

Appendix A

Government National Mortgage Association

Fiscal Year Financial Statements

September 30, 2024

Government National Mortgage Association

Fiscal Year Financial Statements

September 30, 2024

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Balance Sheets		
	2024	2023
	September 30	September 30
	(Dollars in thousands)	
Assets:		
Cash and cash equivalents	\$ 30,425,203	\$ 28,494,701
Restricted cash and cash equivalents	1,745,248	1,683,383
Accrued fees and other receivables	139,013	133,195
Reimbursable costs receivable, net	367	397
Claims receivable, net	53,901	59,787
Advances, net	462,692	416,595
Forward mortgage loans, at fair value	1,383,609	1,435,663
Reverse mortgage loans, at fair value	17,978,318	19,525,649
Acquired property, net	50,095	44,574
Fixed assets, net	44,008	46,528
Guaranty asset	8,680,509	8,352,885
Other assets	9,149	8,549
Total Assets	\$ 60,972,112	\$ 60,201,906
Liabilities and Investment of U.S. Government:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 114,810	\$ 121,686
Deferred liabilities and deposits	275	401
Deferred revenue	636,559	608,664
Liability for loss on mortgage-backed securities program guaranty	196,318	111,115
Liability for representations and warranties	-	17
Home equity conversion mortgage-backed securities (HMBS) obligations, at fair value	16,498,804	19,147,154
Guaranty liability	9,632,671	9,371,617
Total Liabilities	\$ 27,079,437	\$ 29,360,654
Commitments and Contingencies (See Note 15)		-
Investment of U.S. Government	\$ 33,892,675	\$ 30,841,252
Adjustment to Investment of U.S. Government	-	-
Total Liabilities and Investment of U.S. Government	\$ 60,972,112	\$ 60,201,906
The accompanying notes are an integral part to these financial statements		

Government National Mortgage Association

Statements of Revenues and Expenses and Changes in Investment of U.S. Government		
	For the years ended September 30,	
	2024	2023
	(Dollars in thousands)	
Revenues:		
Income on guaranty obligation	\$ 855,905	\$ 824,828
Mortgage-backed securities guaranty fees	1,639,491	1,527,255
Interest income earned on U.S. Treasury securities	1,246,064	944,298
Commitment fees	85,615	85,221
Multiclass fees	40,674	37,452
Mortgage-backed securities program and other income	7,742	11,534
Total Revenues	\$ 3,875,491	\$ 3,430,588
Expenses:		
Administrative expenses	\$ (51,625)	\$ (46,786)
Fixed asset depreciation and amortization	(16,607)	(18,545)
Mortgage-backed securities program and other expenses	(512,033)	(477,109)
Acquired property expenses, net	(9,181)	(8,833)
Total Expenses	\$ (589,446)	\$ (551,273)
Recapture (provision):		
Recapture (provision) for mortgage-backed securities program guaranty	\$ (85,203)	\$ 15,981
Recapture (provision) for claims receivable, net	(12,841)	(8,446)
Recapture (provision) for loss on advances, net	(2)	66
Total Recapture (Provision)	\$ (98,046)	\$ 7,601
Other Gain (Loss):		
Gain (loss) on forward mortgage loans, at fair value	\$ 147,859	\$ (92,138)
Gain (loss) on reverse mortgage loans, at fair value	1,747,266	1,968,690
Gain (loss) on acquisition of HMBS obligations, at fair value	-	(282,679)
Gain (loss) on HMBS obligations, at fair value	(1,244,244)	(1,996,867)
Gain (loss) on guaranty asset	(789,335)	(1,545,856)
Gain (loss) other	1,878	(460)
Total Other Gains / (Losses)	\$ (136,576)	\$ (1,949,310)
Results of Operations	\$ 3,051,423	\$ 937,606
Investment of U.S. Government at Beginning of Year	\$ 30,841,252	\$ 29,848,453
Adjustment to Investment of U.S. Government	-	55,193
Adjustment to Investment of U.S. Government-HUD	-	-
Investment of U.S. Government at Beginning of Period	\$ 30,841,252	\$ 29,903,646
Investment of U.S. Government at End of Period	\$ 33,892,675	\$ 30,841,252
The accompanying notes are an integral part to these financial statements		

