CHLA WHITE PAPER

GINNIE MAE

CHLA G-TALF Proposal

A Collateralized Ginnie Mae Liquidity Facility to:

- **Enhance Mortgage Credit in Stressed Markets**
- **Reduce Risk to Ginnie Mae and its IMB Issuers**
- **Boost Confidence of Bank Lenders to Servicers**

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EXECUTIVE SUMMARY

This White Paper proposes a **Ginnie (Mae) - Term Asset-Backed Loan Facility" [G-TALF] -** a standby liquidity facility, with options for a specified funding source, to help otherwise solvent Ginnie non-bank (independent mortgage bank or IMB) issuers meet heightened advances and loan buyout responsibilities during periods of market disruption.

This White Paper explains why even though Ginnie Mae has a history of strong and consistent profitability over the last two decades, through two major economic crises, the next crisis might be different. Although Ginnie Mae's risk of credit loss is almost non-existent, there are liquidity concerns about issuer/servicer capabilities to meet heighted responsibilities to advance funds to Ginnie Mae MBS pools for borrowers that default on their FHA, RHS, or VA mortgage loans.

CHLA's **G-TALF proposal** incorporates the following essential components of a standby issuer liquidity facility:

(1) **A Standby Liquidity Facility for Advances -** during major market disruptions - without market stigma.
(2) **A Funding Source Identified in Advance** – options include a Federal Reserve TALF or a Treasury or Ginnie Mae advance - or indirectly through a lender's warehouse bank using Federal Home Loan Bank (FHLB) advances.
(3) **A Sound Financial Structure** - including eligible collateral, appropriate haircuts or advance rates, repayment terms and requirements, issuer solvency standards, and coordination with existing bank loans to issuer/servicers.
(4) **Objective Activation Criteria -** e.g., national delinquency rate thresholds or use in a regional crisis like a hurricane - so issuers, warehouse lenders, investors, and policymakers have confidence the facility will be utilized.

The case for development and funding of a standby liquidity facility such as G-TALF is laid out in this White Paper.

- **Credit losses on Ginnie Mae Mortgage Backed Securities (MBS) are almost non-existent, due to its 4th loss position. Additionally, Ginnie Mae has consistently posted significant annual profits over the last 2 decades.**
- **However, development of a standby liquidity facility is needed to address concerns about Ginnie Mae issuer capabilities of making advances if and when mortgage defaults skyrocket in a future economic crisis.**
- **Since Ginnie Mae will have to step in to make payments if issuers can't make advances in a crisis, having such a liquidity facility would reduce Ginnie Mae losses and maximize servicing continuity for borrowers.**
- **The PTAP program was designed to address these objectives – but, as a "lender of last resort program," it is inadequate, since it cannot help otherwise solvent issuers stressed by skyrocketing advance demands.**
- **A standby liquidity facility would be a win/win/win/win: helping borrowers by maintaining servicing continuity, reducing Ginnie Mae risk, reducing issuer risk, and reducing risk for banks that lend to issuers.**
- **Ginnie Mae risk would also be reduced and issuer liquidity enhanced by adoption of the Housing Policy Council proposal to establish servicing advances as collateral for bank financing on a standalone basis.**
- **Both of these issuer liquidity enhancements are appropriate, as Ginnie Mae requires issuers to act as banker to defaulted borrowers (and taxpayers) - but without taxpayer-backed liquidity sources bank issuers enjoy.**
- **Non-bank issuers are extensively regulated – through Ginnie Mae and CSBS model net worth and liquidity requirements, Ginnie Mae supervision, state supervision, and FHA, GSE, and other program requirements.**
- **Ginnie Mae's primary charter responsibilities to facilitate borrower access to mortgage credit would be enhanced by these liquidity proposals - helping to maintain a broad base of IMB issuers to serve consumers.**
- **A critical lesson from the 2008 Housing Crisis and the COVID epidemic is that emergency mortgage market responses are more effective when they are thoughtfully debated and designed <u>before</u> market crises occur.**
- **THUS, Ginnie Mae and other federal agencies should develop a funding source and program and eligibility rules for a standby Ginnie Mae liquidity facility – and signal to the market it will be used in the next crisis.**

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GINNIE MAE CREDIT RISK IS ALMOST NON-EXISTENT, WITH CONSISTENT PROFITABILITY OVER 2 DECADES

The role of Ginnie Mae is not well understood. Unlike federal mortgage insurance programs (FHA, RHS, VA, Fannie Mae and Freddie Mac), which all have credit risk on the mortgage loans themselves that they purchase or guarantee, Ginnie Mae securities consist exclusively of loans insured by these federal mortgage insurance programs.

