



Sunset Seminar

US Government Mortgage Programs: Balancing Risk and Mission

July 14, 2015

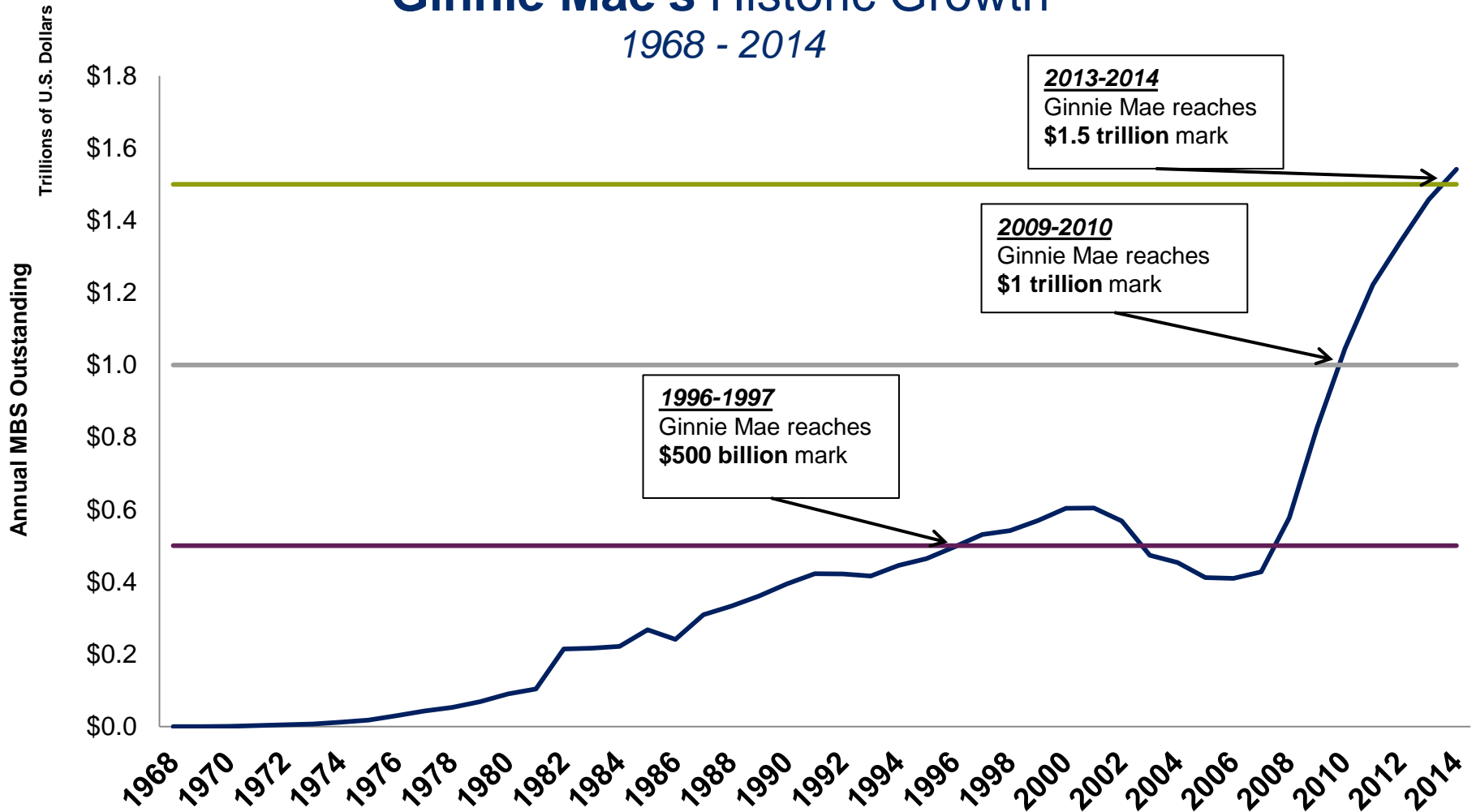




The “New Normal” at Ginnie Mae

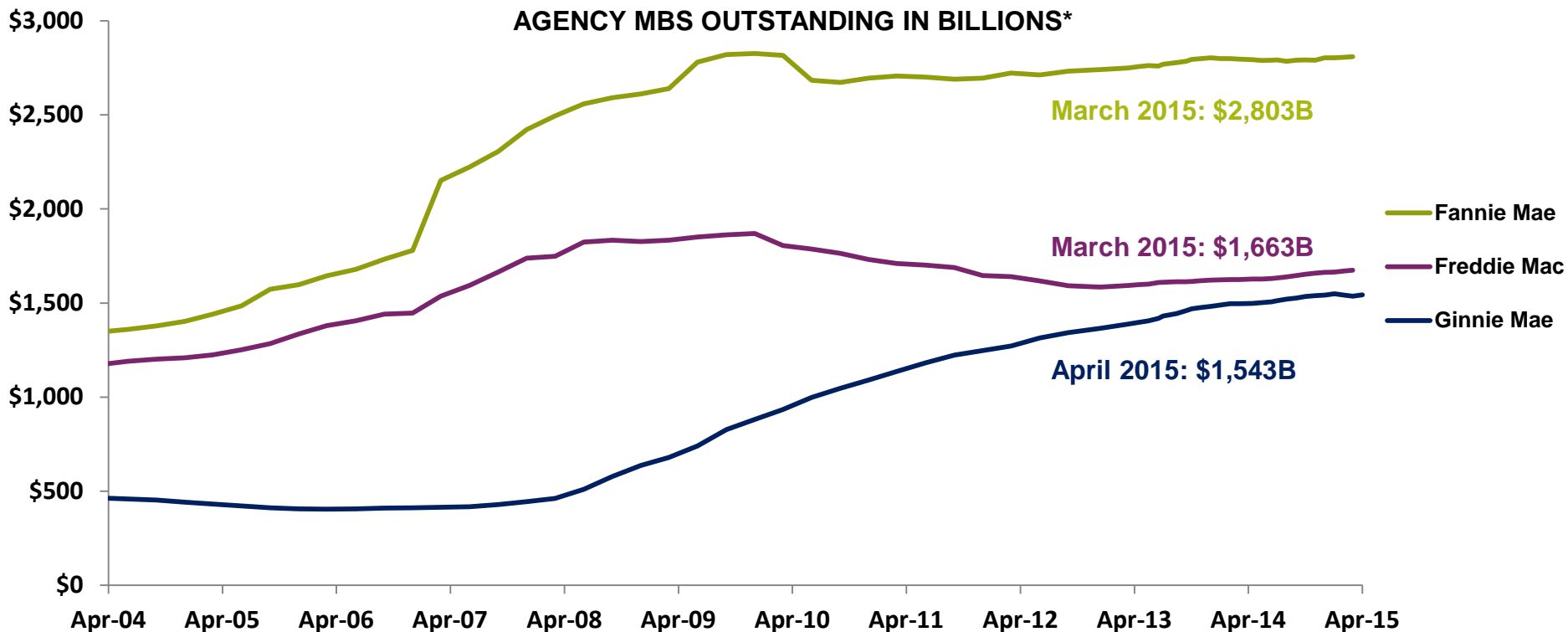
John Getchis
Senior Vice President, Office of Capital Markets
Urban Institute – Sunset Seminar VI
July 14, 2015