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Statements of Cash Flows		
	For the years ended September 30,	
	2024	2023
	(Dollars in thousands)	
Cash Flows from Operating Activities		
Results of Operations	\$ 3,051,423	\$ 937,606
<i>Adjustments to reconcile Results of Operations to Net Cash provided by Operating Activities:</i>		
Fixed asset depreciation and amortization	16,607	18,545
Provision (Recapture) for mortgage-backed securities program guaranty	85,203	(15,981)
Provision (Recapture) for reimbursable costs receivable, net	-	-
Provision (Recapture) for claims receivable, net	12,841	8,446
Provision (Recapture) for loss on advances, net	2	(66)
Acquired property expenses, net	9,181	8,833
(Gain)/loss on forward mortgage loans, at fair value	(147,859)	92,138
(Gain)/loss on acquisition of HMBS obligations, at fair value	-	531,901
(Gain)/loss on reverse mortgage loans, at fair value	(1,747,266)	(1,968,690)
(Gain)/loss on HMBS obligations, at fair value	1,244,244	1,996,867
(Gain)/loss on guaranty asset	789,335	1,545,856
(Gain)/loss other	(246)	3,319
(Income) on guaranty obligation	(855,905)	(824,828)
Mortgage-backed securities program and other expenses	27,675	21,775
<i>Changes in operating assets and liabilities:</i>		
Accrued fees and other receivables	(5,818)	(10,369)
Claims receivable, net	2,208,696	1,442,567
Advances, net	(46,099)	(415,880)
Reimbursable costs receivable, net	(107)	(45)
Acquired property, net	(6,574)	(4,216)
Other assets	(335)	(4,194)
Accounts payable and accrued liabilities	(6,876)	23,426
Deferred liabilities and deposits	(126)	(373)
Deferred revenue	27,895	13,811
Net cash provided by operating activities	\$ 4,655,891	\$ 3,400,448
Cash Flows from Investing Activities		
Proceeds from repayments and sales of forward mortgage loans, at fair value	\$ 211,991	\$ 233,573
Proceeds from repayments and sales of reverse mortgage loans, at fair value	1,706,703	1,524,171
Proceeds from the dispositions of acquired property and preforeclosure sales	57,039	33,188
Purchases of forward mortgage loans, at fair value	(31,448)	(31,177)
Purchases of reverse mortgage loans, at fair value	(701,107)	(695,780)
Purchases of fixed assets	(14,107)	(13,628)
Net cash provided by investing activities	\$ 1,229,071	\$ 1,050,347
Cash Flows from Financing Activities		
Payments on HMBS related obligations	\$ (3,892,594)	\$ (3,375,847)
Net cash (used for) provided by financing activities	\$ (3,892,594)	\$ (3,375,847)
Net change in cash and cash equivalents	\$ 1,992,368	\$ 1,074,948
Cash and cash equivalents, beginning of the year	30,178,083	29,103,136
Cash and cash equivalents, end of the period	\$ 32,170,451	\$ 30,178,084
Supplemental Disclosure of Non-Cash Activities		
Non-cash Transfers from forward mortgage loans, at fair value to claims receivable, net	\$ 14,772	\$ 32,713
Non-cash Transfers from reverse mortgage loans, at fair value to claims receivable, net	2,201,488	1,427,345
Non-cash Transfers from forward mortgage loans, at fair value to acquired property, net	4,700	3,897
Non-cash Transfers from reverse mortgage loans, at fair value to acquired property, net	49,916	23,470
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 mortgage loans from investors for properties located in the U.S. and its Territories. Its role in the market enables qualified borrowers to have reliable access to a variety of mortgage products.

Ginnie Mae supports the following groups through its MBS program:

- 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 and hospitals;
- 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). 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 allow small issuers unable to meet the dollar requirements of the Ginnie Mae I MBS program to participate in the secondary mortgage market.

Ginnie Mae established the following four programs to service a variety of loan financing needs and different issuer origination capabilities:

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- **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;
- **Home Equity Conversion Mortgage-Backed Securities (HMBS) Program** – consists of reverse mortgage loans insured by FHA; and
- **Manufactured Housing Program** – consists of pools of loans insured by FHA’s Title I Manufactured Home Loan Program.

Ginnie Mae offers two multiclass security 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 provide issuers greater flexibility in 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, differing levels of seniority or subordination or other characteristics.

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 the U.S. dollar, and the accompanying financial statements have been prepared in that currency. The financial statements conform to U.S. Generally Accepted Accounting Principles (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.

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Notes to the Financial Statements

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 Accounting Standards Codification (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, wildfire, 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 cause damage or destroy properties that Ginnie Mae owns, while negatively affecting the ability of borrowers to continue to make principal and interest payments, increasing the potential for credit losses as Ginnie Mae's program insurers may not cover all 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 issuer 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 through adverse impacts 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

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in the event of an issuer default¹, termination and extinguishment².

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 Interest income earned on U.S. Treasury securities 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 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. 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.

Escrow Funds (Held in Trust for MBS Certificate Holders or Mortgagors): Escrow funds are held in a 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 escrow funds balance was \$21.9 million and \$21.7 million as of September 30, 2024, and September 30, 2023, respectively and represent 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, are based on the aggregate unpaid principal balances (UPB) of the guaranteed securities outstanding, and recorded in the month they are

¹ Issuer default is defined as any failure or inability of the issuer to perform its responsibilities under the Ginnie Mae MBS programs.

² 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.

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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: In the event of an HMBS issuer extinguishment, Ginnie Mae will manage the acquired HMBS portfolio by purchasing 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). Loans purchased out of securitization pools 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.

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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 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 corresponding allowance.

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. 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.

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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, 2024, or the year ended September 30, 2023.

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 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

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by the MSS on the pooled mortgage loans. Ginnie Mae records servicing fees accrued revenue based on P&I payments collected by the MSS during the current month that are remitted to Ginnie Mae in the following month. Ginnie Mae then 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, 2024, and September 30, 2023, is \$572.7 thousand and \$307.5 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

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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 covenants, 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 arises from such obligations and 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.

