2021 ANNUAL REPORT

Ginnie Mae
Our Guaranty Matters

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A MESSAGE FROM THE SECRETARY

For more than 50 years, Ginnie Mae has attracted investment capital from around the world to the U.S. housing market through the federally guaranteed mortgage-backed securities program. This work has never been more important than during fiscal year 2021, as the Biden-Harris Administration worked to foster a sustained, equitable recovery from the COVID-19 pandemic.

Ginnie Mae and its government partners — the Federal Housing Administration, Department of Veterans Affairs, and Department of Agriculture — moved rapidly to address the challenging market conditions of the past year, fulfilling our mission to provide financing that expands affordable homeownership and rental housing opportunities for American families, all while being responsible stewards of taxpayer funds. Through the pandemic, Ginnie Mae supported a mortgage servicing market stressed by unprecedented requests for mortgage forbearance, assured liquidity, and maintained the market performance of its mortgage-backed securities, helping to keep mortgage rates low and credit flowing. The result was a record-breaking year that saw nearly $934 billion of MBS issued, and more than 3.2 million households access quality homeownership and rental housing. In 2021, more than 966,100 families achieved the dream of homeownership for the first time through the Ginnie Mae MBS program. Both first-time and longtime homeowners propelled total Ginnie Mae MBS outstanding to more than $2.13 trillion, a new record. This is exceptional performance under difficult conditions.

While meeting the challenges of the moment, Ginnie Mae kept its eye on the future as well. They collaborated on policies to advance President Biden's Build Back Better agenda, which includes unprecedented investments in affordable housing. The team accelerated deployment of important technology to make it easier, faster, and safer to do business, and moved in tandem with federal agency partners to develop an Extended Term security product that will help families exit forbearance or loan default situations with more financial flexibility. Throughout the year, Ginnie Mae continued its successful migration to a cloud computing environment and made an important stride forward by facilitating the first-ever securitization of government-insured eMortgages.

I commend the dedicated team at Ginnie Mae for another year of solid accomplishment during a remarkable period of sustained challenge, in support of a more equitable housing finance system and helping to make affordable, sustainable homeownership and housing a reality for millions of Americans.

Marcia L. Fudge

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

A MESSAGE FROM GINNIE MAE

DEAR MADAM SECRETARY,

It is my distinct honor to present Ginnie Mae's Fiscal Year 2021 Annual Report and results. I am proud to report that Ginnie Mae has reliably and consistently delivered on its critical mission to create and expand affordable homeownership and rental housing opportunities and enable an equitable housing finance system that attracts global capital and promotes liquidity. During this fiscal year, Ginnie Mae achieved record results helping more than 3.2 million homeowners and renters. Ginnie Mae security issuance reached $934 billion this year, while the total value of Ginnie Mae's mortgage-backed securities (MBS) portfolio increased to $2.13 trillion.

The past year has presented a turbulent economic environment that remains under pressure due to the global COVID-19 pandemic. The U.S. housing market has remained strong through this period, and Ginnie Mae has been an important stabilizing force ensuring capital continues to flow and homeowner and rental housing needs are met, while working in partnership to support homeowners and renters who have faced hardships.

We achieved these results as the entire team continued to operate on a remote work basis. The team has adapted well to virtual work arrangements, with no interruption on the functioning of our programs or securitization operations. We have also expanded our organizational capacity and capabilities to meet the evolving challenges of the pandemic.

In Fiscal Year 2021, our pandemic response and recovery actions accelerated and expanded. We extended relief that enabled Ginnie Mae issuer and other business partners to remain compliant in our programs, even in the face of unprecedented disruptions. We worked in close collaboration with Federal insuring agency partners to carry out the Biden-Harris Administration's efforts to protect homeowners who have been in forbearance to foster the fullest possible recovery from the effect of COVID-19 on the housing finance system. Ginnie Mae designed pooling products to accommodate the new loss mitigation programs that were implemented by federal insurance agencies in response to the pandemic.

Meeting the challenges of the pandemic did not distract us from our ongoing campaign to modernize Ginnie Mae's technology platform, operations, and risk management programs. We successfully migrated our financial accounting system to the cloud, executed the first ever securitization of electronic notes under government mortgage programs, issuing more than $2 billion of securities backed by digital instruments. We also made strides in reducing liquidity risk by increasing the ability of issuers to borrow against Ginnie Mae collateral to support their obligation to advance funds to investors.

Finally, in Fiscal Year 2021, we improved our security disclosure by providing data on low- and moderate-income borrower composition of our pools, which is proving valuable to investors as Environmental, Social and Governance (ESG) standards become more widely employed.

These accomplishments represent meaningful strides toward our strategic goals and our commitment to strengthening and expanding Ginnie Mae programs to robustly contribute to the Department of Housing and Urban Development's mission and the many households and communities that rely on its programs and services. As we look forward, we plan to continue our operational transformation, strengthen our risk and issuer management platforms, contribute value to the market, and remain a stable source of affordability and liquidity for the housing finance system in the future. These actions will position Ginnie Mae to execute fully on our important mission and goal to create an accessible and equitable housing finance system that serves all stakeholders.

I look forward to working with you and the Biden-Harris Administration in 2022.

Alanna McCargo

ALANNA MCCARGO
GINNIE MAE PRESIDENT

EXECUTIVE SUMMARY

Throughout Fiscal Year 2021 (FY 2021), a time of transition in Administrations and continuing disruption from the COVID-19 pandemic, Ginnie Mae delivered strong performance in its mortgage-backed securities (MBS) program and demonstrated sound management of its finances and operations. Ginnie Mae's FY 2021 results were driven by strong demand for home financing from American consumers and the ability to meet that demand on the part of Ginnie Mae issuers. Global demand for Ginnie Mae securities remains healthy, driven by an array of investors including central banks, sovereign wealth funds, and multinational financial institutions. In FY 2021, investors purchased a record $934 billion in newly issued MBS guaranteed by Ginnie Mae, financing the purchase and refinance of single family and rental housing for more than **3.2 million households.** Ginnie Mae ended FY 2021 with $2.13 trillion of MBS outstanding.

The ability to meet challenging circumstances allowed Ginnie Mae to maintain focus on its mission to mobilize global capital in support of mortgages insured by the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), U.S. Department of Agriculture Rural Development, and Office of Public and Indian Housing (PIH). FHA-insured mortgages accounted for 49.9 percent of FY 2021 loan issuance in Ginnie Mae pools (a new low for FHA); VA-guaranteed mortgages accounted for 45.2 percent, and Rural Development and PIH loans contributed the remainder.

The availability of Ginnie Mae MBS helps provide access to credit for middle- and lower-income Americans, many of whom are first-time homebuyers, through federally insured mortgage programs. By securitizing these loans into MBS, explicitly guaranteed by the full faith and credit of the U.S. Government — the only MBS with explicit backing from the U.S. government — Ginnie Mae is able to lower the cost of mortgage funding and pass along the savings to support housing and homeownership in American communities. For more than 50 years, Ginnie Mae has provided liquidity and stability through all market cycles, serving as the principal financing arm for government-insured loans so that mortgage lenders have the funding necessary to provide loans to all qualified consumers.

This annual report is designed to provide background on Ginnie Mae and its current financial position for policymakers and stakeholders. The report is prepared annually to satisfy applicable legal requirements in accordance with and pursuant to the provisions of Government Corporation Control Act, 31 U.S.C. Section 9106.

GINNIE MAE: ESTABLISHING A SECURE AND MODERNIZED MORTGAGE-BACKED SECURITIES PLATFORM FOR THE FUTURE

Chartered as a government corporation within the Department of Housing and Urban Development (HUD), Ginnie Mae is the only federal agency tasked with the administration and oversight of an explicit full faith and credit guaranty on mortgage-backed securities (MBS).

Since its beginning in 1968, Ginnie Mae has been an integral part of the U.S. housing finance system, financing homeownership, and rental housing for tens of millions of families. The government guaranty delivered by Ginnie Mae ensures the timely payment of scheduled principal and interest due to the owner of the security. Due to that guaranty, mortgage lenders can obtain a better price for their mortgage loans in the secondary mortgage market. Lenders can then use the proceeds to make new mortgage loans to first-time homebuyers, veterans, rural homeowners, tribal mortgages, low- to moderate-income borrowers, and others who qualify for support under federal mortgage programs. This increases liquidity in the housing finance system, which in turn leads to a lower cost of homeownership for borrowers who use the federal housing finance programs Ginnie Mae's MBS program supports.

Ginnie Mae has seen unprecedented growth in securities issued over the past decade, with Fiscal Year (FY) 2021 issuance exceeding previous records. In FY 2021, the total value of MBS principal outstanding reached $2.13 trillion. The past year's growth reflects the broad strength of the American housing market, fueled by record-low mortgage rates (in turn driven partly by central bank market transactions), as well as Ginnie Mae's stewardship of the MBS program and its continuing ability to attract investment capital from around the world.

In 2021, the organization:

- Optimized operational platforms and successfully migrated core capabilities to the Cloud.
- Issued first digital security and a record $2 billion in digital collateral.
- Advanced risk management capabilities to measure, predict, and monitor enterprise risks including counterparty, cyber, and financial.
- Deployed resources to support pandemic relief and recovery efforts to stabilize the housing market.

Importantly, in FY 2021, Ginnie Mae strengthened its technology and operational transformation initiatives. For example, Ginnie Mae staff comprehensively evaluated the MBS program and initiated actions to reengineer the platform and position the organization for growth and expanded offerings in the years ahead.

In short, Ginnie Mae is building the agency for the future of housing finance, one that promotes equitable access to the system, maximizes housing affordability, and guarantees liquidity so that capital is available to support homeowners and renters in achieving their affordable housing needs.

To that end, in FY 2021, Ginnie Mae made strides toward each of its three strategic goals:

1. Maintaining the vitality of the MBS program.
2. Protecting the government guaranty.
3. Safeguarding the Ginnie Mae security.

STRATEGIC GOAL 1: MAINTAINING THE VITALITY OF THE MBS PROGRAM

To fuel the dynamism of the MBS program, Ginnie Mae introduced program innovations in FY 2021 that provided improved value to issuers and enhanced the overall customer experience. These improvements streamlined the processes by which issuers package, securitize, and sell MBS to investors, remit payments to investors, and report data. Each of these steps is essential to the MBS program's ability to meet the needs of a changing American housing market.

We extended COVID-19 emergency policy to allow Ginnie Mae issuer and other business partners to maintain compliant program participation while navigating unprecedented housing market disruptions. We worked in close collaboration with our insuring agency partners to carry out the administration's program of preserving mortgage payment options for delinquent borrowers who have been in forbearance and advancing the broadest possible recovery from the effects of COVID-19 on homeowners and renters.

To keep pace with the rapidly changing mortgage origination market, Ginnie Mae fully operationalized its digital collateral program last year, guaranteeing more than $2 billion of MBS backed by notes that exist only in digital form ("eNotes"). We are expanding the digital collateral program in FY 2022, building on last year's success, firmly planting the product in the government market, driving down costs, decreasing risks, and providing a better borrower experience.

Ginnie Mae enhanced its securities disclosure information in FY 2021 by providing data on low- and moderate-income borrower composition of our MBS pools, which is extremely valuable to investors as Environmental, Social and Governance (ESG) investment goals become more widespread.

Ginnie Mae has continued to invest in technology modernization and optimization efforts designed to simplify doing business with us. We expanded the functionality and value proposition of MyGinnieMae, our business processing hub, by launching important pooling tools for single- and multi-family as well as Platinum securities, helping to streamline those products. Additionally, we incorporated a state-of-the-art centralized helpdesk into the portal that significantly shortens customer response time, improving the ability of our issuers and other partners to do business, while creating efficiencies within Ginnie Mae.

Ginnie Mae issuers and business partners exchange millions of data points that allow the smooth functioning of the MBS program. In FY 2021, we moved critical pool level data delivery and testing procedures into full production within the MyGinnieMae portal increasing the security of these transactions and moving Ginnie Mae closer to full MISMO compliance.

These externally facing measures are supported by focused investments in internal enterprise technology, buttresses an existing environment that enables continued innovation. In FY 2021, Ginnie Mae's IT Consolidation Program team made significant strides migrating business processes to a cloud environment. This new cloud solution supports current operations, and the deployment of our modernized securities platform that allows for development, testing, and deployment of more nimble products and programs to deliver a robust customer experience.

STRATEGIC GOAL 2: MANAGING RISKS TO PROTECT THE GOVERNMENT GUARANTY

The Ginnie Mae MBS program succeeds because of the participation of a diverse group of institutions that issue and service the MBS it guarantees. Since the 2008 financial crisis, the composition of MBS program participants has considerably changed and, as a consequence, Ginnie Mae's efforts to manage potential "counterparty risk" to the program and the American taxpayer have adapted.

Ginnie Mae's approach to managing counterparty risk increasingly involves sophisticated modeling, surveillance, and analytics to evaluate financial institutions under a variety of scenarios. In the past year, the organization has fortified its risk management capabilities by hiring skilled staff, utilizing enhanced data analysis, and improving forecasting capabilities to assess, and mitigate risk exposure.

Importantly, we advanced the agency's Issuer Stress Testing framework by extending it to evaluate depositories. The framework continues to evolve to increase model performance and inform Ginnie Mae's understanding of risk, which enables management decision making, policy development, institutional credit decisions, and proactive engagement with issuers.

Ginnie Mae will continue to evolve its counterparty risk framework in 2022 and develop policies that ensure a healthy program and minimize risks to taxpayers.

An important method of managing risk in the program is to develop more tools to strengthen the risk profile of our issuers. To meet that objective, we continued to build a more robust, flexible Ginnie Mae Acknowledgement Agreement, which has become an essential liquidity tool in the mortgage servicing market. Our enhanced Acknowledgement Agreement gives issuers access to additional liquidity via private market financing to meet their servicing advance needs, strengthening their balance sheets, and buttressing their participation in our program. Progress was also made on policy efforts that would over time bring non-issuer investors into the Ginnie Mae servicing sector.

These enhancements to the Ginnie Mae Acknowledgement Agreement underscore our commitment to broaden the liquidity sources for issuers, mitigate counterparty risk in the program, and attract more long-term, stable private capital into the system.

STRATEGIC GOAL 3: SAFEGUARDING THE GINNIE MAE SECURITY

Ginnie Mae MBS are part of a global fixed-income market. To ensure our securities remain highly sought after by investors, we place a premium on protecting the market and pricing integrity of the securities by continually monitoring and supporting their reliability and performance.

Throughout FY 2021, the COVID-19 pandemic had the potential to adversely affect our securities. To safeguard the security performance and the ability to finance affordable housing, Ginnie Mae established new product types that gave important pandemic-related visibility to investors while allowing issuers to effectively execute their role of working with affected homeowners.

Among these were actions to create a specific pool type for mortgages that were bought out of existing pools, and a new extended mortgage term MBS product that provides clear differentiation from established Ginnie Mae MBS, giving investors clear investment choices.

Meanwhile, improvements in our REMIC and Platinum multiclass securities programs contributed to record issuance and provided strong support for single-class MBS prices, to the ultimate advantage of homeowners.

At the same time, Ginnie Mae continued its transition away from LIBOR-indexed securities, establishing a process that helps guide affected parties to adjust their business practices and facilitate the transition, while also adopting a market-based replacement index.

In short, Ginnie Mae's comprehensive approach to safeguarding its security balances, the interests of investors, issuers, taxpayers, and homeowners maintains the vibrancy and liquidity of the program.

THE ROAD AHEAD

The business results for FY 2021 underscore Ginnie Mae's unwavering focus on its mission, no matter the economic environment. For more than 50 years, our record of supporting homeowners, veterans, and renters from large cities to the most rural areas of the country has benefitted the country as a whole. The people and communities we serve are Ginnie Mae's motivating force, and our efforts to continuously improve and modernize our operations will ensure a level competitive playing field for government supported programs well into the future.

Ginnie Mae's central role in a changing housing policy landscape is undiminished. In the years ahead, the singular nature of the Ginnie Mae security as the only MBS with the full faith and credit of the U.S. government will help ensure that Ginnie Mae continues to be a key part of any future housing finance system.

Ginnie Mae delivered record security production volume in 2021, evidence of a flexible business model designed to seamlessly meet the needs of participants in all market conditions. The organization is fully equipped to continue serving the mission given to it by Congress and is prepared to add value though new initiatives as called upon in the future. As Ginnie Mae continues its program and technology transformation, it stands ready to take advantage of all emerging opportunities and to manage any challenges in bringing global capital into the U.S. housing finance market, all while minimizing risk and maximizing returns for American taxpayers.

DISCLAIMER

Ernst & Young LLP (EY) prepared the attached Report only for Ginnie Mae pursuant to an agreement solely between EY and Ginnie Mae. EY did not perform its services on behalf of or to serve the needs of any other person or entity. Accordingly, EY expressly disclaims any duties or obligations to any other person or entity based on its use of the attached Report. Any other person or entity must perform its own due diligence inquiries and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of Ginnie Mae, as well as the appropriateness of the accounting for any particular situation addressed by the Report.

EY did not perform an audit, review, examination, or other form of attestation (as those terms are identified by the AICPA or by the Public Company Accounting Oversight Board) of Ginnie Mae's financial statements. Accordingly, EY did not express any form of assurance on Ginnie Mae's accounting matters, financial statements, any financial or other information or internal controls. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment Ginnie Mae shall select or adopt.

The observations relating to accounting matters that EY provided to Ginnie Mae were designed to assist Ginnie Mae in reaching its own conclusions and do not constitute our concurrence with or support of Ginnie Mae's accounting or reporting. Ginnie Mae alone is responsible for the preparation of its financial statements, including all of the judgments inherent in preparing them.

This information is not intended or written to be used, and it may not be used, for the purpose of avoiding penalties that may be imposed on a taxpayer.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS[1]

The following is management's discussion and analysis (MD&A) of the financial position and results of operations of Ginnie Mae for the Fiscal Years ended September 30, 2021 and 2020. This MD&A should be read in conjunction with Ginnie Mae's financial statements and related notes, included in this annual report, and issued to Congress.

1 In some cases, percentages and certain numbers may not foot due to rounding

MISSION

Our mission remains providing liquidity and stability to the housing finance system by serving as the principal financing arm for government mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture Rural Development (RD), and the U.S. Department of Housing and Urban Development Office of Public and Indian Housing (PIH). Our focus in 2021 was pursuing this mission in the face of challenging conditions, while continuing to position Ginnie Mae to be able to meet whatever demands the future will bring.

COVID-19 PANDEMIC IMPACT

In 2021, the COVID-19 pandemic continued to adversely affect the national economy, causing a high level of uncertainty as to when extensive shutdowns and reductions in economic and business activities will occur or revert to pre-pandemic levels.

Throughout 2021, Ginnie Mae's role and operations have continued to evolve in response to the current global financial environment, which has led to historic levels of issuance and volume of payments made to investors during the year. The historic levels of mortgage-backed securities (MBS) issuance were driven by several factors including low interest rates and re-securitization activity. The low interest rate environment has resulted in high refinance and home purchase issuance volumes. In addition, the impact of the pandemic further increased securitization as a result of Coronavirus Aid, Relief, and Economic Securities (CARES) Act, through which many borrowers exercised the option to defer mortgage payments for up to a year. Resulting delinquencies triggered the Return of Accounts Provision and many issuers exercised their unilateral right to purchase loans out of the pool as the fair market value of loans exceeded the loan purchase price. This led in turn to elevated volumes of re-securitization activity as many of the loans were modified and re-pooled.

Additionally, the CARES Act (passed in March 2020) and the Interagency Statement from financial regulators (passed in April 2020) were enacted to provide financial relief to businesses, individuals, and public institutions affected by the COVID-19 pandemic and to encourage financial institutions (issuers, servicers, etc.,) to work constructively with borrowers impacted by COVID-19. Refer to Note 2: *Summary of Significant Accounting Policies and Practices* for further details regarding the CARES Act and Interagency Statement's impact on our business and COVID-19 related forbearances. Refer to Note 10: *Mortgage Loans Held for Investment Including Accrued Interest, Net* for further details on Ginnie Mae's election to account for modifications in accordance with the guidance outlined within the Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus. The Federal Government has also announced foreclosure and eviction moratoria to alleviate the strain on insured borrowers due to the pandemic.

In response to the COVID-19 pandemic, Ginnie Mae has also taken actions to directly assist issuers and servicers in alleviating the impact. Our Pass-Through Assistance Program (PTAP) offers liquidity assistance to issuers required to advance payments to investors. See the PTAP section below for additional information related to the program and financial impact on our business. Additionally, we continued to facilitate usage of mortgage servicing rights (MSR) as financing collateral under our Acknowledgement Agreements, and we approved a private market servicer liquidity facility which finances the advanced payments that a servicer makes in connection with individual loans in MBS pools. These programs not only help issuers and servicers with short-term liquidity issues, but also ultimately support the housing market while an elevated number of borrowers and renters experience forbearance due to COVID-19-related economic hardship.