Ginnie Mae's Historic Growth 1968 - 2014



Source: Office of Capital Markets

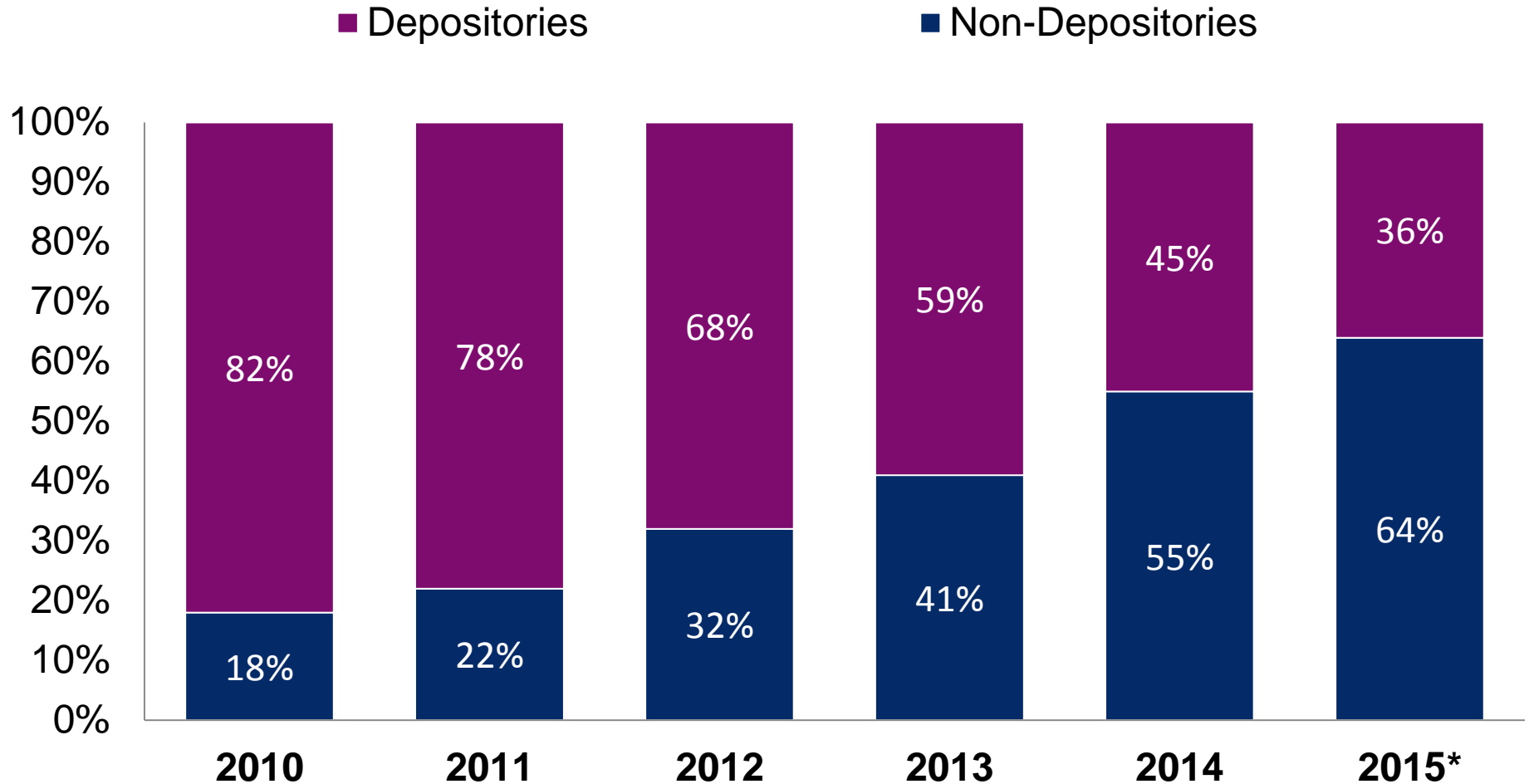
Ginnie Mae MBS Outstanding Volume Continues to Grow



Sources: Fannie Mae and Freddie Mac monthly reports; Ginnie Mae data includes HECMs

*Data for Fannie and Freddie are available up to March 2015. Data for Ginnie Mae is available up to April 2015

Transition to Non-Depository Issuers of Ginnie Mae Securities



*Data is Year-to-Date as of April, 2015

New Entrants Reducing Concentration, Systemic Risk for Ginnie Mae

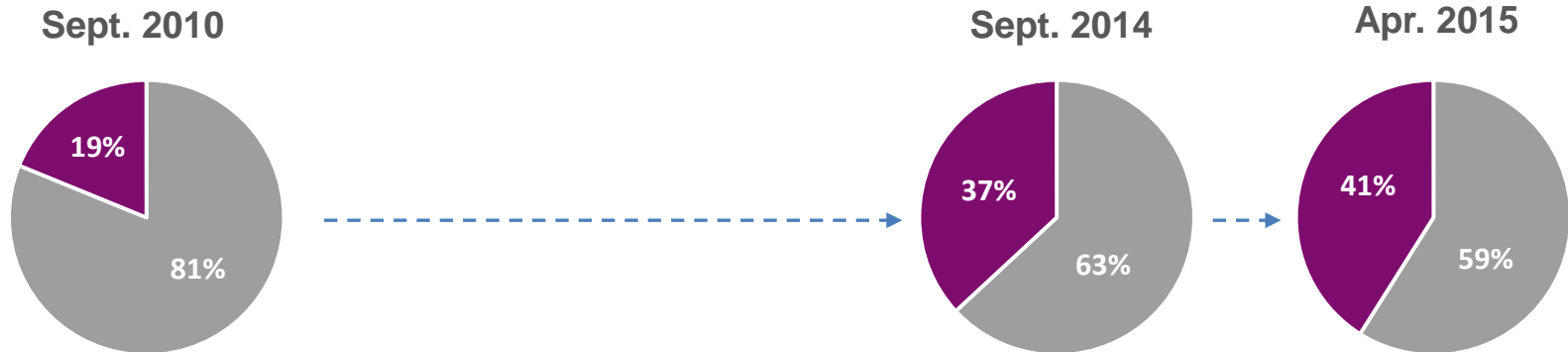
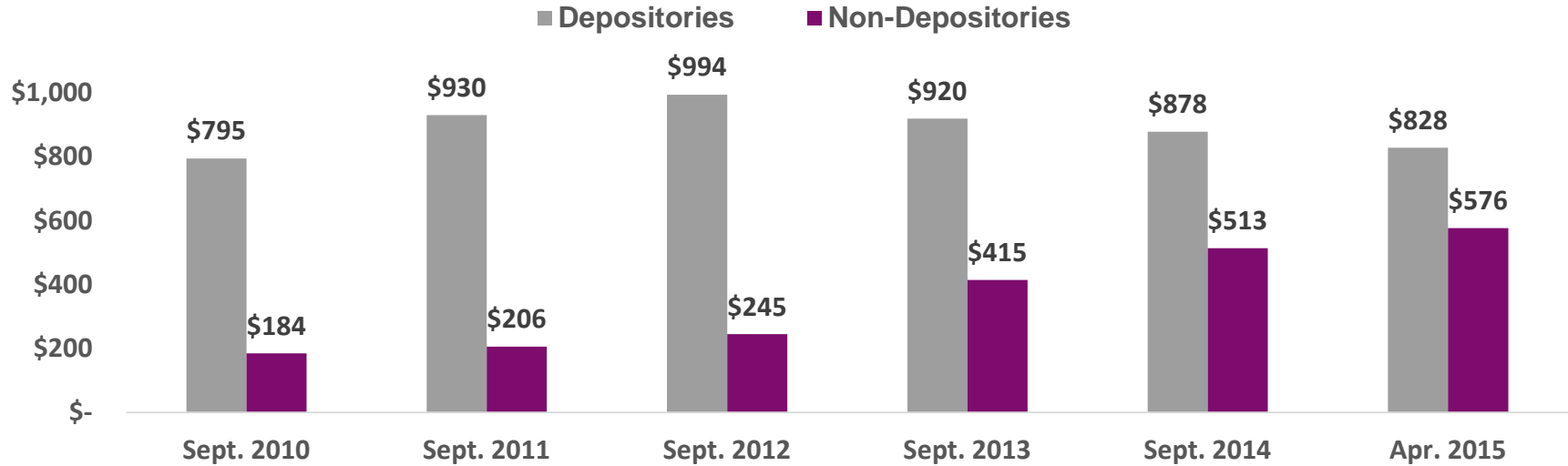
Top Issuers of Single Family MBS in FY 2011		
Rank	Issuer Name	% of Total
1	WELLS FARGO BANK, NA	34%
2	BANK OF AMERICA	26%
3	JP MORGAN CHASE BANK	8%
4	PHH MORTGAGE CORP	4%
5	U.S. BANK	4%
Total Top 5 Issuers		76%
Total Issuance FY2011		\$322.3 billion

