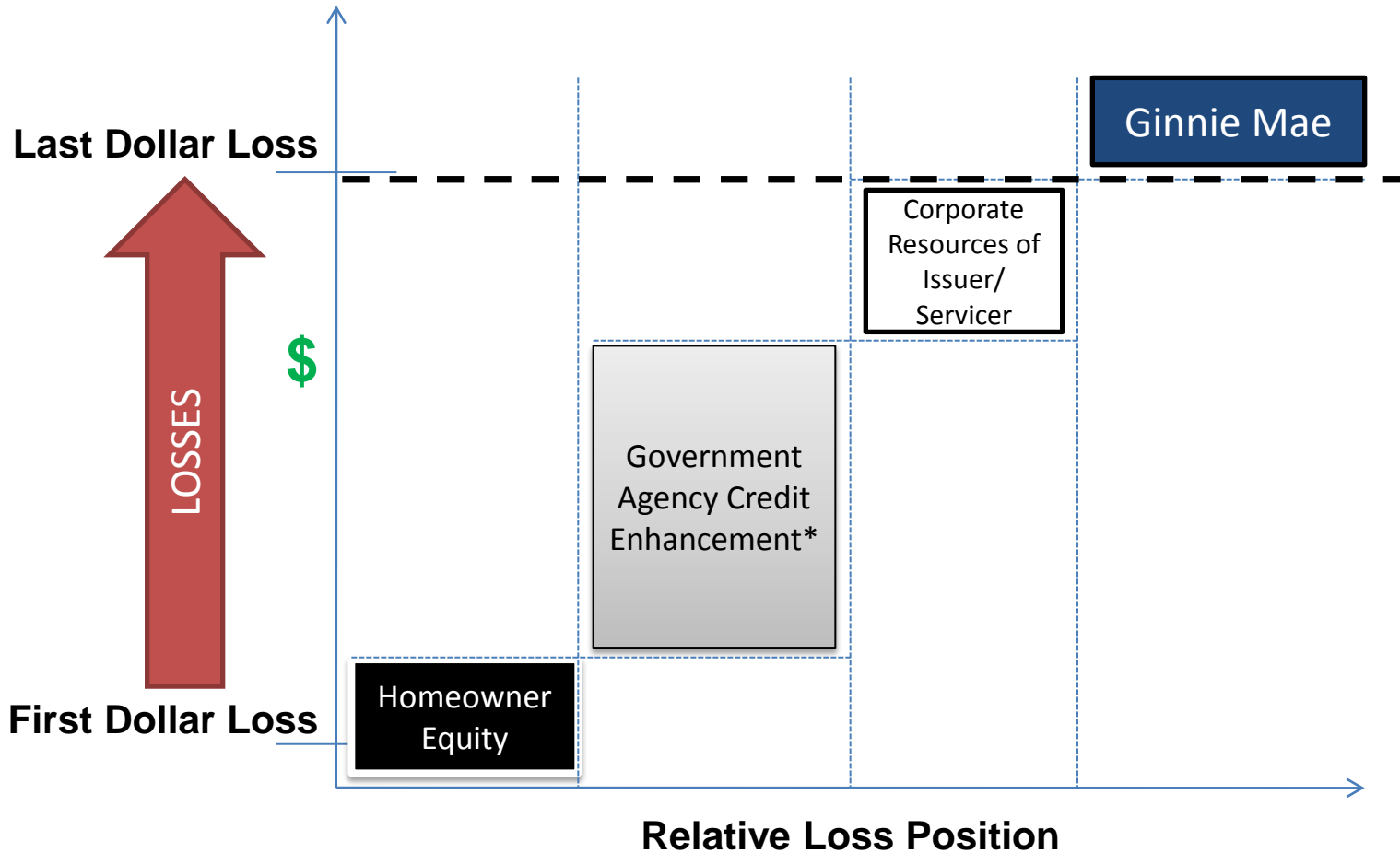
# ***Ginnie Mae guarantees timely payment on MBS backed by federally insured or guaranteed loans***

Specifically, these include:

- Department of Housing and Urban Development (HUD)
  - Federal Housing Administration (FHA)
  - Office of Public and Indian Housing (PIH)
- Department of Veteran's Affairs (VA)
- Department of Agriculture
  - Rural Development (RD)
  - Housing Service (RHS)



# Ginnie Mae's Risk-share Model



\*VA covers the first 25% of credit loss, USDA-RHS covers the first 90%, and FHA covers 100%. Coverage of foreclosure expenses vary by agency; uncovered expenses can be substantial.



# Housing Finance Objectives

**Consumers  
(Borrowers)**



**Originators**



**Domestic  
Banking System**



**Capital Markets**

Currency Risk

- **Efficient** access to capital to finance housing programs
- Reasonable **certainty** about locking new debt or rolling maturing debt into forward rate environments
- **40%** of Ginnie Mae MBS volume from **non-banks**
- **Projected increase** for non-depository originators
- **Operational platforms** to implement government-sponsored lending assistance
- **Co-shares** borrower credit risk
- **Balance sheets** to accumulate for securitization or hold for investment
- **Expands** investor base beyond domestic banks' balance sheets
- **Transfers** interest rate risk to willing investors
- **Restructures** mortgage debt cash flows to create demand for many more fixed income portfolios

## ***Why Ginnie Mae is successful in housing finance***

- **Alignment** of interest: issuer → credit risk insurer → **Ginnie Mae**
- Provides global investors with **back-stop** for catastrophic loss
- **Transparency**: constantly improving disclosure with securities & loans
- **Combination** provides:
  - **comfort** to value securities
  - **scale** for liquidity to **attract** capital globally

***Our Guaranty Matters – it Provides Safety & Liquidity***

**Thank you!**

***For more information:*** [www.ginniemae.gov](http://www.ginniemae.gov)