The number of issuers with MSR and servicer advance financing under Acknowledgment Agreements continues to grow. In Fiscal Year 2021, an additional six issuers entered into financing agreements for servicer advances and Acknowledgment Agreement, totaling $5.2 billion of added liquidity for servicing advances. Ten issuers entered into new financing agreements or increased their existing facilities for MSRs and Acknowledgment Agreement, together with servicing advances totaling $8.3 billion of liquidity added in Fiscal Year 2021.

Ginnie Mae has also continued to utilize policy and MBS guide updates to implement various actions and address the impact of the COVID-19 pandemic on delinquency threshold or other requirements.

Forecasts and expectations relating to the continued impact of the COVID-19 pandemic are subject to significant uncertainty. Various factors related to the pandemic are difficult to assess and may have a material impact on our financial position and operations. Such factors include the length and severity of COVID-19 outbreaks, consumer and business behavior following the pandemic, timing and speed of the economic recovery, governmental actions and support, and loan forbearance and loss mitigation efforts, among other variables.

Our business continuity and resiliency plans have allowed us to keep our employees safe while continuing to fulfill our mission. Our entire workforce and the workforce of our key stakeholders (issuers, document custodians, and other strategic business partners) have successfully worked in a remote environment since mid-March of 2020, limiting exposure to COVID-19. To date, our internal systems and processes have become more efficient and have successfully supported the transition to the remote working environment. We have continued to meet milestones along our Modernization Roadmap, as well as our audit remediation plan without interruption. Ginnie Mae and the industry have leveraged technology in the shift to remote work, and we have reached record high MBS issuance volumes during Fiscal Years 2021 and 2020 despite the pandemic. We continue to assess our return to office plan, and the plan will not compromise the health and well-being of our employees and the communities we serve.

PASS-THROUGH ASSISTANCE PROGRAM

In response to the COVID-19 National Emergency declared by the President of the United States on March 13, 2020, Ginnie Mae revised and expanded the Issuer Assistance Programs in Chapter 34 of the MBS Guide to specifically authorize it for use in response to the pandemic. Ginnie Mae successfully operationalized PTAP for use by approved single family issuers in April 2020, just 30 days after the National Emergency was declared. PTAP assistance for approved multifamily issuers was released the following month (May 2020). Issuers facing a temporary liquidity shortfall directly attributable to the COVID-19 National Emergency, could request a PTAP advance (loan) to make timely, required investor payments. Ginnie Mae entered into a Memorandum of Understanding with the Secretary of the Treasury in response to the COVID-19 national emergency, in which Ginnie Mae may issue obligations to the Secretary of the Treasury in an amount outstanding at any one time sufficient to enable Ginnie Mae to carry out the functions under Title III of the National Housing Act. Ginnie Mae's borrowing agreement with Treasury and associated borrowing authority expired on September 30, 2021. No amounts were obligated or used against this authority in either of the years ended September 30, 2021 or 2020.

In 2021, Ginnie Mae continued to operate the PTAP for the Single-Family MBS through July 30, 2021, when the program ended. The Multifamily Issuer Program ends December 31, 2021. Ginnie Mae disbursed a total of $13.1 million from its own capital reserves to single family issuers: $1.6 million in the current Fiscal Year (through July 2021) and $11.5 million in the Fiscal Year ended September 30, 2020. All disbursed funds were repaid timely, including interest as of September 30, 2021. Ginnie Mae collected $4.7 million in the current Fiscal Year and $8.4 million in Fiscal Year ended September 30, 2020. PTAP information, including historical data, program FAQs, and links to required application forms and timeline information are available on the official Ginnie Mae website (www.ginniemae.gov) under the Issuers/PTAP Assistance tab.

AUDIT REMEDIATION UPDATES

In 2020, the U.S. Department of Housing and Urban Development Office of the Inspector General (OIG) issued an unmodified audit opinion on Ginnie Mae's financial statements for the first time since Fiscal Year 2015. The previous years' disclaimers focused primarily on Ginnie Mae's non pooled loans portfolio that were acquired from defaulted, terminated, and extinguished issuers of Ginnie Mae guaranteed MBS. To successfully remediate these deficiencies, Ginnie Mae made a significant investment in technology, infrastructure, and personnel, spanning multiple years.

This accomplishment was highlighted by, but not limited to: (i) the development of loan accounting policies compliant with U.S. GAAP standards; (ii) the creation and implementation of standard operating procedures (SOPs) to comply with new accounting policies; (iii) improving internal controls and accounting oversight within the organization; (iv) working with third-party servicers to develop and transfer standardized servicing details for over 46,000 loans, including millions of related transactional-level information from the servicers' off-site systems to an on-site accounting database; and (v) a significant investment in accounting and modeling applications to track and account for the non-pooled loans obtained from the servicers. The remediation project culminated with the development and launch of Ginnie Mae's Subledger Database (SLDB) solution. This provides Ginnie Mae the capability to translate mortgage loan servicing data into loan-level accounting entries in an integrated system that supports appropriate accounting treatment in accordance with U.S. GAAP and Ginnie Mae's accounting policies.

The implementation of the SLDB solution required significant enhancements to Ginnie Mae's accounting system, financial models and modeling processes, new system interfaces and protocols for data processing and movement, and far-reaching changes to the processes under which Ginnie Mae personnel perform critical accounting, reporting, data processing, technology support and oversight tasks required to track and report the non-pooled asset portfolio. Ginnie Mae also used advanced technologies and Artificial Intelligence to broaden financial reporting.

During Fiscal Years 2020 and 2021, Ginnie Mae continued to build upon the accomplishments achieved in Fiscal Year 2019, the first full year the SLDB solution was operational, gaining efficiencies through automation, standardization, and modernization of the existing technology. Ginnie Mae has also implemented a semi-automated solution to process Home Equity Conversion Mortgage (HECM) loans. It enables seamless transaction processing, accounting, and reporting for HECM Mortgage-Backed Securities (HMBS) program portfolios acquired by Ginnie Mae, through the SLDB.

Ginnie Mae has also placed a high level of emphasis on strengthening the overall internal controls environment by enhancing our accounting policy governance and improving key processes to drive operational efficiencies. These activities are helping drive dynamic change within the finance function at Ginnie Mae, in an effort to continue to reach our strategic goals and instill reliability in the financial statements as a whole. During Fiscal Year 2020, Ginnie Mae, in collaboration with the Department of Housing and Urban Development (HUD), was able to arrive at an official agreement with the OIG to close out prior year referred findings. This was a major accomplishment for the organization as it demonstrates that Ginnie Mae is taking corrective action to remediate financial reporting deficiencies. This accomplishment also led to 2021 being the third year since Fiscal Year 2015 that Ginnie Mae has undergone a full financial statement audit.

FINANCIAL POSITION

In Fiscal Years 2021 and 2020, Ginnie Mae generated ample cash to fund operations. As highlighted in Figure 1, total assets as of September 30, 2021 increased to $37.8 billion from $34.7 billion as of September 30, 2020. Total liabilities were $9.0 billion, and investment of the U.S. Government was $28.8 billion as of September 30, 2021, compared to $8.7 billion and $26.1 billion during the same period from the prior year. As of September 30, 2021, Ginnie Mae held unrestricted cash and cash equivalents of $26.1 billion, which is an increase of approximately $1.6 billion from $24.5 billion as of September 30, 2020. Restricted cash and cash equivalents totaled $1.3 billion as of September 30, 2021, which was an increase from the $1.1 billion balance as of September 30, 2020. Ginnie Mae has increased its total cash and cash equivalents[2] balances for six straight years since 2015. Mortgage loans held for investment including accrued interest, net was $1.9 billion as of September 30, 2021, compared to $2.1 billion as of September 30, 2020. It has steadily been declining since 2015 as loans get paid down, as a result of scheduled and unscheduled payments, or moved to foreclosure and to Real Estate Owned (REO) properties. The guaranty asset was $8.3 billion as of September 30, 2021, which represents 22.0 percent of total assets and is compared with $6.8 billion as of September 30, 2020, an increase of $1.5 billion. The guaranty liability for the Fiscal Year 2021 is $8.3 billion, which represents 92.2 percent of total liabilities and is compared with $8.0 billion as of September 30, 2020, an increase of $0.3 billion.

Figure 1 *– Selected Financial Data from Balance Sheet*

	September 30, 2021 (Dollars in thousands)		September 30, 2020 (Dollars in thousands)	
Assets				
Cash and cash equivalents	$	26,075,289	$	24,512,125
Restricted cash and cash equivalents		1,298,536		1,061,628
Mortgage loans held for investment including accrued interest, net		1,866,333		2,119,470
Guaranty asset		8,304,052		6,755,883
Other assets[3]		253,652		298,211
Total Assets	**$**	**37,797,862**	**$**	**34,747,317**
Liabilities				
Liability for loss on mortgage-backed securities program guaranty	$	19,485	$	43,439
Guaranty liability		8,308,235		8,041,340
Other liabilities[4]		679,171		604,098
Total Liabilities	**$**	**9,006,891**	**$**	**8,688,877**
Investment of U.S. Government	$	28,790,971	$	26,058,440
Total Liabilities and Investment of U.S. Government	**$**	**37,797,862**	**$**	**34,747,317**

2 Total cash and cash equivalents include unrestricted and restricted cash

3 Other assets include: Accrued fees and other receivables; Claims receivable, net; Advances, net; Acquired property, net; Fixed assets, net; Mortgage servicing rights; Reimbursable costs receivable, net; Pass-through assistance program receivables including accrued interest, net; and Other

4 Other liabilities include: Accounts payable and accrued liabilities; Deferred liabilities and deposits; Deferred revenue; and Liability for representations and warranties

LIQUIDITY AND CAPITAL ADEQUACY

Ginnie Mae's primary sources of revenue are guaranty fees and commitment fees from the issuance of MBS. Ginnie Mae reported $27.4 billion total cash and cash equivalents as of September 30, 2021, of which $26.1 billion and $1.3 billion were unrestricted and restricted, respectively. Total cash and cash equivalents increased by approximately $1.8 billion from $25.6 billion as of September 30, 2020, of which $24.5 billion and $1.1 billion were unrestricted and restricted, respectively. Unrestricted and restricted cash and cash equivalents included $14.3 billion and $13.0 billion of U.S. Treasury overnight certificates and Funds with U.S. Treasury, respectively, as of September 30, 2021, compared to $8.5 billion and $17.0 billion respectively during the same period from the prior year.

Ginnie Mae is also authorized to borrow funds from Treasury for program operations in the instance where Ginnie Mae's own capital reserves are insufficient. In April 2020, Ginnie Mae executed a borrowing agreement with Treasury to provide the funding for the Pass-Through Assistance Program, however, to date, Ginnie Mae has been able to support the Pass-Through Assistance Program utilizing its own funding and has not needed to draw on this borrowing agreement.

Ginnie Mae's MBS guaranty is backed by the full faith and credit of the U.S. Government. Currently, Ginnie Mae's activities are self-financed and do not require financial assistance from the U.S. Government. Rather, Ginnie Mae generates income, which increases U.S. Government receipts. Ginnie Mae's management believes that the organization should continue to maintain adequate capital reserves to withstand downturns in the housing market that could cause issuer defaults to increase.

Ginnie Mae's primary uses of cash consist of administrative costs and contractor costs related to the support of the MBS program and non-pooled asset portfolio. Refer to Results of Operations - Expenses section for further detail. Purchases of loans held for investment were $14.1 million in Fiscal Year 2021 and $13.1 million in Fiscal Year 2020, respectively. Ginnie Mae seizes MSRs in the event of issuers' default, at which point Ginnie Mae assumes the role of the defaulted and extinguished issuer. Purchases of fixed assets were $14.1 million in Fiscal Year 2021 and $8.4 million in Fiscal Year 2020, respectively. Ginnie Mae's fixed asset purchases include commercial software, hardware, and internally developed software. Moreover, Ginnie Mae maintained favorable expense coverage and efficiency ratios throughout Fiscal Years 2021 and 2020, indicative of healthy cash flow and effective cost management. Expense coverage ratio measures Ginnie Mae's ability to generate enough cash to satisfy cash requirements in the routine operations. Efficiency ratio shows Ginnie Mae's ability to control overhead expenses; an efficiency ratio of 50.0% or under is considered optimal. See Figure 2 for Balance Sheet Highlights and Liquidity Analysis.

Figure 2 *– Balance Sheet Highlights and Liquidity Analysis*

	For the year ended September 30, 2021 (Dollars in thousands)	For the year ended September 30, 2020 (Dollars in thousands)
Balance Sheet Highlights		
Total Cash and cash equivalents[2]	$ 27,373,825	$ 25,573,753
Other	10,424,037	9,173,564
Total Assets	**37,797,862**	**34,747,317**
Total Liabilities	**9,006,891**	**8,688,877**
Liquidity Analysis		
Total UPB Outstanding[5]	2,125,591,000	2,117,699,000
Investment of U.S. Government as a Percentage of Average Total Assets	78.8%	75.9%
Capital Adequacy Ratio[6]	1.3%	1.2%
Expense Coverage Ratio[7]	84.6	83.0
Efficiency Ratio[8]	17.9%	16.4%

5 Unpaid Principal Balance (UPB) of Ginnie Mae MBS

6 Liability for loss on mortgage-backed securities program guaranty and Investment of U.S. Government divided by the sum of Total Assets and Average UPB Outstanding

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

8 Non-interest expense exclusive of fixed asset amortization divided by the total cash-driven revenue exclusive of the income that does not involve real cash flow impact

RESULTS OF OPERATIONS

EXPLANATION AND RECONCILIATION OF GINNIE MAE'S USE OF NON-GAAP FINANCIAL MEASURES AND KEY PERFORMANCE MEASURES

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

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

NON-GAAP RESULTS OF OPERATIONS (EARNINGS)

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

Figure 3 *– Non-GAAP Results of Operations for Fiscal Years 2021 and 2020*

	For the Year Ended September 30, 2021 (Dollars in thousands)	For the Year Ended September 30, 2020 (Dollars in thousands)
GAAP Results of Operations	$ 2,732,531	$ 1,116,860
Adjustments for:		
Income on guaranty obligation	(3,500,444)	(2,529,611)
Total Non-cash Other (Gains)/Losses[9]	2,219,300	2,846,007
Total (Recapture) / Provision	(62,076)	50,013
Fixed asset amortization	23,548	22,643
Non-GAAP Results of Operations	**$ 1,412,859**	**$ 1,505,912**

9 Total Non-cash Other Gains/Losses includes: Gain (Loss) on guaranty asset and Gain (Loss) on mortgage servicing rights

FREE CASH FLOW

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

***Figure 4** – Free Cash Flow for Fiscal Years 2021 and 2020*

	For the Year Ended September 30, 2021 (Dollars in thousands)		For the Year Ended September 30, 2020 (Dollars in thousands)	
Cash generated from operating activities	$	1,528,136	$	1,638,887
Adjustments for:				
Purchases of fixed assets		(14,115)		(8,419)
Free cash flow	**$**	**1,514,021**	**$**	**1,630,468**

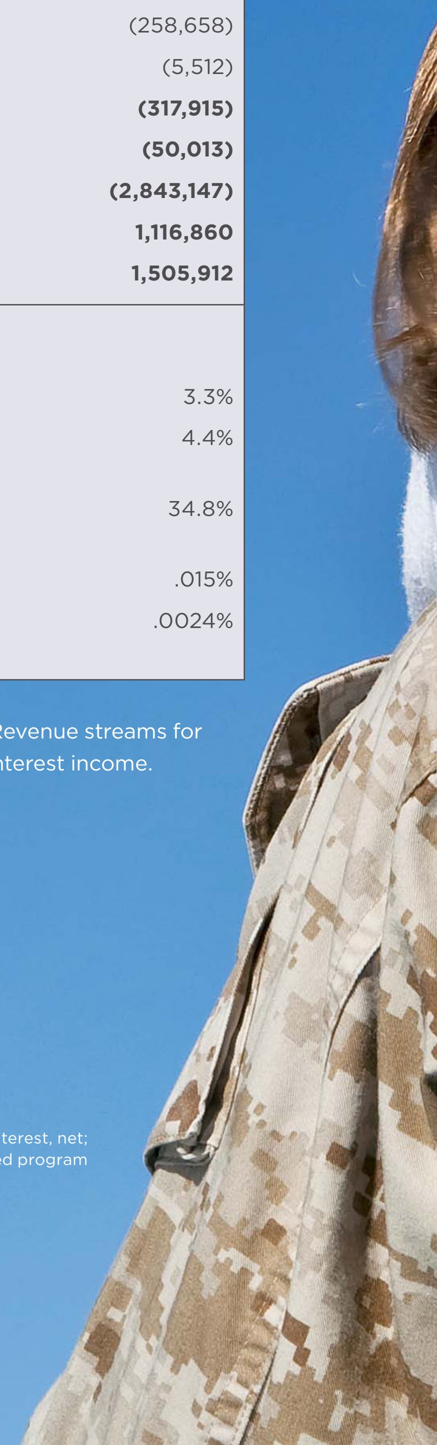
REVENUES

Ginnie Mae generated positive results of operations (i.e., net gain) of $2.7 billion in Fiscal Year 2021, compared to positive results of operations of $1.1 billion in Fiscal Year 2020, an increase of $1.6 billion from 2020. The increase was largely driven by a $1.0 billion increase in income of guaranty obligation, which was $3.5 billion in 2021, compared to $2.5 billion in 2020. This increase in income on guaranty obligation represents a reduction, or amortization, of Ginnie Mae's obligation to perform on their guaranty in the event of issuer default which is driven by a decrease in UPB of MBS pools. Ginnie Mae's core business and overall cash position remains strong in 2021 as evidenced by positive non-GAAP Earnings of $1.4 billion, compared with positive non-GAAP Earnings of $1.5 billion in 2020. As of September 30, 2021, Ginnie Mae's non-GAAP Results of Operations (Earnings) as a percentage of average total assets of 3.9 percent, compared to 4.4 percent as of September 30, 2020, demonstrates our ability to generate net earnings for the year from our core business and highlights Ginnie Mae's actual performance and positive cash flow impact for Ginnie Mae. See Figure 5 for Highlights from Statement of Revenues and Changes in Investment of U.S. Government and Profitability Ratios.

Figure 5 *– Highlights from Statement of Revenues and Changes in Investment of U.S. Government and Profitability Ratios*

	For the year ended September 30, 2021 (Dollars in thousands)	**For the year ended September 30, 2020** (Dollars in thousands)
Highlights from Statement of Revenues and Changes in Investment of U.S. Government		
MBS program income[10]	$ 1,715,009	$ 1,679,736
Income on guaranty obligation	3,500,444	2,529,611
Other interest income	5,371	118,588
Total Revenues	**5,220,824**	**4,327,935**
Fixed asset depreciation and amortization	(23,548)	(22,643)
Administrative expenses	(34,992)	(31,102)
Mortgage-backed securities program and other expenses[11]	(271,769)	(258,658)
Acquired Property expenses, net	(1,564)	(5,512)
Total Expenses	**(331,873)**	**(317,915)**
Total Recapture (Provision)[12]	**62,076**	**(50,013)**
Total Other Gains / (Losses)[13]	**(2,218,496)**	**(2,843,147)**
Results of Operations	**2,732,531**	**1,116,860**
Non-GAAP Results of Operations (Earnings)	**1,412,859**	**1,505,912**
Profitability Ratios		
Return on Average Total Assets	7.5%	3.3%
Non-GAAP Results of Operations (Earnings) as a percentage of Average Total Assets	3.9%	4.4%
Non-GAAP Results of Operation (Earnings) as a percentage of Total Revenues	27.1%	34.8%
Total Expense to Average UPB Outstanding	.016%	.015%
Total Recapture (Provision) for Losses to Average UPB Outstanding[14]	.0029%	.0024%

In Fiscal Year 2021, Ginnie Mae earned total revenue of $5.2 billion up from $4.3 billion in 2020. Revenue streams for Ginnie Mae mainly consist of MBS program income, income on guaranty obligations, and other interest income.



