HMBS Overview

Ginnie Mae's Program to Securitize Government Insured Home Equity Conversion Mortgages

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Tab A: Program Overview

Ginnie Mae’s Mission

- Ginnie Mae’s mission is to support affordable housing in the United States by providing an efficient government-guaranteed secondary market vehicle linking the global capital markets to American homebuyers.

Program Goals

- Deepen and broaden the availability of HECM lending from multiple lenders.
- Reduce borrowing costs.
- Create a broad secondary market for HECM loans.

Tab B: HECM Loans

HECM Basics

- FHA insured
- Allows elderly homeowners to convert equity in their homes into cash.
- No monthly, scheduled payments. Payments are made after a maturity event occurs.
  - Death of the borrower
  - Failure to occupy the property for 12 consecutive months
  - Sale of the property
  - Prepayment

HECM Trends

- Line of credit mortgages dominate current production
  - adjustable rate
  - monthly reset
  - Average draw at origination is 60% of MCA
- Competition driving HECM margins down
  - HECM 100: interest rate equal to the CMT plus a 100 bps margin.
- Majority of HECM loans terminate or are assigned to HUD within 7 years.

HECM Trends

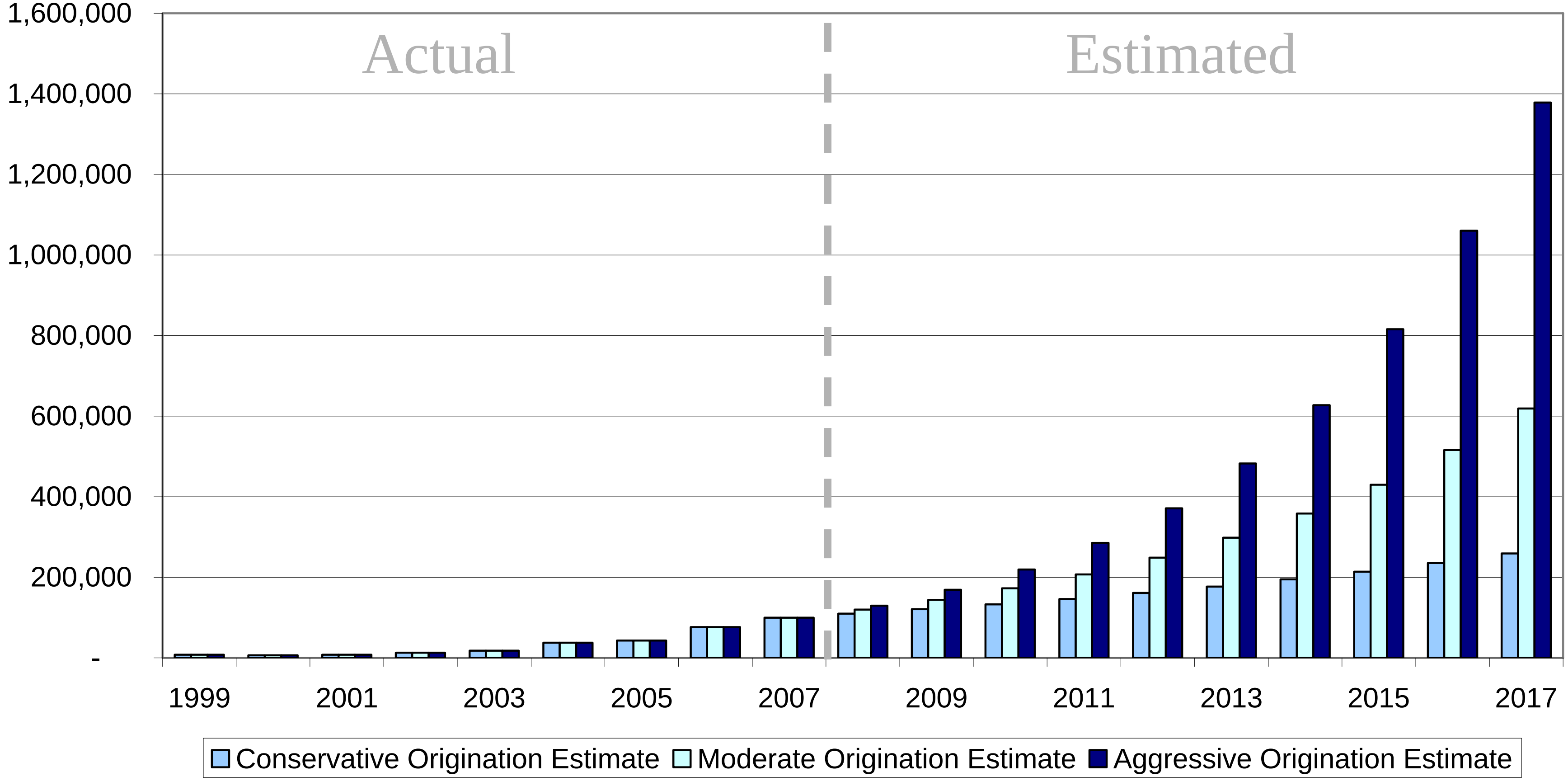
- 64% of all production has taken place in the past three years.
- 329,501 loans have been endorsed since 1990.*
  - Over 175,000 loans were still active as of September 2006.**
  - Aggregate outstanding balance of $18.1 billion.**
- 25 – 30% growth in HECM originations projected
  - Increasing rate of baby boomers entering retirement
  - Estimated 35 million people over age 65 by 2010, and 50 million by 2020***
  - 80% homeownership rate for this population during these periods

