

**AS PREPARED FOR DELIVERY**

**Remarks by Joseph Murin  
MBA's 95<sup>th</sup> Annual Convention  
Second General Session: Mortgage Industry Executives Outlook  
Monday, October 20, 2008  
2:15 – 3:30 PM**

**Introduction**

We all know this is a turbulent time for the housing industry. It seems that every time you pick up a paper or watch TV you can't help but be inundated with news reports.

At times like these, it is easy to be a Monday morning quarterback (*OR get lost in all the negative speculation and rumors*). However, we as an industry have to continue moving forward.

I know that all of us are here today share a common goal of stabilizing and re-energizing our industry.

This is a decisive moment for us all. 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.

I am proud to say that Ginnie Mae is rising to the occasion. While the lines may be temporarily blurred between Ginnie Mae and GSEs, we are continuing to establish our products as a safe and secure investment.

**Role in Industry**

This is not the first time our industry has faced such an important turning point – a point where it is critical to make changes to create a better industry. Our industry faced such a turning point 40 years ago.

Don't forget that in 1968, Congress established Ginnie Mae to increase the availability of mortgage credit for low- and moderate-income borrowers. This was no small assignment.

The first step in this process was to create liquidity for first-time borrowers. So, in 1970, Ginnie Mae issued the first mortgage-backed security and revolutionized the American housing industry.

Since then, our main focus has been to bring the best interest rate to FHA and VA and our other borrowers. Our basic process is sound and has not changed.

Our MBS have always had the full faith and credit guaranty of the U.S. government. As Ginnie Mae securities are explicitly backed by the U.S. Government, they lend safety and stability to issuers, investors and the entire market.

Because of this, we have been proud to constantly provide liquidity to the market for the last 40 years.

## **Growth**

No matter what temporary legislative measures are in place now, Ginnie Mae MBS are a good, solid investment. For this reason, issuers are telling us that Ginnie Mae could represent more than 30 percent of their business by the end of the year.

This clearly can be attributed to the confidence investors maintain in Ginnie Mae MBS and the renewed interest lenders have in government-insured or –guaranteed products.

This past July, Ginnie Mae issued more than \$26 billion in MBS compared to \$7 billion last year. This puts us on a course to issue over \$200 billion MBS for 2008. This is an extraordinary achievement, considering that we issued only \$93 billion in 2007.

Our issuance is growing because we are helping borrowers with higher priced homes through our jumbo loan securitization program. Since its launch in April, we have securitized nearly \$8.5 billion of these jumbo loans.

Issuance is also growing because we are helping more borrowers with troublesome adjustable rate mortgages reap the full benefits of the FHA program.

We are helping older Americans by securitizing FHA's Home Equity Conversion Mortgages. Ginnie Mae's HMBS provides the mortgage-backed securities marketplace with the only full faith and credit securitization vehicle of a government-insured reverse mortgage product. Since we launched our HMBS program, we have securitized more than \$1 billion.

We have also eliminated the restriction on the size of mortgage loans guaranteed by the Department of Veterans Affairs, which can be used as collateral in Ginnie Mae securities, which means the VA is now doing business in California and other high cost areas.

And, we are also increasing the frequency of our disclosure information Ginnie Mae investors. Instead of having this information available once a month, it will now be available at pooling. We are also providing credit score, LTV, and zip code information. All of this will help investors better assess pre-payment assumptions about the loans in the pools.

## **Risk Management**

At Ginnie Mae, we have experienced unprecedented growth. Our increase in volume demands that we pay closer attention to risk.

Recent events, including the subprime disaster, have forced everyone to take a long, hard look at their organization's risk and potential instability.

We know that lenders who are in difficult financial situations turn to government guaranteed business. This means we have to be vigilant and make sure that we have the appropriate structure in place to manage the risk that results from this difficult environment.

With that in mind, we are continually reviewing our business to ensure that we efficiently manage risks. We want to position ourselves to continue providing the liquidity the market needs. That means ensuring we have the proper resources and infrastructure.

We will continue to anticipate the needs of the market, our issuers and our investors. Additionally, we will continue to reach out to potential issuers and enhance our risk management strategy.

Obviously, the good news is that Ginnie Mae is doing more business and helping more homeowners. However, this brings its own set of risks. In response to this rapid growth, we have implemented more targeted risk management procedures.

Since many of our issuers are facing difficult economic challenges, we want to make sure lenders remain in sound financial condition.

In doing so, we have instituted a three-tier risk management strategy:

- 1) We have created a Risk Committee to develop Ginnie Mae's enterprise-wide risk policies and provide oversight of risk management activities.
- 2) We centralized responsibility for risk management oversight by creating a Chief Risk Officer. This senior position is independent of our strategic business units.
- 3) We reconstituted our Issuer Review Board, which supports our business units and the Risk Committee by reviewing certain MBS program issuer actions or requests.

However, it is important to keep in mind that Ginnie Mae's fundamental business model significantly limits risk.

Ginnie Mae does not buy or sell loans, nor does it maintain a portfolio; rather, Ginnie Mae facilitates the securitization of loans for a fee of six basis points. This is very different from government-sponsored enterprises. Not managing a portfolio means we do not have to employ sophisticated hedging strategies to manage interest rate risk.

Now, I realize that all of us sitting here in this room aren't the only ones worried about risk in the housing industry. Homeowners are frightened and worry about the safety and security of their investments. Potential homebuyers wonder if they will ever have a piece of the American dream.

Ginnie Mae is committed to helping people make their dream of homeownership come true.

### **Role in the Future**

Over the years, Ginnie Mae has guaranteed more than \$2.6 trillion in mortgage-backed securities, helping more than 34 million households in America gain access to affordable housing.

Ginnie Mae has been a strong, profitable institution for 40 years because we have stayed focused on the basics.

Today's market creates a new reality for mortgage lenders and securities. We want to position ourselves to continue providing the liquidity the market looks to us for, and to continuing doing so for the long term.

Ginnie Mae's mission is to "expand affordable housing by linking the global capital markets to the nation's housing markets." That mission is about making the connection between local communities and international economies, never forgetting that behind the current discussion of credit crunches and fluctuating markets is a family that wants to buy a home or keep the one it already has.

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

More than 80 years ago, this country faced a seemingly overwhelming housing crisis. President Franklin Roosevelt and Congress stepped in and restored the American dream for millions of families.

Now, we are involved in another housing crisis and it is our turn. We were up to the challenge 40 years ago when Congress first created Ginnie Mae and we are up to the challenge now.

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