Top Issuers of Single Family MBS in FY 2015 YTD*		
Rank	Issuer Name	% of Total
1	WELLS FARGO BANK, NA	16%
2	FREEDOM MORTGAGE CORP	7%
3	PENNYMAC LOAN SERVICES	6%
4	QUICKEN LOANS INC	6%
5	U.S. BANK	4%
Total Top 5 Issuers		39%
Total Issuance FY2015 YTD*		\$130.9 billion

Red = Issuers that have fallen out of Top 5 since 2011

Blue = Issuers that have risen into Top 5 since 2011

Non-Depository Servicers Continue to Grow



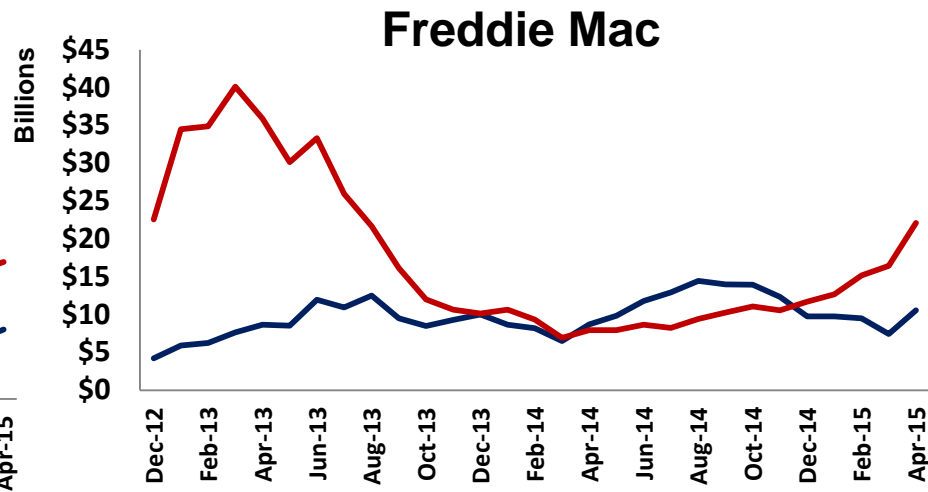
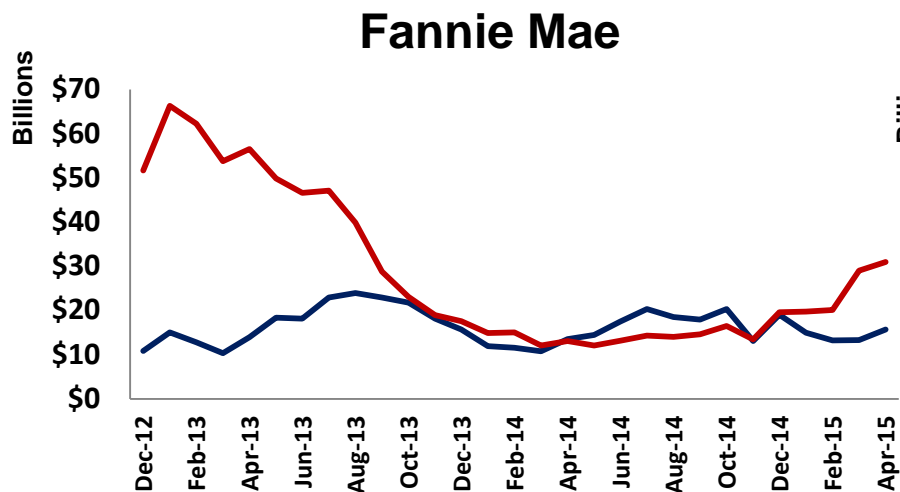
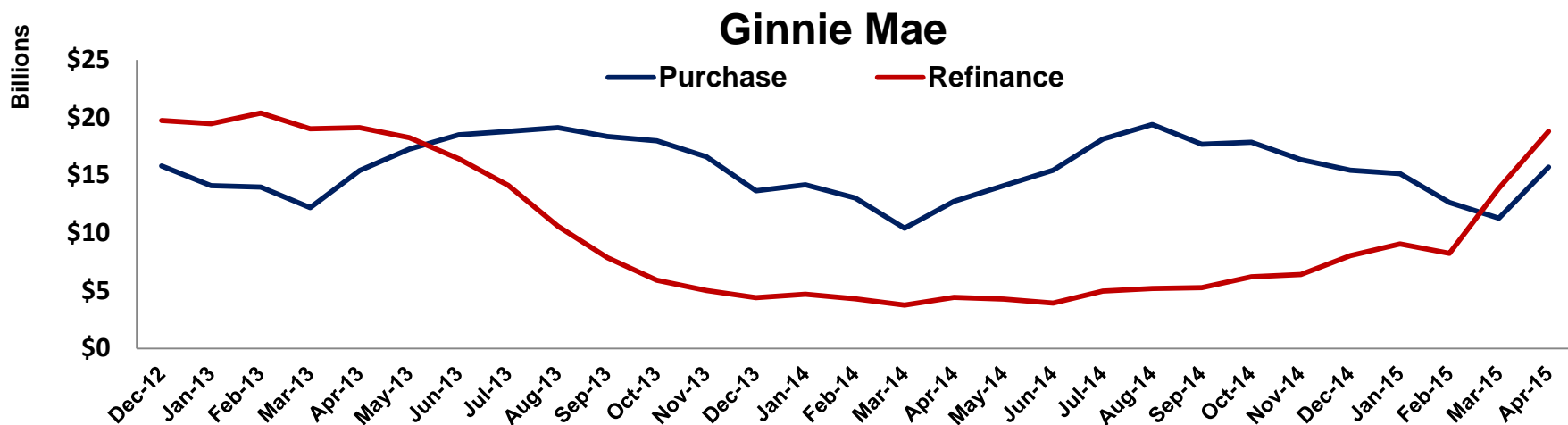
Bulk Transfers and Concurrent Servicing Transfers: Update on These MSR Growth Mechanisms

Last year, servicing transfers were down from the high levels of 2013. In 2015, we are seeing more activity both in bulk transfers, almost entirely to independent issuers, and in concurrent servicing transfers, which are entirely going to independent issuers.