Home Equity Conversion Mortgage-Backed Securities Obligations, at Fair Value: HMBS obligations, at fair value, represent the related liability associated with the pooled HECM loan

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assets acquired by Ginnie Mae in an HMBS issuer extinguishment event. As the securitized HECM loans are accounted for by Ginnie Mae as secured borrowings, the liability for pass through payments to HMBS security holders, that Ginnie Mae is obligated to execute on in its assumed role as HMBS issuer, is recorded as a liability on Ginnie Mae's balance sheet at fair value, and referred to as HMBS obligations, at fair value.

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, interest income earned on U.S. Treasury securities, 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.
- ***Interest Income Earned on U.S. Treasury Securities*** – Ginnie Mae earns interest income on U.S. Government securities related to U.S. Treasury overnight certificates. Prior to

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2018, Ginnie Mae also 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, 2024. 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.

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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 fees 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.

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- **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. Unlike substantially all the securitization market, Ginnie Mae approves issuers to pool loans and issue Ginnie Mae guaranteed MBS, or "virtual trusts". Additionally, for federal income tax purposes, the Ginnie Mae pool is considered a grantor trust³. 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 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:

³ 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.

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	September 30, 2024	September 30, 2023
	(Dollars in thousands)	
Guaranty asset	\$ 8,680,509	\$ 8,352,885
Guaranty fee receivable	139,000	128,000
Total	\$ 8,819,509	\$ 8,480,885
Guaranty liability	\$ 9,632,671	\$ 9,371,617
Liability for loss on mortgage-backed securities program guaranty	196,318	111,115
Total	\$ 9,828,989	\$ 9,482,732
Maximum exposure to loss		
Outstanding MBS	\$ 2,642,595,451	\$ 2,472,843,019
Outstanding MBS commitments	145,821,514	140,780,632
Total	\$ 2,788,416,965	\$ 2,613,623,651

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 “Current Expected Credit Loss (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.

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, 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.

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

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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 Fair Value Option (FVO) accounting to its forward mortgage loans purchased out of the pool and reverse mortgage loans as part of the adoption of *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.

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 extinguishment of a Ginnie Mae HMBS issuer. HECM loans provide seniors aged 62 and older with a loan secured by their home which can be taken as a lump sum or line of credit with scheduled or unscheduled 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 the 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.

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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 expected lifetime credit losses associated with issuer default events. 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

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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.
- Determination of the liability is based on factors such as the likelihood of issuer default and macroeconomic indicators (e.g., the FHFA Housing Price Index).

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.

Recently Adopted Accounting Pronouncements

There were no recent accounting pronouncements that have been adopted as of September 30, 2024, for fiscal year 2024. The following accounting pronouncements were adopted in fiscal year 2023:

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 forward mortgage loans, at fair value of \$171.4 million, an increase to the liability for loss on mortgage-backed securities program guaranty of \$116.2 million, and a related increase to the 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 ARM (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, 2024.

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Note 3: Unrestricted and Restricted Cash and Cash Equivalents

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

	Unrestricted	September 30, 2024 Restricted (Dollars in thousands)	Total
Funds with U.S. Treasury ⁽¹⁾	\$ 7,224,473	\$ -	\$ 7,224,473
Unapplied deposits	-	15	15
Fund balances precluded from obligation	-	1,609,728	1,609,728
Liability for investor pass-through payments	-	249	249
Total Funds with U.S. Treasury	\$ 7,224,473	\$ 1,609,992	\$ 8,834,465
Deposit in Transit:			
Cash held by MSS ⁽²⁾	\$ 32,381	\$ 111,360	\$ 143,741
Cash held by Trustee and Administrator of securities ⁽³⁾	6,757	-	6,757
Total Deposit in Transit:	\$ 39,138	\$ 111,360	\$ 150,498
U.S. Treasury short-term investments ⁽⁴⁾	\$ 23,161,592	23,896	23,185,488
Total	\$ 30,425,203	\$ 1,745,248	\$ 32,170,451

	Unrestricted	September 30, 2023 Restricted (Dollars in thousands)	Total
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 pass-through payments	-	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

(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 with others, or Ginnie Mae's statements of intention with regard to particular deposits. The balance consists of the following:

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- **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 \$23.1 billion and \$21.0 billion and the Liquidating Fund of approximately \$123.3 million and \$124.6 million in overnight U.S. Government securities at September 30, 2024, and September 30, 2023, respectively. At September 30, 2024, and September 30, 2023, Ginnie Mae only held overnight certificates. The U.S. Treasury short-term investments balance includes \$23.9 million and \$23.8 million of restricted cash related to unclaimed MBS holder payments at September 30, 2024, and September 30, 2023, respectively. 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 monthly guaranty fees for guaranteeing the timely payment of P&I to the MBS certificate holders in the event of issuer default. The guaranty fee is computed based on the aggregate principal balance of the guaranteed securities outstanding at the beginning of the monthly reporting period. Ginnie Mae only guarantees securities created by approved issuers and backed by mortgages insured by other federal agencies. The underlying sources of loans for the Ginnie Mae I MBS and Ginnie Mae II MBS products come 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 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 \$8.7 billion and \$8.4 billion at September 30, 2024, and September 30, 2023, respectively. The guaranty liability represents the non-contingent liability for Ginnie Mae's obligation to stand ready to perform on

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its guaranty. The guaranty liability recognized on the Balance Sheet is \$9.6 billion and \$9.4 billion at September 30, 2024, and September 30, 2023, 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 liability 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 \$2.6 trillion at September 30, 2024, and \$2.5 trillion on September 30, 2023. 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.