Therefore, credit losses on Ginnie Mae Mortgage Backed Securities (MBS) are almost non-existent.
A Ginnie Mae document entitled **"Our Model and Platform"** explains why this is the case:

> *"Ginnie Mae's simple, effective business model exemplifies the power of the Federal Government and the private sector working together. The efficiency of our platform and our single security allows Ginnie Mae to fund the needs and demands of various market segments by leveraging the full faith and credit of the U.S. Government to access global capital.*
>
> *The Ginnie Mae model significantly limits the taxpayers' exposure to risk associated with secondary market transactions. Its strategy is to guarantee a simple pass-through security to lenders rather than buy loans and issue its own securities.*
>
> *Because private lending institutions originate eligible loans, pool them into securities and issue Ginnie Mae mortgage-backed securities (MBS), the corporation's exposure to risk is limited to the ability and capacity of its MBS Issuer partners to fulfill their obligations to pay investors. By guaranteeing the servicing performance of the Issuer — not the underlying collateral — Ginnie Mae insulates itself from the credit risk of the mortgage loans.*
>
> ***As you can see, Ginnie Mae is in the fourth loss position and is at risk only when all three of the preceding layers of risk protection are exhausted or fail."*** *[Bolding added for emphasis]*

The preceding risk layers are: (1) homeowner equity, (2) government agency insurance, and (3) corporate resources of issuer/servicer. In a mortgage default, issuers advance funds to bridge the gap until the government guarantee kicks in.

*** As a result, Ginnie Mae has been consistently profitable – even making a profit during the 2008 Housing Crisis when FHA had losses and taxpayers bailed out banks, Bear Stearns, AIG, and Fannie Mae and Freddie Mac.**
*** Over these two decades, Ginnie Mae's only loss was in 2014 – where its loss was a miniscule $66 million.**
*** Ginnie Mae has averaged an annual profit of $1.338 billion a year for the last 20 years. Annual net profits were:**

2025: $2.507 billion
2024: $2.448 billion
2023: $2.325 billion
2022: $1.466 billion
2021: $1.413 billion
2020: $1.506 billion
2019: $2.961 billion
2018: $1.736 billion
2017: $2.140 billion
2016: $428 million
2015: $1.987 billion
2014: (-$66 million) [Loss]
2013: $628 million
2012: $610 million
2011: $1.184 billion
2010: $542 million
2009: $510 million
2008: $906 million
2007: $738 million
2006: $789 million

Ginnie Mae Has Significant Equity and Cash Reserves to Cover Losses

- The **2025 Ginnie Mae Annual Report** (page 20) shows that **Ginnie Mae has $36.184 billion in equity** ("Investment of the U.S. Government") **as of September 30, 2025.**
- **This includes $32.785 billion in "cash and cash equivalents" on hand, which are available to pay claims.**

LIQUIDITY FACILITY IS NEEDED BY THE NEXT CRISIS

Ginnie Mae's **"Our Model and Platform"** goes on to explain the one circumstance where Ginnie Mae can incur a loss:

> ***". . . the failure of an Issuer will cause Ginnie Mae to experience financial loss only to the extent that funds are needed to transfer the servicing to another Issuer or to the extent there is deterioration in servicing value."***

To ensure timely payment of MBS, Ginnie Mae requires issuer/servicers to make advances of principal and interest payments when borrowers default on an underlying mortgage loan in a Ginnie Mae pool. Thus, Ginnie Mae effectively requires a Ginnie Mae issuer to act as a banker to borrowers that default on mortgage loans in the Ginnie Mae pools.

Moreover, since these advances are for government insured mortgage loans, Ginnie Mae effectively requires its issuers to act as a banker to taxpayers – bridging the gap until a claim is paid on the government-insured loan.

Therefore, the main Ginnie Mae concern is not credit risk – but liquidity risk, of issuers carrying out their role as banker. To address this risk, the same Our Model document notes that: ***"Ginnie Mae monitors the delinquencies in Issuer servicing portfolios in an efficient and effective manner to mitigate the potential losses associated with Issuer defaults."***

Ginnie Mae takes a proactive supervisory role here, by : (1) establishing stringent issuer net worth and liquidity requirements, (2) monitoring and supervising issuers on an ongoing basis to assess their ability to carry out advance responsibilities, and (3) if necessary, facilitating the sale or transfer of a financially stressed issuer's servicing portfolio or seizing an issuer's portfolio. These actions help ensure that qualified servicers are in place to make timely MBS payments.

Ginnie Mae has been consistently profitable because historically this process has worked extremely well. Ginnie Mae has been able to easily transfer troubled servicing portfolios - typically of smaller issuers, which are easier to transfer.

The concern is whether current mitigation tools are sufficient in the next economic crisis if multiple large issuers can't meet advance obligations. A 2024 Financial Stability Oversight Council (FSOC) **Report** addressed this concern, concluding that **". . . in a stress scenario, NMCs' vulnerabilities could cause NMCs to amplify and transmit the effect of a shock to the mortgage market and broader financial system."** A 2026 **GAO Report** raised similar concerns.

While we have weathered two financial crises in the last two decades without any financial impact on Ginnie Mae, there were factors that cushioned the impact. The 2008 crisis took place at a time when banks serviced 90% of Ginnie Mae MBS – but the impact on issuers was cushioned by the **TARP bailout,** which infused large bank servicers with $250 billion in funds. The 2020 COVID crisis took place when IMBs serviced 90% of Ginnie Mae MBS – but the impact was cushioned by plunging mortgage rates, which boosted IMB profitability through increased refi volume and reduced the need for advances due to the float created by loan payoffs. **A future economic shock could have a different result.**

In any future crisis severe enough to cause major disruptions in advance capabilities, timely payment of Ginnie Mae MBS must be preserved – and Ginnie Mae can and will draw on taxpayer funds if necessary to make such timely payments. **In such a scenario, what are the best tools and procedures to achieve the objectives of: (1) minimizing Ginnie Mae credit losses, (2) ensuring mortgage servicing continuity, and (3) enhancing confidence of bank lenders to issuers?**

