Progress Update: Ginnie Mae 2020

The Road to Modernizing and Enhancing Our Programs

Ginnie Mae

JUNE 2019

Executive Summary

In June 2018, Ginnie Mae published its strategic roadmap, **"Ginnie Mae 2020"**. A year later, we are reporting on progress to date and the agency's areas of focus in the coming months and years.

Moreover, as required by the **Presidential Memorandum** signed on March 27, 2019, Ginnie Mae and other federal stakeholders have been directed to propose reforms for the U.S. housing finance system. For Ginnie Mae, this directive means modernizing our operations and technology and proposing administrative and legislative changes that enhance our program requirements and our standards, ensuring safety and soundness. While this progress report describes the shape that many of Ginnie Mae's ongoing efforts are taking, the forthcoming reform plan may include further policy considerations not presented in this update.

Over the last 50 years, Ginnie Mae has earned the confidence of investors around the world. This confidence — along with Ginnie Mae's proven technology, infrastructure and risk management policies and procedures — is an asset for reform efforts. The Ginnie Mae II security has evolved into a highly liquid and well-functioning security, which demonstrates the value of having a diverse set of Issuers with a wide range of business models under a single flagship security.

Ginnie Mae's technology platform is state-of-the-art and continued modernization is a top priority. Ginnie Mae's securitization platform is secure and robust. It can easily scale, as demonstrated in the period since the 2008 financial crisis, when the total MBS outstanding grew from less than $500 billion to over $2.1 trillion today, without market disruption or operational incidents.

The technological modernization of Ginnie Mae's securitization platform began nearly ten years ago. It provides a flexible and scalable platform to support major business applications, improve user experience, advance Ginnie Mae's access to data, analytics and Issuer reporting, transform business processes, and otherwise adapt to the changing dynamics in the housing market.

Ginnie Mae continues to focus on all areas of the technology stack. We continue to improve operations, enhance user experience and move toward adopting digital mortgages. This paper details the agency's efforts as we execute against the modernization benchmarks presented in Ginnie Mae 2020.

Risk management evolution continues. The size of the Ginnie Mae guaranteed mortgage-backed security (MBS) portfolio and the respective mortgage servicing rights (MSR) assets owned by an increasingly diverse set of counterparties has a profound impact on how the agency views risk management.

In the past, risk management at Ginnie Mae meant monitoring compliance with a basic, uniform set of program standards. Today however, given Ginnie Mae's expanded role in the mortgage finance system, risks have been heightened as a result of the sheer size of the program and the evolving nature of the Issuers. Our risk management responsibilities have become much more demanding, which requires Ginnie Mae to continually reexamine and evolve. The agency is now evaluating risk that takes many more forms, including new business models and transactions, operational risk resulting from networked business constructs, and cyber risk.

The primary areas of focus in our counterparty risk program are:

- Attracting long-term stable capital to the mortgage ecosystem by fostering investment in Ginnie Mae servicing.
- Enhancing counterparty risk standards to ensure Issuers have the wherewithal to endure prolonged periods of market stress.
- Establishing recovery and resolution plans to ensure that the failure of any given Issuer minimizes market and borrower disruption and costs to taxpayers.
- Collaborating across government to coordinate risk management efforts and standards.

Ginnie Mae is maintaining a strong focus on program innovation. Ginnie Mae is committed to meeting emerging needs and innovating to ensure the MBS program meets its objectives, no matter what the future brings. We continue to explore initiatives that will shape the future of the Ginnie Mae MBS program.

The largest initiative in this area is developing loan-level functionality for the Ginnie Mae platform. Today, many of the critical program functions (outside of data disclosures) occur at the level of the pool that is formed at MBS issuance. Ginnie Mae's fundamental view is that permanently accepting the pool-level status quo is unsatisfactory, including with respect to risk management capabilities. To begin the change-over process, Ginnie Mae is launching an initial planning exercise in 2019 with the goal of scoping out a path and timeline to implement loan-level capabilities. This exercise will take time to develop and implement, given the broad impacts this initiative will have across the entire Ginnie Mae program and organization.

