News Release

For Immediate Release

Contact: **Gina Screen** **202-475-4976** **Terry Carr** **202-475-4976**

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Ginnie Mae Announces Enhanced Risk Management Plans

Corporation to Implement New Requirements to
Further Ensure Safe and Sound Program Operations

Washington, DC – Ginnie Mae announced today new risk management changes to further strengthen its operations and to ensure that its program requirements better align with the rapidly changing housing finance market.

"There's no question that the financial landscape over the past few years has produced uncertainty and new risks," said Theodore Tozer, Ginnie Mae president. "To ensure that we continue to run a conservative and sound program, Ginnie Mae will soon raise its net worth requirements, implement institution-wide capital ratio requirements, and establish a liquid asset requirement for all Single-Family Issuers." Mr. Tozer also announced that the changes are expected to take place in September.

Net worth requirements are core tools used by regulators, lenders, insurers, and others to manage counterparty risk. The policy changes announced today will include the following:

- *Increased net worth requirements* of $2.5 million plus one percent for mortgage-backed securities (MBS) outstanding principal balance between $5 and $20 million and 0.2 percent above $20 million will be phased in for all current Single-Family Issuers. All new Issuers will be required to hold this amount before they are allowed entry into the Ginnie Mae program. This new requirement is designed to ensure Issuers have a greater capital cushion to absorb losses. Ginnie Mae last announced increased net worth requirements for Single-Family Issuers from $250,000 to $1 million in September 2008.

- *Institution-wide capital requirements,* designed to match those of institutions considered to be "well-capitalized" by bank and thrift regulatory agencies and other government-sponsored agencies, will also be established. These capital requirements capture the risk of an Issuer's total book of business and will further enhance Ginnie Mae's risk position. These requirements are as follows:

    - Total risk-based capital of at least ten percent
    - Tier 1 risk-based capital of at least six percent
    - Tier 1 leverage capital ratio of at least five percent
    - Non-depository institutions will be required to hold equity capital of six percent of total assets

- Ginnie Mae will implement a new *liquid asset requirement* in recognition of the need for cash and cash equivalents to fund loan buyouts and pay for potential indemnification requests from insuring agencies. Given the capital intensive nature of servicing, Ginnie Mae will require that Issuers have liquid assets of 20 percent of the Ginnie Mae net worth requirement.

"By imposing these important requirements, Ginnie Mae is committed to prudently managing risk while furthering its mission to ensure the 30-year, fixed-rate mortgage is possible for millions of families no matter the market condition," Tozer said. "We are the bright spot in housing for a reason; our monitoring process ensures we remain steady in a turbulent market. These new rules are the next step in our evolution."

An All Participants Memorandum and revised MBS guide detailing the changes and phase-in schedule for current Issuers will be issued in September.

For more than 40 years, the industry has turned to the security of the Ginnie Mae MBS, allowing Ginnie Mae to provide homeownership opportunities for millions of Americans. Ginnie Mae securitizes loans insured or guaranteed by FHA, the Department of Veterans Affairs, the Department of Agriculture's Rural Development, and the Department of Housing and Urban Development's Office of Public and Indian Housing.

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