Current financial tools are inadequate to achieve these objectives. A standby liquidity facility should be created:

1. While Ginnie Mae developed PTAP during COVID**, a Ginnie Mae Policy Document** noted that it was only a **"last resort financing option."** Viable issuers stressed by heightened advance responsibilities were not eligible.
2. Ginnie Mae subsidizing the transfer of an issuer servicing portfolio to a new issuer/servicer would increase Ginnie Mae financial losses - compared to the option of providing liquidity support to an existing financially viable issuer.
3. Ginnie Mae seizing an issuer servicing portfolio and transferring it to a government contractor would increase Ginnie Mae financial losses - compared to the option of providing liquidity support to an existing viable issuer.
4. Ginnie Mae transferring or seizing an existing servicing portfolio would disrupt servicing for mortgage borrowers, would unnecessarily take servicing away from qualified servicers, and would increase industry concentration.

Thus, development of a standby liquidity facility to fund advances of otherwise solvent issuer/servicers stressed by skyrocketing advance responsibilities would reduce Ginnie Mae losses and improve servicing continuity. This would merely bridge the funding gap on MBS obligations that are ultimately guaranteed by FHA, RHS or VA until the defaulted loans are repaid or go to claim. Moreover, it would be phased out when the financial crisis abates.

GINNIE MAE IMB ISSUERS ARE EXTENSIVELY REGULATED

CHLA's annual **IMB Report** (pages 16-19) contains a detailed comparison of non-bank and bank mortgage lenders - showing that non-banks (IMBs) have comparable servicing net worth, capital and liquidity requirements to banks – and have far more extensive consumer protection mortgage regulations than banks (licensing and broader CFPB supervision).

A 2024 Conference of State Bank Supervisors (CSBS) document - **"Nonbank Mortgage Regulation – Misconceptions & Background**" systematically rebutted claims made by some in Washington that regulation of IMBs is lax or non-existent:

- ***"As the primary regulator of nonbanks, states have broad licensing, examination, investigation, and enforcement authorities. Prudential standards, including financial capacity (i.e., net worth/capital and liquidity), governance, and risk management requirements, are also a matter of state law enforced by state regulators.***
- ***The Nationwide Multistate Licensing System and Registry (NMLS) maintains the licenses or registrations of the more than 556,000 mortgage loan originators operating in the United States.***
- ***States conduct multistate supervisory exams through NMLS's supervisory component, the State Examination System.***
- ***FHFA and Ginnie Mae establish capital, liquidity, and operational standards for nonbanks, and along with federal housing agencies, subject their nonbank counterparties to extensive program compliance requirements.***
- ***These federal agencies examine and stress test nonbank mortgage companies, and effectively determine if a nonbank can participate in the respective agency mortgage market.***
- ***The CFPB enforces consumer protection laws and regulates financial products and services, including mortgages."***

IMB mortgage lender/servicers are licensed, regulated and supervised by every state in which they do business.

Additionally, in 2021, CSBS - which represents these state regulators of IMBs - released *"Model State Regulatory Prudential Standards for Nonbank Mortgage Servicers."* These standards include requirements for financial condition and corporate governance, including capital, liquidity, board oversight, internal and external audits, and risk management. They apply to qualifying multistate servicers and are specifically designed to give state regulators a common prudential framework. Moreover, as of July 2026, Arkansas, Colorado, Connecticut, Georgia, Iowa, Maryland, Minnesota, Montana, Nevada, North Carolina, North Dakota and Wisconsin had enacted or implemented versions of the CSBS model standards**.**

Collectively, 99% of nonbank servicers by loan count are licensed in at least one state that has adopted the CSBS standards – thus effectively extending these robust servicing standards to the entire servicing industry.

The CSBS document cited above also rebutted misconceptions that federal agencies lack tools to mitigate servicer risks:

- *"Federal agencies have significant options to mitigate risk at nonbank mortgage companies & throughout the mortgage market.*
- *FHFA and Ginnie Mae set capital, liquidity, and operational standards for nonbanks, and along with federal housing agencies, subject their nonbank counterparties to extensive program compliance requirements.*
- *These federal agencies examine and stress test nonbank mortgage companies, and effectively determine if a nonbank can participate in the respective agency mortgage market."*

The same CSBS document also cited significant financial improvements for servicers in recent years:

- *"The tangible shareholders' equity of the top 50 nonbank servicers has increased 155% since 2019 and 6.4% in the past year.*
- *Unrestricted cash of the top 50 nonbank forward mortgage servicers has increased 221% since 2019 and 11% in the past year.*
- *Total cash to assets ratio has increased from 2.3% to 5% over the past five years.[6] Increased cash positions reflect high earnings retention and stability of funding sources reflective of current operating needs."*

Finally, this same CSBS document stated: *"Targeted improvements to federal programs, particularly Ginnie Mae-focused reforms, can enhance the resilience of the nonbank mortgage sector and consumer protections."* CSBS recommended that Ginnie Mae *"should enact reforms that facilitate loan-level removal of nonperforming mortgages from pools, create a mechanism for private market financing of Ginne Mae advances, and limit lengthy servicing advance requirements when borrower payments are not received."* Since then, progress has been made on the 1st and 3rd recommendations above.

The 2nd recommendation above could be implemented by adopting the Housing Policy Council proposal (page 7).