We also continue to explore credit risk transfer and the possibility of promoting whole loan asset sales or securitization, as mentioned in "Ginnie Mae 2020" last year.

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Introduction

The Government National Mortgage Association (Ginnie Mae) has worked since 1968 to make affordable housing a reality for millions of Americans. Chartered by the federal government and located within the Department of Housing and Urban Development (HUD), Ginnie Mae is the primary funding mechanism for all government-insured and government-guaranteed mortgage loans. It is the only federal agency tasked with the administration and oversight of an explicit, paid-for, full-faith-and-credit U.S. Government guaranty on mortgage-backed securities (MBS).

One year ago, in the white paper "Ginnie Mae 2020," the agency laid out its strategic plans, through 2020, for investing in improvements and organizing efforts around three pillars of progress: modernizing the program and platform, enhancing the management of counterparty risk and demonstrating the ability to innovate.

At that time, much of the work was already underway. In the past year, we've made even more strides, and we are confident that 2020 — the 50th anniversary of the first Ginnie Mae MBS — will find us better prepared for the next decade and beyond.

In this update, we share the milestones we've hit over the past year and the advances we expect to make in the coming months. Staying on target is crucial because of our MBS program's critical role in the U.S. housing finance system and its importance to the many borrowers who rely on government lending to realize their dreams of homeownership.

Pillar One

MODERNIZING THE MBS PROGRAM AND PLATFORM

The agency is making continuous technological improvements which result in a better and safer experience for Issuers and investors. The focus is on improving our users' experience and access to the program and platform, updating data protocols and storage, and facilitating the use of digital collateral. Below, we list progress Ginnie Mae has made in each area.

User Experience Improvement

Ginnie Mae guarantees but does not issue MBS. Issuers are the key counterparties to Ginnie Mae in fulfilling the agency's mission, and the agency continues improving the user experience of the Ginnie Mae program and platform. These efforts include:

New developments and enhancements to securitization applications. In the past year, the agency has rolled out several new pool delivery modules, or PDMs. These are digital applications through which the security issuance process begins. In the last year, the Multifamily Pool Delivery Module was released, and it is now in pilot mode. Ginnie Mae plans to release the Single-Family Pool Delivery Module by December 2019.

Two offerings to our Platinum line of products, which are formed by combining Ginnie Mae MBS securities into a new, single security, have also been introduced to the market:

- The Home Equity Conversion Mortgage-Backed Security (HMBS) Platinum securitization channel, released in March 2019, eases the administrative costs of holding multiple (and typically smaller) HMBS securities and boosts the liquidity of the overall market for Ginnie Mae HMBS.
- The weighted average coupon (WAC) adjustable rate mortgage (ARM), released in December 2018, provides flexibility for depositors to aggregate pools. It also increases tradeable pool sizes, recaptures orphaned pools and provides liquidity in a market segment that has experienced declines. Enhanced Platinum disclosure facilitates a more detailed view into the underlying collateral. New ARM Platinum pools average $500 million-plus a month. Depositors say the application is easy to use and functional.

Since Ginnie Mae began modernizing and automating the Platinum securities program two years ago, production of Platinum securities with fixed-rate collateral has risen from $8 billion in fiscal year 2017 to more than $20 billion in fiscal year 2018.

Disclosure enhancements. As a matter of transparency, Ginnie Mae provides disclosure data for its MBS and real estate mortgage investment conduit (REMIC) products both at issuance and ongoing on a monthly basis. The MBS market is one of the largest and most liquid fixed-income securities market in the world. Every month, global investors and market-makers rely upon loan-level disclosure data to re-establish relative value among alternative fixed-income securities, refine their MBS prepayment models, and adjust their asset allocation strategy.

Ginnie Mae is working diligently to streamline disclosure processes, expand and update the disclosure section of the Ginnie Mae website, and more effectively provide information to the investor community.