* Source: National Reverse Mortgage Lenders Association. FY07 figures are through the first 10 months.

** Source: "Home Equity Conversion Mortgage Terminations: Information to Enhance the Developing Secondary Market" published in *Cityscape: a Journal of Policy Development and Research 2007*.

***Source: Census Bureau

HECM Loan Origination



*Statistics from the National Reverse Mortgage Lenders Association. 2008 through 2017 are estimated based on 10%, 20% and 30% growth.

Key HECM Terms

Term	Definition	Importance
Principal Limit	The maximum amount that a mortgagor can borrow. Generally the older that you are and the lower the interest rate, the more you can borrow.	Once a borrower reaches the Principal Limit, the loan continues to accrue interest, servicing fees and the Mortgage Insurance Premium (MIP), but the borrower can make no further principal draws.
Maximum Claim Amount (MCA)	The amount that FHA will insure for any HECM loan.	FHA allows Issuers to assign a HECM loan that accrues to 98% of the MCA. Ginnie Mae requires any loan that has accrued to 98% of MCA to be purchased out of an HMBS pool whether or not an Issuer assigns the loan to FHA.
Participation	The funded portion of a HECM loan that has been securitized. Additional and subsequent balances can be securitized in subsequent HMBS.	There may be many participations in one HECM loan, but each participation corresponds to only one HMBS.

Representative Payment Scenarios

	Scenario 1	Scenario 2	Scenario 3
Borrower Age	62	84	74
Appraised Value	$600,000	$250,000	$250,000
FHA Lending Limit	$362,790	$362,790	$362,790
MCA	$362,790	$250,000	$250,000
Principal Limit	$165,795	$181,500	$149,000
Initial Draw	$100,000	$181,500	$50,000

- After the initial draw, borrowers 1 and 3 continue to make small draws.
- Borrower 2 has reached the Principal Limit and can make no more draws.
- Loans 1, 2, and 3 each accrue interest, MIP and servicing fees.

