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Remarks by Joseph Murin
The Appraisal Institute
Collateral Matters Conference
Tuesday, March 10, 2009
Washington, DC

Thank you for that kind introduction. It is an honor to be here and to have the opportunity to address members of The Appraisal Institute and attendees of the Collateral Matters Congress.

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

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

According to the Commerce Department, new home sales declined more than 10 percent in January, a new record low. The Mortgage Bankers Association announced that mortgage delinquencies hit an all-time high of 7.88 percent of all loans outstanding. And the Fed lowered its growth forecasts for this year during its policy-setting meeting held in January.

Yet despite the current national economic crisis, bright spots in the housing market <u>do</u> exist. According to the Conference Board's Index of Leading Indicators, January's back-to-back improvement in the index suggests that the economic downturn is no longer intensifying, certainly a welcoming piece of good news.

And the National Association of Realtors data shows that while housing inventory remains near its peak and foreclosures come close to replacing actual sales, inventory <u>is</u> down from its absolute peak and with lower expected mortgage rates, an incremental addition of new owners could help.

It seems that every time you open a newspaper or turn on the TV all you hear is the doom and gloom of the housing reports. Unfortunately, while this may be true for some areas, there <u>are</u> more pockets across the country where the housing market is stabilizing, and we have to take every opportunity to remind the industry and our country that there is hope. Additionally, it is very important that we send the right message to our foreign investors who provide so much needed liquidity to our housing markets through their participation in our mortgage-backed securities program. Our government and your organization need to stand up and articulate and clarify market commentary that strongly supports those markets that have not been decimated with an over abundance of REO's through investor flipping, severe unemployment and rapid over appreciation. This action would go a long way to support and assist struggling homeowners during the current housing crisis and provide much needed support to those homeowners and potential buyers that are frozen in fear over the perceived and complete decimation of the housing market.

Millions of responsible families who make their monthly payments and fulfill their obligations have seen their property values fall. And as home prices fall, a demand for housing will increase. However, fear and a lack of understanding seems to be standing in the way of the opportunity that naturally would exist.

That is why the work you do is so important. Homes deserve to be accurately and reliably valued, and the message needs to be articulated from you to the American public.

We can all agree that for a stable economy and a secure mortgage finance system, these valuations must be reliable and those performing them must be accountable. Quality appraisals from independent appraisers are key to protecting homebuyers, taxpayers and investors, especially since the amount of loss shared by the government and the taxpayer will be exposed exponentially as a result of the current housing environment. It is important for all parties involved to have accurate and reliable information when establishing the market values.

I applaud the myriad ways this group is standing up for appraisers and consumers alike. Your thoughtful insight and work on behalf of HR 3221 – important housing legislation passed last year – made that bill stronger. Specifically, it raised the bar to become an FHA-approved appraiser by requiring all appraisers who perform valuations for FHA-backed loans to be state certified or professionally designated and to have demonstrated verifiable education in FHA appraisal requirements.

Your tireless work in identifying the frequently overlooked importance of professionally valued homes <u>this year</u> is important.

I believe, for example, that your advocacy on behalf of consumers was the driving force behind an amendment to HR 1106, which recently passed the House. This amendment to "cramdown" legislation requires courts to use FHA appraisal guidelines where the fair market value of homes is in dispute.

By ensuring objective, impartial and unbiased opinions about the value of real property, professional appraisers like you are employing solutions through a diverse array of valuation services, with many aimed at declining markets and distressed properties. Your continuing education courses, for example, are at the vanguard in recognizing and addressing shifts and trends in the market. Until recently, many residential appraisers have never seen a significant market downturn. In the current economic downturn, I encourage your leadership to continue addressing solutions through online seminars like "Appraisal Challenges; Declining Markets and Sales Concessions" and "Appraising Distressed Commercial Real Estate" and important industry-wide conferences like today's.

I applaud the Institute's efforts to highlight the shift in the market and provide training on valuing real estate in this new landscape. It is critical to provide accurate property value conclusions, decreasing market or not. The pressure appraisers are under can be great, but I know that each of you hold yourselves to the highest ethical and professional standards.

Like you, 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.

There are lessons to be learned from what has happened, and as an industry we have to focus on solutions. From The White House to the appraisers, solutions are rapidly emerging. Key stakeholders are more and more focused on developing ideas to rebuild the housing and credit markets and help our economy recover.

I am particularly optimistic about the solutions coming from The White House. I have had the opportunity to talk with Obama Administration officials, and I believe that they "get it." I believe the Administration has a keen appreciation for the role each participant in the housing market plays and is committed to finding ways to strengthen communities, keep families in their homes and help make buying a home easier and less labor intensive. As you're intimately aware, purchasing a home can be a daunting task. Any way we can ease the burden of doubt on potential home buyers will also help boost the industry by reducing the glut of housing inventory.

During this past month, the Administration has taken a number of vital steps to prevent foreclosures and expand refinancing options for more borrowers by addressing one of the biggest causes of our economic problems: the foreclosure crisis.

Just last month the President signed into law the American Recovery and Reinvestment Act, otherwise known as the stimulus plan, which included raising FHA loan limits and provided Secretary Donovan the discretion – in 2009 – to set higher FHA and GSE loan limits in subareas. The plan includes the Neighborhood Stabilization Program, which provides $2 billion to rehabilitate abandoned and foreclosed properties. In addition, the stimulus plan includes tax credits for homeowners and other housing stimulus provisions.