In 2019, we plan to implement the following enhancements to our disclosures:

- **Single-family pool-level disclosure file:** We are replacing the current consolidated data disclosure and removing multifamily data so it is no longer "comingled" with single-family data for pool-level disclosure. The enhanced single-family-only disclosure dataset — with enhanced record formats based on industry feedback — will include expanded disclosure of information related to multi-Issuer pools.
- **Multifamily pool- and loan-level disclosure file:** We will improve the data set to include prepayment penalty information and give investors access to a searchable Multifamily Disclosure Database on Ginnie Mae's website.
- **HMBS Platinum Pool new product disclosures:** These will include information for new issuance and ongoing monthly disclosures.
- **REMIC disclosures and REMIC upload migration:** We will expand the data available in the advanced REMIC search database. For example, we are adding multifamily prepayment penalty information. We are also streamlining the process of uploading existing files and migrating and streamlining the process of uploading REMIC data to the Ginnie Mae website.
- **User-directed querying:** We are adding this functionality to disclosure site pages to allow users to create their own parameters for disclosure data searches.
- **Disclosure search results screen:** To show stratification within a pool, we will divide disclosure information into homogeneous subgroups that produce a classified setting.
- **Advanced multiclass collateral lookup:** This feature will allow users to drill down into Ginnie Mae's multiclass products.
- **New data elements and value-added items in search results:** For example, investors will be able to see historical issuance data and weighted averages and information on month-to-month changes in liquidations.

MyGinnieMae portal. Another important upgrade for user experience is the creation of a single gateway to all Ginnie Mae's systems, applications and resources. When fully adopted in 2020, this portal will boost efficiency for Ginnie Mae's business partners and provide a consistent user experience, in addition to access to new functionality and accessibility.

In 2018, Ginnie Mae successfully piloted the MyGinnieMae portal with a small number of "early adopter" Issuers, including all Platinum users. Issuers have been able to conduct business uninterrupted in the modernized portal. To date, we have integrated three fully modernized applications (Platinum, Multifamily Pool Delivery Module and Management Occupancy Reviews) with MyGinnieMae. Ginnie Mae plans to integrate the Single-Family Pool Delivery Module by December 2019.

A second pilot will be initiated later in 2019, with the goal of onboarding the rest of the Issuer community by 2020.

Centralized help desk. Ginnie Mae aims to streamline responses to business inquiries so we can more effectively evaluate pain points, identify recurring issues and assess overall performance of business applications. To reach that goal, throughout 2019 Ginnie Mae will be formulating the implementation timeline for a centralized help desk. The initiative has been launched internally, and the team is working through the proof of concept and governance protocols.

Soft tokens. As Ginnie Mae continues to consolidate infrastructure, we are migrating the remaining "hard" SecurID token users to more secure "soft" tokens. We are incorporating the timing for this effort into the technology roadmap and we are committed to ensuring token holders will have adequate time to retire their hard tokens and set up new soft tokens.

Data and IT Modernization

Ginnie Mae also continues to improve its IT infrastructure to support evolving business requirements. Now and through 2020, the agency will maintain focus on adopting industry data standards, transforming legacy data architecture and investing in cloud technology. Below, we list progress made in each of these areas.

Loan-level data collection. Efforts are underway to identify new data sets that will improve Ginnie Mae's insight on risk and delinquency.

MISMO compliance. Ginnie Mae has committed to aligning data collection standards with the mortgage industry and ensuring the MBS Program platform can accommodate growth in digital mortgages. To that end, we continue our work to adopt the Mortgage Industry Standards Maintenance Organization's information protocols, also known as MISMO, standards.

This year, Ginnie Mae will recruit a small group of Issuers to pilot MISMO adoption. The agency also will release a validation and testing tool that will help Issuers prepare MISMO-compliant files to be submitted via the Single-Family Pool Delivery Module.

Data center consolidation and cloud migration. Last year, Ginnie Mae completed the first three waves of infrastructure and data migration into a federally authorized cloud. Between now and 2020, we are migrating our remaining modernized applications, currently hosted at our pool processing agent, to the cloud. Central payment operations will remain on the mainframe at our pool processing site.