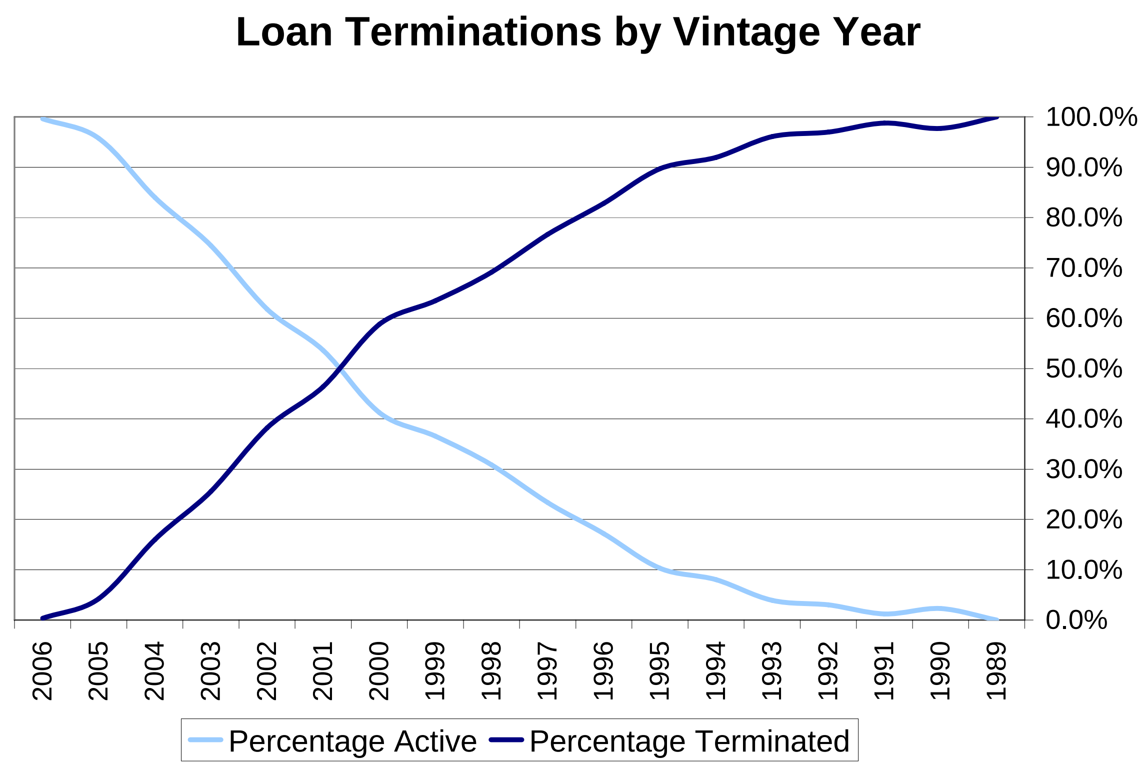
Representative Payment Scenarios

Scenario 1	Scenario 2	Scenario 3
7 years later, the borrowers move into a smaller residence. They sell their home, the HECM is fully paid, and funds are disbursed to investors in the following month. Younger borrowers are more likely to pay in full due to higher mobility.	After 5 years the loan accrues to 98% of MCA. The Issuer buys the loan out of the HMBS and assigns to FHA. Funds are disbursed to investors in the following month.	After 9 years, the borrower dies. His estate sells the home within 6 months and the estate is able to pay the mortgage balance with the sale proceeds. Funds are disbursed to investors in the following month.

Historical HECM Payment Trends

HECM Payment Scenario	Borrower pays the mortgage balance through sale of the home, refinancing or with other sources of funds.	The loan is assigned to FHA when the accrued loan balance reaches 98% of MCA. FHA pays the lender 100% of the outstanding accrued balance.	FHA pays a claim to the lender because the proceeds from the sale of the home are less than the funded balance of the HECM loan.
Frequency	90%	9%	1%

Historical Payment Timelines



- Loan payoffs begin in the first year after origination.
- Payoffs and active loans intersect in year 7.
- 58.8% of loans have terminated as of the end of year 7.
- 100% of loans have paid off after 18 years.

Source: "Home Equity Conversion Mortgage Terminations: Information to Enhance the Developing Secondary Market" published in *Cityscape: a Journal of Policy Development and Research 2007*.

Tab C: HMBS

HMBS

- Serves as an attractive standalone investment.
  - Superior yields
  - Straightforward structure
  - Full faith and credit of the United States Government
    - The FHA guaranty on the underlying HECM collateral protects investors against credit risk.
    - The Ginnie Mae guaranty on the HMBS protects investors against Issuer risk.
- Generates unique cash flows for innovative HREMIC structures

HMBS

- Key HMBS features include:
  - Collateralized by HECM loans.
  - Weighted Average Coupon (WAC) accrual pass-through bond.
  - Allows ultimate flexibility in underlying interest rates.
  - Securitization of funded balances. An individual HECM loan can be securitized in multiple HMBS as they are funded over time.
  - Does not require external funding sources for future borrower draws.
  - Underlying collateral must have the same index and reset dates.

Pooling

- Minimum Pool Size
  - $1,000,000.
  - At least 3 HECM participations related to three distinct HECM loans.
- Pooling parameters
  - Fixed rate HECM loans cannot be pooled with adjustable rate loans.
  - Adjustable rate HECM loans
    - Same reset date.
    - Same frequency.
  - HECM Participations must have a spread of between 6 and 75 bps below the HECM note rate.
- Multiple Issuer pools will not be allowed.

