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Remarks by Joseph Murin
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Thank you for that kind introduction. It is an honor to be here and to have the opportunity to address members of the Financial Planning Association of Pittsburgh. And it's nice to be back home in Pennsylvania.

We all know that the housing finance industry has been under extraordinary stress. In fact, the ongoing housing recession is the worst in five decades.

The decline in the housing market has been widespread and has impacted nearly every geographic area of the U.S.

A majority of households across this country have seen their finances decline while their employment prospects have weakened. March was the fourth consecutive month with a high unemployment rate of more than 600,000 jobs lost.

Banks and other key financial institutions have seen their capital virtually dry up and their balance sheets burdened with troubled assets.

According to new residential construction statistics released by the U.S. Census Bureau and the Department of Housing and Urban Development, building permits for housing units in March were down 9 percent from February, and single-family permits were down 7 percent.

A new survey by Realtor.com found that more than 50 percent of Americans are concerned they or someone they know will face foreclosure in the next six to twelve months.

While right now there appears to be lower demand for new housing, and we no doubt remain in troubled waters, bright spots in the housing market <u>do</u> exist.

This area, for example, has avoided many of the housing-related issues that have plagued the larger economy and the housing industry.

There are far more areas all across the U.S. where the foreclosure rate is less than one percent.

In fact, the majority of Pennsylvania has well under a one percent foreclosure rate. And the state is pacing far ahead of the national average for home price growth.

So, I want to use my time with you this morning to share my perspective on this crisis.

I believe that the way out of this mess is not complicated. It may not be easy, but it is, in fact, simple. And I have confidence that, if we handle this correctly and all pull in the same direction, we will get it right.

I believe the housing industry's troubles stem from a decline in caution in decision making. The vast majority of people who enter the housing market would not willingly and knowingly take a gamble with their investment. They are families wanting nothing more than to realize the American dream of owning a home. In these decisions, prudence is essential, yet at times it has been abandoned.

I know that is something all of you here this morning can appreciate. The importance of prudent business practices, transparency and ethical standards can never be overstated.

Indeed, there are lessons to be learned from what has happened, and as an industry, we have to focus our energy on the future -- on solutions moving forward.

A major reason for my optimism is my confidence in good old fashioned American know how. I also believe that our government is providing multiple opportunities to rebuild the housing and credit industry..

I hope all of you understand that there is no single silver bullet that will solve our problems. However, The Administration has taken a number of steps toward economic recovery by providing many programs to address these issues.

I believe The Administration has a keen appreciation for the role each participant in the housing market plays and is committed to providing the market with those tools necessary to bring about resolution.

Back in February the President signed into law the American Recovery and Reinvestment Act, otherwise known as the stimulus plan, which included raising FHA loan limits back to $730,000, providing HUD Secretary Donovan the discretion to set higher FHA and GSE loan limits in subareas and providing $2 billion to rehabilitate abandoned and foreclosed properties (Neighborhood Stabilization Program) tax credits for homeowners and other housing stimulus provisions.

The President shortly thereafter announced the Making Home Affordable Plan...a serious plan that will help bring relief to seven to nine million responsible homeowners by making their mortgages more affordable and, thereby, preventing foreclosures. The key components of the plan include:

Refinance Program – this plan helps up to four to five million underwater homeowners who have a solid payment history refinance. These families would otherwise not be able to modify their mortgages due to high loan-to-value ratios.

Homeowners who took out conforming loans owned or guaranteed by Fannie Mae or Freddie Mac can now refinance through those two institutions.

Modification Program – this program is intended to help an additional three to four million at-risk homeowners avoid foreclosure by reducing monthly mortgage payments.

It's intended to reach borrowers at risk of imminent default despite being current on their mortgage payments.

It's important to note that this initiative is intended to reach millions of responsible homeowners who are struggling to afford their mortgage payments…not speculators or house flippers.

And third, the plan employs a number of initiatives to ensure the strength and security of Fannie Mae and Freddie Mac, two organizations tasked with, among other things, helping keep mortgage rates low through the turbulent environment.

According to a recent survey, nearly one out of five homeowners plan to take advantage of the Administration's new program to prevent foreclosure. 21 percent of all homeowners with a mortgage have contacted a lender to discuss loss mitigation options available to them. Half of these homeowners who contacted their lender experienced success while a small percent are still awaiting help.