Tech innovation. Ginnie Mae is excited to note that the agency is conducting a number of proofs of concept and pilot initiatives with robotic process automation for repeatable operational tasks, as well as employing design thinking to deliver business solutions and improve stakeholder and customer experiences. For example, the Office of Securities Operations worked on a proof of concept (POC) to automate production of the monthly management report, with the goal to reduce the time needed for the task from five hours to one hour. The office continues to identify other internal operating procedures that would benefit from process improvement and automation.

Ginnie Mae also created a bot to perform repeatable budgeting and planning processes. The bot reaches out to multiple internet websites to find and extract data, then it formats and analyzes the data before loading to the target system for reporting. The bot performs 99 manual process steps in a few minutes — whereas staff members take two to three hours to perform them. With a bot taking over these tedious, repeatable, low-value processes, our budget analysts are able to spend more time on high-value work that advances our budget decisions.

Our IT modernization efforts earned us a 2019 CIO 100 Award for achievement in technology innovation from IDG's CIO.

Digital Collateral Strategy

Creating a digital mortgage ecosystem, from loan application through securitization, will increase access to credit for many Americans. It will also enhance the integrity of Ginnie Mae collateral by reducing the risk from defects in loan instruments. For these reasons, Ginnie Mae has committed to developing and implementing the policies, technology and operational capabilities necessary to take in digital promissory notes and other digitized loan files as acceptable collateral for our securities.

Last year, we launched an initiative to incorporate digital mortgages as acceptable collateral for Ginnie Mae securities. The first phase of the project includes the following steps:

Create policy guidance. With input from federal housing programs, the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac, the Mortgage Electronic Registration System (MERS), technology vendors and industry subject matter experts, Ginnie Mae has worked to create an overarching process and a policy framework for digital collateral. This reflects the eNote requirements of the GSEs, clearly lays out Ginnie Mae and Issuers' custodial and

loan certification responsibilities, and closely aligns with other federal housing programs' policies.

Based on that work, this summer the agency will publish and solicit stakeholder feedback on a draft outline policy guidance describing the process, technology and document requirements an Issuer will need to meet in order to participate in Ginnie Mae's digital mortgage pilot outlined below. In the fall of 2019, Ginnie Mae intends to release the official guidance that will govern the agency's digital mortgage pilot.

We also expect to coordinate additional policy announcements, as needed, with the federal housing programs the agency supports.

Secure eVault vendor. The General Services Administration has issued a request for information to validate factors that will impact the drafting and publication of a request for proposals (RFP) for an eVault vendor. We expect to release the RFP near the publication date of the draft policy guidance outline and award the contract in the fall in 2019.

Launch digital mortgage pilot. Stakeholder feedback on the draft policy guidance outline will inform the scope of the pilot. Once it has begun, we plan to increase its scale over time while we continue to implement additional system and MBS program enhancements.

In phase two of the digital collateral initiative, Ginnie Mae will develop a new document custody application and new loan delivery and pooling applications. The overarching goal is to move from a pool-level securitization model to a loan-level program.

Pillar Two
ENHANCING COUNTERPARTY RISK MANAGEMENT

Over the last year, Ginnie Mae has further prioritized addressing counterparty risk due to the ever-evolving mortgage finance environment and our portfolio's continued growth. The shift from banks to non-banks has been dramatic and is expected to continue.

In 2008, Ginnie Mae had less than $500 billion in total MBS outstanding and today the portfolio is greater than $2 trillion MBS outstanding. The size of the Ginnie Mae guaranteed MBS portfolio and the respective MSR assets owned by an increasingly diverse set of our counterparties has a profound impact on how we view risk management.