This White Paper makes a detailed case for building on this HPC proposal – by establishing and funding a standby liquidity facility for distressed markets - to reduce risk to Ginnie Mae and its issuers, to increase confidence of banks that lend to IMB issuers, and to ensure continuity and quality of mortgage servicing in the event of a crisis.

GINNIE MAE REQUIRES IMBs TO ACT AS BANKER TO BORROWERS – WITHOUT BANK LIQUIDITY SOURCES

A central feature of how Ginnie Mae works is that issuer/servicers are required to make advances of principal and interest payments when mortgage borrowers default on the underlying mortgage loans in Ginnie Mae pools. This ensures timely payment of Ginnie MBS – and bridges the gap until a borrower resumes payments or a claim is paid on the insured loan.

Additionally, Ginnie Mae issuer/servicers sometimes buy defaulted FHA, RHS, and VA mortgages out of Ginnie Mae pools in order to perform a partial claim or engage in other loss mitigation - to help keep the borrower in the home.

Thus, Ginnie Mae effectively requires Ginnie Mae issuers to act as a banker to mortgage borrowers that default.

Moreover, since advances are made on FHA, RHS, and VA insured loans, Ginnie Mae effectively requires its issuers to act as a banker to taxpayers – bridging the gap until a claim is paid on the government-insured loan.

Banks that are Ginnie Mae issuer/servicers have a number of taxpayer-backed liquidity sources to help them carry out the requirements to make advances for defaulted payments and to buy loans out of Ginnie Mae pools – including:

1. FDIC insured deposits – backed by the full faith and credit of the Federal Government.
2. Access to the Federal Reserve Discount Window at low interest rates (currently 3.75% to 4.25%).
3. Advances from Federal Home Loan Banks – with an implicit Government Sponsored Enterprise guarantee.

In contrast, non-bank (IMB) Ginnie Mae issuer/servicers have access to **none** of these taxpayer-backed liquidity sources to carry out their role as banker to defaulted borrowers or to buy loans out of MBS pools in order to carry out loss mitigation.

Instead, non-bank (IMB) Ginnie Mae issuer/servicers rely on private capital to meet these financial responsibilities – which include their own equity, bank loans and lines of credit, and in some cases their own debt or preferred stock.

It is fair and reasonable for non-bank (IMB) Ginnie Mae issuer/servicers to meet their ongoing advance and loan buyout responsibilities through private capital, basing their planning for such responsibilities on foreseeable economic conditions. But it is also fair and reasonable that a standby liquidity facility be available for otherwise financially solvent issuer/servicers – in order to meet unexpected and significant increases in advance obligations in an economic crisis.

It is a common practice for the Federal Reserve to create a liquidity facility during times of economic crisis, through what is called a Term Asset-Backed Securities Loan Facility (TALF). In fact, the Federal Reserve created a **TALF** in 2000 during the height of COVID. The Fed COVID TALF offered collateralized financing to a wide range of firms (including non-banks) and for a wide range of financial products, including: *"(1) Auto loans and leases, (2) Student loans, (3) Credit card receivables (both consumer and corporate), Equipment loans and leases, (5) Floorplan loans, (6) Premium finance loans for property and casualty insurance, (7) Certain small business loans that are guaranteed by the Small Business Administration, (8) Leveraged loans, or (9) Commercial mortgages.*

While this 2020 Fed TALF included commercial mortgages, it did not include single family mortgage servicers or single family mortgage servicing assets – even though advances are assets with value that ould be collateralized.

It is possible that the Fed did not create a TALF for servicing assets because Ginnie Mae collateralization structures and agreements may not be sufficiently developed for advances. **This is why the Housing Policy Council (HPC) proposal (page 7) is so important - as a critical building block for development of a Ginnie Mae standby liquidity facility.**

Commendably, Ginnie Mae tried to develop a liquidity facility during the COVID crisis, when FHA, RHS, and VA loan defaults skyrocketed - due to large numbers of mortgage borrowers temporarily losing their jobs as the economy came to a standstill and due to to Congress giving mortgage borrowers a forbearance option not to make mortgage payments.

Unfortunately, the PTAP program that Ginnie Mae developed limited its use to issuers only as an emergency *"lender of last resort"* option, which carried a significant market stigma, implying the servicer might not survive financially. As a result, only a very few issuer/servicers used PTAP. Put simply, PTAP is not an effective standby liquidity facility.

CHLA G-TALF PROPOSAL

CHLA's G-TALF includes four main components:

(1) <u>A Standby Liquidity Facility</u>: Ginnie Mae should create a standby liquidity facility, without private market stigma, to help otherwise solvent Ginnie Mae issuers meet significant increases in advance responsibilities.

- PTAP was well intended, but had limited value and use, due to its market stigma and lender of last resort connotations.
- What is needed is a credible, fully developed standby liquidity facility, with market expectations that it will be used for temporary liquidity needs in periods of rising advance and loan buyout obligations - thus strengthening the deployment of private capital to Ginnie issuers by bolstering the confidence and ability of banks that are lending to Ginnie Mae issuers.
- G-TALF is not a bailout; it provides liquidity to otherwise solvent Ginnie Mae issuers stressed by advance increases.
- Ginnie Mae actively supervises its issuers, so it is in a strong position to assess which issuers meet this standard.
- Ginnie Mae could also consider whether to use G-TALF as a temporary financing tool for insolvent issuers - to bridge the period needed to identify a servicer to take over its servicing portfolio and thus reduce or eliminate losses to Ginnie Mae.