Earlier this month the Administration announced a multi-agency effort to combat loan modification scams. Secretary's Geithner and Donovan announced they will align responses from federal law enforcement agencies, state investigators and prosecutors, civil enforcement authorities and the private sector to help protect homeowners. This initiative stems from a government report indicating that while mortgage lenders have boosted their foreclosure-prevention efforts, homeowners are increasingly falling into delinquency even after receiving help.

<u>All</u> of these efforts are vital steps that offer hope to struggling homeowners across the country…Key steps toward bolstering our housing finance system and restoring the nation's economy.

But there's more. In addition to these bold and decisive actions, we must also recognize the steps the U.S. Treasury, Federal Reserve, and other federal agencies have taken to promote financial stability.

The Fed has purchased more than $540 billion in agency MBS. As a result, we're seeing signs of success in lower primary mortgage rates and increased refinance applications.

It is important to note that of the total amount of agency MBS the Fed has purchased, only 5.3 percent has been from Ginnie Mae.

The commitment from the Fed to increase their purchase program by $750B is commendable. This program will continue to keep rates low and provide a much needed refinance opportunity. The more we can successfully refinance the better we will be able to see the problem mortgages that ultimately need to be addressed.

The Federal Reserve has also responded aggressively to the crisis by providing liquidity programs.

They provided assistance to many institutions through the Money Market Investor Funding Facility (MMIFF) and the Term Asset-Backed Securities Loan Facility (TALF).

Recently, the Treasury, FDIC, OCC, OTS and the Fed announced a Capital Assistance Program to ensure that our banking institutions are appropriately capitalized, with high-quality capital.

The Department of Treasury's Troubled Asset Relief Program, better known as TARP, has injected capital into U.S. financial institutions including some in Pittsburgh. As of the beginning of this month, more than $330 billion of TARP funds have been committed to over 530 financial institutions.

Soon, results of the financial "stress test" for 19 major banks will be disclosed. These tests are meant to gauge a bank's financial health and determine whether or not the banks have sufficient capital to survive during a continued economic downturn. Banks without the necessary capital could receive federal funds to meet their needs.

All of these steps have helped to ensure that financial institutions have the necessary short-term liquidity and have provided support to borrowers and investors in key credit markets.

Despite the difficult times our industry has faced and the challenges that lie ahead, life carries on. Even in the worst economic times, consumers still want and need mortgage loans to buy homes. Lenders still want and need a way to increase liquidity so they can make those loans. And investors still want and need a safe harbor for their investments. Ginnie Mae is that safe harbor.

The industry continues to turn to Ginnie Mae because of the safety and stability we bring to the market, as they have for the last forty years. Despite turbulent times, Ginnie Mae has experienced consistent growth.

Ginnie Mae has become an increasingly large part of the overall housing recovery puzzle. Since October 2008, we have issued nearly 30 billion dollars per month in MBS.

Last month we reached a milestone, issuing a record $34.5 billion in mortgage backed securities, bringing a total of $89.7 Billion of liquidity to market in 2009 versus $38.9 Billion for the first three months of 2008. These issuances included 52% purchase transactions with 78% of the 52% being first time home buyers. And surprisingly the average FICO score of the borrowers was 697.

Our issuance volumes last month, and for the year, represent our efforts to support the housing market and struggling homeowners. If we continue performing at the rate we are now, we could issue $350 billion in MBS and have a portfolio with an outstanding balance of nearly $1 trillion by the end of 2009.

In a recent media story, Ginnie Mae was described as a "bit of a wallflower…she's more stable than her siblings, Fannie and Freddie, but was never as popular. And she has a face only an economist could love." Well, we may not be the most well-known girl in town, but we are stable, secure and steadily growing…traits that, in today's market, are hard to ignore.

Indeed our recent growth has cemented our position as a stabilizing force for the industry. This growth is testament to sound business practices. It is a clear reflection of Ginnie Mae's commitment to focusing on the business fundamentals.

What makes Ginnie Mae different? Well, for starters we are a self-sustaining, profitable government institution. We do not purchase whole loan mortgages and we do not buy, sell, or issue securities. We are the guarantor of the security that is issued by an approved lender who participates in our program. We also don't establish the underwriting criteria for the collateral that backs our securities. That is established by the agencies that insure those loans.

Ginnie Mae serves in effect as the banker for the FHA, VA and other government mortgage insurers. Our collateral consists only of government-insured or government-guaranteed loans. As a result, we benefit from their commitment to basic underwriting principles.