10 MBS program income includes: MBS guaranty fees; interest on mortgage loans held for investment; interest on pass-through assistance program receivable; commitment fees; multiclass fees; and other MBS program income

11 Mortgage-backed securities program and other expenses includes contractor expenses totaling $266.1 million and $245.4 million as of September 30, 2021 and 2020, respectively. Refer to Expenses section for further details

12 Total recapture (provision) includes: recapture (provision) for mortgage loans held for investment including accrued interest, net; recapture (provision) for pass-through assistance program receivable including accrued interest, net; mortgage-backed program guaranty; claims receivable; loss on uncollectible advances; loss on accrued interest receivable; and acquired property

13 Total other gains (losses) includes: gains and losses on guaranty asset; MSR; disposition of investment; and other

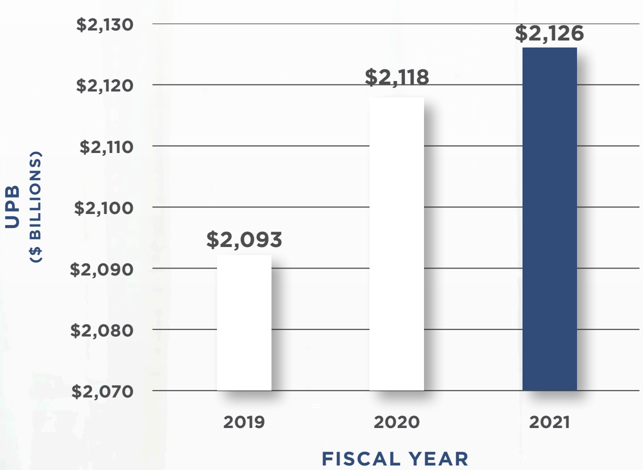
14 Total Recapture (Provision) for Loss divided by Average UPB Outstanding

MBS PROGRAM INCOME

MBS program income consists primarily of guaranty fees, interest on mortgage loans held for investment, commitment fees, multiclass fees, and other MBS program income. For Fiscal Year 2021, MBS program income was primarily driven by guaranty fees of $1.4 billion, followed by gross interest on mortgage loans held for investment of $88.7 million, commitment fees of $186.3 million and multiclass fees of $34.9 million. Combined, guaranty fees, interest on mortgage loans held for investment and commitment fees contributed 97.4 percent of total MBS program revenue for Fiscal Year 2021.

For Fiscal Year 2020, MBS program income was primarily driven by guaranty fees of $1.4 billion, followed by gross interest on mortgage loans held for investment of $106.7 million, commitment fees of $152.1 million, and multiclass fees of $31.9 million. Combined, guaranty fees, interest on mortgage loans held for investment, and commitment fees contributed 97.8 percent of total MBS program revenue for Fiscal Year 2020.

***Figure 6** – UPB Outstanding in Ginnie Mae's MBS Portfolio from Fiscal Year 2019 to Fiscal Year 2021*



Guaranty Fees – Ginnie Mae guarantees the payment of principal and interest pass-through payments, which are backed by the full faith and credit of the U.S. Government, to its MBS investors. Ginnie Mae charges a fee for providing this guaranty to each MBS mortgage pool where Ginnie Mae has not assumed the servicing rights and obligations. These fees are received over the life of the Ginnie Mae securities. Guaranty fees are collected on the aggregate UPB of the guaranteed securities outstanding. The outstanding MBS portfolio balance as of Fiscal Year end 2021 was $2.1 trillion which increased by $8.0 billion compared to the end of Fiscal Year 2020, notwithstanding, MBS guaranty fees also grew year-over-year, up approximately 0.9 percent to $1.4 billion in Fiscal Year 2021. Please refer to Figure 6 below for a more detailed view of UPB growth over the past three Fiscal Years.

Interest on Mortgage Loans Held for Investment – Ginnie Mae captures interest on mortgage loans held for investment at the contractual rate (gross interest) and records an allowance on accrued interest to the extent interest is uncollectible including recoverability per insurance guidelines for insured loans. In Fiscal Year 2021, gross interest on mortgage loans held for investment decreased to $88.7 million from $106.7 million in Fiscal Year 2020, which was primarily driven by a decrease in mortgage loans held for investment.

Commitment Fees - Ginnie Mae earns a fee for providing approved issuers with the authority to pool mortgages into Ginnie Mae MBS. This authority expires at the end of the 12th month from its approval for single family issuers and 24th month from its approval for multifamily issuers. Ginnie Mae receives commitment fees as issuers' request commitment authority. Ginnie Mae issued $1.0 trillion in commitment authority in Fiscal Year 2021, a 15.7 percent increase from Fiscal Year 2020. Ginnie Mae recognizes the commitment fees as earned when issuers use their commitment authority. Total commitment fees earned in Fiscal Year 2021 were $186.3 million, compared with $152.1 million earned in Fiscal Year 2020. Commitment Fees are deferred until earned or expired, whichever occurs first. As of September 30, 2021, and 2020, commitment fees deferred totaled $60.3 million and $47.0 million, respectively.

Multiclass Fees – Multiclass fees are one-time upfront fees related to the issuance of multiclass products. Multiclass fees are part of MBS program revenue and consist of Real Estate Mortgage Investment Conduits (REMIC) and Platinum program fees. Ginnie Mae guaranteed approximately $37.0 billion of newly issued Platinum Certificates in Fiscal Year 2021, compared to $23.4 billion of newly issued Platinum Certificates in Fiscal Year 2020. Fees earned on Platinum Certificates totaled $7.3 million for Fiscal Year 2021, compared to $7.6 million for Fiscal Year 2020. Ginnie Mae guaranteed REMIC issuances of $216.8 billion in Fiscal Year 2021, compared to $135.9 billion in Fiscal Year 2020. Fees earned on REMIC securities for Fiscal Year 2021 totaled $27.5 million, compared to $24.4 million for Fiscal Year 2020. Ginnie Mae recognizes the Modification and Exchange (MX) Combination portion of the REMIC fee in the period it is received. Platinum program fees, as well as the guaranty fee portion of the REMIC fees are deferred and amortized into income evenly over the contractual life of the underlying financial instruments. As of September 30, 2021, and 2020, REMIC and Platinum program fees deferred totaled $528.4 million and $480.3 million, respectively.

The outstanding balance of multiclass securities in the total MBS securities balance on September 30, 2021, was $608.7 billion, of which $92.3 billion and $516.4 billion were Platinum and REMIC, respectively. This represents a $49.3 billion increase from the $559.4 billion outstanding balance as of September 30, 2020, of which $86.7 billion and $472.7 billion were Platinum and REMIC, respectively.

INCOME ON GUARANTY OBLIGATIONS

The guaranty obligation represents the non contingent liability for Ginnie Mae's obligation to stand ready to perform its guaranty. Ginnie Mae amortizes the guaranty obligation into revenues based on the declining UPB of MBS pools. In Fiscal Year 2021, income on guaranty obligations was $3.5 billion which is 67.0 percent of total revenues and increased by $1.0 billion compared to Fiscal Year 2020.

OTHER INTEREST INCOME

Ginnie Mae invests excess cash held within the Capital Reserve Fund and the Liquidating Fund in U.S. Treasury overnight certificates. The amount of interest earned on overnight certificates can be compared to the investments balance to estimate the return on investment generated. Ginnie Mae's interest income decreased in Fiscal Year 2021 due to a decrease in the U.S. Treasury overnight rate as compared to Fiscal Year 2020. In Fiscal Year 2021, interest income on U.S. Treasury overnight certificates decreased to $5.4 million, down from $118.6 million in Fiscal Year 2020.

EXPENSES

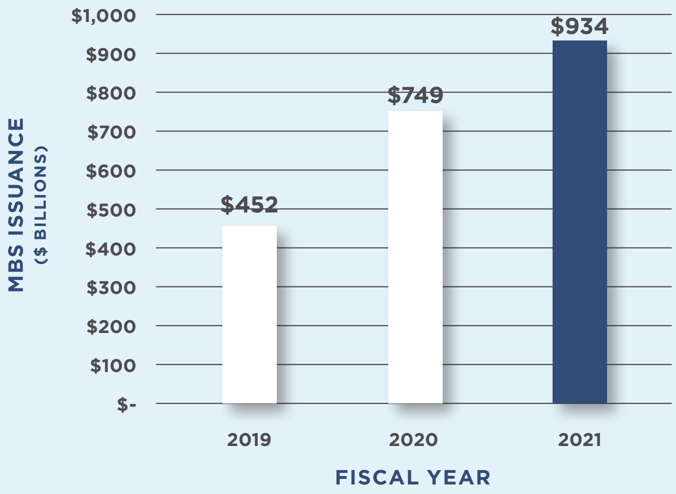
Total expenses increased by 4.4 percent to $331.9 million in Fiscal Year 2021, compared with $317.9 million in Fiscal Year 2020, an increase of $14.0 million. Total expenses as a percentage of average UPB of Ginnie Mae guaranteed MBS were both less than 0.1 percent in Fiscal Years 2021 and 2020.

In recent years, Ginnie Mae's staffing model has been characterized by modest levels of permanent staff complemented by private firms or consultants that provide certain transactional and accounting support services on a contractual basis. This relationship is integral to operational efficiency and will continue to be an important part of Ginnie Mae's approach. In Fiscal Year 2021, Ginnie Mae's total contractor expenses were at 80.2 percent of total expenses, compared with 77.2 percent in Fiscal Year 2020.

MBS PROGRAMS, ISSUANCES, AND PORTFOLIO GROWTH

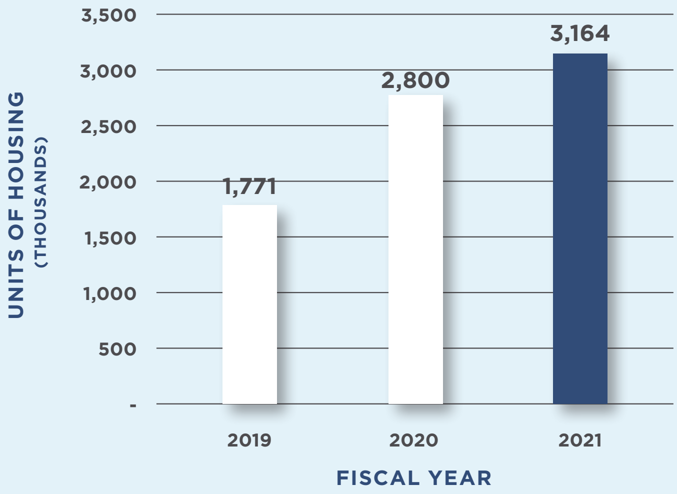
Fiscal Year 2021 marked another historic year for Ginnie Mae as it issued the largest volume of securities in our history, surpassing the previous record level of issuances in Fiscal Year 2020. Additionally, Ginnie Mae recorded the highest ever level of Ginnie Mae MBS issuance in a single month, $89.7 billion during April 2021. Ginnie Mae MBS issuance increased by 24.8 percent to $934.0 billion in Fiscal Year 2021 from Fiscal Year 2020, as shown in Figure 7.

***Figure 7** – Ginnie Mae MBS Issuance from Fiscal Year 2019 to Fiscal Year 2021*



As shown in Figure 8 below, Ginnie Mae supported approximately 3.2 million units of housing for individuals and families in Fiscal Year 2021, a 13.0 percent increase from Fiscal Year 2020. The current total outstanding UPB in Ginnie Mae's MBS portfolio balance of $2.1 trillion represents over 10.5 million active loans (excluding HECM/HMBS). Ginnie Mae has guaranteed approximately $9.2 trillion in MBS since its inception.

***Figure 8** – Total Housing Units Financed by Ginnie Mae's Single Family, Multifamily, and Manufactured Housing Programs from Fiscal Year 2019 to Fiscal Year 2021*



SINGLE-FAMILY PROGRAM

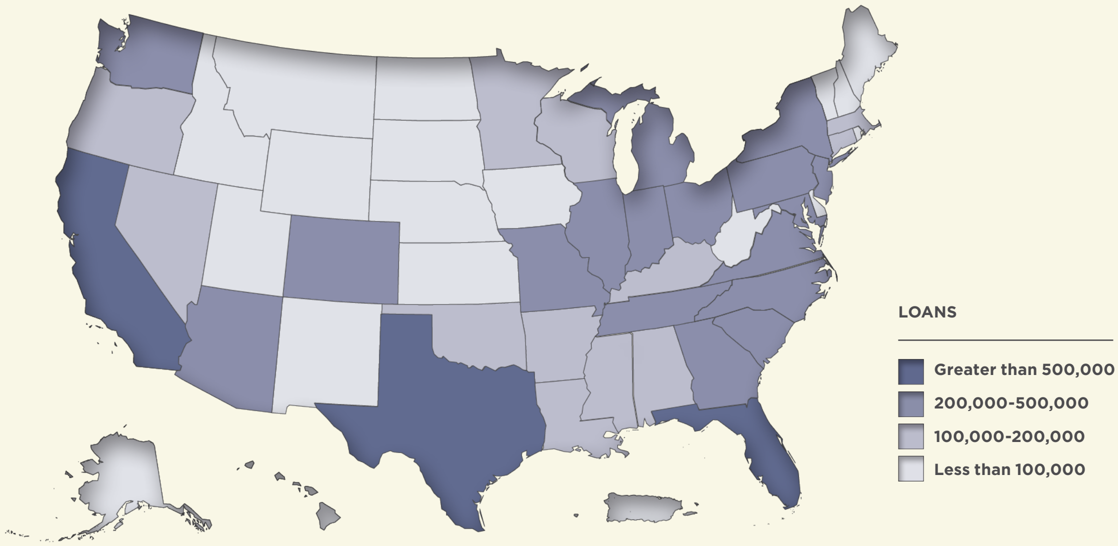
Ginnie Mae's Single-Family Program is the conduit for government insured mortgage lending to the worldwide capital markets. This program allows borrowers in government programs to reap the benefits of the full faith and credit of the United States by adding liquidity into the market in order to lower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

Ginnie Mae's Single-Family Program consists of single-family mortgages originated for the purchase, construction, or renovation of single-family homes originated through FHA, VA, RD, and PIH loan insurance programs. The vast majority of the mortgages in Ginnie Mae securities are insured by FHA and VA. FHA-insured loans accounted for 49.9 percent of Fiscal Year 2021 Ginnie Mae MBS issuances, while VA-insured loans accounted for 45.2 percent; RD and PIH loans contributed to 4.9 percent. Comparatively, FHA-insured loans accounted for 51.1 percent of Fiscal Year 2020 Ginnie Mae MBS issuances, while VA-insured loans accounted for 43.8 percent; RD and PIH loans contributed to 5.1 percent.

Although other agencies and private issuers may pool FHA and VA insured loans for their own MBS or hold them in portfolios as whole loans, almost all FHA and VA loans are financed through Ginnie Mae securities. In Fiscal Year 2021, 98.6 percent of FHA fixed-rate loans and 99.2 percent of VA fixed-rate loans were placed into Ginnie Mae guaranteed MBS. In Fiscal Year 2020, 98.0 percent of FHA fixed-rate loans and 99.4 percent of VA fixed-rate loans were placed into Ginnie Mae guaranteed MBS.

Although loans underlying our securities may not be concentrated in specific areas, Ginnie Mae has provided homeownership opportunities in every U.S. state and territory. Figure 9 highlights the geographic distribution of single-family properties securing Ginnie Mae securities as of September 30, 2021.

Figure 9 – *Geographic Distribution of Single-Family Properties Securing Ginnie Mae Securities as of September 30, 2021*



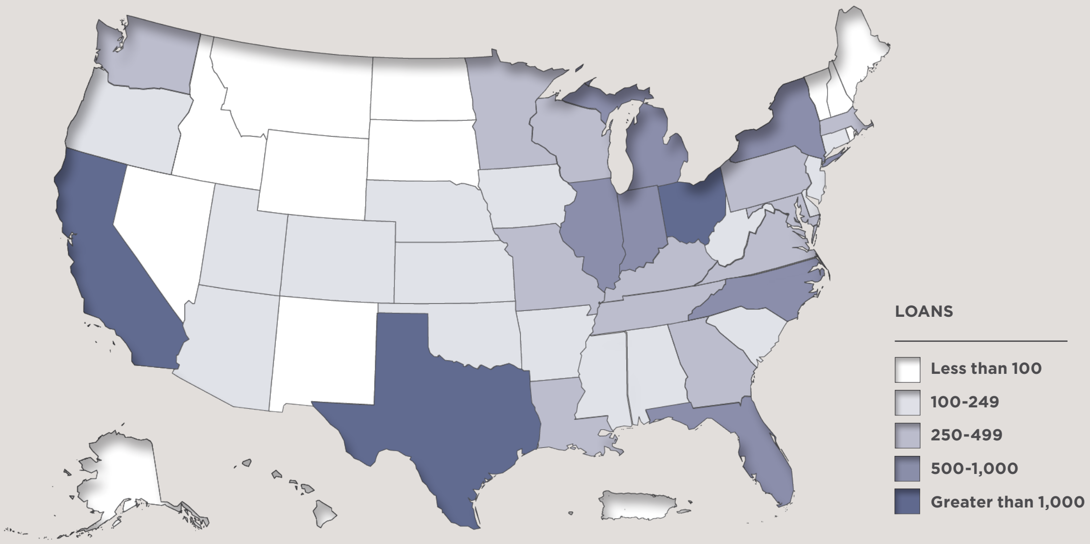
STATE	LOANS	PERCENT OF TOTAL LOANS	UPB
Texas	1,038,131	9.9%	$174,868,153,778
Florida	812,795	7.7%	$157,890,216,084
California	660,630	6.3%	$202,467,796,842
Georgia	480,375	4.6%	$79,044,324,936
Virginia	424,662	4.0%	$103,942,126,865
Ohio	410,927	3.9%	$50,309,567,959
North Carolina	405,666	3.9%	$65,752,706,356
Pennsylvania	379,858	3.6%	$54,424,289,610
Illinois	342,008	3.3%	$52,011,199,095
New York	298,117	2.8%	$58,564,405,050
Top 10 Total	**5,253,169**	**50.0%**	**$999,274,786,575**

MULTIFAMILY PROGRAM

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

At the end of Fiscal Year 2021, Ginnie Mae guaranteed securities comprising 99.6 percent of eligible multifamily FHA loans. The Multifamily Program portfolio increased by $8.2 billion, from $128.0 billion at the end of Fiscal Year 2020 to $136.2 billion at the end of Fiscal Year 2021. This increase was consistent across FHA and RD multifamily loans and was largely due to the historically low interest rate environment. Figure 10 below shows the geographic distribution of multifamily properties securing Ginnie Mae securities as of September 30, 2021. Since 1971, Ginnie Mae has guaranteed $413.6 billion in multifamily MBS, helping to finance affordable and community-stabilizing multifamily housing developments across the nation.

Figure 10 *– Geographic Distribution of Multifamily Properties Securing Ginnie Mae Securities as of September 30, 2021*



STATE	LOANS	PERCENT OF TOTAL LOANS	UPB
Texas	1,215	8.3%	$13,982,432,247
Ohio	1,044	7.1%	$5,568,533,851
California	1,010	6.9%	$9,378,402,936
Illinois	684	4.7%	$6,379,207,348
Indiana	662	4.5%	$4,055,072,620
North Carolina	640	4.4%	$4,881,656,794
Michigan	603	4.1%	$4,195,182,428
New York	569	3.9%	$9,976,665,807
Florida	555	3.8%	$7,076,135,292
Minnesota	472	3.2%	$3,970,949,014
Top 10 Total	**7,454**	**50.9%**	**$69,464,238,337**

Ginnie Mae's portfolio of Multifamily FHA loans grew in Fiscal Year 2021 to a UPB of $134.6 billion compared to $126.6 billion at the end of Fiscal Year 2020. There were FHA loans in all 50 states, 2 territories and the District of Columbia in Ginnie Mae pools as of September 30, 2021.

In addition, Ginnie Mae's portfolio of Multifamily RD loans, grew in Fiscal Year 2021 to an outstanding UPB balance of $1.5 billion compared to $1.4 billion at the end of Fiscal Year 2020. There were RD loans in 47 states and 1 territory in Ginnie Mae pools as of September 30, 2021, compared to 48 states and 1 territory in Ginnie Mae pools as of September 30, 2020.

HMBS PROGRAM

Ginnie Mae's HMBS Program provides capital and liquidity for FHA insured reverse mortgages, an essential financial solution for a growing number of senior citizens. Total HMBS issuance in Fiscal Year 2021 increased to $12.3 billion from $9.9 billion of issuances in Fiscal Year 2020. The UPB of HMBS as of September 30, 2021 was $56.7 billion as compared to $55.4 billion as of September 30, 2020. The increases in HMBS issuance and outstanding UPB are due to continued robust refinance activity, driven by record low-interest rates, that has continued from 2019 through Fiscal Year 2021. Refer to Note 18: *Concentrations of Credit Risk* for concentration of risk analysis related to Ginnie Mae's HMBS Program.

