In Fiscal Year 2013, HUD will continue to provide mortgages, foreclosure prevention, and other crucial homeownership services to millions of families nationwide.

The activities of the federal government are critical to both supporting the housing market in the short term and providing access to homeownership opportunities over the long term, while minimizing risk to taxpayers. Over the past two years, HUD has worked to collaborate with the Department of the Treasury and other Administration partners to construct a housing finance system that relies on an actuarially sound pricing structure, effective lending oversight, and adequate organizational capacity to ensure consistent access to, and liquidity and stability in, the capital markets.

THE FEDERAL HOUSING ADMINISTRATION

HUD's Federal Housing Administration (FHA) is the largest government insurer of mortgages in the world, insuring over 39 million home mortgages and 53,000 multifamily project mortgages since 1934. FHA provides mortgage insurance on single-family, multifamily, manufactured homes and healthcare loans made by FHA-approved lenders throughout the United States and its territories. In recent years, FHA has experienced significant swings in its market share as it has stepped in to provide capital for qualified borrowers who would otherwise be shut out of the mortgage market. A strong FHA is critical to the recovery of the housing market and our economy at large. The widespread availability of FHA mortgage insurance encourages the provision of mortgage credit by lenders and provides liquidity and stability for the mortgage market. FHA serves borrowers that the conventional market does not adequately provide for, including first-time homebuyers, minorities, low-income families and residents of underserved communities. **In Fiscal Year 2013, HUD is requesting $400 billion in loan guarantee authority for the Mutual Mortgage Insurance Fund**, which will provide an estimated 1.2 million single family mortgages. **In addition, HUD is requesting $25 billion in loan guarantee authority for the General and Special Risk Insurance Fund**, which will provide an estimated 156,000 units in multifamily housing properties and an estimated 80,600 beds in healthcare facilities.

FHA remains active and available in all markets during times of economic disruption. This can be seen now as the number of those who depend on the FHA for access to mortgage financing has increased greatly as access to private capital has contracted in the recent difficult economic times. FHA has played an important counter-cyclical role in helping to ensure sufficient liquidity in the housing market until private capital returns to its natural levels.

FHA plays an important role for current and prospective homeowners during these difficult times in other ways as well. FHA helps homeowners get out of unsustainable mortgages by refinancing into FHA-insured loans at today's much lower interest rates. FHA also helps those already in FHA-insured loans modify those loans where they are unsustainable. The contraction of conventional, private sources of loan guarantees has meant a dramatic increase in the credit quality of loans coming to FHA. As housing markets continue to be stressed, FHA is taking on business that is resulting in a portfolio of historically high credit quality. These new loan guarantees and the mortgage insurance premiums that they generate are providing net income that can be used both to offset claim expenses on earlier books of business and to start rebuilding FHA's capital position. The quality of recent originations has dramatically improved the long term outlook for FHA's Mutual Mortgage Insurance (MMI) Fund.

Over the last three years, FHA's market share increased dramatically, especially attracting homebuyers with low incomes and from minority communities. The most recent data show that 60 percent of African American and Latino homebuyers used an FHA-insured mortgage to purchase a home. FHA thus plays a vital role in opening up access to homeownership for underserved populations. **Over half of all African Americans and forty-five percent of Hispanics who purchased a home last year did so with FHA financing.**

During the past two years, FHA helped nearly one million homeowners refinance into stable, affordable mortgages and insured loans for over 1.8 million homebuyers – more than 77 percent of whom were first-time homebuyers. By providing liquidity at a time when it was desperately needed, FHA has served hundreds of thousands of homeowners and has had a positive effect on the many industries involved in the housing market, including realtors, homebuilders, lenders and housing related retailers.

This Administration has a deep commitment to FHA's role in facilitating the recovery of the housing market and to its mission of providing access to homeownership for first-time homebuyers and underserved populations. After 77 years, FHA remains a stabilizing force in the housing market and an important door to homeownership in the United States.