HMBS Servicing

- Servicing the HMBS is tedious but not complicated.
  - May develop their own systems.
  - May contract a Participation Agent/Master Servicer.
- Issuers are required to monitor a borrower’s compliance.
  - Maturity event.
  - Borrower default.
- Loan substitutions will not be allowed.

HMBS Payments to Investors

- Issuers are responsible for funding any payments due in a timely fashion.
- Payments will be disbursed to issuers in the month following receipt of:
  - Partial prepayments,
  - Full payoffs,
  - Issuer repurchases,
  - FHA claims paid.
- When a HECM loan is terminated, payments will be distributed *pari passu*.

HMBS Pass-Through Rate

- HMBS Rate: weighted average of the interest rates on the underlying Participations.

- Participation Rate: interest rate of the HECM, less the Servicing Fee Margin.

Servicing Fee Margin

- Issuers can select how servicing fee is calculated.
  - Flat rate: $30 or $35 in accordance with FHA regulations
  - Variable rate: 25 to 75 bps.
- Servicing Fee Margin represents the Issuer's compensation and Ginnie Mae guaranty fee.
  - Flat rate Servicing Fee: 6 bps to 75 bps.
  - Variable rate Servicing Fee: 25 to 75 bps.

Issuer Responsibilities

Mandatory Repurchase Event

- Issuers must repurchase participations related to HECM loans that have reached 98% of their MCA.
  - For HECM loans that have not become due and payable, FHA will accept an assignment claim.
  - For HECM loans that have become due and payable, Issuers will service the loan to termination at which point they will be able to submit a claim to FHA for any shortfall that occurs.

Issuer Responsibilities

Payment of Interest Shortfalls

- Issuers are required to remit interest accrued through the first of the month on all full and partial payments.
- HECM borrowers are allowed to make full and partial prepayments at any time, on any day of the month.
  - Payments made on the first of the month will be remitted to Investors on the distribution date according to Ginnie II guidelines.
  - Any payment made to Issuers after the first of the month will be remitted to Investors on the distribution date of the following month, and Issuers will make up any shortfall in interest.

Disclosure

- Disclosure for the HMBS will be robust.
  - HMBS Prospectus
    - General program information
  - HMBS Prospectus Supplement
    - Transaction specific data disclosure.
  - Monthly disclosure
    - Via Bloomberg

Disclosure

- Disclosure will include stratifications for data elements such as:
  - Male and female sole and co-borrower ages
  - Loan and property type
  - Principal limit
  - Ratio of outstanding balance to Maximum Claim Amount
  - Ratio of outstanding balance to Principal Limit

Tab D: HREMIC

HREMIC

- Allows for inclusion of HMBS and forward Ginnie Mae MBS collateral within the same REMIC structure.
  - facilitate current pay securities and
  - other structures which eliminate the need for funding facility.
- Fulfills market need for investors who need cash flow certainty.

Tab E: Market Opportunity

Comparison of HECM Backed Security Structures

Private Execution	Ginnie Mae HMBS
Whole loan securitized, funded and unfunded.	Funded balances only. Securitized as Participations.
Reserve required to fund future borrower draws and advances.	No reserve required. Future borrower draws and advances securitized in subsequent HMBS.
	Can be used as collateral in conjunction with Ginnie Mae forward collateral in HREMIC.
Current pay	Accrual bond.
Tranched structure.	Payments distributed *pari passu*.
AAA	Guaranteed by the full faith and credit of the United States Government.