Exposure to credit loss is primarily contingent on the nonperformance of Ginnie Mae issuers. Ginnie Mae recognizes a liability for potential non-performing issuers, based on assessed probability of default, within the liability for loss on mortgage-backed securities program guaranty line item on the Balance Sheet. The maturity date associated with Ginnie Mae guaranteed securities is based off the pooled mortgage with the latest maturity date. Accordingly, the maturity date can be leveraged in determining the period of guarantee. Eligible single family MBS program mortgages have a maximum maturity of 30 years, while eligible multifamily program mortgages have a maximum maturity of 40 years. Eligible HECM loans do not have scheduled maturity dates, however the maximum maturity of HMBS securities is viewed by Ginnie Mae as 50 years following the issuance date. 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 and HECM 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, 2024	September 30, 2023
	(Dollars in billions)	
Outstanding MBS	\$ 2,643	\$ 2,473
Outstanding MBS commitments	146	141
Total	\$ 2,789	\$ 2,614

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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, 2024, and 2023, multiclass security program issuances totaled \$184.2 billion and \$143.9 billion, respectively. The estimated outstanding balance of multiclass securities was \$840.3 billion and \$737.9 billion on September 30, 2024, and September 30, 2023, respectively. These guaranteed securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the MBS collateral.

Note 5: Reimbursable Costs Receivable, Net

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

	September 30, 2024					
	FHA	VA	USDA	Conventional	Total	
	(Dollars in Thousands)					
Reimbursable costs ⁽²⁾	\$ 299	\$ 66	\$ 2	\$ -	\$ 367	
Allowance for reimbursable costs	-	-	-	-	-	
Reimbursable costs, net	\$ 299	\$ 66	\$ 2	\$ -	\$ 367	

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

(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 the 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, Ginnie Mae assumed the servicing rights and obligations of an HMBS issuer, and in March 2024, it did the same for a single-family issuer, both following extinguishments. Accordingly, Ginnie Mae delegated portfolio management and advanced funds to the MSS to cover the servicing needs of the extinguished portfolios. Ginnie Mae also made advance payments

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to cover the liability to investors for MBS portfolios acquired from five previously defaulted issuers for the year ended September 30, 2024, and the year ended September 30, 2023.

The following table presents Advances and related allowance:

	September 30, 2024	September 30, 2023
	(Dollars in thousands)	
HECM portfolio advances	\$ 460,933	\$ 414,857
MBS advances	1,786	1,764
Allowance for uncollectible MBS advances	(27)	(26)
Advances, net	\$ 462,692	\$ 416,595

Note 7: Mortgage Loans

Ginnie Mae adopted the CECL standard as of October 1, 2022. Accordingly, the disclosures below reflect these adoption changes. 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, 2024, 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, including accrued interest and reimbursable costs receivable of the mortgage loan. For the years ended September 30, 2024 and 2023, Ginnie Mae reported a total gain of \$147.9 million and loss of \$92.1 million due to changes in fair market value of forward mortgage loans.

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

	September 30, 2024			
	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	\$ 1,247,689	\$ 1,385,425	\$ (137,736)	\$ 164,722
VA	49,372	55,000	(5,628)	14,137
USDA	21,214	23,639	(2,425)	3,115
Conventional	65,334	72,875	(7,541)	9,079
Total	\$ 1,383,609	\$ 1,536,939	\$ (153,330)	\$ 191,053

	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

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Ginnie Mae had forward mortgage loans at fair value that are 90 days or more past due of \$163.7 million which had unrealized losses⁴ of \$27.3 million as of September 30, 2024. Ginnie Mae had the forward mortgage loans at fair value that are 90 days or more past due of \$168.7 million which had unrealized losses⁴ of \$37.9 million as of September 30, 2023.

Reverse Mortgage Loans, at Fair Value

Ginnie Mae reports reverse mortgage loans at the fair value of their UPB, accrued interest and reimbursable costs receivable. In December 2022, a large HECM issuer was defaulted and extinguished, and Ginnie Mae assumed its servicing rights and obligations, recognizing a loss of \$282.7 million. For the years ended September 30, 2024 and 2023, Ginnie Mae had a fair market value gain of \$1.7 billion and \$2.0 billion. The tables below present the carrying value of reverse mortgage loans including accrued interest and reimbursable costs receivable under FVO:

	Fair Value	September 30, 2024 Unpaid Principal Balances	Fair Value Over (Under) Unpaid Principal Balance
		(Dollars in thousands)	
FHA	\$ 17,978,318	\$ 18,015,802	\$ (37,484)