(2) <u>A Funding Source Identified in Advance</u>: The best funding source should be identified, from among: (a) a Federal Reserve TALF (b) Ginnie Mae advances (c) Treasury advances or (4) FHLB bank advances.

- It is unclear whether Ginnie Mae has the legal authority to make advances to issuers except as a lender of last resort.
- Congress, Ginnie Mae, the Federal Reserve, and Treasury should work together to identify the most appropriate source for a standby liquidity facility – with Ginnie Mae responsible for program implementation, including components (3) and (4) below.
- The most logical funding source is for the Federal Reserve to create a TALF for Ginnie Mae mortgage servicer/issuers.
- Other options include Congressional funding, Ginnie or Treasury advances, or FHLB collateralized advances to bank lenders.
- The structure and funding source should be coordinated with existing bank loans for Ginnie Mae advances and MSRs.

(3) <u>Development of a Sound Financial Structure</u>: A sound collateralization structure should be developed, to ensure the G-TALF program is financially sound and advances are properly collateralized.

- G-TALF should be financially prudent and adequately collateralized, to ensure the program is financially sound.
- The HPC proposal for servicing advances as collateral for financing on a standalone basis is a good way to achieve this.
- Eligible collateral could include recoverable servicing advances, loan buyout assets, or other assets approved by Ginnie Mae and/or any agency funding or participating in the facility. These assets have economic value and are valid collateral.
- Advance rates, haircuts, repayment terms, pricing, reporting, and monitoring should be established to protect the entity funding the advances, limit moral hazard, ensure support is temporary, and encourage re-engagement by private lenders.

(4) <u>Objective Activation Criteria</u>: Ginnie Mae and the funding source should announce in advance that they will implement this G-TALF, identifying objective thresholds or circumstances that will trigger its use.

- G-TALF would only be used in periods of market stress or for regional or other factors related to targeted default increases.
- Ginnie Mae could, in advance, identify numerical thresholds for increases in national FHA, VA, and RHS delinquency rates during which it intends to utilize G-TALF - in order to signal to participants when and how it will administer the program.
- Ginnie Mae could also identify categories meriting use of G-TALF, such as: (1) a geographic area with spikes in defaults (e.g., a hurricane), (2) FHA, VA, or FHA program anomalies increasing defaults, or (3) Congress mandating a forbearance option.
- Using its expertise and role as supervisor of its issuers, Ginnie Mae could limit advances to issuers that are otherwise financially solvent, but are experiencing liquidity stresses from spikes in advance and/or loan buyout responsibilities.
- When and whether to invoke G-TALF could include a consideration of whether market developments are causing dislocations in mortgage origination and Ginnie Mae issuance, including whether aggregator mortgage loan pricing is impaired or reduced.
- Ginnie Mae could, in advance, establish financial, operational, and supervisory standards for issuer eligibility for advances.

G-TALF WOULD REDUCE RISK IN THE NEXT CRISIS

This White Paper makes a comprehensive case for why a standby liquidity facility for Ginnie Mae issuers is good for homeownership and affordable mortgage loans – strengthening the ability of IMB Ginnie Mae issuers to originate FHA, RHS, and VA loans, particularly for minority, low-income, and other underserved borrowers.

G-TALF - a standby liquidity facility – would be a win/win/win/win:

1. G-TALF WOULD HELP BORROWERS BY ENSURING CONTINUITY OF SERVICING

By reducing the need for Ginnie Mae to seize or transfer mortgage servicing portfolios of issuer/servicers, a G-TALF standby liquidity facility would reduce dislocations and inconveniences to mortgage borrowers that arise from a transfer of servicing. Homeowners would be better served by their existing servicer – particularly if the alternative is to transfer a significant volume of servicing to a government contractor master servicer on short notice during a crisis.

2. G-TALF WOULD REDUCE RISK TO GINNIE MAE

A standby liquidity facility would reduce the only real risk of loss that Ginnie Mae faces – a need to transfer or seize a servicing portfolio of a Ginnie Mae servicer/issuer – by reducing the risk that Ginnie Mae issuers would not have sufficient funds to make advances in the event of skyrocketing mortgage defaults in a market crisis.

3. G-TALF WOULD REDUCE RISK TO GINNIE MAE ISSUERS

A standby liquidity facility would reduce risk to Ginnie Mae issuers, by creating an independent funding source for advances and loan buybacks in times of market distress and increased borrower defaults. At the same time, the core premise of Ginnie Mae servicing – that private capital funds servicing advances in normal markets – is maintained.

4. G-TALF WOULD REDUCE RISK TO BANK LENDERS TO GINNIE MAE ISSUERS

A standby liquidity facility would reduce risk to bank lenders to Ginnie Mae servicer/issuers, by increasing confidence that the issuer can meet advance and loan buyout responsibilities in times of market distress and increased borrower defaults – and by decreasing the risk that Ginnie Mae would have to take over the servicing portfolio of the issuer.