MANUFACTURED HOUSING PROGRAM

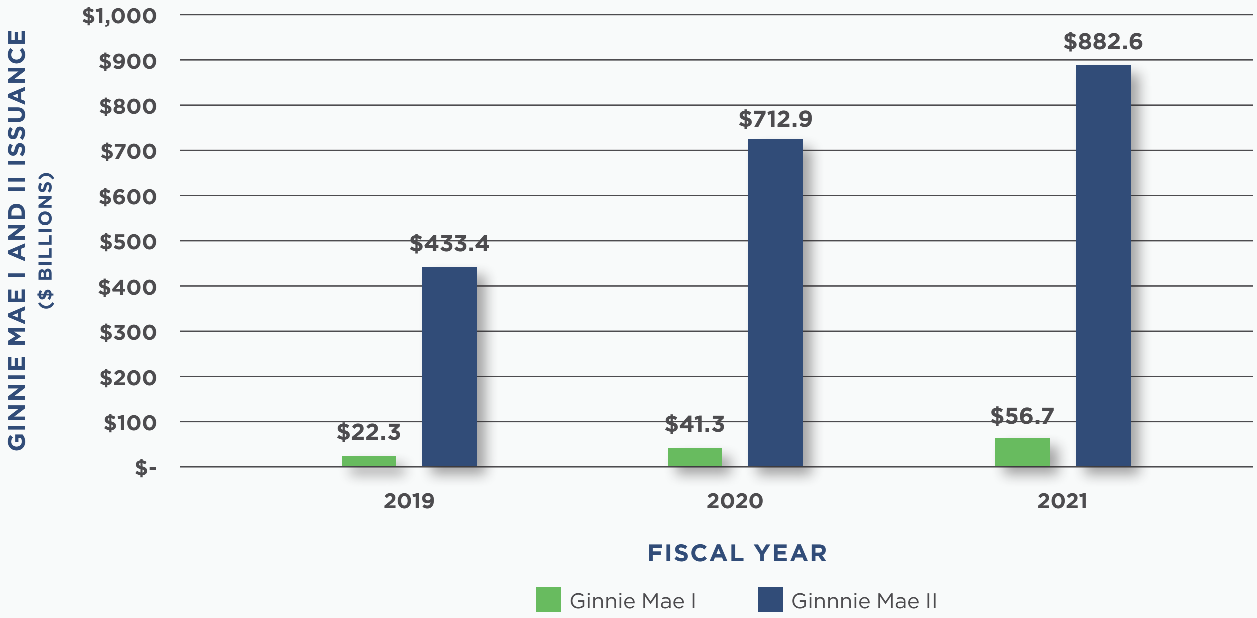
Ginnie Mae's Manufactured Housing Program provides a guaranty for mortgage loans insured by FHA for the purchase of a new or used manufactured home. This program provides liquidity in the market that in turn lowers costs for borrowers. The manufactured housing program consists of more affordable housing alternatives for first time low-income borrowers. Manufactured housing loans (FHA Title I) include loans secured by a manufactured (mobile) home unit or both the manufactured unit and land. The limited nature of this program left low-to moderate-income borrowers with no adequate financing options for manufactured housing. Following FHA's modernization of the program, Ginnie Mae also made updates to the Title I Program to offer a securitization vehicle for manufactured housing that is backed by the U.S. Government. The Manufactured Housing program's UPB was $196.0 million at the end of Fiscal Year 2021, a decrease from $227.0 million at the end of Fiscal Year 2020. Refer to Note 18: *Concentrations of Credit Risk* for concentration of risk analysis related to Ginnie Mae's Manufactured Housing Program.

SECURITY PRODUCTS

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

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

Figure 11 *– Ginnie Mae I and II Security Products Issuance from Fiscal Year 2019 to Fiscal Year 2021*

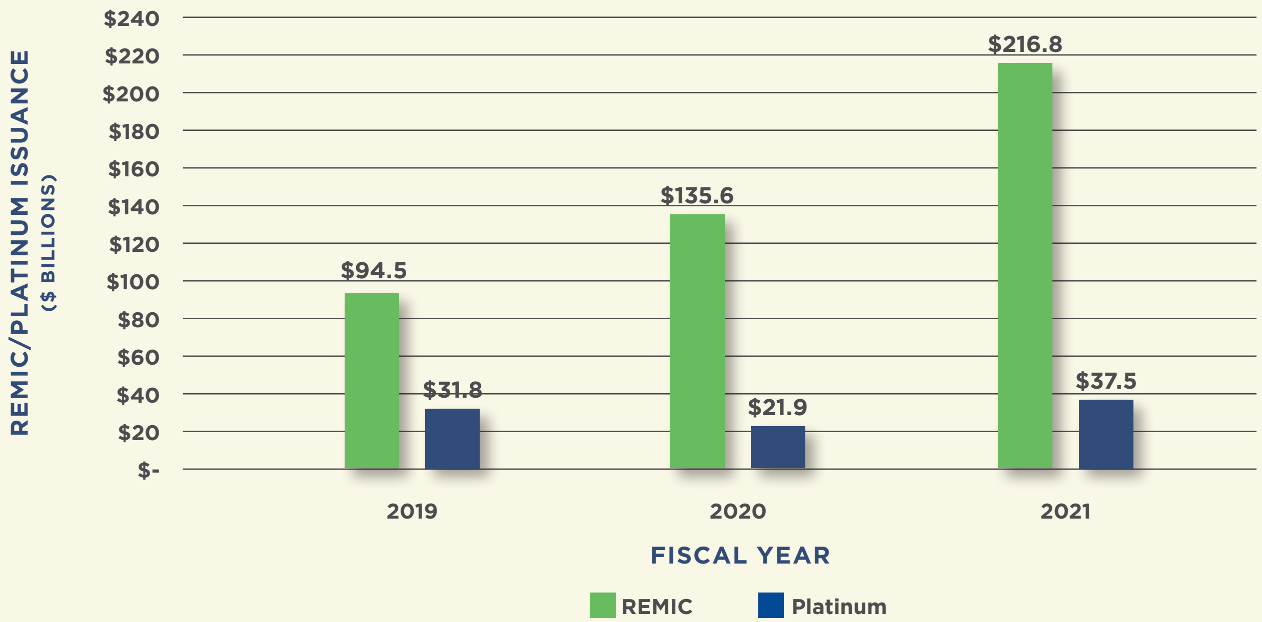


Multiclass

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

- A Ginnie Mae Platinum Security is formed by combining Ginnie Mae MBS securities 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 financings, repurchase transactions, and general trading.
- REMIC Securities direct underlying MBS principal and interest payments to classes with different principal balances, interest rates, average lives, prepayment characteristics and final maturities. REMIC Securities allow dealers to have more flexibility for creating securities to meet the needs of a variety of investors. Principal and interest payments are divided into varying payment streams to create classes with different expected maturities and other characteristics.

Figure 12 *– REMIC and Platinum Security Products Issuance from Fiscal Year 2019 to Fiscal Year 2021*



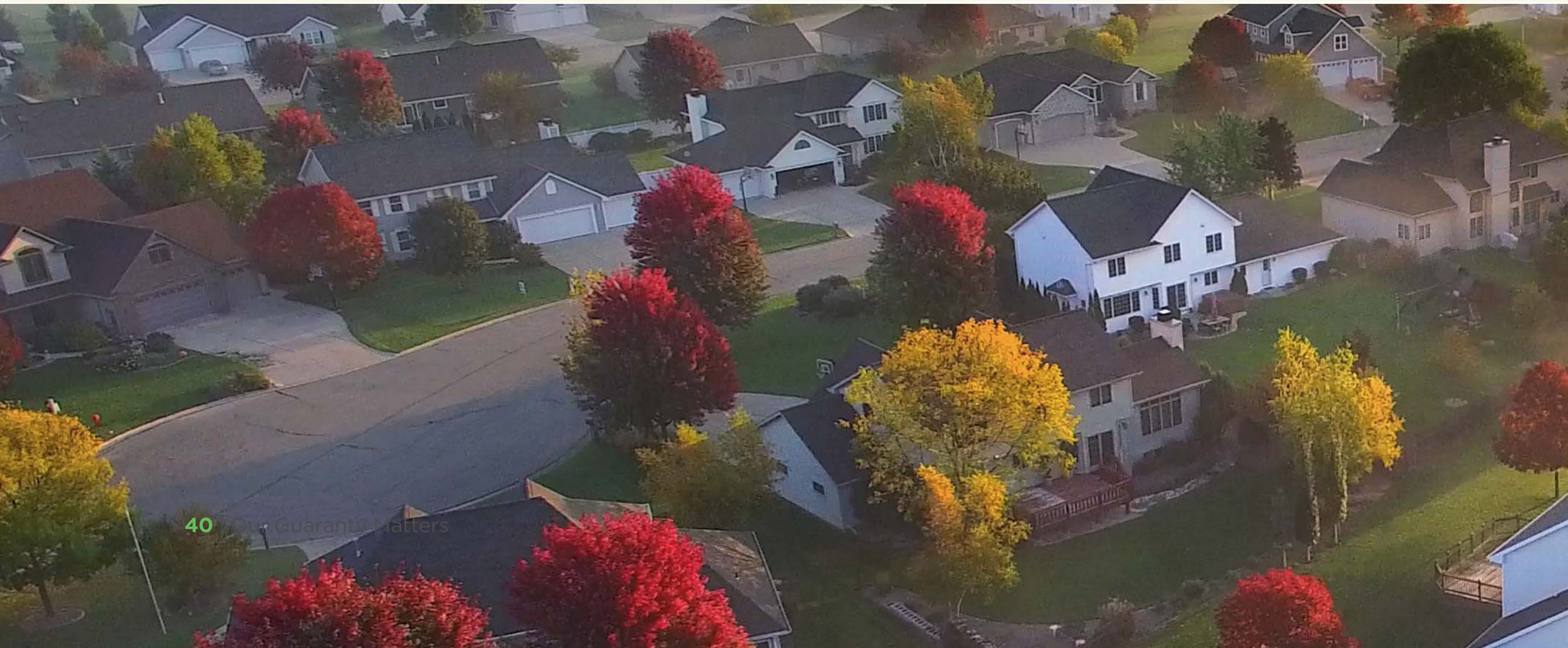
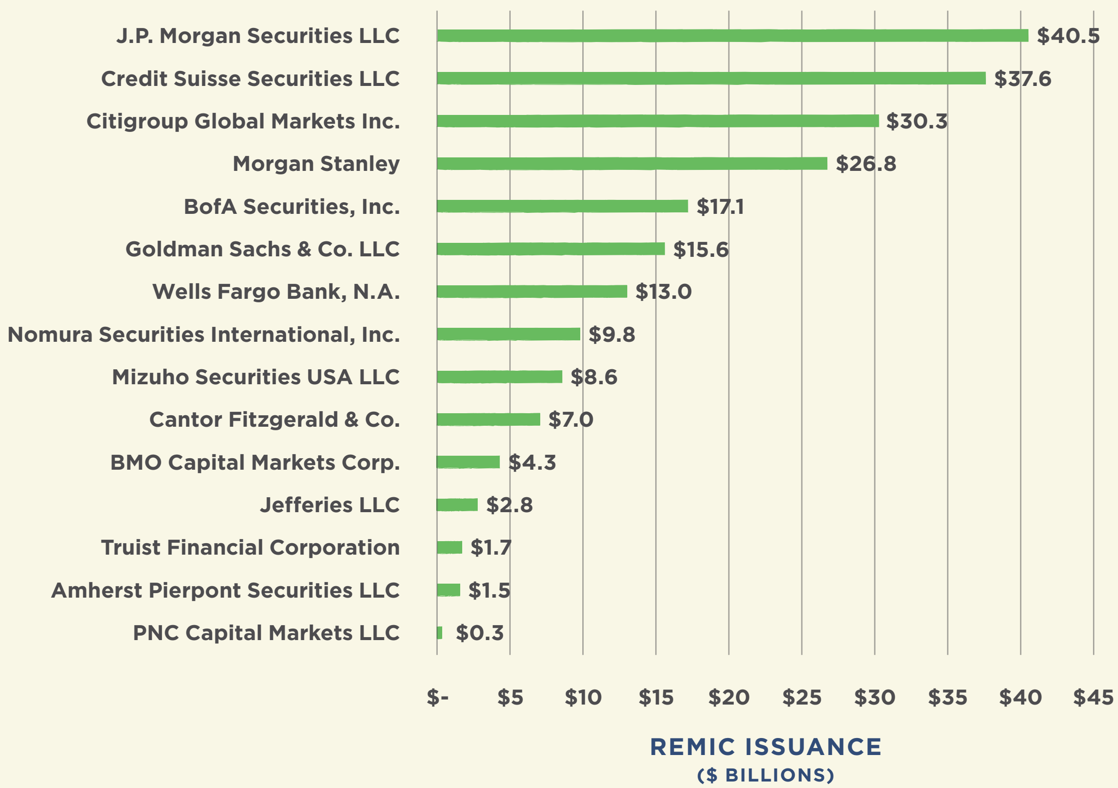


Figure 13 – REMIC Security Products Contributions by Sponsor in Fiscal Year 2021



MORTGAGE SERVICING

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

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

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

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

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

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

- **Ginnie Mae Single-Family Forward Program:** LIBOR-based single-family ARM are no longer eligible for pooling into Ginnie Mae securities. Effective January 1, 2021 all single-family forward ARM loans that rely on LIBOR, including LIBOR-based ARM-to-ARM loan modifications and re-performing LIBOR-based ARMs, are ineligible for pooling into any Ginnie Mae I or Ginnie Mae II security.
- **Ginnie Mae Reverse Program:** LIBOR-based HECM ARMs are no longer eligible for pooling into Ginnie Mae securities. Effective March 1, 2021 first participation of any LIBOR-based HECM are ineligible to be securitized into HMBS. Subsequent Participations (that is participations other than the first participation) that are associated with a HECM loan that is backing HMBS with an Issue Date of February 1, 2021 or earlier will continue to be eligible for securitization without restriction.
- **Ginnie Mae Multifamily Program:** There are no LIBOR-based MBS in the Multifamily program.
- **Ginnie Mae Multiclass Program:** In September 2021, Ginnie Mae announced to Sponsors that December 31, 2021 will be the last date to include LIBOR indexed REMIC classes for new issuance of floating rate Multiclass Securities. As of March 2020, the Secured Overnight Financing Rate ("SOFR") has been an eligible index for new issuance of floating rate Multiclass Securities.

As of date of this report, Ginnie Mae does not hold any individual mortgages linked to LIBOR on the organization's balance sheet and while we do hold MSRs that include LIBOR linked instruments within the pooled underlying mortgages, the current impact to Ginnie Mae was deemed immaterial. Going a step further beyond our current balance sheet, we identified that certain economic models with exposure to floating rate securities incorporate LIBOR as an input component. Through this assessment we found there was a limited impact to Ginnie Mae's current financials, including both the guaranty asset and guaranty liability; however, if Ginnie needs to onboard new MSRs in the event of issuers' defaults, the transition from LIBOR to alternative reference rates may have a more significant impact than it does today. Accordingly, we will continue to assess all effects of the transition to our balance sheet alongside market activities and regulatory announcements.

RISK FACTORS

RISK MANAGEMENT

The Office of Enterprise Risk (OER) oversees Ginnie Mae's enterprise-wide risk management program that establishes its risk appetite, aligns the risk appetite with strategies and objectives, and addresses exposure to credit, market, and operational risk. Ginnie Mae's risk appetite approach guides the organization so that leadership consciously accepts a tolerable amount of risk when pursuing the business outcomes needed to fulfill the mission.

MODEL RISK

Ginnie Mae bears the risk of changes in fair value due to uncertainties related to underlying model inputs and the related difficulty in measurement. Refer to Note 13: Fair Value Measurement for illustration of the potential magnitude of certain alternate judgments, including how sensitive estimates are to assumptions based on changes in certain inputs. Ginnie Mae's Modeling and Valuation Committee meets quarterly to approve all key model assumptions and results for applicability and to analyze trends quarter over quarter.

Model risk is the potential for adverse results from decisions based on incorrect model inputs and outputs. OER uses models to determine the value of, and measurement of, risk related to guaranty asset and related guaranty obligation, MSR, allowance for loan losses for mortgage loans held for investment including accrued interest receivable, claims, advances, and other contingent liabilities. OER is responsible for developing, testing, and implementing the models. See Note 2: *Summary of Significant Accounting Policies and Practices* in the financial statements for valuations that are based on the models to strengthen model governance controls and increase operational efficiencies based on the enterprise Model Risk Management policy.

Adjustments to existing models due to the current economic environment, like the COVID-19 impact, are subjective and will require management judgement. To mitigate the severity of the impacts to models, Ginnie Mae is actively monitoring performance of models and stands ready to effectuate changes to existing models based on observations and model validation findings. OER performs various model testing on a yearly basis to gauge the accuracy and effectiveness of modeled estimates. Furthermore, model validation is performed by an independent third-party firm.

CREDIT RISK

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

Borrower credit risk is the risk of loss arising from the failure or inability of a borrower to meet its financial and/or contractual obligations. Ginnie Mae's borrower credit risk primarily consists of mortgage assets in the non-pooled loans portfolio which is composed of loans acquired from defaulted, terminated, and extinguished issuers of Ginnie Mae guaranteed MBS, and loans purchased/repurchased out of Ginnie Mae guaranteed MBS pools in accordance with Ginnie Mae MBS guidelines. See Note 5: *Financial Guaranties and Financial Instruments with Off-Balance Sheet Exposure* and Note 10: *Mortgage Loans Held for Investment Including Accrued Interest, Net* for further information.

Counterparty credit risk is the risk of loss arising from the default of an issuer or other counterparty which may include, but is not limited to, trustees, mortgage servicers, custodial depository, and other financial institutions and document custodians. Ginnie Mae considers several factors as part of the counterparty credit risk assessment process, including the issuer's financial and operational vulnerability, credit analysis, and other evidence of probability of default, such as known non-compliance with applicable regulation or law, interest rates, and other economic conditions. Refer to Note 17: *Reserve for Loss* for further information.

GEOGRAPHIC CONCENTRATION RISK

Concentrations of credit risk exist when a significant number of issuers are susceptible to similar changes in economic conditions that could affect their ability to meet contractual obligations. This concentration of credit risk may be the result of several factors, including but not limited to geographic or Insurer concentration within the portfolio. Generally, Ginnie Mae's MBS pools are diversified among issuers. All issuers operate within the U.S. and its territories, and there are no significant geographic concentrations.

Natural disasters affecting Ginnie Mae's loan portfolio (pooled and non-pooled) occur throughout the year but are typically concentrated during each year's hurricane season. In Fiscal Year 2021, natural disasters had an immaterial impact on the Ginnie Mae loan population.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE MATTERS

Ginnie Mae understands that environmental, social, and governance (ESG) issues, especially climate-related impacts, represent a significant source of risk for the mortgage industry. Proactive efforts by the public and private sectors are required to effectively manage these risks as well as promote opportunities related to ESG trends. It is increasingly clear that careful attention to, and proactive management of, ESG issues is becoming a higher priority for all stakeholders, including the investor community.

Ginnie Mae management is actively developing a framework to identify ESG objectives that will positively impact the organization, the communities we serve, and our stakeholders. To assist in this effort, Ginnie Mae has engaged an outside vendor to identify ESG topics that are likely to have a material impact on the organization's ability to deliver on our mission, and which could have an outsized impact on the mortgage industry as a whole.

Our work to date includes the preliminary identification of ESG risks and opportunities relevant to Ginnie Mae, which we believe will allow us to meet the needs of the present without compromising the needs of future generations. In addition to our initial assessments, with respect to certain MBS products guaranteed by Ginnie Mae, in July 2021 we issued a press release introducing new data disclosure requirements that provide investors with transparent ESG metrics to better inform investment decisions. More specifically, new disclosures for Single-Family Pool MBS and Platinum Pool Level securities will provide investors with consistent, reliable, relevant, specific, and verifiable ESG data.

The sections below provide further information on each of the ESG components as they relate to Ginnie Mae at the government owned corporate level.

ENVIRONMENTAL

In accordance with the President's executive order issued on May 20, 2021, the federal government has set expectations to advance consistent, clear, intelligible, comparable, and accurate disclosure of climate-related financial risk. The executive order details the need for a government-wide strategy that will:

- Measure, assess, mitigate, and disclose climate-related financial risk to Federal Government programs, assets, and liabilities;
- Address financing needs associated with achieving net-zero greenhouse gas emissions for the U.S. economy by no later than 2050, limiting global average temperature rise to 1.5 degrees Celsius, and adapting to the acute and chronic impacts of climate change; and
- Identify areas in which private and public investments can play complementary roles in meeting financing needs.

Ginnie Mae is actively working to align its ESG initiatives with the May 20th executive order requirements. Preliminary environmental areas of impact for Ginnie Mae include the following:

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

Presently, internal Ginnie Mae risk models implicitly capture and address the impacts of historical natural disasters on issuers, pooled loans, and non-pooled assets. Ginnie Mae recognizes the backward-looking nature of underwriting tools, such as flood maps, that may no longer be effective predictors of natural disasters. In response to the availability and evolution of climate data, and the observation of more frequent and severe weather events due to climate change (as well as their record-setting costs), Ginnie Mae plans to enhance its monitoring and analysis of asset- and portfolio-level climate risk exposure.