Job number one at Ginnie Mae is to provide liquidity to the market. Today's market creates a new reality for mortgage lenders and securities. As a result, we continually strive to expand our investor base and provide the liquidity for which the market depends on us.Currently, 48% of our bonds are purchased by foreign investors. This is up from 32% at the beginning of 2008. This represents a pretty significant confidence level our investors have in our bond program. Additionally, the recent Fed program which supports the MBS market has only purchased 6% of Ginnie issuances through the first three months of the MBS purchase program. A signifivant example of our liquidity capabilities.

Our second goal is to ensure that our securities obtain the best execution possible. That execution price directly benefits our FHA and VA borrowers by ensuring the lowest interest rate possible.

Ginnie Mae's third goal is to protect the taxpayer. As a government owned corporation, we are stewards of the taxpayer. Thus, our approach is conservative. We are proud of the fact that Ginnie Mae is self-sustaining; our net income goes right back to the government. Our conservative mind-set acts as a kind of self-regulator, keeping us focused on certainty over chance, dependability over doubt. This may sound old-fashioned to some, but I believe it is a core reason why Ginnie Mae is thriving.

Since its inception, Ginnie Mae has stuck to its knitting. Our collateral consists only of government-insured or government-guaranteed loans. Our business model is simple. We don't buy or sell loans; we don't buy or sell securities; nor do we maintain a portfolio for investment purposes. All that means we don't have to engage in sophisticated hedging strategies to manage interest-rate risk. We simply charge a fee of 6 basis points for the full faith and credit guarantee.

Despite the simplicity of our business model, we realize that as Ginnie Mae's business continues to grow, the potential for risk increases. As a result, we are constantly reviewing every part of our business to make sure we are managing those risks effectively.

We have re-engineered our risk management strategy, incorporated an independent a chief risk officer, established a formal risk committee and begun to collaborate with the Inspector General's office on risk management initiatives.. We are working to apply the most sophisticated analytical tools to assist us in recognizing the potential of risk before it happens.

Risk management is also being enhanced by implementing a new special servicing review program. Under this program, our MBS monitoring team visits all new issuers and any high risk issuers. We evaluate every issuer and their portfolios every month to understand every opporotunity for a default to occur.

Growing concerns about increased risk of fraudulent practices in government lending compel us to enhance our methods of identifying fraud as well. We are beginning to deploy market-based tools to better manage this risk. We can no longer take for granted the credit guarantee supplied to our investors via FHA or VA.

In fact, the HUD Secretary recently emphasized in Congressional testimony that every effort is being made to reduce risk and confront fraud in FHA's single-family mortgage insurance programs.

Given the current environment, being ever-focused on growing market liquidity, expanding our investor base and monitoring risk means we can better serve our diverse stakeholders.

Ginnie Mae is committed to drawing the link between homeownership, strong communities and a thriving economy.

I'm a big believer in the long-term health and growth in housing in America. This might sound strange in the middle of the most severe housing correction in our lifetimes, but as I said, I'm optimistic.

Despite severe conditions in large sectors of the country, there are also large portions of the country where housing is in good shape. And I think the long-term fundamentals look better and better as we move through this correction. As I stated there are many markets such as the Pittsburgh market where housing has not felt the effects of a substantial negative hit to housing values. In fact with interest rates at all time lows I think it is an opportune time for the housing markets to pick up speed and lead this economy back. A couple weeks ago I spent a few minutes on PJ Maloney's KQV morning show pointing out these housing statistics. During that segement I indicated that in the month of March there were 12,000 FHA mortgages issued for $2B in this local listening market. Not so bad for a market that most media outlets don't even consider.

It is also an understatement to say that the housing market is simply part of the economic and financial challenges we face. It is more than that. It is key. The housing and mortgage markets are tightly linked to our economy. Actions that help stabilize the housing market will help stabilize the economy as well. Therefore, I encourage all of you to focus your attention on helping your client's understand and the value of housing as a part of their asset portfolio. With mortgage rates at 60 year lows and great buys in the real estate market there is not a better time in history to build an anchor in a personal portfolio with a housing purchase or a structured refinance. Initiatives such as this and an effort on your part will go a long way to help housing lead the econmony back from the direction form which it ahs taken of the past 18 months.

Thank you again for this opportunity to speak with you today and I look forward to answering any questions you have.

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