Recently, the President also 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 a Home Affordable Refinance Program aimed at helping up to four to five million underwater homeowners who have a solid payment history refinance. Homeowners who took out conforming loans owned or guaranteed by Fannie Mae or Freddie Mac can now refinance through those two institutions.

A second component of the plan is the Home Affordable Modification Program which is intended to help three to four million at-risk homeowners avoid foreclosure by reducing monthly mortgage payments. It aims 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.

A third component of 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. Your work in providing reliable valuation and appraisal products across the country will help make these GSE efforts succeed.

As you know, there are Congressional efforts underway to allow bankruptcy courts the authority to modify mortgage payments of homeowners seeking bankruptcy protection. Specifically, Congress is currently considering the "Helping Families Save their Home Act of 2009," known otherwise as "cramdown" legislation. The legislation compliments the Administration plans I mentioned earlier by enabling bankruptcy judges to modify the terms of mortgages, which could reduce foreclosures across the country by up to 20 percent.

The provisions of this bill, which was passed by the House last week, include allowing judicial modifications of certain mortgage loans on a homeowner's principal residence if the homeowner meets specified criteria. It would expand FHA's mortgage loan modification abilities to keep more families in their homes and thereby reduce foreclosures.

This legislation would also adjust the Hope for Homeowners program, another effort to help struggling homeowners that emerged last year from Congress, by lowering the monthly payments of borrowers who qualify for refinancing under the program and clear away some bureaucratic underbrush that has choked the program.

The Administration supports efforts to help families avoid foreclosure. The loan modification components outlined in the Administration's Making Home Affordable Plan are the key elements in helping both struggling homeowners avoid foreclosure and the overall economic recovery.

<u>All</u> of these efforts are vital steps in stabilizing and growing homeownership across the country. They are key elements in rebuilding the industry and restoring the nation's economy. And they cannot be successfully implemented without an accurate valuation of the collateral. In fact, these efforts depend on the ability to obtain reliable appraisals. Without accurate and reliable home valuation information homebuyers are at risk of appraisals based on faulty information that could potentially disqualify them from important mortgage relief programs.

In addition to these bold and decisive actions, we must also recognize the steps the U.S. Treasury, Federal Reserve, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency and the Office of Thrift Supervision have taken to promote financial stability.

With more than a third of the Fed's $500 billion agency MBS purchase program now completed, we're seeing signs of success in lower primary mortgage rates and increased refinance applications.

Despite the difficult times our industry has faced and the challenges that lie ahead, life goes on. Even in the worst economic times, consumers still want and need access to mortgage credit 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 40 years. Despite turbulent times, Ginnie Mae has experienced consistent growth. Just last month we issued over $27.9 billion in MBS, the second most in Ginnie Mae's history. In January, we issued guarantees for more than $27 billion in MBS, outpacing both Fannie Mae and Freddie Mac.

In fact, 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 $1 trillion by the end of FY 2009.

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

So what makes Ginnie Mae different? Well, for starters we are a self-sustaining, profitable government corporation. Last year gross revenue was $1.1billion and net revenue was an astonishing $910 million. Our net income goes right back to the Treasury in the form of retained earnings. Our business model is simple. We don't buy, sell or issue MBS. We are the guarantor of the security that is issued by an approved lender who participates in our program. And we charge a fee for the use of the full faith and credit guarantee.

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. We do not establish the underwriting criteria for the collateral that backs our securities. That is established by the agencies that insure those loans.

However, we benefit from their commitment to basic underwriting principles which include specific criteria for thorough appraisals. This is one of the reasons our securities are not experiencing the same problems as the rest of the industry. As part of its underwriting standards, FHA has always maintained stringent appraisal requirements. These guidelines call for the use of FHA approved appraisers and include specific requirements to which appraisers must adhere for the appraisal to reflect an accurate valuation.

Investors purchasing mortgage-backed securities want to be assured that appraisers supporting the value of the underlying collateral are accurate and independent. The secondary market needs and demands transparency and quality in this process.

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. During 2008, our foreign investments increased from 32 percent in January 2008 to 48 percent in December 2008. This increase is attributable to the confidence investors have in Ginnie Mae.

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. Transparency and full disclosure are key to attaining best execution.

And finally, Ginnie Mae's goal is to protect the taxpayer. As a government-owned corporation, we are stewards of the taxpayer. Thus, our approach is conservative. We don't buy or sell loans or maintain a whole loans portfolio , so we don't have to engage in sophisticated hedging strategies to manage interest-rate risk. 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 while others are not.

We realize that as Ginnie Mae's business has grown, 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. Given the current environment, being more risk-focused means we can better protect taxpayers.

Ginnie Mae is not the only one focusing its attention on risk. All of us here in this room are concerned. Homeowners are frightened and potential homebuyers wonder if they will ever be able to enjoy a piece of the American dream.

So how can you help? By remaining focused on the fundamentals of your trade, by continuing to provide accurate, sound valuations, by challenging yourself to insure the markets are receiving the best, most current methodologies of our time and by standing up and spreading the word where there are pockets of good housing markets across this great country.

It is 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 essential to understand that 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.

This is a crucial moment for all of us in the industry. The decisions we make now, and the work we perform now, will have enormous consequences. People are relying on us, and we must respond effectively and responsibly.

Thank you for this opportunity to speak with you today.

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