SOCIAL

As part of Ginnie Mae's core values and mission, we strive to support low and moderate-income (LMI) households and military veterans, among others, through our MBS programs. Our mission has enabled more access to home ownership for LMI borrowers – and, as noted above, we have enhanced data disclosures for Ginnie Mae securities in FY 2021. More specifically, within the Single-Family Supplemental File, disclosed metrics include the following: the aggregate number of loans in a pool, the percentage of loans within a pool, and the UPB dollars and percent of UPB dollars across LMI areas applicable to a pool. Socially responsible investors can now leverage this data to better target their investment dollars into pools with higher concentrations of LMI area loans.

At Ginnie Mae, we believe the dedication, determination, and collaboration of our people is a major driver of our long-term success. As part of a continuing investment in our people, Ginnie Mae has formed a new workforce innovation team and established a fully operational engagement council responsible for employee engagement across the enterprise. This function has focused on developing long-term workforce strategies and sponsoring key initiatives to promote and achieve a culture of performance excellence. This includes implementing employment engagement action plans, assisting with skillset assessments of personnel to manage talent across the organization, as well as addressing workforce engagement concerns raised by our people. In addition to our employee engagement, we proudly promote principles that support a diverse workforce, and our inclusive work environment encourages sharing viewpoints from a wide range of perspectives.

Ginnie Mae also actively invests in the areas where we have a presence by providing physical and social infrastructure for the communities that we serve. This is exemplified by our third-annual small business community outreach program that took place in FY 2021.

GOVERNANCE

Ginnie Mae maintains a strong corporate governance structure through the enforcement of a robust control environment as well as regular monitoring of violations against internal policies and procedures and federal statutes and related regulations. These ongoing activities led to improvements in FY 2021 and will continue to be an important factor to those charged with governance responsibilities. Additionally, we proactively ensure our employees are aware of our ethics standards by requiring recertification of the organization's code of conduct policy on an annual basis.

Ginnie Mae is actively engaged with outside vendors to develop an ESG governance structure, leading to the consistent implementation of ESG strategy, risk management, and reporting across the organization, and a related communication strategy, which will assist us in our publishing of ESG related information to stakeholders, such as the OMB, the Office of the President and external parties.

INTERNAL CONTROLS

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

In reference to the Enterprise Risk Management component of OMB Circular No. A-123, Ginnie Mae has delivered on the requirements and met the standards in accordance with the circular as of Fiscal Year 2021. Ginnie Mae developed a standard three-level risk taxonomy to identify, classify, and report the risks associated with the operations of each of the Offices. Each Office is assessed on an annual basis. These results are compiled, analyzed, and aggregated into Ginnie Mae's Risk Register which is provided to HUD leadership. Ginnie Mae management also uses this Risk Register to understand organizational challenges and prioritize activities for Ginnie Mae's Enterprise Risk Management program, which has been considered best practice.

Ginnie Mae undertook a restructuring of the Management Internal Control Program during Fiscal Year 2019 in order to implement the requirements of the revised OMB Circular No. A-123 to integrate ERM and internal control over financial reporting (ICOFR). This change in structure reflects the requirements of the revised A-123 and *Government Accountability Office Standards for Internal Control in the Federal Government* (the Green Book) to explicitly integrate ERM with traditional ICOFR-only views of risks and controls. OER aligned appropriate resources, responsibility, and governance to establish the revised program, and has implemented a three-year plan to guide its risk management and controls assessment strategy, while providing sufficient annual assessment support to comply with the A-123 reporting requirements.

Ginnie Mae began executing against this robust, integrated A-123 strategy in Fiscal Year 2019, and has continued in Fiscal Year 2020 and 2021, by enhancing governance for the revised A-123 program with the development of new policies and procedures to guide the program. Additionally, during Fiscal Years 2020 and 2021, Ginnie Mae continued the development of comprehensive documentation and performed an assessment of internal controls supporting significant financial statement line items and classes of transactions, including the non-pooled assets. Based on the results of these assessments and other program enhancements, Ginnie Mae was able to provide reasonable assurance that the internal controls were designed appropriately and operating effectively for Fiscal Year 2020 and 2021.

Additionally, Ginnie Mae established and maintained financial management systems to substantially comply with the three essential requirements with FFMIA: Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. Ginnie Mae annually assesses whether the financial management systems substantially comply with the essential requirements. For Fiscal Year 2020 and 2021, Ginnie Mae completed a review of our Financial Managements Systems and their compliance with OMB Circular A-123 Appendix D, FFMIA Implementation Guidelines, Federal Information Security Modernization Act (FISMA), and OMB Circular A-123: Management's Responsibility for Enterprise Risk Management and Internal Controls. Based on review, Ginnie Mae reported that all financial management systems were substantially in compliance with FFMIA, FISMA, and OMB Circular A-123.

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

OTHER KEY INFORMATION

CRITICAL ACCOUNTING ESTIMATES

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

ASSETS MEASURED AT FAIR VALUE

Ginnie Mae carries a portion of our assets and liabilities at fair value. Guaranty asset (GA) and MSR are measured at fair value on a recurring basis at the end of each reporting period, while acquired property (AP) is measured at fair value on a nonrecurring basis as valuations are not always as of the last date of the reporting period.

See Note 2: *Summary of Significant Accounting Policies and Practices* and Note 13: *Fair Value Measurement* for details on Ginnie Mae's processes for determining fair values for GA, MSR, and AP. Estimating fair value requires the application of judgment. The type and level of judgment required is largely dependent on the amount of observable market information available to Ginnie Mae. All three assets measured at fair value use internally developed valuation models and other valuation techniques that use significant unobservable inputs and are, therefore, classified within Level 3 of the valuation hierarchy in accordance with ASC 820. In arriving at an estimate of fair value for an instrument within Level 3, Ginnie Mae first determined an appropriate valuation technique to use and then assessed all relevant historical data to derive valuation inputs that include, for example, the following:

- **GA -** Key considerations for GA valuation include default rates, interest rates, discount rate, and prepayment rates. These significant inputs change according to macroeconomic market conditions. Ginnie Mae is responsible for the development of a model owned by the Office of Enterprise Risk Management to calculate the net present value of the expected future guaranty fees over the guaranty period as of the reporting date. The amount is based on the guaranty fee rate for the type of program (e.g., single family, multi-family, etc.,) to be paid by issuers on the UPB of the outstanding MBS portfolio.
- **MSR -** Key considerations for MSR valuation include prepayment experience, forward interest rates, adequate compensation, delinquency rates, and discount rates commensurate with the risks involved. In the event of an issuer default, Ginnie Mae has the responsibility to service the loans and MBS securities. It will also be entitled to servicing rights to earn any related servicing compensation. The MSR assets (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. Ginnie Mae measures the fair value of MSR based on the present value of expected cash flows from servicing the underlying mortgage assets.
- **AP -** Key considerations for AP valuation include the valuation waterfall methodology and availability of appraisal or broker price opinions obtained from third parties. When valuations are not available from external sources, internally developed valuation models are leveraged to determine the fair value of AP. Ginnie Mae also calculates the estimated cost to sell to be used in determining the U.S. GAAP basis for AP properties. Refer to Note 2: Summary of Significant Accounting Policies and Practices and Note 12: Acquired Property, Net for further information.

LOSS ALLOWANCE ESTIMATE

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

- Increase in foreclosure timeline.
- Decrease in house price.
- Increase in portfolio delinquency.

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

OFF-BALANCE SHEET ARRANGEMENTS

Ginnie Mae enters into commitments to guarantee future MBS issuances in the normal course of business which are not recognized on the balance sheets. These commitments end when the securities are issued or the commitment period expires, 12 months and 24 months for single family and multifamily issuers, respectively. Outstanding MBS commitments were $301.0 billion in Fiscal Year 2021 compared to $234.4 billion in Fiscal Year 2020. These outstanding commitments are not representative of Ginnie Mae's actual risk due in part to Ginnie Mae's ability to limit an issuer's request for pools or loan packages from the issuer's previously approved amount of commitment authority.

Ginnie Mae's highest potential off-balance sheet exposure to credit losses is related to the outstanding principal balance of our MBS held by third parties, which was $2.1 trillion as of September 30, 2021 and September 30, 2020. The maximum exposure is not a representation of Ginnie Mae's actual exposure as it does not consider the impact of insurance, recourse, or the recovery Ginnie Mae would receive by exercising Ginnie Mae's right to the underlying collateral. Ginnie Mae recognized guaranty obligation of $8.3 billion and $8.0 billion on September 30, 2021 and 2020, respectively related to this portfolio.

AGGREGATE CONTRACTUAL OBLIGATIONS

Periodically, Ginnie Mae makes certain representations and warranties and indemnification clauses associated with Purchase and Sales Agreements (PSAs) that are enforceable and legally binding. These agreements may require Ginnie to repurchase loans that were previously sold to a third party or to indemnify the purchaser for losses if the loans are modified or not insured by the FHA, VA, RD, or PIH. On September 30, 2021 and 2020, Ginnie Mae recorded $54.6 thousand and $67.7 thousand, respectively, as a contingent liability to account for these agreements.

FINANCIAL SYSTEM ENHANCEMENTS AND AUTOMATION

Throughout Fiscal Year 2021, enhancement initiatives have continued for the Ginnie Mae's Financial Accounting System (GFAS) and its supporting applications. This positions Ginnie Mae for end-to-end automated financial reporting and enduring readiness to accommodate future business and workflow requirements. Some key initiatives and enhancements are included below:

- **SLDB Enhancements –** Ginnie Mae has enhanced the data quality (DQ) validation process which is executed on the monthly transaction files received from the MSS's during data processing within the SLDB.
    - The Data Quality Machine Learning (DQML) solution complements the existing rule-based validations and enables additional preventive controls that identifies exceptions prior to downstream processing and thereby reducing the need of manual adjustments.
    - In conjunction with the DQML solution, the SLDB Web Application is another enhancement that provides automated web-based access to monthly reconciliation results by supporting the performance of business validations and research. It includes the ability to drilldown on the results and loan/transaction level details. This solution has greatly improved the existing reconciliation process to reduce manual efforts and provide increased data transparency.
- **PeopleSoft Optimization –** The goal of this initiative is to re-evaluate and leverage additional features which support the reporting and operational business needs. Ginnie Mae business has evolved since the original GFAS implementation and PeopleSoft Optimization activities are in progress which addresses improvements such as the following:
    - Maximized use of an updated Chartfield structure, which is in compliance with federal and commercial standards and supports flexible comparative financial reporting along with more analytics and dashboard reporting.
    - Enhanced comparative reporting resulting from the use of updated reporting attributes.
    - Integration with the Enterprise Planning and Budgeting Cloud Service (EPBCS) application to support the generation of analytical reports, as well as budgets, to actual financial cost analysis.
- **Budget Transformation and EPBCS –** The Budget Transformation effort was initiated by utilizing Oracle's Enterprise Performance Management (EPM) EPBCS tool. Some key efficiencies to be gained are highlighted below:
    - Enables automation within the Budgets Division of Ginnie Mae's end-to-end Budget Formulation and Budget Execution processes.
    - Supports budget transformation activities through the alignment of Ginnie Mae's strategic goals and objectives, with the allocation and deployment of financial resources.
    - Streamlines the congressional justification and submissions process providing insight into performance against Ginnie Mae's strategic goals and objectives.

The combination of redesigning and maximizing Chartfield use, along with automation of data quality and reconciliation procedures, greatly improves the transparency of Ginnie Mae's Financial information. The transformation and automation of the Budget Divisions' processes will reduce latency in providing various reports for Federal, Commercial, and cross program offices forecasting and actuals.

MORTGAGE-BACKED SECURITIZATION PLATFORM MODERNIZATION

The Ginnie Mae securitization "platform" consists of the systems and processes that function collectively to execute the conversion of government-insured or guaranteed loans into government guaranteed securities. The platform provides for transmission of loan and pool information, collateral, and funds from and to the wide variety of program participants. The unimpaired functioning of the platform is Ginnie Mae's most fundamental responsibility.

During 2021, the focus of Ginnie Mae's platform modernization efforts was the migration of Ginnie Mae's applications to the cloud. Completion of these projects in 2022 and 2023 position Ginnie Mae to undertake initiatives that will result in dramatic improvements in the utility, adaptability, and security of the platform. Planning for these initiatives ("Ginnie Mae NextGen") began in 2020 and continued throughout 2021. The eventual shape of this transformative effort will depend on future decisions about resourcing and the need to balance investment program activities with the need to respond to developments in the operating environment and the priorities of Administration and Congressional policymakers.

Government National Mortgage Association

Washington, DC

Audit of Fiscal Year 2021 Financial Statements

Office of Audit
Financial Audits Division
Washington, DC

Audit Report Number: 2022-FO-0002
November 16, 2021

OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

November 16, 2021

Memorandum

TO: Michael R. Drayne
Acting Executive Vice President

//signed//
FROM: Kilah S. White
Assistant Inspector General for Audit, GA

SUBJECT: Transmittal of Independent Public Accountant's Audit Report on the Government National Mortgage Association Fiscal Years 2021 and 2020 Financial Statements

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) results of the audit of the Government National Mortgage Association (Ginnie Mae) fiscal years 2021 and 2020 financial statements and reports on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements.

We contracted with the independent public accounting firm of CliftonLarsonAllen LLP (CLA) to audit the financial statements of Ginnie Mae as of and for the fiscal years ended September 30, 2021, and 2020, to provide reports on Ginnie Mae's internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements in its financial reporting. Our contract with CLA required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit requirements, and the Financial Audit Manual of the U.S. Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency.

In its audit of Ginnie Mae, CLA reported:

- Ginnie Mae's financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses[1] for fiscal year 2021 in internal control over financial reporting, based on limited procedures performed; and,
- no reportable noncompliance issues for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements tested and no other matters.

[1] A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Ginnie Mae's financial statements will not be prevented or detected and corrected on a timely basis.

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In connection with the contract, we reviewed CLA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on Ginnie Mae's financial statements or conclusions about 1) the effectiveness of Ginnie Mae's internal control over financial reporting and 2) Ginnie Mae's compliance with laws, regulations, contracts, and grant agreements. CLA is responsible for the attached Independent Auditors' Report, dated November 15, 2021, and the conclusions expressed therein. Our review disclosed no instances in which CLA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at https://www.hudoig.gov.

If you have any questions or comments about this report, please call Thomas R. McEnanly, Audit Director, at (202) 740-7085.

CliftonLarsonAllen LLP
CLAconnect.com

Independent Auditors' Report

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

Acting Executive Vice President
Government National Mortgage Association

In our audits of the fiscal years 2021 and 2020 financial statements of the Government National Mortgage Association (Ginnie Mae), a wholly owned government corporation within the U.S. Department of Housing and Urban Development (HUD), we found:

- Ginnie Mae's financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- no material weaknesses for fiscal year 2021 in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ginnie Mae, which comprise the balance sheets as of September 30, 2021, and 2020; the related statements of revenues and expenses and changes in investment of U.S. Government, and cash flows for the fiscal years then ended; and the related notes to the financial statements.

[1]The RSI consists of Management's Discussion and Analysis which are included with the financial statements.
[2]Other information consists of A Word from the Secretary of Housing and Urban Development, A Word from Ginnie Mae, Executive Summary, and Ginnie Mae: Modernizing the Mortgage-Backed Securities Platform to Strengthen Affordable Housing.

We conducted our audits in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 21-04). We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility

Ginnie Mae management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. *Government Auditing Standards* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to the RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, Ginnie Mae's financial statements present fairly, in all material respects, Ginnie Mae's financial position as of September 30, 2021, and 2020, and its revenues and expenses and changes in investment of U.S. Government, and cash flows for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

OMB Bulletin 21-04 requires that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, OMB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from OMB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Ginnie Mae's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on Ginnie Mae's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of Ginnie Mae's financial statements, we considered Ginnie Mae's internal control over financial reporting, consistent with our auditors' responsibility discussed below. We performed our procedures related to Ginnie Mae's internal control over financial reporting in accordance with *Government Auditing Standards*.

Management's Responsibility

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

Auditors' Responsibility

In planning and performing our audit of Ginnie Mae's financial statements as of and for the year ended September 30, 2021, in accordance with *Government Auditing Standards*, we considered Ginnie Mae's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ginnie Mae's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on Ginnie Mae's internal control over financial reporting or on management's assurance statement on the overall effectiveness of internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Results of Our Consideration of Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our fiscal year 2021 audit, we identified deficiencies in Ginnie Mae's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant Ginnie Mae management's attention. We have communicated these matters to Ginnie Mae management and, where appropriate, will report on them separately.

Purpose of Report on Internal Control over Financial Reporting

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

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

In connection with our audit of Ginnie Mae's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards*.

Management's Responsibility

Ginnie Mae management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to Ginnie Mae.

Auditors' Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to Ginnie Mae that have a direct effect on the determination of material amounts and disclosures in Ginnie Mae's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Ginnie Mae.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for fiscal year 2021 that would be reportable under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to Ginnie Mae. Accordingly, we do not express such an opinion.

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

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

Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of Ginnie Mae's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated November 16, 2020. The status of prior year findings is presented in Exhibit A.

Ginnie Mae's Response to the Audit Report

Ginnie Mae's response to the audit report is described in Exhibit B. Ginnie Mae's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, MD
November 15, 2021

EXHIBIT A
Status of Prior Year Findings and Recommendations

Our assessment of the current status of the findings related to the prior year audits is presented below:

FY 2020 Findings	***Type***	***Fiscal Year 2021 Status***
Organization Structure and Model Risk Governance	Significant Deficiency 2020	Closed

EXHIBIT B
Ginnie Mae's Response to the Audit Report

Ginnie Mae
Our Guaranty Matters

Office of the President
550 12th Street, SW, Third Floor
Washington, DC 20024
(202) 475-4900

DATE: November 15, 2021

MEMORANDUM FOR: Thomas McEnanly, Director, Contracted Financial Statement Audits, Financial Audits Division, Department of Housing and Urban Development (HUD) OIG

MICHAEL DRAYNE

Digitally signed by: MICHAEL DRAYNE
DN: CN = MICHAEL DRAYNE C = US O = U.S. Government OU = Department of Housing and Urban Development
Date: 2021.11.12 12:10:50 -05'00'

FROM: Michael R. Drayne, Acting Executive Vice President, Ginnie Mae

SUBJECT: Management Response to Fiscal Year (FY) 2021 Audit Report

The Government National Mortgage Association (Ginnie Mae) appreciates the opportunity to respond to the Independent Auditors' Report for FY 2021, prepared by CliftonLarsonAllen (CLA) for the Office of the Inspector General (OIG). CLA displayed skill and professionalism in its conduct of the engagement, and OIG's supervision of the project was constructive throughout. We continue to appreciate and support the valuable role that OIG plays on behalf of the American taxpayer.

We are proud that the significant investment we have made in financial infrastructure and audit remediation has resulted in an unmodified opinion for a second consecutive year. This validates the effectiveness of the countless hours of work the investment entailed, and reinforces that program participants and the capital markets can have confidence in the integrity of Ginnie Mae and its guarantee.

It is notable also that this audit encompassed a period in which Ginnie Mae continued its extraordinary efforts in response to the COVID-19 pandemic. The Pass-Through Assistance Program (PTAP), which made available support for issuers confronting unprecedented advancing requirements, was perhaps the most visible example of these, but there were numerous others on both the program policy and operational front. Additionally, FY 2021 was a historic year from a security production standpoint, as we issued the largest volume of securities in our history, surpassing the previous record level of issuance set in FY 2020.

We remain dedicated to our core mission of bringing global capital into the housing finance market while minimizing risk to the taxpayer, and will continue to make investments in technology and infrastructure to advance strategic goals. The most prominent of these is our NextGen initiative, a long-term commitment to rebuild the MBS securitization platform to take advantage of the possibilities offered by present-day technology. NextGen will transform Ginnie Mae into a data-driven enterprise with powerful digital capabilities, positioning the MBS program/platform for long-term success by adding value for issuers and investors that will expand the ways in which Ginnie Mae fulfills its mission.

We look forward to the opportunity to continue to work with OIG, our auditors, and other stakeholders to ensure that the Ginnie Mae MBS Program continues to thrive and benefit the homeowners served by the securities we guarantee.