	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)

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 30, 2024				
	FHA	VA	USDA	Total	
	(Dollars in thousands)				
Foreclosed property claims receivable ⁽¹⁾	\$ 49,531	\$ 875	\$ 524	\$	50,930
Short sale claims receivable ⁽²⁾	1,261	53	-		1,314
Assignment claims receivable ⁽³⁾	3,507	-	-		3,507
Allowance for claims receivable	(1,716)	(131)	(3)		(1,850)
Claims receivable, net	\$ 52,583	\$ 797	\$ 521	\$	53,901

⁴ Unrealized gains or losses on forward mortgage loans at fair value, which are 90 days or more past due, are traditionally reported as "Fair Value Over (Under) Unpaid Principal Balance" for the aggregated mortgage loans in this category.

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	September 30, 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

- (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 buy out 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 insured⁵, FHA-insured⁶ or uninsured conventional loans⁷. 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. 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:

	For the years ended September 30,	
	2024	2023
	(Dollars in thousands)	
Balance, beginning of period – acquired property, net	\$ 44,574	\$ 6,160
Additions	76,939	84,917
Dispositions	(75,457)	(40,940)
Change in valuation allowance	4,039	(5,563)
Balance, end of period – acquired property, net	\$ 50,095	\$ 44,574

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

⁵ Properties from foreclosed USDA insured loans are not conveyed to the insuring agency subsequent to foreclosure per the insurance guidelines published by USDA.

⁶ 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.

⁷ Properties from foreclosed uninsured conventional loans are not insured by a government agency.

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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, 2024				
	Level 1	Level 2	Level 3		Total
	(Dollars in thousands)				
Assets:					
Guaranty asset	\$ -	\$ -	\$ 8,680,509	\$	8,680,509
Forward mortgage loans, at fair value	-	-	1,383,609		1,383,609
Reverse mortgage loans, at fair value	-	-	17,978,318		17,978,318
Total Assets	\$ -	\$ -	\$ 28,042,436	\$	28,042,436
Liabilities:					
HMBS obligations, at fair value	\$ -	\$ -	\$ 16,498,804	\$	16,498,804
Total Liabilities	\$ -	\$ -	\$ 16,498,804	\$	16,498,804

	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	-	-	1,435,663		1,435,663
Reverse mortgage loans, at fair value	-	-	19,525,649		19,525,649
Total Assets	\$ -	\$ -	\$ 29,314,197	\$	29,314,197
Liabilities:					
HMBS obligations, at fair value	\$ -	\$ -	\$ 19,147,154	\$	19,147,154
Total Liabilities	\$ -	\$ -	\$ 19,147,154	\$	19,147,154

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 as of the year ended September 30, 2024, and the year ended September 30, 2023.

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

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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 guarantees 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.

New MBS issuances increased the guaranty asset by \$1.1 billion and \$1.4 billion as of the years ended September 30, 2024 and 2023, respectively. These increases are offset by recorded losses of \$789.3 million and \$1.5 billion for the years ended September 30, 2024 and 2023, 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, 2024	September 30, 2023
	(Dollars in millions)	
Valuation at period end:		
Fair value	\$ 8,681	\$ 8,353
Prepayment rates assumptions:		
Weighted average rate assumption	55.99%	54.29%
Minimum prepayment rate	0.00%	0.00%
Maximum prepayment rate	99.44%	99.96%
Default rate assumptions:		
Weighted average rate assumption	12.73%	15.10%
Minimum default rate	0.00%	0.00%
Maximum default rate	86.80%	94.73%
Discount rate assumptions:		
Discount rate at average weighted average life (WAL)	3.75%	4.26%
Discount rate at the minimum WAL	5.50%	5.54%
Discount rate at the maximum WAL	4.21%	4.44%

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 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 loan portfolio 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.

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Ginnie Mae recorded a gain of \$147.9 million and a loss \$92.1 million for the years ended September 30, 2024 and 2023, respectively, 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, 2024 (Dollars in millions)	September 30, 2023 (Dollars in millions)
Valuation at period end:		
Fair value	\$ 1,384	\$ 1,436
Prepayment rates assumptions:		
Weighted average prepayment rate	24.43%	28.34%
Minimum prepayment rate	4.28%	0.00%
Maximum prepayment rate	84.92%	88.58%
Default rate assumptions:		
Weighted average default rate	28.10%	23.05%
Minimum default rate	0.89%	0.26%
Maximum default rate	58.96%	55.54%
Discount rate assumptions:		
Weighted average discount rate	5.28%	5.47%
Minimum discount rate	4.93%	5.23%
Maximum discount rate	6.15%	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 a 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 borrower draws, Mortgage Insurance Premium (MIP) advances, costs to sell underlying collateral, borrower recoveries and/or insurance proceeds subsequent to loan termination events.

