



Highlights of [GAO-06-9](#), a report to the Chairman, Subcommittee on Housing and Community Opportunity, Committee on Financial Services, House of Representatives

HOUSING FINANCE

Ginnie Mae Is Meeting Its Mission but Faces Challenges in a Changing Marketplace

Why GAO Did This Study

The Government National Mortgage Association, commonly known as Ginnie Mae, is a wholly owned government corporation that guarantees mortgage-backed securities (MBS) backed by pools of federally insured or guaranteed mortgage loans. The agency supports federal housing programs by facilitating the securitization of loans backed by the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), Rural Housing Service, and the Office of Public and Indian Housing within the Department of Housing and Urban Development (HUD). Concerned that Ginnie Mae's share of the overall MBS market has declined significantly, you asked us to address (1) the state of Ginnie Mae's market share and guarantee volume, (2) the potential implications of changes in its share and volume, and (3) the challenges Ginnie Mae faces and steps it is taking and could take to address these challenges.

What GAO Recommends

GAO is making no recommendations. Ginnie Mae agreed with this report's conclusions.

www.gao.gov/cgi-bin/getrpt?GAO-06-9.

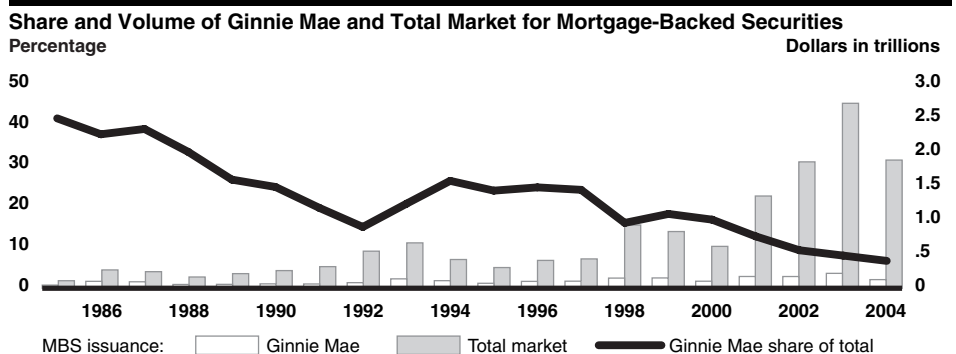
To view the full product, including the scope and methodology, click on the link above. For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

What GAO Found

Despite its declining share of the overall MBS market, Ginnie Mae continues to serve its key public policy goal of providing a strong secondary market outlet for federally insured and guaranteed housing loans. Ginnie Mae MBS financed more than 90 percent of new FHA-insured and VA-guaranteed loans in fiscal year 2004, and the agency appears to face relatively little competition in this market. Ginnie Mae's total volume has declined in recent years, however, and its share of the overall MBS market has fallen from 42 percent of new securities in 1985 to 7 percent in 2004. This drop is largely the result of the decline in the market share of the FHA and VA loan programs and the concurrent rise in the securitization of non-government-backed mortgages.

Further declines in Ginnie Mae's volume could potentially have implications for borrowers, the liquidity of its securities, and federal revenues. For example, Ginnie Mae's securities could become less liquid, although it is unclear at what levels of volume this would occur. In addition, Ginnie Mae's program revenues could decline if its volume decreased. In fiscal year 2004, program revenues exceeded expenses by \$295 million, which helped reduce the federal budget deficit.

Ginnie Mae faces a number of challenges in responding to changes in the marketplace, meeting stakeholders' needs, and managing its operations, and the agency has been taking steps to address these challenges. For example, it has expanded its product mix to reach more borrowers and has begun disclosing more information on loans underlying its securities to help investors better predict risk. GAO and others have identified opportunities for improvement in Ginnie Mae's data integrity and internal controls. The agency has begun addressing these issues, but it contracts out most of its operations, so ensuring that it has sufficient staff capabilities to plan, monitor, and manage its contracts is essential.



Source: GAO analysis of data from the 2005 Mortgage Market Statistical Annual, Volume II: The Secondary Market.