APPENDIX A

Government National Mortgage Association

Fiscal Year Financial Statements

September 30, 2021

Government National Mortgage Association

Fiscal Year Financial Statements

September 30, 2021

Table of Contents

Balance Sheets

		2021 September 30		2020 September 30
		(Dollars in thousands)		
Assets:				
Cash and cash equivalents	$	26,075,289	$	24,512,125
Restricted cash and cash equivalents		1,298,536		1,061,627
Accrued fees and other receivables		119,410		118,032
Pass-through assistance program receivable including accrued interest, net		-		2,672
Reimbursable costs receivable, net		26,004		32,681
Claims receivable, net		41,605		71,916
Advances, net		991		784
Mortgage loans held for investment including accrued interest, net		1,866,333		2,119,470
Acquired property, net		6,001		4,603
Fixed assets, net		55,560		66,762
Mortgage servicing rights		268		398
Guaranty asset		8,304,052		6,755,883
Other assets		3,813		364
Total Assets	**$**	**37,797,862**	**$**	**34,747,317**
Liabilities and Investment of U.S. Government:				
Liabilities:				
Accounts payable and accrued liabilities	$	85,609	$	73,443
Deferred liabilities and deposits		4,697		3,210
Deferred revenue		588,810		527,377
Liability for loss on mortgage-backed securities program guaranty		19,485		43,439
Liability for representations and warranties		55		68
Guaranty liability		8,308,235		8,041,340
Total Liabilities	**$**	**9,006,891**	**$**	**8,688,877**
Commitments and Contingencies (See Note 19)				
Investment of U.S. Government	$	28,790,971	$	26,058,440
Total Liabilities and Investment of U.S. Government	**$**	**37,797,862**	**$**	**34,747,317**

The accompanying notes are an integral part to these financial statements

Statements of Revenues and Expenses and Changes in Investment of U.S. Government				
	For the year ended September 30,			
		2021		2020
	(Dollars in thousands)			
Revenues:				
Interest Income				
Interest income on mortgage loans held for investment	$	88,739	$	106,659
Interest income on pass-through assistance program receivable		38		83
Other interest income		5,371		118,588
Income on guaranty obligation		3,500,444		2,529,611
Mortgage-backed securities guaranty fees		1,395,990		1,384,005
Commitment fees		186,276		152,062
Multiclass fees		34,862		31,914
Mortgage-backed securities program and other income		9,104		5,013
Total Revenues	**$**	**5,220,824**	**$**	**4,327,935**
Expenses:				
Administrative expenses	$	(34,992)	$	(31,102)
Fixed asset depreciation and amortization		(23,548)		(22,643)
Mortgage-backed securities program and other expenses		(271,769)		(258,658)
Acquired property expenses, net		(1,564)		(5,512)
Total Expenses	**$**	**(331,873)**	**$**	**(317,915)**
Recapture (provision):				
Recapture (provision) for mortgage loans held for investment including accrued interest, net	$	39,001	$	1,551
Recapture (provision) for mortgage-backed program guaranty		23,954		(36,764)
Recapture (provision) for reimbursable cost		(4,474)		589
Recapture (provision) for claims receivable		3,192		(14,856)
Recapture (provision) for loss on uncollectible advances		(51)		(79)
Recapture (provision) for pass-through assistance program receivable including accrued interest		454		(454)
Total Recapture (Provision)	**$**	**62,076**	**$**	**(50,013)**
Other Gain (Loss):				
Gain (loss) on guaranty asset	$	(2,219,170)	$	(2,845,137)
Gain (loss) on mortgage servicing rights		(130)		(870)
Gain (loss) other		804		2,860
Total Other Gains / (Losses)	**$**	**(2,218,496)**	**$**	**(2,843,147)**
Results of Operations	$	2,732,531	$	1,116,860
Investment of U.S. Government at Beginning of Period	$	26,058,440	$	24,941,580
Investment of U.S. Government at End of Period	**$**	**28,790,971**	**$**	**26,058,440**

The accompanying notes are an integral part to these financial statements

Statements of Cash Flows				
	For the year ended September 30,			
	2021		2020	
	(Dollars in thousands)			
Cash Flows from Operating Activities				
Results of Operations	**$**	**2,732,531**	**$**	**1,116,860**
Adjustments to reconcile results of operations to net cash (used for) provided by operating activities:				
Depreciation and amortization expense		23,548		22,643
Provision (Recapture) for mortgage loans held for investment including accrued interest, net		(39,001)		(1,551)
Provision (Recapture) for mortgage-backed program guaranty		(23,954)		36,764
Provision (Recapture) for reimbursable costs		4,474		(589)
Provision (Recapture) for claims receivable		(3,192)		14,856
Provision (Recapture) for loss on uncollectible advances		51		79
Provision (recapture) for pass-through assistance program receivables including accrued interest		(454)		454
Acquired property expenses, net		1,070		5,512
(Gain)/loss on guaranty asset		2,219,170		2,845,137
(Gain)/loss on mortgage servicing rights		130		870
(Gain)/loss on liability for representations and warranties		1,758		6
Income on guaranty obligation		(3,500,444)		(2,529,611)
Interest income on mortgage loans held for investment		(5,095)		(3,375)
Interest income on pass-through assistance program		-		(23)
Changes in operating assets and liabilities:				
Accrued fees and other receivables		(1,378)		(3,433)
Pass-through assistance program receivables including accrued interest, net		3,126		(3,103)
Claims receivable, net		43,151		120,021
Advances, net		(258)		(28)
Reimbursable costs receivable, net		(2,560)		(3,992)
Mortgage loans held for investment including accrued interest, net		3,762		(4,084)
Acquired property, net		64		0
Other assets		(3,449)		(1,288)
Accounts payable and accrued liabilities		12,166		(18,912)
Deferred liabilities and deposits		1,487		(2,245)
Deferred revenue		61,433		47,918
Net cash provided by operating activities	**$**	**1,528,136**	**$**	**1,638,886**
Cash Flows from Investing Activities				
Proceeds from repayments and sales of mortgage loans acquired as held for investment	$	296,566	$	220,479
Proceeds from the dispositions of acquired property and preforeclosure sales		3,563		16,336
Purchases of loans held for investment including accrued interest, net		(14,077)		(13,098)
Purchases of fixed assets		(14,115)		(8,418)
Net cash provided by investing activities	**$**	**271,937**	**$**	**215,299**
Cash Flows from Financing Activities				
Net cash (used for) provided by financing activities	**$**	**-**	$	-
Net change in cash and cash equivalents		1,800,073		1,854,185
Cash and cash equivalents, beginning of the period		25,573,752		23,719,567
Cash and cash equivalents, end of the period	**$**	**27,373,825**	**$**	**25,573,752**
Supplemental Disclosure of Non-Cash Activities				
Transfers from mortgage loans held for investment including accrued interest, net to claims receivable, net	$	5,044	$	23,613
Transfers from mortgage loans held for investment including accrued interest, net to acquired property, net,	$	5,939	$	17,910

The accompanying notes are an integral part to these 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 residential loans to its MBS investors. The guarantee, which is backed by the full faith and credit of the U.S. government, increases liquidity in the secondary mortgage market and attracts new sources of capital for residential mortgage loans from investors. Ginnie Mae's role in the market enables qualified borrowers to have reliable access to a variety of mortgage products. Ginnie Mae's market is the U.S. and its Territories housing market. Among those Ginnie Mae supports through the MBS program are:

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

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

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

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

[1] *Ginnie Mae did not have any mortgage loans insured by PIH at September 30, 2021 or September 30, 2020. However, PIH-insured mortgage loans may exist within MBS pools.*

small issuers unable to meet the dollar requirements of the Ginnie Mae I MBS program to participate in the secondary mortgage market.

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

- Ginnie Mae Platinum Securities are formed by combining Ginnie Mae MBS securities 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 financings, repurchase transactions, and general trading.
- REMIC Securities direct underlying MBS principal and interest payments to classes with different principal balances, interest rates, average lives, prepayment characteristics and final maturities. REMIC Securities allow issuers to have more flexibility for creating securities to meet the needs of a variety of investors. Principal and interest payments are divided into varying payment streams to create classes with different expected maturities, differing levels of seniority or subordination or other characteristics.

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

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

Note 2: Summary of Significant Accounting Policies and Practices

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

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

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

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

Ginnie Mae has made significant estimates in a variety of areas including, but not limited to, fixed assets, and the valuation of certain financial instruments, such as mortgage servicing rights (MSR), acquired property, allowance for loss on mortgage loans held for investment (HFI) including accrued interest, claims and other loan receivables, guaranty assets, guaranty obligations, liability for representations and warranties, and the liability for loss on MBS program guarantee. Actual results could differ from those estimates.

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

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

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

During the fourth quarter of fiscal year 2021, 2 natural disasters impacted 5 states. Management performed an assessment over the pooled and non-pooled portfolios in these markets to assess the impact as a result of the natural disasters. Management found that there were no materially adverse effects to Ginnie Mae's financial statements.

Cash and Cash Equivalents: Ginnie Mae's cash and cash equivalents consists of cash held by the U.S. Treasury (Funds with U.S. Treasury), cash that is held by the 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), as well as U.S. Treasury short-term investments (securities issued with an original maturity date of three months or less). Cash receipts, disbursements, and investment activities are processed by U.S. Department of Treasury (U.S. Treasury). All cash not classified as restricted cash is accessible in the event of an issuer default, termination and extinguishment[2] (defined as any failure or inability of the issuer to perform its responsibilities under the Ginnie Mae MBS programs).

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 at the end of the reporting period.

Ginnie Mae's 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 notes, and U.S. Treasury inflation-indexed securities (reflecting inflation compensation). U.S. Treasury overnight certificates are issued with a stated rate of interest to be applied to their par value with a maturity date of the next business day. These overnight certificates are measured at cost, which approximates fair value. Interest income on such securities is presented within "Other interest income" in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

Restricted Cash and Cash Equivalents: Cash and cash equivalents are classified as restricted when the statutes, regulations, contracts or Ginnie Mae's statements of intentions legally limit the use of funds. Restrictions may include legally restricted deposits, contracts entered into with others, or the entity's statements of intention with regard to particular deposits. Restricted cash balances are recorded in a separate line item as restricted cash and cash equivalents. Ginnie Mae received approval from the Office of Management and Budget (OMB) to invest certain portions of restricted cash in U.S. Treasury short-term investments and Ginnie Mae is entitled to the interest income earned on these investments. Restricted cash and cash equivalents also include P&I

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[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 is not required to take over the right, title, and interest from issuers after default.

payments that were not collected by security holders and unapplied deposits held in a suspense account until the appropriate application is determined.

Escrow Funds (Held in Trust for MBS Certificate Holders or Mortgagors): Escrow funds are held in trust for payments of mortgagors' taxes, insurance and related items. These funds are collected by the MSS and held at depository institutions for which Ginnie Mae does not have access. This amount is $24.2 million and $24.8 million at September 30, 2021 and September 30, 2020, respectively. The escrow balance as of September 30, 2021 is an estimate and represents amounts submitted by the MSS. Escrow funds are not owned, invested or controlled by Ginnie Mae and are therefore not included in total assets or liabilities on Ginnie Mae's Balance Sheet. As such, Ginnie Mae receives no current or future economic benefits thereof, and there is no associated risk or reward to Ginnie Mae from the escrow funds.

Reimbursable Costs Receivable, Net: Costs incurred on both pooled and non-pooled loans expected to be reimbursed are recorded as reimbursable costs receivable and reported net of allowance for amounts that management believes will not be collected. Reimbursable costs arise when there are insufficient escrow funds available to make scheduled tax and insurance payments for loans serviced by Ginnie Mae, and Ginnie Mae advances funds to cover the shortfall to preserve a first lien position on the underlying collateral. In addition, Ginnie Mae advances funds to cover servicing related expenses in order 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 such as FHA, VA, RD, and PIH.

Accrued Fees and Other Receivables: Ginnie Mae's accrued fees and other receivables primarily include accrued guaranty fees. Accrued guaranty fees are recorded in the month in which fees are earned based on the aggregate unpaid principal balances (UPB) of the guaranteed securities outstanding. Guaranty fees are discussed in Note 5: *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.

Pass-Through Assistance Program Receivables Including Accrued Interest, Net: When the President of the United States declares a major disaster, Ginnie Mae, at its sole discretion, may extend to issuers one or more of the Disaster Assistance Programs identified in Chapter 34 of its Mortgage-Backed Securities Guide ("MBS Guide"), one of which is the Pass-Through Assistance Program ("PTAP"). Under PTAP, Ginnie Mae assists issuers with pass-through payments of P&I to investors if the issuers are facing a temporary liquidity shortfall directly attributable to a major disaster. Requests for assistance should only be made by an issuer as a "last resort". PTAP is not intended to provide long-term financing, or to address the full extent of solvency issues that an issuer might face as a result of a disaster.

Pass-Through Assistance Program Receivable: An issuer that receives an eligible pass-through assistance advance from Ginnie Mae will be obligated to repay it to Ginnie Mae according to the terms set forth in the applicable Supervisory Agreement. Ginnie Mae recognizes each pass-through assistance advance as a financing receivable (hereinafter referred to as "Pass-Through Assistance Program Receivables", or "PTAP Receivables") when the advance is disbursed to the issuer. Ginnie Mae cannot transfer PTAP receivables to another party and has the intent and ability to hold them for the foreseeable future or until maturity. Therefore, Ginnie Mae classifies all PTAP receivables as HFI and reports their carrying value, which includes the outstanding contractual balance (including accrued interest), net of cost basis adjustments, and net of allowance. The PTAP Receivables is discussed in Note 6: *Pass-Through Assistance Program Receivables Including Accrued Interest, Net*.

Accrued Interest Receivable: Ginnie Mae accrues interest on PTAP receivables at the effective interest rate based on the interest method, and records an allowance on accrued interest to the extent interest is uncollectible.

Non-Accrual: *Ginnie Mae places PTAP receivables on non-accrual status upon the earlier of:*

1) When Ginnie Mae determines that payment in full is not expected from the issuer, i.e. the PTAP receivable is considered impaired, or
2) When the PTAP receivable has been due and unpaid for 90 days.

If PTAP receivables are placed on non-accrual status, Ginnie Mae suspends recognizing additional interest income. Previously accrued interest is not reversed but becomes part of Ginnie Mae's recorded investment and is assessed for impairment. Partial repayments received for PTAP receivables on non-accrual status are applied to principal before accrued interest, as doubt exists about the collectability of principal. Due to the short-term nature of PTAP receivables, non-accrual PTAP receivables are generally not returned to accrual status. Forgone interest on non-accrual PTAP receivables is only recognized when cash repayment is received.

Allowance for PTAP Receivables: Ginnie Mae performs periodic and systematic reviews of PTAP receivables to identify credit risks and assess the overall collectability to determine if (1) available information at each Balance Sheet date indicates that it is probable a loss has occurred and (2) the amount of the loss can be reasonably estimated.

When Ginnie Mae determines that it is probable a credit loss has occurred and that loss can be reasonably estimated, Ginnie Mae recognizes the estimated amount of the incurred loss in the allowance for PTAP receivables. The allowance consists of two components: (1) an asset-specific component for larger-balance PTAP receivables individually evaluated and deemed impaired, and (2) a component for PTAP receivables collectively evaluated for impairment. PTAP receivables collectively evaluated for impairment include smaller-balance PTAP receivables and larger-balance PTAP receivables not deemed individually impaired. The allowance for PTAP receivables represents management's best estimate of probable credit losses inherent in Ginnie Mae's PTAP receivables. The allowance is netted against the recorded investment of PTAP receivables presented on the Balance Sheet.

Charge Off: Ginnie Mae charges off accrued interest and UPB for PTAP receivables when it believes collectability of interest or principal is not reasonably assured. Ginnie Mae's policy is to evaluate individual PTAP receivables on a quarterly basis, to determine whether payment in full is expected and charges off the amount deemed uncollectible against allowance for PTAP receivables.

Recoveries: Ginnie Mae records recoveries of PTAP receivables previously charged off when repayment received from the issuer exceeds the recorded investment. The recoveries are recorded by crediting the allowance, which results in an indirect credit to earnings through Recapture (Provision) for Pass-Through Assistance Program Receivables Including Accrued Interest, Net.

Claims Receivable, Net: Claims receivable represents receivables from conveyed properties and payments owed to Ginnie Mae from insuring or guaranteeing agencies (FHA, VA, RD, and PIH). Claims receivable consists of two 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, 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, RD, 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.

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 short sale claims that represents the expected unrecoverable amounts within the portfolio. Short sale claims less the allowance for short sale claims is the amount that Ginnie Mae determines to be collectible.

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.

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 foreclosed property claims that represents the expected unrecoverable amounts within the portfolio. Foreclosed property claims less the allowance for foreclosed property claims is the amount that Ginnie Mae determines to be collectible.

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 claims 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 security holders, when there is a shortfall in P&I payments collected on the pooled loans serviced by the MSS on behalf of Ginnie Mae. 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 guarantee per established insurance or guarantor rates, Ginnie Mae's collectability experience, and other economic factors.

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

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

Mortgage Loans Held For Investment: Ginnie Mae has the intent and ability to hold acquired loans for the foreseeable future or until maturity, therefore, the mortgage loans are classified as HFI. Ginnie Mae reports the carrying value of HFI loans on the Balance Sheet at the UPB along with accrued interest, net of cost basis adjustments, and net of allowance for loan losses including accrued interest, as required by U.S. GAAP. In the event that Ginnie Mae clearly identifies mortgage loans that it intends to sell, as well as develops a formal marketing strategy or plan of sale, Ginnie Mae will reclassify the applicable loans from HFI to held for sale (HFS). For loans which Ginnie Mae initially classified as HFI and subsequently transfers to HFS, those loans would be recognized at the lower of cost or fair value until sold, with any related cash flows classified as operating activities. At September 30, 2021 and September 30, 2020, Ginnie Mae had no loans classified as HFS.

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

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

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

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

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

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

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

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

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

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

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

- A delay in payment that is more than insignificant;
- A reduction in the contractual interest rate to lower than the market interest rate at the time of modification;

- Interest forbearance for a period of time for uncollected interest amounts, that is more than insignificant;
- Principal forbearance that is more than insignificant; and
- Discharge of the mortgagor's obligation due to filing of Chapter 7 bankruptcy.

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

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

FHA, VA, and RD insured loans fall in scope of Section 4022 "Foreclosure Moratorium and Consumer Right to Request Forbearance" of the CARES Act which grants forbearance rights and protection against foreclosure to borrowers with a federally backed mortgage loan[3]. Per Section 4022, upon the borrower's request, a servicer must provide forbearance for up to 180 days provided that the borrower must attest that they have experienced financial hardship due to COVID-19. Section 4022 also notes that the forbearance period may be extended for an additional period of up to 180 days at the request of the borrower, provided that, the borrower's request for an extension is made during the covered period, and, at the borrower's request, either the initial or extended period of forbearance may be shortened. FHA, VA and RD did not extend its foreclosure moratorium to the insured borrowers past July 31, 2021. Forbearance enrollment window remained open through September 30, 2021 to provide additional forbearance for borrowers that meet relevant criteria.

In April 2020, the Board of Governors of the Federal Reserve, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Consumer Financial Protection Bureau, in consultation with state financial regulators, issued a revision to the *Interagency Statement on Loan Modifications by Financial Institutions Working*

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

with Customers Affected by the Coronavirus ("Interagency Statement"), which was confirmed with the staff of the Financial Accounting Standards Board. The Interagency Statement encourages financial institutions to work constructively with borrowers impacted by COVID-19, provides additional information over loan modifications, and clarifies interactions between the interagency statement and related relief provided by the CARES Act. The Interagency Statement allows for an entity to either choose to account for an eligible loan modification under Section 4013 of the CARES Act or in accordance with the Interagency Statement's interpretation of existing US GAAP (ASC 310-40) in the context of COVID-19. The scope of the Interagency Statement applies to modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Loan modifications eligible for relief under the Interagency Statement meet all of the following criteria: 1) modification is in response to the National Emergency, 2) the loan was not 30 days or more past due at the time the modification program is implemented, and 3) the modification is short term in nature (e.g. six months).

Ginnie Mae has elected to account for modifications and take the optional relief provided within the Interagency Statement. For loan modifications to meet the criteria for relief under the Interagency Statement, one requirement is that borrowers have to be current at the implementation of the modification program. As such, institutions may presume borrowers are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program. In accordance with the Interagency Statement, loans subject to relief will continue to be presented as current within the financial statement aging disclosures. Further, these loans will continue to recognize interest income subject to Ginnie Mae's existing accounting policy. Refer to Note 10: *Mortgage Loans Held for Investment Including Accrued Interest, Net* for further details.

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

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

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

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

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

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, net. Any subsequent increases in fair value, net of estimated costs to sell, up to the cumulative loss previously recognized through the valuation allowance are recognized in acquired property expenses, net in the Statement of Revenue and Expenses and Changes in Investment of U.S. Government.

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

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

Fixed Assets, Net: Ginnie Mae's fixed assets consist of leased assets, hardware, and software that are used to accomplish its mission. 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, new 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 in either 2021 or 2020.