In the past, risk management at Ginnie Mae meant monitoring compliance with a basic, uniform set of program standards. Today, however, given Ginnie Mae's expanded role in the mortgage finance system, risks have been heightened as a result of the sheer size of the program and the evolving nature of the Issuers. The portfolio of risk management responsibilities has become much more demanding, and it has required us to continually reexamine and push ourselves to evolve. Therefore, we are evaluating new business models and transactions, operational risk resulting from networked business constructs, and cyber risk.

Ginnie Mae needs to enhance the risk management framework so we can fulfill our mission and mandates across all economic cycles. That means ensuring our Issuers can handle the responsibilities that come with participating in our program in the event of market stress and that Ginnie Mae is prepared and protected as well.

Ginnie Mae Issuance

	FY 2010	FY 2017	FY 2018
Non-Banks	31%	76%	78%
Banks	69%	24%	22%

We have made significant progress in the past year. But the agency expects to add rigor to our risk management program, and we will continue to evaluate policy options. The credit cycle has not been repealed and the risk management of a $2 trillion program requires focus on what can happen at all points through that cycle. To put all of this differently, we need to be successful, which means Ginnie Mae must answer "yes" to the following questions if we are to maintain safety and soundness and capably continue to carry out the mission to support affordable mortgage liquidity throughout all market cycles:

- "Was Ginnie Mae prepared for times of stress?"
- "Did Ginnie Mae take the right steps to ensure Issuers of all sizes and types were capable of operating through the cycle?"
- "Did our security continue to be attractive to investors around the globe to bring capital to our housing finance system?"
- And most importantly, "Were the borrowers who the federal housing programs are intended to serve able to maintain access to affordable mortgage financing without major disruption?"

To avoid market disruption and unintended consequences, Ginnie Mae is committed to being thoughtful and transparent as we develop new requirements and implement new tools. We look forward to working with stakeholders and soliciting their feedback as part of the process.

The primary areas of focus remain those presented in "Ginnie Mae 2020": (1) enhancing counterparty risk standards and (2) attracting more long-term stable capital into the mortgage system by fostering investment in Ginnie Mae servicing.

Enhancing Counterparty Risk Standards

Because Ginnie Mae's MBS guaranty portfolio has grown significantly, along with a substantial compositional shift away from traditional depositories, the risk of Issuer failure/insolvency has increased. Our historic risk management practices and resources will not necessarily be adequate in the future.

For non-bank participants that originate, service and own MSRs, the program requirements of Fannie Mae, Freddie Mac and Ginnie Mae contain the oversight that most closely resembles prudential regulation. But there is a gap between this set of program requirements and the rigor of the prudential regulation standards applied to federally insured depositories.

In times of stress, Ginnie Mae's MBS program requires more financial wherewithal of its participants than the

How Ginnie Mae and the GSEs Handle Defaulted Loans		
GSE Model	Fannie Mae and Freddie Mac leverage their balance sheets to buy delinquent loans out of pools at a set interval.	The servicer does not have the burden of advancing beyond this point.
Ginnie Mae Model	Responsibility to continue to make principal and interest payments remains with the Issuer until the loan is no longer in the pool.	Loans are inherently more likely to default, and Ginnie Mae Issuers' exposure can last much longer than the GSEs'.

GSEs do of theirs. In addition, the trend toward non-depositories has been more pronounced in Ginnie Mae's program than at the GSEs.

We are proactively dealing with Ginnie Mae's new reality. In the past year, we published two All Participants Memoranda (APM) on counterparty risk, APMs 18-07 and 19-02. Among the topics addressed:

- **Issuer applications:** We explained our use of corporate credit evaluations and evaluation of sub-servicer arrangements in the underwriting of applications for issuer approval.
- **Transaction notification:** We instituted notification requirements about sub-servicer advances and transactions involving servicing income.
- **Risk factors:** We added language to the Ginnie Mae MBS Guide describing risk factors that could result in the imposition of enhanced requirements for Issuers.
- **Minimum servicing spread:** We required MSR portfolios to result in a servicing spread of at least 25 basis points.

We plan to publish an APM with additional counterparty risk standards in July 2019. These memoranda improve the treatment of risk in the MBS Guide without unduly affecting credit availability.