Ginnie Mae recorded a gain of \$1.7 billion and \$2.0 billion for the years ended September 30, 2024 and 2023, respectively, 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:

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	September 30, 2024 (Dollars in millions)	September 30, 2023 (Dollars in millions)
Valuation at period end:		
Fair value	\$ 17,978	\$ 19,526
Conditional termination rate assumptions:		
Weighted average conditional termination rate	22.23%	24.03%
Minimum conditional termination rate	2.90%	5.43%
Maximum conditional termination rate	99.99%	99.81%
Asset discount rate assumptions:		
Weighted average discount rate	5.79%	5.67%
Minimum discount rate	5.39%	5.17%
Maximum discount rate	7.17%	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 a 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 \$1.2 billion and \$2.0 billion for the years ended September 30, 2024 and 2023, respectively, 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, 2024 (Dollars in millions)	September 30, 2023 (Dollars in millions)
Valuation at period end:		
Fair value	\$ 16,499	\$ 19,147
Conditional termination rate assumptions:		
Weighted average conditional termination rate	22.23%	24.03%
Minimum conditional termination rate	2.90%	5.43%
Maximum conditional termination rate	99.99%	99.81%
Obligation discount rate assumptions:		
Weighted average discount rate	5.96%	5.85%
Minimum discount rate	5.39%	5.17%
Maximum discount rate	7.17%	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

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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:

Certain assets (e.g., acquired properties) 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.

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:

	Level 1	Level 2	Level 3	Total
	September 30, 2024 (Dollars in thousands)			
Acquired property, net	\$ -	\$ -	\$ 50,095	\$ 50,095
Total Nonrecurring Assets at Fair Value	\$ -	\$ -	\$ 50,095	\$ 50,095

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

For acquired properties, 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 listing and sales price analysis of similar properties and refreshed appraisals that consider local housing price index (HPI) fluctuations. 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 listings 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.

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

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	For the year ended September 30, 2024		
	Hardware	Software	Total
	<i>(Dollars in thousands)</i>		
Balance, beginning of period	\$ 2,069	\$ 285,846	\$ 287,915
Additions	-	14,107	14,107
Disposals	-	-	-
Impairments	(1,038)	(1,436)	(2,474)
Balance, end of period	\$ 1,031	\$ 298,517	\$ 299,548
<i>Accumulated depreciation and amortization</i>			
Balance, beginning – accumulated depreciation and amortization	\$ (1,855)	\$ (239,532)	\$ (241,387)
Depreciation and amortization	(103)	(16,504)	(16,607)
Disposals	-	-	-
Impairments	1,038	1,416	2,454
Balance, end of period – accumulated depreciation and amortization	\$ (920)	\$ (254,620)	\$ (255,540)
Balance, end of period – fixed assets, net	\$ 111	\$ 43,897	\$ 44,008

	For the year ended September 30, 2023		
	Hardware	Software	Total
	<i>(Dollars in thousands)</i>		
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
<i>Accumulated depreciation and amortization</i>			
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

There were no assets under lease as of September 30, 2024, and September 30, 2023.

Ginnie Mae recorded total depreciation and amortization expense of \$16.6 million and \$18.5 million for the years ended September 30, 2024, and 2023, 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 fiscal years is as follows: 2025 – \$13.7 million; 2026 – \$8.2 million; 2027 – \$4.6 million; 2028 – \$2.7 million; 2029 – \$1.3 million.

There were zero intangible assets with indefinite lives as of September 30, 2024, and as of September 30, 2023. As of September 30, 2024, and September 30, 2023, the original weighted average life of intangible assets (i.e., software) subject to amortization was 4.5 years and 4.7 years, respectively. The remaining weighted average life of intangible assets subject to amortization was 1.1 years and 1.1 years for the same periods.

Ginnie Mae recorded impairments, at cost, of \$2.5 million and \$5.5 million and accumulated amortization of \$2.5 million and \$2.2 million for the years ended September 30, 2024, and 2023, respectively. The net impairments for the years ended September 30, 2024, and 2023, respectively, were losses of \$19.6 thousand and \$3.4 million. During these periods, Ginnie Mae identified

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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 had no reuse or recoverable value, Ginnie Mae wrote these assets down to a fair value of \$0 as of September 30, 2024, and 2023. 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)	
	2024	2023
Revenues:		
Commitment fees	\$ 85,615	\$ 85,221
Multiclass fees:		
Multiclass fees not in scope of ASC 606 ⁽¹⁾	33,201	31,842
MX combination fees in scope of ASC 606	7,473	5,610
Total multiclass fees	\$ 40,674	\$ 37,452
Mortgage-backed securities (MBS) program and other income:		
Transfer of issuer responsibilities in scope of ASC 606	6,979	10,230
Other MBS program fees in scope of ASC 606 ⁽²⁾	38	71
Other MBS program fees not in scope of ASC 606 ⁽³⁾	725	1,233
Total mortgage-backed securities program and other income	\$ 7,742	\$ 11,534
Total Revenues	\$ 134,031	\$ 134,207

(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, 2024	September 30, 2023 ⁽⁴⁾
	(Dollars in thousands)	
Deferred revenue – multiclass fees	\$ 607,221	\$ 580,299
Deferred revenue – commitment fees ⁽⁵⁾	29,223	28,223
Deferred revenue – other	115	142
Total	\$ 636,559	\$ 608,664

(4) The deferred revenue balances as of September 30, 2022, were \$563.1 million for multiclass fees, \$31.6 million for commitment fees, and \$120.4 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.