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 reassesses 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. See Note 14: *Fixed Assets, Net* for additional information.

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

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

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 guarantees. ASC 460 requires the guarantor to consider the requirements of ASC 450-20: *Contingencies – Loss Contingencies* in assessing whether a contingent loss needs to be accrued for the guaranty obligation. In the event that, at the inception of the guaranty, Ginnie Mae recognizes a contingent liability under ASC 450, the liability to be initially recognized for that guaranty shall be the greater of the non-contingent guaranty liability determined under ASC 460, or the contingent liability amount required to be recognized at inception of the guaranty in accordance with ASC 450. It is unusual at the inception of the guaranty for the contingent liability amount to exceed the non-contingent amount.

At inception of the guaranty, Ginnie Mae recognizes the guaranty obligation 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.

Guarantees 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.

Subsequent to initial measurement, guaranty obligations are measured on a quarterly basis by systematically amortizing the outstanding UPB of the underlying portfolios in the MBS guaranteed by Ginnie Mae. As loans within the pool portfolios are amortized, the balances decline and the exposure to credit losses gradually decreases month over month. Subsequent to initial measurement, the guaranty asset is recorded at fair value with changes in fair value recorded through the Statement of Revenues and Expenses and Changes in Investment of U.S. Government. Ginnie Mae elected to apply the fair value option to the guaranty asset to align accounting treatment with the economics of the guaranty asset and to align with industry practices and peers.

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

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

Other*:* Includes payables for fees incurred in the acquisition of services provided by the MSS and third-party vendors, unclaimed securities holders' payments, and a refund liability for transfer of issuer responsibilities 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.

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

- Deferred revenue – multiclass fees: Deferred multiclass fees 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 15: *Short-Term Liabilities and Deferred Revenue* for further details.

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

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

The contingent aspect of the guaranty obligation is measured initially and in subsequent periods under ASC 450-20: *Contingencies – Loss Contingencies*.

Refer to Note 17: *Reserve for Loss* for details on Ginnie Mae's current practice.

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

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. Refer to Note 16: *Revenue from Contracts with Customers* for disaggregation of revenue in the scope of ASC 606.

The majority of Ginnie Mae's revenues, including interest income on mortgage loans held for investment, other interest income, income on guaranty obligation, MBS guaranty fees, REMIC and Platinum Certificates guarantee fees, and certain MBS program and other fees, are subject to other GAAP requirements for recognition.

Ginnie Mae recognizes revenue from the following sources:

- Interest income on mortgage loans held for investment – Ginnie Mae accrues interest for performing loans at the contractual interest rate of the underlying mortgage.
- Interest income on pass-through assistance program receivable – Ginnie Mae accrues interest for PTAP receivables on accrual status at the effective interest rate based on the interest method.
- Other interest income – Ginnie Mae earns interest income on U.S. Government securities related to U.S. Treasury overnight certificates. Prior to 2018, Ginnie Mae earned and collected interest on uninvested funds, which was calculated using the applicable version of the Credit Subsidy Calculator 2 (CSC2) provided by the OMB. In September 2018, the U.S. Treasury clarified rules regarding the collection of interest on uninvested funds in the Financing Account. Based on additional conversations with and clarifications from 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 the Financing Account 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, U.S. Treasury and Ginnie Mae agreed that Ginnie Mae will not earn and 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 on September 30, 2021. At present, there is uncertainty regarding applicability of 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.
- MBS 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 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.

  Commitment fee revenue depends on the volume of commitment authority used, which is affected by changes in interest rates.

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

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

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

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

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

  The transfer of issuer responsibilities fees are one-time upfront fees received by Ginnie Mae for providing the review and approval services for issuer's requests to transfer responsibilities associated with their MBS. Transferors and transferees have the prerogative to 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. The transfer of issuer responsibilities fees is 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 applications fees, acknowledgement 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.
- MBS 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 actual 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 pools of mortgages issued by private institutions. Unlike substantially all of the securitization market, the issuance of Ginnie Mae guaranteed MBS is not completed through a trust vehicle. Rather, 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 trust. For consolidation purposes, each of these virtual trusts are considered individual legal entities and, in accordance with ASC 810: *Consolidations,* 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 guarantees is primarily comprised of the amount of outstanding MBS securities and commitments and does not consider loss recoverable from the FHA, VA, RD, and PIH.

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

	September 30, 2021	September 30, 2020
	(Dollars in thousands)	
Guaranty asset	$ 8,304,052	$ 6,755,883
Guaranty fee receivable	117,000	116,000
Total	**$ 8,421,052**	**$ 6,871,883**
Guaranty liability	$ 8,308,235	8,041,340
Liability for loss on mortgage-backed securities program guaranty	19,485	43,439
Total	**$ 8,327,720**	**$ 8,084,779**
Maximum exposure to loss:		
Outstanding MBS securities	$ 2,125,591,309	$ 2,117,699,399
Outstanding MBS commitments	301,023,584	234,376,731
Total	**$ 2,426,614,893**	**$ 2,352,076,130**

Refer to Note 5: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure* for further details.

Recently Adopted Accounting Pronouncements

The following table displays information about recent accounting pronouncements that have recently been adopted or are yet to be adopted.

Standard	Summary of Guidance	Effective Date and/or Date of Adoption	Effect on the financial statements
Reference Rate Reform (ASU 2021-01) Issued January 2021	• The amendments in this Update clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The amendments in this Update are elective and apply to all entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. The amendments also optionally apply to all entities that designate receive-variable rate, pay-variable-rate cross-currency interest rate swaps as hedging instruments in net investment hedges that are modified as a result of reference rate reform.	Adopted in September 2021.	The adoption of ASU 2021-01 did not have material impact on the Ginnie Mae Financial Statements. Refer to the MD&A for operational impact of the LIBOR transition.

Standard	Summary of Guidance	Effective Date and/or Date of Adoption	Effect on the financial statements
Reference Rate Reform (ASU 2020-04) Issued March 2020	• The amendments in this Update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this Update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship.	Adopted in September 2021.	The adoption of ASU 2020-04 did not have material impact on the Ginnie Mae Financial Statements. Refer to the MD&A for operational impact of the LIBOR transition.

Standard	Summary of Guidance	Effective Date and/or Date of Adoption	Effect on the financial statements
Codification Improvements (ASU 2020-10) Issued October 2020	• ASC 205: The requirement for entities to provide information in the comparative financial statements about notes to financial statements, explanations, and accountants' reports containing qualifications that appeared on the statements for the preceding years was codified in paragraph 205-10-45-4 but not in the corresponding Disclosure Section. This amendment adds the disclosure-specific requirements from the other presentation guidance to the Disclosure Section of Subtopic 205-10, and amends paragraph 205-10-45-4 and add paragraph 205-10-50-2, so paragraph 205-10-50-2 (Disclosures) and 205-10-45-4 (Other Presentation Matters) properly references each other. • ASC 460: The exceptions to the disclosure requirements in paragraphs 460-10-50-2 through 50-4 should apply to all the items listed in paragraph 460-10-15-7; they are not restricted to paragraph 460-10-15-7(a). This amendment amends paragraph 460-10-50-1 to update the reference from 460-10-15-7(a) to 460-10-15-7. • This amendment added paragraph 105-10-65-6 to provide transition guidance and effective date information for ASU 2020-10, Codification Improvements, for all the amendments listed in ASU	Effective October 2023. Ginnie Mae is early adopting this ASU in Q3 FY21.	The adoption of ASU 2020-10 did not have material impact on the Ginnie Mae Financial Statements.

Standard	Summary of Guidance	Effective Date and/or Date of Adoption	Effect on the financial statements
	2020-10. Non-public entities shall apply the pending content that links to this paragraph for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early adoption is permitted. • Other ASC updates included in the ASU were determined to be not applicable to Ginnie Mae		
Codification Improvements to Financial Instruments (ASU 2020-03) *Issued* *March 2020*	• The amendments in this update represent changes to clarify or improve the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. o Issue 1: Fair Value Option Disclosures - The amendment clarify that all entities are required to provide the fair value option disclosures in paragraphs 825-10-50-24 through 50-32.	Adopted in October 2020	The adoption of ASU 2020-03 did not have material impact on the Ginnie Mae Financial Statements.

Standard	Summary of Guidance	Effective Date and/or Date of Adoption	Effect on the financial statements
Consolidation (ASU 2018-17) *Issued October 2018*	• This Update amends two aspects of the related-party guidance in ASC 810. Under the new guidance: o 1) A private company (reporting entity) may elect not to apply VIE guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. This accounting alternative should reduce diversity in applying VIE guidance to private companies under common control, improve the relevance of the financial reporting and reduce the costs and complexity associated with applying VIE guidance to common control arrangements. o 2) When an entity determines whether a decision-making fee is a variable interest, it considers indirect interests held through related parties under common control on a proportionate basis rather than in their entirety.	Adopted in October 2020	The adoption of ASU 2018-17 did not have material impact on the Ginnie Mae Financial Statements.

Standard	Summary of Guidance	Effective Date and/or Date of Adoption	Effect on the financial statements
Intangibles – Goodwill and Other – Internal-Use Software (ASU 2018-15) *Issued August 2018*	• The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal –use software (and hosting arrangements that include an internal-use software license). Accordingly, the amendments in this update require an entity in a hosting arrangement that is service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. Costs to develop or obtain internal-use software that cannot be capitalized under Subtopic 350-40, such as training costs and certain data conversion costs, also cannot be capitalized for a hosting arrangement that is a service contract.	Adopted in October 2020	The adoption of ASU 2018-15 did not have material impact on the Ginnie Mae Financial Statements.

Recent Accounting Pronouncements Not Yet Adopted

Other Accounting Standards Update (ASU) not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on Ginnie Mae's financial position and/or results of operations.

Standard	**Description**	**Effective Date or Date of Adoption**	**Effect on the financial statements**
Financial Instruments – Credit Losses (ASU 2020-02) *Issued* *February 2020*	• Amendments to Subtopic 326-20 to add Section 326-20-S99 - Accounting for Loan Losses by Registrants Engaged in Lending Activities Subject to FASB ASC Topic 326. • FASB ASC Subtopic 326-20 addresses the measurement of current expected credit losses for financial assets measured at amortized cost basis, net investments in leases recognized by lessors, reinsurance recoverable, and certain off-balance-sheet credit exposures. At each reporting date, an entity shall record an allowance for credit losses on financial assets measured at amortized cost basis and net investments in leases recognized by lessors and shall record a liability for credit losses on certain off-balance-sheet exposures not accounted for as insurance or derivatives, including loan commitments, standby letters of credit, and financial guarantees. • For financial asset(s), the allowance for credit losses is a valuation account that is deducted from, or added to, the amortized cost basis of the financial asset(s) to present	Effective October 2023	Ginnie Mae is currently evaluating the potential impact on its financial statements.

Standard	Description	Effective Date or Date of Adoption	Effect on the financial statements
	the net amount expected to be collected on the financial asset(s). • The allowance for credit losses is an estimate of current expected credit losses considering available information relevant to assessing collectability of cash flows over the contractual term of the financial asset(s).		
Financial Instruments—Credit Losses (ASU 2019-11) *Issued November 2019*	• The amendments in this update clarify or address stakeholders' specific issues about certain aspects of the amendments in ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this update represent changes to clarify, correct errors in, or improve the Codification.	Effective October 2023	Ginnie Mae is currently evaluating the potential impact on its financial statements
Financial Instruments - Credit Losses, Derivatives and Hedging, and Leases: Effective Dates (ASU 2019-10) *Issued November 2019*	• In response to implementation challenges encountered by all entities when adopting a major Update and requests to defer certain major Updates not yet effective for all entities, the Board developed a philosophy to extend and simplify how effective dates are staggered between larger public companies (bucket one) and all other entities (bucket two). Those other entities include private companies, smaller public companies, not-for-	Effective October 2023	Ginnie Mae is currently evaluating the potential impact on its financial statements.

Standard	Description	Effective Date or Date of Adoption	Effect on the financial statements
	profit organizations, and employee benefit plans. • Credit Losses currently is not effective for any entities; early application is allowed for fiscal years beginning after December 15, 2018. Its mandatory effective dates are as follows: o 1. Public business entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years o 2. All other public business entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years o 3. All other entities (private companies, not-for-profit organizations, and employee benefit plans) for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.		
Financial Instruments - Credit Losses - Targeted Transition Relief (ASU 2019-05) *Issued May 2019*	• The amendments in this Update provide entities that have certain instruments within the scope of Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost, with an option to irrevocably elect the fair value option in Subtopic 825-10, Financial Instruments - Overall, applied on an	Effective October 2023	Ginnie Mae is currently evaluating the potential impact on its financial statements.

Standard	Description	Effective Date or Date of Adoption	Effect on the financial statements
	instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326.		
Financial Instruments - Credit Losses, Derivatives and Hedging, and Financial Instruments (ASU 2019-04) *Issued April 2019*	• The amendments clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates, and prepayments, among other topics	Effective October 2023	Ginnie Mae is currently evaluating the potential impact on its financial statements.
Codification Improvements to Topic 326, Financial Instruments-Credit Losses (ASU 2018-19) *Issued November 2018*	• The amendments in this Update for improvements related to Update 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, is to increase stakeholders' awareness of the amendments to scope and transition and effective date requirements and to expedite the improvements	Effective October 2023	Ginnie Mae is currently evaluating the potential impact on its financial statements.
Financial Instruments – Credit Losses (ASU 2016-13) *Issued June 2016*	• The guidance changes the impairment model for most financial assets and other instruments • For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally results in the earlier recognition of allowances for losses • For available-for-sale debt securities with unrealized	Effective October 2023	Ginnie Mae is currently evaluating the potential impact on its financial statements.

Standard	Description	Effective Date or Date of Adoption	Effect on the financial statements
	losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities • Entities will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables		

Note 3: Cash and Cash Equivalents

Cash and cash equivalents consist of cash held by the U.S. Treasury (Funds with U.S. Treasury), cash that is held by the 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), as well as U.S. Treasury short-term investments (securities issued with an original maturity date of three months or less). Cash receipts, disbursements, and investment activities are processed by U.S. Department of Treasury (U.S. Treasury). All cash not classified as restricted cash is accessible in the event of an issuer default, termination and extinguishment (defined as any failure or inability of the issuer to perform its responsibilities under the Ginnie Mae MBS programs).

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

	September 30, 2021		
	Unrestricted	Restricted	Total
	(Dollars in thousands)		
Funds with U.S. Treasury (1)	$ 11,751,661	$ 1,274,989	$ 13,026,650
Deposit in Transit:			
Cash held by MSS (2)	36,531	-	36,531
Cash held by Trustee and Administrator of securities (3)	16,979	-	16,979
U.S. Treasury short-term investments (4)	14,270,118	23,547	14,293,665
Total	**$ 26,075,289**	**$ 1,298,536**	**$ 27,373,825**

	September 30, 2020		
	Unrestricted	Restricted	Total
	(Dollars in thousands)		
Funds with U.S. Treasury [1]	$ 15,975,171	$ 1,038,135	$ 17,013,306
Deposit in Transit:			
Cash held by MSS [2]	29,992	-	29,992
Cash held by Trustee and Administrator of securities [3]	5,872	-	5,872
U.S. Treasury short-term investments [4]	8,501,090	23,492	8,524,582
Total	**$ 24,512,125**	**$ 1,061,627**	**$ 25,573,752**

(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, as well as cash and cash equivalents that are restricted temporarily, until Ginnie Mae determines the appropriate allocation for cash received.

(2) This amount represents cash collected by the MSS for Ginnie Mae but not yet received by Ginnie Mae.

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

(4) This amount represents investments in overnight certificates. It includes the money owed to MBS certificate holders who cannot be located by the administrator of the Ginnie Mae MBS securities and have not yet been claimed. There is no statute of limitations stating when the MBS certificate holder can claim this cash. See Note 4: Restricted Cash and Cash Equivalents for details on unclaimed security holder payments.

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.

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 Ginnie Mae's behalf, but not yet transferred to Ginnie Mae 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 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: U.S. Treasury securities 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 notes, and U.S. Treasury inflation-indexed securities (reflecting inflation compensation). Ginnie Mae has approval from the OMB to establish a Capital Reserve Fund, which can be invested in overnight U.S. Government securities. As a result of the OMB approval, Ginnie Mae invested the full balance of the Capital Reserve Fund of approximately $14.2 billion and $8.4 billion, and the Liquidating Fund of approximately $123.1 million and $124.2 million in overnight U.S. Government securities at September 30, 2021 and September 30, 2020, respectively. At September 30, 2021 and September 30, 2020, Ginnie Mae only held overnight certificates. The U.S. Treasury short-term investments balance includes $23.5 million and $23.5 million of restricted cash related to unclaimed MBS security holder payments at September 30, 2021 and September 30, 2020, respectively. U.S. Treasury securities are carried at cost, which approximates fair value.

Note 4: 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 Ginnie Mae's statements of intention with regard to particular deposits. The balance consists of the following:

- Unclaimed security holder payments: Money owed to MBS certificate holders who cannot be located by the administrator of Ginnie Mae MBS securities. The money stays in U.S. Treasury short-term investments until the MBS certificate holders claim the money.
- 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 passthrough payments: Cash from unremitted P&I collections sent to Ginnie Mae, that Ginnie Mae has an obligation to pass through to MBS holders.

The balance of restricted cash and cash equivalents were as follows:

	September 30, 2021	September 30, 2020
	(Dollars in thousands)	
Restricted cash balance in U.S. Treasury Short-Term investment		
Unclaimed security holder payments	$ 23,547	$ 23,492
Total restricted cash balance in U.S. Treasury Short-Term investment	**$ 23,547**	**$ 23,492**
Restricted funds with U.S. Treasury		
Unapplied deposits	$ 195	$ 195
Fund balances precluded from obligation	1,270,294	1,034,937
Liability for investor pay off	4,500	3,003
Total restricted funds with U.S. Treasury	**$ 1,274,989**	**$ 1,038,135**
Total	**$ 1,298,536**	**$ 1,061,627**

Note 5: Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure

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

Ginnie Mae recognizes a guaranty asset upon issuance of a guarantee for the expected present value of the guaranty fees. The guaranty asset recognized on the Balance Sheet is $8.3 billion and $6.8 billion at September 30, 2021 and September 30, 2020, respectively. The guaranty obligation represents the non-contingent liability for Ginnie Mae's obligation to stand ready to perform on its guarantee. The guaranty obligation recognized on the Balance Sheet is $8.3 billion and $8.0 billion at September 30, 2021 and September 30, 2020, respectively. After the initial measurement, the guaranty asset is recorded at fair value and the guaranty obligation is amortized based on the remaining UPB of the MBS pools. The difference in measurement for the guaranty asset and guaranty obligation subsequent to initial recognition may cause volatility in reported earnings due to different measurement attributes in reporting the related financial asset (using projected economic exposures such as interest rates and prepayments) and the financial liability (using actual payoffs and paydowns). Refer to Note 13: *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 guarantees is primarily comprised of the UPB of MBS securities and outstanding commitments and does not consider loss recoverable from other agencies. The UPB of Ginnie Mae's MBS securities was approximately $2.1 trillion at both September 30, 2021 and September 30, 2020. It should be noted, however, that Ginnie Mae's potential loss is considerably less due to the financial strength of its issuers. In addition, the value of the underlying collateral and the insurance provided by insuring or guaranteeing agencies indemnify Ginnie Mae for most losses.

The Ginnie Mae guaranteed security is a pass-through security whereby mortgage P&I payments (or curtailments) are passed through to the MBS certificate holders monthly. Exposure to credit loss is primarily contingent on the nonperformance of Ginnie Mae issuers. Ginnie Mae does not anticipate nonperformance by the issuers other than those considered probable of default reflected in the liability for loss on mortgage backed securities guaranty program line item on the Balance Sheet or considered reasonably possible of default as disclosed in Note 17: *Reserve for Loss*. Terms of the guarantee for single family programs are maximum 30 years. For multifamily programs, the maximum guarantee term is capped at 40 years plus the applicable construction period. For HMBS programs, the maximum guarantee term is 50 years from the issuance of the security. Refer to Note 17: *Reserve for Loss* for discussion of contingent and non-contingent guaranty liability.

Ginnie Mae is also subject to credit risk for its outstanding commitments to guarantee MBS, which are not recognized on its Balance Sheet. These commitments represent Ginnie Mae's guarantee 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 12 months after the authority is approved for single family issuers and on the last day of the month that is 24 months 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 securities due in part to Ginnie Mae's ability to limit commitment authority granted to individual MBS issuers. Outstanding MBS securities and commitments were as follows:

	September 30, 2021		September 30, 2020	
	(Dollars in billions)			
Outstanding MBS securities	$	2,126	$	2,118
Outstanding MBS commitments		301		234
Total	**$**	**2,427**	**$**	**2,352**

The Ginnie Mae MBS serves as collateral for multiclass products, such as REMICs, Callable Trusts, Platinum Certificates, and Stripped MBS (SMBS), 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 MBS certificate holder's requirements for yield, maturity, and call-option features.