IN MILLIONS; YTD AS OF APRIL 2015

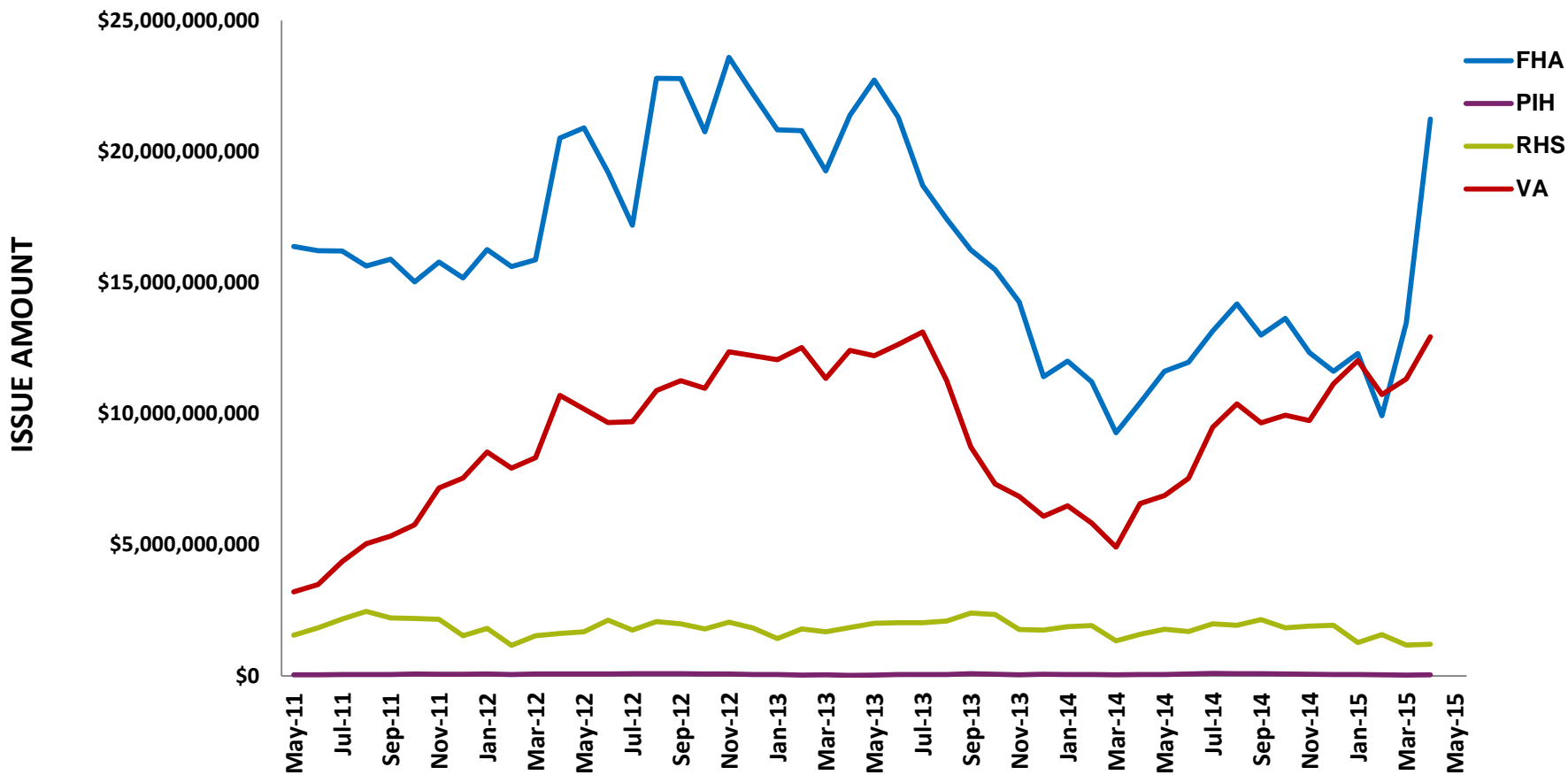
	Bulk	PIIT	Total
FY2011	\$10,785	\$1,160	\$11,945
FY2012	\$25,394	\$810	\$26,204
FY2013	\$152,220	\$1,206	\$153,426
FY2014	\$66,066	\$7,856	\$73,922
FY2015YTD	\$51,407	\$11,685	\$63,092

Comparing Purchase and Refinance Issuance Dollars



Issue Amount for Insuring Agencies of Ginnie Mae Securities

CONSTITUENT FIXED RATE ISSUE AMOUNT
 May 2011 - April 2015



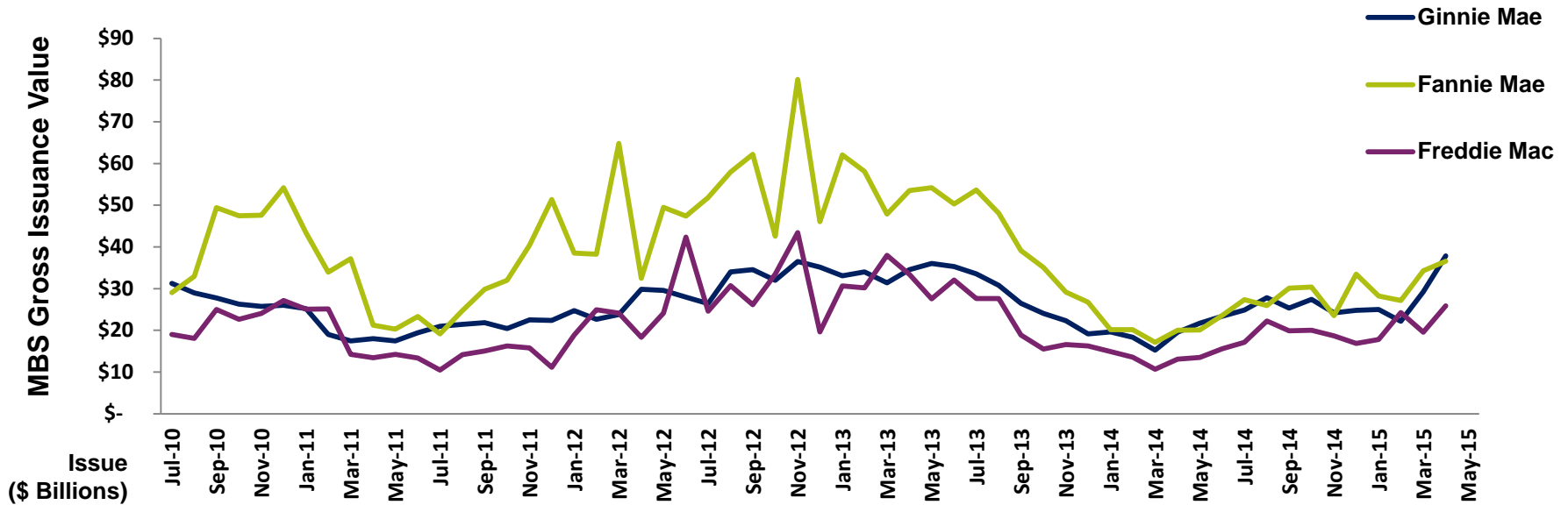
Issuer Concentration in Ginnie Mae Multiple Issuer Pools