HOUSING POLICY COUNCIL PROPOSAL WOULD REDUCE GINNIE MAE RISK IN NORMAL MARKETS

The Housing Policy Council (HPC) has developed a policy proposal to enhance liquidity in the Ginnie Mae servicing market by establishing servicing advances as collateral for financing on a standalone basis. The details of this proposal can be found here: **https://fbb0ab68-1668-4db6-9365-051035190b71.filesusr.com/ugd/d9eb0e_8b011e24d4b14833ad81e4dae21957cc.pdf**

Currently, Ginnie Mae servicing advances are financeable only within the boundaries of overall MSR value. This is more restrictive than Fannie Mae and Freddie Mac permit and presents challenges in a stressed market if delinquency-driven advances increase significantly while MSR value (the borrowing base) declines.

Banks do not today lend against advances on a standalone basis because of the risk that a portfolio would be seized by Ginnie Mae, with advance recoveries going to Ginnie Mae instead of the bank.

HPC's proposal would facilitate standalone advance financing through an agreement under which Ginnie Mae would agree to relay advance recoveries to a bank in the event of an issuer failure. This improves the current situation in two ways:

- It provides banks with greater security of repayment for loans against servicing advance collateral.
- It adds a countercyclical collateral to the system, because available servicing advance collateral would increase during a stressed environment (as delinquencies increase) rather than decreasing (as MSR values decrease).

CHLA enthusiastically supports HPC's proposal.

The HPC proposal would significantly improve issuer liquidity in normal market conditions. This reduces risk for Ginnie Mae - and makes it less likely a standby liquidity facility as proposed in this White Paper would be needed.

Moreover, the HPC collateralization proposal could be used as the basis for development of a standby liquidity facility (a G-TALF) – increasing confidence that advances are collateralized and financially protected.

Just as a private sector bank would have greater security because of a Ginnie Mae promise to relay advance recoveries after an issuer failure, so would a governmental entity have greater security for loans against advance collateral made for the purpose of maintaining system stability during a financial crisis.

Therefore, CHLA encourages Ginnie Mae both to implement standalone advance financing and to develop a G-TALF standby liquidity program with an identified funding source to increase liquidity and reduce risk in an economic crisis.

APPENDIX

HOW GINNIE MAE WORKS

The **Government National Mortgage Association** (GNMA or Ginnie Mae) is a government corporation located within the federal Department of Housing and Urban Development (HUD). Since its inception in 1968, Ginnie Mae has guaranteed federally insured mortgage loans for 60 million homes, including homes for 18.5 million veterans and active-duty service members. Ginnie Mae's current portfolio of Mortgage Backed Securities stood at $2.97 trillion in June 2026.

Ginnie Mae facilitates a secondary market for single family mortgage loans insured by the Federal Housing Administration (FHA), the Rural Housing Service (RHS), and the Veterans Administration (VA). Ginnie Mae securities are backed by the full faith and credit of the federal government. This enables FHA, RHS, and VA mortgage loans to have affordable mortgage rates, by accessing a broad base of investors in Ginnie Mae securities, not just in the United States but throughout the world.

The following summary of Ginnie Mae can be found on its **Website**:

"At Ginnie Mae, we help make affordable housing a reality for millions of low- and moderate-income households across America by channeling global capital into the nation's housing markets. Specifically, the Ginnie Mae guaranty allows mortgage lenders to obtain a better price for their mortgage loans in the secondary mortgage market. The lenders can then use the proceeds to fund new mortgage loans available. Without that liquidity, lenders would be forced to keep all loans in their own portfolio, meaning they would not have adequate capital to make new loans.

Unlike the GSEs, Ginnie Mae has never needed a bailout from the federal government. We do not buy or sell loans or issue mortgage-backed securities (MBS). Therefore, our balance sheet doesn't use derivatives to hedge or carry long term debt.

What Ginnie Mae does is guarantee investors the timely payment of principal and interest on MBS backed by federally insured or guaranteed loans — mainly loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). Other guarantors or issuers of loans eligible as collateral for Ginnie Mae MBS include the Department of Agriculture's Rural Development (RD) and the Department of Housing and Urban Development's Office of Public and Indian Housing (PIH).

Ginnie Mae securities are the only MBS to carry the full faith and credit guaranty of the United States government, which means that even in difficult times, an investment in Ginnie Mae MBS is one of the safest an investor can make."

Ginnie Mae releases **Monthly Issurance Reports**, showing monthly issuance totals, classified by category.

Since Ginnie Mae securities are backed by the full faith and credit of the federal government, it should of course operate the program in a financially sound manner, including maintaining an annual projected negative credit subsidy. As detailed on page 1 of this White Paper, Ginnie Mae has averaged an annual profit of $1.338 billion a year for the last 20 years, posting a loss only in 2014, of a miniscule $66 million.

Ginnie Mae accomplishes this strong financial performance in part through its supervision of issuers, through net worth, liquidity and delinquency requirements for all of its 300+ issuers and by monitoring the counterparty risk of its issuers.

GINNIE MAE STATUTORY CHARTER RESPONSIBILITIES

Section 301 of the National Housing Act - the Congressional statute that chartered Ginnie Mae - expressly states that Ginnie Mae's purpose is to establish a secondary mortgage market, in order to:

"(1) provide stability in the secondary market for residential mortgages;
(2) respond appropriately to the private capital market;
(3) provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families. . .);
(4) promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing;
(5) manage and liquidate federally owned mortgage portfolios in an orderly manner, with a minimum of adverse effect upon the residential mortgage market and minimum loss to the Federal Government."

Of course, Ginnie Mae should be managed in a manner that ensures that it remains a financially viable program, with proper supervision of issuers, appropriate financial controls, and consistently profitable performance over time.

