

2023 ANNUAL REPORT


Ginnie Mae
Our Guaranty Matters

Secretary of Housing and Urban Development Marcia L. Fudge and Ginnie Mae President Alanna McCargo.

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SECRETARY'S MESSAGE

MAKING A POSITIVE SOCIAL IMPACT ON THE HOUSING FINANCE SYSTEM FOR 55 YEARS

Under the Biden-Harris Administration, the U.S. Department of Housing and Urban Development has made strides to address barriers to housing affordability, increase access to homeownership particularly for underserved groups, and contribute to a more equitable housing finance system.

Higher construction costs, a lack of affordable housing supply, inflation, and rising interest rates exacerbate existing challenges and disparities. Ginnie Mae plays a critical role in ensuring individuals and families can access affordable mortgages, even in times of economic stress.

For 55 years, Ginnie Mae has worked to make affordable, equitable homeownership and rental housing a reality for tens of millions of American households, with a particular focus on historically underserved communities. For five decades, Ginnie Mae has been a liquidity engine for government-backed mortgage loans to low-to-moderate income (LMI) borrowers, first-time homebuyers, seniors, veterans, rural communities, and Tribes.

Ginnie Mae's commitment, to ensuring that mortgage lenders have the liquidity necessary to expand their reach to more borrowers that have historically faced barriers to accessing affordable credit and housing, will impact even more households for generations to come.

Despite many challenges in Fiscal Year 2023, the Ginnie Mae team achieved significant results, serving more than 1.2 million households. In fact, in Fiscal Year 2023, Ginnie Mae made progress in enhancing the depth and breadth of its program's social impact and sustainability efforts through several programmatic policy updates, including its new Social Bond designation for investors. This work advances HUD's Strategic Goal 3 to "Promote Homeownership" and the Ginnie Mae-specific Objective 3B to "Create a More Accessible and Inclusive Housing Finance System."

Through it all, the corporation has created social impact through its core business, while demonstrating fiscal strength and improving its risk management and technology capabilities in all matter of economic environments.

As we look ahead to the next 55 years, I am pleased Ginnie Mae will continue to lead and drive strategic objectives that will ensure an equitable, sustainable, and affordable U.S. housing finance system that serves all Americans.

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MARCIA L. FUDGE
SECRETARY
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

A MESSAGE FROM GINNIE MAE

DEAR MADAME SECRETARY,

It is my privilege to present the Fiscal Year 2023 Annual Report for the Government National Mortgage Association (Ginnie Mae), reflecting another year of portfolio growth and strong business performance. Ginnie Mae continues to deliver on its core mission to expand housing affordability across America by connecting domestic and global capital to the nation's housing finance system.

Ginnie Mae has helped tens of millions of American households access affordable mortgage lending, homeownership, and rental opportunities over its 55-year history. As we celebrate our 55th anniversary, in Fiscal Year 2023, Ginnie Mae supported more than 1.2 million households serving veterans, servicemembers, urban, rural, tribal, and underserved communities. Mortgage-backed securities (MBS) issuance topped $404.4 billion, with Ginnie Mae MBS outstanding reaching an historic high of $2.476 trillion, representing 35% of the total MBS market. These numbers reflect portfolio growth of $188.4 billion, a year-over-year increase of 8.25%.

During the year, macroeconomic conditions, including increased interest rates and lack of affordable housing supply, produced pressures on the U.S. housing market that reduced overall mortgage originations when compared to the prior year. Despite these difficult times, in Fiscal Year 2023, Ginnie Mae's month-over-month MBS issuance exceeded the volumes of the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, indicating that government-backed mortgage loan programs remained a critical option for borrowers.

During the first quarter of Fiscal Year 2023, while conventional mortgage lenders and issuers experienced liquidity constraints, the increased pressures on the reverse mortgage sector resulted in the bankruptcy of a large issuer and Ginnie Mae's seizure of its reverse MBS portfolio. Ginnie Mae executed a seamless transition as it expanded its essential business functions and the associated financial obligations to manage this portfolio. Our dedicated team proactively used all available tools to bring stability to the market and ensure seniors were able to access their home equity, showing the industry that Ginnie Mae stands by its Guaranty.

> As we celebrate our 55th anniversary, in Fiscal Year 2023, Ginnie Mae supported more than 1.2 million households serving veterans, servicemembers, urban, rural, tribal, and underserved communities.

In Fiscal Year 2023, Ginnie Mae's value proposition remained strong. International and domestic investor meetings revealed, once again, that Ginnie Mae securities are an attractive and stable investment, especially for those investors seeking to maximize their social and sustainable impact. In response to investor demand, a focal point of the fiscal year was the expansion of our sustainability framework focused on low-to-middle income pool-level disclosures and the first-of-its-kind social bond label update within our portfolio. These efforts tell the story of Ginnie Mae's critical role as a social impact organization with a unique and powerful position in the housing finance industry.

During the year, we continued to engage with stakeholders and federal agency partners to advance innovative ways to expand the Ginnie Mae Guaranty to mission-driven lenders such as credit unions, community development financial institutions, and housing finance agencies. Through the Biden-Harris Administration's Interagency Community Investment Committee (ICIC), we are leveraging our knowledge, expertise, programs, and longstanding partnership with the Federal Home Loan Banks to increase liquidity for government-backed mortgages and connect the power of the capital markets to the passion and knowledge of community lenders and the neighborhoods they serve.

Fiscal Year 2023 has shown us that we can successfully tackle any challenge working collaboratively with our private and public stakeholders, counterparties, and federal agency partners. I am grateful for your continuing support of Ginnie Mae's mission and programs as we work together to find innovative and lasting solutions to housing affordability and liquidity and remain actively engaged with our stakeholders to advance a more equitable housing finance system for all.

ALANNA MCCARGO
GINNIE MAE PRESIDENT

EXECUTIVE SUMMARY

August 1, 2023, marked the 55th anniversary of the enactment of the Housing and Urban Development Act of 1968 which created the Government National Mortgage Association (Ginnie Mae) as an independent government corporation within the U.S. Department of Housing and Urban Development (HUD), tasked with supporting liquidity for government mortgage lending programs through the secondary market. Ginnie Mae was created on the heels of the Civil Rights Act of 1968, which enshrined the rights of all Americans to access fair, affordable housing and mortgage lending, capping a year of remarkable progress toward building a more equitable and robust housing finance system and society.

Congress established Ginnie Mae to promote access to mortgage credit throughout the nation with an intentional focus on support for Low- and Moderate-Income (LMI) households, inner cities, rural areas, and other historically underserved communities. Today, Ginnie Mae also supports seniors, veterans, and tribal communities. Ginnie Mae provides an explicit full faith and credit guaranty of the U.S. government on the timely payment to investors of principal and interest on mortgage-backed securities (MBS) collateralized by single-family and multi-family housing loans insured or guaranteed through the loan programs of the Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), U.S. Department of Agriculture, Rural Development (USDA), and the Office of Native American Programs within HUD's Public Indian Housing (PIH).

In Fiscal Year 2023, Ginnie Mae had strong MBS performance despite unprecedented trends in the macroeconomic housing environment with accelerating interest rates and a lack of affordable housing supply which slowed down mortgage originations. In Fiscal Year 2023, as a testament to its resilience, Ginnie Mae MBS portfolio grew by $188.4 billion from last year, representing a year-over-year increase of 8.25%. Total Ginnie Mae MBS issuance in FY23 was $404.4 billion, representing support for more than 1.2 million households in America. Ginnie Mae MBS outstanding reached another historic high of $2.476 trillion[1], representing 35% of the total U.S. MBS market.

Ginnie Mae achieved this growth while communities and households across the country were facing challenging market conditions. While MBS volume decreased overall, proportionately, Ginnie Mae's volume declined at a slower pace than the remainder of the MBS market. Month over month, Ginnie Mae's volume surpassed that of the government sponsored enterprises (GSEs), Freddie Mac and Fannie Mae, reflecting the resilience of federal mortgage programs and the critical need for affordable financing options during times of rising interest rates and home prices.

President Lyndon B. Johnson signs bill establishing a Department of Housing and Urban Development.
LBJ Library photo by Donald Stoderl.

[1] Remaining Principal Balance (RPB) as of Fiscal Year-end 2023 was $2.473 trillion.

Throughout Fiscal Year 2023, to ensure continuous support and scale of government insured mortgage programs, Ginnie Mae enhanced its approach to meet the needs and risks facing its issuers and investors. Notable highlights and accomplishments from the year include:

- Continuous enhancements to the securitization platform and digitalization capabilities for issuers enabled by Ginnie Mae's technology migration to the cloud and expanded digital automation capabilities.
- Expanding access to Ginnie Mae through enhanced partnership strategies with the Federal Home Loan Banks (FHLBanks); taking a leading role in the Biden-Harris Interagency Community Investment Committee (ICIC) and expanding the work of Ginnie Mae's Community Development Financial Institution and Minority Depository (CDFI-MDI) Working Group to include outreach to credit unions and housing finance agencies (HFAs).
- The rollout of enhanced LMI MBS investor disclosures and a sustainability framework outlining the social and environmental impact of Ginnie Mae MBS for domestic and international investors who have Environmental, Social and Governance (ESG) portfolio mandates and goals.
- Additional support for the FHA Home Equity Conversion Mortgage (HECM) program through Ginnie Mae's HECM MBS (HMBS) program enhancements and taking on a large HMBS mortgage portfolio due to an issuer failure.

This annual report is designed to provide background on Ginnie Mae and its current financial position for policymakers and stakeholders. The report is prepared annually to satisfy applicable legal requirements in accordance with and pursuant to the provisions of the Government Corporation Control Act, 32 U.S.C. Section 9106.

PROMOTING HOMEOWNERSHIP BY CREATING A MORE ACCESSIBLE AND INCLUSIVE HOUSING FINANCE SYSTEM

Chartered to expand affordable housing in America by linking domestic and global capital to the nation's housing finance market, Ginnie Mae is the principal liquidity provider for government mortgage programs. Over the course of its history, Ginnie Mae has supported the financing of affordable, equitable homeownership and rental housing for tens of millions of American households, serving LMI borrowers, first-time homebuyers, veterans, seniors, and urban, rural, and tribal communities.

Since the onset of the global financial crisis of 2008, Ginnie Mae MBS portfolio has grown every year. This trend continued with Fiscal Year 2023 MBS issuance topping $404.4 billion, reflecting year-over-year growth of $188.8 billion from Fiscal Year 2022. In Fiscal Year 2023, outstanding portfolio peaked at $2.476 trillion[2], representing 35% of the U.S. MBS market, an impressive year-over-year growth of more than 8.25%.

At the end of Fiscal Year 2023, the MBS collateral included over 14,000 multi-family loans supporting more than 1.3 million affordable rental housing units in both urban and rural markets. In addition, during the year, Ginnie Mae securitized 13 multi-family loans and more than 18,000 single-family loans on federally recognized American Indian reservations and off-reservation trust lands.

[2] Remaining Principal Balance (RPB) as of Fiscal Year-end 2023 was $2.473 trillion.

At the end of Fiscal Year 2023, FHA-insured mortgages accounted for 65.0% of issuance in Ginnie Mae pools. VA-guaranteed mortgages accounted for 31.3%, and USDA and tribal loans contributed the remainder.

In Fiscal Year 2023, mortgages to first-time homebuyers through all four government agencies, FHA, VA, USDA and PIH, collateralized nearly 68% of Ginnie Mae's issuance, standing steady year-over-year with only a slight decrease from Fiscal Year 2022.

Focusing on the FHA single-family mortgage loan programs, during Fiscal Year 2023, 98% of FHA single-family insured loans were pooled into Ginnie Mae MBS. Of the securitized FHA loans to households with a primary female borrower, 61% were first-time homebuyers which represents an increase of 6 percentage points compared to Fiscal Year 2022.

Of the securitized FHA loans made to households for which ethnicity was disclosed, the overwhelming majority of loans made to households of color were to first-time homebuyers. Within the subgroup of loans by race/ethnicity, the percentage of those loans made to first-time homebuyers in Fiscal Year 2023 increased in comparison to Fiscal Year 2022 as shown below:

- 71% to Asian-American Pacific Islander households compared to 62% in Fiscal Year 2022, an increase of 9 percentage points.
- 80% to African American household compared to 62% in Fiscal Year 2022, an increase of 18 percentage points.
- 75% to Hispanic households compared to 68% in Fiscal Year 2022, an increase of 7 percentage points.
- 65% to Native American households compared to 63% in Fiscal Year 2022, an increase of 2 percentage points.

In Fiscal Year 2023, although macroeconomic conditions, including higher interest rates and a lack of affordable housing supply, caused overall MBS issuance to decline, month over month, Ginnie Mae's issuance volume, comprised exclusively of MBS collateralized by government-backed loans, surpassed the volume of the GSEs.

HUD's recognition of Ginnie Mae's significant impact on accessible housing finance is reflected in Ginnie Mae's prominent role in HUD's strategic plan. Last year, for the first time in Ginnie Mae's history, HUD included Ginnie Mae in its Five-Year 2022-2026 Strategic Plan under the objective of "Promoting Homeownership by Creating a More Accessible and Inclusive Housing Finance System." To accomplish this objective, Ginnie Mae is executing on four comprehensive strategies:

1. Broaden housing finance availability for underserved participants and expand access to Ginnie Mae programs.
2. Pursue further methods of enhancing the value of Ginnie Mae securities by meeting new sources of investor demand.
3. Develop the operational capacity to advance the digitalization and optimization of the Ginnie Mae MBS platform to drive more efficient outcomes for issuers, investors, and borrowers.
4. Provide a leading voice in the housing finance system by engaging with key stakeholders to communicate and coordinate on Ginnie Mae's strategic objectives.

The following sections summarize how Ginnie Mae's initiatives and accomplishments in Fiscal Year 2023 advanced these strategies.

Secretary of Housing and Urban Development Marcia L. Fudge speaks to an audience during the Ginnie Mae Digital Collateral Summit.

I. BROADEN HOUSING FINANCE AVAILABILITY FOR UNDERSERVED PARTICIPANTS AND EXPAND ACCESS TO GINNIE MAE PROGRAM

CDFI-MDI Working Group and Partnership with the Federal Home Loan Banks

In Fiscal Year 2023, Ginnie Mae continued to seek partnerships and avenues to make the Ginnie Mae Guaranty and the secondary market more accessible to lenders that could scale lending opportunities at the state and local level and reach even more underserved borrowers. In Fiscal Year 2022, Ginnie Mae launched its CDFI-MDI Working Group to seek a greater understanding of the obstacles challenging smaller community-based lenders. To further that work, in the fourth quarter of Fiscal Year 2022, Ginnie Mae executed an information-sharing Memorandum of Understanding (MOU) with Treasury's CDFI Fund, culminating with the receipt of data in the first quarter of Fiscal Year 2023, to facilitate targeted research and conversation with CDFIs and MDIs.

In Fiscal Year 2023, the CDFI-MDI Working Group conducted focus groups with CDFI depositories (banks, credit unions) and non-depositories (loan funds). Discussions centered on the hurdles facing CDFIs such as down payment assistance and income underwriting. During the year, Ginnie Mae also expanded its working group to research the challenges facing local Housing Finance Agencies (HFAs).

In Fiscal Year 2023, the CDFI-MDI Working Group's findings were instrumental in Ginnie Mae's continuing partnership with the National Credit Union Administration (NCUA) in exploring innovative ways for community-based credit unions to gain access to the Ginnie Mae Guaranty. During the Fiscal Year, Ginnie Mae and NCUA conducted a joint webinar, with over 200 credit unions in attendance, to explain both government mortgage lending and the Ginnie Mae MBS Programs.

With the insights and information the CDFI-MDI Working Group gained, Ginnie Mae continued its efforts to expand its partnership with the Federal Home Loan Bank of Chicago (FHLBank of Chicago) and their Mortgage Partnership Finance (MPF®) Program. Through the MPF Program, FHLBank of Chicago, as the "issuer of record," aggregates and securitizes government-backed mortgages originated by MPF participating financial institutions (PFIs) onto the Ginnie Mae MBS platform, providing better pricing and liquidity, and allowing smaller lenders to scale their impact. Currently, six of the eleven Federal Home Loan Banks (FHLBanks) actively participate in the MPF program with four additional FHLBanks utilizing the MPF's master servicing and operational support. Since inception, the MPF program has produced over $3.11 billion in Ginnie Mae MBS issuance, supporting over 14,500 households across the country. Ginnie Mae is committed to increasing the MPF's volume by reaching deeper into underserved communities in collaboration with FHLBanks.

Interagency Community Investment Committee (ICIC)

In Fiscal Year 2023, Ginnie Mae advanced the MPF program through the Biden-Harris Administration's Interagency Community Investment Committee (ICIC), a coalition of federal agencies focused on a set of implementation and operational issues that will facilitate the flow of capital and other financial resources into underserved communities. The ICIC members' work includes assessing how federal programs can be more accessible to small-scale lenders with limited resources. The MPF program, as a joint venture of Ginnie Mae and the FHLBanks, is a successful example of such a partnership.

Chief Risk Officer Gregory A. Keith converses with Ginnie Mae staff during the Global Investor Summit.

Principal Executive Vice President Sam Valverde, Chief of Staff Felecia Rotellini, and Director of External Affairs Luke Villalobos and HUD Region V Administrator Diane Shelley pose with Federal Home Loan Bank of Chicago representatives.

As of the fourth quarter of Fiscal Year 2023, HUD, a founding member agency of the ICIC, leads the ICIC efforts. Ginnie Mae, as a HUD program office, brought together ICIC members, USDA and Treasury's CDFI Fund, to develop an Agency Action that utilizes the MPF Program as a vehicle for lenders, serving in rural and tribal communities, to securitize their loans on the secondary mortgage market. This Agency Action will help LMI communities gain greater access to government mortgage programs through community-based lenders through the MPF Program. Ginnie Mae and its ICIC partners, working alongside the FHLBanks, will conduct educational outreach designed to reach potential new government mortgage originators through three webinar events targeted at tribal and rural communities by the end of calendar year 2023. The first webinar was conducted in the fourth quarter of Fiscal Year 2023 in collaboration with the MPF Program, FHLBank of Chicago, FHLBank of Des Moines, USDA, and Ginnie Mae, reaching more than 100 PFIs. 96% of the attendees expressed a desire to learn more about government lending programs. As work with the ICIC on this Agency Action continues, Ginnie Mae is formalizing an MOU with the participating federal agencies and the FHLBank partners to enhance data sharing capabilities, furthering the initiative. Collaboration and development of the MOU began in Fiscal Year 2023.

Supporting Financing for Affordable Housing Supply

Manufactured housing is built in factories and moved to the properties where they are set, lowering the cost of construction, and reducing the time to market. On July 10, 2023, Harvard's Joint Center for Housing Studies reported that, even accounting for differences in size, amenities, and the cost of transportation, manufactured housing is still a more cost-effective solution for affordable housing compared to site-built homes. In some cases, the savings are estimated to be as much as 73% compared to traditional site-built housing. Industry and policymakers envision greater first time-home ownership opportunities.

In the fourth quarter of Fiscal Year 2022, Ginnie Mae partnered with FHA to launch an initiative to redefine program requirements for Title 1 manufactured housing lending and securitization and issued a joint public request for input (RFI). Continuing this work in Fiscal Year 2023, the results of the RFI were studied and researched. Through this preparatory work, potential policy and program enhancements, aimed at attracting more lenders and creating access to liquidity and volume through the Ginnie Mae Guaranty, are in development for Fiscal Year 2024.

From left to right: Senior Vice President of the Office of Enterprise Data and Technology Solutions Barbara Cooper-Jones, President Alanna McCargo, and Fannie Mae Senior Vice President and Chief Operating Officer Ramon Richards engage in conversation at the Ginnie Mae Digital Collateral Summit.

II. ENHANCING THE VALUE OF GINNIE MAE SECURITIES

Environmental, Social and Governance (ESG) enhancements to Ginnie Mae MBS

Domestic and global capital markets investors continue to drive demand for ESG investments, in particular investments that have a measurable social or environmental impact. Ginnie Mae's unique structure, as a securitization platform and guarantor for MBS exclusively dedicated to government mortgage programs, has successfully harnessed investor demand to drive positive social change from our first MBS offering in 1970. Over the course of Fiscal Year 2023, Ginnie Mae has driven awareness of this track record of success by providing reliable and privacy-sensitive disclosures reflecting our social and environmental impact.

In Fiscal Year 2023, Ginnie Mae entered into memoranda of understanding with its insuring agency partners to obtain loan-level data for the mortgages that are pooled in our MBS. Using this pool-level data, Ginnie Mae began disclosing LMI Income data including (1) the number of underlying loans made to LMI borrowers; (2) the percentage of LMI loan count out of total loan count; (3) the unpaid principal balance (UPB) of LMI loans in the MBS; and (4) the percentage of LMI UPB out of total MBS UPB. These enhanced disclosures increase the visibility of the social impact of Ginnie Mae MBS for domestic and international investors with ESG portfolio strategies.

Major accomplishments in Fiscal Year 2023 include several key rollouts of enhancements and disclosures that increase Ginnie Mae's investment value proposition and underscore Ginnie Mae's long-standing commitment to financing affordable and sustainable housing for underserved and low-income communities:

- In June, Ginnie Mae published its first monthly ESG composite. This visual depiction of MBS data allows Ginnie Mae to highlight, at a glance, the program's positive impact and key ESG metrics.
- In July, Ginnie Mae announced a new Environmental, Social, and Governance (ESG) web page to the Ginnie Mae website, which provides details on the organization's ESG strategy with a focus on the environmental and social impacts the MBS program offers to investors.
- In September, Ginnie Mae launched its "Social Bond" label for Single-Family Forward MBS prospectuses and released the Social Impact and Sustainability Framework.

Together, these updates support Ginnie Mae's mission-oriented work and communicate the positive social impact of its programs to investors. This additional information increases investor awareness of the investment value proposition in Ginnie Mae securities, increasing opportunities to attract new sources of capital in support of lenders and borrowers Ginnie Mae ultimately serves.

Ginnie Mae was recognized by the Climate Bonds Initiative as the Largest Green Asset-Backed Security Issuer of calendar year 2022.

HECM Mortgage-Backed Securities (HMBS) Program

Ginnie Mae's HMBS provides additional capital and liquidity in support of FHA's HECM program, which empowers hundreds of thousands of seniors to access their home equity for additional financial security and flexibility so they can age in place. It is an important financial solution for seniors seeking ways to boost their retirement income by tapping accumulated equity in their home. HECM loans are pooled into HMBS within the Ginnie Mae II MBS program, which supports HMBS issuer liquidity. HMBS also serves as collateral for Ginnie Mae's Real Estate Mortgage Investment Conduits (REMIC) backed by HMBS (H-REMICs).

The unpaid principal balance of HMBS did not grow during Fiscal Year 2023, remaining at slightly more than $59 billion, representing support for nearly 287,000 senior households and reflecting a 5% decrease in households from Fiscal Year 2022. Demand in the structured market for HMBS remained consistent with a slight increase despite the changing macroeconomic conditions. In Fiscal Year 2023, 29 H-REMIC transactions were issued, up from 24 in Fiscal Year 2022. Although HECM activities increased in the fourth quarter of Fiscal Year 2023, with August's application and endorsement counts both above 12-month rolling averages, in Fiscal Year 2023 HMBS issue volumes declined in reaction to accelerating interest rates.

While traditional mortgage lenders and issuers felt liquidity constraints in Fiscal Year 2023, the HMBS sector faced a uniquely acute set of challenges from this interest rate environment. This stress was evidenced in the first quarter of Fiscal Year 2023, when a large HMBS issuer, Reverse Mortgage Funding (RMF) filed for bankruptcy. Following the bankruptcy, Ginnie Mae extinguished RMF from the HMBS program and seized and assumed control of the servicing of RMF's HMBS portfolio consisting of over 30% of the HMBS market with a value of $20 billion. Upon seizure of the defaulted portfolio, Ginnie Mae assumed all obligations to the HMBS investors and all servicing responsibilities, stepping into the role of issuer. At the Fiscal Year-end, Ginnie Mae's Balance Sheet increased by over 50% primarily as a result of the RMF default.

During Fiscal Year 2023, new challenges in the availability of liquidity for financing borrower draws proved more pressing for the industry and policymakers. In response, Ginnie Mae reduced pool sizes to provide relief to smaller HMBS issuers. Ginnie Mae also announced changes to the HMBS pooling system to permit issuers to securitize multiple tail participations related to a single HECM loan continuously throughout each month, allowing for quicker access to capital market funding, effective in the first quarter of Fiscal Year 2024.

Senior Vice President of the Office of Capital Markets John F. Getchis and Mortgage Bankers Association (MBA) Chief Economist and Senior Vice President of Industry Technology Michael Fratantoni engage in a panel discussion and answer audience questions during the Ginnie Mae Global Investor Summit.

III. ADVANCING DIGITALIZATION AND OPTIMIZATION OF THE MORTGAGE-BACKED SECURITIES PROGRAM

Digital Collateral

In Fiscal Year 2023, Ginnie Mae's Digital Collateral Program successfully achieved its goal to grow and transform its pilot program into a permanent program. This initiative contributes to HUD's Five-Year strategic plan objective to promote homeownership and create a more accessible and inclusive housing finance system by lowering mortgage origination costs and giving borrowers more flexibility.

During Fiscal Year 2023, Ginnie Mae approved 13 new participants in the Digital Collateral Program (eIssuers) and has enough applications under review to triple the size of the original program. eIssuer participation has increased in both loan volume issuance and the number of eIssuers. In Fiscal Year 2023, Ginnie Mae actively securitized and placed in its electronic vault, (eVault) over 110,917 electronic mortgage notes (eNotes), representing $29.9 billion in securitized collateral, a 15% increase over Fiscal Year 2022. Approximately 54% of Ginnie Mae's securitized Digital Collateral are VA loans, with the remainder primarily FHA eNotes.

One of the Digital Collateral Program's greatest achievements in Fiscal Year 2023 was the support and flexibility it provided to active servicemembers and veterans. With technology such as Remote Online Notarization, servicemembers directly participate in the homebuying process wherever they are stationed around the globe. In Fiscal Year 2024, Ginnie Mae will replace its issuance system, Ginnie*NET*, requiring all eIssuers to report into the Single-Family Pool Delivery Module (SFPDM). This advancement is a critical step toward additional transparency and functionality of Ginnie Mae's digital capabilities, bringing Ginnie Mae one step closer to the eventual commingling of paper and eNotes.

Securitization Platform Migration to the Cloud

In the first quarter of Fiscal Year 2023, Ginnie Mae successfully completed its migration activities to the cloud. Ginnie Mae's cloud platform is foundational to business operations, including securitization processing, disclosures, analytics, risk management, compliance, monitoring, accounting, and financial reporting. The cloud platform enables improved security, digital, advanced analytics, and other business transformation opportunities. Today, Ginnie Mae has a more flexible and agile platform to deliver new housing finance and securities products. Ginnie Mae's ability to leverage current technological advances will result in greater agility and speed in its business operations as demonstrated by processing efficiencies already gained.

The Ginnie Mae Digital Collateral Program Director Lynne Chandler moderates a discussion panel with panelists Natasha Rader, Vice President of Product Strategy, Veterans United Home Loans; Eva Torres, Assistant Vice President of Operations Manager, Structured Mortgage Finance, Teachers Insurance and Annuity Association of America (TIAA) Bank; Selma Omerovic, Structured Mortgage Finance Collateral Specialist, TIAA Bank; Anna R. Mravinc, Assistant Vice President, Custody Operations, U.S. Bank; and Simon Moir, Vice President and Segment Leader, eOriginal/Wolters Kluwer at the Ginnie Mae Digital Summit.

From left to right: Ginnie Mae Program Manager for Strategic Planning and Operations for the Office of the President (OOP) Smitha Vasanth poses with Senior Project Managers for the Office of the President (OOP)/Strategic Planning and Operations Candice Cantrell and Jacqueline Townsend, as well as the U.S. Department of Housing and Urban Development Senior Business Analyst, Chastity Abrom.

These new capabilities and transformational opportunities make the Ginnie Mae platform more attractive to those who need and want to do business with Ginnie Mae.

Platform Enhancements

In Fiscal Year 2022, Ginnie Mae launched SFPDM, a significant achievement in its ongoing modernization efforts and to adhere to the industry's MISMO compliance standards. This accomplishment marked a pivotal milestone in Ginnie Mae's journey towards data standardization, greater efficiency and effectiveness.

Throughout Fiscal Year 2023, Ginnie Mae devoted extensive resources and efforts to collaborate with its stakeholder community. Ginnie Mae's primary focus was seamless onboarding of users onto the SFPDM platform and ensuring their readiness to transition to the new MISMO standard.

This collaborative approach encompassed a diverse array of initiatives, leaving no stone unturned in Ginnie Mae's commitment to ensure a seamless transition for users. The transition included a series of comprehensive training sessions, the establishment of dedicated user support channels, and the maintenance of open and continuous communication channels. Ginnie Mae's adoption team was unwavering in its dedication to proactively address any concerns and challenges that arose, creating an environment conducive to a smooth and successful transition. The results of the effort speak volumes, as Ginnie Mae is pleased to report that its comprehensive approach yielded significant success. As of September 24, 2023, Ginnie Mae issuers using SFPDM or testing a MISMO compliant pool delivery dataset (PDD) in the Validation and Testing Tool (VTT) accounted for 92% of Ginnie Mae's outstanding portfolio balance, indicating that Single Family Issuers are well positioned to meet the critical December 1, 2023, cutover date.

In parallel, Ginnie Mae made strategic investments in improving the user experience, embracing digitization, and optimizing application processes. These efforts were undertaken with a clear objective: to enhance efficiency for all stakeholders. Optimization of applications not only streamlines processes but also brings forth several additional benefits:

- Faster Development Time: Ginnie Mae not only enhanced efficiency but also reduced development time, meaning a quicker response to market demands and emerging trends.
- Compatibility for Extensibility: The applications are designed with extensibility in mind, ensuring seamless integration with other tools and products, allowing for a more versatile and adaptable ecosystem.
- Scalability at the Application Level: Ginnie Mae recognized the importance of scalability. The applications are structured to facilitate transition to tools that provide scalability at the application level, allowing us to adapt to changing requirements and scale up operations as needed.

Ginnie Mae's commitment to modernization, demonstrated through the implementation of the SFPDM and continuous collaboration with stakeholders, reflects Ginnie Mae's dedication to excellence. Ongoing efforts to enhance the user experience drive efficiency and maximize the benefits of application optimization, underscoring Ginnie Mae's mission to meet industry demands and deliver top-tier service.

Product Manager of Multiclass Securities Richard Perrelli, Managing Director for International Markets Alven Lam, Chief of Staff Felecia Rotellini, and Ginnie Mae President Alanna McCargo meet with the Korea Housing and Urban Guarantee Corporation (HUG) President and executive team during a trip to Taiwan, Seoul, South Korea, and Taipei.

IV. PROVIDING A LEADING VOICE IN THE HOUSING FINANCE SYSTEM

Successful LIBOR to SOFR Index Transition

On May 30, 2023, Ginnie Mae announced the transition of all outstanding London Interbank Offered Rate (LIBOR) MBS to the Chicago Mercantile Exchange (CME) Group's Term Secured Overnight Financing Rate (SOFR) (CME Term SOFR) with the publication of All Participants Memoranda (APM) 23-06 and 23-07. The applicable spread adjustments also transitioned in accordance with all Adjustable Interest Rate (LIBOR) Act-related regulations and FHA's Mortgagee Letter 2023-09. Ginnie Mae MBS began its transition following the retirement of LIBOR on June 30, 2023. Ginnie Mae followed the recommendation of the Alternative Reference Rates Committee (ARRC) to use the Refinitiv USD IBOR Cash Fallback based on the CME Term SOFR, plus applicable spread adjustments for legacy LIBOR adjustable-rate mortgages and 30-day average SOFR for new originations. SA, a new SOFR-based pool for annually adjusting Home Equity Conversion Mortgages (HECM), was launched on July 1, 2023. New originations of single-family mortgages remain based on the Constant Maturity Treasury (CMT) index.

A Leader in the Global Capital Markets

In the first quarter of Fiscal Year 2023, Ginnie Mae hosted its Global Investor Summit in Washington, DC, in HUD's Brooke-Mondale Auditorium. The program included robust discussions and keynote speeches on Risk Management and the MBS market; Innovation in Housing Finance; ESG Impact Investing and the Ginnie Mae MBS as a Sustainable Investment. This forum was well attended by both domestic and international guests including institutional investors, mortgage bankers, representatives of foreign central banks, sovereign wealth funds, public pensions, insurance companies, investment banks, global asset management firms, fixed-income managers, and housing finance policymakers and professionals. International guests included representatives from Taiwan, the Philippines, Indonesia, Japan, South Korea, Saudi Arabia, and Singapore.

Throughout Fiscal Year 2023, the objective of Ginnie Mae's international engagements and forums in Japan, Singapore, Taiwan, South Korea, and Canada, was to promote its investment value proposition to attract foreign capital and improve liquidity for the U.S. housing market. These meetings serve the important purpose of fostering global relationships, exchange of ideas on housing finance, policy, housing market indicators, ESG impact investing and innovative products while sharing cultural and common values. Ginnie Mae is a global leader in housing finance, capital markets and the advancement of affordable housing in the United States.

Leading the Expansion of Government Lending and Access to the Ginnie Mae Guaranty

In Fiscal Year 2023, Ginnie Mae continued to expand its collaboration with industry partners including the National Council of State Housing Agencies (NCSHA) and the National Credit Union Administration (NCUA). Through the NCSHA, President McCargo met with HFAs and toured Ginnie Mae projects, learning more about how to expand the Ginnie Mae Guaranty to support HFAs. In February 2023, Ginnie Mae co-hosted with NCUA a "Ginnie Mae 101" webinar to introduce NCUA's member credit unions to the Ginnie Mae's business model, MBS programs, and lending opportunities aimed at expanding the origination of government-backed mortgages and ultimately access to the Ginnie Mae Guaranty.

On May 9, 2023, Ginne Mae hosted a Digital Innovation Summit at the Ginnie Mae headquarters in Washington, DC, to showcase the advancements in its Digital Collateral program and the future of digitalization. This summit provided a forum for collaboration between the private sector and federal agencies which is the key to maximizing the impact of digital tools, fostering a more resilient and efficient housing finance system, and providing broader access to credit for American households. Ginnie Mae brought together panelist with expertise on every component of a digital mortgage platform including warehouse lenders, eIssuers, an eCustodian, and an eVault provider to broadly discuss the ecosystem of eNotes and how innovation can continue to move the industry forward. Through this day-long program, Ginnie Mae emphasized the benefits of its Digital Collateral Program on expanding access to affordable housing finance for rural households and deployed veterans and showcased its continuing ability to strengthen its operational capacity to advance the digitalization and optimization of the MBS platform.

Leading the Assessment and Management of Counterparty Risk

In Fiscal Year 2022, Ginnie Mae announced updated financial standards required for a non-depository, independent mortgage banks (IMB) to qualify as eligible issuers that were critical to ensuring the ongoing safety, stability, and certainty of the Ginnie Mae MBS program. The first stage of implementing these requirements was effective in the fourth quarter of Fiscal Year 2023. Specifically, issuers must meet heightened net worth and liquidity requirements that reflect the risk of their entire book of business and the full spectrum of their mortgage banking activities. In addition to this important implementation milestone, Ginnie Mae continues to monitor issuer progress towards compliance toward the new Risk Based Capital Ratio requirement that will become effective in December 2024.

During Fiscal Year 2023, Ginnie Mae continued to invest in human capital, policy analysis, predictive analytical tool development and process design to advance on-going efforts to measure and mitigate counterparty risk. As an example, using a proprietary issuer stress testing framework, we assess potential challenges to the MBS ecosystem, including the escalation of interest rates over the last eighteen months. The issuer stress testing results have informed policy development, supported staffing and headcount planning and added significant analytical rigor to stakeholder engagement. As a member of the Nonbank Servicing Task Force of the Financial Stability Oversight Committee (FSOC), Ginnie Mae has established itself as leader in the measurement and assessment of risks to the MBS and housing finance systems associated with the non-depository mortgage bank sector.

Senior Vice President of the Office of Management Operations Tawanna Preston, Chief Financial Officer Adetokunbo "Toky" Lofinmakin, and President McCargo pose for a photograph as Ms. Lofinmakin receives an official Ginnie Mae Senior Executive Service (SES) Certificate during the Ginnie Mae 55th anniversary celebration event

THE ROAD AHEAD

Looking forward, Ginnie Mae will continue to strengthen the MBS and HMBS programs, and enhance its securities products to meet investor, borrower, and issuer needs. With the completion of Ginnie Mae's migration to the cloud in the first quarter of Fiscal Year 2023, Ginnie Mae remains committed to its pursuit of innovation and technological transformation that is now more readily available, ensuring digital collateral expansion and progress toward loan-level capabilities.

With the successful implementation of its issuer net worth and liquidity requirements in the fourth quarter of Fiscal Year 2023, Ginnie Mae will continue to monitor issuer progress toward compliance with its Risk-Based Capital Ratio requirements effective in December 2024. In this current market environment, Ginnie Mae remains laser-focused on solutions to address and mitigate counterparty risks in the future. Ginnie Mae's issuers are partners in carrying out its mission to expand access to affordable lending and housing for millions of underserved Americans, and ensuring the resilience of the market and industry through economic cycles is a top priority.

As a successful social impact company, Ginnie Mae remains steadfast in its core priorities to promote affordable housing finance, create liquidity and stability in the MBS ecosystem, and harness the capital markets for the public good. To that end, Ginnie Mae will continue to expand its work related to impact disclosures, make additional programmatic changes to support manufactured housing finance, and look to expand access to the Ginnie Mae Guaranty for lenders that have historically been unable to participate. Ginnie Mae will also continue making programmatic enhancements that support the liquidity needs of its issuers.

The business results in Fiscal Year 2023 are a testament to Ginnie Mae's resilience and ability to manage the headwinds of the current changes in the industry. To continue its successes, Ginnie Mae will need appropriate resources to achieve its objectives and program modernizations as well as to adequately prepare for and respond to market disruptions. Despite generating significant revenue, Ginnie Mae relies on Congressional appropriations to fund all staffing and expenses. Incremental growth in Ginnie Mae's funding over the years, disproportionate to significant increases in its portfolio, impacts Ginnie Mae's ability to carry out its statutory purpose to support critical primary market government programs in the secondary market. Looking ahead to the next 55 years, Ginnie Mae will continue to advocate for greater resources ever focused on its mission to ensure stability, affordability, and access to mortgage credit for government housing programs that create a more equitable housing finance system for all.

Ginnie Mae staff members pose for a picture at the Ginnie Mae 55th anniversary celebration event.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis (MD&A) of the financial position and results of operations of Ginnie Mae for the Fiscal Years ended September 30, 2023 and 2022. This MD&A should be read in conjunction with Ginnie Mae's financial statements and related notes, included in this annual report, and issued to Congress.

MISSION

Ginnie Mae's mission is to provide liquidity and stability to the housing finance system by guaranteeing mortgage-backed securities (MBS) collateralized by mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture (USDA), and the Office of Public and Indian Housing (PIH). Our primary focus in 2023 was ensuring liquidity and stability for issuers and managing counterparty risks to ensure the health and sustainability of the housing finance system during the current high interest rate environment. We also stayed focused on our investor base, both domestic and international, continuing to communicate the inherent value proposition of our mortgage bond programs. Specifically, we made progress on our MBS investor data disclosures, and sustainability framework to convey Ginnie Mae's social impact and our ability to provide a unique opportunity for values-aligned fixed income-investments. We also continued to pursue our mission through implementing policies and initiatives to broaden support to issuer and MBS market liquidity, enhancing the value of Ginnie Mae securities, and advancing the digitalization and optimization of the MBS program.