Top Issuers of G2SF 5.0 MIP in April 2010		
Rank	Issuer Name	%
#1	Wells Fargo Bank	33.40%
#2	Bank of America	31.55%
#3	J.P. Morgan Chase Bank	12.77%
#4	U.S. Bank	3.36%
#5	Nationstar	3.01 %
Total Top 5 Issuers		84.09%
Other Issuers		7.81%

Top Issuers of G2SF 3.5 MIP in April 2015		
Rank	Issuer Name	%
#1	Wells Fargo Bank	10.53%
#2	DBA Freedom	7.95%
#3	PennyMac Loans	7.30%
#4	Quicken Loan Inc.	6.57%
#5	Pingora Loan Servicing	4.84%
Total Top 5 Issuers		37.19%
Other Issuers		24.57%

Ginnie Mae is Prominent in 30 Year Fixed Rate

30-Year & 20-Year Fixed Rate Single-Family MBS Volume share*



*30-Year and 20-Year MBS products include:

Fannie Mae: FNM30, FNM30HILTV, FNM30JM, FNM30INITIO, FNM30RELO, FNM30FHA, FNM30PPAYP, FNM20, FNM20HILTV

Freddie Mac: FHL30CONV, FHL30RELO, FHLG30INIOJM, FHL30FHA, FHL30, FHLG30MOD, FHLG30FHA, FHLG30RELO, FHLG30PPAYP, FHLG30INITIO, FHLG30HILTV, FHLG30JM, FHLG30, FHLG20, FHLG20JM, FHL20HILTV, FHL20INITIO

Ginnie Mae: GNMII30M, GNM30, GNMII30C, GNMII30MJM, GNMIIBD, GNMIIFHASEC, GNMBD, GNM20, GNMII20M, GNMII20C



Ginnie Mae is Prominent in Structured Securities [REMICs]

	Dollars in Billions					
	YTD 2015		2014		2013	
	Issue \$	Volume Share	Issue \$	Volume Share	Issue \$	Volume Share
Collateral Source						
Freddie Mac	31	36%	77	39%	76	29%
Fannie Mae	27	31%	46	24%	106	40%
Ginnie Mae	<u>29</u>	<u>33%</u>	<u>72</u>	<u>37%</u>	<u>82</u>	<u>31%</u>
Total Issue Volume	87	100%	195	100%	264	100%

Critical Operating Principles

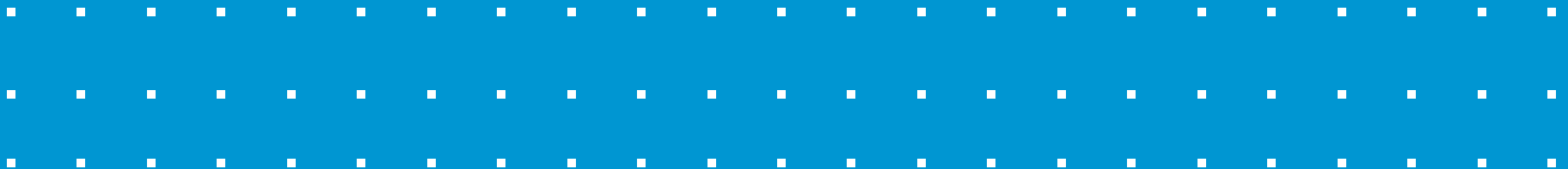
- Alignment of interest: issuer → credit risk insurer → Ginnie Mae
- Functioning TBA Market
- Transparency: constantly improving disclosure with securities & loans
- Combination provides:
 - comfort to value securities
 - scale for liquidity to attract capital globally



Government Lending Programs: Balancing Risk and Mission

Laurie Goodman
Director, Housing Finance Policy Center
Urban Institute

CoreLogic and Urban Institute Sunset Seminar
July 14, 2015
Washington, DC

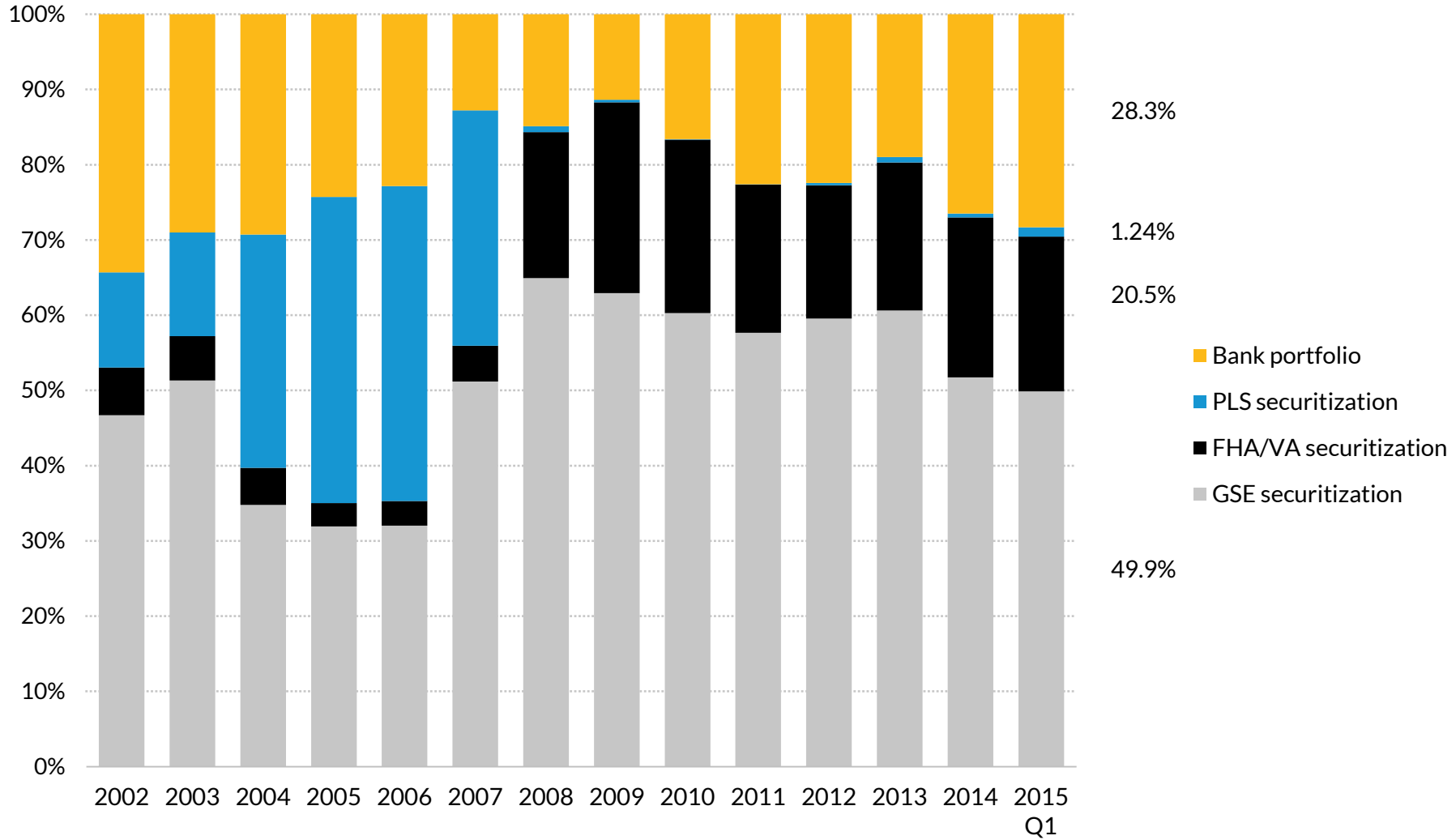


Balancing risk and mission

- Mission
 - Countercyclical Policy
 - Lending to first time and minority homebuyers (FHA), Lending to Veterans' (VA)
- Profitability Objective
 - MMI fund in the case of FHA
 - Veteran's benefit in the case of VA

First Lien Origination Share

(Share, percent)



Sources: Inside Mortgage Finance and Urban Institute.