However, a close reading of the Ginnie Mae charter shows not only that profit maximization is not the top priority – but that Ginnie Mae's first four charter responsibilities above are to promote affordable mortgage access to credit, to facilitate homeownership for borrowers that are underserved, low- and moderate-income, or live in central cities and rural areas.

It is only item 5 above that refers to financial considerations. Even there, it does not refer to profit maximization or avoiding any losses or running the program in too stringent a financial manner – but instead to managing the portfolio **"in an orderly fashion. . . with minimum loss to the federal government."**

Commendably, Ginnie Mae has historically operated with those key access to mortgage credit objectives in mind – working with FHA, VA and RHS to maximize the homeowner benefits of loss mitigation, facilitating a broad range of participating smaller IMB issuers to maximize competition and consumer choice, and developing program rules that encourage issuers to use Ginnie Mae (as well as the underlying federal mortgage programs) to meet access to credit needs.

Unfortunately, many outside parties in Washington have taken a different approach, making overhyped and alarmist warnings that Ginnie Mae – and its non-bank (IMB) issuers – purport to pose a major financial risk to taxpayers and to pose significant systemic risk to our financial system. These claims are too often wildly exaggerated.

Unfortunately, these exaggerated claims have had a greater impact on public policy debate than they should have - in part because so few people in Washington understand just how Ginnie Mae works and how consistently profitable it has been.

Therefore, this report goes to great lengths to:

(1) Explain how Ginnie Mae works.
(2) Show with facts how Ginnie Mae has been consistently profitable – even during 2008 and the Housing Crisis.
(3) Explain how low Ginnie Mae credit risk exposure is, since its Mortgage Backed Securities are secured by mortgage loans that are 100% or predominately insured by the Federal government as FHA, VA, or RHS loans.
(4) Explain why alarmist claims about non-bank (IMB) issuers are greatly exaggerated.
(5) Explain the limited financial role Ginnie Mae issuer/servicers play – which is to make advances, which have asset value and could be collateralized for financing.

CHLA hopes that a discussion of its G-TALF proposal will be based on these objective facts – and not on alarmist warnings from parties that might have a competitive reason to undermine IMB participation in Ginnie Mae or from parties that do not support the underlying importance of FHA, VA, or RHS mortgage loan programs.

IMBs PLAY CRITICAL ROLE IN MORTGAGE LOANS AND IN MEETING GINNIE MAE STATUTORY OBJECTIVES

As CHLA documented in its May **Gen Z Homeownership White Paper,** we face unprecedented homeownership affordability challenges, and as 2026 progresses, 30 year mortgage rates remain at relatively high rates. CHLA's 2025 annual **IMB Report** and the charts on pages xx and xx show the critical role that IMBs play in mortgage lending.

IMBs Dominate Mortgage Lending

- **Nonbanks (IMBs) originate 84.1% of all mortgage loans, as of November 2025.**
  [Source: **December 2025 Urban Institute Monthly Chartbook**- page 13].
- ***The nonbank (IMB) share of FHA loans increased from 57% in 2010 to 90% in 2025.***
  [Chart - page 13]. [Also see: **FHA Annual Report for Fiscal Year 2025**– Page 40]
- ***The nonbank (IMB) share of VA mortgage loan origination is 95.5%, as of November 2024.***
  *[Source: **December Ginnie Mae Global Markets Analysis Report** - page 37].*
- ***The nonbank (IMB) share of Ginnie Mae issuance soared from 12% in 2010 to 94.6% in 2025.***
  [See Chart - page 13]. *[Also: **December Ginnie Mae Global Markets Analysis Report** - page 37].*
- ***Fannie Mae: Nonbanks (IMBs) originate 75.0% of Fannie Mae loans, as of December 2025.***
  [Source: **December 2025 Urban Institute Monthly Chartbook** – page 13].
- ***Freddie Mac: Nonbanks (IMBs) originate 76.5% of Freddie Mac loans, as of December 2025.*** [Source: **December 2025 Urban Institute Monthly Chartbook** - page 13].

IMBs Outperform Access to Mortgage Credit for Underserved and Minority Borrowers

- **URBAN INSTITUTE FEBRUARY 2022** REPORT: ***". . .banks substantially underperformed nonbanks in serving borrowers and neighborhoods of color."***
- **A GREENLINING INSTITUTEREPORT** "Home Lending to Communities of Color in California" found: ***"Women of color . . . are more likely to access a loan from a non-bank lender than from a mainstream bank."***
- **URBAN INSTITUTE REPORTS SHOW IMBS DO BETTER SERVING FINANCIALLY CHALLENGED BORROWERS**
  (a) The average credit score for IMB agency mortgage loans is 23 basis points lower than for bank loans. [Source: December 2025 Urban Institute Monthly Chartbook - page 18]
  (b) The average debt-to-income (DTI) for IMB Ginnie Mae loans is 3 percentage points higher than the average for bank loans. [Source:– December 2025 Urban Institute Monthly Chartbook - page 19]
  (c) August 2017 Urban Institute "Housing Finance at a Glance": ***". . . the median FICO score for nonbank originations has been consistently less than the median FICO for bank originations for [Fannie, Freddie and Ginnie Mae]***.