ECONOMIC ENVIRONMENT

In 2023, the housing market faced challenging macroeconomic conditions from a high inflationary environment, rising interest rates, and the residual impact of the COVID-19 pandemic, all of which impact Ginnie Mae.

The Federal Reserve approved six consecutive interest rate increases varying between 25 and 75 basis points during Fiscal Year 2023 in response to inflation, which rose 3.70% over the last 12 months, as measured by Consumer Price Index (CPI). The current housing market continues to present affordability challenges for many households, driven by home price appreciation and higher interest rates. The lack of affordable housing supply is exacerbated by inflation and higher costs to construct new housing. The 30-year fixed-rate mortgage (FRM) rate increased to 7.31% as of September 30, 2023, compared to 6.70% as of September 30, 2022, which is its highest level since 2000. This 0.61% increase caused mortgage application volume to fall to the lowest level since 1997.

Despite these market headwinds, Ginnie Mae continued to experience portfolio growth, generate a strong revenue stream of guaranty fees, and ended the year with significantly positive results of operations. The ensuing sections provide more details on the impact of these macroeconomic factors on Ginnie Mae's business.

Key Market Economic Indicators

Below we discuss how the relevant macroeconomic conditions can influence our business and financial results. The key economic indicators include interest rates, along with broad macroeconomic factors including GDP, the unemployment rate, and personal consumption. Our forecasts and expectations are based on many assumptions, subject to many uncertainties and may change, perhaps substantially, from our current forecasts and expectations.

How Interest Rates Can Affect Our Business

Fair value gains (losses)

Ginnie Mae is exposed to fair value gains and losses resulting from changes in interest rates, primarily through the fair value measurement of the guaranty asset, forward mortgage loans, and reverse mortgage loans and the related home equity conversion mortgage (HECM) mortgage-backed security (MBS, collectively HMBS) obligations.

- Discount rate: As interest rates rise, Ginnie Mae's estimated discount factor increases. The discount factor is used to measure the fair value of future cash flows. All else equal, higher discount rates used in the valuation of these financial assets and liabilities would result in lower fair value estimates of these items. Conversely, a lower discount factor used in the fair value estimate of these assets and liabilities would result in a higher fair value.
- Borrower rate: For variable rate loans, which represent the majority of reverse mortgage loans and the related HMBS obligations, the borrower's interest rate resets to current market interest rates. Accordingly, net cash flows typically increase when borrower's interest rates are higher. However, this increase can be outweighed by the impact that changes the interest rates have on the discount rates used in this valuation. In this current period of rising interest rates, the increase in borrower rates had more of an impact than the increase in the discount rate on reverse mortgage loans.
- Prepayment rate: Increases in interest rates usually lengthen the expected lives of mortgage loans, as borrowers are less likely to refinance or make additional payments, thus lowering prepayment rates. Similarly, decreases to interest rates increase the likelihood that borrowers refinance or make additional payments, which increases prepayment rates. Lower prepayment rates lengthen the weighted-average life used in estimating the guaranty asset, which has a beneficial effect on its valuation. However, this positive increase can be outweighed by the effect that changes in interest rates have on the discount rates used in this valuation. In the current year, the increase in the discount rate had more of an impact than the benefit gained from lower prepayment rates on guaranty asset.

Counterparty credit risk

Changes in interest rates can drive adjustments to the cost of financing for issuers. As interest rates rise, so too does the cost of financing for MBS issuers. Increases in the cost of financing, coupled with lower origination volumes characteristic of high interest rate environments can increase liquidity pressure on issuers. Refer to Risk Factors section below for more details on counterparty credit risk.

How GDP, the Unemployment Rate, and Personal Consumption Can Affect Our Business

General economic indicators such as GDP, the unemployment rate, and personal consumption can have a broad effect on businesses, including Ginnie Mae, and influence many aspects of the mortgage industry, such as the demand for housing and borrower default rates.

- Housing demand: During periods of economic prosperity demand for housing is higher, which can lead to increased mortgage originations, refinancings, and thus MBS issuances. Higher MBS issuances can increase the growth rate of Ginnie Mae's MBS portfolio, as well as MBS program income, most notably in the form of guaranty fees and commitment fees. The opposite is true in a slowing economy, when unemployment rates may be higher and personal consumption and demand for housing is lower. In these situations, the growth rate could become stagnant or decrease. In 2023, housing demand declined, which resulted in less MBS issuances.
- Default rates: Elevated unemployment rates and lower income growth can also limit borrowers' ability to meet their financial obligations, leading to higher default rates. Although unemployment remained low and income continued to grow in the current year, default rates increased in the high interest environment, resulting in a slight increase in credit losses. However, the severity of credit losses Ginnie Mae incurs on defaulted loans is minimized by the added layers of risk absorption that Ginnie Mae is positioned behind. In addition to borrowers' home equity and issuers' capital, Ginnie Mae has the added protection of the insurance of other federal agencies (FHA, VA, USDA, and PIH). This means that Ginnie Mae's most significant exposure to losses would be to the extent costs (e.g., foreclosure costs) are incurred that are not subject to reimbursement by the insurers.

HOME EQUITY CONVERSION MORTGAGE-BACKED SECURITY (HMBS) ISSUER EXTINGUISHMENT

In December 2022, Ginnie Mae extinguished a defaulted home equity conversion mortgage (HECM) issuer. In instances where a Ginnie Mae issuer defaults, and is terminated and extinguished, Ginnie Mae stands by its guaranty and steps into the role of the issuer. This entails assuming all servicing rights and obligations of the issuer's guaranteed portfolio, including making timely pass-through payments. This was the first extinguishment event of a HECM issuer by Ginnie Mae and thus the first time that Ginnie Mae was required to onboard a substantial portfolio of HECM loans and corresponding HMBS obligations.

HECMs provide seniors aged 62 and older with a loan secured by their home, which can be taken as a lump sum, line of credit, or scheduled payments. HECM loan balances grow over the loan term through borrower draws of scheduled payments or line of credit draws, funded by the issuer, as well as through the accrual of interest, servicing fees, and FHA mortgage insurance premiums.

In relation to forward mortgages, HECM loans are more complex to service. A combination of the defaulted issuer portfolio size and product complexity posed a significant operational challenge for Ginnie Mae. Nevertheless, Ginnie Mae, in coordination with the Master Sub-Servicers (MSS) to whom servicing was delegated, ensured that minimal disruption was felt by borrowers and investors alike. This effort is a testament to Ginnie Mae's ability to step into the role of the issuer when necessary, stand behind its guaranty of timely payments to investors, and provide stability to the mortgage industry.

FINANCIAL POSITION

As highlighted in *Figure 1*, total assets as of September 30, 2023, increased to $60.2 billion from $39.5 billion as of September 30, 2022. Total liabilities were $29.4 billion, and investment of the U.S. Government was $30.8 billion as of September 30, 2023, compared to $9.7 billion and $29.8 billion during the same period in the prior year. The significant increase in both total assets and total liabilities were driven by the onboarding of HECM loans and corresponding HMBS obligations associated with the aforementioned HECM issuer default.

In Fiscal Years 2023 and 2022, Ginnie Mae generated ample cash to fund its operations. As of September 30, 2023, Ginnie Mae held unrestricted cash and cash equivalents of $28.5 billion, which is an increase of approximately $0.8 billion from $27.7 billion as of September 30, 2022. Restricted cash and cash equivalents totaled $1.7 billion as of September 30, 2023, which is an increase of approximately $0.3 billion from $1.4 billion as of September 30, 2022. Ginnie Mae has increased its total cash and cash equivalents[1] balances for eight continuous years since 2015.

Ginnie Mae adopted the Current Expected Credit Loss (CECL) Standard in the Fiscal Year beginning October 1, 2022. Since the adoption of CECL, Ginnie Mae elected the fair value option (FVO) on mortgage loans held for investment including accrued interest, net, now recorded as forward mortgage loans, at fair value, which was $1.4 billion as of September 30, 2023. Prior to the adoption of CECL, the mortgage loans held for investment including accrued interest, net was $1.6 billion as of September 30, 2022. It has steadily been declining since 2015 as loans pay down as a result of scheduled and unscheduled payments or transitioned to foreclosure and to Real Estate Owned (REO) properties. Due to the aforementioned HECM issuer default in December 2022, two new Financial Statement Line Items (FSLI) were added to the Balance Sheet as of September 30, 2023, and they are the primary drivers for the increase in total assets and liabilities: Reverse mortgage loans, at fair value amounted to $19.5 billion and HMBS obligations, at fair value amounted to $19.1 billion. The guaranty asset was $8.4 billion as of September 30, 2023, which represents 13.87% of total assets, compared to $8.6 billion as of September 30, 2022, a decrease of $0.2 billion. The guaranty liability for Fiscal Year 2023 is $9.4 billion, which represents 31.92% of total liabilities and is compared to $9.0 billion as of September 30, 2022, an increase of $0.4 billion.

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[1] Total cash and cash equivalents include restricted and unrestricted cash, which also includes short-term investments.

FIGURE 1 – SELECTED FINANCIAL DATA FROM BALANCE SHEET

	September 30, 2023 *(Dollars in thousands)*	**September 30, 2022** *(Dollars in thousands)*
Assets:		
Cash and cash equivalents	$ 28,494,701	$ 27,661,211
Restricted cash and cash equivalents	$ 1,683,383	$ 1,441,925
Mortgage loans held for investment including accrued interest, net	-	$ 1,570,208
Forward mortgage loans, at fair value	1,435,663	-
Reverse mortgage loans, at fair value	19,525,649	-
Guaranty asset	$ 8,352,885	$ 8,595,302
Other assets[2]	$ 709,625	$ 249,585
Total Assets	**$ 60,201,906**	**$ 39,518,231**
Liabilities:		
Liability for loss on mortgage-backed securities program guaranty	$ 111,115	$ 10,934
Guaranty liability	$ 9,371,617	$ 8,966,555
HMBS obligations, at fair value	$ 19,147,154	-
Other liabilities[3]	$ 730,768	$ 692,289
Total Liabilities	**$ 29,360,654**	**$ 9,669,778**
Investment of U.S. Government	$ 30,841,252	$ 29,848,453
Total Liabilities and Investment of U.S. Government	**$ 60,201,906**	**$ 39,518,231**

[2] Other assets include Accrued fees and other receivables; Claims receivable, net; Advances, net; Acquired property, net; Fixed assets, net; Reimbursable costs receivable, net; and Other assets.

[3] Other liabilities include Accounts payable and accrued liabilities; Deferred liabilities and deposits; Deferred revenue; and Liability for representations and warranties.

LIQUIDITY AND CAPITAL ADEQUACY

Ginnie Mae reported $30.2 billion total cash and cash equivalents as of September 30, 2023, an increase of approximately $1.1 billion from $29.1 billion as of September 30, 2022. Total cash and cash equivalents included $21.2 billion and $9.0 billion of U.S. Treasury overnight certificates and Funds with U.S. Treasury[4], respectively, as of September 30, 2023, compared to $18.5 billion and $10.6 billion, respectively, as of September 30, 2022. MBS Guaranty Fees, driven by the outstanding unpaid principal balance (UPB) of Ginnie Mae's guaranteed MBS portfolio, continued to provide a strong source of cash at $1.5 billion collected, which is consistent with previous years. The overall increase to cash and cash equivalents was mainly attributed to guaranty income and interest income from our investments in U.S. Treasury overnight certificates, which benefited from a high interest rate environment.

Ginnie Mae's MBS guaranty is backed by the full faith and credit of the U.S. Government. Currently, Ginnie Mae's activities are self-financed and do not require financial assistance from the U.S. Government. Rather, Ginnie Mae generates income, which increases U.S. Government receipts. Ginnie Mae's management believes that the organization should continue to maintain adequate cash reserves to withstand downturns in the housing market that could cause issuer defaults to increase. Title III of the National Housing Act authorizes Ginnie Mae to issue obligations to the U.S. Treasury in an amount sufficient to enable Ginnie Mae to service MBS portfolios for which Ginnie Mae has defaulted and extinguished. On September 15, 2023, Ginnie Mae and Treasury entered into a borrowing agreement that establishes the operating procedures for this long-standing authority and the specific terms and conditions for loans from Treasury to Ginnie Mae. This agreement provides Ginnie Mae additional flexibility to service defaulted MBS portfolios. As of September 30, 2023, Ginnie Mae has not exercised its borrowing authority and has no apportioned borrowing authority.

Ginnie Mae's primary uses of cash consist of administrative and contractor costs related to the support of its MBS guaranty program. Refer to the *Results of Operations – Revenues and Expenses* section for further detail. Purchases of forward mortgage loans, at fair value were $31.2 million in

[4] Funds with U.S. Treasury balance includes Deposit in Transit.

Ginnie Mae Special Advisor to the President Britt Van poses with Principal Executive Vice President Sam Valverde, President Alanna McCargo, Chief of Staff Felecia Rotellini, and Senior Advisor for Strategic Operations and Interim Executive Vice President and Chief Operating Officer Laura M. Kenney on a Washington DC rooftop overlooking the Capitol during Ginnie Mae's 55th Anniversary celebration.

Fiscal Year 2023 and purchases of loans held for investment were $16.7 million in Fiscal Year 2022. Ginnie Mae seizes MSRs in the event of issuers' default, at which point Ginnie Mae assumes the role of the defaulted and extinguished issuer. Due to the HMBS issuer extinguishment, Ginnie Mae stepped into the role of the issuer during Fiscal Year 2023. In this role, Ginnie Mae purchased $695.8 million in reverse mortgage loans, at fair value, representing additional principal draws by borrowers and made $3.4 billion in payments to HMBS investors on HMBS obligations. Conversely, $1.5 billion in proceeds from repayments of reverse mortgage loans were received from borrowers. Next, purchases of fixed assets were $13.6 million in Fiscal Year 2023 and $19.3 million in Fiscal Year 2022, respectively. Ginnie Mae's fixed asset purchases include commercial software, hardware, and internally developed software.

Further, Ginnie Mae maintained highly favorable expense coverage and efficiency ratios throughout Fiscal Years 2023 and 2022, which is indicative of healthy cash flow and effective cost management. Expense coverage ratio measures Ginnie Mae's ability to generate enough cash to satisfy cash requirements of routine operations. Ginnie Mae's expense coverage ratio decreased from 77.5 in Fiscal Year 2022 to 53.5 in Fiscal Year 2023, primarily because of additional MBS program expenses associated with the onboarding of the extinguished issuer's HECM portfolio. While this represents a decrease year over year, this ratio continues to demonstrate Ginnie Mae's strong cash position. Efficiency ratio shows Ginnie Mae's ability to utilize resources effectively; an efficiency ratio of 50% or under is considered optimal. See *Figure 2* for Balance Sheet Highlights and Liquidity Analysis.

FIGURE 2 – BALANCE SHEET HIGHLIGHTS AND LIQUIDITY ANALYSIS

	For the year ended September 30, 2023 *(Dollars in thousands)*	**For the year ended September 30, 2022** *(Dollars in thousands)*
Balance Sheet Highlights		
Total Cash and cash equivalents	$ 30,178,084	$ 29,103,136
Other	$ 30,023,822	$ 10,415,095
Total Assets	**$ 60,201,906**	**$ 39,518,231**
Total Liabilities	**$ 29,360,654**	**$ 9,669,778**
Liquidity Analysis		
Total UPB Outstanding[5]	$ 2,472,843,019	$ 2,284,456,605
Investment of U.S. Government as a Percentage of Average Total Assets[6]	51.47%	77.29%
Expense Coverage Ratio[7]	53.5	77.5
Efficiency Ratio[8]	20.44%	19.61%

[5] Unpaid Principal Balance (UPB) of Ginnie Mae MBS.

[6] Investment of U.S. Government divided by Average Total Assets.

[7] Cash and cash equivalents divided by the non-interest expense exclusive of fixed asset amortization.

[8] Non-interest expense exclusive of fixed asset amortization divided by the total revenue exclusive of income that does not provide actual cash flow. See Results of Operations section for description of non-real cash flow income.

RESULTS OF OPERATIONS

Explanation and Reconciliation of Ginnie Mae's Use of Non-GAAP Financial Measures and Key Performance Measures

Throughout this MD&A, non-GAAP financial measures are used to provide users with meaningful insights into Ginnie Mae's results for the period presented. Non-GAAP financial measures represent the comparable GAAP financial measures adjusted for certain items outside of normal business operations. Whenever used, non-GAAP financial measures are reconciled to GAAP measures to show adjustments applied.

Below are the non-GAAP financial measures used in this MD&A:

Non-GAAP Results of Operations (Earnings)

To arrive at non-GAAP earnings, GAAP results of operations are adjusted for expense or income items that do not involve any real cash flow impact for Ginnie Mae, as shown in the table below:

FIGURE 3 – NON-GAAP RESULTS OF OPERATIONS FOR FISCAL YEARS 2023 AND 2022

	For the year ended September 30, 2023 *(Dollars in thousands)*	**For the year ended September 30, 2022** *(Dollars in thousands)*
GAAP Results of Operations	$ 937,606	$ 1,057,482
Adjustments for non-real cash flow items:		
Income on guaranty obligation	$ (824,828)	$ (2,034,881)
Total Non-cash Other (Gains)/Losses[9]	$ 2,201,391	$ 2,401,948
Total (Recapture) / Provision	$ (7,601)	$ 21,783
Fixed Asset Amortization	$ 18,545	$ 19,725
Non-GAAP Results of Operations	**$ 2,325,113**	**$ 1,466,057**

[9] Total Non-cash Other (Gains)/Losses includes Gain (Loss) on Guaranty Asset, Gain (Loss) other, Gain (Loss) on forward mortgage loans, at fair value (applicable to Fiscal Year 2023 only); Gain (Loss) on reverse mortgage loans, at fair value (applicable to Fiscal Year 2023 only); Gain (Loss) on HMBS obligations, at fair value (applicable to Fiscal Year 2023 only); and Gain (Loss) on acquisition of HMBS obligations, at fair value (applicable to Fiscal Year 2023 only).

Free Cash Flow

As Ginnie Mae is expected to have enough cash reserves to satisfy our guaranty to investors, our free cash flow has been determined as cash flow from operating activities.

FIGURE 4 – FREE CASH FLOW FOR FISCAL YEARS 2023 AND 2022

	For the year ended September 30, 2023 *(Dollars in thousands)*	**For the year ended September 30, 2022** *(Dollars in thousands)*
Cash Generated from Operating Activities	$ 3,400,448	$ 1,503,177
Adjustments for:		
Purchases of Fixed Assets	$ (13,628)	$ (19,300)
Free Cash Flow	**$ 3,386,820**	**$ 1,483,877**

Revenues

Ginnie Mae generated positive results of operations (i.e., net gain) of $0.9 billion in Fiscal Year 2023, compared to positive results of operations of $1.1 billion in Fiscal Year 2022, a decrease of $0.2 billion from 2022. The decrease was largely driven by a $1.2 billion decrease in income on guaranty obligation, which was $0.8 billion in 2023, compared to $2.0 billion in 2022. This decrease in income on guaranty obligation represents a decrease in guaranty obligation amortization of prior issuances, mainly driven by the decreased prepayment and refinancing activities resulting from higher interest rate in Fiscal Year 2023, which led to a lower rate of amortization of the UPB of MBS. The decrease in results of operations was partially offset by a $0.9 billion decrease in loss on guaranty asset, which was $1.5 billion in 2023, compared to $2.4 billion in 2022. The decrease in loss on guaranty asset was mainly driven by lower paydowns resulting from the higher interest rate. Ginnie Mae's core business and overall cash position remains strong in 2023 as evidenced by positive non-GAAP Earnings of $2.3 billion, compared to positive non-GAAP Earnings of $1.5 billion in 2022 due to increased interest income when rates move higher.

Ginnie Mae's profitability ratios remain strong. As of September 30, 2023, Ginnie Mae's non-GAAP Results of Operations (Earnings) as a percentage of Average Total Assets is 3.88%, compared to 3.80% as of September 30, 2022. The ratio demonstrates our ability to generate net earnings from our core business and highlights Ginnie Mae's actual performance. For more profitability metrics, see *Figure 5* for Highlights from Statement of Revenues and Changes in Investment of U.S. Government and Profitability Ratios.

FIGURE 5 – HIGHLIGHTS FROM STATEMENT OF REVENUES AND CHANGES IN INVESTMENT OF U.S. GOVERNMENT AND PROFITABILITY RATIOS

	For the year ended September 30, 2023 *(Dollars in thousands)*	For the year ended September 30, 2022 *(Dollars in thousands)*
Highlights from Statement of Revenues and Changes in Investment of U.S. Government		
MBS program income[10]	$ 1,661,462	$ 1,688,362
Income on guaranty obligation	$ 824,828	$ 2,034,881
Other interest income	$ 944,298	$ 130,924
Total Revenues	**$ 3,430,588**	**$ 3,854,167**
Fixed asset depreciation and amortization	$ (18,545)	$ (19,725)
Administrative expenses	$ (46,786)	$ (41,315)
Mortgage-backed securities program and other expenses[11]	$ (477,109)	$ (313,837)
Acquired Property expenses, net	$ (8,833)	$ (1,610)
Total Expenses	**$ (551,273)**	**$ (376,487)**
Total Recapture (Provision)[12]	**$ 7,601**	**$ (21,783)**
Gain (loss) on forward mortgage loans, at fair value	(92,138)	-
Gain (loss) on reverse mortgage loans, at fair value	1,968,690	-
Gain (loss) on acquisition of HMBS obligations, at fair value	(282,679)	-
Gain (loss) on HMBS obligations, at fair value	(1,996,867)	-
Gain (loss) on guaranty asset	(1,545,856)	(2,401,950)
Gain (loss) other	(460)	3,535
Total Other Gains / (Losses)	**$ (1,949,310)**	**$ (2,398,415)**
Results of Operations	**$ 937,606**	**$ 1,057,482**
Non-GAAP Results of Operations (Earnings)	**$ 2,325,112**	**$ 1,466,057**

[10] MBS program income includes MBS guaranty fees; commitment fees; multiclass fees; other MBS program; income interest on mortgage loans held for investment (applicable to Fiscal Year 2022 only); and interest on pass-through assistance program receivable (applicable to Fiscal Year 2022 only).

[11] Mortgage-backed securities program and other expenses includes contractor expenses totaling $451.0 million and $308.8 million as of September 30, 2023 and 2022, respectively. Refer to Expenses section for further details.

[12] Total recapture (provision) includes mortgage-backed program guaranty, claims receivable; loss on uncollectible advances, recapture (provision) for mortgage loans held for investment including accrued interest, net (applicable to Fiscal Year 2022 only); and reimbursable cost (applicable to Fiscal Year 2022 only).

	For the year ended September 30, 2023 *(Dollars in thousands)*	For the year ended September 30, 2022 *(Dollars in thousands)*
Profitability Ratios		
Return on Average Total Assets[13]	1.56%	2.74%
Non-GAAP Results of Operations (Earnings) as a percentage of Average Total Assets[14]	3.88%	3.80%
Non-GAAP Results of Operation (Earnings) as a percentage of Total Revenues[15]	67.78%	38.04%

In Fiscal Year 2023, Ginnie Mae earned total revenues of $3.4 billion down from $3.9 billion in 2022. Revenue streams for Ginnie Mae mainly consist of MBS program income, income on guaranty obligation, and other interest income.

[13] Results of Operations divided by Average Total Assets.
[14] Non-GAAP Results of Operations divided by Average Total Assets.
[15] Non-GAAP Results of Operations divided by Total Revenues.

MBS Program Income

MBS program income consists primarily of guaranty fees, commitment fees, multiclass fees, and other MBS program income (e.g., Interest on Mortgage Loans Held for Investment). For Fiscal Year 2023, MBS program income was primarily driven by guaranty fees of $1.5 billion, followed by commitment fees of $85.2 million, and multiclass fees of $37.5 million. Combined, guaranty fees and commitment fees contributed 97.05% of total MBS program revenue for Fiscal Year 2023.

For Fiscal Year 2022, MBS program income was primarily driven by guaranty fees of $1.4 billion, followed by commitment fees of $130.5 million, gross interest on mortgage loans held for investment of $82.8 million, and multiclass fees of $33.6 million. Combined, guaranty fees, interest on mortgage loans held for investment, and commitment fees contributed 97.42% of total MBS program revenue for Fiscal Year 2022.

- ***Guaranty Fees*** – Ginnie Mae guarantees the payment of principal and interest pass-through payments, which are backed by the full faith and credit of the U.S. Government, to its MBS investors. Ginnie Mae charges a fee for providing this guaranty to each MBS mortgage pool. These fees are received over the life of Ginnie Mae securities. Guaranty fees are collected on the aggregate UPB of the guaranteed securities outstanding. The outstanding MBS portfolio balance as of Fiscal Year 2023 was $2.5 trillion, which increased by $188.4 billion compared to Fiscal Year 2022. MBS guaranty fees also grew year-over-year, by approximately 6.69% to $1.5 billion in Fiscal Year 2023. Please refer to *Figure 6* below for a more detailed view of UPB growth over the past three Fiscal Years.

FIGURE 6 – **UPB OUTSTANDING IN GINNIE MAE'S MBS PORTFOLIO FROM FISCAL YEAR 2021 TO FISCAL YEAR 2023**

- ***Commitment Fees*** - Ginnie Mae earns a fee for providing approved issuers with the authority to pool mortgages into Ginnie Mae MBS. This authority expires at the end of the 12th month from its approval for single-family, HMBS, and manufactured housing issuers and 24th month from its approval for multifamily issuers. Ginnie Mae receives commitment fees as issuers request commitment authority. Ginnie Mae issued $0.4 trillion in commitment authority in Fiscal Year 2023, a 21.75% decrease from Fiscal Year 2022, which was primarily due to higher interest rates and inflation reducing the demand for mortgages and consequently new MBS issuance. Ginnie Mae recognizes the commitment fees as earned when issuers use their commitment authority. Total commitment fees earned in Fiscal Year 2023 were $85.2 million, compared to $130.5 million earned in Fiscal Year 2022. Commitment Fees are deferred until earned or expired, whichever occurs first. As of September 30, 2023 and 2022, commitment fees deferred totaled $28.2 million and $31.6 million, respectively.

- ***Multiclass Fees*** - Multiclass fees are one-time upfront fees related to the issuance of multiclass products. Multiclass fees are part of MBS program revenue and consist of Real Estate Mortgage Investment Conduits (REMIC) and Platinum Securities Program fees. Ginnie Mae guaranteed approximately $35.1 billion of newly issued Platinum Certificates in Fiscal Year 2023, compared to $46.1 billion of newly issued Platinum Certificates in Fiscal Year 2022. Fees earned on Platinum Certificates totaled $7.6 million for both Fiscal Year 2023 and 2022. Ginnie Mae guaranteed REMIC issuances of $108.8 billion in Fiscal Year 2023, compared to $150.1 billion in Fiscal Year 2022. Fees earned on REMIC securities for Fiscal Year 2023 totaled $29.9 million, compared to $26.1 million for Fiscal Year 2022. REMIC fees consist of a guaranty fee and may include a Modification and Exchange (MX) combination fee. MX combination fees allow sponsors to combine REMIC and/or MX securities at the time of issuance. Ginnie Mae recognizes the MX combination portion of the REMIC fee in the period it is received. Platinum Securities Program fees, as well as the guaranty fee portion of the REMIC fees are deferred and amortized into income evenly over the contractual life of the underlying financial instruments. As of September 30, 2023 and 2022, REMIC and Platinum Securities Program fees deferred totaled $580.3 million and $563.1 million, respectively.

  The outstanding balance of multiclass securities as of September 30, 2023, was $737.9 billion, of which $139.9 billion and $598.0 billion were Platinum and REMIC securities, respectively. This represents a $78.9 billion increase from the $659.0 billion outstanding balances as of September 30, 2022, of which $117.4 billion and $541.6 billion were Platinum and REMIC securities, respectively.

- ***Interest on Mortgage Loans Held for Investment (prior to the adoption of CECL - Fiscal Year 2022)*** - Ginnie Mae accrues interest for loans at the contractual interest rate of the underlying mortgage unless the loans become 90 days past due, at which point the loans are placed on nonaccrual or modified accrual status. In Fiscal Year 2022, gross interest on mortgage loans held for investment was $82.8 million. Subsequent to the adoption of CECL, beginning Fiscal Year 2023, accrued interest is part of the unit of account for forward mortgage loans, at fair value. Accordingly, interest income is recognized in the Gain (loss) on forward mortgage loans, at fair value financial statement line item. This totaled $73.5 million as of September 30, 2023, which was primarily driven by a decrease in the outstanding balance of forward mortgage loans.

Income on Guaranty Obligations

The guaranty obligation represents the non contingent liability for Ginnie Mae's obligation to stand ready to perform its guaranty. Ginnie Mae amortizes the guaranty obligation into revenue based on the declining UPB of MBS pools. In Fiscal Year 2023, income on guaranty obligation was $0.8 billion, which is 24.04% of total revenues and decreased by $1.2 billion compared to Fiscal Year 2022.

Other Interest Income

Ginnie Mae invests excess cash held within the Capital Reserve Account and the Liquidating Account in U.S. Treasury overnight certificates. Ginnie Mae's interest income increased significantly in Fiscal Year 2023 due to the significant increase in the U.S. Treasury overnight rate as well as an increase in the U.S. Treasury Securities balance as compared to Fiscal Year 2022. In Fiscal Year 2023, interest income on U.S. Treasury overnight certificates increased to $944.3 million, up from $130.9 million in Fiscal Year 2022.

Expenses

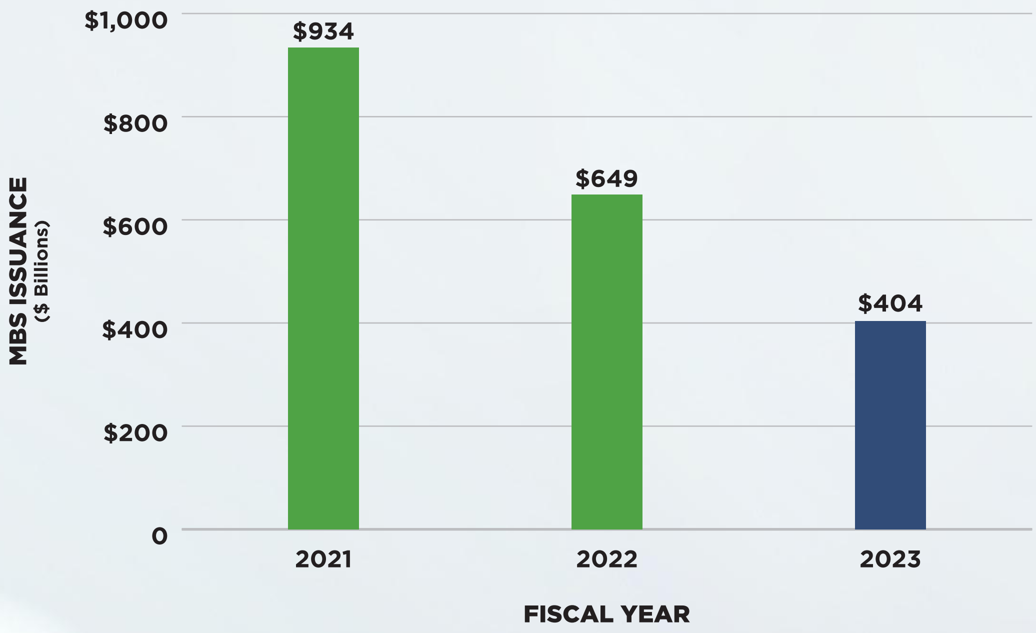
Total expenses increased by 46.43% to $551.3 million in Fiscal Year 2023, compared to $376.5 million in Fiscal Year 2022, an increase of $174.8 million. The increase was associated with higher servicing fee expense due to the extinguishment and onboarding of an HMBS issuer's portfolio in December 2022.

In recent years, Ginnie Mae's staffing model has been characterized by modest levels of permanent staff complemented by private firms or consultants that provide certain operational support services on a contractual basis. This relationship is integral to Ginnie Mae's business model and will continue to be an important part of Ginnie Mae's approach. In Fiscal Year 2023, Ginnie Mae's total contractor expenses were 81.82% of total expenses, compared with 82.03% in Fiscal Year 2022.

MBS PROGRAMS, ISSUANCES, AND PORTFOLIO GROWTH

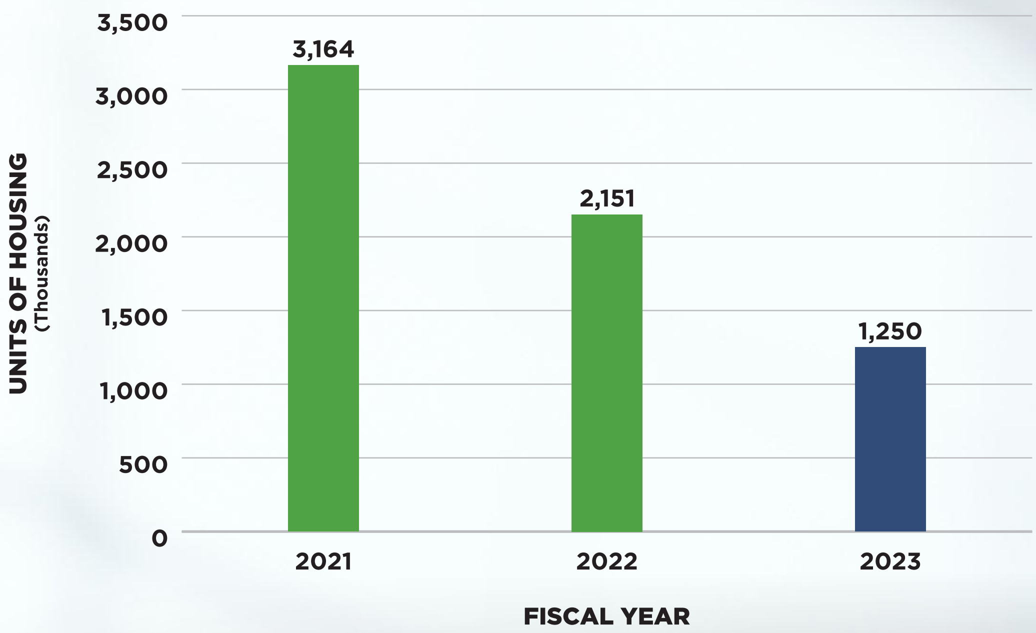
Fiscal Year 2023 showed a decrease in Ginnie Mae MBS issuances mainly due to the rising interest rate environment causing a decline in mortgage applications and refinance activity. Ginnie Mae MBS issuances decreased by 37.74% to $404.4 billion in Fiscal Year 2023 from Fiscal Year 2022, as shown in *Figure 7*.

FIGURE 7 – GINNIE MAE MBS ISSUANCES FROM FISCAL YEAR 2021 TO FISCAL YEAR 2023



As shown in *Figure 8* below, Ginnie Mae supported approximately 1.2 million units of housing for individuals and families in Fiscal Year 2023, a 41.91% decline from Fiscal Year 2022 due to the rising interest rates. The current total outstanding UPB in Ginnie Mae's MBS portfolio balance of $2.5 trillion represents over 11.5 million active loans. As of September 30, 2022, the total outstanding Ginnie Mae MBS portfolio of $2.3 trillion represents over 11.0 million active loans. Ginnie Mae has guaranteed approximately $10.2 trillion in MBS since its inception.

FIGURE 8 – TOTAL HOUSING UNITS FINANCED BY GINNIE MAE'S SINGLE-FAMILY, MULTIFAMILY, AND MANUFACTURED HOUSING PROGRAMS FROM FISCAL YEAR 2021 TO FISCAL YEAR 2023



Senior Vice President of the Office of Enterprise Data and Technology Solutions Barbara Cooper-Jones speaks to an audience at the Ginnie Mae Digital Collateral Summit.

Single-Family Program

Ginnie Mae's Single-Family Program is the conduit for government insured/guaranteed mortgage lending to the worldwide capital markets. This program allows borrowers in government programs to reap the benefits of the full faith and credit of the United States by adding liquidity into the market in order to lower their borrowing costs.

Ginnie Mae's Single-Family Program consists of single-family mortgages originated for the purchase, construction, or renovation of single-family homes originated through FHA, VA, USDA, and PIH loan insurance/guaranty programs. The vast majority of the mortgages in Ginnie Mae securities are insured by FHA and VA. FHA-insured loans accounted for 64.03% of Fiscal Year 2023 Ginnie Mae MBS issuances, while VA-insured loans accounted for 32.12%; USDA and PIH loans contributed to 3.85%. Comparatively, FHA-insured loans accounted for 59.62% of Fiscal Year 2022 Ginnie Mae MBS issuances, while VA-insured loans accounted for 35.64%; USDA and PIH loans contributed to 4.75%.

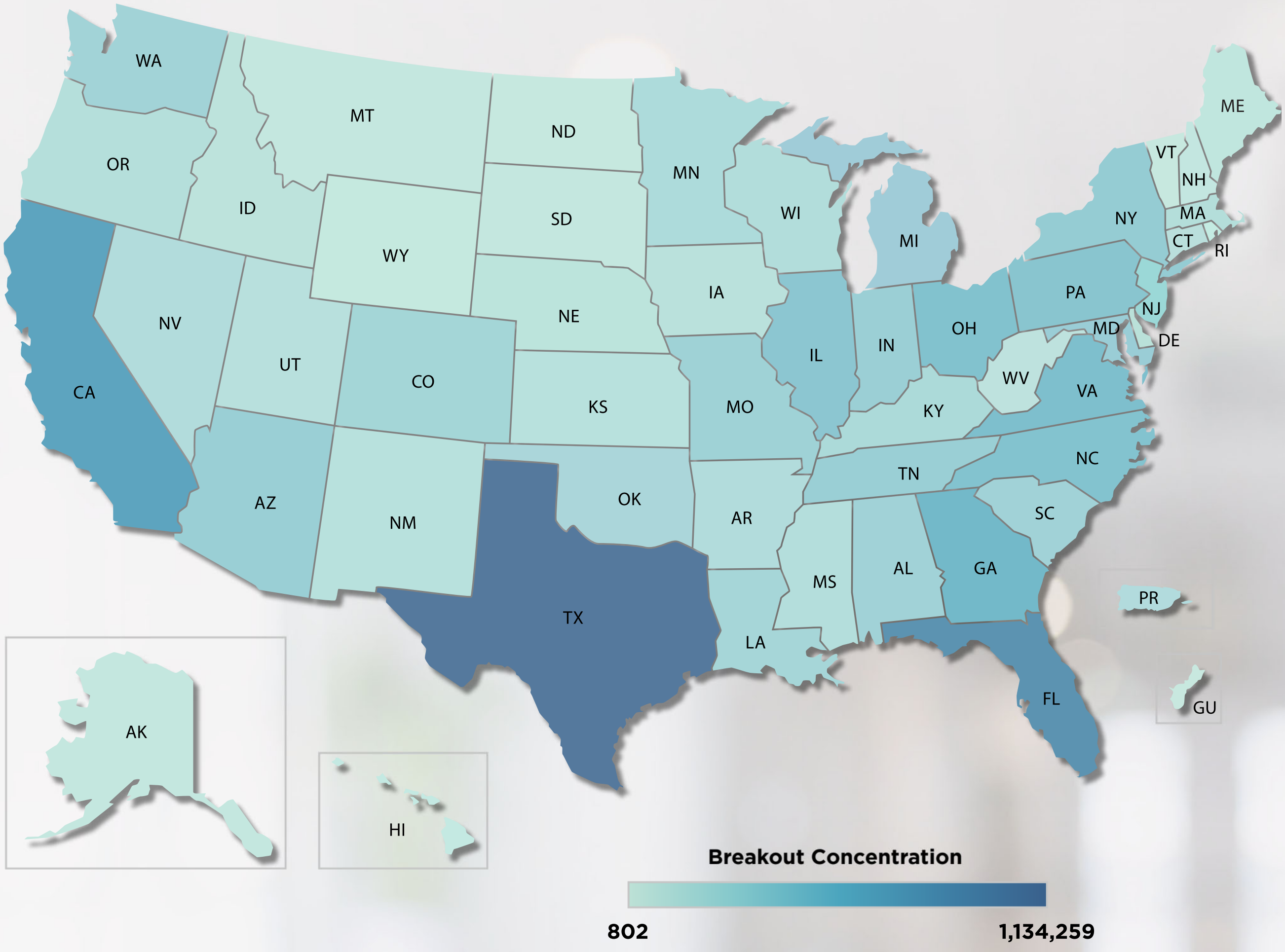
Ginnie Mae's portfolio of Single-Family FHA loans grew in Fiscal Year 2023 to a UPB of $1.2 trillion compared to $1.1 trillion at the end of Fiscal Year 2022. There were FHA loans in all 50 states, 3 territories, and the District of Columbia in Ginnie Mae pools as of September 30, 2023 and September 30, 2022.