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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. U.S. GAAP requires Ginnie Mae's financial statements to 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 and disclosed in Note 4: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure*.

- ***Contingent Liability***

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 the likelihood of issuer default and macroeconomic indicators (e.g., the FHFA Housing Price Index).

As of September 30, 2024, two HMBS issuers were considered probable of defaulting and two HMBS issuers were considered reasonably possible of defaulting. As of September 30, 2023, one HMBS issuer was considered probable of defaulting, while four Single Family and three HMBS issuers were considered reasonably possible of defaulting. Ginnie Mae recorded an estimated loss of \$125.7 million as of September 30, 2024 and no expected losses as of September 30, 2023, related to these probable and reasonably possible issuer defaults.

As of September 30, 2024 and 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 was \$70.6 million and \$111.1 million as of September 30, 2024 and September 30, 2023, respectively. This represents expected credit losses in the event of individual borrower defaults on multifamily loans.

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

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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.

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.

No liability for representations and warranties was recorded as of September 30, 2024. Ginnie Mae recorded \$17.3 thousand on September 30, 2023, as a contingent liability 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.

Note 14: Concentrations of Credit Risk

Ginnie Mae monitors concentrations of credit risk presented by counterparties, issuers, geographic locale, insurers, and master sub-servicing organizations to inspect that exposure is sufficiently diversified.

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** which includes exposure limit analysis and analysis of projected losses against core capital reserves;
- **Risk Modeling** at the issuer level, which is performed through Ginnie Mae's focus on the riskiest segment of the issuer base and regular monitoring of issuers on Ginnie Mae's watch list;
- **Credit Reviews** that 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** that encompasses compliance reviews, assessments of delinquency levels, and due diligence reviews before, during, and after transfer of servicing.

Counterparty credit risk from issuers, borrowers, geographic locale, insurers, and master sub-servicing organizations 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, 2024, and September 30, 2023:

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	September 30, 2024							
	Single Family		Multifamily		Manufactured Housing		Home Equity Conversion	
	Number of Issuers	UPB	Number of Issuers	UPB	Number of Issuers	UPB	Number of Issuers	UPB
<i>(Dollars in billions)</i>								
Largest performing	24	\$ 2,057.8	9	\$ 92.2	-	\$ -	1	\$ 17.5
Other performing	263	377.4	43	61.5	3	0.1	10	24.4
Total active issuers	287	\$ 2,435.2	52	\$ 153.7	3	\$ 0.1	11	\$ 41.9

	September 30, 2023							
	Single Family		Multifamily		Manufactured Housing		Home Equity Conversion	
	Number of Issuers	UPB	Number of Issuers	UPB	Number of Issuers	UPB	Number of Issuers	UPB
<i>(Dollars in billions)</i>								
Largest performing	24	\$ 1,885.9	8	\$ 85.6	-	\$ -	1	\$ 16.5
Other performing	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

Largest performing issuers are defined as single family issuers servicing more than 75,000 loans and multifamily issuers servicing \$5.0 billion or more of UPB. 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 the 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 was not material for the year ended September 30, 2024.

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, 2024, and September 30, 2023, the distribution of Ginnie Mae's business volume among these two categories was as follows:

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	September 30, 2024			September 30, 2023		
	Total Number of Issuers	Total Issuances ⁽¹⁾	As Percentage of Total Issuances (Dollars in millions)	Total Number of Issuers	Total Issuances ⁽²⁾	As Percentage of Total Issuances
Depositories	97	\$ 35,287	8.33 %	95	\$ 43,114	10.66 %
Non-depositaries	256	388,098	91.67	260	361,261	89.34
Total active issuers	353	\$ 423,385	100.00 %	355	\$ 404,375	100.00 %

(1) These amounts represent the total issuances within the past 12 months from October 1, 2023, to September 30, 2024.

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

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.

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 Ginnie Mae program loan portfolios. While these effects are felt across the issuer base, they are more significant for certain product types and issuers, such as 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 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 affect an issuer's ability to make timely principal and interest payments to Ginnie Mae guaranteed MBS investors. Ginnie Mae insured issuers service mortgage loans in all fifty states, including three U.S. territories and the District of Columbia. This mitigates geographical concentration risks.

The tables below display geographical concentrations present within Ginnie Mae's Single Family and Multifamily programs as of September 30, 2024, and September 30, 2023. 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, 2024, and September 30, 2023, respectively:

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	September 30, 2024							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	UPB	UPB Percent (Dollars in billions)	Number of Loans	Loan Percent	UPB	UPB Percent
California	735,085	6.35 %	\$ 251.1	10.31 %	1,069	7.15 %	\$ 10.5	6.83 %
Texas	1,206,982	10.42	240.7	9.88	1,301	8.70	17.3	11.28
Florida	940,445	8.12	217.1	8.92	550	3.68	7.8	5.07
Virginia	463,813	4.01	122.9	5.05	376	2.51	6.8	4.42
Georgia	533,199	4.60	104.2	4.28	407	2.72	3.0	1.94
Other	7,699,265	66.50	1,499.2	61.56	11,257	75.24	108.3	70.46
Totals	11,578,789	100.00 %	\$ 2,435.2	100.00 %	14,960	100.00 %	\$ 153.7	100.00 %

	September 30, 2023							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	UPB	UPB Percent (Dollars in billions)	Number of Loans	Loan Percent	UPB	UPB Percent
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 %

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.

