

AS PREPARED FOR DELIVERY

**Remarks by Joseph Murin
Mortgage Bankers Association of St. Louis
November Dinner Meeting
Thursday, November 20, 2008
6:30 - 7:30 PM**

Introduction

Thank you for that introduction. It's a pleasure to be here with such strong supporters of Ginnie Mae, FHA and VA.

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 get lost in all the negative speculation and start believing the rumors. However, we, as an industry, must continue moving forward.

I know that all of us here today share a common goal. We want to rebuild the housing market and housing finance industry that is so vital to this nation's economic health.

We must also realize that 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. The volume of issuance of mortgage-backed securities is soaring as more continue to view it as a safe and secure investment. We will also continue to proactively develop the types of innovations (e.g, reverse mortgage) that can better serve homeowners needs and adapt to the times.

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. As a result, 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 consistently provide liquidity to the market for the last 40 years.

Growth

And you know what? *We are growing.* Ginnie Mae MBS are a good, solid investment. For this reason, issuers are telling us that Ginnie Mae could represent well over 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.

In October, we issued more than \$29.6 billion in securities, the highest monthly issuance *in the history of Ginnie Mae*. We also topped Fannie Mae and Freddie Mac. If this trend continues in 2009, we could experience issuances exceeding \$350 billion and an outstanding portfolio reaching \$1 trillion. This is an extraordinary achievement, considering that we issued only \$85 billion in FY 2007.

Some of this growth can be attributed to Ginnie Mae helping borrowers with higher priced homes through our jumbo loan securitization program. Since its launch in April, we have securitized more than \$10 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.

Obviously, the most important factor driving growth is this decline of the private label securities market and resurgent interest in Ginnie Mae securities and FHA collateral.

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.

Risk Management

This unprecedented growth over the past few months has caused us to look even more carefully at our risk.

Recent events, including the credit crunch and the passing of the TARP legislation, have forced financial institutions to take a long, hard look at their organizational risk and potential instability.

We know that lenders who are in difficult financial situations may turn to the 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 risk. 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.

In September, we took the first step with our issuers by announcing two significant changes to our application process.

First, we increased the minimum net worth requirement to from \$250,000 to \$1 million for all Single Family MBS and HMBS Issuers.

Then, Ginnie Mae decided that all new issuers will be subject to a one-year probationary period. During this time, Ginnie Mae will closely evaluate everything from performance metrics to delinquency levels and early payment defaults.

While the good news is that Ginnie Mae is doing more business and helping more homeowners, this brings its own set of risks. In response to this rapid growth, we have also implemented 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 except that of defaulted issuers; 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's mission has not changed. We are still committed to helping people make their dream of homeownership come true.

Role in the Future

Given the new legislation, a lot of people have asked me if our role will change. Essentially it will not. Why? 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.

Further, the recently passed Hope 4 Homeowners housing legislation provides a much needed helping hand to seniors. In addition to permanently increasing FHA's loan limits to \$625K, the bill also increased the HECM loan limit to \$417K.

Higher loan limits mean more borrowers can access the safety and security of FHA's Reverse loans, and more lenders and issuers have a securitization outlet for these loans that enables them to extract full value for their mortgages.

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.

(In closing) 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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