The MMI Fund

- 2014 report was less favorable than the 2013 report: fund will reach the 2 percent required minimum ratio in 2016, rather than 2015
- The 50 bps cut may push this out somewhat further, but there is little urgency as long as the program is adding to the fund
- Should the fund overcharge new borrowers to make up for undercharging earlier vintages?
- FHA premiums, now at 1.75% upfront and 85 bps per annum, had a similar upfront charge and an annual charge of 50-55 bps per annum until 2010
- Role of reverse mortgage (HECM) book of business in MMI fund performance
 - HECM was primary driver of poor performance of the fund in FY 2014
 - Not included in MMI Fund calculations until 2009
 - Highly sensitive to interest rates, similar to a long zero coupon bond. Rates are set in November for the fiscal year to end the following September. These fluctuations should not be the basis for policy decisions.

10- and 30-year constant maturity interest rates (monthly average)

	10-year	30-year
November 2012	1.65%	2.80%
November 2013	2.72%	3.80%
November 2014	2.36%	3.04%
June 2015	2.36%	2.96%

FHA Mutual Insurance Fund Summary by Fiscal Year

	2012	2013	2014	2015	2016	2017	2018
Capital ratio (%)							
2014 report	-1.4	-0.1	0.4	1.3	2.0	2.7	3.5
2013 report		-0.1	1.2	2.1	3.0	3.9	4.9
MMI fund net worth (\$ billions)							
2014 report	-16.3	-1.3	4.8	15.1	23.4	32.6	43.7
2013 report		-1.3	15.4	27.3	39.4	53.2	68.5
Forward net worth (\$ billions)							
2014 report	-13.5	-7.9	5.9	16.2	24.2	33.0	43.7
2013 report		-7.9	7.8	18.7	29.7	42.3	56.0
HECM net worth (\$billions)							
2014 report	-2.8	6.5	-1.2	-1.0	-0.8	-0.4	-0.1
2013 report		6.5	7.5	8.6	9.6	10.9	12.3

Source: Actuarial review of the FHA MMI Fund, FY 2013 and FY 2014.

Notes: The 2013 HECM includes a \$4 billion transfer of capital from the forward fund and a \$1.7 billion mandatory appropriation. The actuarial economic value is \$0.8 billion. Interest rate changes account for \$5.8 billion of the 2014 HECM change.

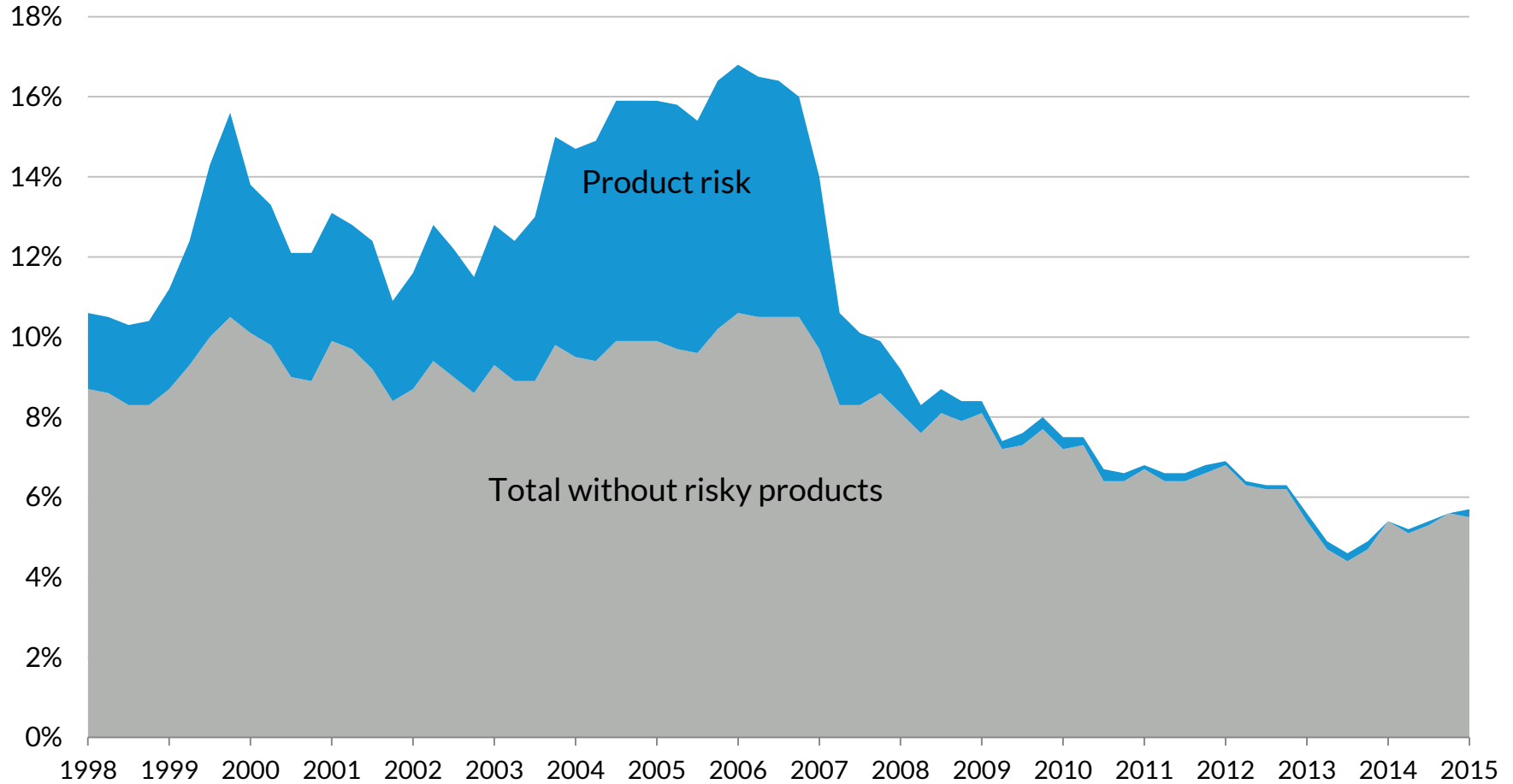
Lifetime Economic Value of the FHA MMI Fund

Fiscal years	Lifetime value (\$ billions)
1992–2000	8
2001–06	-13
2007–09	-27
2010–13	34
2014	11
1991–2014	13

Source: Summary of FY2014 FHA Annual Report to Congress on the financial Health of the Mutual Mortgage Insurance Fund, HUD, Nov. 17, 2014