In addition, Ginnie Mae's portfolio of Single-Family VA loans grew to a UPB of $940.2 billion compared to $883.3 billion in Fiscal Year 2022. There were VA loans in all 50 states, 3 territories, and the District of Columbia in Ginnie Mae pools as of September 30, 2023 and September 30, 2022.

Although other agencies and private issuers may pool FHA and VA insured loans for their own MBS or hold them in portfolios as whole loans, almost all FHA and VA loans are financed through Ginnie Mae securities. In Fiscal Year 2023, 98.08% of FHA fixed-rate loans and 97.31% of VA fixed-rate loans were placed into Ginnie Mae guaranteed MBS. In Fiscal Year 2022, 97.30% of FHA fixed-rate loans and 97.31% of VA fixed-rate loans were placed into Ginnie Mae guaranteed MBS. Since inception, Ginnie Mae has guaranteed $9.7 trillion in single-family MBS, helping to finance affordable and community-stabilizing single-family developments across the nation.

Although loans underlying our securities may not be concentrated in specific areas, Ginnie Mae has provided homeownership opportunities in every U.S. state and territory. *Figure 9* highlights the geographic distribution of single-family properties securing Ginnie Mae MBS as of September 30, 2023.

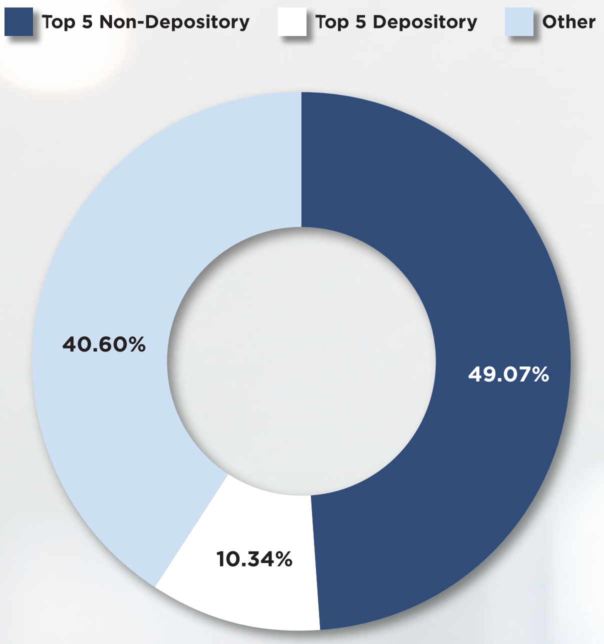
FIGURE 9 – GEOGRAPHIC DISTRIBUTION OF SINGLE-FAMILY PROPERTIES SECURING GINNIE MAE MBS AS OF SEPTEMBER 30, 2023



State	Loans	Percent of Total Loans	UPB
Texas	1,134,259	10.16	215,211,298,692
Florida	884,809	7.93	194,691,258,469
California	705,368	6.32	235,302,901,753
Georgia	513,583	4.60	95,936,329,484
Virginia	454,833	4.07	118,466,404,325
Ohio	432,103	3.87	57,606,564,924
North Carolina	425,128	3.81	77,528,770,743
Pennsylvania	395,115	3.54	59,618,631,744
Illinois	376,079	3.37	61,033,286,388
New York	311,884	2.79	66,476,496,279
Top 10 Total	**5,633,161**	**50.46**	**1,181,871,942,801**

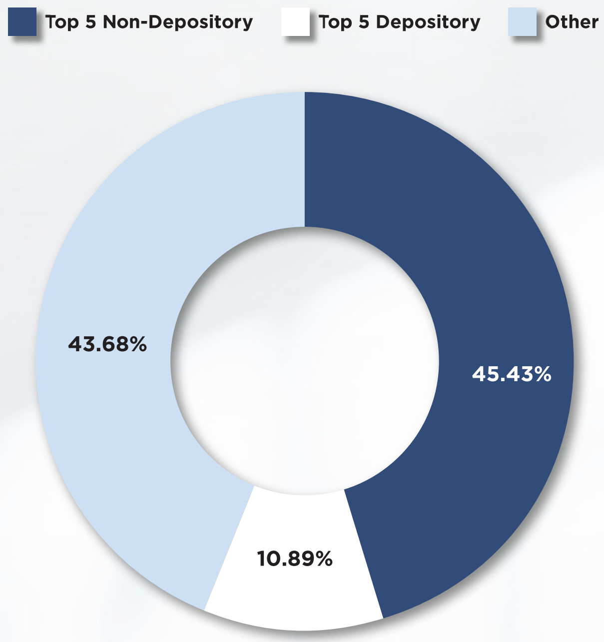
The figures below display the percentage of Ginnie Mae's single-family mortgages (measured by UPB) by Ginnie Mae's top five depository issuers and top five non-depository issuers.

FIGURE 10 – TOP FIVE DEPOSITORY AND NON-DEPOSITORY ISSUERS OF GINNIE MAE SINGLE-FAMILY MORTGAGES AS OF SEPTEMBER 30, 2023



AS OF SEPTEMBER 30, 2023

FIGURE 11 – TOP FIVE DEPOSITORY AND NON-DEPOSITORY ISSUERS OF GINNIE MAE SINGLE-FAMILY MORTGAGES AS OF SEPTEMBER 30, 2022



AS OF SEPTEMBER 30, 2022

As of September 30, 2023, Lakeview Loan Servicing, LLC, together with its affiliates, serviced approximately 13.42% of our single-family mortgages, compared with Freedom Home Mortgage Corporate, with its affiliates, which serviced approximately 12.06% as of September 30, 2022.

Figures 12 and *13* show the UPB of the top 10 single-family Ginnie Mae MBS issuers.

FIGURE 12 – UPB OF THE TOP 10 SINGLE-FAMILY GINNIE MAE MBS ISSUERS AS OF SEPTEMBER 30, 2023

Issuer Name	Category	UPB
Lakeview Loan Servicing, LLC	Non-Depository	$304,319,539,668
Freedom Home Mortgage Corporation	Non-Depository	$291,201,480,507
PennyMac Loan Services, LLC	Non-Depository	$263,859,411,506
Nationstar Mortgage, LLC	Non-Depository	$127,617,751,015
Newrez LLC	Non-Depository	$125,862,240,433
Rocket Mortgage, LLC	Non-Depository	$109,973,350,811
Carrington Mortgage	Non-Depository	$107,102,610,767
Wells Fargo Bank, NA	Depository	$101,794,042,300
Planet Home Lending	Non-Depository	$63,598,906,077
U.S. Bank, NA	Depository	$55,440,953,569
Other		$717,333,421,074

FIGURE 13 – UPB OF THE TOP 10 SINGLE-FAMILY GINNIE MAE MBS ISSUERS AS OF SEPTEMBER 30, 2022

Issuer Name	Category	UPB
Freedom Home Mortgage Corporation	Non-Depository	$251,551,717,948
PennyMac Loan Services, LLC	Non-Depository	$238,674,967,937
Lakeview Loan Servicing, LLC	Non-Depository	$238,349,564,718
Nationstar Mortgage, LLC	Non-Depository	$116,615,820,831
Wells Fargo Bank, NA	Depository	$114,702,748,205
Rocket Mortgage, LLC	Non-Depository	$102,758,249,037
Carrington Mortgage Services, LLC	Non-Depository	$79,157,855,544
Newrez LLC	Non-Depository	$66,123,821,468
Caliber Home Loans, Inc.	Non-Depository	$52,700,507,102
United Wholesale Mortgages, LLC	Non-Depository	$49,899,300,441
Other		$775,917,583,551

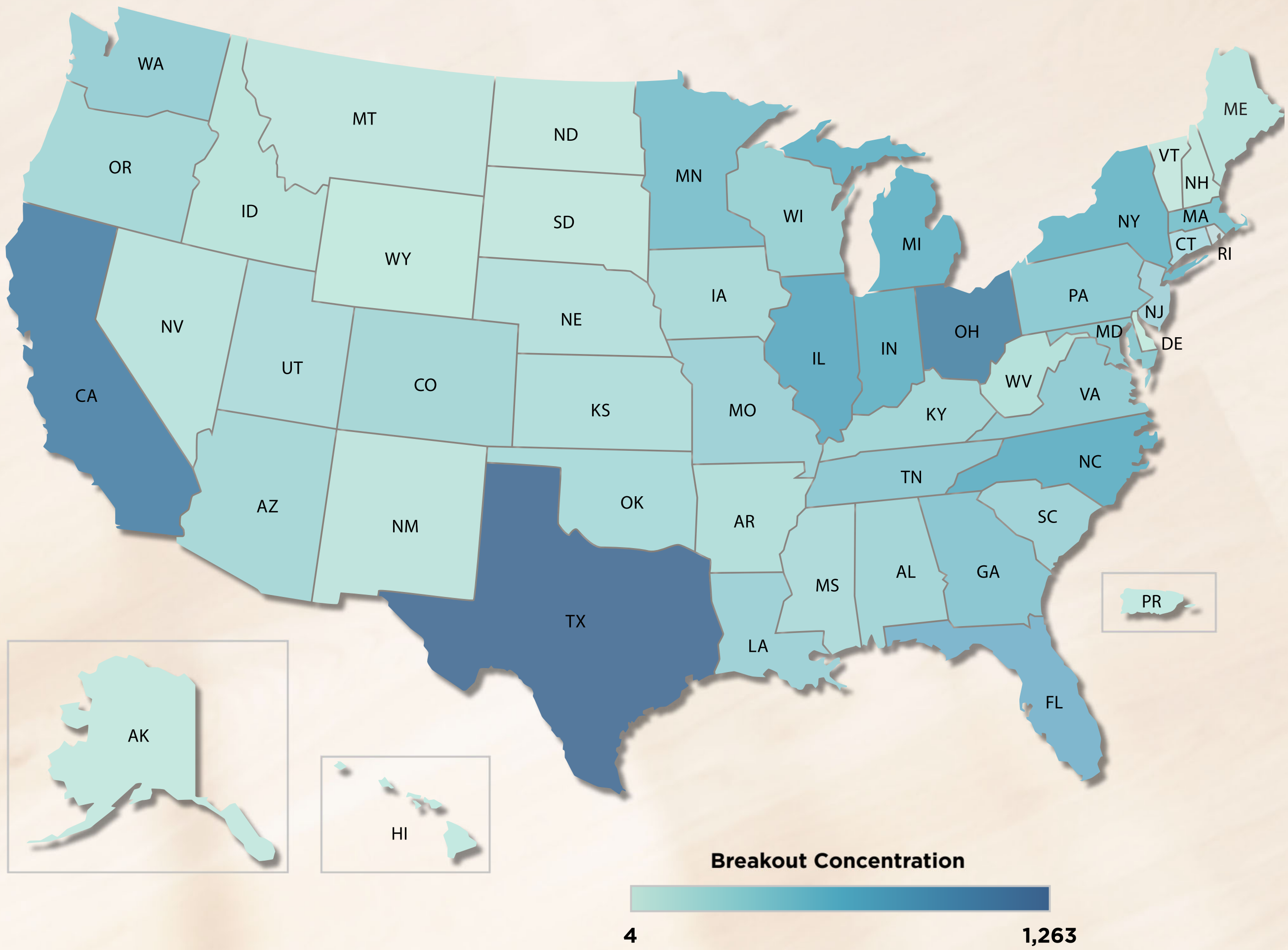
Multifamily Program

Ginnie Mae's Multifamily Program consists of FHA and USDA insured/guaranteed loans originated for the purchase, construction, or renovation of apartment buildings, hospitals, nursing homes, assisted living facilities, and other housing options. By guaranteeing pools of multifamily loans that are sold to investors in the global capital markets, Ginnie Mae enables issuers to reduce mortgage interest rates paid by property owners and developers. The guaranty also allows issuers to obtain a better price for the mortgage loans in the secondary mortgage market due to the decreased risk of default. The issuers can then use these proceeds to make new mortgage loans available at a competitive mortgage rate. In addition, these projects stabilize and bring jobs to communities across the country.

At the end of Fiscal Year 2023, Ginnie Mae guaranteed securities comprising 99.87% of eligible multifamily FHA loans. The Multifamily Program portfolio increased by $7.3 billion, from $141.9 billion at the end of Fiscal Year 2022 to $149.3 billion at the end of Fiscal Year 2023. This increase was consistent across FHA and USDA multifamily loans and was largely due to higher net new issuances compared to the liquidation caused by the ongoing housing shortage and continued demand for additional multifamily housing despite rising interest rates.

Figure 14 on the next page shows the geographic distribution of multifamily properties securing Ginnie Mae MBS as of September 30, 2023. Since 1971, Ginnie Mae has guaranteed $467.2 billion in multifamily MBS, helping to finance affordable and community-stabilizing multifamily housing developments across the nation.

FIGURE 14 – GEOGRAPHIC DISTRIBUTION OF MULTIFAMILY PROPERTIES SECURING GINNIE MAE MBS AS OF SEPTEMBER 30, 2023



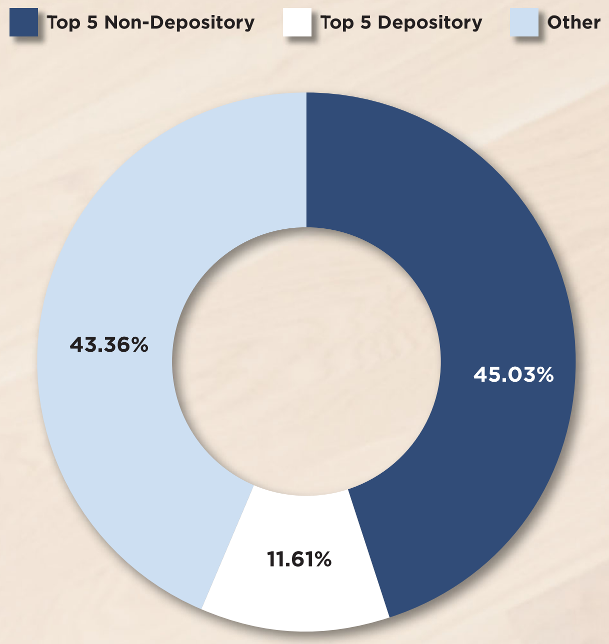
State	Loans	Percent of Total Loans	UPB
Texas	1,263	8.53	16,269,763,031
California	1,055	7.13	10,417,577,110
Ohio	1,029	6.95	5,801,698,903
Illinois	693	4.68	6,929,029,491
North Carolina	644	4.35	5,158,478,543
Michigan	614	4.15	4,632,908,122
Indiana	613	4.14	4,040,081,317
New York	577	3.90	10,599,835,821
Florida	543	3.67	7,475,098,605
Minnesota	482	3.26	4,306,854,350
Top 10 Total	**7,513**	**50.76**	**75,631,325,293**

Ginnie Mae's portfolio of Multifamily FHA loans grew in Fiscal Year 2023 to a UPB of $147.5 billion compared to $140.2 billion at the end of Fiscal Year 2022. There were FHA loans in all 50 states, 2 territories, and the District of Columbia in Ginnie Mae pools as of September 30, 2023 and September 30, 2022.

In addition, Ginnie Mae's portfolio of Multifamily USDA loans, grew in Fiscal Year 2023 to an outstanding UPB balance of $1.8 billion compared to $1.7 billion in Fiscal Year 2022. There were USDA loans in 47 states and 1 territory in Ginnie Mae pools as of September 30, 2023 and September 30, 2022.

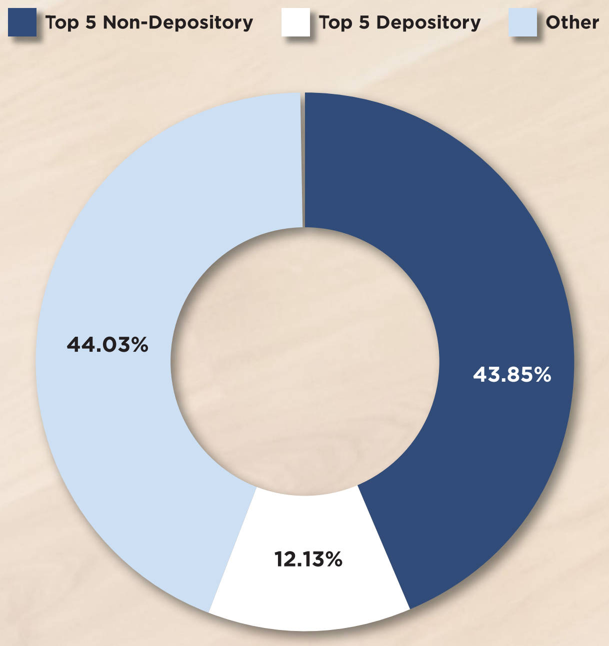
The figures below display the percentage of Ginnie Mae's multifamily loans (measured by UPB) by Ginnie Mae's top five depository issuers and top five non-depository issuers.

FIGURE 15 – TOP FIVE DEPOSITORY AND NON-DEPOSITORY ISSUERS OF GINNIE MAE MULTIFAMILY MORTGAGES AS OF SEPTEMBER 30, 2023



AS OF SEPTEMBER 30, 2023

FIGURE 16 – TOP FIVE DEPOSITORY AND NON-DEPOSITORY ISSUERS OF GINNIE MAE MULTIFAMILY MORTGAGES AS OF SEPTEMBER 30, 2022



AS OF SEPTEMBER 30, 2022

As of September 30, 2023, Lument Real Estate Capital, together with its affiliates, serviced approximately 14.94% of our multifamily loans, compared with ORIX Real Estate Capital, together with its affiliates, which serviced approximately 15.02% as of September 30, 2022.

Figures 17 and *18* show the UPB of the top 10 multifamily Ginnie Mae MBS issuers.

FIGURE 17 – TOP 10 MULTIFAMILY GINNIE MAE MBS ISSUERS AS OF SEPTEMBER 30, 2023

Issuer Name	Category	UPB
Lument Real Estate Capital	Non-Depository	$ 22,298,958,076
Greystone Funding Company LLC	Non-Depository	$ 13,137,868,996
Berkadia Commercial Mortgage	Non-Depository	$ 11,756,945,422
Walker & Dunlop, LLC	Non-Depository	$ 10,276,358,173
Dwight Capital LLC	Non-Depository	$ 9,725,805,435
Wells Fargo Bank, N.A.	Depository	$ 7,081,032,155
PGIM Real Estate Agency Financing, LLC	Non-Depository	$ 5,750,597,488
Merchants Capital Corp.	Non-Depository	$ 5,472,534,203
KeyBank, NA	Depository	$ 4,964,747,514
NewPoint Real Estate Capital LLC	Non-Depository	$ 4,475,313,694
Other		$ 54,298,738,922

FIGURE 18 – **TOP 10 MULTIFAMILY GINNIE MAE MBS ISSUERS AS OF SEPTEMBER 30, 2022**

Issuer Name	Category	UPB
ORIX Real Estate Capital, LLC	Non-Depository	$ 21,315,339,413
Greystone Funding Company LLC	Non-Depository	$ 11,718,362,887
Berkadia Commercial Mortgage	Non-Depository	$ 10,892,062,730
Walker & Dunlop, LLC	Non-Depository	$ 9,598,444,105
Dwight Capital LLC.	Non-Depository	$ 8,680,820,929
Wells Fargo Bank, N.A.	Depository	$ 7,083,038,377
PGIM Real Estate Agency Financing, LLC	Non-Depository	$ 5,708,018,730
Merchants Capital Corp.	Non-Depository	$ 5,484,882,560
KeyBank, NA	Depository	$ 5,026,148,832
NewPoint Real Estate Capital LLC	Non-Depository	$ 4,240,177,296
Other		$ 52,127,329,043

HMBS Program

As previously mentioned, Ginnie Mae's HMBS Program provides liquidity for FHA-insured reverse mortgages. Total HMBS issuances in Fiscal Year 2023 decreased to $7.2 billion from $15.6 billion in Fiscal Year 2022. The decrease in HMBS issuances was due to consistently rising interest rates throughout the fiscal year. The UPB of HMBS as of September 30, 2023, was $59.0 billion, of which $40.2 billion was from non-defaulted issuers. This balance remained relatively stable year over year, as compared to $59.2 billion as of September 30, 2022. Refer to Note 14: *Concentrations of Credit Risk* for risk analysis related to Ginnie Mae's HMBS Program.

Figures 19 and *20* show the UPB of the top 10 Ginnie Mae HMBS issuers.

FIGURE 19 – TOP 10 GINNIE MAE NON-DEFAULTED HMBS ISSUERS AS OF SEPTEMBER 30, 2023

Issuer Name	Category	UPB
Finance of America Reverse	Non-Depository	$ 16,522,369,317
Longbridge Financial	Non-Depository	$ 7,995,668,977
PHH Mortgage Corporation	Non-Depository	$ 7,445,989,990
Mortgage Assets Management	Non-Depository	$ 4,373,240,176
Mutual of Omaha Mortgage	Non-Depository	$ 1,351,911,411
Traditional Mortgage	Non-Depository	$ 1,282,861,192
Plaza Home Mortgage	Non-Depository	$ 490,229,553
Sun West Mortgage Company	Non-Depository	$ 327,502,169
Cherry Creek Mortgage	Non-Depository	$ 187,221,000
The Money Source Inc	Non-Depository	$ 156,250,393
Other		$ 105,461,293

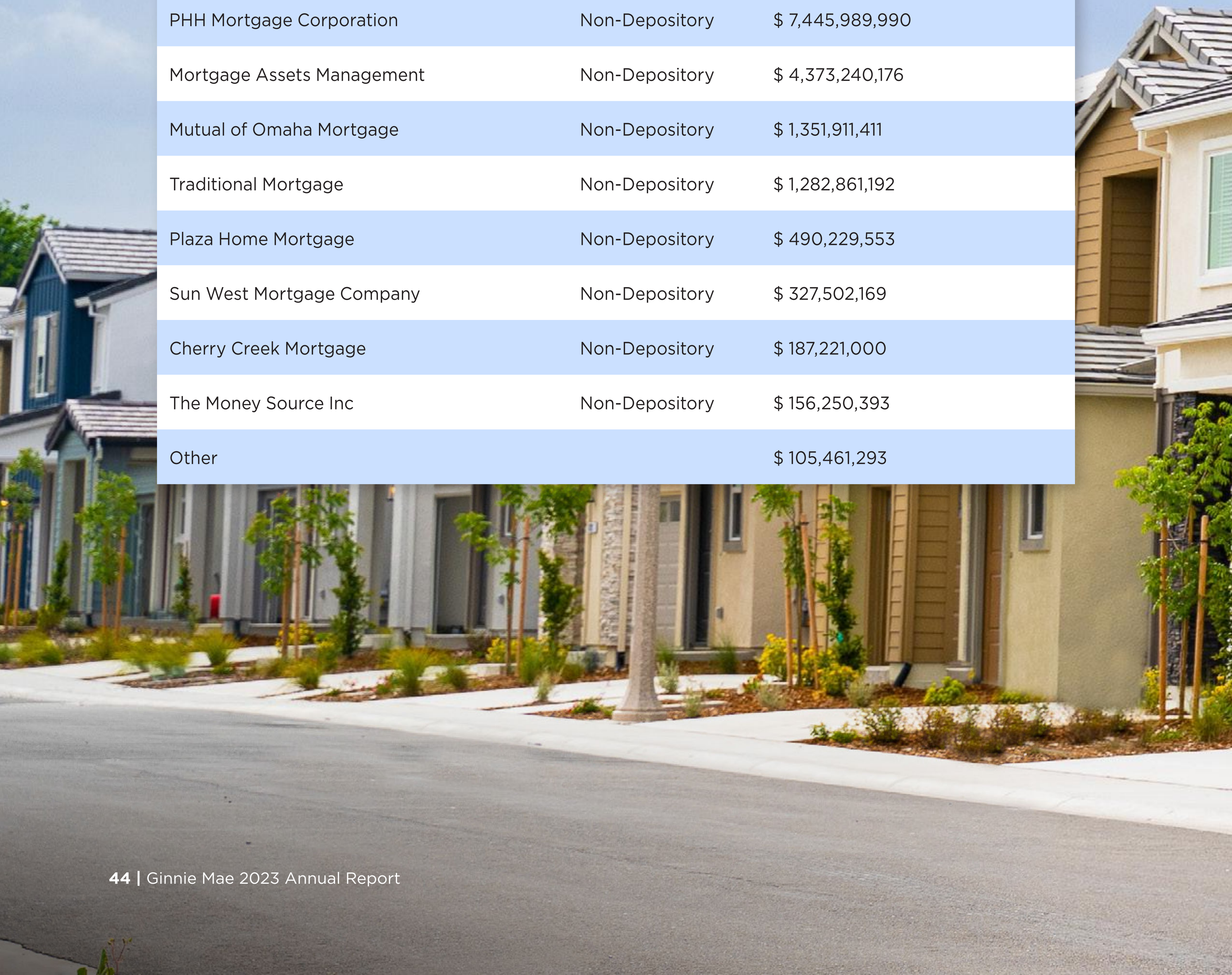


FIGURE 20 – **TOP 10 GINNIE MAE HMBS ISSUERS AS OF SEPTEMBER 30, 2022**

Issuer Name	Category	UPB
Reverse Mortgage Fund	Non-Depository	$ 21,408,532,657
Finance of America Reverse	Non-Depository	$ 10,609,500,396
Longbridge Financial	Non-Depository	$ 7,335,920,599
PHH Mortgage Corporation	Non-Depository	$ 7,047,670,042
Mortgage Assets Management	Non-Depository	$ 6,169,623,249
American Advisors Group	Non-Depository	$ 4,209,149,294
Traditional Mortgage	Non-Depository	$ 1,089,015,078
Mutual of Omaha Mortgage	Non-Depository	$ 427,285,261
Plaza Home Mortgage	Non-Depository	$ 426,132,697
Sun West Mortgage Company	Non-Depository	$ 317,756,661
Other		$ 299,634,946

Manufactured Housing Program

Ginnie Mae's Manufactured Housing Program provides a guaranty for mortgage loans insured by FHA for the purchase of a new or used manufactured home. This program provides liquidity in the market that in turn lowers costs for borrowers. The manufactured housing program consists of more affordable housing alternatives for first time low-income borrowers. Manufactured housing loans (FHA Title I) include loans secured by a manufactured (mobile) home unit or both the manufactured unit and land. In the past, the limited nature of this program left low- to moderate-income borrowers with no adequate financing options for manufactured housing. In Fiscal Year 2023, Ginnie Mae has taken action to explore policy and program enhancements to revitalize the Manufactured Housing Program that will provide greater financing and securitization opportunities for personal property manufactured housing. The Manufactured Housing program's UPB was $143.0 million at the end of Fiscal Year 2023, a decrease from $167.0 million at the end of Fiscal Year 2022. Refer to Note 14: *Concentrations of Credit Risk* for risk analysis related to Ginnie Mae's Manufactured Housing Program.

MORTGAGE-BACKED SECURITIES PRODUCTS

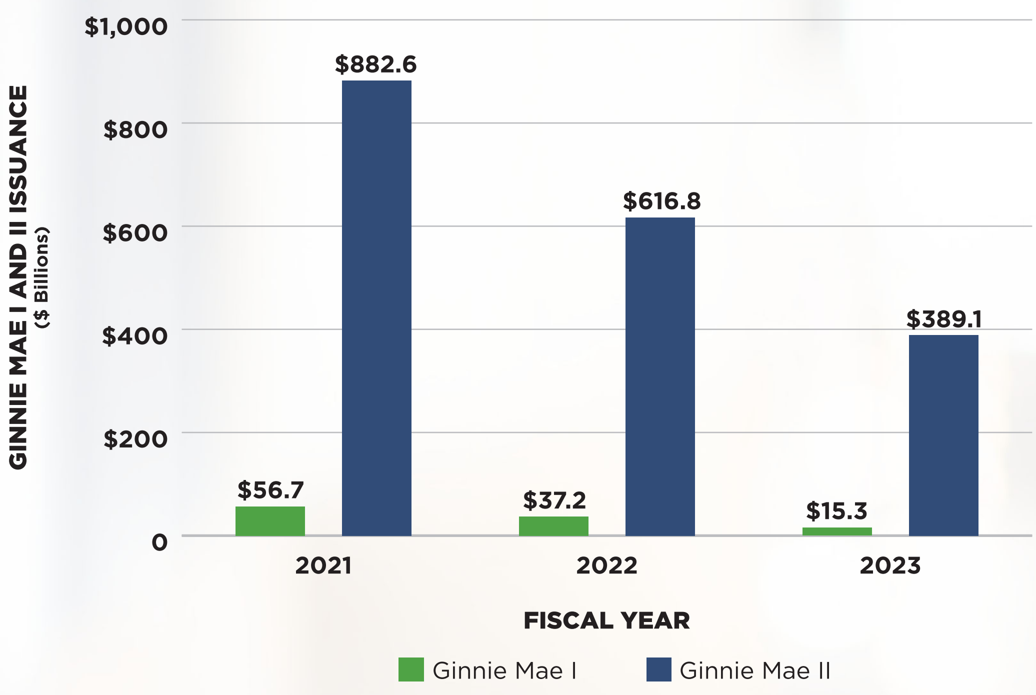
Single-Class

Ginnie Mae offers two single-class securities product structures – Ginnie Mae I MBS and Ginnie Mae II MBS:

- Ginnie Mae I MBS are pass-through securities providing monthly P&I payments to each investor. They are single-family, multifamily, or manufactured housing pools of mortgages with similar maturities and interest rates offered by a single issuer.
- Ginnie Mae II MBS are similar to Ginnie Mae I MBS but allow multiple-issuers and single-issuer pools. They permit the securitization of Adjustable-Rate Mortgages (ARMs), manufactured home loans, and HECM, and allow small issuers unable to meet the dollar requirements of Ginnie Mae I MBS program to participate in the secondary mortgage market.

The figure below shows Ginnie Mae single-class securities product issuances by year:

FIGURE 21 – **GINNIE MAE I AND II MBS ISSUANCES FROM FISCAL YEAR 2021 TO FISCAL YEAR 2023**



Tawanna Preston, Senior Vice President of the Office of Management Operations, and Ginnie Mae staff members pose for a photograph during the 2022 Ginnie Mae Holiday Party.

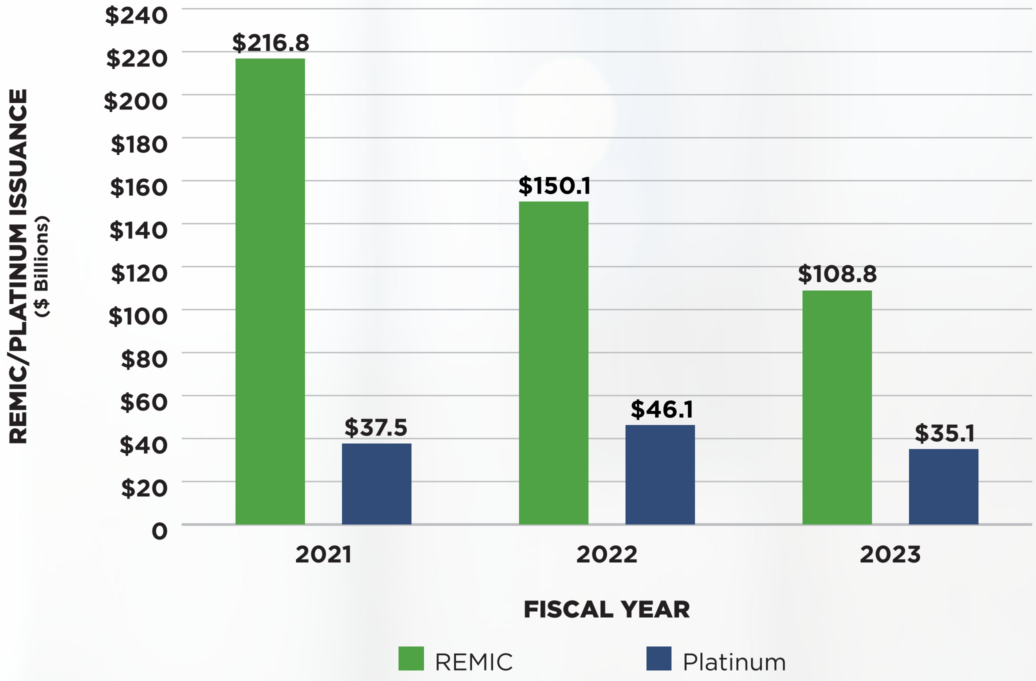
Multiclass

Ginnie Mae offers two multiclass securities product structures – Platinum and REMIC securities:

- Platinum Securities are formed by combining Ginnie Mae MBS into a new single security. Platinum Securities can be constructed from both fixed-rate and ARM securities. They provide MBS investors with greater market and operating efficiencies, and may be used in structured financings, repurchase transactions, and general trading.
- REMIC Securities direct underlying MBS principal and interest payments to classes with different principal balances, interest rates, average lives, prepayment characteristics and final maturities. REMIC Securities allow dealers to have more flexibility for creating securities that meet the needs of a variety of investors. Principal and interest payments are divided into varying payment streams to create classes with different expected maturities and other characteristics.

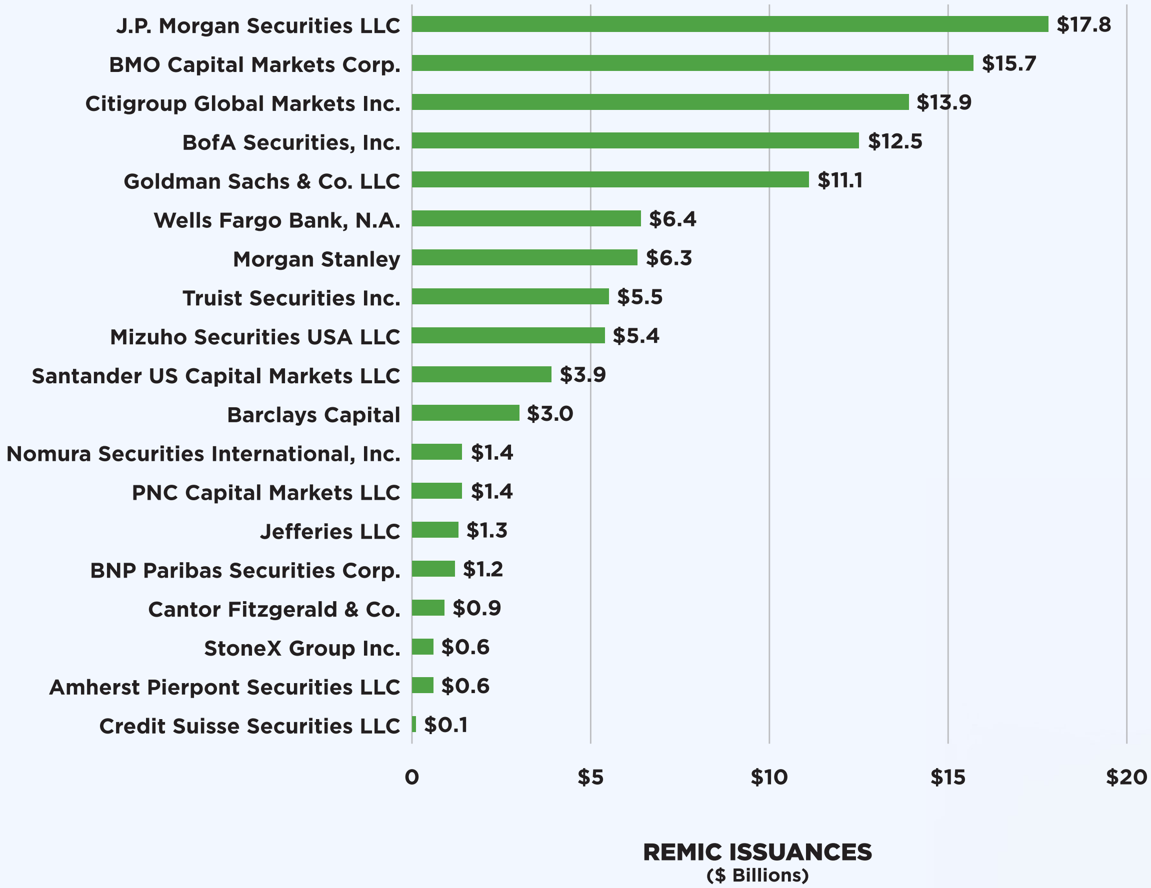
The figure below shows Ginnie Mae multiclass securities product issuances by year.

FIGURE 22 – REMIC AND PLATINUM SECURITY ISSUANCES FROM FISCAL YEAR 2021 TO FISCAL YEAR 2023



The figure below shows Ginnie Mae REMIC security issuances by sponsor for the current year.

FIGURE 23 – **REMIC SECURITY PRODUCTS CONTRIBUTIONS BY SPONSOR IN FISCAL YEAR 2023**



Attractiveness in International Markets

Ginnie Mae securities are attractive to foreign investors as they offer a risk-free interest rate that is backed by the U.S. Government, which has never defaulted on its debt. Additionally, in the more recent economic environment, the U.S. dollar has significantly strengthened in relation to other currencies, which decreases volatility from foreign exchange fluctuations for foreign investors investing in Ginnie Mae MBS. Higher yields than U.S. Treasuries is also an important factor that attracts the foreign institutional investors. Of the outstanding Ginnie Mae MBS portfolio of $2.5 trillion, as of September 30, 2023, approximately $400.0 billion is held by foreign investors. The majority of foreign investors are from Asia, the Middle East, and Europe, and primarily consist of central banks, sovereign wealth funds, pension funds, life insurance companies, and investment banks.

MORTGAGE SERVICING

Ginnie Mae's loan servicing functions are contracted to two MSSs. As Ginnie Mae relies on these MSSs for servicing data and accounting reports, any operational or technical failures in MSSs own controls may negatively impact Ginnie Mae's own operations. To mitigate such a risk, Ginnie Mae performs ongoing reviews and monitoring of the MSSs.