COVID Pandemic Demonstrated the Importance of a Broad Base of Ginnie Mae Issuers

The COVID pandemic dramatically demonstrated the importance of a broad base of Ginnie Mae issuers in facilitating affordable single family mortgage loans, particularly for minority, lower-income, and underserved borrowers. The Congressionally mandated forbearance option, along with job cuts and income reductions, created a difficult environment for large aggregators, which in some cases dropped out of the market or offered more adverse loan terms and conditions.

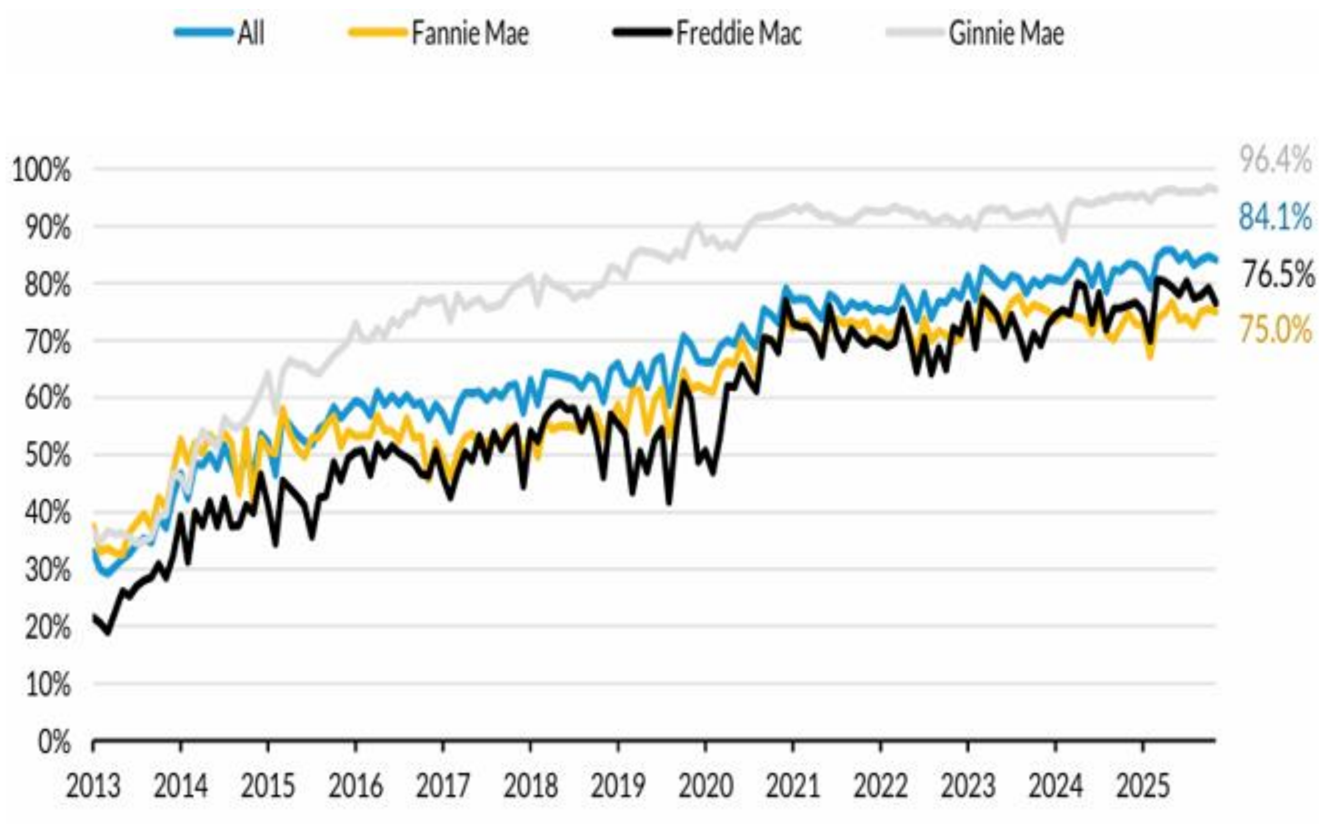
During the heart of the COVID crisis, Ginnie Mae enabled its issuers to continue to originate mortgage loans and securitize them directly in the Ginnie Mae Mortgage Backed Securities (MBS) market. Knowing they could smoothly execute securitizations, Ginnie Mae issuers were able to continue to offer highly competitive mortgage loan rates and fees.

The COVID pandemic also demonstrated the strength of the FHA partial claim process, with Ginnie Mae issuers keeping families in their homes, through a partial claim for the period in which the borrower could not make mortgage payments.

CHART: IMB SHARE OF MORTGAGE LOANS

This chart, from CHLA's 2025 IMB Report, shows that IMBs [non-bank mortgage lender/servicers) currently originate 84% of all mortgage loans – up significantly from just 13 years ago when IMBs originated only 32% of all mortgage loans.

Nonbank Origination Share: All Loans



Sources: eMBS and Urban Institute.
Note: Data as of November 2025.

CHART: IMB SHARE OF GINNIE MAE ISSUANCE

This chart, from CHLA's 2025 IMB Report, shows that IMBs [non-bank mortgage lender/servicers) currently issue over 96% of all Ginnie Mae securities – up significantly from just 16 years ago when IMBs issued only 12% of all Ginnie Mae securities.

Ginnie Mae Issuances by Nonbanks Have Skyrocketed from 12% to 95% since 2010