HFPC Credit Availability Index shows credit is very tight

Default rate

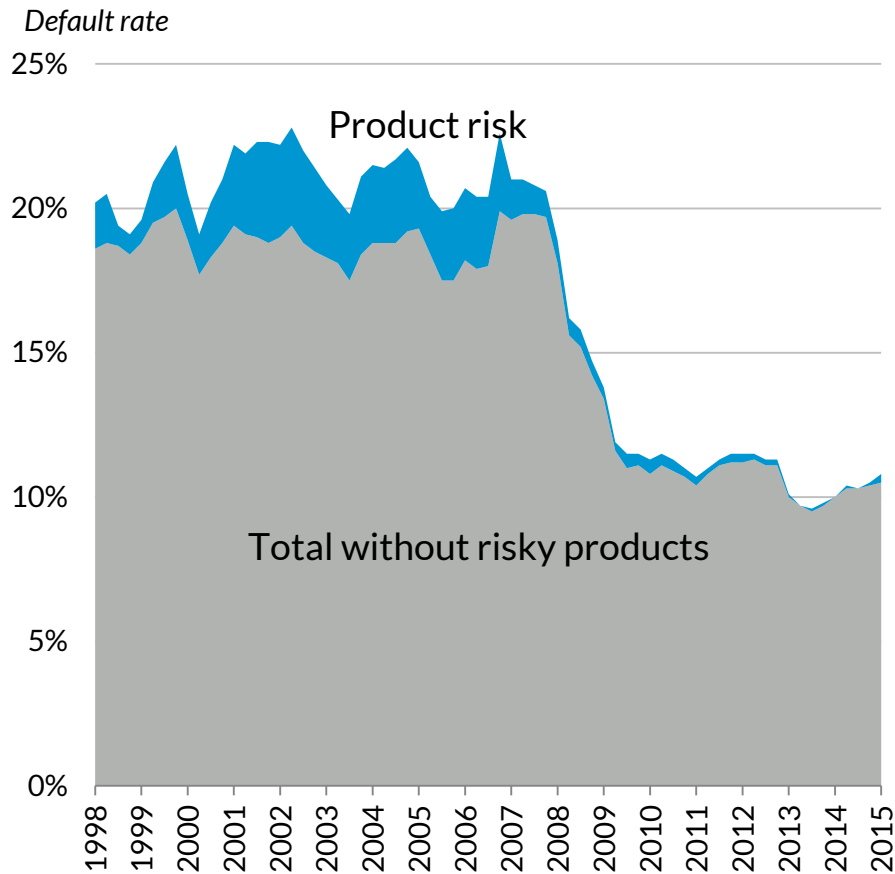


Sources: CoreLogic, HMDA and Urban Institute calculations.

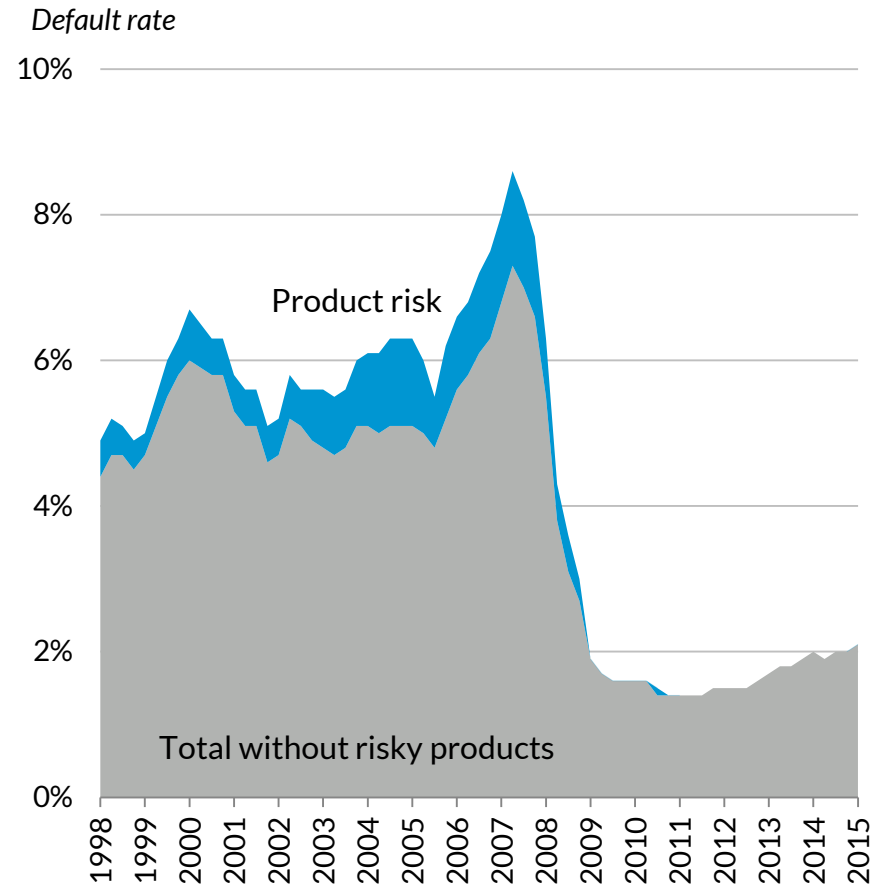
The HFPC Credit Availability Index by Channel

- Government risk increased 12.5 percent from Q3 2013 (9.6%) to Q1 2015 (10.8%)
- GSE risk over same period increased 16.7 percent (1.8% to 2.1%)

Government



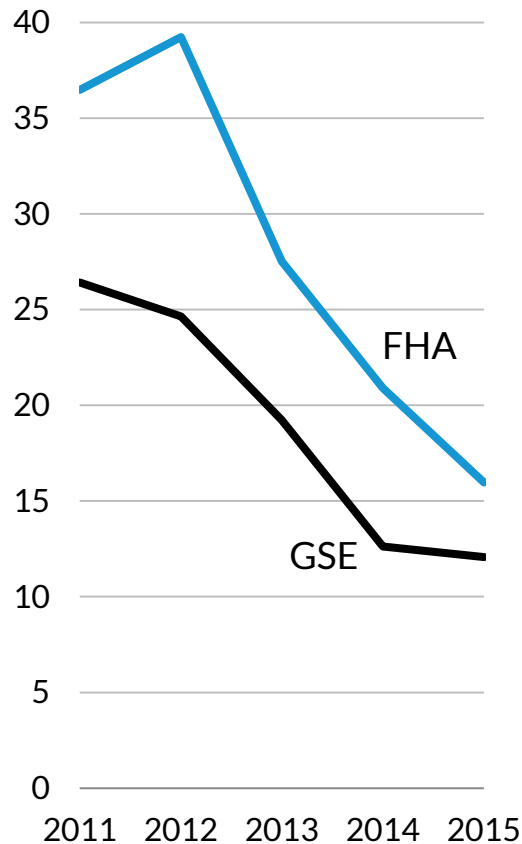
GSE



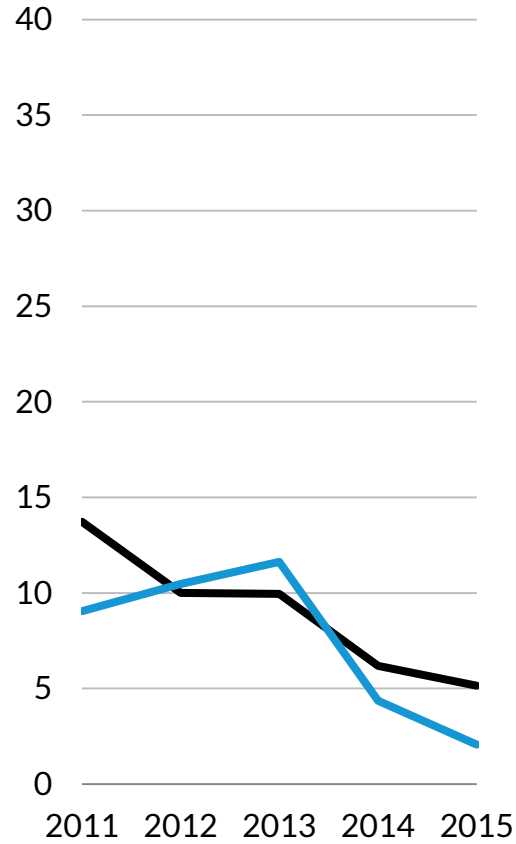
Sources: CoreLogic, HMDA and Urban Institute calculations.