Upon Ginnie Mae's assumption of defaulted issuers' entire Ginnie Mae guaranteed pooled-loan portfolio, Ginnie Mae assumes the servicing rights and servicing obligations associated with servicing those portfolios. Ginnie Mae earns servicing fees as compensation for its servicing and administrative duties. Refer to Note 2: *Summary of Significant Accounting Policies – Mortgage Servicing Right* for further information.

SIGNIFICANT PROGRAM CHANGES

Program Eligibility Requirements

Prompted by the changing nature of the U.S. housing finance system, Federal Housing Finance Agency (FHFA) and Ginnie Mae issued a joint statement on August 17, 2022, updating minimum financial eligibility requirements for seller/servicers and issuers. Ginnie Mae additionally introduced a risk-based capital requirement for single family issuers who are non-depository mortgage companies in an effort to measure these issuers' ability to remain sustainable during market disruptions. These enhanced eligibility requirements reflect FHFA and Ginnie Mae's shared goals to promote confidence in approved issuers and seller/servicers and improve the safety and soundness of the U.S. MBS ecosystem through all economic cycles. FHFA and Ginnie Mae's effort to coordinate on financial eligibility requirements provides greater consistency for enterprise seller/servicers and Ginnie Mae issuers.

Ensuring that Ginnie Mae issuers can acquire financing during times of stress is critical to preserving access to credit for those borrowers who depend on Ginnie Mae and our agency partners. These enhanced requirements will promote the resilience of our issuers and better enable them to operate throughout challenging economic cycles. The majority of the requirements are effective on September 30, 2023, with Ginnie Mae's risk-based capital requirement effective December 31, 2024.

HMBS Program Enhancements

Ginnie Mae has continued to monitor the changing economic environment, noting that the rising interest rate environment and contractionary monetary policy has increased liquidity pressure on HMBS issuers and increased counterparty risk to Ginnie Mae. In response, Ginnie Mae has made a number of HMBS program changes in an effort to alleviate this short-term liquidity pressure on issuers. Ginnie Mae announced on February 15, 2023, that the minimum HMBS pool size would be reduced so that the amount of time issuers must carry balances between disbursement and HMBS securitization is minimized. Additionally, on September 22, 2023, Ginnie Mae announced a revision to existing HMBS pooling eligibility requirements, which no longer limits securitization to a single participation related to a particular HECM loan each month. Allowing multiple participations to be securitized each month shortens the time additional participations must be held, lessening constraints on issuer's capital. These program enhancements are effective as of April 1, 2023 and October 1, 2023, respectively. Ginnie Mae will continue to explore additional measures to support HMBS issuers, while minimizing risk to investors.

Transition to Single-Family Pool Delivery Module

Beginning January 31, 2022, Ginnie Mae began transitioning from Single-Family and Manufactured Housing Program pooling in Ginnie*NET* to the new Single-Family Pool Delivery Module (SFPDM) in MyGinnieMae, which will be the only application for pooling starting December 1, 2023. This modernized application provides new capabilities, including more insight into the progress of pool submissions through an intuitive and user-friendly interface that enhances the user experience. SFPDM enables Ginnie Mae to align with mortgage industry standards for the delivery of Single-Family issuance data. Since SFPDM became available in April 2022, Single Family and Manufactured Housing issuers have continued to actively transition from Ginnie*NET* and have securitized over $14.0 billion through the modernized application. Ginnie Mae is committed to working with issuers to execute a smooth transition of business processes.

Juanita Cruz-Latimer, Director of the Knowledge Management Division enjoys the 2022 Ginnie Mae Holiday Party festivities.

MORTGAGE-BACKED SECURITIZATION PLATFORM MODERNIZATION

Ginnie Mae's securitization "platform" consists of the systems and processes that function collectively to execute the conversion of government-insured or guaranteed loans into government guaranteed securities. The platform provides for transmission of loan and pool information, collateral, and funds from and to a wide variety of program participants and its unimpaired functioning is a fundamental responsibility of Ginnie Mae. During 2022 and 2023, efforts to modernize the platform focused on the migration of Ginnie Mae's applications to the cloud. On October 22, 2022, Ginnie Mae completed the migration of the last set of applications to AWS cloud with no operational impact as a result of the seamless migration. During 2023, Office of Enterprise Risk's (OER) Valuation Modeling and Mortgage Research (VMMR) modeling platform was also migrated to the AWS cloud. In addition, Ginnie Mae also re-certified and re-credited all IT systems and services under the AWS cloud infrastructure. Completion of these projects positioned Ginnie Mae for future success with significant improvements in the utility, adaptability, and security of the platform.

As part of the modernization efforts, Ginnie Mae introduced its Digital Collateral Program, which allows issuers and borrowers in the government-backed mortgage segment to access a paperless, efficient, secure means of closing on a home mortgage (i.e., eMortgage). The term eMortgage generally refers to the use of electronically signed closing documents paired with an original electronic promissory note (eNote) signed on an eClosing platform and registered with an official eRegistry upon execution. Reliant on existing federal laws and highly secured technological standards, eMortgages bring a number of efficiencies to both borrowers and Ginnie Mae issuers, such as improving the tracking and delivery of closing documents, reducing data errors, and increasing access to the closing process through Remote Online Notarization (RON). Ginnie Mae securitized its first, eligible eNote via its Digital Collateral Program in January 2021. On June 20, 2022, Ginnie Mae exited its pilot phase and opened the program permanently to eligible applicants. Ginnie Mae regularly assesses its Digital Collateral Program and extended the ability for all Ginnie Mae issuers to use RON to execute Power of Attorney (POA) documents. Additionally, Digital Collateral approved participants (eIssuers) have access to the aforementioned SFPDM platform to securitize eNotes with more enhanced user-friendly interface. As of Fiscal Year 2023, the size of the program has doubled with 13 newly added eIssuers, 3 eSubservicers, and 110,917 eNotes securitized. There are approximately $29.9 billion of Ginnie Mae MBS backed by Digital Collateral that have been securitized.

TRANSITION FROM THE LONDON INTERBANK OFFER RATE (LIBOR) TO ALTERNATIVE REFERENCE RATES

In July 2017, the UK Financial Conduct Authority (the FCA) announced its intention that it would no longer be necessary to persuade, or compel, banks to submit LIBOR rates after December 31, 2021. Since then, the FCA and other official sector bodies have strongly advised end-users of the need to transition from LIBOR by this date. On March 5, 2021, as a result of an Intercontinental Exchange (ICE) Benchmark Administration (IBA) consultation, the FCA announced that the publication of 1-week and 2-month U.S. dollar LIBOR would cease after December 31, 2021, and the publication of all other U.S. dollar LIBOR settings would cease or be deemed unrepresentative after June 30, 2023.

Ginnie Mae' LIBOR transition plan, which was previously approved by the Department of Housing and Urban Development (HUD) Secretary, has effectively coincided with the FCA's guidance and has, to date, been implemented with minimal disruptions with respect to the MBS Program and its participants. We continue to work closely with key stakeholders, including other federal agencies, to monitor and mitigate LIBOR cessation risks from impacting operational processes and financial statement results moving forward.

In October 2020, we retroactively adopted Alternative Rates Reference Committee (ARRC) recommended fallback language into multiclass securities issued prior to March 2020. This appendage to existing LIBOR-linked contracts was in addition to our March 2020 announcement, which stated tranches indexed to LIBOR in the agency's multiclass securities issued after March 1, 2020, and beyond would also include ARRC recommended fallback language therein. The adoption of ARRC recommended language into all future and existing Ginnie Mae multiclass securities has allowed for contracts to effectively transition to an alternative reference rate, such as the Secured Overnight Financing Rate (SOFR), upon LIBOR's official cessation event outlined by the FCA.

With respect to the MBS instruments Ginnie Mae guarantees, prohibitions have been put in place for certain pooled loan securities going forward. These restrictions preclude floating rate loans indexed to LIBOR from being securitized within Ginnie Mae guaranteed MBS. The following changes were made regarding specific security types that have historically included floating rate loans indexed to LIBOR:

- ***Ginnie Mae Single-Family Forward Program*** – LIBOR-based single-family ARM are no longer eligible for pooling into Ginnie Mae securities. Effective January 1, 2021, all single-family forward ARM loans that rely on LIBOR, including LIBOR-based ARM-to-ARM loan modifications and re-performing LIBOR-based ARMs, are ineligible for pooling into any Ginnie Mae I or Ginnie Mae II security. After June 30, 2023, the existing single-family ARM originated with LIBOR as their benchmark rate convert to the applicable replacement index. ARM mortgages have change dates of July 1, October 1, January 1, or April 1. Accordingly, transition and all conversions will be completed by July 1, 2024.

- ***Ginnie Mae Reverse Program*** – LIBOR-based HECM ARMs are no longer eligible for pooling into Ginnie Mae securities. Effective March 1, 2021, the first participation of any LIBOR-based HECM is ineligible to be securitized into HMBS. Subsequent participations (that is participations other than the first participation) that are associated with a HECM loan that is backing HMBS with an Issue Date of February 1, 2021, or earlier will continue to be eligible for securitization without restriction. On May 30, 2023, Ginnie Mae announced the transition plan for existing LIBOR-based HECMs and HMBS. The monthly adjustable LIBOR-based HMBS will convert to the appliable replacement index by September 1, 2023, and the annually adjustable LIBOR-based HMBS will begin to transition to the replacement index on September 1, 2023.
- ***Ginnie Mae Multifamily Program*** – There are no LIBOR-based MBS in the Multifamily program.
- ***Ginnie Mae Multiclass Program*** – In September 2021, Ginnie Mae announced to Sponsors that December 31, 2021, will be the last date to include LIBOR-indexed REMIC classes for new issuances of floating rate Multiclass Securities. As of March 2020, the SOFR has been an eligible index for new issuances of floating rate Multiclass Securities.

As of the date of this report, the majority of Ginnie Mae's mortgages are not linked to LIBOR. While we do hold MSRs that include LIBOR-linked instruments within the pooled underlying mortgages, the current impact to Ginnie Mae was deemed immaterial. For existing mortgages that are converting to replacement rates, the interest rate of the MBS will transition in a manner consistent with the treatment of the MBS as a fixed investment trust for U.S. federal income tax purposes. Going a step further beyond our current balance sheet, we identified that certain economic models with exposure to floating rate securities incorporate LIBOR as an input component. Through this assessment, we found there was limited impact to Ginnie Mae's current financial statements, including both the guaranty asset and guaranty obligation. However, if Ginnie onboards new MSRs in the event of issuer defaults, the transition from LIBOR to alternative reference rates may have a more significant impact than it does today. Accordingly, we will continue to assess all effects of the transition to our balance sheet alongside market activities and regulatory announcements.

RISK FACTORS

Risk Management

The OER oversees Ginnie Mae's Enterprise-wide Risk Management (ERM) program that establishes the organization's risk appetite and aligns it with its strategy, budget, objectives, and key performance indicators (KPIs). ERM includes environmental, social, and governance (ESG), cybersecurity, counterparty, financial control, third-party (i.e., contractors), fraud, and operational risks. Ginnie Mae's ERM approach helps leadership achieve our mission and goals by providing timely and accurate information on risk levels and potential critical effect on business outcomes.

Credit Risk

Credit Risk is the risk of loss arising from another party's failure or inability to meet its financial and/or contractual obligations. Ginnie Mae is exposed to both borrower credit risk and counterparty credit risk.

Borrower credit risk is the risk of loss arising from the failure or inability of a borrower to meet its financial and/or contractual obligations. Ginnie Mae's borrower credit risk primarily consists of mortgage assets in the non-pooled loans portfolio which is composed of loans acquired from defaulted, terminated, and extinguished issuers of Ginnie Mae guaranteed MBS, and loans purchased/repurchased out of Ginnie Mae guaranteed MBS pools in accordance with Ginnie Mae MBS guidelines. Ginnie Mae's borrower credit risk also includes potential default from multifamily borrowers. Refer to Note 4: *Financial Guaranties and Financial Instruments with Off-Balance Sheet Exposure* and Note 7: *Mortgage Loans* for further information.

Counterparty credit risk is the risk of loss arising from the default of an issuer or other counterparty which may include, but is not limited to, trustees, mortgage servicers, document custodians, and other related institutions. Ginnie Mae considers several factors as part of the counterparty credit risk assessment process, including the issuer's financial and operational vulnerability, credit analysis, and other evidence of probability of default, such as known noncompliance with applicable laws and regulations, interest rates, and other economic conditions. Refer to Note 13: *Reserve for Loss* for further information.

Concentrations of Credit Risk

Concentrations of credit risk exist when a significant number of issuers are susceptible to similar changes in economic conditions that could affect their ability to meet contractual obligations. This concentration of credit risk may be the result of several factors including, but not limited to, geographic or federal insurer/guarantor concentration within the portfolio. Generally, Ginnie Mae MBS pools are diversified among issuers. Ginnie Mae issuers hold loans in all 50 states, several U.S. territories, and the District of Columbia, and this helps mitigate the risks associated with geographic concentrations. Risk arising from federal insurer/guarantor concentration exists when these agencies fail or are unable to meet their contractual obligations in the event of a severe economic downturn. However, this risk is deemed remote by Ginnie Mae given the federal backing of these agencies as well as their proven track record through historical economic downturns.

Natural disasters affecting Ginnie Mae's loan portfolio (pooled and non-pooled) occur throughout the year but are typically concentrated during each year's hurricane season. In Fiscal Year 2023, natural disasters had an immaterial impact on the Ginnie Mae loan population. Refer to Note 14: *Concentrations of Credit Risk* for further information.

Model Risk

Ginnie Mae bears the risk of changes in fair value due to uncertainties related to underlying model inputs and the related difficulty in measurement. Refer to Note 10: *Fair Value Measurement* for illustration of the potential magnitude of certain alternate judgments, including how sensitive estimates are to assumptions based on changes in certain inputs. Ginnie Mae's Modeling and Valuation Committee meets quarterly to approve all key model assumptions and results for applicability and to analyze trends quarter over quarter.

Model risk is the potential for adverse results from decisions based on incorrect model inputs and outputs. OER uses models to determine the value of, and measure risk related to mortgage loans, HMBS obligations, the guaranty asset and related guaranty obligation, claims, advances, and other contingent liabilities. Prior to the adoption of CECL, OER also used models in measuring the allowance for loan losses for mortgage loans held for investment including accrued interest receivable. OER is responsible for developing, testing, and implementing the models.

Adjustments to existing models due to the current economic environment, such as the heightened inflation, rising interest rates, and the residual COVID-19 impact, are subjective and require management judgement. Ginnie Mae actively monitors the performance of its models and stands ready to effectuate changes based on observations and validation findings. OER performs various model testing on a yearly basis to measure the accuracy and effectiveness of modeled estimates. Furthermore, model validation is performed by an independent third-party firm.

Cybersecurity Risk

Protecting the core and critical assets that Ginnie Mae relies upon for successful operations increases in complexity year over year. Malicious cyber actors continuously evolve their tactics and are highly adaptive against shifting defensive measures. Cyber criminals are increasingly more brazen in their targeting of Government and Financial/Banking organizations. As such, at Ginnie Mae, we have continued our commitment to developing and maturing a strong Cybersecurity Program—investing in innovative solutions, talent development that enables business transformation.

Fiscal Year 2023 initiatives were guided by the results of an independent, third-party Cybersecurity Assessment. The assessment measured Ginnie Mae's Cyber program maturity through a variety of lenses, which included cyber threat landscape, evaluation of the overall IT ecosystem and critical business processes, organizational structure, cybersecurity weaknesses, and IT resource allocation and investments. The assessment highlighted several strengths in Ginnie Mae's program that included early adoption and compliance with many of the principles outlined in Executive Order 14028, Advancing the Nation's Cybersecurity. Ginnie Mae's progress in moving to a consolidated cloud environment is transformative and leading practice amongst Federal organizations.

While the assessment highlighted several strengths, it also provided valuable insights regarding potential gaps and weaknesses in the program. These findings have shaped our strategic planning efforts and future investments for Fiscal Year 2024 and beyond. With governance being at the foundation, we have set a course to address many of the findings by clearly defining cybersecurity roles and responsibilities, developing uniform standards, publishing policies and procedures, and establishing improved training and awareness methods. Additionally, Ginnie Mae has increased its in-house resources to advance cybersecurity program objectives. We are committed to investing in, grooming, and retaining tech-fluent, analytical talent.

As we look ahead to Fiscal Year 2024, our strategic initiatives will continue to build on the investments and advancements made thus far, with an intense focus on resilience and readiness. In doing so, we will look for opportunities to advance automation and integration of security tools that enable our ability to measure and visualize cybersecurity risk, increase collaboration with our business partners and service providers. We expect to conduct more integrated Incident Response, Disaster Recovery, Continuity of Operations, or other simulation events. Ginnie Mae, in partnership with all program participants, must be able to monitor the full spectrum of risks, collaborate in real-time, and reduce the likelihood and impact of cyber-attacks.


A captivated audience listens during the Ginnie Mae 55th anniversary event.

SOCIAL AND ENVIRONMENTAL IMPACT

Since our inception over 55 years ago, Ginnie Mae has been a leading social enterprise, contributing to expanding access to affordable housing and mortgage lending for historically underserved communities. Ginnie Mae's programs and products provide investors with a unique opportunity for values-aligned fixed-income investments. Through our products, investors are able to positively contribute to environmental and social outcomes while also accessing an expansive secondary market.

There are several driving factors behind our increased focus on Environmental, Social, and Governance (ESG) initiatives in recent years. One of these factors is rapid changes in the climate. Our planet continues to face a number of environmental challenges as we see a sharp increase in the frequency and severity of natural disasters. Another driving factor is increased investor interest in ESG investments. Ginnie Mae has historically been a driver of social change via the secondary mortgage market; thus, we have placed increased focus on opportunities to provide greater insight into the composition of our securities, highlighting our environmental and social impact. Growing investor interest in ESG investments has allowed us to harness a potential new source of demand furthering the impact we have on historically underserved communities.

To further drive the progress on ESG objectives, Ginnie Mae developed a strategic approach to identify and pursue ESG opportunities while also seeking to mitigate climate-related risks. Ginnie Mae's strategic plan (ESG journey map) includes four steps: 1) "ESG assessment", 2) "ESG roadmap", 3) "Enhance Disclosures", and 4) "Physical Climate Risk Assessment." These four steps were designed to help Ginnie Mae identify, set, and make progress towards strategic ESG goals over the short-, medium-, and long-term.

The sections below provide additional information on environmental, social and climate risk factors that are related to Ginnie Mae's mission and objectives.

Environmental

Over the past several years, Ginnie Mae has been increasingly focused on disclosing how our securities support environmentally positive housing investments that also lower costs for renters. The descriptions and the timeline below give an overview of Ginnie Mae's progress on disclosing the environmental impact of our securities:

2021 and 2022

In 2021, Ginnie Mae partnered with the FHA to recognize our Green Mortgage Insurance Discount Program (Green MIP). The Green MIP is designed to incentivize borrowers to make energy-efficient improvements to their properties or to invest in new "green" properties. The program offers a reduction in the annual MIP rate to properties that meet certain green and energy efficiency standards defined by the HUD. Accordingly, Ginnie Mae was able to add the "Green" status field to our multifamily MBS disclosure. The addition of the "Green" status field to Ginnie Mae's MBS instruments in 2021 led to an increase in investment capital in 2022, resulting in Ginnie Mae receiving the Climate Bond Initiative Award for the Largest Green Asset-Backed Security Issuer of 2022 – a significant achievement for the MBS program. This award represents substantial environmental progress for Ginnie Mae and serves as a benchmark for other securities striving to achieve positive environmental impact.

2023

In Fiscal Year 2023, Ginnie Mae continues to provide multifamily "Green MBS" data at the pool-level, which identifies properties with "green" features, like energy-efficient windows or water-saving devices, as defined by the FHA. As of September 2023, the number of multifamily green loans (green/market, green/affordable, green/broadly affordable), that are securitized within Ginnie Mae backed MBS, is 1,961.

Social

Through Ginnie Mae's MBS programs, Ginnie Mae supports low- and moderate-income (LMI) households and military veterans, among others, by expanding access to homeownership. The timeline below provides an overview of Ginnie Mae's progress towards communicating our unique value proposition as a key contributor to creating a more equitable housing finance system for all Americans:

2021 and 2022

In 2021, Ginnie Mae enhanced its single-family MBS disclosures to include information about the extent to which loans are supporting LMI areas. More specifically, these LMI Geographic disclosures provide investors with pool level aggregate information about the number of loans, percent of loans, UPB dollars, and percent UPB dollars across low- and moderate-income areas applicable to the pool. In 2022, Ginnie Mae enhanced its MBS disclosures to include the "Affordability" status on its multifamily securities. The "Affordability" status shows the Affordability code as passed on by the FHA.

2023

In Fiscal Year 2023, Ginnie Mae made significant progress in communicating critical information to investors about the significant and measurable positive impact Ginnie Mae's securities have on the lives of many lower-income households who achieve homeownership through

government lending. More specifically, Ginnie Mae enhanced ESG-related disclosures through four key projects to help communicate this message to investors:

1. ***"Social Bond" label*** – Ginnie Mae announced the launch of the "Social Bond" label for single-family forward MBS prospectuses. Similar to our Green Bond labels, which highlight environmental progress, the revisions to these MBS prospectuses highlight the structural aspects of Ginnie Mae's programs that promote broader access to mortgage financing for historically underserved communities.
2. ***Social Impact and Sustainability Framework*** – Ginnie Mae introduced the Social Impact and Sustainability Framework which provides an overview of Ginnie Mae's three focus areas for social impact and sustainability. These focus areas are 1) targeted populations, 2) affordable housing, and 3) green housing. The Framework provides further background on Ginnie Mae's history, structure and relation to the United States Government, products and services, and sustainability and impact disclosures.
3. ***LMI disclosure*** – Ginnie Mae announced the launch of new LMI disclosures designed to augment the LMI Geographic disclosure originally released in May 2021. As of September 2023, the number of underlying loans made to LMI borrowers, that are securitized within Ginnie Mae backed MBS, is 3,192,718. The new disclosures capture the number of underlying loans made to LMI borrowers, the percentage of LMI loan count of total loan count, the UPB of LMI loans in the MBS, and the percentage of LMI UPB of total MBS UPB.
4. ***Composite of ESG metrics*** – Ginnie Mae began disclosing the composite of ESG metrics, which is in part informed by the aforementioned LMI disclosures. The composite of ESG metrics is a visual depiction of MBS data that allows Ginnie Mae to highlight the program's positive impact and key ESG metrics for investors at a glance.
5. ***ESG web page*** – Ginnie Mae launched the ESG web page to provide a specific location for ESG-related resources. This web page improves access to ESG-related information and highlights in greater detail Ginnie Mae's ESG journey.

These initiatives have allowed Ginnie Mae to provide more visibility into how the underlying collateral in our MBS are designed to support a positive social and affordable housing outcome.

In addition to the positive impact from our MBS products, Ginnie Mae furthered our social impact by engaging with members of our community and creating an inclusive workplace for our employees. The Community Engagement and Human Capital Management subsections below provide greater detail on these efforts.

Community Engagement

Ginnie Mae further communities by participating in several community service initiatives. For example, in December 2022, Ginnie Mae organized a toy and food drive to provide local families with gifts and nourishment for the holiday season. In July 2023, Ginnie Mae participated in Habitat DC-NOVA, where Ginnie Mae employees assisted Habitat for Humanity ReStore staff with collecting, organizing, and receiving donated materials. Lastly, Ginnie Mae continues to be actively engaged in FEDS Feed Families, a food drive designed to fight food insecurity.

Human Capital Management

In addition to externally focused social factors, Ginnie Mae believes the dedication, determination, and collaboration of our employees and staff is a major driver of long-term success. As a continued investment in our people, Ginnie Mae's Workforce Innovation Team (WIT) and the Ginnie Mae

Employee Engagement Council (GMEEC) strive to foster a sense of belongingness and connectivity through social interaction among peers by hosting team building activities. Through these activities, Ginnie Mae hopes to increase engagement with our employees to improve employee satisfaction, retention, and workforce capability.

The WIT and GMEEC continued to focus on developing long-term workforce planning strategies and sponsoring initiatives to promote and achieve a culture of performance excellence and accountability, while supporting diversity, equity, fairness, and inclusion. For example, Ginnie Mae's Brown Bags and Café initiatives provide employees with valuable opportunities to come together, collaborate, and engage in discussions on vital topics aimed at strengthening employee engagement and human capital resource management insight.

In addition to meeting these objectives, Ginnie Mae has used the Brown Bag forum to highlight special observation months such as Dr. Martin Luther King, Jr. Day, African American History Month, National Women's History, National Fair Housing Month, Asian/Pacific American Heritage Month, LGBTQIA Pride Month, and National Hispanic Heritage Month. Insights gathered during our Ginnie Mae Café sessions have led to the delivery of a series of focused training workshops throughout the organization. Information provided during these workshops have allowed employees to gather a diverse set of skills and skill enhancements from fostering open dialogues around sensitive topics to effective communication techniques that encourage idea sharing and decision-making with unity and commitment.

These initiatives built on the results from a 2022 enterprise-wide blended skills assessment that addressed both workforce planning and succession planning. The goal of the skills assessment was to identify a high performing talent pool; skills gaps (current and identified future skills needed within the Ginnie Mae workforce); and opportunities to close the skills gaps by:

a) Creating and implementing a strategic recruitment, hiring, and retention plan that focuses on gap closure of existing needs and identified future skills needs

b) Advising on recommended training offerings for employees who wish to move up in leadership by developing their leadership competencies

c) Identifying competency-specific training to recommend to existing Ginnie Mae employees to hone their competencies

Climate Risk

In the last several years, Ginnie Mae has been increasingly focused on identifying and managing risks associated with climate change. The descriptions and the timeline below give a general overview of Ginnie Mae's progress since 2021.

2021 and 2022

In accordance with President Biden's Executive Order on Climate-Related Financial Risk issued on May 20, 2021, Ginnie Mae started seeking to comply with the federal government's expectation for "consistent, clear, intelligible, comparable, and accurate disclosure of climate-related financial risks". The actions Ginnie Mae has taken, along with assessing climate risks, align with the Executive Order's mandate, which states the need for agencies to formulate strategies that:

- Measure, assess, mitigate, and disclose climate-related financial risks to Federal Government programs, assets, and liabilities
- Address financing needs associated with achieving net-zero greenhouse gas emissions for the U.S. economy by no later than 2050, limiting global average temperature rise to 1.5 degrees Celsius, and adapting to the acute and chronic impact of climate change

- Identify areas in which private and public investments can play complementary roles in meeting financing needs

In Fiscal Year 2022 Ginnie Mae developed an initial framework to identify climate risks faced by the organization, the communities, and the broader housing market. An outside vendor was engaged to assist the identification of climate risk factors that will likely have a material impact on the mortgage industry and Ginnie Mae's ability to deliver on our mission.

2023

In Fiscal Year 2023 Ginnie Mae leveraged work done in previous years to identify two types of climate-related risks that are being closely monitored:

- ***Physical risks*** – Including direct damage to assets and indirect impact from supply chain disruption. Physical risks considered include, but are not limited to, the following: geographical distribution of current MBS portfolios and potential exposure to various natural disasters (flooding, wildfires, severe convective storms, among others); historical estimates of expected losses attributable to weather-related natural catastrophes by geographic region; and the impact to building safety and soundness from extreme heat, sea level rise and other precipitation variability.
- ***Transition risks*** – Including extensive policy, legal, technology, and market changes to transition to a lower-carbon economy. Transition risks considered include, but are not limited to, the following: increased homeownership costs to borrowers and operating costs for issuers; devaluation of property values in climate-impacted areas; population migration and adaptation requirements; a potential shift of investor preference to environmentally sustainable MBS products; and broader reputational risks.

Presently, internal Ginnie Mae risk models implicitly capture and address the impact of historical natural disasters on issuers, pooled loans, and non-pooled assets. Ginnie Mae recognizes the backward-looking nature of underwriting tools, such as flood maps, which may not be effective predictors of natural disasters. In response to the availability and evolution of climate data, and the observation of more frequent and severe weather events due to climate change (as well as their record-setting costs), Ginnie Mae plans to enhance monitoring and analysis of asset- and portfolio level climate risk exposure in the future.

A captivated audience, including Managing Director for International Markets Alven Lam and Senior Business Analyst, Office of Securities Operations Diego Leguizamon, is engaged with a Ginnie Mae presentation.

In Fiscal Year 2023, Ginnie Mae added resources to explore more advanced modeling tools and to update our climate risk analysis over the coming years. Additionally, Ginnie Mae has been actively engaged with the HUD's Climate and Environmental Justice Working Group exploring ideas for including the potential needs of historically underrepresented communities in climate-related risk considerations. Based on research of industry practices on climate risk modeling, Ginnie Mae is developing a plan to incorporate forward looking climate risk modeling into the enterprise risk analysis framework. Collaboration with agencies, industry groups, and climate risk experts will inform the development and implementation of the plan.

ACCOUNTING GOVERNANCE

Audit Readiness

The U.S. Department of Housing and Urban Development Office of the Inspector General (OIG) has issued an unmodified audit opinion on Ginnie Mae's financial statements since 2020. Ginnie Mae has achieved this through its commitment to audit readiness, which has been evidenced by significant investment in technology, infrastructure, and personnel, spanning multiple years.

Central to its commitment to standardized, auditable financial records are Ginnie Mae's Subledger Database (SLDB) solution. This provides Ginnie Mae the capability to translate mortgage loan servicing data into loan-level accounting entries in an integrated system that supports appropriate accounting treatment in accordance with U.S. GAAP and Ginnie Mae's accounting policies. The SLDB solution has enabled Ginnie Mae personnel to more effectively perform critical accounting, reporting, data processing, technology support and oversight tasks required to track and report the non-pooled asset portfolio.

During Fiscal Years 2021, 2022, and 2023, Ginnie Mae continued to build upon the accomplishments achieved in Fiscal Year 2020, the first full year the SLDB solution was operational, gaining efficiencies through automation, standardization, and modernization of the existing technology. In regard to processing HECM loans in SLDB, a semi-automated solution was implemented in prior year. While significant manual effort was required for the onboarding of a HECM portfolio of an extinguished issuer in December 2022, SLDB and the semi-automated solution were pivotal to a successful and timely onboarding. Efforts to fully automate HECM loan processing, similar to other loan level assets, are ongoing with further optimization of accounting operations and automation of reporting and governance procedures planned. Ginnie Mae's existing capabilities and expected enhancements enable operational and audit readiness in the event there is a need to onboard additional HECM portfolio.

Ginnie Mae has also placed a high level of emphasis on strengthening the overall internal control environment by enhancing our accounting policy governance and improving key processes to drive operational efficiencies. These activities are helping drive dynamic change within the finance function at Ginnie Mae, in an effort to continue to reach our strategic goals and instill reliability in the financial statements as a whole. During Fiscal Years 2022 and 2023, Ginnie Mae has also been diligently working to timely close out any remaining prior year findings and recommendations to maintain its audit readiness and unmodified audit opinion.

Internal Controls

Ginnie Mae management is responsible for establishing, maintaining, and assessing internal controls to provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA) of 1982 and the Federal Financial Management Improvement Act (FFMIA) of 1996 are met throughout the organization. OMB Circular No. A-123, Management's Responsibility for ERM and Internal Control, sets forth the guidance agencies must follow to meet the requirements of FMFIA and FFMIA. Ginnie Mae management is responsible for enacting and ensuring a strong internal control environment is in place to mitigate against reporting, financial, operational, and compliance risks. In addition, Ginnie Mae's OER provides guidance and manages the internal control framework for the organization, including conducting internal control assessments and ERM activities, coordinating with other program offices to evaluate their monitoring and assessment results, and reporting these results to HUD. These assessments, reviews, and continuous monitoring of issuers and contractors enable Ginnie Mae to strengthen our internal controls and minimize risks that would negatively impact financial and operating results. Additionally, the consolidated evaluation of these assessments enable management to prepare a statement of assurance to report any deficiencies in internal control over financial reporting to HUD to ensure the auditability of Ginnie Mae's financial statements.

In reference to the ERM component of OMB Circular No. A-123, Ginnie Mae has delivered on the requirements and met the standards in accordance with the circular as of Fiscal Year 2022. Ginnie Mae developed a standard three-level risk taxonomy to identify, classify, and report the risks associated with the operations of each of the program offices. Each program office is assessed on an annual basis. These results are compiled, analyzed, and aggregated into Ginnie Mae's Risk Register which is provided to HUD leadership. Ginnie Mae management also uses this Risk Register to understand organizational challenges and prioritize activities for Ginnie Mae's ERM program.

Ginnie Mae undertook a restructuring of the Management Internal Control Program during Fiscal Year 2019 in order to implement the requirements of the revised OMB Circular No. A-123 to integrate ERM and internal control over financial reporting (ICFR). This change in structure reflects the requirements of the revised A-123 and *Government Accountability Office Standards for Internal*

Control in the Federal Government (the Green Book) to explicitly integrate ERM with traditional ICFR-only views of risks and controls. OER aligned appropriate resources, responsibility, and governance to establish the revised program, and has implemented a three-year plan to guide its risk management and control assessment strategy, while providing sufficient annual assessment support to comply with the A-123 reporting requirements.

Ginnie Mae began executing against this robust, integrated A-123 strategy in Fiscal Year 2019 and has continued since. During Fiscal Years 2022 and 2023, Ginnie Mae continued the development of comprehensive documentation and performed an assessment of internal controls supporting significant financial statement line items and classes of transactions, including the non-pooled assets. Based on the results of this assessments and other program enhancements, Ginnie Mae was able to provide reasonable assurance that the internal controls were designed appropriately and operating effectively for Fiscal Years 2022 and 2023.

Additionally, Ginnie Mae established and maintained financial management systems to substantially comply with the three essential requirements with FFMIA: Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. Ginnie Mae annually assesses whether the financial management systems substantially comply with the essential requirements. For Fiscal Years 2022 and 2023, Ginnie Mae has completed a review of our financial management systems and their compliance with OMB Circular A-123 Appendix D, FFMIA Implementation Guidelines, Federal Information Security Modernization Act (FISMA), and OMB Circular A-123: Management's Responsibility for ERM and Internal Controls. Based on the review, Ginnie Mae reported that all financial management systems were substantially in compliance with FFMIA, FISMA, and OMB Circular A-123.

As part of management's commitment to a strong internal control environment, Ginnie Mae continues to emphasize effective communication amongst all of the program offices to ensure the timely application of internal controls and review of policies, procedures, and related programs to ensure accounting transactions are consistently applied throughout the organization.

OTHER KEY INFORMATION

Impact of Adopting the Current Expected Credit Loss (CECL) Standard

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which was later amended by ASU 2019-04, ASU 2019-05, and ASU 2019-11. These ASUs (collectively, the "CECL standard) replace the existing incurred loss impairment methodology for financial instruments that are collectively evaluated for impairment with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable forecast information to develop an estimate. Ginnie Mae adopted this guidance in the Fiscal Year beginning October 1, 2022, using the modified retrospective approach. Ginnie Mae elected the fair value option on mortgage loans held for investment including accrued interest, net and related reimbursable costs receivable and is required to recognize expected lifetime credit losses related to the contingent portion of its guaranty obligation, liability for loss on mortgage-backed securities program guaranty.

Prior to adopting this guidance, Ginnie Mae completed evaluations of data requirements and necessary changes to our fair value and credit loss estimation methods, processes, systems, and controls. Ginnie Mae also completed model validations and multiple tests of our full end-to-end allowance processes.

As a result of the adoption, Ginnie Mae recorded one-time adjustments to the impacted financial statement line items that resulted in a realized gain from mortgage loans held at fair value of $171.4 million, an increase to liability for loss on mortgage-backed securities program guaranty of $116.2 million, and a related increase to investment of U.S. Government of $55.2 million.

Critical Accounting Estimates

Certain Ginnie Mae accounting policies require management to use estimates and judgments that affect the amounts reflected in our annual financial statements. Ginnie Mae has established policies, procedures, and internal controls to ensure that estimation methods, including any significant judgments, are appropriately reviewed and applied consistently from period to period. Such estimates and judgments inevitably involve varying degrees of uncertainty. Accordingly, certain amounts currently recorded in the financial statements will likely be adjusted in the future based on new available information, and changes in other facts and circumstances. The following is a brief description of Ginnie Mae's critical accounting estimates involving significant judgments.

Critical Accounting Estimates Impacted by Adoption of the CECL Standard

- ***Items Measured at Fair Value*** – Ginnie Mae carries several of our assets and liabilities at fair value. The guaranty asset is, and has historically been, measured at fair value on a recurring basis at the end of each reporting period. Ginnie Mae has elected the fair value option on forward mortgage loans, reverse mortgage loans, and HMBS obligations, which are also measured on a recurring basis at the end of each reporting period. Acquired properties (AP) are measured at fair value on a nonrecurring basis as they are reported at the lower of cost or market (LOCOM) subsequent to acquisition.

Estimating fair value requires the application of judgment. The type and level of judgment required is largely dependent on the amount of observable market information available to Ginnie Mae. All assets measured at fair value use internally developed valuation models and other valuation techniques that use significant unobservable inputs and are, therefore, classified within Level 3 of the valuation hierarchy in accordance with Accounting Standards Codification (ASC) 820. Refer to Note 2: *Summary of Significant Accounting Policies and Practices* and Note 10: *Fair Value Measurement* for further details on Ginnie Mae's processes for determining the fair value of the aforementioned assets and liabilities.

Critical Accounting Estimates Prior to the Adoption of the CECL Standard

- ***Loss Allowance Estimate*** – Mortgage loans held for investment, including accrued interest are reported on Ginnie Mae's balance sheet net of an allowance. This allowance is intended to adjust the carrying value of non-pooled loans to reflect probable credit losses on each balance sheet date. For large groups of homogeneous loans that are collectively evaluated (pursuant to requirements in ASC 450-20, *Contingencies – Loss Contingencies*), Ginnie Mae aggregates our mortgage loans based on common risk characteristics, for example type of insurance or guaranty (FHA, VA, RD, PIH) associated with the loan or as uninsured loans. The allowance for loan losses estimate is calculated using statistical models that are based on historical loan performance and insurance recoveries. The estimate also includes qualitative factors, where applicable. Examples of changes in factors that will increase Allowance for Loan and Lease Losses (ALLL) include:

    » Increase in foreclosure timeline.

    » Decrease in house price.

    » Increase in portfolio delinquency.

  Ginnie Mae also considers a loan to be impaired when, based on current information, it is probable that amounts due, including interest, will not be recovered in accordance with the contractual terms of the loan agreement (pursuant to requirements under ASC 310-10, *Receivables – Overall*). Ginnie Mae measures impairment based on the present value of expected future cash flows. Refer to Note 7: *Mortgage Loans Held for Investment Including Accrued Interest, Net* for further information.

Off-Balance Sheet Arrangements

Ginnie Mae enters into commitments to guarantee future MBS issuances in the normal course of business which are not recognized on the balance sheets. These commitments end when the securities are issued or the commitment period expires, 12 months and 24 months for single-family and multifamily issuers, respectively. Outstanding MBS commitments were $140.8 billion in Fiscal Year 2023 compared to $157.9 billion in Fiscal Year 2022. These outstanding commitments are not representative of Ginnie Mae's actual risk due in part to Ginnie Mae's ability to limit an issuer's request for pools or loan packages from the issuer's previously approved amount of commitment authority.