In September 2024, Hurricane Helene impacted the properties associated with Ginnie Mae owned loans and the loans issued by Ginnie Mae guaranteed issuers' in locales identified as disaster areas by the Federal Emergency Management Agency (FEMA). As of the issuance date of these financial statements, actual and estimated potential losses to Ginnie Mae resulting from the hurricane are not believed to be quantitatively significant.

Federal Insurance Concentration

The insurance coverage provided to Ginnie Mae by the insuring or guaranteeing agencies, 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 and their historical performance through economic downturns. The tables below summarize the federal insurance concentrations present within the Single Family and Multifamily Programs as of September 30, 2024, and September 30, 2023:

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	September 30, 2024							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	UPB	UPB Percent	Number of Loans	Loan Percent	UPB	UPB Percent
	<i>(Dollars in billions)</i>							
FHA ⁽¹⁾	7,119,472	61.49 %	\$ 1,347.6	55.34 %	13,685	91.48 %	\$ 151.8	98.75 %
VA	3,663,910	31.64	985.0	40.45	-	-	-	-
USDA	771,587	6.66	98.7	4.05	1,275	8.52	1.9	1.25
PIH	23,820	0.21	3.9	0.16	-	-	-	-
Totals	11,578,789	100.00 %	\$ 2,435.2	100.00 %	14,960	100.00 %	\$ 153.7	100.00 %

	September 30, 2023							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	UPB	UPB Percent	Number of Loans	Loan Percent	UPB	UPB Percent
	<i>(Dollars in billions)</i>							
FHA ⁽¹⁾	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	100.00 %	\$ 149.3	100.00 %

(1) *Ginnie Mae's HECM program is exclusively insured by the FHA. As of September 30, 2024, the unpaid principal balance of HECM loans issued by active issuers was \$41.9 billion, associated with 187,311 HECM loans and \$40.2 billion, associated with 188,183 HECM loans as of September 30, 2023.*

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 these 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, 2024, Ginnie Mae did not have any active and open lease contracts related to rental expense or hardware and software.

As of September 30, 2024, and September 30, 2023, Ginnie Mae had approved and committed to make \$2.8 billion and \$2.3 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*.

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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 probable that a loss may be incurred, or where Ginnie Mae is not currently able to reasonably estimate the 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.

Unfunded Commitments

For reverse mortgage loans, Ginnie Mae is required to fund future borrower draws in instances where the borrower has not fully drawn down the HECM loan. The outstanding unfunded commitments available to borrowers related to reverse mortgage loans were approximately \$4.1 billion as of September 30, 2024 and \$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 allotted \$61.8 million and \$51.9 million during the years ended September 30, 2024, and 2023, respectively, for personnel (payroll) and non-personnel (travel, training, and other administration) costs only. For the years ended September 30, 2024, and 2023, Ginnie Mae incurred \$51.4 million and \$46.7 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. In addition, 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. Ginnie Mae did not borrow funds for the years September 30, 2024 and 2023.

Additionally, Ginnie Mae has relationships with FHA, VA, USDA, and PIH. All transactions between Ginnie Mae and FHA, VA, and USDA have occurred in the normal course of business.

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Of the total forward mortgage loans, at fair value, approximately \$1.2 billion, \$49.4 million, and \$21.2 million of loans were insured by FHA, VA, and USDA at September 30, 2024, respectively, while \$1.3 billion, \$52.3 million, and \$22.3 million of loans were insured by FHA, VA, and USDA at September 30, 2023, respectively. For reverse mortgage loans, at fair value, approximately \$18.0 billion of loans were insured by FHA as of September 30, 2024, while 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 assignment, 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. Refer to Note 8: *Claims Receivable, Net* for the breakdown of FHA, VA, and USDA claims pending payment or pre-submission to FHA, VA, and USDA.

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, 2024, and 2023, Ginnie Mae contributed \$7.4 million and \$6.4 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. In the opinion of management and HUD's general counsel, Ginnie Mae is not subject to the FCRA and related financial reporting requirements. This exemption is based on the specific provisions of Ginnie Mae's charter and the permanent indefinite authority granted by Congress, which supersedes the scope of the FCRA. 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. As of September 30, 2024, and

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September 30, 2023, the investment of U.S. Government account had a balance of \$33.9 billion and \$30.8 billion, respectively.

Note 18: Subsequent Events

Ginnie Mae has evaluated subsequent events through November 13, 2024, the date the financial statements were available to be issued.

As of the date of issue of these financial statements, Ginnie Mae was still assessing the full impact of Hurricane Milton on the carrying values of its assets and liabilities. This assessment is expected to be completed during the fiscal year 2025, and any adjustments will be reflected in subsequent reporting periods as necessary.