FHA and GSE market share for three major lenders

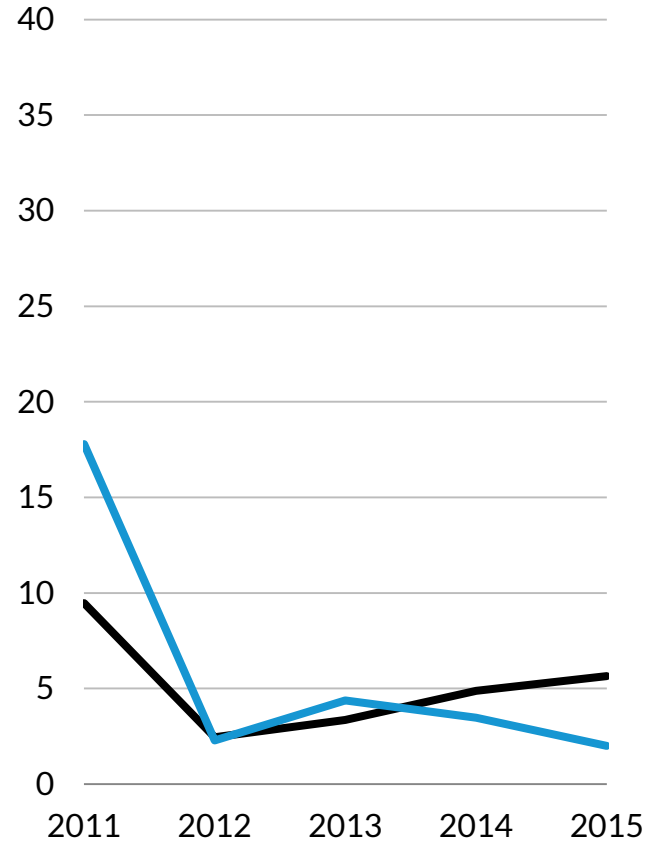
Wells Fargo



JP Morgan Chase



Bank of America



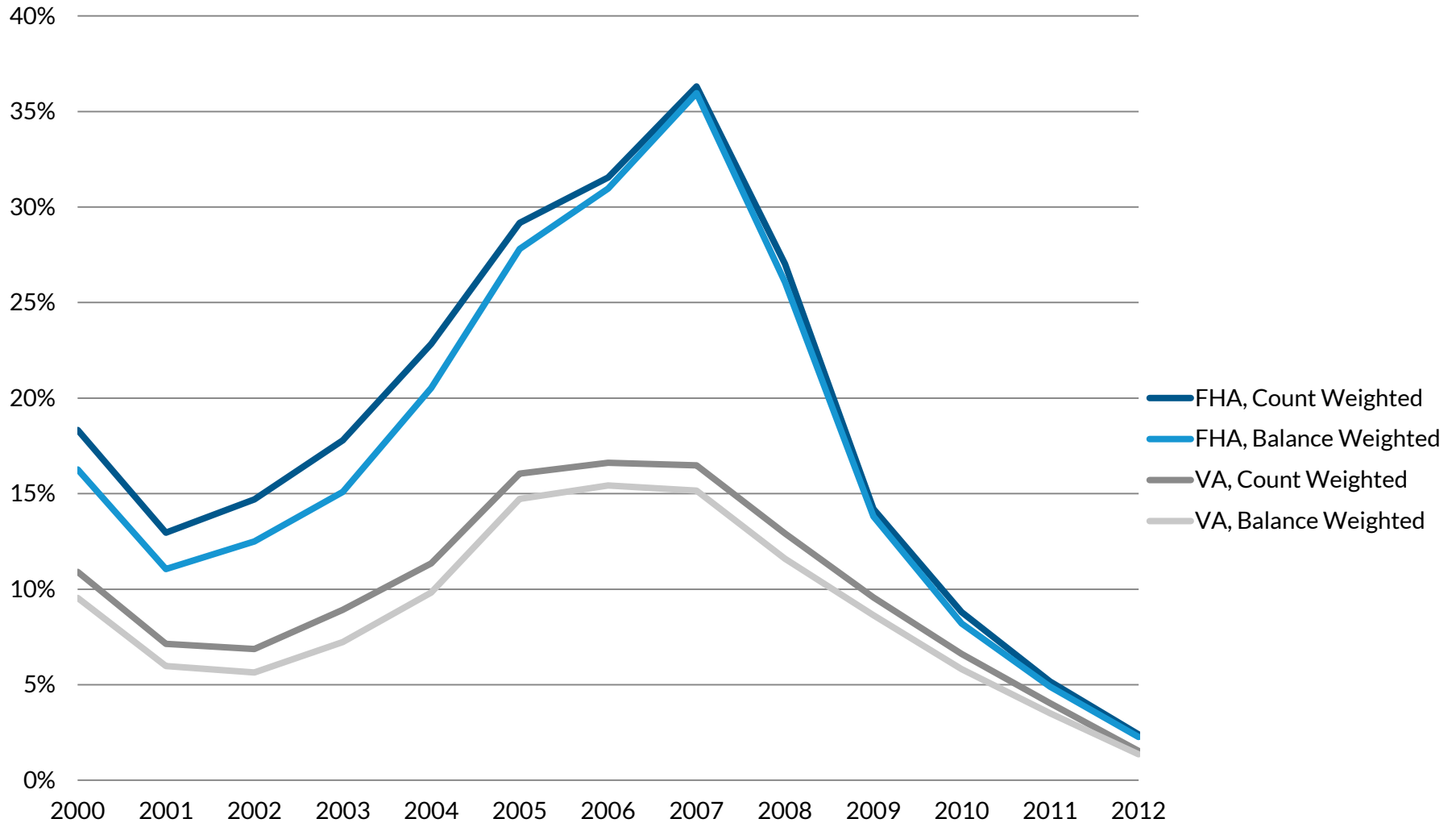
Source: Urban Institute calculations from eMBS data.

Top Issuers' Market Share by Loan Amount

	FHA				GSE			
	top 5	top 10	top 25	25th issuer	top 5	top 10	top 25	25th issuer
2011	71.9	83.4	93.4	0.3	60.9	73.6	83.5	0.3
2012	63.9	74.0	87.2	0.6	46.4	59.0	70.7	0.5
2013	53.1	66.3	82.3	0.6	42.3	53.5	67.7	0.5
2014	40.1	55.8	75.1	0.9	32.6	44.7	61.6	0.7
2015 Q1	37.6	50.6	73.8	1.1	32.4	43.2	60.5	0.7

Sources: Inside Mortgage Finance and Urban Institute calculations from eMBS data.

FHA and VA Default Rates through Time



Source: CoreLogic Servicing data and Urban Institute calculations.

Note: Default is defined as ever D90+.