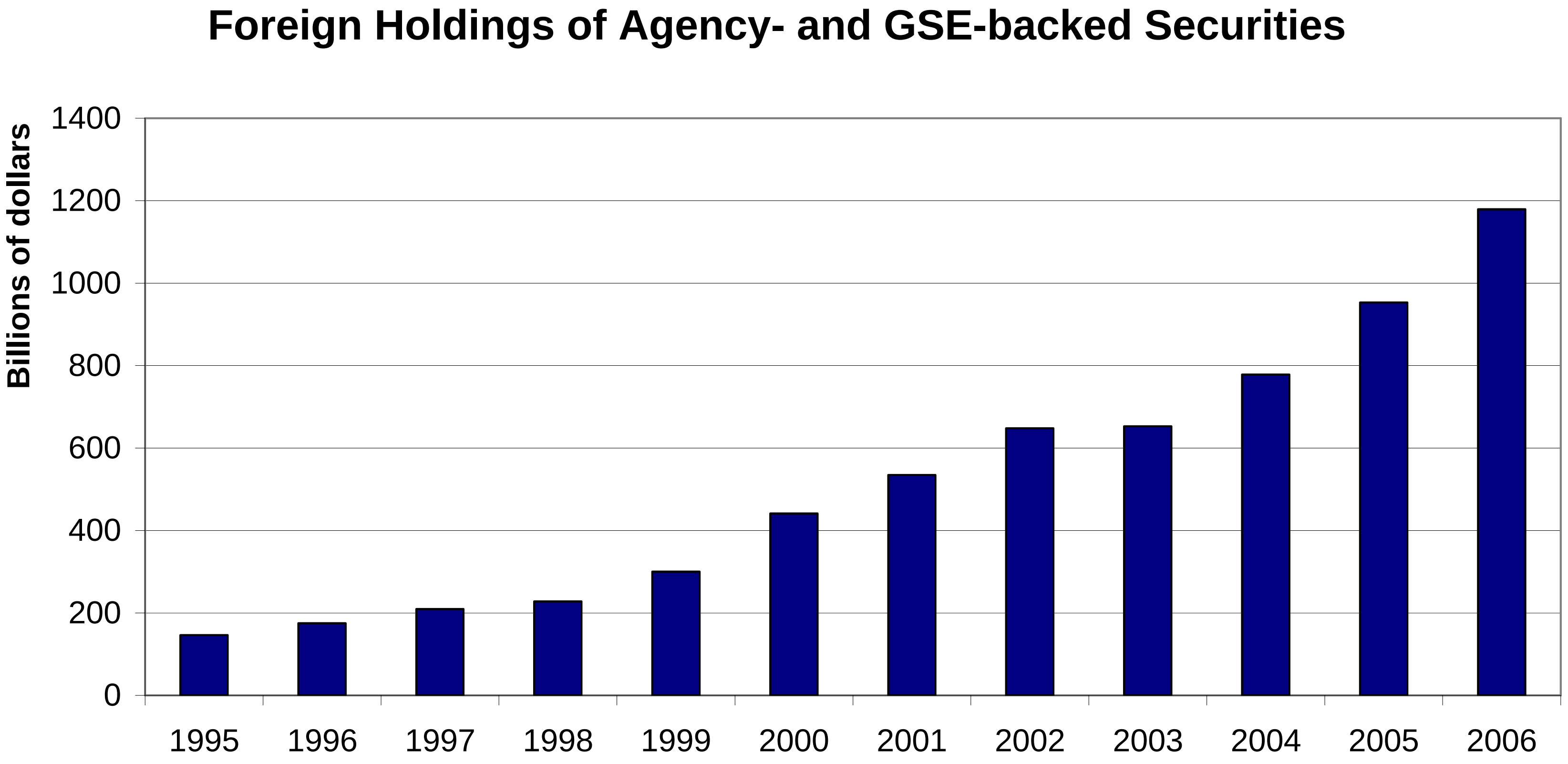
Capital Market Implications of HMBS/HREMIC

- Links the reverse mortgage market to the global capital markets.
- Allows global investors to access a high growth sector of real estate lending, not previously available to global investors.
- Satisfies growing appetite for Government-backed securities.
- Anticipate initial monthly deal flow of $200 to $300 million.
- Attractive straight-forward structure – no need for variable funding facilities to fund additional borrower draws.

Potential Investors

- Investment banks
- Commercial banks and thrifts
- Foreign central banks
- Foreign commercial banks
- Domestic mutual funds
- Insurance companies
- Pension funds.

Global Markets



Source: Federal Reserve *Flow of Funds Accounts of the United States* updated June 2007

Issuer Incentives

- Optimal leverage of capital. Issuers are able to:
  - Generate origination fees.
  - Collect servicing fees.
  - Sell bonds for profit.
  - Monetize principal and accruals.
  - Rechannel capital to growing market.
- Enhanced growth and profitability.

Reasons to Invest in Ginnie Mae Securities

- Full Faith and Credit guaranty of the United States Government.
- Less susceptible adverse market events.
- 0% Bank of International Settlements (BIS) Risk-Weight.
- Superior risk-adjusted returns.
- Highly liquid instruments – Traded on the global financial markets.
- Excellent investment vehicle for entities that manage liabilities with similar demographic and actuarial attributes.

Key Dates

- First HMBS Issuance: November 2007
- First HREMIC Issuance: Anticipated January 2008

Questions

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