Ginnie Mae's highest potential off-balance sheet exposure to credit losses is related to the outstanding principal balance of our MBS held by third parties, which was $2.5 trillion as of September 30, 2023, and $2.3 trillion as of September 30, 2022. The maximum exposure is not a representation of Ginnie Mae's actual exposure as it does not consider the impact of insurance, recourse, or the recovery Ginnie Mae would receive by exercising Ginnie Mae's right to the underlying collateral. Ginnie Mae recognized guaranty obligation of $9.4 billion and $9.0 billion on September 30, 2023 and 2022, respectively, related to this portfolio.

Aggregate Contractual Obligations

Periodically, Ginnie Mae makes certain representations and warranties and indemnification clauses associated with Purchase and Sales Agreements (PSAs) that are enforceable and legally binding. These agreements may require Ginnie to repurchase loans that were previously sold to a third party or to indemnify the purchaser for losses if the loans are modified or not insured/guaranteed by the FHA, VA, USDA, or PIH. On September 30, 2023 and 2022, Ginnie Mae recognized $17.3 thousand and $30.2 thousand as a contingent liability to account for these agreements.

Financial System Enhancements and Automation

Throughout Fiscal Year 2023, enhancement initiatives have continued for Ginnie Mae's financial systems and supporting applications. This positions Ginnie Mae for end-to-end automated financial reporting and enduring readiness to accommodate future business and workflow requirements. Some key initiatives and enhancements are included below:

- ***SLDB Enhancements*** – As previously noted, the SLDB continues to be a crucial application for maintaining audit readiness. It was also key to the successful implementation of CECL and the onboarding of a HECM portfolio of an extinguished issuer. Accordingly, Ginnie Mae continued to invest in the modernization of the SLDB to improve operational efficiency. Notable efforts included migration to the cloud and standardization of data received by sub-servicers.

- ***Budget Transformation (BT) and Enterprise Planning and Budgeting Cloud Service (EPBCS)*** – The BT project transitions Ginnie Mae to a new budget management approach to enable more strategic and long-term financial planning. It seeks to maximize the return on investment for federal government resources.

OFFICE of INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Audit of Government National Mortgage Association's Fiscal Years 2023 and 2022 Financial Statements

Audit Report Number: 2024-FO-0001

November 13, 2023

Financial Audits Division | Office of Inspector General
U.S. Department of Housing and Urban Development

Date: November 13, 2023

To: Alanna McCargo
President, Government National Mortgage Association, T

//signed//

From: Kilah S. White
Assistant Inspector General for Audit, GA

Subject: Transmittal of Independent Public Accountant's Audit Report on the Government National Mortgage Association's Fiscal Years 2023 and 2022 Financial Statements

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) results of the audit of the Government National Mortgage Association's (Ginnie Mae) fiscal years 2023 and 2022 financial statements and reports on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements and other matters.

We contracted with the independent public accounting firm of CliftonLarsonAllen LLP (CLA) to audit the financial statements of Ginnie Mae as of and for the fiscal years ended September 30, 2023 and 2022, and to provide reports on Ginnie Mae's (1) internal control over financial reporting and (2) compliance with laws, regulations, contracts, and grant agreements and other matters. Our contract with CLA required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit requirements, and the Financial Audit Manual of the U.S. Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency.

In its audit of Ginnie Mae, CLA reported

- That Ginnie Mae's financial statements as of and for the fiscal years ended September 30, 2023 and 2022, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.
- No material weaknesses or significant deficiencies[1] for fiscal year 2023 in internal control over financial reporting, based on limited procedures performed.
- No reportable noncompliance issues for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

[1] A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of Ginnie Mae's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

In connection with the contract, we reviewed CLA's reports and related documentation and questioned its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express and we do not express opinions on Ginnie Mae's financial statements or conclusions about (1) the effectiveness of Ginnie Mae's internal control over financial reporting and (2) Ginnie Mae's compliance with laws, regulations, contracts, and grant agreements or other matters. CLA is responsible for the attached Independent Auditors' Report, dated November 13, 2023, and the conclusions expressed therein. Our review disclosed no instances in which CLA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

The Inspector General Act, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at https://www.hudoig.gov.

If you have any questions or comments about this report, please call Brittany Wing, Audit Director, at (202) 320-7296.

Independent Auditors' Report

Inspector General
U.S. Department of Housing and Urban Development

President
Government National Mortgage Association

In our audits of the fiscal years 2023 and 2022 financial statements of the Government National Mortgage Association (Ginnie Mae), we found:

- Ginnie Mae's financial statements as of and for the fiscal years ended September 30, 2023, and 2022, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- no material weaknesses for fiscal year (FY) 2023 in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for FY 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[1] and other information[2] included in the Annual Report; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements and other matters; and (4) Ginnie Mae's response to our audit report.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ginnie Mae, which comprise the balance sheets as of September 30, 2023, and 2022; the related statements of revenues and expenses and changes in investment of U.S. Government, and cash flows for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, Ginnie Mae's financial statements referred to above present fairly, in all material respects, Ginnie Mae's financial position as of September 30, 2023, and 2022, and its revenues and expenses and changes in investment of U.S. Government, and cash flows for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

[1] The RSI consists of "Management's Discussion and Analysis" which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI and the auditors' report.

INDEPENDENT AUDITORS' REPORT (Continued)

Basis for Opinion

We conducted our audits in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*; and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 24-01) guidance. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ginnie Mae and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for (1) the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in the annual report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ginnie Mae's ability to continue as a going concern for a reasonable period of time.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with *Government Auditing Standards* will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ginnie Mae's internal control over financial reporting. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITORS' REPORT (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ginnie Mae's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the financial statement audit.

Required Supplementary Information

OMB Bulletin 24-01 requires that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audits of the financial statements, in order to report omissions or material departures from OMB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Ginnie Mae's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in the annual report. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

INDEPENDENT AUDITORS' REPORT (Continued)

Report on Internal Control over Financial Reporting

In connection with our audits of Ginnie Mae's financial statements, we considered Ginnie Mae's internal control over financial reporting, consistent with our auditors' responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of Ginnie Mae's internal control over financial reporting. Given these limitations, during our FY 2023 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that even if the control operates as designed the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our 2023 audit, we identified deficiencies in Ginnie Mae's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant Ginnie Mae management's attention. We have communicated these matters to Ginnie Mae management and, where appropriate, will report on them separately.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to Ginnie Mae's internal control over financial reporting in accordance with *Government Auditing Standards* and OMB audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

Ginnie Mae management is responsible for (1) designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. § 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)); and (3) providing an assurance statement on the overall effectiveness of internal control over financial reporting included in management's discussion and analysis (MD&A).

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibilities for the Consideration of Internal Control over Financial Reporting

In planning and performing our audit of Ginnie Mae's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with *Government Auditing Standards*, we considered Ginnie Mae's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ginnie Mae's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on Ginnie Mae's internal control over financial reporting or on management's assurance statement on the overall effectiveness of internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of Ginnie Mae's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of Ginnie Mae's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

In connection with our audits of Ginnie Mae's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for FY 2023 that would be reportable under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to Ginnie Mae. Accordingly, we do not express such an opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters
We performed our tests of compliance in accordance with *Government Auditing Standards*.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements
Ginnie Mae management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to Ginnie Mae.

Auditors' Responsibilities for Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements
Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to Ginnie Mae that have a direct effect on the determination of material amounts and disclosures in Ginnie Mae's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to Ginnie Mae. We caution that noncompliance may occur and not be detected by these tests.

Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters
The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements and other matters is not suitable for any other purpose.

Ginnie Mae's Response to our Audit Report

Government Auditing Standards requires the auditor to perform limited procedures on Ginnie Mae's response to our report. Ginnie Mae's response was not subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on the response. The complete text of Ginnie Mae's response is reprinted in Exhibit A.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, MD
November 13, 2023

EXHIBIT A
Ginnie Mae's Response to the Audit Report

DocuSign Envelope ID: 6099B1D6-9721-48FC-88BF-861C48BA9EE2

Ginnie Mae
Our Guaranty Matters

Office of the President
425 3rd Street, SW, Fifth Floor
Washington, DC 20024
(202) 708-0926

DATE: November 8, 2023

MEMORANDUM FOR: Brittany Wing, Director, Contracted Financial Statement Audits, Financial Audits Division, HUD Office of Inspector General (OIG)

FROM: Alanna McCargo, President, Government National Mortgage Association (Ginnie Mae)

DocuSigned by:
Alanna McCargo

SUBJECT: Management Response to Fiscal Year (FY) 2023 Audit Report

Ginnie Mae values the opportunity to respond to the Independent Auditors' Report for FY 2023. The audit was professionally conducted by CliftonLarsonAllen (CLA) for the OIG, and we value the role that they play on behalf of the American taxpayer, providing oversight and transparency over our financial reporting, impacting various stakeholders, including investors, borrowers, and the capital markets.

This year's audit resulted in an unmodified audit opinion, which Ginnie Mae is particularly proud of in light of the significant investment in our financial reporting function and previous efforts on audit remediation that have resulted in a strong internal control environment. The results of this audit are integral to maintaining the integrity of our guarantee and the role that Ginnie Mae plays in the capital markets.

Our nation continued to experience a challenging economy, characterized by inflationary pressures and rising interest rates, leading to a turbulent housing market and significant operational challenges that Ginnie Mae faced, including the extinguishment of a defaulted Home Equity Conversion Mortgage (HECM) Mortgage-Backed Security (HMBS) issuer and the onboarding of its portfolio of more than $20 billion. The onboarding of the defaulted issuer's portfolio was a multidimensional effort demonstrating operational and financial reporting readiness and Ginnie Mae's strong internal control environment. Our timely communication and successful collaboration across the organization, including HUD and OIG, resulted in the seamless onboarding of over 115,000 loans.

We are proud of the financial results and program-level achievements in FY 2023. Our Results of Operations were $938 million, and MBS issuances of over $400 billion increased the total value of Ginnie Mae's MBS portfolio to nearly $2.5 trillion. We also engaged in a variety of undertakings and partnerships to enhance our program, and further access of underserved borrowers to affordable credit and housing. We explored expanding access to our MBS platform by strengthening partnerships with the Federal Home Loan Banks (FHLBanks), Community Development Financial Institutions (CDFIs), credit unions, and other state level financial institutions. We implemented new financial eligibility requirements developed alongside the Federal Housing Finance Agency (FHFA) to promote issuer resilience through challenging economic cycles. We also expanded our Environmental, Social and Governance (ESG) product

EXHIBIT A
Ginnie Mae's Response to the Audit Report

offerings through enhanced disclosures and the roll-out of social bond language in our single-family Mortgage-Backed Securities prospectuses, with the goal of generating greater investor demand for securities supporting ESG objectives.

We remain dedicated to our core mission of expanding access to affordable credit and housing for underserved Americans by bringing global capital into the housing finance market while minimizing risk to the taxpayer and we will continue to make investments in technology to advance our strategic goals. The most prominent of these investments is our long-term commitment to rebuild the MBS securitization platform to take advantage of the possibilities offered by present-day technology. In FY 2023, we finalized our migration of Ginnie Mae's applications to the cloud and continued to expand access to our Digital Collateral Program to eligible issuers. These efforts position the MBS program/platform for long-term success by adding value for issuers and investors, expanding the ways Ginnie Mae fulfills its mission, and improving overall program resilience and security.

Striving for operational excellence and staying committed to our mission, while maintaining a strong focus on financial reporting, is an utmost priority. The results of the financial statement audit are an integral part of our operations, providing investor confidence and reassuring the strength of the securities we guarantee. We look forward to continuing to collaborate with OIG and we value the work our auditors do.

APPENDIX A

Government National Mortgage Association

Fiscal Year Financial Statements

September 30, 2023

Government National Mortgage Association

Fiscal Year Financial Statements

September 30, 2023

Table of Contents

Balance Sheets				
		2023		2022
		September 30		September 30
		(Dollars in thousands)		
Assets:				
Cash and cash equivalents	$	28,494,701	$	27,661,211
Restricted cash and cash equivalents		1,683,383		1,441,925
Accrued fees and other receivables		133,195		122,826
Reimbursable costs receivable, net		397		23,981
Claims receivable, net		59,787		36,851
Advances, net		416,595		649
Forward mortgage loans, at fair value		1,435,663		-
Reverse mortgage loans, at fair value		19,525,649		-
Mortgage loans held for investment including accrued interest, net		-		1,570,208
Acquired property, net		44,574		6,160
Fixed assets, net		46,528		54,805
Guaranty asset		8,352,885		8,595,302
Other assets		8,549		4,313
Total Assets	**$**	**60,201,906**	**$**	**39,518,231**
Liabilities and Investment of U.S. Government:				
Liabilities:				
Accounts payable and accrued liabilities	$	121,686	$	96,632
Deferred liabilities and deposits		401		774
Deferred revenue		608,664		594,853
Liability for loss on mortgage-backed securities program guaranty		111,115		10,934
Liability for representations and warranties		17		30
HMBS obligations, at fair value		19,147,154		-
Guaranty liability		9,371,617		8,966,555
Total Liabilities	**$**	**29,360,654**	**$**	**9,669,778**
Commitments and Contingencies (See Note 15)		-		
Investment of U.S. Government	$	30,841,252	$	29,848,453
Total Liabilities and Investment of U.S. Government	**$**	**60,201,906**	**$**	**39,518,231**

The accompanying notes are an integral part to these financial statements

Statements of Revenues and Expenses and Changes in Investment of U.S. Government		
	For the year ended September 30,	
	2023	2022
	(Dollars in thousands)	
Revenues:		
Interest Income		
Interest income on mortgage loans held for investment	$ -	$ 82,843
Other interest income	944,298	130,924
Income on guaranty obligation	824,828	2,034,881
Mortgage-backed securities guaranty fees	1,527,255	1,431,430
Commitment fees	85,221	130,493
Multiclass fees	37,452	33,649
Mortgage-backed securities program and other income	11,534	9,947
Total Revenues	**$ 3,430,588**	**$ 3,854,167**
Expenses:		
Administrative expenses	$ (46,786)	$ (41,315)
Fixed asset amortization	(18,545)	(19,725)
Mortgage-backed securities program and other expenses	(477,109)	(313,837)
Acquired property expenses, net	(8,833)	(1,610)
Total Expenses	**$ (551,273)**	**$ (376,487)**
Recapture (provision):		
Recapture (provision) for mortgage loans held for investment including accrued interest, net	$ -	$ (30,587)
Recapture (provision) for mortgage-backed securities program guaranty	15,981	8,551
Recapture (provision) for reimbursable cost	-	5,326
Recapture (provision) for claims receivable	(8,446)	(5,193)
Recapture (provision) for loss on uncollectible advances	66	120
Total Recapture (Provision)	**$ 7,601**	**$ (21,783)**
Other Gain (Loss):		
Gain (loss) on forward mortgage loans, at fair value	$ (92,138)	$ -
Gain (loss) on reverse mortgage loans, at fair value	1,968,690	-
Gain (loss) on acquisition of HMBS obligations, at fair value	(282,679)	-
Gain (loss) on HMBS obligations, at fair value	(1,996,867)	-
Gain (loss) on guaranty asset	(1,545,856)	(2,401,950)
Gain (loss) other	(460)	3,535
Total Other Gains / (Losses)	**$ (1,949,310)**	**$ (2,398,415)**
Results of Operations	**$ 937,606**	**$ 1,057,482**
Investment of U.S. Government at Beginning of Year	$ 29,848,453	$ 28,790,971
Adjustment to Investment of U.S. Government	55,193	-
Investment of U.S. Government at Beginning of Period	**$ 29,903,646**	**$ 28,790,971**
Investment of U.S. Government at End of Period	**$ 30,841,252**	**$ 29,848,453**

The accompanying notes are an integral part to these financial statements

Statements of Cash Flows				
	For the years ended September 30,			
	2023		2022	
	(Dollars in thousands)			
Cash Flows from Operating Activities				
Results of Operations	**$**	**937,606**	**$**	**1,057,482**
Adjustments to reconcile results of operations to net cash (used for) provided by operating activities:				
Fixed asset depreciation and amortization		18,545		19,725
Provision (Recapture) for mortgage loans held for investment including accrued interest, net		-		30,587
Provision (Recapture) for mortgage-backed securities program guaranty		(15,981)		(8,551)
Provision (Recapture) for reimbursable costs		-		(5,326)
Provision (Recapture) for claims receivable		8,446		5,193
Provision (Recapture) for loss on uncollectible advances		(66)		(120)
Acquired property expenses, net		8,833		1,566
(Gain)/loss on forward mortgage loans, at fair value		92,138		-
(Gain)/loss on acquisition of HMBS obligations, at fair value		531,901		-
(Gain)/loss on reverse mortgage loans, at fair value		(1,968,690)		-
(Gain)/loss on HMBS obligations, at fair value		1,996,867		-
(Gain)/loss on guaranty asset		1,545,856		2,401,950
(Gain)/loss other		3,319		307
(Gain)/loss on liability for representations and warranties		-		-
Income on guaranty obligation		(824,828)		(2,034,881)
Interest income on mortgage loans held for investment		-		(5,355)
Mortgage-backed securities program and other expenses		21,775		-
Changes in operating assets and liabilities:				
Accrued fees and other receivables		(10,369)		(3,416)
Claims receivable, net		1,442,567		32,146
Advances, net		(415,880)		462
Reimbursable costs receivable, net		(45)		(1,328)
Mortgage loans held for investment including accrued interest, net		-		310
Forward mortgage loans, at fair value		-		-
Reverse mortgage loans, at fair value		-		-
Acquired property, net		(4,216)		(483)
Other assets		(4,194)		(234)
Accounts payable and accrued liabilities		23,426		11,023
Deferred liabilities and deposits		(373)		(3,923)
Deferred revenue		13,811		6,043
HMBS obligations, net		-		-
Net cash provided by (used in) operating activities	**$**	**3,400,448**	**$**	**1,503,177**
Cash Flows from Investing Activities				
Proceeds from repayments and sales of forward mortgage loans, at fair value	$	233,573	$	-
Proceeds from repayments and sales of reverse mortgage loans, at fair value		1,524,171		-
Proceeds from repayments and sales of mortgage loans acquired as held for investment		-		256,462
Proceeds from the dispositions of acquired property and pre-foreclosure sales		33,188		5,663
Purchases of forward mortgage loans, at fair value		(31,177)		-
Purchases of reverse mortgage loans, at fair value		(695,780)		-
Purchases of loans held for investment including accrued interest, net		-		(16,691)
Purchases of fixed assets		(13,628)		(19,300)
Net cash provided by (used in) investing activities	**$**	**1,050,347**	**$**	**226,134**
Cash Flows from Financing Activities				
Payments of HMBS related obligations	$	(3,375,847)	$	-
Net cash provided by (used in) financing activities	**$**	**(3,375,847)**	$	**-**
Net change in cash and cash equivalents	$	1,074,948	$	1,729,311
Cash and cash equivalents, beginning of the period		29,103,136		27,373,825
Cash and cash equivalents, end of the period	**$**	**30,178,084**	**$**	**29,103,136**

Supplemental Disclosure of Non-Cash Activities		
Transfers from forward mortgage loans, at fair value to claims receivable, net	$ 32,713	$ -
Transfers from reverse mortgage loans, at fair value to claims receivable, net	1,427,345	-
Transfers from mortgage loans held for investment including accrued interest, net to claims receivable, net	-	24,541
Transfers from forward mortgage loans at fair value to acquired property, net	3,897	-
Transfers to reverse mortgage loans, at fair value to acquired property, net	23,470	-
Transfers from mortgage loans held for investment including accrued interest, net to acquired property, net	-	6,273
Transfers from mortgage loans held for investment including accrued interest, net to forward mortgage loans, at fair value	(1,807,939)	-
Transfers from reimbursable costs receivable, net to forward mortgage loans, at fair value	(35,010)	-

The accompanying notes are an integral part to these financial statements

Notes to the Financial Statements

Note 1: Entity and Mission

The Government National Mortgage Association (Ginnie Mae) was created in 1968, through an amendment of Title III of the National Housing Act as a wholly owned United States (U.S.) government corporation within the U.S. Department of Housing and Urban Development (HUD). Ginnie Mae is a government corporation and, therefore, is exempt from both federal and state taxes. Ginnie Mae guarantees the timely payment of principal and interest (P&I) on Mortgage-Backed Securities (MBS) backed by federally insured or guaranteed mortgage loans to its MBS investors. The guaranty, which is backed by the full faith and credit of the U.S. government, increases liquidity in the secondary mortgage market and attracts new sources of capital for residential mortgage loans from investors. Ginnie Mae's role in the market enables qualified borrowers to have reliable access to a variety of mortgage products. Ginnie Mae's market is the U.S. and its Territories housing market.

Among those Ginnie Mae supports through the MBS program are:

- first-time home buyers;
- low and moderate-income households;
- borrowers in rural, or other areas, where credit access is limited;
- young professionals with unestablished credit histories;
- borrowers with lower credit scores;
- working families with little, or no, down payment;
- borrowers with higher debt to income ratios;
- the construction and renovation of multifamily housing;
- senior citizens who need housing and support services; and
- military veterans who have served the country.

Ginnie Mae requires all mortgages collateralizing guaranteed MBS to be insured or guaranteed by government agencies, including the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture (USDA), and the Office of Public and Indian Housing (PIH)[1]. Ginnie Mae neither originates, purchases, or guarantees direct loans.

Ginnie Mae offers two single-class securities product structures – Ginnie Mae I MBS and Ginnie Mae II MBS:

- Ginnie Mae I MBS are pass-through securities providing monthly P&I payments to each investor. They are single-family, multifamily, or manufactured housing pools of mortgages with similar maturities and interest rates offered by a single issuer.
- Ginnie Mae II MBS are similar to Ginnie Mae I MBS but allow multiple-issuer and single-issuer pools. They permit the securitization of adjustable-rate mortgages (ARMs), manufactured home loans, and home equity conversion mortgages (HECM), and allows small issuers unable to meet the dollar requirements of the Ginnie Mae I MBS program to participate in the secondary mortgage market.

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[1] *Ginnie Mae did not have any mortgage loans insured by PIH at September 30, 2023, or September 30, 2022. However, PIH insured mortgage loans may exist within MBS pools.*

Ginnie Mae offers two multiclass securities product structures – Platinum Securities and Real Estate Mortgage Investment Conduits (REMIC) Securities:

- Ginnie Mae Platinum Securities are formed by combining Ginnie Mae MBS into a new single security. Platinum Securities can be constructed from both fixed rate and Ginnie Mae ARM Securities. They provide MBS investors with greater market and operating efficiencies, and may be used in structured financing, repurchase transactions, and general trading.
- REMIC Securities direct underlying MBS principal and interest payments to classes with different principal balances, interest rates, average lives, prepayment characteristics and final maturities. REMIC Securities allow issuers to have more flexibility for creating securities to meet the needs of a variety of investors. Principal and interest payments are divided into varying payment streams to create classes with different expected maturities, differing levels of seniority or subordination or other characteristics.

Ginnie Mae established the following four programs to support both Ginnie Mae I and II MBS, which serve a variety of loan financing needs and different issuer origination capabilities:

- ***Single-Family Program*** – consists of single-family mortgages originated for the purchase, construction, or renovation of single-family homes originated through FHA, VA, USDA, and PIH loan insurance programs;
- ***Multifamily Program*** – consists of FHA and USDA insured loans originated for the purchase, construction, or renovation of apartment buildings, hospitals, nursing homes, and assisted living facilities;
- ***HECM Mortgage-Backed Securities (HMBS Program)*** – consists of reverse mortgage loans insured by FHA; and
- ***Manufactured Housing Program*** – allows the issuance of pools of loans insured by FHA's Title I Manufactured Home Loan Program.

Note 2: Summary of Significant Accounting Policies

The following disclosures pertain to current practices followed by Ginnie Mae in accordance with its accounting policies, except as otherwise indicated.

Basis of Presentation: Ginnie Mae's functional currency is U.S. dollars and the accompanying financial statements have been prepared in that currency. The financial statements conform to U.S. GAAP, except as otherwise indicated.

Going Concern: The accompanying financial statements are prepared on a going concern basis and do not include any adjustments that might result from uncertainty about Ginnie Mae's ability to continue as a going concern.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses for the periods presented, and the related disclosures in the accompanying notes. Ginnie Mae evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, historical, current, and expected future conditions, third-party evaluations, and various other assumptions that Ginnie Mae believes are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities, as well as identifying and assessing the accounting treatment with respect to commitments and contingencies.

Ginnie Mae has made significant estimates in a variety of areas including, but not limited to, fixed assets, net, and the valuation of certain financial instruments, such as mortgage servicing rights (MSR), acquired property, net; claims receivable, net and other loan-related receivables, guaranty assets, guaranty liability, HMBS obligations, at fair value, liability for representations and warranties, liability for loss on mortgage-backed securities program guaranty, forward mortgage loans, at fair value, and reverse mortgage loans, at fair value. Actual results could differ from those estimates.

Fair Value Measurement: Ginnie Mae uses fair value measurement for the initial recognition of certain assets and liabilities, periodic re-measurement of certain assets on a recurring and non-recurring basis, and certain disclosures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Ginnie Mae bases its fair value measurements on an exit price that maximizes the use of observable inputs and minimizes the use of unobservable inputs.

Fair Value Option: The fair value option under *ASC 825: Financial Instruments* allows certain financial assets and liabilities, such as acquired loans, to be reported at fair value (with unrealized gains and losses reported in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government and related cash flows classified as operating activities). The fair value option was elected by Ginnie Mae for the guaranty asset, and beginning October 1, 2022, mortgage loans, including forward mortgage loans, at fair value; reverse mortgage loans, at fair value and HMBS obligations, at fair value.

Natural Disasters: The occurrence of a major natural disaster, such as a hurricane, tropical storm, wildfires, flood, and other large-scale catastrophe, in an area where Ginnie Mae's pooled and non-pooled loans or properties are located could have an adverse impact on our financial condition and results of operations. An unpredictable natural disaster could negatively affect the ability of borrowers to continue to make principal and interest payments, increasing Ginnie Mae's credit losses. It could cause damage or destroy properties that Ginnie Mae owns, and Ginnie Mae may not have insurance coverage to offset all the losses. Further, a major disruptive event, such as a natural disaster, may negatively impact an issuer if the issuer's portfolio is highly concentrated in the affected region. This could lead to an increase in probability of the issuer's default and Ginnie Mae having to step into the role of the issuer. In doing so, Ginnie Mae would then need to assume all servicing rights and obligations of the issuer, including making timely principal and interest payments to the MBS investors. Finally, a natural disaster could negatively impact the valuation of the guaranty asset and MSR assets by having an adverse impact on significant modeling inputs and key economic assumptions, such as prepayment rates and default rates.

Cash and Cash Equivalents: Ginnie Mae's cash consists of cash held by the U.S. Treasury (Funds with U.S. Treasury) and cash that is held by the master sub-servicer (MSS) and the Trustee and Administrator of securities on Ginnie Mae's behalf but has not yet been transferred to Ginnie Mae (Deposits in transit). Cash equivalents consist of U.S. Treasury short-term investments issued with an original maturity date of three months or less. Cash receipts, disbursements, and investment activities are processed by the U.S. Treasury. All cash not classified as restricted cash is accessible in the event of an issuer default[2], termination and extinguishment[3].

Funds with U.S. Treasury: Represent the available budget spending authority of Ginnie Mae according to the U.S. Treasury and is the aggregate amount of Ginnie Mae's accounts with the U.S. Treasury.

Deposits in transit: Include principal, interest, and other payments collected by the MSS and the Trustee and Administrator of securities, on Ginnie Mae's behalf, in custodial accounts that have not yet been received by Ginnie Mae or remitted to the HMBS holders at the end of the reporting period.

U.S. Treasury short-term investments: Represent U.S. Treasury securities which are bought and sold at composite prices received from the Federal Reserve Bank of New York. These securities are maintained in book-entry form at the Bureau of Public Debt and include U.S. Treasury overnight certificates. U.S. Treasury overnight certificates are issued with a stated rate of interest to be applied to their par value with a maturity date of the next business day. These overnight certificates are measured at cost, which approximates fair value. Interest income on such securities is presented within other interest income in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

Restricted Cash and Cash Equivalents: Cash and cash equivalents are classified as restricted when the statutes, regulations, contracts, or Ginnie Mae's statements of intentions legally limit the use of funds. Restrictions may include legally restricted deposits, contracts entered into with others, or the entity's statements of intention with regard to particular deposits. Restricted cash balances are recorded in a separate line item as restricted cash and cash equivalents. Ginnie Mae received approval from the Office of Management and Budget (OMB) to invest certain portions of restricted cash in U.S. Treasury short-term investments and Ginnie Mae is entitled to the interest income earned on these investments. Restricted cash and cash equivalents also include P&I payments that were not collected by security holders and unapplied deposits held in a suspense account until the appropriate application is determined.

Escrow Funds (Held in Trust for MBS Certificate Holders or Mortgagors): Escrow funds are held in trust for payments of mortgagors' taxes, insurance, and related items. These funds are collected by the MSS and held at depository institutions for which Ginnie Mae does not have access. This amount is $21.7 million and $23.6 million as of September 30, 2023, and September 30, 2022, respectively. The escrow balance as of September 30, 2023, represents amounts submitted by the MSS. Escrow funds are not owned, invested, or controlled by Ginnie Mae. Ginnie Mae receives no current or future economic benefits, and there is no associated risk or reward to Ginnie Mae from the escrow funds. As such, escrow funds are not included on Ginnie Mae's Balance Sheet.

Accrued Fees and Other Receivables: Ginnie Mae's accrued fees and other receivables primarily include accrued guaranty fees. Accrued guaranty fees, which are based on the aggregate unpaid principal balances (UPB) of the guaranteed securities outstanding, are recorded in the month they

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[2] *Issuer default is defined as any failure or inability of the issuer to perform its responsibilities under the Ginnie Mae MBS programs.*

[3] *Extinguishment occurs when defaulted issuer's right, title, and interest in the pooled mortgages is taken over by Ginnie Mae. Note that Ginnie Mae may sell the mortgage portfolio to another issuer, or take over the right, title, and interest from issuers after default.*

are earned. Guaranty fees are discussed in Note 4: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure*.

Ginnie Mae is a designated recipient agency for criminal restitution payments as a result of court order in connection with criminal proceedings against certain defendants, primarily for fraud and false claims. U.S. District Courts are responsible for receiving payments, disbursing restitution to victims, and tracking the debt. Ginnie Mae has determined that these receivables are not probable of collection and have no net realizable value. This assessment is based on Ginnie Mae's position in the recovery hierarchy for debts from defendants, its historical experience with collections on these accounts, and the overall historical experience for the U.S. Government in collecting on this category of receivable.

Claims Receivable, Net: Claims receivable, net represents receivables from properties conveyed to insuring or guaranteeing agencies (FHA, VA, USDA, and PIH) and payments owed to Ginnie Mae from such insuring or guaranteeing agencies. Claims receivable consists of the following primary components:

Short Sale Claims Receivable: As an alternative to foreclosure, a property may be sold for an agreed-upon price, at which the net proceeds fall short of the debts secured by liens against the property. Accordingly, short sale proceeds are often insufficient to fully pay off the mortgage. Ginnie Mae's MSS analyze mortgage loans for factors such as delinquency, the appraised value of the property collateralizing the loan, and market locale of the underlying property to identify loans that may be short sale eligible. Short sale transactions are analyzed and approved by the Office of Issuer and Portfolio Management (OIPM) at Ginnie Mae. For FHA-insured loans where the underlying property was sold in a short sale, the FHA typically pays Ginnie Mae the difference between the proceeds received from the sale and the total contractual amount of the mortgage loan and delinquent interest payments at the debenture rate (less the first two months of delinquent interest). FHA is the largest insurer for Ginnie Mae. Short sales on VA, USDA, and PIH guaranteed loans follow a similar process in which the claims receivable amount is determined in accordance with the respective agency guidelines. Ginnie Mae records a short sale claims receivable while it awaits repayment of the shortfall amount from the insuring or guaranteeing agencies.

Foreclosed Property: Ginnie Mae records foreclosed property when the MSS receives title to a residential real estate property that has completed the foreclosure process in its respective legal jurisdiction, or when the mortgagor conveys all interest in the property to Ginnie Mae through its MSS to satisfy the loan through completion of a deed in lieu of foreclosure process or similar legal agreement. These properties differ from acquired properties as Ginnie Mae intends to convey the property to an insuring or guaranteeing agency, instead of marketing and selling the properties through the MSS. The claimed asset is measured based on the amount of the loan outstanding balance expected to be recovered from the insuring or guaranteeing agency.

Assignment Claims Receivable: Ginnie Mae has the option, in its assumed role as issuer of HMBS, to repurchase reverse loans out of securitization pools once the outstanding principal balance of the related reverse mortgage loan is equal to or greater than 98% of the Maximum Claim Amount ("MCA"). Performing repurchased loans are assigned to the FHA in accordance with FHA insurance program requirements and the amount of the outstanding loan balance expected to be recovered from FHA as the insuring agency is recognized as an assignment claim receivable.

Allowance for Claims Receivable**:** Once the claims receivable is established, Ginnie Mae periodically assesses its collectability by utilizing statistical models, which incorporate expected recovery based on the underlying insuring or guaranteeing agency guidelines, and Ginnie Mae's historical loss experience. Ginnie Mae records an allowance for claims that represents the expected unrecoverable amounts within the portfolio. Claims net of an allowance for claims is the amount that Ginnie Mae determines to be collectible.

The allowance for claims receivable includes effects of charge-offs, recoveries, and amounts deemed uncollectible from the insuring or guaranteeing agency. At initial recognition, a claims receivable is recognized for the amount recoverable from the insurers and any excess amounts not recoverable are charged-off against the allowance for loan losses.

Charge-Off: Once losses are confirmed, Ginnie Mae charges-off any uncollectable amounts against the corresponding allowance.

Recoveries: If the claim proceeds received exceed the claim receivable's carrying amount, Ginnie Mae will apply the excess to amounts previously charged-off (i.e., recovery) with any residual amounts recognized as a gain on the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

Advances, Net: Advances represent pass-through payments made to the MSS to fulfill Ginnie Mae's guarantee of timely P&I payments to MBS holders and excess funds paid to the MSS to service the HECM portfolio, including funding scheduled and unscheduled draws, reimbursable cost advances, FHA monthly insurance premiums paid on behalf of borrowers, and payments to HMBS investors for loan buyouts. Ginnie Mae reports Advances net of an allowance to the extent that management believes Advances will not be collected. The allowance is calculated based on expected recovery amounts from any mortgage insurance or guaranty per established insurance or guarantor rates, Ginnie Mae's collectability experience, and other economic factors.

Acquired Property, Net: Ginnie Mae recognizes acquired property when marketable title to the underlying property is obtained and the property has completed the foreclosure process, or the mortgagor conveys all interest in the residential real estate property to Ginnie Mae to satisfy the loan through the completion of a foreclosure or a deed in lieu of foreclosure or other similar legal agreement. These assets differ from "foreclosed property" as they are not conveyed to the insuring or guaranteeing agencies and Ginnie Mae will hold the title while the properties are marketed for sale by the MSS.

Ginnie Mae initially measures acquired property at its fair value, net of estimated costs to sell. At acquisition, a loss is charged-off against the allowance for loan losses account when the recorded investment in the loan exceeds the fair value, net of estimated cost to sell, of the acquired property. Conversely, any recovery of the fair value less estimated costs to sell over the recorded investment in the loan is recognized first to recover any forgone, contractually due P&I, and any excess is recognized in acquired property expenses, net in the Statement of Revenue and Expenses and Changes in Investment of U.S. Government before fair value option (FVO) election.

After FVO election, starting October 1, 2022, Ginnie Mae still initially measures acquired property at its fair value, net of estimated costs to sell. However, at acquisition, the difference between loan fair value and acquired property fair value, net of estimated costs to sell, is booked through gain (loss) on forward mortgage loans, at fair value or gain (loss) on reverse mortgage loans, at fair value, in the Statement of Revenue and Expenses and Changes in Investment of U.S. Government.

Ginnie Mae subsequently measures acquired property at the lower of its carrying value or fair value less estimated costs to sell. Any subsequent write-downs to fair value, net of estimated costs to sell, from its carrying value (i.e., holding period write-downs) are recognized through a valuation allowance with an offsetting charge to acquired property expenses. Any subsequent increases in fair value, net of estimated costs to sell, up to the cumulative loss previously recognized through the valuation allowance are recognized in acquired property expenses, net in the Statement of Revenue and Expenses and Changes in Investment of U.S. Government.

Ginnie Mae records gains and losses on sales of acquired property as the difference between the net sales proceeds and the carrying value of the property, less amounts recoverable from the insuring or guaranteeing agency. These gains and losses are recognized through acquired property expenses, net on the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

Subsequent material development and improvement costs for acquired property are capitalized. Other post-foreclosure costs are expensed as incurred to acquired property expenses, net on the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

Fixed Assets, Net: Ginnie Mae's fixed assets consist of hardware and software. Ginnie Mae capitalizes costs based on guidance in *ASC 350-40: Intangibles – Goodwill and Other – Internal-Use Software* and *ASC 360: Property, Plant and Equipment*. Additions to fixed assets consist of improvements, newly purchased items, and betterments. Purchased software is recorded at cost and amortized using the straight-line method over its estimated useful life.

The capitalization of software development costs is governed by *ASC 350-40: Intangibles – Goodwill and Other – Internal-Use Software* if the software is for internal use. After the technological feasibility of the software has been established at the beginning of application development, software development costs, which primarily include salaries and related payroll costs and costs of independent contractors incurred during development, are capitalized. Research and development costs incurred prior to application development (for internal-use software), are expensed as incurred. Software development costs are amortized on a program-by-program basis using a straight-line method commencing on the date when ready for use. Ginnie Mae did not develop software to be marketed during the year ended September 30, 2023, or the year ended September 30, 2022.

Ginnie Mae depreciates its hardware assets using the straight-line basis over a three- to five-year period beginning when the assets are placed in service. Expenditures for ordinary repairs and maintenance are charged to expense as incurred.

Ginnie Mae amortizes its software assets using the straight-line basis over a three- to five-year period beginning when the assets are ready for their intended use. Ginnie Mae shall determine and periodically reassess the estimated useful life over which the capitalized costs will be amortized. Ginnie Mae assesses the recoverability of the carrying value of its long-lived assets, including finite-lived intangible assets, whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Ginnie Mae evaluates the recoverability of such assets based on the expectations of undiscounted cash flows from such assets. If the sum of the expected future undiscounted cash flows were less than the carrying amount of the asset, an impairment loss would be recognized for the difference between the fair value and the carrying amount. Refer to Note 11: *Fixed Assets, Net* for additional information.

Mortgage Servicing Rights: MSRs represent Ginnie Mae's rights and obligations to service mortgage loans underlying a terminated and extinguished issuer's Ginnie Mae guaranteed pooled-loan portfolio. Ginnie Mae contracts with multiple MSS to provide the servicing of its pooled mortgage loans. The servicing functions typically performed by Ginnie Mae's MSS include collecting and remitting loan payments, responding to mortgagor inquiries, reporting P&I payments, holding custodial funds for payment of property taxes and insurance premiums, counseling delinquent mortgagors, supervising foreclosures and property dispositions, and generally administering the loans. Ginnie Mae receives a monthly servicing fee based on the interest portion of each monthly installment of P&I collected by the MSS on the pooled mortgage loans. The servicing fee is calculated based on the servicing fee percentage embedded in the MBS agreement. Ginnie Mae pays a sub-servicing expense to the MSS in consideration for servicing the loans.