Ginnie Mae also has plans to put in place requirements for certain Issuers, particularly those that present the greatest risk in the event of default or extinguishment because of the size of their portfolios. We might, for example, require Issuers to provide detailed information about their servicing operations and corporate structures or to have an interim servicing agreement in place that enables them to continue servicing assets they no longer own.

This is part of Ginnie Mae's larger effort to review topics integral to a holistic framework for managing counterparty risk as a guarantor:

1. **Capital requirements:** The level of capital necessary to support mortgage origination, mortgage servicing and MSR ownership by an institution that is not regulated as a depository. This would likely include a more granular treatment of the differing attributes of an Issuer's balance sheet than what is currently in section 3-8 of the The Ginne Mae MBS Guide.

2. **Ability to withstand times of stress:** The processes that should be in place to quantify the impact of an adverse change to business conditions on such an institution (i.e. "stress testing") and to plan and take actions that will protect the institution's ability to meet its obligations.

3. **Recovery and resolution planning:** The requirements needed to ensure that resolution of a failed Issuer minimizes market and borrower disruption and cost to taxpayers, who ultimately bear the expense of any exercise of the Ginnie Mae guaranty.

The next phase of the Ginnie Mae 2020 agenda for counterparty risk will focus on developing policy in these areas, not all of which are currently treated in the MBS Guide. As we move forward, we will determine how broadly these policies should apply. The review also presents an opportunity to increase engagement with other federal partners and state regulators and coordinate efforts.[1] While implementing an updated counterparty risk

1 In its 2019 Scorecard for Fannie Mae, Freddie Mac and Common Securitization Solutions, the Federal Housing Finance Agency has required the GSEs "to evaluate the current liquidity requirements for non-depository Seller/Servicer Enterprise counterparties to determine whether changes are appropriate." Also, in a May 22, 2019 speech, the Chairman of the Conference of State Banking Supervisors stated, "We need prudential standards for those nonbanks to address capital and liquidity more consistently" and expressed the desire to do more in this area.

framework is a top priority, Ginnie Mae continues to monitor Issuer and sub-servicer diversity and remain aware of potential concerns about concentration of risk among Issuers with large market shares. We are making every effort to strike a balance between implementing responsible policy updates and ensuring Issuers can meet enhanced standards without impeding credit availability for first-time home buyers, low- and moderate-income borrowers, veterans and rural homeowners.

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Attracting More Long-Term Stable Capital into the System by Fostering Investment in Ginnie Mae Servicing

The mortgage finance industry is highly dependent on constant flows of cash to finance lending and servicing operations. So, to mitigate counterparty risk, Ginnie Mae must continue to closely monitor Issuer liquidity. To that end, in May 2019, Ginnie Mae issued a **report** of its observations on Issuer liquidity following a series of meetings with the largest non-bank issuers in the program.

Ginnie Mae is exploring two potential ways of increasing the supply of capital supporting Ginnie Mae MSRs: allowing advance financing for servicing and enabling alternative forms of capital to own Ginnie Mae MSRs.

Servicing advance financing. While allowing advance financing is common in the conventional servicing arena, Ginnie Mae's guaranty model poses challenges to adopting this business practice. Still, our exploration has uncovered a way we can make progress on this need. We have determined that a separately defined servicing advance facility is acceptable as long as it is within an existing MSR financing facility. In such an arrangement, the security of the collateral for the advance line depends on the control of the MSRs granted within a Ginnie Mae Acknowledgment Agreement. Making advance financing available under those conditions would boost liquidity. Understandably, such an arrangement may not work for all parties or situations.

Ginnie Mae plans to phase in this approach because of the significant time and resources needed to review and process the necessary documents. We expect to make further announcements later this summer.

Exploring non-traditional MSR ownership. The agency is in the midst of developing a structure, grounded in the Ginnie Mae Acknowledgment Agreement, that would enable non-Issuer entities — firms that are not, and would not seek to be, approved Issuers under current guidelines and requirements — to be recognized as capital providers. Working in partnership with well-qualified Ginnie Mae Issuers who would provide operational support, they would be allowed enhanced interest in, and control of, MSRs.