FHA MULTIFAMILY MORTGAGE INSURANCE

Multifamily mortgage insurance programs make critical contributions to the Department's mission of creating strong, sustainable, inclusive communities and quality affordable homes for all by expanding the supply of rental housing in areas where they are most needed and by preserving the affordability and quality of both federally assisted and private unassisted rental housing. The role of FHA's multifamily mortgage insurance programs is especially significant in the current economic climate. Driven by low interest rates, more constrained lending in the conventional mortgage market, and improvements in HUD business operations, demand for FHA multifamily programs has increased dramatically. At this time of unprecedented stress in the financial markets, FHA multifamily programs provide the necessary liquidity so that apartment construction and rehabilitation can continue.

In Fiscal Year 2011, FHA multifamily housing commitments totaled $13.1 billion, nearly 15% higher than 2010 volume and 3.9 times 2009 volume. This activity is projected to decline to $11.0 billion in 2012 and $10.1 billion in 2013, largely due to the re-emergence of conventional lending sources in many markets. Multifamily housing loans endorsed in Fiscal Year 2011 are supporting 54,525 private sector jobs in construction, property management, service and administrative fields. Approximately one third of the nation's households are currently renters, many of whom are families earning less than the median income in their area and in need of decent, affordable housing units. FHA financing is often paired with low-income housing tax credits, rental subsidies for low- and moderate-income families, tax-exempt bond financing, and/or other state and local resources to expand the offering of affordable units in areas where they are needed most. Multifamily mortgage insurance programs also contribute significantly to local revitalization efforts and economies by providing liquidity to uniquely sustainable projects located in centers of job growth, near transportation and other community opportunities.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GINNIE MAE)

Ginnie Mae finances more government-insured products than any other corporation in the world. Through its mortgage-backed securities program (MBS), Ginnie Mae funds single-family mortgages, apartment buildings, nursing homes, and hospitals. Ninety-nine percent of all government insured mortgages are financed by Ginnie Mae. In fact, Ginnie Mae MBS serve as the primary financing vehicle for loans insured or guaranteed by the Federal

Housing Administration (FHA), Department of Veterans Affairs (VA), U.S. Department of Agriculture Rural Development and Community Facilities Program (RD), and HUD's Office of Public and Indian Housing (PIH). **In Fiscal Year 2013, HUD is requesting $500 billion in Ginnie Mae loan guarantee authority, in order to help finance a wide array of government-insured products, increase liquidity and stabilize the housing market.**

Since its inception in 1968, Ginnie Mae has guaranteed more than $4.1 trillion in mortgage-backed securities, helping millions of Americans obtains safe and affordable housing. Ginnie Mae's current securities portfolio represents the **financing of more than 8.0 million single-family homes and 1.2 million rental housing units, with the financing of more than 1.6 million households in FY 2011 alone**.

Ginnie Mae provides this liquidity and stability by guaranteeing securities backed by single-family, multifamily, and reverse mortgage loans. Lenders can easily sell government insured loans in the form of a Ginnie Mae MBS. Selling the loans and obtaining the proceeds allows lenders to recycle capital and continually fund new FHA, VA, PIH, and RD loans. The ability of lenders to finance their government insured loans through Ginnie Mae MBS has helped to stabilize the market during the current housing crisis. Recently, Ginnie Mae has experienced significant growth, with annual issuance volume growing from $220.6 billion in FY 2008 to $350.4 billion in FY 2011. In FY 2011, Ginnie Mae's market share of agency MBS was approximately 28 percent. In FY 2011, Ginnie Mae earned $1,184 million. Ginnie Mae is well positioned to deal with the current economic environment, with more than $15 billion in reserve funds.

Ginnie Mae is committed to supporting the housing market recovery by assisting with efforts to mitigate the foreclosure crisis through the development of a secondary market for modified loans. During FY 2011, in an effort to further facilitate this market and protect U.S. taxpayer interests, Ginnie Mae significantly strengthened its operations. Corporate leadership introduced policy changes to better align with the rapidly changing finance market and new tools to manage counterparty risk.