In accordance with *ASC 860: Transfers and Servicing,* Ginnie Mae records a servicing asset (or liability) each time it takes over a terminated and extinguished issuer's Ginnie Mae guaranteed pooled-loan portfolio. The MSR asset (or liability) represents the benefits (or costs) of servicing that are expected to be more (or less) than adequate compensation to a servicer for performing the servicing. The determination of adequate compensation is a market notion and is made independent to Ginnie Mae's cost of servicing. Accordingly, Ginnie Mae's determination of adequate compensation is based on compensation active issuers demand in the marketplace. Typically, the benefits of servicing are expected to be more than adequate compensation for performing the servicing, and the contract results in a servicing asset. However, if the benefits of servicing are not expected to adequately compensate for performing the servicing, the contract results in servicing liability.

Ginnie Mae reports MSRs at fair value to better reflect the potential net realizable or market value that could be realized from the disposition of the MSR asset or the settlement of a future MSR liability. Consistent with *ASC 820: Fair Value Measurements,* to determine the fair value of the MSR, Ginnie Mae uses a discounted cash flow valuation model that calculates the present value of estimated future net servicing income. The valuation methodology factors in key economic assumptions and inputs including prepayment rates, costs to service the loans, contractual servicing fee income, ancillary income, escrow account earnings, delinquency rates- and the discount rate. In addition, the MSR also considers future expected cash flows for loans underlying a terminated and extinguished issuer's portfolio including credit losses. The discount rate is used to estimate the present value of the projected cash flows to estimate the fair value of the MSR. The discount rate assumptions reflect the market's required rate of return adjusted for the relative risk of the asset type. Upon acquisition, Ginnie Mae measures its MSRs at fair value and subsequently re-measures the MSR assets or liabilities with changes in the fair value recorded in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

Ginnie Mae's MSR portfolio consists of FHA, VA, USDA, and PIH insured loans with similar collateral types and underwriting standard. Since these loans have similar risk profiles, Ginnie Mae identifies single-family residential MSRs and multifamily residential MSRs. As such, although MSRs are valued at the pool level, they are presented on a net basis (as a servicing asset or liability) at the aggregate class level. Ginnie Mae's MSR balance as of September 30, 2023, and September 30, 2022, is $307.5 thousand and $265.8 thousand, respectively, and is included within the other assets line item on the Balance Sheet.

Accounts Payable and Accrued Liabilities: Ginnie Mae's accounts payable and accrued liabilities generally include obligations for items that have entered the operating cycle, such as accrued compensated absences and other payables. Amounts incurred by Ginnie Mae, but not yet paid at the end of the periods presented, are recognized as accounts payable and accrued liabilities.

Compensated Absences: Under the Accrued Unfunded Leave and Federal Employees Compensation Act (FECA), annual leave and compensatory time are accrued when earned and the liability is reduced as leave is taken. The liability at period-end reflects cumulative leave earned but not taken, priced at current wage rates. Earned leave deferred to future periods is to be funded by future appropriations. To the extent that current or prior period appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken. Compensated absence balances are provided by HUD and included within accounts payable and accrued liabilities on the Balance Sheet.

Other*:* Includes payables for fees incurred in the acquisition of services provided by the MSS and third-party vendors, unclaimed securities holders' payments, and a refund liability for transfer of issuer responsibility fees. Ginnie Mae uses estimates and judgments, as required under U.S. GAAP, to accrue for expenses when incurred, regardless of whether expenses were paid as of month-end.

Accounts payable and accrued liabilities balance is carried at cost, which approximates its fair value at the respective balance sheet dates.

Deferred Liabilities and Deposits: Ginnie Mae's deferred liabilities and deposits mainly represent restricted cash receipts from loan prepayments, curtailments, and payoffs from borrowers. These receipts must be directly refunded to the MSS for payment to the MBS investors.

Deferred Revenue: The classification of deferred revenue depends on the reason the revenue has not yet been recognized.

- ***Deferred revenue – multiclass fees***: Deferred multiclass fee revenue represents the guaranty fees paid by the REMIC or Platinum Certificate sponsor, which are deferred and amortized into income evenly over the weighted average contractual life of the security unless truncated by early termination.
- ***Deferred revenue – commitment fees***: Deferred commitment fee revenue represents payments received in advance of completion of Ginnie Mae's performance obligation. Commitment fee revenue is recognized in income over time as Ginnie Mae completes its performance obligation or the Commitment Authority expires.

Refer to Note 12: *Revenue from Contracts with Customers and Deferred Revenue* for further details.

Liability for Representations and Warranties (Repurchase Liability): Ginnie Mae may enter into business transactions and agreements, such as the sale of an MSR or loan portfolio, which provide certain representations and warranties associated with the underlying loans. If there is a breach of these contractual obligations, Ginnie Mae may be required to repurchase certain loans or provide other compensation. Ginnie Mae recognizes a loss contingency that arises from these obligations when it is probable that Ginnie Mae will be required to repurchase loans or provide other compensation. When a loss contingency that arises from such obligations is assessed as reasonably possible, Ginnie Mae discloses the estimate of the possible loss. Repurchase liabilities are measured initially and in subsequent periods under *ASC 450-20: Contingencies – Loss*

Contingencies. In instances where the terms of these agreements are determined to include financial guaranties, Ginnie Mae recognizes expected credit losses related to the guaranties in accordance with *ASC 326-20: Financial Instruments – Credit Losses*.

Refer to Note 13: *Reserve for Loss* for details on Ginnie Mae's liability for representations and warranties balance.

HMBS Obligations, at Fair Value: HMBS obligations, at fair value, represents the acquisition of pools of HMBS accounted for as secured borrowing, which means Ginnie Mae has stepped into the role of issuer upon default, termination, and extinguishment of an HMBS issuer and retained HECM loans on its balance sheet, as the securitization structure has not met all of the requirements for sale accounting. The liability for pass through payments to HMBS security holders includes Ginnie Mae's assumed obligation to repay the secured borrowing to HMBS security holders, as well as obligations related to the servicing of the HECM loans and HMBS.

Refer to Note 10*: Fair Value Measurement* for further details on how the fair value of HMBS obligations is determined.

Recognition of Revenues and Expenses: *ASC 606: Revenue from Contracts with Customers*, establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from Ginnie Mae's contracts with customers. *ASC 606* requires Ginnie Mae to recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration received in exchange for those services recognized as performance obligations being completed. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized based on the measurement of value to the customer of the services transferred by Ginnie Mae to-date relative to the remaining services promised under the contract. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time the customer obtains control of the promised service. Commitment fees, Real Estate Mortgage Investment Conduit (REMIC) modification and exchange (MX) combination fees, and certain MBS program fees, such as transfer of issuer responsibilities, new issuer applications, certificate handling, and acknowledgement of agreement fees are in the scope of *ASC 606*, as these revenues are from Ginnie Mae's contracts with issuers (i.e., Ginnie Mae's customers in the ordinary course of business). The guidance in *ASC 606* applies to all contracts with customers except financial instruments and other contractual rights or obligations within the scope of *ASC 310: Receivables*, *ASC 860: Transfers and Servicing*, and guarantees within the scope of *ASC 460: Guarantees*, among other topics. As such, interest income on mortgage loans, other interest income, income on guaranty obligation, MBS guaranty fees, REMIC and Platinum Certificates guaranty fees, and certain MBS program and other fees are subject to other GAAP requirements for recognition and excluded from the scope of *ASC 606*.

Refer to Note 12: *Revenue from Contracts with Customers and Deferred Revenue* for disaggregation of revenue in the scope of *ASC 606*.

Ginnie Mae recognizes revenue from the following sources:

- ***Interest income on forward mortgage loans*** – Interest income on forward mortgage loans is included within the gain (loss) on forward mortgage loans, at fair value financial statement line item. Ginnie Mae accrues interest for loans at the contractual interest rate of the underlying mortgage. Any prepaid interest is recognized as deferred revenue when received.

- ***Interest income on reverse mortgage loans* –** Interest income on reverse mortgage loans is included within the gain (loss) on reverse mortgage loans, at fair value financial statement line item. Ginnie Mae accrues interest for reverse mortgage loans at the contractual interest rate of the underlying reverse mortgage.
- ***Other interest income*** – Ginnie Mae earns interest income on U.S. Government securities related to U.S. Treasury overnight certificates. Prior to 2018, Ginnie Mae earned and collected interest on uninvested funds, which was calculated using the applicable version of the Credit Subsidy Calculator 2 (CSC2) provided by the OMB. In September 2018, the U.S. Treasury clarified rules regarding the collection of interest on uninvested funds in the Financing Fund. Based on additional conversations with and clarifications from the U.S. Treasury, Ginnie Mae was not entitled to earn interest on uninvested funds without a signed borrowing agreement in accordance with the Federal Credit Reform Act of 1990. Ginnie Mae is in ongoing discussions with OMB and its legal counsel on whether it is fully subject to the provisions of the Federal Credit Reform Act of 1990. As a resolution of the matter between Ginnie Mae and OMB is pending, the U.S. Treasury and Ginnie Mae agreed that Ginnie Mae will not earn or collect interest on uninvested funds until the matter is resolved. Due to U.S. Treasury's new criteria for earning and collecting interest on uninvested funds, no interest income was earned and recognized on uninvested funds for the year ended September 30, 2023. At present, there is uncertainty regarding the applicability of the Federal Credit Reform Act of 1990 to Ginnie Mae, and whether Ginnie Mae will be required to pay or earn such interest in the future.
- ***Income on guaranty obligation*** – Ginnie Mae amortizes its guaranty obligation into revenues based on the remaining UPB of the related MBS pools.
- ***Mortgage-backed securities guaranty fees*** – Ginnie Mae receives monthly guaranty fees for each MBS mortgage pool, based on a percentage of the pool's UPB. Fees received for Ginnie Mae's guaranty of MBS are recognized as earned.
- ***Commitment fees*** – Ginnie Mae receives commitment fees in exchange for providing review and approval services of commitment authority usage requests submitted by the issuers. This service allows for the approved issuer to pool mortgages into MBS that are guaranteed by Ginnie Mae.

  Ginnie Mae uses a third-party entity, the Pool Processing Agent (PPA), to determine whether the issuer has sufficient commitment authority to issue the pool or loan package and approve the issuance. Ginnie Mae recognizes commitment fee revenue based on the gross amount collected from the issuers because Ginnie Mae directs the PPA's services and is ultimately responsible for fulfilling the services performed by the PPA on Ginnie Mae's behalf.

  The total amount of the commitment fees is determined and paid at the time the issuer initially requests the commitment authority. Commitment fee revenue depends on the volume of commitment authority used, which is affected by changes in interest rates. Commitment fee revenue is recognized in income over time as issuers use their commitment authority, which represents the completion of Ginnie Mae's performance obligation. The remaining balance of the commitment fees is deferred until the service is used or expired, whichever occurs first. Fees from expired commitment authority are not returned to issuers and are recognized as income.

- ***Multiclass fees*** – Ginnie Mae receives one-time upfront fees related to the issuance of multiclass products. Multiclass products include REMICs and Platinum Certificates. The fees received for REMICs consist of a guaranty fee and may include a MX combination fee.

  The guaranty fee is paid by the REMIC sponsor and is based upon the total principal balance of the deal. It is deferred and amortized into income evenly over the weighted average contractual life of the security unless truncated by early termination. All deferred REMIC guaranty fee income is recognized at security termination.

  The MX combination fee allows the sponsor to combine REMIC and/or MX securities at the time of issuance. Ginnie Mae provides administrative services when MX combinations are requested by sponsors. Any permitted combinations by the sponsor are set forth in the combination schedule to an offering circular supplement. The MX combination fees are recognized immediately in income at the point in time when the administrative services are complete (i.e., upon the combination of REMIC and/or MX securities). Revenue earned from REMIC MX Combination fee depends on the demand for the service, which is affected by the interest rate environment.

  The guaranty fees received for Platinum Certificates are deferred and amortized into income evenly over the weighted average contractual life of the security.

- ***Mortgage-backed securities program and other income*** – Ginnie Mae recognizes income for MBS program related fees, including transfer of issuer responsibilities, new issuer applications, acknowledgement agreement fees, certificate handling, mortgage servicing, and civil monetary penalty.

  Transfer of issuer responsibility fees are one-time, upfront fees received by Ginnie Mae for providing review and approval services of issuers' requests to transfer responsibilities associated with their MBS. Transferors and transferees may reject the transfer at any time before its completion, even after Ginnie Mae approves it, which requires a fee refund. As such, the entire amount of consideration is constrained until the pool transfer is complete. Transfer of issuer responsibility fees are recorded as a refund liability and recognized as income when Ginnie Mae's performance obligation is complete and the uncertainty around the constraint is resolved (i.e., when pool transfer is complete).

  New issuer application fees, acknowledgment agreement fees, and certificate handling fees are one-time non-refundable upfront fees received by Ginnie Mae for providing various services related to the MBS program. These services include Ginnie Mae's consideration of the issuer's application to become an authorized MBS issuer, approval of an acknowledgment agreement permitting a pledge of servicing by an issuer, and providing evidence of security ownership. The fees are recognized in income when payment is received, as Ginnie Mae 's performance obligation is completed at that time.

Ginnie Mae receives various other fees which are recognized in income when payment is received.

Ginnie Mae's expenses are classified into three groups:

- ***Administrative expenses*** – The main components of the administrative expenses are payroll expenses, travel and training expenses, benefit expenses, and other operating expenses.
- ***Fixed assets depreciation and amortization*** – Depreciation and amortization consists of depreciation on acquired, leased, and in-use hardware; and amortization of capitalized software acquired, leased, and in-use, by Ginnie Mae. Fixed assets are depreciated and amortized, on a straight-line basis, over a three to five-year period.
- ***Mortgage-backed securities program and other expenses*** – The main components of the MBS program and other expenses are multiclass expenses, MBS information systems and compliance expenses, sub-servicing expenses, asset management expenses, and pool processing and central paying agent expenses.

Amounts recognized as expenses represent actuals or, when actuals are not available, estimates of costs incurred during the normal course of Ginnie Mae's operations.

Securitization and Guarantee Activities: Ginnie Mae's primary business activity is to guarantee the timely payment of P&I on securities backed by federally insured or guaranteed mortgages issued by private institutions. Ginnie Mae approves issuers to pool loans and issue Ginnie Mae guaranteed MBS, or "virtual trusts", which is unlike substantially all the securitization market. Additionally, for federal income tax purposes, the Ginnie Mae pool is considered a grantor trust[4]. For consolidation purposes, each of these virtual trusts is considered individual legal entities and, in accordance with *ASC 810: Consolidation,* are considered variable interest entities (VIEs).

Variable Interest Entities Model:

For entities in which Ginnie Mae has a variable interest, Ginnie Mae determines whether, if by design, (i) the entity has equity investors who, as a group, lack the characteristics of a controlling financial interest, (ii) the entity does not have sufficient equity at risk to finance its expected activities without additional subordinated financial support from other parties or (iii) the entity is structured with non-substantive voting rights. If an entity has at least one of these characteristics, it is considered a VIE, and is consolidated by its primary beneficiary. The primary beneficiary is the party that (i) has the power to direct the activities of the entity that most significantly impact the entity's economic performance; and (ii) has the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Only one reporting entity, if any, is expected to be identified as the primary beneficiary of a VIE. Ginnie Mae reassesses its initial evaluation of whether an entity is a VIE upon occurrence of certain reconsideration events.

Ginnie Mae's involvement with legal entities that are VIEs is limited to providing a guaranty on interest payments and principal returns to MBS holders of the Ginnie Mae virtual trusts. Ginnie Mae is not the primary beneficiary of the Ginnie Mae virtual trusts as it does not have the power to control the significant activities of the trusts. Other than its guaranty, Ginnie Mae does not provide, nor is it required to provide, any type of financial or other support to these entities. The guaranty fee receivable represents compensation for taking on the risk of providing the guaranty

[4] *This liability for pass through payments includes Ginnie Mae's assumed obligation to repay the secured borrowing to HMBS security holders, as well as obligations related to the servicing of the HECM loans and HMBS.*

to MBS certificate holders for the timely payment of P&I in the event of issuers' default. Ginnie Mae's maximum potential exposure to loss under these guaranties is primarily comprised of the amount of outstanding MBS and commitments and does not consider loss recoverable from the FHA, VA, USDA, and PIH.

The following table presents assets and liabilities that relate to Ginnie Mae's interest in VIEs:

	September 30, 2023		September 30, 2022	
	(Dollars in thousands)			
Guaranty asset	$	8,352,885	$	8,595,302
Guaranty fee receivable		128,000		121,000
Total	**$**	**8,480,885**	**$**	**8,716,302**
Guaranty liability	$	9,371,617	$	8,966,555
Liability for loss on mortgage-backed securities program guaranty		111,115		10,934
Total	**$**	**9,482,732**	**$**	**8,977,489**
Maximum exposure to loss:				
Outstanding MBS	$	2,472,843,019	$	2,284,456,605
Outstanding MBS commitments		140,780,632		157,894,490
Total	**$**	**2,613,623,651**	**$**	**2,442,351,095**

Refer to Note 4: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure* for further details.

The Current Expected Credit Loss Standard

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, which was later amended by ASU 2019-04, ASU 2019-05, and ASU 2019-11. These ASUs (collectively, the "CECL standard") replace the existing incurred loss impairment methodology for financial instruments that are collectively evaluated for impairment with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable forecast information to develop an estimate. Ginnie Mae adopted this guidance in the Fiscal Year beginning October 1, 2022, using the modified retrospective approach. Ginnie Mae elected the fair value option on mortgage loans held for investment including accrued interest, net and related reimbursable costs receivable. Ginnie Mae is also required to recognize expected lifetime credit losses related to the contingent portion of its guaranty obligation, which is recognized in liability for loss on mortgage-backed securities program guaranty.

Prior to adopting this guidance, Ginnie Mae completed evaluations of data requirements and necessary changes to its fair value and credit loss estimation methods, processes, systems, and controls. Ginnie Mae also completed model validations of its full end-to-end fair value and allowance processes.

Significant Accounting Policies Impacted by Adoption of the CECL Standard

Mortgage Loans: When a Ginnie Mae issuer defaults, and is terminated and extinguished, Ginnie Mae steps into the role of the issuer and assumes all servicing rights and obligations of the issuer's entire Ginnie Mae guaranteed portfolio, including making timely pass-through payments. Ginnie Mae utilizes the MSS to service these portfolios. There are currently two MSS that service the terminated and extinguished issuer portfolios of pooled and non-pooled loans.

In its role as issuer, Ginnie Mae assesses individual loans within its pooled portfolio to determine whether the loan must be purchased out of the pool. Ginnie Mae must purchase mortgage loans out of the MBS pool when the mortgage loans are ineligible for insurance or guaranty by the FHA, VA, RD, or PIH, as well as loans that have been modified beyond the trial modification period. Additionally, Ginnie Mae has the option to purchase mortgage loans out of the MBS pool when the mortgage loans are insured or guaranteed but are delinquent for more than 90 days.

Ginnie Mae also has the option to repurchase reverse mortgage loans out of the securitization pools in certain instances. These situations include when the outstanding principal balance of the related HECM loan is equal to or greater than 98% of the MCA and the borrower's loan becoming due and payable under certain circumstances; the borrower not occupying the home for greater than twelve consecutive months for physical or mental illness, and the home is not the residence of another borrower; or the borrower failing to perform in accordance with the terms of the loan.

Ginnie Mae has elected to irrevocably apply FVO accounting to its mortgage loans purchased out of the pool described above, as part of the adoption for *ASC 326 Financial Instruments – Credit Losses* and the transition relief afforded by the guidance. The election allows Ginnie Mae to provide meaningful information to the users of the financial statements, as fair value provides a proxy into market participants' viewpoint on value of these instruments as of the measuring date, with considerations of both market and credit risks. The election also allows Ginnie Mae to classify its forward and reverse mortgage loans to be held at fair value.

Forward Mortgage Loans, at Fair Value (forward MFV): Forward mortgage loans, at fair value includes traditional mortgage loans acquired upon default of a Ginnie Mae MBS issuer. Ginnie Mae reports the carrying value of forward mortgages in Forward mortgage loans, at fair value on the Balance Sheet at the fair value of the UPB, accrued interest and reimbursable costs receivables, as required by U.S. GAAP.

Accrued interest receivable: Ginnie Mae accrues interest on forward mortgage loans at the contractual rate. Interest income on forward MFV is reported in the gain (loss) on forward mortgage loans, at fair value financial statement line item on the Statement of Revenue Expenses and Changes in U.S. Government.

Changes in fair value: On a quarterly basis, Ginnie Mae evaluates the fair value of forward MFV and assesses whether adjustments need to be made to account for the changes in the fair value of forward MFV. Gains and losses from fair value changes of forward MFV are reported in the gain (loss) on forward mortgage loans, at fair value financial statement line-item on the Statement of Revenue Expenses and Changes in U.S. Government.

Reverse Mortgage Loans, at Fair Value (reverse MFV): Reverse mortgage loans, at fair value includes home equity conversion mortgage (HECM) loans acquired upon default of a Ginnie Mae HMBS issuer. HECMs provide seniors aged 62 and older with a loan secured by their home which can be taken as a lump sum, line of credit, or scheduled payments. HECM loan balances grow over the loan term through borrower draws of scheduled payments or line of credit draws, funded by the issuer, as well as through the accrual of interest, servicing fees, and FHA mortgage insurance premiums.

HECM loan balances are included within reverse mortgage loans, at fair value, and are comprised of securitized HECM loans subject to HMBS obligations as well as any unsecuritized interests that relate to partially securitized HECM loans.

Accrued interest receivable: Ginnie Mae accrues interest on reverse mortgage loans, at fair value at the contractual rate. Interest income on reverse MFV is reported in the gain (loss) on reverse mortgage loans, at fair value financial statement line item on the Statement of Revenue Expenses and Changes in U.S. Government.

Changes in fair value: On a quarterly basis, Ginnie Mae evaluates the fair value of reverse MFV and assesses whether adjustments need to be made to account for the changes in the fair value. Gains and losses from fair value changes of reverse MFV are reported in the gain (loss) on reverse mortgage loans, at fair value financial statement line-item on the Statement of Revenue Expenses and Changes in U.S. Government.

Reimbursable Costs Receivable, Net: Costs incurred on pooled forward loans, that are expected to be reimbursed, are recorded as reimbursable costs receivable, and reported net of an allowance for amounts that management believes will not be collected. These costs for non-pooled forward and reverse loans are included within forward and reverse mortgage loans, at fair value effective October 1, 2022. Reimbursable costs arise when there are insufficient escrow funds available to make scheduled tax and insurance payments for loans serviced by Ginnie Mae, wherein Ginnie Mae advances funds to cover the escrow shortfall to preserve a first lien position on the underlying collateral. In addition, Ginnie Mae advances funds to cover servicing related expenses to preserve the value of the underlying collateral. The allowance for reimbursable costs is estimated based on historical loss experience, which includes expected collections from the mortgagors, proceeds from the sale of the property, and reimbursements collected from third-party insurers or guarantors (FHA, VA, USDA, and PIH).

Financial Guarantees: Ginnie Mae's financial guaranty obligates Ginnie Mae to stand ready, over the term of the guaranty, to advance funds to cover any shortfall of P&I to the MBS holders in the event of an issuer default.

Ginnie Mae, as guarantor, follows the guidance in *ASC 460: Guarantees,* for its accounting and disclosure of its guaranties. As these guaranties are within the scope of *ASC 326*, expected credit losses (the contingent aspect) are measured and accounted for in addition to and separately from the fair value of the guaranty (the noncontingent aspect), which is measured in accordance with *ASC 460*.

At inception of the guaranty, Ginnie Mae recognizes the guaranty obligation (the noncontingent aspect) at fair value. When measuring the guaranty liability under *ASC 460*, Ginnie Mae applies the practical expedient, which allows for the guaranty obligation to be recognized at inception based on the premium received or the receivable owed to the guarantor, provided the guaranty is issued in a standalone arm's length transaction with an unrelated party. The fair value of the guaranty obligation is calculated using the discounted cash flows of the expected future premiums from guaranty fees over the expected life of the mortgage pools. The estimated fair value includes certain assumptions such as future UPB, prepayment rates, issuer buyouts and default rates.

Guaranties are issued on standalone transactions for a premium and Ginnie Mae records a guaranty asset for the same value as the guaranty liability at inception. These offsetting entries are equal to the considerations received and have a neutral net impact upon the initial recognition of the guaranty liability and guaranty asset on the net financial position of Ginnie Mae.

Refer to Note 4*: Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure* for further details.

Liability for Loss on Mortgage-Backed Securities Program Guaranty: U.S. GAAP requires Ginnie Mae to recognize a loss contingency that arises from the following:

- The guaranty obligation that Ginnie Mae has to the MBS holders as a result of a probable issuer default. The issuers have the obligation to make timely P&I payments to MBS certificate holders. However, if an issuer defaults, Ginnie Mae ensures the contractual payments to MBS certificate holders are made. When assessing whether an issuer may default, Ginnie Mae takes into consideration various factors including the issuer's financial and operational vulnerability, a qualitative and quantitative corporate credit analysis, and other evidence of the issuer's potential default (e.g., known regulatory investigations or actions).
- The obligation that Ginnie Mae has to the multifamily MBS issuers to reimburse them for applicable losses in the event of a loan default, pursuant to the Multifamily Guaranty Agreement.

The contingent aspect of the guaranty obligation is measured initially and in subsequent periods under *ASC 326-20: Financial Instruments – Credit Losses*.

Refer to Note 13: *Reserve for Loss* for details on Ginnie Mae's current practice.

Significant Accounting Policies Prior to Adoption of the CECL Standard

Mortgage Loans Held for Investment Including Accrued Interest, Net: When a Ginnie Mae issuer defaults, and is terminated and extinguished, Ginnie Mae steps into the role of the issuer and assumes all servicing rights and obligations of the issuer's entire Ginnie Mae guaranteed portfolio, including making timely pass-through payments. Ginnie Mae utilizes the MSS to service these portfolios. There are currently two MSS that service the terminated and extinguished issuer portfolios of pooled and non-pooled loans.

In its role as issuer, Ginnie Mae assesses individual loans within its pooled portfolio to determine whether the loan must be purchased out of the pool. Ginnie Mae must purchase mortgage loans out of the MBS pool when the mortgage loans are ineligible for insurance or guaranty by the FHA, VA, USDA, or PIH, as well as loans that have been modified beyond the trial modification period. Additionally, Ginnie Mae has the option to purchase mortgage loans out of the MBS pool when the mortgage loans are insured or guaranteed but are delinquent for more than 90 days.

Mortgage Loans Held for Investment: Ginnie Mae has the intent and ability to hold acquired loans for the foreseeable future or until maturity, therefore, the mortgage loans are classified as held for investment (HFI). Ginnie Mae reports the carrying value of HFI loans on the Balance Sheet at the UPB along with accrued interest, net of cost basis adjustments, and net of allowance for loan losses including accrued interest, as required by U.S. GAAP. In the event that Ginnie Mae clearly identifies mortgage loans that it intends to sell, as well as develops a formal marketing strategy or plan of sale, Ginnie Mae will reclassify the applicable loans from HFI to held for sale (HFS). For loans which Ginnie Mae initially classified as HFI and subsequently transfers to HFS, those loans would be recognized at the lower of cost or fair value until sold, with any related cash flows classified as operating activities. At September 30, 2023, and September 30, 2022, Ginnie Mae had no loans classified as HFS.

***Accrued Interest Receivable*:** Ginnie Mae accrues interest on mortgage loans HFI at the contractual rate. Of those loans not greater than 90 days past due, Ginnie Mae records an allowance on accrued interest to the extent interest is uncollectible for conventional loans and to the extent interest is not recoverable per insurance guidelines for insured or guaranteed loans.

Non-Accrual and Modified Accrual: Ginnie Mae's current policy establishes when a loan should be placed on non-accrual status, the method of recording payments received while a loan is on non-accrual status, and the criteria for resuming accrual of interest. Ginnie Mae places uninsured loans on non-accrual status once either principal or interest is greater than 90 days past due (DPD) and collectability of payments is not reasonably assured. For uninsured loans placed on non-accrual status, interest previously accrued but not collected becomes a part of Ginnie Mae's recorded investment and is assessed for impairment under Accounting Standards Codification *(ASC) 450-20: Contingencies – Loss Contingencies* for whole loans, and under *ASC 310-10: Receivables – Overall* for loans deemed to be impaired. While a loan is on non-accrual status, Ginnie Mae has elected to apply any cash received for uninsured loans to the carrying value of the loan based on the cost recovery method.

In accordance with the policy, once insured loans are greater than 90 days past due, they are placed on modified accrual status, whereby interest is accrued at the rate recoverable from the insurer. Only loans for which Ginnie Mae has discontinued the accrual of interest are considered non-accrual loans (i.e., uninsured loans greater than 90 days past due for which no interest is accrued). Insured loans greater than 90 days past due are still accruing interest, although the rate may differ from the contractual rate based on the level of coverage provided by the applicable insurer/guarantor (i.e., modified accrual). For insured loans placed on modified accrual status, unpaid interest previously recognized at the contractual rate is reduced down to the recoverable amount per insurance guidelines. The remaining accrued interest receivable balance becomes part of Ginnie Mae's recorded investment and is assessed for impairment under the same guidance as the UPB of the same loan, *ASC 450-20* for whole loans or *ASC 310-10* for loans deemed impaired. For FHA-insured loans on modified accrual status, cash receipts are applied in accordance with the P&I amortization schedule due, to the extent of the coverage provided by FHA insurance. For loans insured or guaranteed by other insurers/guarantors (VA, USDA, or PIH), Ginnie Mae has elected to apply cash received to the carrying value of the loan based on the cost recovery method.

Loans can be returned to accrual status if Ginnie Mae is able to determine that all P&I amounts contractually due are reasonably assured of repayment within a reasonable period and there is a sustained period of reperformance.

Allowance for Loan Losses: Ginnie Mae performs periodic and systematic reviews of its loan portfolios to identify credit risks and assess the overall collectability of the portfolios to determine the estimated uncollectible portion of the recorded investment on the loans when (1) available information at each Balance Sheet date indicates that it is probable a loss has occurred and (2) the amount of the loss can be reasonably estimated.

For large groups of homogeneous loans that are collectively evaluated (pursuant to requirements in *ASC 450-20*), Ginnie Mae establishes the allowance for loan losses and records an allowance against both principal and interest. When Ginnie Mae determines that it is probable a credit loss will occur and that loss can be reasonably estimated, Ginnie Mae recognizes the estimated amount of the incurred loss in the allowance for loan losses. Ginnie Mae aggregates its mortgage loans based on common risk characteristics, primarily by the type of insurance or guaranty (FHA, VA, USDA, PIH) associated with the loan, as each has a different recovery rate. Ginnie Mae also categorizes uninsured loans separately from insured loans. The allowance for loan losses estimate is calculated using statistical models that are based on historical loan performance and insurance or guaranty recoveries, as well as macroeconomic data. The estimate also includes qualitative factors, where applicable.

This allowance for losses represents management's best estimate of probable credit losses inherent in Ginnie Mae's mortgage loan portfolio. The allowance is netted against the recorded investment on mortgage loans presented on the Balance Sheet.

Charge-Off: Ginnie Mae charges-off accrued interest and UPB when it believes collectability of interest or principal is not reasonably assured. Ginnie Mae's policy is to charge-off confirmed losses against the loan and allowance for loan losses to either fair market value or net recoverable value when the asset is at or greater than 180 days delinquent.

Recoveries: Ginnie Mae records recoveries of uninsured loans previously charged-off when cash is received from the borrower related to P&I in excess of the recorded investment. For insured loans, Ginnie Mae records recoveries of previously charged-off accrued interest amounts when cash is received from the borrower related to interest in excess of the recorded interest receivable. Recoveries of loans previously charged-off are recognized as an increase to the allowance for loan losses when payment is received.

Impaired Loans: Ginnie Mae considers a loan to be impaired when, based on current information, it is probable that amounts due, including interest, will not be received in accordance with the contractual terms of the loan agreement (pursuant to requirements under *ASC 310-10*: *Receivables – Overall*). Ginnie Mae's impaired loans include troubled debt restructuring (TDR) and purchased credit impaired (PCI) loans. For impaired loans, Ginnie Mae measures impairment based on the present value of expected future cash flows. Ginnie Mae's expectation of future cash flows incorporates, among other items, estimated probabilities of default and prepayment based on a number of economic factors as well as the characteristics of a loan. Additionally, Ginnie Mae considers the estimated value of the collateral, as reduced by estimated disposition costs, and estimated proceeds from insurance and similar sources, if applicable.

***Troubled Debt Restructuring*:** To avoid foreclosure, the MSS, on behalf of Ginnie Mae, may offer concessions to help mortgagors who have fallen into financial difficulties with their mortgages.

Various concessions may be provided through modification, including:

- A delay in payment that is more than insignificant;
- A reduction in the contractual interest rate to lower than the market interest rate at the time of modification;
- Interest forbearance for a period of time for uncollected interest amounts, which is more than insignificant;
- Principal forbearance that is more than insignificant; and
- Discharge of the mortgagor's obligation due to filing of Chapter 7 bankruptcy.

Ginnie Mae considers these modifications concessions granted to mortgagors experiencing financial difficulties and classifies these loans as TDRs consistent with *ASC 310-40*: *Receivables – Troubled Debt Restructuring by Creditors.* Ginnie Mae measures the impairment on these loans restructured in a TDR based on the excess of the recorded investment in the loan over the present value of the expected future cash flows, discounted at the loan's original effective interest rate.

COVID-19 Related Forbearances: In March 2020, the Coronavirus Aid, Relief, and Economic Security Act, referred to as the CARES Act, was enacted to provide financial relief to businesses, individuals and public institutions affected by the COVID-19 pandemic. Section 4013 of the CARES Act and the Consolidated Appropriations Act provides financial institutions the option to temporarily suspend the accounting and reporting requirements for TDRs for loan modifications provided they are: 1) related to the COVID-19 pandemic, 2) the modification occurs between March 1, 2020 through the earlier of January 1, 2022 or 60 days after the date on which the COVID-19 outbreak national emergency terminates, and 3) the loan was not more than 30 days delinquent as of December 31, 2019. The scope of this Section applies to forbearance arrangements, repayment plans, interest rate modifications, and any similar arrangement that defer or delays the payment of principal or interest.

FHA, VA, and USDA insured loans fall in scope of Section 4022 "Foreclosure Moratorium and Consumer Right to Request Forbearance" of the CARES Act which grants forbearance rights and protection against foreclosure to borrowers with a federally backed mortgage loan[5]. Per Section 4022, upon the borrower's request, a servicer must provide forbearance for up to 180 days provided that the borrower must attest that they have experienced financial hardship due to COVID-19. Section 4022 also notes that the forbearance period may be extended for an additional period of up to 180 days at the request of the borrower, provided that, the borrower's request for an extension is made during the covered period, and, at the borrower's request, either the initial or extended period of forbearance may be shortened. FHA, VA, and USDA did not extend its foreclosure moratorium to the insured borrowers past July 31, 2021. Forbearance application window remained open through the end of the nationally declared emergency[6] to provide additional forbearance for borrowers that meet relevant criteria.

In April 2020, the Board of Governors of the Federal Reserve, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Consumer Financial Protection Bureau, in consultation with state financial regulators, issued a revision to the *Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus* ("Interagency Statement"), which was confirmed with the staff of the Financial Accounting Standards Board. The Interagency Statement encourages financial institutions to work constructively with borrowers impacted by COVID-19, provides additional information over loan modifications, and clarifies interactions between the interagency statement and related relief provided by the CARES Act. The Interagency Statement allows for an entity to either choose to account for an eligible loan modification under Section 4013 of the CARES Act or in accordance with the Interagency Statement's interpretation of existing US GAAP (*ASC 310-40*) in the context of COVID-19. The scope of the Interagency Statement applies to modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Loan modifications eligible for relief under the Interagency

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[5] *The term ''Federally backed mortgage loan'' includes any loan which is secured by a first or subordinate lien on residential real property (including individual units of condominiums and cooperatives) designed principally for the occupancy of from 1- to 4-families that is either (A) insured by the FHA; (B) insured under the National Housing Act; (C) guaranteed under the Housing and Community Development Act of 1992; (D) guaranteed or insured by the Department of Veterans Affairs; (E) guaranteed or insured by the Department of Agriculture; (F) made by the Department of Agriculture; or (G) purchased or securitized by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association.*

[6] *FHA and VA allowed their home loan borrowers to make an initial request for COVID-19 forbearance and extensions through May 31, 2023. While USDA did not extend the initial forbearance request window beyond September 30, 2021, USDA borrowers who received an initial COVID-19 forbearance before June 30, 2020, may have been granted additional forbearance.*

Statement meet all of the following criteria: 1) modification is in response to the National Emergency, 2) the loan was not 30 days or more past due at the time the modification program is implemented, and 3) the modification is short term in nature (e.g., six months).

Ginnie Mae has elected to account for modifications and take the optional relief provided within the Interagency Statement. For loan modifications to meet the criteria for relief under the Interagency Statement, one requirement is that borrowers have to be current at the implementation of the modification program. As such, institutions may presume borrowers are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program. In accordance with the Interagency Statement, loans subject to relief will continue to be presented as current within the financial statement aging disclosures. Further, these loans will continue to recognize interest income subject to Ginnie Mae's existing accounting policy. Refer to Note 7: *Mortgage Loans* for further details.

Purchased Credit Impaired Loans: Ginnie Mae evaluates all purchased loans and assesses whether there is evidence of credit deterioration subsequent to the loan's origination and if it is probable at acquisition that Ginnie Mae will be unable to collect all contractually required payments. Ginnie Mae considers insurance and guaranties from FHA, VA, USDA, and PIH in determining whether it is probable that Ginnie Mae will collect all amounts due according to the contractual terms. Per U.S. GAAP, Ginnie Mae is required to record realized losses on loans purchased when, upon purchase, the fair value is less than the acquisition cost of the loan. Additionally, U.S. GAAP requires Ginnie Mae to accrue and recognize the difference between the initial investment of the loan and the undiscounted expected cash flows (accretable yield) as interest income on a level-yield basis over the expected life of the loan.

For the loans insured by the FHA, Ginnie Mae expects to collect the full amount of the UPB and debenture rate interest (only for months allowed in the insuring agency's timeline), when the insuring agency reimburses Ginnie Mae. As a result, these loans are accounted for under *ASC 310-20: Receivables – Nonrefundable Fees and Other Costs*. In accordance with *ASC 310-20-30*, these loans are recorded at the UPB plus accrued interest, which is the amount Ginnie Mae pays to purchase these loans. Accordingly, Ginnie Mae recognizes interest income on these loans on an accrual basis less an adjustment to arrive at the debenture rate for the number of months allowed under the insuring agency's timeline, if necessary.

For loans that are delinquent and uninsured, or guaranteed or insured by VA, USDA, or PIH, Ginnie Mae concludes that it is probable that it will not collect all contractually required payments receivable. Accordingly, these loans are considered PCI. Historically, Ginnie Mae has not applied the full PCI requirements under U.S. GAAP to these loans, because Ginnie Mae has determined that non-compliance with the full PCI requirements does not, on its own, preclude the financial statements as a whole from being materially compliant with U.S. GAAP. Currently, upon acquisition, the PCI loans are recorded at UPB plus accrued interest, less allowance. Ginnie Mae measures subsequent impairment on these loans based on the present value of expected future cash flows.