By attracting additional long-term stable capital partners, Ginnie Mae would expand the store of capital dedicated to MSR ownership. With the right partnerships, this structure could align interests, generate satisfactory investment returns and lower prices for borrowers. It could also increase the options for resolving an Issuer failure by enlarging the supply of well-capitalized buyers.

We are exploring terms for a pilot program and will provide additional updates later in 2019.

Pillar Three

KEEPING A STRONG FOCUS ON PROGRAM INNOVATION

Ginnie Mae is committed to meeting emerging needs and innovating to ensure the MBS program meets its objectives, no matter what the future brings. Here are brief updates on three initiatives described in “Ginnie Mae 2020”:

Transitioning the MBS Platform to Loan-Level Functionality

Ginnie Mae Issuers report monthly on each active loan in a pool. This loan-level information is publicly available on Ginnie Mae’s website. But many critical program functions at Ginnie Mae happen only at the level of the pools into which loans are grouped at issuance.

This pool-level orientation limits our program in critical ways. Most significantly, the same institution must always be the servicer of record for all the loans originally combined in a single pool. The servicing rights for a pool may be transferred, but the loans in the pool can’t be separated. As a result, MSR owners cannot manage the asset as efficiently as they might like over its potential 30-year life. And that impacts the desirability and value of the MSR and, because Fannie Mae and Freddie Mac don’t have the same constraint, translates into a higher cost for government loans compared to conventional loans.

Ginnie Mae has looked for solutions to this issue for many years. Issuers routinely highlight that moving to loan-level functionality is the most important improvement Ginnie Mae could make. This would benefit the agency by more closely aligning servicing capability with loan

characteristics, which boosts efficiency and mitigates systemic risk. It could save money, as well. Issuers often use workarounds to compensate for the lack of loan-level information, and these tactics can be costly and even distortive. Finally, introducing loan-level servicing could attract institutions that have been unwilling to invest in government MSRs because of its pool-level model.

A full-fledged effort to accommodate loan-level servicing is a large undertaking for Ginnie Mae. Previous internal analyses have concluded the agency only had the capability to pursue limited steps in that direction. Even so, our fundamental view is that permanently accepting the pool-level status quo carries too great a risk of relegating the Ginnie Mae platform to second-class status behind the GSEs. And that could be detrimental to our mission and the missions of the federal housing programs we support.

For those reasons and despite the challenges, we think achieving loan-level capability is an appropriate item to include on Ginnie Mae's modernization agenda. We will launch an initial planning exercise in late 2019. The results will shape our requests for the resources we would need to complete this years-long effort, which will require significant expense and, eventually, a large, dedicated, full-time project team.

Introducing loan-level servicing could attract institutions that have been unwilling to invest in government MSRs because of its pool-level model.

Facilitating Credit Risk Transfer

We remain interested in participating in discussions about the role Ginnie Mae might play in facilitating a transfer of the government's credit risk exposure to private capital, though there are not currently any initiatives underway to actively pursue doing so.

Promoting Whole Loan Asset Sale or Securitization

When managing assets acquired from failed institutions, Ginnie Mae should be able to use the full range of asset disposition possibilities. This past year, we have put in place the accounting infrastructure necessary for expanded asset management. We have also taken steps to procure services that will enable us to determine how to deal with assets that are currently owned. In fiscal year 2020, we aim to have a plan for the whole loan assets currently on the balance sheet.

Conclusion

Ginnie Mae remains well on its way to meeting our goals for 2020. Already, we have made significant enhancements to the MBS program, incorporating technological progress and new ways of recognizing and managing risk. We will continue to innovate by exploring new ways of applying the basic principles that have worked so well for Ginnie Mae for the past 50 years.

Our work, of course, will continue beyond 2020. We are confident that Ginnie Mae 2020 has set the stage for many years of continued growth and innovation.

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