Financial Guarantees: Ginnie Mae, as guarantor, follows the guidance in *ASC 460: Guarantees,* for its accounting and disclosure of its guaranties. Prior to the adoption of *ASC 326, ASC 460* required the guarantor to consider the requirements of *ASC 450-20: Contingencies – Loss Contingencies* in assessing whether a contingent loss needs to be accrued for the guaranty obligation. In the event that, at the inception of the guaranty, Ginnie Mae recognized a contingent liability under *ASC 450*, the liability to be initially recognized for that guaranty shall be the greater of the non-contingent guaranty liability determined under *ASC 460*, or the contingent liability amount required to be recognized at inception of the guaranty in accordance with *ASC 450*.

Refer to Note 4*: Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure* for further details.

Recognition of Revenues and Expenses:

Prior to the adoption of CECL, Ginnie Mae recognized revenue from the following sources:

- ***Interest income on mortgage loans held for investment*** – Ginnie Mae accrues interest for loans at the contractual interest rate of the underlying mortgage unless the loans become 90 days past due, at which point the loans are placed on nonaccrual or modified accrual status.

Recently Adopted Accounting Pronouncements

As a result of the adoption of CECL, Ginnie Mae recorded one-time adjustments to impacted financial statement line items that resulted in an estimated realized gain from mortgage loans held at fair value of $171.4 million, an increase to liability for loss on mortgage-backed securities program guaranty of $116.2 million, and a related increase to investment of U.S. Government of $55.2 million. Upon the adoption of CECL on October 1, 2022, Ginnie Mae did not recognize an allowance for credit losses on cash and cash equivalents or restricted cash and cash equivalents. The adoption of this standard did not have a material impact on accrued and other fees receivable, advances, net, or the portion of reimbursable costs receivable, net recognized for pooled loans.

Reference Rate Reform: In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848), which defers the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, to ease the potential burden of transitioning away from the London Interbank Offered Rate (LIBOR) and other discontinued interest rates. The FASB had previously issued guidance under Topic 848 that provided optional practical expedients and exceptions under GAAP related to contract modifications and hedging relationships that reference LIBOR or another reference rate expected to be discontinued. Although Ginnie Mae does not have any hedge accounting relationships, the MBS comprised of LIBOR ARMs (i.e., FHA Single-Family Forward and FHA Reverse) and multiclass securities that reference the LIBOR index only (i.e., REMIC/HREMIC programs) will be impacted by the LIBOR transition. Ginnie Mae elected to apply the provisions of Topic 848, which was effective immediately and will be applied prospectively. Ginnie Mae started transitioning from LIBOR to SOFR on September 1, 2023, and the adoption of this guidance on the transitioned loans in the reverse mortgage portfolio did not have a material impact on our financial statements.

Recent Accounting Pronouncements Not Yet Adopted

There were no recent accounting pronouncements that apply to Ginnie Mae, therefore, not yet adopted as of September 30, 2023.

Note 3: Unrestricted and Restricted Cash and Cash Equivalents

Cash and cash equivalents – unrestricted and restricted – include the following:

	September 30, 2023		
	Unrestricted	Restricted	Total
	(Dollars in thousands)		
Funds with U.S. Treasury [1]	$ 7,328,704	$ -	$ 7,328,704
Unapplied deposits	-	13	13
Fund balances precluded from obligation	-	1,510,194	1,510,194
Liability for investor pay off	-	388	388
Total Funds with U.S. Treasury	$ 7,328,704	$ 1,510,595	$ 8,839,299
Deposit in Transit:			
Cash held by MSS [2]	$ 28,392	$ 149,030	$ 177,422
Cash held by Trustee and Administrator of securities [3]	7,122	-	7,122
Total Deposit in Transit:	$ 35,514	$ 149,030	$ 184,544
U.S. Treasury short-term investments [4]	$ 21,130,483	23,758	21,154,241
Total	**$ 28,494,701**	**$ 1,683,383**	**$ 30,178,084**

	September 30, 2022		
	Unrestricted	Restricted	Total
	(Dollars in thousands)		
Funds with U.S. Treasury [1]	$ 9,162,672	$ -	$ 9,162,672
Unapplied deposits	-	13	13
Fund balances precluded from obligation	-	1,417,485	1,417,485
Liability for investor pay off	-	761	761
Total Funds with U.S. Treasury	$ 9,162,672	$ 1,418,259	$ 10,580,931
Deposit in Transit:			
Cash held by MSS [2]	$ 24,017	$ -	$ 24,017
Cash held by Trustee and Administrator of securities [3]	4,277	-	4,277
Total Deposit in Transit:	$ 28,294	$ -	$ 28,294
U.S. Treasury short-term investments [4]	$ 18,470,245	$ 23,666	$ 18,493,911
Total	**$ 27,661,211**	**$ 1,441,925**	**$ 29,103,136**

(1) *This amount represents Ginnie Mae's account balance with the U.S. Treasury. It includes cash and cash equivalents that are restricted by Congress, which Ginnie Mae cannot spend without approval from the legislative body; cash and cash equivalents that are restricted temporarily, until Ginnie Mae determines the appropriate allocation for cash received; and liability for investor payoff, which consists of funds collected for borrower prepayments, principal curtailments, loan payoffs and loan buyouts that have not been remitted to investors as of the end of the reporting period.*

(2) *This amount represents cash collected by the MSS on behalf of Ginnie Mae but not yet received by Ginnie Mae.*

(3) *This amount represents cash collected by the Trustee and Administrator of securities on behalf of Ginnie Mae but not yet received by Ginnie Mae.*

(4) *This amount represents investments in overnight certificates. It also includes the money owed to MBS certificate holders who cannot be located by the administrator of the Ginnie Mae MBS and have not yet been claimed. There is no statute of limitations stating when the MBS certificate holder can claim this cash.*

Funds with U.S. Treasury: Ginnie Mae's cash receipts and disbursements are processed by U.S. Treasury. Cash held by U.S. Treasury represents the available budget spending authority of Ginnie Mae (obligated and unobligated balances available to finance allowable expenditures). The restricted balances represent amounts restricted for use for specific purposes. Restrictions may include legally restricted deposits, contracts entered into with others, or Ginnie Mae's statements of intention with regard to particular deposits. The balance consists of the following:

- ***Unapplied deposits:*** Cash received by Ginnie Mae held in a suspense account until the appropriate application is determined.
- ***Fund balances precluded from obligation****:* Unobligated money within the Programs Fund balance that is restricted by law and cannot be utilized unless allowed by a subsequently enacted law.
- ***Liability for investor pass-through payments:*** Cash from unremitted P&I collections sent to Ginnie Mae that Ginnie Mae has an obligation to pass through to MBS holders.

Deposits in Transit:

- ***Cash held by the MSS:*** There may be a time lag between when the MSS receives cash collections on behalf of Ginnie Mae, such as principal, interest, and insurance proceeds, and when cash collections are transferred to Ginnie Mae. Ginnie Mae records cash and cash equivalents for receipts collected by the MSS on behalf of Ginnie Mae, but not yet transferred to Ginnie Mae and/or remitted to HMBS holders, at the end of the reporting period.
- ***Cash held by Trustee and Administrator of securities***: There may be a time lag between when the Trustee and Administrator of securities receives cash for commitment fees and multiclass fees, respectively, on behalf of Ginnie Mae, and when cash is transferred to Ginnie Mae. Ginnie Mae records cash and cash equivalents for receipts collected by the Trustee and Administrator of securities, but not yet transferred to Ginnie Mae, at the end of the reporting period.

U.S. Treasury short-term investments: Ginnie Mae invested the full balance of the Capital Reserve Fund of approximately $21.0 billion and $18.4 billion and the Liquidating Fund of approximately $124.6 million and $124.0 million in overnight U.S. Government securities at September 30, 2023, and September 30, 2022, respectively. At September 30, 2023, and September 30, 2022, Ginnie Mae only held overnight certificates. The U.S. Treasury short-term investments balance includes $23.8 million and $23.7 million of restricted cash related to unclaimed MBS holder payments at September 30, 2023, and September 30, 2022. U.S. Treasury securities are carried at cost, which approximates fair value.

Note 4: Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure

Ginnie Mae receives guaranty fees, which are calculated based on the UPB of outstanding MBS in the defaulted and non-defaulted issuers' pooled portfolio. A guaranty fee represents compensation for guaranteeing the timely payment of P&I to the MBS certificate holders in the event of issuers' default. Ginnie Mae only guarantees securities created by approved issuers and backed by mortgages insured by other federal agencies. The underlying source of loans for the Ginnie Mae I MBS and Ginnie Mae II MBS comes from Ginnie Mae's four main MBS programs (the single family, multifamily, HMBS, and manufactured housing programs) which serve a variety of loan financing needs and different issuer origination capabilities. Refer to Note 1: *Entity and Mission* for more information on each program.

Ginnie Mae recognizes a guaranty asset upon issuance of a guaranty for the expected present value of the guaranty fees. The guaranty asset recognized on the Balance Sheet is $8.4 billion and $8.6 billion at September 30, 2023, and September 30, 2022, respectively. The guaranty liability represents the non-contingent liability for Ginnie Mae's obligation to stand ready to perform on its guaranty. The guaranty obligation recognized on the Balance Sheet is $9.4 billion and $9.0 billion at September 30, 2023, and September 30, 2022, respectively. After the initial measurement, the guaranty asset is recorded at fair value and the guaranty liability is amortized based on the remaining UPB of the MBS pools. The difference in measurement for the guaranty asset and guaranty obligation subsequent to initial recognition may cause volatility in reported earnings due to different measurement attributes in reporting the related financial asset (using projected economic exposures such as interest rates and prepayments) and the financial liability (using actual payoffs and paydowns). Refer to Note 10: *Fair Value Measurement* for discussion surrounding the volatility reflected in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government as a result of changes in assumptions used in estimating the fair value of the guaranty asset.

For the guaranty asset and guaranty liability recognized on the Balance Sheet, Ginnie Mae's maximum potential exposure under these guaranties is primarily comprised of the UPB of MBS and outstanding commitments and does not consider loss recoverable from other agencies. The UPB of Ginnie Mae's MBS was approximately $2.5 trillion at September 30, 2023, and $2.3 trillion at September 30, 2022. It should be noted, however, that Ginnie Mae's potential loss is considerably less due to the financial strength of its issuers. In addition, the value of the underlying collateral and the insurance provided by insuring or guaranteeing agencies indemnify Ginnie Mae for most losses.

The Ginnie Mae guaranteed security is a pass-through security whereby mortgage P&I payments (or curtailments) are passed through to the MBS certificate holders monthly. Exposure to credit loss is primarily contingent on the nonperformance of Ginnie Mae issuers. Ginnie Mae does not anticipate nonperformance by the issuers other than those considered probable of default reflected in the liability for loss on mortgage-backed securities program guaranty line item on the Balance Sheet or considered reasonably possible of default as disclosed in Note 13: *Reserve for Loss*. Terms of the guaranty for single family programs are maximum 40 years. For multifamily programs, the maximum guaranty term is capped at 40 years plus the applicable construction period. For HMBS programs, the maximum guaranty term is 50 years from the issuance of the security. Refer to Note 13: *Reserve for Loss* for discussion of contingent and non-contingent guaranty liability.

Ginnie Mae is also exposed to losses related to its outstanding commitments to guarantee MBS, which are not recognized on its Balance Sheet. These commitments represent Ginnie Mae's guaranty of future MBS issuances. The commitment ends when the securities are issued or the commitment period expires, which is the last day of the month that is one year after the authority is approved for single family issuers and on the last day of the month that is two years after the authority is approved for multifamily issuers. Ginnie Mae's risk related to outstanding commitments is significantly lower than the outstanding balance of MBS due in part to Ginnie Mae's ability to limit commitment authority granted to individual MBS issuers.

Outstanding MBS and commitments were as follows:

	September 30, 2023		September 30, 2022	
	(Dollars in billions)			
Outstanding MBS	$	2,473	$	2,284
Outstanding MBS commitments		141		158
Total	**$**	**2,614**	**$**	**2,442**

The Ginnie Mae MBS serves as collateral for multiclass products, REMICs, and Platinum Certificates, for which Ginnie Mae also guarantees the timely payment of P&I. These structured securities allow the private sector to combine and restructure cash flows from Ginnie Mae MBS into securities that meet unique investor requirements for cash flow, yield, maturity, and call-option features.

For the years ended September 30, 2023, and 2022, multiclass security program issuances totaled $143.9 billion and $196.2 billion, respectively. The estimated outstanding balance of multiclass securities was $737.9 billion and $659.0 billion on September 30, 2023, and September 30, 2022, respectively. These guaranteed securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the MBS collateral.

Note 5: Reimbursable Costs, Net

The following tables present reimbursable costs[1] and related allowance, by loan insurance type:

	September 30, 2023									
	FHA		VA		USDA		Conventional		Total	
	(Dollars in Thousands)									
Reimbursable costs[2]	$	312	$	80	$	5	$	0	$	397
Allowance for reimbursable costs		-		-		-		-		-
Reimbursable costs, net	**$**	**312**	**$**	**80**	**$**	**5**	**$**	**0**	**$**	**397**

	September 30, 2022									
	FHA		VA		USDA		Conventional		Total	
	(Dollars in Thousands)									
Reimbursable costs	$	24,042	$	1,703	$	677	$	121	$	26,543
Allowance for reimbursable costs		(1,774)		(461)		(310)		(17)		(2,562)
Reimbursable costs, net	**$**	**22,268**	**$**	**1,242**	**$**	**367**	**$**	**104**	**$**	**23,981**

(1) *Refer to Note 2:* Summary of Significant Accounting Policies *for the reimbursable costs description.*

(2) *Costs incurred on pooled forward loans, which are expected to be reimbursed, are recorded as reimbursable costs receivable and reported net of an allowance for amounts that management believes will not be collected. However, costs for non-pooled forward and reverse loans are included within forward and reverse mortgage loans, at fair value effective October 1, 2022.*

Note 6: Advances, Net

Advances include payments made to a MSS to cover any shortfalls to investors resulting from mortgagors defaulting on their mortgage payments and excess funds paid to the MSS to service the HECM portfolio, including funding scheduled and unscheduled draws, reimbursable cost advances, FHA monthly insurance premiums paid on behalf of borrowers, and payments to HMBS investors for loan buyouts. Advances are reported net of an allowance, which is based on management's expectations of future recoverability from mortgage insuring and guaranteeing agencies such as FHA, VA, USDA, and PIH. HECM portfolio advances are only classified as advances until the MSS executes on the servicing need, at which point the balance is capitalized to the HECM loan UPB or reduces the HMBS obligation. Given this, HECM advance balances represent excess cash held by the MSS on behalf of Ginnie Mae and are expected to be fully utilized for future servicing or recovered.

In December 2022, a Ginnie Mae HMBS issuer was extinguished, and Ginnie Mae assumed the servicing rights and obligations of the issuer. Accordingly, Ginnie Mae delegated portfolio management to one of its MSS and advanced funds to the MSS to cover the servicing needs of the extinguished portfolio. Ginnie Mae also made advance payments to cover the liability to investors for MBS portfolios acquired from five previously defaulted issuers for the year ended September 30, 2023, and the year ended September 30, 2022.

The following table presents Advances and related allowance:

	September 30, 2023		September 30, 2022	
	(Dollars in thousands)			
HECM portfolio advances	$	414,857	$	-
MBS Advances		1,764		741
Allowance for uncollectible MBS advances		(26)		(92)
Advances, net	**$**	**416,595**	**$**	**649**

Note 7: Mortgage Loans

Ginnie Mae adopted the CECL standard as of October 1, 2022. Accordingly, the disclosures below reflect these adoption changes. Prior period presentation was not modified to conform to current period presentation. See Note 2: *Summary of Significant Accounting Policies* for additional information.

Forward Mortgage Loans, at Fair Value

Ginnie Mae has the option to classify loans as either MFV, HFS, or HFI. As of September 30, 2023, Ginnie Mae classifies single family forward mortgage loans as MFV. Ginnie Mae reports the carrying value of forward mortgage loans at fair value, which represents the fair value of the UPB, accrued interest and reimbursable costs receivable of the mortgage loan. For the year ended September 30, 2023, Ginnie Mae reported a total loss of $92.1 million due to changes in fair market value of forward mortgage loans. As of September 30, 2023, Ginnie Mae had Fair Value and Fair Value Over (Under) Unpaid Principal Balance of aggregated Mortgage loans at fair value that are 90 days or more past due of $168.7 million and ($37.9 million), respectively.

The tables below present the carrying value of MFV loans including accrued interest and reimbursable costs receivable under FVO:

	September 30, 2023							
	Fair Value		Unpaid Principal Balances		Fair Value Over (Under) Unpaid Principal Balance		UPB of aggregated mortgage loans at fair value that are 90 days or more past due	
	(Dollars in thousands)							
FHA	$	1,293,519	$	1,504,635	$	(211,116)	$	182,392
VA		52,261		60,897		(8,636)		11,586
USDA		22,282		26,067		(3,785)		4,338
Conventional		67,601		79,899		(12,298)		8,328
Total	**$**	**1,435,663**	**$**	**1,671,498**	**$**	**(235,835)**	**$**	**206,644**

Reverse Mortgage Loans, at Fair Value

In December 2022, a Ginnie Mae HMBS issuer defaulted, and Ginnie Mae assumed the servicing rights and obligations of the defaulted issuer. As part of the acquisition of the issuer's reverse mortgage portfolio, Ginnie Mae recognized a loss of $282.7M which is included in gain (loss) on acquisition of HMBS obligations, at fair value on the Statements of Revenues and Expenses and Changes in Investment of U.S. Government.

Ginnie Mae reports the carrying value of reverse mortgage loans at the fair value of the reverse mortgage loan, which represents the fair value of the UPB, accrued interest and reimbursable costs receivable of the reverse mortgage loan. For the year ended September 30, 2023, Ginnie Mae has a total gain of $2.0 billion due to changes in fair market value of reverse mortgage loans.

The tables below present the carrying value of reverse mortgage loans including accrued interest and reimbursable costs receivable under FVO:

	September 30, 2023		
	Fair Value	Unpaid Principal Balances	Fair Value Over (Under) Unpaid Principal Balance
		(Dollars in thousands)	
FHA	**$ 19,525,649**	**$ 20,020,106**	**$ (494,457)**

Mortgage Loans Held for Investment Including Accrued Interest, Net

Prior to the adoption of the CECL standard, Ginnie Mae classified loans as either HFS or HFI. At September 30, 2022, Ginnie Mae's loan portfolio did not include any HFS loans.

The tables below present the carrying value of HFI loans including accrued interest broken down by underlying insuring agencies:

	September 30, 2022				
	Conventional	FHA	VA	USDA	Total
			(Dollars in thousands)		
Mortgage loans held for investment UPB	$ 73,002	$ 1,527,544	$ 60,572	$ 26,265	$ 1,687,383
Accrued interest receivable	792	8,577	628	311	10,308
Recorded investment of mortgage loans held for investment including accrued interest	$ 73,794	$ 1,536,121	$ 61,200	$ 26,576	$ 1,697,691
Allowance for loan losses	(2,098)	(120,810)	(2,802)	(1,773)	(127,483)
Mortgage loans held for investment including accrued interest, net	**$ 71,696**	**$ 1,415,311**	**$ 58,398**	**$ 24,803**	**$ 1,570,208**

Credit Quality Indicators

Ginnie Mae's HFI loans are periodically evaluated for impairment in accordance with guidance in *ASC 450-20: Contingencies – Loss Contingencies* or *ASC 310-10: Receivables – Overall*. Ginnie Mae's credit risk exposure on its HFI mortgage loans portfolio is limited by the underlying guaranty or insurance on loans, which may include FHA, VA, USDA, and PIH.

When estimating defaults, prepayments and recoveries, Ginnie Mae considers a number of indicators including macro-economic factors such as interest rates, home price indices, and mortgage delinquency rates. In addition, Ginnie Mae considers a number of credit quality indicators such as loan-to-value (LTV) ratios at origination and current delinquency status as of the end of the reporting period. Other characteristics include age of loan, insuring agency, credit score, and spread of mortgage rate to relevant market rate.

The following tables present the recorded investment[1] for mortgage loans by original LTV ratio:

	September 30, 2022			
	Less than 80%	**80-100%**	**Greater than 100%**	**Total**
	(Dollars in thousands)			
Conventional	$ 5,515	$ 65,515	$ 2,764	$ 73,794
FHA	101,990	1,407,865	26,266	1,536,121
VA	3,947	43,139	14,114	61,200
USDA	1,041	18,680	6,855	26,576
Total	**$ 112,493**	**$ 1,535,199**	**$ 49,999**	**$ 1,697,691**

(1) Recorded investment represents the total UPB along with accrued interest for HFI mortgage loans.

Aging Analysis

The following tables present an aging analysis of the total recorded investment in Ginnie Mae's HFI mortgage loans:

	September 30, 2022								
	One Month Delinquent	**Two Months Delinquent**	**Three Months Delinquent**	**Over Three months Delinquent**	**Total Delinquent**	**Current**	**Total**	**Loans Over 90 Days Delinquent and Accruing Interest[2]**	**Recorded Investment in Non-accrual loans[3]**
	(Dollars in Thousands)								
Conventional	$ 5,006	$ 2,201	$ 1,318	$ 5,838	$ 14,363	$ 59,431	$ 73,794	$ -	$ 13,847
FHA	128,516	46,506	17,853	162,309	355,184	1,180,937	1,536,121	162,309	-
VA	5,088	2,236	838	12,221	20,383	40,817	61,200	12,221	-
USDA	3,421	963	563	4,309	9,256	17,320	26,576	4,309	-
Total	$ 142,031	**$ 51,906**	**$ 20,572**	**$ 184,677**	**$ 399,186**	**$ 1,298,505**	**$ 1,697,691**	**$ 178,839**	**$ 13,847**

(2) Interest income on insured or guaranteed loans that are over 90 days delinquent is recognized subject to Ginnie Mae's non-accrual policy as discussed in Note 2: Summary of Significant Accounting Policies.

(3) Refer to Ginnie Mae's non-accrual policy as discussed in Note 2: Summary of Significant Accounting Policies.

Impaired Loans

The tables below present the recorded investment, related allowance, UPB, average recorded investment, and total interest income recognized for impaired mortgage loans, which include TDR loans and PCI loans:

	September 30, 2022				
	Recorded Investment	**Related Allowance**	**Unpaid Principal Balance**	**Average Recorded Investment**	**Total Interest Income Recognized[4]**
	(Dollars in thousands)				
With related allowance recorded:					
Conventional	$ 37,306	$ (1,766)	$ 37,095	$ 39,737	$ 1,815
FHA	1,140,529	(119,636)	1,136,594	1,172,867	51,028
VA	42,081	(2,802)	41,927	44,567	1,899
USDA	17,910	(1,773)	17,821	18,474	962
Total impaired loans with related allowance recorded	**$ 1,237,826**	**$ (125,977)**	**$ 1,233,437**	**$ 1,275,645**	**$ 55,704**
With no related allowance recorded[5]:					
Conventional	5,795	-	5,517	6,651	1,101
FHA	203,884	-	201,050	207,129	11,818
VA	19,118	-	18,645	19,593	1,185
USDA	8,666	-	8,444	8,780	617
Total impaired loans with no related allowance recorded	$ 237,463	$ -	$ 233,656	$ 242,153	$ 14,721
Total impaired loans[6]	**$ 1,475,289**	**$ (125,977)**	**$ 1,467,093**	**$ 1,517,798**	**$ 70,425**

(4) *Interest income on impaired loans is recognized subject to Ginnie Mae's non-accrual policy (as applicable), as discussed in Note 2:* Summary of Significant Accounting Policies.

(5) *The amount recoverable from the insurer/guarantor or fair value of the collateral value equals or exceeds the recorded investment of the impaired loan and, as such, no valuation allowance is recorded.*

(6) *The recorded investment, related allowance, and UPB for TDRs was $1,452.6 million, $125.5 million, and $1,444.8 million, respectively, at September 30, 2022. The recorded investment, related allowance, and UPB for PCI loans was $22.6 million, $0.5 million, and $22.3 million, respectively, at September 30, 2022.*

Troubled Debt Restructuring

A restructuring of a debt constitutes a TDR if Ginnie Mae, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. Additionally, Ginnie Mae considers Chapter 7 Bankruptcies which result in a discharge to the borrower as TDRs because the borrower is undergoing financial difficulty or insolvency and concessions are made to the borrower. Ginnie Mae assesses loans to determine whether they meet the criteria of TDR upon trial modification, as applicable. Ginnie Mae also offers other informal options to troubled borrowers including repayment plans and forbearance agreements which are evaluated for TDR, as applicable.

Section 4022 of the CARES Act provides borrowers with federally backed mortgage loans a foreclosure moratorium and a right to forbearance of loan payments for homeowners experiencing financial hardship due to COVID-19. The majority of Ginnie Mae's non-pooled loan portfolio is insured/guaranteed by the FHA, VA, USDA, or PIH, and therefore eligible for forbearance under Section 4022 of the CARES Act. As described in Note 2: *Summary of Significant Accounting Policies*, Ginnie Mae has elected to follow the guidance issued in the Interagency Statement and, accordingly, loan modifications (including short term payment deferrals of six months or less) subject to relief under the Interagency Statement are not accounted for as TDRs and therefore not included within Ginnie Mae's TDR disclosures. Any further payment deferrals permitted under Section 4022 beyond the six-month period will be assessed for TDR accounting.

Ginnie Mae's loan modification programs may result in various types of concessions (including a combination of concessions) such as term extensions and interest rate reductions (lower than what the mortgagor would receive in the market at the time of the modification). The average term extension granted by Ginnie Mae was 126 months for the year ended September 30, 2022. The average interest rate reduction was 1.60 percentage points for the year ended September 30, 2022.

The following table present the number of loans and recorded investment of loans newly classified[7] as a TDR:

	For the year ended September 30, 2022 (Dollars in thousands)			
		Number of Loans[9]		Recorded Investment[8]
Conventional	$	9	$	707
FHA		112		15,060
VA		8		1,458
USDA		11		1,037
Total	**$**	**140**	**$**	**18,262**

(7) *Loans classified as a TDR in one period may be modified again in a subsequent period. In such cases, the subsequent modification would not be reflected in the table since the loan would already have been classified as a TDR.*

(8) *There is not a material difference between the recorded investment in loans pre- and post-modification based on the nature of Ginnie Mae's modification programs which do not include principal and past-due interest forgiveness. As such, amounts represent post-modification recorded investment.*

(9) Includes modifications that do not meet the criteria under the Interagency Statement to take the optional relief from TDR accounting. As such, these modifications have been assessed under Ginnie Mae's TDR policy and classified as new TDRs.

The tables below present the number of loans and total recorded investment for the loans that entered a TDR in the preceding twelve months and for which there was a payment default during the period. For purposes of this disclosure, Ginnie Mae defines TDR loans that had a payment default as modifications that became two months or more delinquent subsequent to modification during the period. Additionally, for COVID-19 impacted loans that no longer qualify for the relief under the Interagency Statement guidance, Ginnie Mae will consider these TDR loans to be defaulted at the time they no longer qualify for the relief, unless the loans have been made current in accordance with their amortization schedule:

	For the year ended September 30, 2022	
	Number of Loans	Recorded Investment
	(Dollars in thousands)	
Conventional	$ -	$ -
FHA	7	519
VA	2	402
USDA	-	-
Total	**$ 9**	**$ 921**

Purchased Credit Impaired Loans

Upon acquisition, if the purchased loan is delinquent and uninsured, or guaranteed or insured by VA, USDA, or PIH, Ginnie Mae concludes that it is probable that it will not collect all contractually required payments receivable. Accordingly, these loans are considered PCI mortgage loans and are recorded at UPB and accrued interest, less allowance, which is not in compliance with the full PCI requirements outlined in *ASC 310-30*. Refer to Note 2: *Summary of Significant Accounting Policies* for U.S. GAAP requirements.

Foreclosures in Process

Ginnie Mae accounts for the mortgage loans as Foreclosure in Process if the foreclosure has been filed but not completed. Although foreclosure has been filed, the foreclosure process has not been completed and Ginnie Mae has not received physical possession of the underlying property, and accordingly, Foreclosure in Process loans are accounted for similar to mortgage loans HFI and are reported as a part of the HFI portfolio.

Physical possession of residential real estate property is achieved when either the creditor obtains legal title to the residential real estate property upon completion of a foreclosure, or the mortgagor conveys all interest in the residential real estate property through completion of a deed in lieu of foreclosure in order to satisfy that loan.

The recorded investment of Foreclosure in Process loans was $103.5 million as of September 30, 2022. Although the foreclosure process has begun for these loans, Ginnie Mae believes that a portion of these loans will not complete the foreclosure process due to Ginnie Mae's loss mitigation activities.

Allowance for Loan Losses

Ginnie Mae maintains an allowance for probable incurred losses related to non-pooled mortgage loans. This allowance for loan losses involves significant management judgment and estimates of credit losses inherent in the mortgage loan portfolio. The allowance for loan losses is intended to reduce the carrying value of Ginnie Mae's HFI and related accrued interest for probable credit losses embedded in the loan portfolio at the balance sheet date. HFI and accrued interest are reported net of the allowance on the Balance Sheet.

Ginnie Mae relies on MSS for information to assess mortgagors' ability to pay based on current economic environment assessment, and potential insurance recoveries as determinants in the statistical models that evaluate potential HFI recoveries. For the collective allowance, homogeneous pools of mortgage loans are defined on common characteristics such as age, geographic region, and insurance type, among others.

The projections of losses are built based on actual loan performance data and performance of similar loans, current economic environment, and, when appropriate, management judgment. Ginnie Mae monitors its projections of claim recoveries regularly to validate reasonableness. Ginnie Mae validates and updates its models and assumptions to capture changes in Ginnie Mae's servicing experience and changes in government policies and programs. In determining Ginnie Mae's loan loss reserves, Ginnie Mae also considers macroeconomic and other factors that may affect the performance of the loans in Ginnie Mae's portfolio, including house price changes, nominal GDP growth, unemployment rate and mortgage rate. Ginnie Mae uses probability of default and probability of prepayment models which employ logistic regressions to calculate dynamic default and prepayment probabilities based on criteria described above.

The following table displays the total recorded investment and allowance for loan losses by allowance methodology:

	For the year ended September 30, 2022 *(Dollars in thousands)*	
Recorded investment:		
Collectively evaluated	$	222,402
Individually evaluated		1,452,640
Purchase credit impaired		22,649
Total recorded investment in loans	**$**	**1,697,691**
Ending balance of the allowance for loan losses:		
Collectively evaluated	$	(1,506)
Individually evaluated		(125,463)
Purchase credit impaired		(514)
Total allowance for loan losses	$	(127,483)
Net Investment in mortgage loans HFI	**$**	**1,570,208**

The following table presents changes in Ginnie Mae's allowance for loan losses:

	For the year ended September 30, 2022 *(Dollars in thousands)*	
Balance, beginning of period	$	(97,183)
Recapture (provision) for loan losses		(30,587)
Charge-offs		6,082
Recoveries		(5,795)
Balance, end of period	**$**	**(127,483)**

Ginnie Mae's charge-offs may include write downs recorded when the mortgage loan receivables are transferred between certain asset classes.

Note 8: Claims Receivable, Net

Claims receivable are balances owed to Ginnie Mae from insuring or guaranteeing agencies (FHA, VA, USDA, and PIH) related to conveyed properties and short sales. Ginnie Mae records an allowance that represents the expected unrecoverable amounts within the portfolio for claims receivable. The claims receivable balance, net of the allowance, represents the amounts that Ginnie Mae determines to be collectible.

The following tables present Ginnie Mae's claims receivable and related allowance, by type of claim:

	September, 2023			
	FHA	VA	USDA	Total
	(Dollars in thousands)			
Foreclosed property claims receivable(1)	$ 55,497	$ 864	$ 870	$ 57,231
Short sale claims receivable(2)	1,896	53	-	1,949
Assignment claims receivable(3)	3,268	-	-	3,268
Allowance for claims receivable	(2,460)	(201)	-	(2,661)
Claims receivable, net	**$ 58,201**	**$ 716**	**$ 870**	**$ 59,787**

	September 30, 2022			
	FHA	VA	USDA	Total
	(Dollars in thousands)			
Foreclosed property claims receivable(1)	$ 36,949	$ 296	$ 780	$ 38,025
Short sale claims receivable(2)	535	-	-	535
Assignment claims receivable(3)	-	-	-	-
Allowance for claims receivable	(1,535)	(170)	(4)	(1,709)
Claims receivable, net	**$ 35,949**	**$ 126**	**$ 776**	**$ 36,851**

(1) Foreclosed property claims receivable represents reimbursements owed to Ginnie Mae by insuring or guaranteeing agencies (which may include FHA, VA, USDA, and PIH) for foreclosed property.

(2) Short sale claims receivable are amounts reimbursable to Ginnie Mae from the insuring or guaranteeing agencies (which may include FHA, VA, USDA, and PIH) for properties sold to avoid foreclosure where the proceeds received are insufficient to fully satisfy the remaining balances of the mortgages.

(3) Assignment claims receivable are amounts due to Ginnie Mae from the FHA for reverse mortgage sales to FHA. Ginnie Mae, in its assumed role as issuer may buyout HMBS investors and assign (sell) mortgagee rights to FHA when the unpaid principal balance of reverse mortgage loans exceeds 98% of the Maximum Claim Amount established at origination.

Note 9: Acquired Property, Net

Ginnie Mae recognizes acquired property in accordance with the accounting policy described in Note 2: *Summary of Significant Accounting Policies*. The acquired properties are typically acquired from foreclosed loans that are either USDA insured[7], FHA-insured[8] or uninsured conventional loans[9]. Acquired properties are assets that Ginnie Mae intends to sell and is actively marketing through the MSS. Activity for acquired properties is presented in the table below:

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[7] Properties from foreclosed USDA insured loans are not conveyed to the insuring agency subsequent to foreclosure per the insurance guidelines published by USDA.

[8] Properties from foreclosed FHA-insured loans that are under FHA's Claims Without Conveyance of Title program are not conveyed to the insuring agency subsequent to foreclosure, per the insurance guidelines published by FHA.

[9] Properties from foreclosed VA insured loans are usually conveyed to the insuring agency subsequent to foreclosure, and are recognized as foreclosed properties under claims receivable, net on Ginnie Mae's balance sheet upon the completion of the foreclosure process. Therefore, acquired properties are usually from USDA insured, FHA-insured or uninsured conventional loans, not VA insured loans.

	For the years ended September 30, 2023	2022
	(Dollars in thousands)	
Balance, beginning of period – acquired properties	$ 7,412	$ 6,313
Additions	84,917	6,727
Dispositions	(40,940)	(5,628)
Balance, end of period – acquired properties	**$ 51,389**	**$ 7,412**
Balance, beginning of period – valuation allowance	(1,252)	(312)
Change in valuation allowance	(5,563)	(940)
Balance, end of period – valuation allowance	**$ 6,815**	**$ (1,252)**
Balance, end of period – acquired properties, net	**$ 44,574**	**$ 6,160**

Note 10: Fair Value Measurement

ASC 820: Fair Value Measurement defines fair value, establishes a framework for measuring fair value, and sets forth disclosure requirements regarding fair value measurements. This guidance applies whenever other accounting guidance requires or permits assets or liabilities to be measured at fair value. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

Ginnie Mae uses fair value measurements for the initial recognition of assets and liabilities and periodic re-measurement of certain assets and liabilities on a recurring or non-recurring basis. In determining fair value, Ginnie Mae uses various valuation techniques. The inputs to the valuation techniques are categorized into a three-level hierarchy, as described below:

Level 1 Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Items Measured at Fair Value on a Recurring Basis: The following tables present the fair value measurement hierarchy level for Ginnie Mae's assets and liabilities that are measured at fair value on a recurring basis:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Assets:				
Guaranty asset	$ -	$ -	$ 8,352,885	$ 8,352,885
Forward mortgage loans, at fair value(1)	-	-	1,435,663	1,435,663
Reverse mortgage loans, at fair value(1)	-	-	19,525,649	19,525,649
Total Assets	**$ -**	**$ -**	**$ 29,314,197**	**$ 29,314,197**
Liabilities:				
HMBS obligations, at fair value(1)	**$ -**	**$ -**	**$ 19,147,154**	**$ 19,147,154**
Total Liabilities	**$ -**	**$ -**	**$ 19,147,154**	**$ 19,147,154**

	Level 1		Level 2		Level 3		Total	
	September 30, 2022 (Dollars in thousands)							
Assets:								
Guaranty asset	$	-	$	-	$	8,595,302	$	8,595,302
Total Assets	**$**	**-**	**$**	**-**	**$**	**8,595,302**	**$**	**8,595,302**

(1) *In October 2022, the fair value option was elected for Ginnie Mae's mortgage loan portfolio. Accordingly, following this election, mortgage loans and the HMBS obligation are now measured at fair value on a recurring basis.*

Ginnie Mae records transfers into or out of Level 3, if any, at the beginning of the period. There were no transfers into or out of Level 3 during the years ended September 30, 2023, and 2022.

Guaranty asset **–** Ginnie Mae has elected the fair value option for the guaranty asset. The valuation technique used by Ginnie Mae to measure the fair value of its guaranty asset is based on several inputs including, the present value of expected future cash flows from the guaranty fees based on the UPB of the outstanding MBS in the defaulted and non-defaulted issuers' pooled portfolio, new issuances of MBS, scheduled run-offs of MBS, anticipated prepayments, and anticipated defaults.

Ginnie Mae provides the guaranty of P&I payments to MBS holders in the event of issuer default and, in exchange, receives monthly guaranty fees from the issuers based on the UPB of the outstanding MBS in the defaulted and non-defaulted issuers' pooled portfolio.

Due to new MBS issuances, the guaranty asset increased by $1.4 billion and $2.7 billion during the years ended September 30, 2023, and 2022, respectively. These increases are offset by recorded losses of $1.5 billion and $2.4 billion for the years ended September 30, 2023, and 2022, respectively, resulting from paydowns and unrealized losses in fair value of the guaranty asset reflected in the gain (loss) on guaranty asset line item in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

The table below presents the range and weighted average of significant unobservable inputs used in determining the fair value of Ginnie Mae's guaranty asset:

	September 30, 2023		September 30, 2022	
	(Dollars in millions)			
Valuation at period end:				
Fair value	$	8,353	$	8,595
Prepayment rates assumptions:				
Weighted average rate assumption		54.29%		55.07%
Minimum prepayment rate		0.00%		0.00%
Maximum prepayment rate		99.96%		99.01%
Default rate assumptions:				
Weighted average rate assumption		15.10%		12.84%
Minimum default rate		0.00%		0.00%
Maximum default rate		94.73%		97.72%
Discount rate assumptions:				
Discount rate at average weighted average life (WAL)		4.26%		2.97%
Discount rate at the minimum WAL		5.54%		1.85%
Discount rate at the maximum WAL		4.44%		3.35%

These significant unobservable inputs change according to macroeconomic market conditions. Significant increases (decreases) in the discount rate, cumulative prepayment rate, or cumulative default rate in isolation would result in a lower (higher) fair value measurement. The cumulative prepayment rate represents the percentage of the mortgage pool's UPB assumed to be paid off prematurely on a voluntary basis over the remaining life of the pool and it is based on historical prepayment rates and future market expectations. The cumulative default rate represents the percentage of the pool's UPB that would be eliminated prematurely due to mortgage default over the remaining life of the pool. The discount rate used for the guaranty asset valuation represents an estimate of the cost of financing for Ginnie Mae and it is determined considering Ginnie Mae's overall estimated cost of financing.

Forward Mortgage Loans, at Fair Value – Ginnie Mae has elected the fair value option for forward mortgage loans. The valuation technique used by Ginnie Mae to measure the fair value of its forward mortgage loans is based on the present value of expected future cash flows arising from projected borrower payments, anticipated prepayments, defaults, costs to sell and recoveries in the event of default, including reimbursable costs.

Ginnie Mae recorded a loss of $92.1 million for the year ended September 30, 2023, from changes in the fair value of the forward mortgage loan portfolio reflected in the gain (loss) on forward mortgage loans, at fair value line item in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

The table below presents the range and weighted average of significant unobservable inputs used in determining the fair value of Ginnie Mae's forward mortgage loans:

	September 30, 2023 *(Dollars in millions)*
Valuation at period end:	
Fair value	$ 1,436
Prepayment rates assumptions:	
Weighted average prepayment rate	28.34%
Minimum prepayment rate	0.00%
Maximum prepayment rate	88.58%
Default rate assumptions:	
Weighted average default rate	23.05%
Minimum default rate	0.26%
Maximum default rate	55.54%
Discount rate assumptions:	
Weighted average discount rate	5.47%
Minimum discount rate	5.23%
Maximum discount rate	6.03%

These significant unobservable inputs change according to the loan portfolio and macroeconomic market conditions. Significant increases (decreases) in the discount rate and/or cumulative default rate in isolation would result in a lower (higher) fair value measurement. The impact of the cumulative prepayment rate to the fair value measurement can be positive or negative depending on other unobservable inputs, for instance, the discount rates. The cumulative prepayment rate represents the percentage of a mortgage loan's UPB assumed to be paid off prematurely on a voluntary basis over the remaining life of the loan. The cumulative default rate represents the percentage of a loan's UPB that would be eliminated prematurely due to mortgage default over the remaining life of the loan. The market yield represents the rate a buyer of a similar product would require in an arm's length transaction.

Reverse Mortgage Loans, at Fair Value – Ginnie Mae has elected the fair value option for reverse mortgage loans. The valuation technique used by Ginnie Mae to measure the fair value of its reverse mortgage loans is based on the present value of expected future cash flows arising from payments to borrowers for scheduled and unscheduled draws, Mortgage Insurance Premium (MIP) advances, costs to sell as well as projected borrower recoveries and/or insurance proceeds subsequent to termination events.

Ginnie Mae recorded a gain of $2.0 billion for the year ended September 30, 2023, from changes in the fair value of the reverse mortgage loan portfolio reflected in the gain (loss) on reverse mortgage loans, at fair value line item in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

The table below presents the range and weighted average of significant unobservable inputs used in determining the fair value of Ginnie Mae's reverse mortgage loans:

	September 30, 2023 *(Dollars in millions)*
Valuation at period end:	
Fair value	$ 19,526
Conditional termination rate assumptions:	
Weighted average conditional termination rate	24.03%
Minimum conditional termination rate	5.43%
Maximum conditional termination rate	99.81%
Asset discount rate assumptions:	
Weighted average discount rate	5.67%
Minimum discount rate	5.17%
Maximum discount rate	7.69%

These significant unobservable inputs change according to the loan portfolio and macroeconomic market conditions. Increases (decreases) in the discount rates in isolation would result in a lower (higher) fair value measurement. The relationship between the conditional termination rate and the fair value measurement is less direct and would depend on other inputs. The conditional annual termination rate represents the percentage of the mortgage loan's UPB assumed to be terminated over the remaining life of the loan. The discount rate represents the rate a buyer of similar product would require in an arm's length transaction.

HMBS obligations, at fair value – Ginnie Mae has elected the fair value option for HMBS obligations, at fair value. The valuation technique used by Ginnie Mae to measure the fair value of its HMBS obligations consists of the present value of projected pool buyouts based on the conditional termination rate.

Ginnie Mae recorded a loss of $2.0 billion for the year ended September 30, 2023, from changes in the fair value of the HMBS obligations reflected in the gain (loss) on HMBS obligations, at fair value line item in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

The table below presents the range and weighted average of significant unobservable inputs used in determining the fair value of Ginnie Mae's HMBS obligations:

	September 30, 2023 (Dollars in millions)
Valuation at period end:	
Fair value	$ 19,147
Conditional termination rate assumptions	
Weighted average conditional termination rate	24.03%
Minimum conditional termination rate	5.43%
Maximum conditional termination rate	99.81%
Obligation discount rate assumptions:	
Weighted average discount rate	5.85%
Minimum discount rate	5.17%
Maximum discount rate	7.69%

These significant unobservable inputs change according to the loan portfolio and macroeconomic market conditions. Increases (decreases) in the discount rates in isolation would result in a lower (higher) fair value measurement. The relationship between the conditional termination rate and the fair value measurement is less direct and would depend on other inputs. The conditional termination rate represents the percentage of a mortgage loan's UPB assumed to be terminated over the remaining life of the loan. The discount rate represents the rate a buyer of a similar product would require in an arm's length transaction.

Assets Measured at Fair Value on a Nonrecurring Basis:

Ginnie Mae holds certain assets (acquired properties and conventional HFI loans at or greater than 180 DPD) that are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., the impairment on the asset).

Acquired Properties: Acquired properties are long-lived assets classified as held for sale by Ginnie Mae that qualify for fair value measurement on a nonrecurring basis. Ginnie Mae initially measures acquired properties at their fair value, net of estimated costs to sell. Ginnie Mae subsequently measures acquired properties at the lower of their carrying values or fair values less estimated costs to sell. Subsequent valuation measurements are periodically performed up until the sale of the property. The dates of the fair value measurements vary from property to property and are not always at the reporting period end date. Ginnie Mae's accounting policy allows for the use of fair value measurements from a variety of sources that are within six months of the reporting period end date.

Mortgage Loans Held for Investment: Mortgage loans held for investment qualify for fair value measurement on a nonrecurring basis. Ginnie Mae reports the carrying value of HFI loans on the Balance Sheet at the UPB along with accrued interest, net of cost basis adjustments, and net of allowance for loan losses including accrued interest, as required by U.S. GAAP. Ginnie Mae periodically evaluates its HFI portfolio for uninsured loans that are at or greater than 180 DPD in order to write down the recorded investment to the fair market value of the underlying collateral less estimated costs to sell. Ginnie Mae's accounting policy allows for the use of fair value measurements from a variety of sources that are within six months of the reporting period end date.

The following tables present the fair value measurement hierarchy level for Ginnie Mae's assets and liabilities that are measured at fair value on a nonrecurring basis:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Acquired property, net	$ -	$ -	$ 44,574	$ 44,574
Total Nonrecurring Assets at Fair Value	**$ -**	**$ -**	**$ 44,574**	**$ 44,574**

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Acquired property, net	$ -	$ -	$ 6,160	$ 6,160
Mortgage Loans Held for Investment, net(2)	-	-	9,514	9,514
Total Nonrecurring Assets at Fair Value	**$ -**	**$ -**	**$ 15,674**	**$ 15,674**

(2) In October 2022, the fair value option was elected for Ginnie Mae's mortgage loan portfolio. Accordingly, following this election, mortgage loans are now measured at fair value on a recurring basis.

For both acquired properties and conventional HFI loans at or greater than 180 DPD, Ginnie Mae applies a valuation waterfall methodology in estimating the fair value of those properties. The most commonly used techniques by valuation sources used in the waterfall include discounted cash flow analysis and listing and sales price analysis of similar properties. Inputs to the valuation methodologies include discount rates, recent historical data of the value of similar properties by a certified or licensed appraiser, recent pending sales information of similar properties, current listing of similar properties, estate brokers' specific market research of similar properties, and historical data of the value of similar properties. Ginnie Mae also leverages historical information to calculate the flat estimated costs to sell percentage for its acquired properties when applying the estimated costs to sell to the fair value. The related ranges and weighted averages for these inputs are not meaningful when aggregated as they vary significantly from property to property.

Note 11: Fixed Assets, Net

Ginnie Mae's fixed assets consist of hardware and software. Fixed assets are carried at cost, less accumulated depreciation or amortization, respectively.

The tables below present the total balance of hardware and software, net of the accumulated depreciation and amortization:

	For the year ended September 30, 2023		
	Hardware	Software	Total
	(Dollars in thousands)		
Balance, beginning of period	$ 4,125	$ 275,703	$ 279,828
Additions		13,628	13,628
Disposals	-	-	-
Impairments	(2,056)	(3,485)	(5,541)
Balance, end of period	**$ 2,069**	**$ 285,846**	**$ 287,915**
Accumulated depreciation and amortization			
Balance, beginning – accumulated depreciation and amortization	$ (2,415)	$ (222,608)	$ (225,023)
Depreciation and amortization	(502)	(18,043)	(18,545)
Disposals	-	-	-
Impairments	1,063	1,118	2,181
Balance, end of period – accumulated depreciation and amortization	$ (1,854)	$ (239,533)	$ (241,387)
Balance, end of period – fixed assets, net	**$ 215**	**$ 46,313**	**$ 46,528**

	For the year ended September 30, 2022					
		Hardware		Software		Total
			(Dollars in thousands)			
Balance, beginning of period	$	4,125	$	256,732	$	260,857
Additions		-		19,300		19,300
Disposals		-		-		-
Impairments		-		(330)		(330)
Balance, end of period	**$**	**4,125**	**$**	**275,702**	**$**	**279,827**
Accumulated depreciation and amortization						
Balance, beginning – accumulated depreciation and amortization	$	(1,652)	$	(203,645)	$	(205,297)
Depreciation and amortization		(762)		(18,963)		(19,725)
Disposals		-		-		-
Impairments		-		-		-
Balance, end of period – accumulated depreciation and amortization	$	(2,414)	$	(222,608)	$	(225,022)
Balance, end of period – fixed assets, net	**$**	**1,711**	**$**	**53,094**	**$**	**54,805**

There were no assets under lease as of September 30, 2023, and September 30, 2022.

Ginnie Mae recorded total depreciation and amortization expense of $18.5 million and $ 19.7 million for the years ended September 30, 2023, and 2022, respectively. Based on the current amount of hardware and software subject to depreciation and amortization, the estimated depreciation and amortization expense over the next five years is as follows: 2024 – $12.6 million; 2025 – $7.4 million; 2026 – $2.0 million; 2027 – $0.9 million; 2028– $0.

There were no intangible assets with indefinite lives as of September 30, 2023, and September 30, 2022. As of September 30, 2023, and September 30, 2022, the original weighted average life of intangible assets (i.e., software) subject to amortization was 4.7 years and 4.8 years, respectively. The remaining weighted average life of intangible assets subject to amortization was 1.1 years and 1.7 years for the same periods.

Ginnie Mae recorded impairments of $5.5 million and $0.3 million for the year ended September 30, 2023, and 2022, respectively. During these periods, Ginnie Mae identified partially decommissioned hardware and stopped the development of certain internal software development projects, due to changes in Ginnie Mae's business and related infrastructure. As the software in development and related developed technology has no reuse or recoverable value, Ginnie Mae wrote these assets down to a fair value of $0 in FY23 and FY22 respectively. Additionally, partially decommissioned hardware was adjusted to reflect its revised remaining service life. These impairments are included in the gain (loss) other line item in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

Note 12: Revenue from Contracts with Customers and Deferred Revenue

Revenue from contracts with customers includes commitment fees, multiclass fees, and other fees included in mortgage-backed securities program and other income on the Statement of Revenue and Expenses and Changes in Investment of U.S. Government. Refer to Note 2: *Summary of Significant Accounting Policies* for further information, including the identification of revenue sources in the scope of *ASC 606* and those subject to other GAAP requirements.

The following table presents revenue related to contracts with customers, disaggregated by type of revenue:

	For the years ended September 30, (Dollars in thousands) 2023	2022
Revenues:		
Commitment fees	$ 85,221	$ 130,493
Multiclass fees:		
Multiclass fees not in scope of *ASC 606*[1]	31,842	29,257
MX combination fees in scope of *ASC 606*	5,610	4,392
Total multiclass fees	**$ 37,452**	**$ 33,649**
Mortgage-backed securities (MBS) program and other income:		
Transfer of issuer responsibilities in scope of *ASC 606*	10,230	9,111
Other MBS program fees in scope of *ASC 606*[2]	71	54
Other MBS program fees not in scope of *ASC 606*[3]	1,233	782
Total mortgage-backed securities program and other income	**$ 11,534**	**$ 9,947**
Total Revenues	**$ 134,207**	**$ 174,089**

(1) Includes REMIC and Platinum Certificates guaranty fees.

(2) Includes new issuer applications fees, certificate handling fees, and acknowledgement agreement fees.

(3) Primarily includes mortgage servicing fees and civil monetary penalty fees.

Deferred revenue included the following:

	September 30, 2023 (Dollars in thousands)	September 30, 2022[4]
Deferred revenue – multiclass fees	$ 580,299	$ 563,089
Deferred revenue – commitment fees[5]	28,223	31,644
Deferred revenue – other	142	120
Total	**$ 608,664**	**$ 594,853**

(4) The deferred revenue balances as of September 30, 2021, were $528.4 million for multiclass fees, $60.3 million for commitment fees, and $126.0 thousand for other.

(5) Represents payments received in advance of completion of Ginnie Mae's performance obligation. Refer to Note 2: Summary of Significant Accounting Policies *for further details.*

Note 13: Reserve for Loss

As Ginnie Mae guarantees the MBS certificate holders timely payment of P&I on MBS backed by federally insured or guaranteed loans (mainly loans insured by FHA or guaranteed by VA, USDA, and PIH), Ginnie Mae is susceptible to credit losses. Due to the various U.S. GAAP requirements related to accounting for credit losses, Ginnie Mae's financial statements recognize credit losses in multiple financial statement line items, as further outlined below:

Guaranty liability: The issuance of a guaranty under the MBS program obligates Ginnie Mae to stand ready to perform under the terms of the guaranty. As a result, a non-contingent and/or contingent liability may be recognized as discussed below:

- ***Non-contingent liability***

  Upon issuance of a guaranty, Ginnie Mae determines a non-contingent liability under *ASC 460* based on the present value of guaranty fees expected to be collected under the guaranty, which is recognized within the financial statement line-item guaranty liability on the

Balance Sheet (see Note 4: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure)*.

- ***Contingent liability***

Contingent Liability as Impacted by the Adoption of the CECL Standard

As noted in Note 4: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure,* Ginnie Mae receives compensation in exchange for its guaranty of timely P&I payments to the MBS certificate holders in the event of an issuer default.

Ginnie Mae records a contingent liability to reflect expected lifetime credit losses on this guaranty in accordance with *ASC 326*. This contingent liability is recorded on the Balance Sheet as liability for loss on mortgage-backed securities program guaranty. Determination of the contingent liability is based on factors such as probability of issuer default and macroeconomic indicators (e.g., the FHFA Housing Price Index).

As of September 30, 2023, one Ginnie Mae issuer was considered probable of defaulting. Ginnie Mae estimated no expected losses as of September 30, 2023, related to expected credit losses on pooled single family and HECM loans in the event of issuer defaults.

As of September 30, 2023, Ginnie Mae estimated no expected credit losses on pooled multifamily loans in the event of issuer defaults. The contingent liability for multifamily loan defaults as of September 30, 2023, was $111.1 million.

Contingent Liability Prior to Adoption of the CECL Standard

Prior to the adoption of the CECL standard, Ginnie Mae recorded a contingent liability when it is probable that a loss event will occur and the amount of the loss or a range of loss can be reasonably estimated. This contingent liability was measured initially and in subsequent periods under *ASC 450*. Once determined that a loss event was probable to occur, Ginnie Mae estimated the probable losses in the underlying loan portfolio to calculate the loss contingency, which was recorded on the Balance Sheet as liability for loss on mortgage-backed securities program guaranty. Where it is only reasonably possible that a loss event may occur, a contingent liability was not recorded, but is disclosed.

Determining a contingent liability requires considerable management judgment including the evaluation of the likelihood that future events will confirm the loss. When assessing whether it is probable that a loss event will occur, management takes into consideration various factors including the issuer’s financial and operational vulnerability, a qualitative and quantitative corporate credit analysis, other evidence of potential default (e.g., known regulatory investigations or actions), interest rates, and general economic conditions.

The loss event for estimating a contingent liability depends on the type of underlying loans in the issuer’s portfolio. A contingent liability for single family and HECM loans is triggered when the issuer is probable of defaulting. A contingent liability for multifamily loans may be triggered when either the issuer is probable of defaulting, or the borrower is probable of defaulting.

Ginnie Mae regularly monitors the credit quality of issuers through the internal Issuer Risk Grade (IRG). Ginnie Mae’s IRG methodology is similar to the methodology used by credit rating agencies when evaluating corporate financial strength, and the individual IRGs are comparable to the credit ratings from rating agencies. The IRGs are updated on a monthly basis. The IRG is on a scale from 1 to 8, where an IRG of 1 indicates the strongest credit quality, and an IRG of 8 indicates the weakest credit quality.

As of September 30, 2022, one issuer was considered probable of defaulting, for which Ginnie Mae recorded $494.3 thousand as a contingent liability related to probable losses. In addition, Ginnie Mae estimated no potential losses as of September 30, 2022, related to reasonably possible losses on pooled single family and HECM loans in the event of issuer defaults.

As of September 30, 2022, the contingent liability related to pooled multifamily loans probable of defaulting was $10.4 million. Ginnie Mae cannot determine an estimate for a reasonably possible contingent liability for multifamily loan defaults as of September 30, 2022, because there is not a specific loan performance indicator that can be used to accurately reflect the likelihood of a reasonably possible default.

Defaulted issuer, pooled loans, and allowance for P&I advances*:* In the event an issuer cannot fulfill its responsibilities under the applicable MBS program, pass-through payments made by Ginnie Mae to satisfy its guaranty of timely P&I payments to MBS certificate holders are presented in advances, net on the Balance Sheet and Note 6: *Advances, Net*. Advances are reported net of an allowance, which is based on management's expectations of future collections of advanced funds from the mortgagors, proceeds from the sale of the property, or recoveries from third-party insurers or guarantors such as FHA, VA, USDA, and PIH.

Defaulted issuer, non-pooled mortgage loans, and allowance for loan loss:

- ***Mortgage Loans and Reimbursable Costs***

  Mortgage Loans and Reimbursable Costs as Impacted by the Adoption of the CECL Standard

  Upon adoption of the CECL standard, Ginnie Mae reports mortgage loans and reimbursable costs receivable on non-pooled loans collectively within the Balance Sheet as forward mortgage loans, at fair value. The determination of this fair value estimate considers and reflects credit risk. Refer to Note 10*: Fair Value Measurement* for further details on how the fair value of mortgage loans is determined.

  Mortgage Loans and Reimbursable Costs Prior to Adoption of the CECL Standard

  Prior to the adoption of the CECL standard, Ginnie Mae recognized forward mortgage loans purchased out of pools on its Balance Sheet along with the corresponding estimated incurred loss (i.e., allowance for loan losses) within the Balance Sheet as mortgage loans held for investment including accrued interest, net. Costs incurred on non-pooled loans expected to be reimbursed were recorded as reimbursable costs receivable and reported net of allowance within the Balance Sheet as reimbursable costs receivable, net for amounts that management believed would not be collected.

Liability for representations and warranties: Ginnie Mae performs an assessment of all existing representations and warranties and indemnification clauses associated with Purchase and Sale Agreements (PSAs) that are enforceable and legally binding. These clauses may require Ginnie Mae to repurchase loans previously sold to a third party or indemnify the purchaser for losses per the contractual terms of the PSA. On September 30, 2023, and September 30, 2022, Ginnie Mae recorded $17.3 thousand and $30.2 thousand as a contingent liability, respectively, for representations and warranties under an existing PSA that requires Ginnie Mae to repurchase mortgage loans that are not insured by the FHA or guaranteed by the VA, USDA, or PIH as identified by the purchaser as of or after the sale date. This amount is presented in liability for representations and warranties on the Balance Sheet.

Note 14: Concentrations of Credit Risk

Counterparty credit risk

Ginnie Mae manages its exposure to counterparty credit risk, defined as the risk of loss arising from the default of an issuer or other counterparty, through financial monitoring, risk modeling at the issuer level, credit reviews, and operational monitoring.

- Financial monitoring includes exposure limit analysis and analysis of projected losses against core capital reserves;
- Risk modeling at the issuer level is performed through Ginnie Mae's focus on the riskiest segment of the issuer base and regular monitoring of issuers on their watch list;
- Credit reviews are performed and considered in determining, for example, respective issuers' commitment authority limits, whether issuers can transfer pools to other approved issuers without impacting the credit profiles of the issuers involved, amongst other determinations;
- Operational monitoring encompasses compliance reviews, assessments of delinquency levels, and due diligence reviews before, during, and after transfer of servicing.

Counterparty credit risk from issuers, borrowers, and insurers is discussed in further detail in the sections below.

Issuer concentration

Concentrations of credit risk exist when a significant number of issuers are susceptible to similar changes in economic conditions that could affect their ability to meet contractual obligations.

The tables below summarize concentrations of credit risk by active issuers and loan type on September 30, 2023, and September 30, 2022:

	September 30, 2023							
	Single Family		Multifamily		Manufactured Housing		Home Equity Conversion	
	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance
	(Dollars in billions)							
Largest performing Issuers	24	$ 1,885.9	8	$ 85.6	-	$ -	1	$ 16.5
Other performing Issuers	264	382.3	44	63.7	3	0.1	11	23.7
Total active issuers	**288**	**$ 2,268.2**	**52**	**$ 149.3**	**3**	**$ 0.1**	**12**	**$ 40.2**

	September 30, 2022							
	Single Family		Multifamily		Manufactured Housing		Home Equity Conversion	
	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance
	(Dollars in billions)							
Largest performing Issuers	23	$ 1,637.6	9	$ 85.5	-	$ -	1	$ 21.4
Other performing Issuers	286	448.9	45	56.4	3	0.2	12	37.8
Total active issuers	**309**	**$ 2,086.5**	**54**	**$ 141.9**	**3**	**$ 0.2**	**13**	**$ 59.2**

Largest performing issuers are defined based on the total portfolio size and, for single family issuers, includes issuers with greater than 75,000 total loans in the portfolio. For multifamily issuers, largest performing issuers are defined as issuers with a total UPB of $5.0 billion or more. Other performing issuers include manufactured housing and HMBS issuers whose portfolios are outside the defined thresholds for single family and multifamily issuers.

Issuers are only permitted to pool insured or guaranteed loans (from FHA, VA, USDA, or PIH). The insuring or guaranteeing agencies have strict underwriting standards and criteria for quality of collateral. Mortgage loans insured by the FHA receive full recovery of the UPB, including all delinquent interest accrued at the HUD debenture rate since default with the exception of the first two months. USDA, VA, and PIH guaranteed loans are not fully recoverable, however still provide coverage over a substantial portion of the realized losses. Given this, changes in fair value attributable to instrument-specific credit risk for assets or liabilities for which the fair value option was elected were not material for the year ended September 30, 2023.

In the event of an issuer default, termination and extinguishment, Ginnie Mae assumes the rights and obligations of that issuer and becomes the owner of the MSR liability or asset, which typically is salable. Ginnie Mae has the option or requirement to purchase loans out of the pool if certain criteria are satisfied. Upon purchase of the loan out of the pool, Ginnie Mae acquires all lender rights, privileges, and responsibilities. This includes certain collateral rights and ability to claim FHA, VA, USDA, or PIH insured or guaranteed loan loss recoveries.

Ginnie Mae's portfolio of issuers include both traditional banks (depositories) and independent mortgage institutions (non-depositories, or non-banks). As of September 30, 2023, and September 30, 2022, the distribution of Ginnie Mae's business volumes among these two categories was as follows:

	September 30, 2023			September 30, 2022		
	Total Number of Issuers	Total Issuances (1)	As Percentage of Total Issuances	Total Number of Issuers	Total Issuances (2)	As Percentage of Total Issuances
	(Dollars in millions)					
Depositories	95	$ 43,114	10.66 %	98	$ 72,143	11.04 %
Non-depositories	260	361,261	89.34	281	581,366	88.96
Total active issuers	**355**	**$ 404,375**	**100.00 %**	**379**	**$ 653,509**	**100.00 %**

(1) These amounts represent the total issuances within the past 12 months from October 1, 2022, to September 30, 2023.

(2) These amounts represent the total issuances within the past 12 months from October 1, 2021, to September 30, 2022.

As more non-banks issue Ginnie Mae securities, the cost and complexity of monitoring increases as the majority of these institutions involve more third parties in their transactions, making oversight more complicated. In contrast to traditional bank issuers, non-banks rely more on credit lines, securitization transactions and other types of external financing, and sales of MSR to provide liquidity. Regardless, Ginnie Mae's issuer composition greatly reduces the risk of exposure to the failure of any one institution.

The impacts to mortgage and borrowing rates stemming from the Federal Reserve's increases to the targeted federal funds rate has had a pronounced effect on issuer origination volumes, borrowing costs, investor spreads on securitization and the fair value of selected Level 3 assets. While these effects are felt across the issuer base, they are more significant for certain product types and issuers, such as HECM and HMBS issuers, due to higher levels of concentration of issuance, access to financing and availability of sub-servicers. As a result, Ginnie Mae is enhancing its assessment of the current interest rate environment and in particular is focusing on those sectors where any impacts could be more acutely manifested.

Geographical concentration

Economic conditions unique to a geographical area may affect a borrower's ability to repay their mortgage loan as well as the value of the underlying property. These conditions are impactful to both single family and multifamily issuers and can become impactful to Ginnie Mae in instances where they effect an issuer's ability to make timely principal and interest payments to their shareholders. Ginnie Mae insured issuers hold loans in all fifty states including three U.S. territories and the District of Columbia which helps to mitigate the risks associated with geographical concentrations.

The tables below display geographical concentrations present within Ginnie Mae's Single Family and Multifamily Programs as of September 30, 2023, and September 30, 2022. The states presented in the tables below represent the five geographical areas with the largest exposures by combined single family and multifamily UPB, as of September 30, 2023, and September 30, 2022, respectively:

	September 30, 2023							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent
	(Dollars in billions)							
California	705,368	6.32 %	$ 235.3	10.37 %	1,055	7.13 %	$ 10.4	6.98 %
Texas	1,134,259	10.16	215.2	9.49	1,263	8.53	16.3	10.89
Florida	884,809	7.93	194.7	8.58	543	3.67	7.5	5.00
Virginia	454,833	4.07	118.5	5.22	358	2.41	6.4	4.29
Georgia	513,583	4.60	95.9	4.23	405	2.74	2.9	1.94
Other	7,469,122	66.92	1,408.6	62.11	11,180	75.52	105.8	70.90
Totals	**11,161,974**	**100.00 %**	**$ 2,268.2**	**100.00 %**	**$14,804**	**100.00 %**	**$ 149.3**	**100.00 %**

	September 30, 2022							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent
	(Dollars in billions)							
California	668,930	6.28 %	$ 217.2	10.41 %	1,029	7.04 %	$ 10.0	7.02 %
Texas	1,066,131	10.00	191.3	9.17	1,226	8.39	14.6	10.26
Florida	829,982	7.79	173.1	8.30	526	3.60	7.0	4.93
Virginia	438,492	4.11	112.2	5.38	342	2.34	5.9	4.14
Georgia	487,671	4.58	86.2	4.13	402	2.75	2.7	1.90
Other	7,167,521	67.24	1,306.5	62.61	11,094	75.88	101.7	71.75
Totals	**10,658,727**	**100.00 %**	**$ 2,086.5**	**100.00 %**	**14,619**	**100.00 %**	**$ 141.9**	**100.00 %**

Ginnie Mae performs a quarterly assessment to monitor the impacts of natural disasters to the properties owned by Ginnie Mae as well as those securing Ginnie Mae guaranteed mortgage backed securities. For the quarter ending September 30, 2023, there were no material impacts to these portfolios from natural disasters identified.

Federal insurance concentration

The insurance coverage provided to Ginnie Mae by the insuring or guaranteeing agencies noted above, covers shortfalls in Ginnie Mae's collection of net proceeds from a foreclosure or short sale, in accordance with the respective agency guidelines. Ginnie Mae is exposed to the risk that these agencies will fail or be unable to meet their contractual obligation in the event of a severe economic downturn. This risk is deemed remote by Ginnie Mae given the federal backing of these agencies as well as their record through historical economic downturns. Family and Multifamily Programs as of September 30, 2023, and September 30, 2022:

	September 30, 2023							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent
	(Dollars in billions)							
FHA[3]	6,786,437	60.80 %	$ 1,222.9	53.92 %	13,569	91.66 %	$ 147.5	98.78 %
VA	3,565,713	31.95	940.2	41.45	-	-	-	-
USDA	786,057	7.04	101.2	4.46	1,235	8.34	1.8	1.22
PIH	23,767	0.21	3.9	0.17	-	-	-	-
Totals	**11,161,974**	**100.00 %**	**$ 2,268.2**	**100.00 %**	**14,804**	**100.0 %**	**$ 149.3**	**100.00 %**

	September 30, 2022							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent
	(Dollars in billions)							
FHA[3]	6,407,982	60.12 %	$ 1,096.8	52.57 %	13,428	91.85 %	$ 140.2	98.81 %
VA	3,433,858	32.22	883.3	42.33	-	-	-	-
USDA	793,059	7.44	102.5	4.91	1,191	8.15	1.7	1.19
PIH	23,828	0.22	3.9	0.19	-	-	-	-
Totals	**10,658,727**	**100.00 %**	**$ 2,086.5**	**100.00 %**	**14,619**	**100.00 %**	**$ 141.9**	**100.0 %**

(3) In addition, Ginnie Mae's HECM program is insured by FHA. As of September 30, 2023, the unpaid principal balance of HECM loans issued by non-defaulted issuers was $40.2 billion, or 188.2 thousand HECM loans. As of September 30, 2022, unpaid principal balance was $59.3 billion, or 302.4 thousand HECM loans.

Mortgage loan servicing

Ginnie Mae relies on two MSS (i.e., master sub-service organizations) to provide servicing functions that are critical to its business. Significant reliance is placed on the servicing data and accounting reports provided by the service organizations. Ginnie Mae could be adversely impacted if the MSS lack appropriate controls, experience a failure in their controls, or experience a disruption in service including legal or regulatory action. Ginnie Mae manages this risk by establishing contractual requirements, ongoing reviews of the service organizations, and requiring the service organizations to provide attestation reports over internal controls.

Note 15: Commitments and Contingencies

Lease, purchase, and other commitments

Ginnie Mae may lease facilities, hardware, and software under agreements that could require the agency to pay rental fees, insurance, maintenance, and other costs. As of September 30, 2023, Ginnie Mae did not have any active and open lease contracts related to rental expense or hardware and software.

As of September 30, 2023, and September 30, 2022, Ginnie Mae had approved and committed to make $2.3 billion and $2.7 billion respectively, in payments related to contracts with its various vendors. Some contract terms with its vendors are in excess of one year.

Ginnie Mae has commitments to guarantee MBS, which are off-balance sheet financial instruments. Additional information is provided in Note 4: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure*.

Legal

From time to time, Ginnie Mae can be a party to pending or threatened legal actions and proceedings which arise in the ordinary course of business. Ginnie Mae reviews relevant information about all pending legal actions and proceedings for the purpose of evaluating and revising contingencies, accruals, and disclosures.

Legal actions and proceedings resolution are subject to many uncertainties and cannot be predicted with absolute accuracy. Ginnie Mae establishes accruals for matters when a loss is probable and the amount of the loss can be reasonably estimated. For legal actions or proceedings where it is not reasonably possible that a loss may be incurred, or where Ginnie Mae is not currently able to estimate the reasonably possible loss or range of loss, Ginnie Mae does not establish an accrual. Pending or threatened litigation deemed reasonably possible that a loss may have been incurred are disclosed in the notes to the financial statements.

No asserted or unasserted claims or assessments for similar matters have been identified. Additionally, Ginnie Mae's General Counsel has determined that there are no pending or threatened actions or unasserted claims or assessments that could result in potential losses that could be material to the financial statements.

Ginnie Mae's management recognizes the uncertainties that could occur in regard to potential terminated and extinguished issuers and other indirect guaranties, such as large issuer portfolio default, terminated and extinguished, lack of proper insurance coverage of terminated and extinguished loans. Additional information is discussed in Note 13: *Reserve for Loss*.

Contingencies

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern" and on March 1, 2020, the President of the United States proclaimed that the COVID-19 outbreak in the United States was a national emergency. In order to address the then economic impact of COVID-19, the FHA implemented foreclosure and eviction moratoriums that have since expired.

On September 27, 2021, the FHA announced new and extended COVID-19 relief options for borrowers recently or newly struggling to make their mortgage payments because of the pandemic and for senior homeowners with HECMs who need assistance to remain in their homes. The FHA is providing a COVID-19 Forbearance period and HECM Extension of up to six months for borrowers, when requested between October 1, 2021, and May 31, 2023. The new deadline for applications was extended until May 31, 2023, to provide affected borrowers ample time to request a COVID-19 Forbearance or HECM Extension. Currently, no COVID-19-related loan forbearance period is allowed to exceed six months (i.e., November 30, 2023) since the last extension date of May 31, 2023.

On January 30, 2023, the Biden Administration announced its intent to end the national emergency and public health emergency declarations on May 11, 2023. As a result, Ginnie Mae does not anticipate a significant impact on its operating results in the future.

Unfunded Commitments

For reverse mortgage loans, Ginnie Mae is required to fund future borrower advances in instances where the borrower has not fully drawn down the HECM loan proceeds available, which may be used by Ginnie Mae to pay FHA monthly insurance premiums on behalf of the borrower. The outstanding unfunded commitments available to borrowers related to reverse mortgage loans were approximately $4.6 billion as of September 30, 2023.

Note 16: Related Parties

Ginnie Mae, a wholly owned U.S. Government corporation within HUD, is subject to controls established by government corporation control laws (31 U.S.C. Chapter 91) and management controls by the Secretary of HUD and the Director of the OMB. These controls could affect Ginnie Mae's financial position or operating results in a manner that differs from those that might have been obtained if Ginnie Mae were autonomous. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if Ginnie Mae had been operating as an independent organization.

Ginnie Mae was authorized and has allotted $51.9 million and $52.0 million during the years ended September 30, 2023, and 2022, respectively, for personnel (payroll) and non-personnel (travel, training, and other administration) costs only. For the years ended September 30, 2023, and 2022, Ginnie Mae incurred $46.7 million and $41.1 million, respectively for these costs, which are included in administrative expenses on the Statement of Revenue and Expenses and Changes in Investment of U.S. Government. Ginnie Mae has authority to borrow from Treasury to finance operations in lieu of appropriations, if necessary. Ginnie Mae entered into a borrowing agreement with the U.S. Treasury on September 15, 2023. This agreement provides Ginnie Mae the ability to borrow from the U.S. Treasury sufficient funds to service MBS portfolios defaulted and extinguished by Ginnie Mae. No amounts were obligated or used against this authority during the year ended September 30, 2023. Ginnie Mae did not borrow funds for the year ended September 30, 2022.

Additionally, Ginnie Mae has relationships with FHA, VA, and USDA. All transactions between Ginnie Mae and FHA, VA, and USDA have occurred in the normal course of business. Of the total forward mortgage loans, at fair value, approximately $1.3 billion, $52.3 million, and $22.3 million of loans were insured by FHA, VA, and USDA at September 30, 2023, respectively, while $1.5 billion, $60.6 million, and $26.3 million of loans were insured by FHA, VA, and USDA at September 30, 2022, respectively. For reverse mortgage loans, at fair value, approximately $19.5 billion of loans were insured by FHA as of September 30, 2023. In addition, Ginnie Mae submits and receives claim proceeds for FHA, VA, and USDA insured loans that have completed the foreclosure and short sale process.

After the short sale, foreclosed property, and assignment claims receivable are established, on an ongoing basis, the recoverability of the receivables is assessed under U.S. GAAP guidance. The allowance for claims receivable is calculated using statistical models based on expected recovery per underlying insuring agency guidelines and Ginnie Mae's most recent historical recovery experience.

The breakdown of FHA, VA, and USDA claims pending payment or pre-submission to FHA, VA, and USDA is below:

	September 30, 2023 (Dollars in thousands)			
	FHA	VA	USDA	Total
Foreclosed property claims receivable	$ 55,497	$ 864	$ 870	$ 57,231
Short sale claims receivable	1,896	53	-	1,949
Assignment claims receivable	3,268	-	-	3,268
Allowance for claims receivable	(2,460)	(201)	-	(2,661)
Claims receivable, net	**$ 58,201**	**$ 716**	**$ 870**	**$ 59,787**

	September 30, 2022 (Dollars in thousands)			
	FHA	VA	USDA	Total
Foreclosed property claims receivable	$ 36,949	$ 296	$ 780	$ 38,025
Short sale claims receivable	535	-	-	535
Assignment claims receivable	-	-	-	-
Allowance for claims receivable	(1,535)	(170)	(4)	(1,709)
Claims receivable, net	**$ 35,949**	**$ 126**	**$ 776**	**$ 36,851**

Pension Benefits and Savings Plan: Eligible Ginnie Mae employees are covered by the federal government retirement plans, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Although Ginnie Mae contributes a portion of pension benefits for eligible employees, it does not account for the assets of either retirement system. Ginnie Mae also does not have actuarial data for accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the Office of Personnel Management (OPM) and are allocated to HUD.

Under the Federal Thrift Savings Plan (TSP), Ginnie Mae provides FERS employees with an automatic contribution of 1% of pay and an additional matching contribution up to 4% of pay. CSRS employees also can contribute to the TSP, but they do not receive matching contributions.

For the years ended September 30, 2023, and 2022, Ginnie Mae contributed $6.4 million and $5.6 million, respectively, in pension and savings benefits for eligible employees.

Post-Retirement Benefits Other Than Pensions: Ginnie Mae has no postretirement health insurance liability since all eligible employees are covered by the Federal Employees Health Benefits (FEHB) program. The FEHB is administered and accounted for by the OPM. In addition, OPM pays the employer share of the retiree's health insurance premium.

Note 17: Credit Reform

The Federal Credit Reform Act of 1990 ("FCRA"), which became effective on October 1, 1991, was enacted to more accurately account and budget for the cost of federal credit programs and to place the cost of these credit programs on a basis equivalent with other federal spending. The FCRA evaluates credit programs and provides appropriate funding for programs that operate at a loss, within budgetary limitations, to subsidize the loss element of the credit program. As of September 30, 2023, and September 30, 2022, the investment of U.S. Government account had a balance of $30.8 billion and $29.8 billion, respectively. Federal statute allows Ginnie Mae to accumulate and retain revenues in excess of expenses to build sound reserves which will be consumed for program expenses prior to reliance on any budgeted credit loss subsidy appropriation. Therefore, in the opinion of management and HUD's general counsel, Ginnie Mae is not subject to the FCRA.

Note 18: Subsequent Events

Ginnie Mae has evaluated subsequent events through November 13, 2023, the date the financial statements were available to be issued and determined that there have been no events that have occurred that would require adjustments to our disclosures.

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Ginnie Mae
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