For the year ended September 30, 2021 and 2020, multiclass security program issuances totaled $254.2 billion and $159.4 billion, respectively. The estimated outstanding balance of multiclass securities included in the outstanding MBS balance was $608.7 billion and $559.4 billion at September 30, 2021 and September 30, 2020, respectively. These guaranteed securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the MBS collateral.

Note 6: Pass-Through Assistance Program Receivables Including Accrued Interest, Net

In response to the COVID-19 National Emergency declared by the President of the United States on March 13, 2020, Ginnie Mae has revised and expanded the Issuer Assistance Programs in Chapter 34 of the MBS Guide. The expansion includes the addition of a new PTAP, specifically authorized for use in response to the COVID-19 National Emergency. Under this program, Ginnie Mae may assist issuers under the single-family and multifamily programs with pass-through payments to investors, if the issuers are facing a temporary liquidity shortfall directly attributable to the COVID-19 National Emergency.

As of September 30, 2021, Ginnie Mae has disbursed a total of $13.1 million from its own capital reserves: $1.6 million in the current fiscal year ended September 30, 2021 and $11.5 million in the fiscal year ended September 30, 2020. As of September 30, 2021, Ginnie Mae collected $13.2

million in total repayments (including interest): $4.7 million in the current fiscal year ended September 30, 2021 and $8.5 million in fiscal year ended September 30, 2020. If Ginnie Mae's own capital reserves were depleted, Ginnie Mae has the authority to borrow from the U.S. Treasury to meet immediate funding needs for PTAP. Ginnie Mae's borrowing agreement with Treasury and associated borrowing authority expired on September 30, 2021, and no amounts were obligated or used against this authority in either of the years ended September 30, 2021 or 2020. PTAP receivables are considered short-term in nature as their maturity dates are within 12 months from the end of the month the corresponding PTAP requests were approved. The PTAP program for Single-Family ended on July 31, 2021, and the PTAP program for Multifamily will end on December 31, 2021.

The tables below present the carrying value of PTAP receivables including accrued interest:

	September 30, 2021		
	Single Family Program	Multifamily Program	Total
	(Dollars in Thousands)		
PTAP receivables UPB	$ -	$ -	$ -
PTAP accrued interest receivable	-	-	-
Recorded investment of PTAP receivables	**$ -**	**$ -**	**$ -**
Allowance for PTAP receivables	-	-	-
PTAP receivables including accrued interest, net	**$ -**	**$ -**	**$ -**

	September 30, 2020		
	Single Family Program	Multifamily Program	Total
	(Dollars in Thousands)		
PTAP receivables UPB	$ 3,103	$ -	$ 3,103
PTAP accrued interest receivable	23	-	23
Recorded investment of PTAP receivables	**$ 3,126**	**$ -**	**$ 3,126**
Allowance for PTAP receivables	(454)	-	(454)
PTAP receivables including accrued interest, net	**$ 2,672**	**$ -**	**$ 2,672**

As of September 30, 2021, and September 30, 2020, no outstanding PTAP receivables are past due or impaired.

Allowance for PTAP Receivables

Ginnie Mae performs a quarterly analysis of outstanding PTAP receivables to determine if impairment has occurred and to assess the appropriateness of allowance. The allowance for PTAP receivables involves significant management judgment and estimates of credit losses inherent in the PTAP receivables.

The allowance for PTAP receivables consists of two components: (1) an asset-specific component for larger-balance PTAP receivables individually evaluated and deemed impaired, and (2) a component for PTAP receivables collectively evaluated for impairment. As of September 30, 2021, no outstanding PTAP receivables were identified for individual impairment evaluation. The collective component of allowance for PTAP receivables was calculated based on estimated probability of default, which was derived using the following approach: 1) identifying Ginnie Mae's internal Issuer Risk Grade (IRG) for issuers with outstanding PTAP receivables, 2) mapping each issuer's IRG to comparable agency ratings, and 3) estimating probabilities of default by leveraging the actual one-year default rates that credit rating agencies published by rating.

The following table presents changes in Ginnie Mae's allowance for PTAP receivables:

	For the year ended September 30, 2021	2020
	(Dollars in thousands)	
Balance, beginning of period	$ (454)	$ -
Recapture (provision)	454	(454)
Charge offs	-	-
Recoveries	-	-
Balance, end of period	**$ -**	**$ (454)**
Recorded investment of PTAP receivables	**$ -**	**$ 3,126**
Net investment of PTAP receivables	**$ -**	**$ 2,672**

Note 7: Mortgage Servicing Rights

Upon Ginnie Mae's assumption of defaulted issuers' entire Ginnie Mae guaranteed pooled-loan portfolio, Ginnie Mae assumes the servicing rights and servicing obligations associated with servicing those portfolios. Ginnie Mae earns servicing fees as compensation for its servicing and administrative duties.

The fair value of Ginnie Mae's capitalized MSRs was $268.0 thousand and $398.6 thousand at September 30, 2021 and September 30, 2020, respectively. The MSRs correspond to UPB of $89.5 million and $147.1 million at September 30, 2021 and September 30, 2020, respectively.

The following table summarizes the changes in capitalized MSRs:

	For the year ended September 30, 2021	2020
	(Dollars in thousands)	
Balance, beginning of period	$ 398	$ 1,268
Additions	-	-
Dispositions	-	-
Changes in fair value due to:		
Changes in valuation inputs or assumptions used in valuation model	(130)	(870)
Other changes in fair value	-	-
Balance, end of period	**$ 268**	**$ 398**

For the year ended September 30, 2021 and 2020, Ginnie Mae earned $404.1 thousand and $619.7 thousand, respectively, related to servicing fee income, which is included in MBS program and other income.

Note 8: Reimbursable Costs, Net

The following tables present reimbursable costs and related allowance amounts, by loan insurance type:

	September 30, 2021 FHA	VA	RD	Conventional	Total
	(Dollars in Thousands)				
Reimbursable costs	$ 31,894	$ 1,631	$ 515	$ 85	$ 34,125
Allowance for reimbursable costs	(7,547)	(394)	(155)	(25)	(8,121)
Reimbursable costs, net	**$ 24,347**	**$ 1,237**	**$ 360**	**$ 60**	**$ 26,004**

	September 30, 2020 FHA	VA	RD	Conventional	Total
	(Dollars in Thousands)				
Reimbursable costs	$ 33,679	$ 1,922	$ 686	$ 245	$ 36,532
Allowance for reimbursable costs	(2,968)	(628)	(217)	(38)	(3,851)
Reimbursable costs, net	**$ 30,711**	**$ 1,294**	**$ 469**	**$ 207**	**$ 32,681**

Note 9: Advances, Net

Advances include payments made to MSS to cover any shortfalls to investors resulting from mortgagors defaulting on their mortgage payments. 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, RD, and PIH.

During the years ended September 30, 2021 and September 30, 2020, no issuers defaulted, and therefore no issuers were subsequently terminated and extinguished. Ginnie Mae made advance payments for five previously defaulted issuers for the years ended September 30, 2021 and September 30, 2020. Ginnie Mae assumed the servicing rights and obligations of these defaulted issuers and advanced funds to the MSS to cover P&I not yet paid by mortgagors, but due to the MBS investors.

The net carrying value of the Advances balance is as follows:

	September 30, 2021		September 30, 2020	
	(Dollars in thousands)			
Advances	$	1,203	$	945
Allowance for uncollectible advances		(212)		(161)
Advances, net	**$**	**991**	**$**	**784**

Changes in the allowance for Advances are as follows:

	For the year ended September 30,			
	2021		2020	
	(Dollars in thousands)			
Balance, beginning of period	$	(161)	$	(82)
Provision for uncollectible advances		(51)		(79)
Charge offs		-		-
Recoveries		-		-
Balance, end of period	**$**	**(212)**	**$**	**(161)**

Note 10: Mortgage Loans Held for Investment Including Accrued Interest, Net

Ginnie Mae classifies loans as either HFS or HFI. At September 30, 2021 and September 30, 2020, Ginnie Mae's loan portfolio did not include any HFS loans. Ginnie Mae reports the carrying value of HFI loans at the recorded investment of the mortgage loan, which represents the UPB and accrued interest, net of cost basis adjustments, and net of allowance for loan losses including allowance for accrued interest receivable.

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

	September 30, 2021				
	Conventional	FHA	VA	RD	Total
	(Dollars in thousands)				
Mortgage loans held for investment UPB	$ 89,405	$ 1,757,344	$ 72,422	$ 30,685	$ 1,949,856
Accrued interest receivable	925	11,562	900	273	13,660
Recorded investment of mortgage loans held for investment including accrued interest	**$ 90,330**	**$ 1,768,906**	**$ 73,322**	**$ 30,958**	**$ 1,963,516**
Allowance for loan losses	(2,845)	(91,217)	(1,817)	(1,304)	(97,183)
Mortgage loans held for investment including accrued interest, net	$ **87,485**	$ **1,677,689**	$ **71,505**	$ **29,654**	$ **1,866,333**

	September 30, 2020				
	Conventional	FHA	VA	RD	Total
	(Dollars in thousands)				
Mortgage loans held for investment UPB	$ 113,579	$ 2,004,110	$ 87,056	$ 37,593	$ 2,242,338
Accrued interest receivable	1,069	17,434	846	187	19,536
Recorded investment of mortgage loans held for investment including accrued interest	**$ 114,648**	**$ 2,021,544**	**$ 87,902**	**$ 37,780**	**$ 2,261,874**
Allowance for loan losses	(4,546)	(133,039)	(2,810)	(2,009)	(142,404)
Mortgage loans held for investment including accrued interest, net	**$ 110,102**	**$ 1,888,505**	**$ 85,092**	**$ 35,771**	**$ 2,119,470**

Credit Quality Indicators

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

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

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

	September 30, 2021 Less than 80%	80-100%	Greater than 100%	Total
	(Dollars in thousands)			
Conventional	$ 6,276	$ 80,571	$ 3,483	$ 90,330
FHA	117,575	1,620,216	31,115	1,768,906
VA	4,585	53,001	15,736	73,322
RD	1,064	22,124	7,770	30,958
Total	**$ 129,500**	**$ 1,775,912**	**$ 58,104**	**$ 1,963,516**

	September 30, 2020 Less than 80%	80-100%	Greater than 100%	Total
	(Dollars in thousands)			
Conventional	$ 7,798	$ 102,296	$ 4,554	$ 114,648
FHA	133,666	1,852,218	35,660	2,021,544
VA	5,888	63,576	18,438	87,902
RD	1,174	26,699	9,907	37,780
Total	**$ 148,526**	**$ 2,044,789**	**$ 68,559**	**$ 2,261,874**

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

Aging Analysis

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

	September 30, 2021								
	One Month Delinquent	Two Months Delinquent	Three Months Delinquent	Four Months or more Delinquent	Total Delinquent	Current[1]	Total	Loans Over 90 Days Delinquent and Accruing Interest[2]	Recorded Investment in Non-accrual loans[3]
					(Dollars in Thousands)				
Conventional	$ 7,288	$ 2,378	$ 843	$ 9,642	$ 20,151	$ 70,179	$ 90,330	$ -	$ 19,173
FHA	123,078	43,224	21,114	297,720	485,136	1,283,770	1,768,906	297,718	-
VA	6,028	2,107	897	20,197	29,229	44,093	73,322	20,197	-
RD	3,346	1,247	842	6,191	11,626	19,332	30,958	6,193	-
Total	**$ 139,740**	**$ 48,956**	**$ 23,696**	**$ 333,750**	**$ 546,142**	**$ 1,417,374**	**$ 1,963,516**	**$ 324,108**	**$ 19,173**

	September 30, 2020								
	One Month Delinquent	Two Months Delinquent	Three Months Delinquent	Four Months or more Delinquent	Total Delinquent	Current[4]	Total	Loans Over 90 Days Delinquent and Accruing Interest[2]	Recorded Investment in Non-accrual loans[3]
					(Dollars in Thousands)				
Conventional	$ 8,790	$ 3,257	$ 1,326	$ 11,028	$ 24,401	$ 90,247	$ 114,648	$ -	$ 21,982
FHA	151,326	65,207	37,376	301,042	554,951	1,466,593	2,021,544	301,042	-
VA	4,671	2,563	2,184	23,344	32,762	55,140	87,902	23,344	-
RD	3,696	1,310	1,446	6,809	13,261	24,519	37,780	6,809	-
Total	**$ 168,483**	**$ 72,337**	**$ 42,332**	**$ 342,223**	**$ 625,375**	**$ 1,636,499**	**$2,261,874**	**$ 331,195**	**$ 21,982**

(1) Includes 82 loans with a recorded investment of $9.8 million subject to Interagency Statement relief. Loans subject to Interagency relief recognize interest income subject to Ginnie Mae's non-accrual policy as discussed in Note 2: Summary of Significant Accounting Policies and Practices.

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

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

(4) Includes 858 loans with a recorded investment of $118.7 million subject to Interagency Statement relief. Loans subject to Interagency relief recognize interest income subject to Ginnie Mae's non-accrual policy as discussed in Note 2: Summary of Significant Accounting Policies and Practices.

Impaired Loans

Ginnie Mae's impaired loans include the following categories:

- TDR loans
- PCI loans

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

	September 30, 2021				
	Recorded Investment	Related Allowance	Unpaid Principal Balance	Average Recorded Investment	Total Interest Income Recognized[1]
	(Dollars in thousands)				
With related allowance recorded:					
Conventional	$ 39,232	$ (2,294)	$ 39,002	$ 39,760	$ 1,926
FHA	1,266,612	(90,009)	1,262,048	1,282,667	55,805
VA	49,379	(1,817)	49,145	50,159	2,358
RD	20,532	(1,305)	20,430	20,845	1,106
Total impaired loans with related allowance recorded	$ 1,375,755	$ (95,425)	$ 1,370,625	$ 1,393,431	$ 61,195
With no related allowance recorded[2]:					
Conventional	$ 11,559	$ -	$ 11,240	$ 11,837	$ 904
FHA	263,991	-	259,427	265,916	9,843
VA	23,942	-	23,277	23,956	1,385
RD	10,426	-	10,257	10,500	924
Total impaired loans with no related allowance recorded	$ 309,918	$ -	$ 304,201	$ 312,209	$ 13,056
Total impaired loans[3]	**$ 1,685,673**	**$ (95,425)**	**$ 1,674,826**	**$ 1,705,640**	**$ 74,251**

	September 30, 2020									
	Recorded Investment		Related Allowance		Unpaid Principal Balance		Average Recorded Investment		Total Interest Income Recognized[(1)]	
					(Dollars in thousands)					
With related allowance recorded:										
Conventional	$	45,579	$	(3,647)	$	45,289	$	46,091	$	2,125
FHA		1,506,795		(130,361)		1,498,174		1,550,854		66,035
VA		62,427		(2,810)		61,860		65,150		2,850
RD		26,830		(2,009)		26,685		28,083		1,335
Total impaired loans with related allowance recorded	$	1,641,631	$	(138,827)	$	1,632,008	$	1,690,178	$	72,345
With no related allowance recorded[(2)]:										
Conventional	$	14,257	$	-	$	13,939	$	20,828	$	646
FHA		188,407		-		183,619		299,967		8,308
VA		25,475		-		25,196		41,680		1,332
RD		10,950		-		10,908		16,783		739
Total impaired loans with no related allowance recorded	$	239,089	$	-	$	233,662	$	379,258	$	11,025
Total impaired loans[(4)]	**$**	**1,880,720**	**$**	**(138,827)**	**$**	**1,865,670**	**$**	**2,069,436**	**$**	**83,370**

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

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

(3) The recorded investment, related allowance, and UPB for TDRs was $1,656.3 million, $95.0 million, and $1,645.7 million, respectively, at September 30, 2021. The recorded investment, related allowance, and UPB for PCI loans was $29.4 million, $0.5 million, and $29.1 million, respectively, at September 30, 2021.

(4) The recorded investment, related allowance, and UPB for TDRs was $1,839.2 million, $137.8 million, and $1,824.6 million, respectively, at September 30, 2020. The recorded investment, related allowance, and UPB for PCI loans was $41.5 million, $1.0 million, and $41.1 million, respectively, at September 30, 2020.

Troubled Debt Restructuring

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

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

Ginnie Mae's loan modification programs may result in various types of concessions (including a combination of concessions) such as term extensions and interest rate reductions (lower than what the mortgagor would receive in the market at the time of the modification). Ginnie Mae considers these modifications a concession to mortgagors experiencing financial difficulties and therefore classifies these loans as TDRs. The average term extension granted by Ginnie Mae was 32 months and 65 months for the year ended September 30, 2021 and 2020, respectively. The average interest rate reduction was 0.34 percentage points and 1.02 percentage points for the year ended September 30, 2021 and 2020, respectively.

The following table present the number of loans and recorded investment of loans newly classified[1] as a TDR during the year ended:

	September 30,			
	2021		2020	
	Number of Loans[3]	Recorded Investment[2]	Number of Loans[3]	Recorded Investment[2]
	(Dollars in thousands)			
Conventional	25	$ 2,400	32	$ 3,956
FHA	330	44,191	174	23,490
VA	22	4,715	15	3,048
RD	16	1,366	8	778
Total	**393**	**$ 52,672**	**229**	**$ 31,272**

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

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

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

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

	September 30,			
	2021		2020	
	Number of Loans	Recorded Investment[2]	Recorded Investment[2]	Number of Loans
	(Dollars in thousands)			
Conventional	1	$ 71	-	$ -
FHA	26	3,163	7	1,410
VA	1	417	2	541
RD	3	263	1	125
Total	**31**	**$ 3,914**	10	**$ 2,076**

(1) Includes 28 loans with a recorded investment of $3.2 million that no longer qualify for a relief provided within the Interagency Statement and which defaulted during the period.

Purchased Credit Impaired Loans

Upon acquisition, if the purchased loan is delinquent and uninsured, or guaranteed or insured by VA, RD, or PIH, Ginnie Mae concludes that it is probable that it will not collect all contractually required payments receivable. Accordingly, these loans are considered PCI mortgage loans.

Historically, Ginnie Mae has not applied the PCI guidance to its loans purchased with evidence of credit deterioration since Ginnie Mae has determined that non-compliance with the full PCI requirements outlined in ASC 310-30 does not, on its own, preclude the financial statements as a whole from being materially compliant with U.S. GAAP. Currently, upon acquisition, the PCI loans are recorded at UPB and accrued interest, less allowance. Ginnie Mae measures subsequent impairment on these loans based on the present value of expected future cash flows. Refer to Note 2: *Summary of Significant Accounting Policies and Practices* for U.S. GAAP requirements.

Ginnie Mae does not consider delinquent FHA guaranteed or insured acquired loans as PCI due to the extent of coverage provided per the FHA insurance guidelines. The FHA insurance is inseparable from the underlying loan and remains with the loan upon transfer or disposition.

For the year ended September 30, 2021 and 2020, there were $3.9 million and $3.5 million, respectively, of purchases of loans classified as PCI.

Foreclosures in Process

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

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

The recorded investment of Foreclosure in Process loans was $122.1 million and $135.6 million as of September 30, 2021 and September 30, 2020, respectively. Although the foreclosure process has begun for these loans, Ginnie Mae believes that a portion of these loans will not complete the foreclosure process due to Ginnie Mae's loss mitigation activities.

Allowance for Loan Losses

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

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

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

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

	September 30, 2021	September 30, 2020
	(Dollars in thousands)	
Recorded investment:		
Collectively evaluated	$ 277,843	$ 381,154
Individually evaluated	1,656,249	1,839,245
Purchase credit impaired	29,424	41,475
Total recorded investment in loans	**$ 1,963,516**	**$ 2,261,874**
Ending balance of the allowance for loan losses:		
Collectively evaluated	$ (1,758)	$ (3,577)
Individually evaluated	(94,952)	(137,783)
Purchase credit impaired	(473)	(1,044)
Total allowance for loan losses	**$ (97,183)**	**$ (142,404)**
Net Investment in mortgage loans HFI	**$ 1,866,333**	**$ 2,119,470**

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

	For the year ended September 30,			
	2021		2020	
	(Dollars in thousands)			
Balance, beginning of period	$	(142,404)	$	(144,303)
Recapture (provision) for loan losses		39,001		1,551
Charge offs		12,000		7,343
Recoveries		(5,780)		(6,995)
Balance, end of period	**$**	**(97,183)**	**$**	**(142,404)**

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

Note 11: Claims Receivable, Net

Claims receivable are balances owed to Ginnie Mae from insuring or guaranteeing agencies (FHA, VA, RD, and PIH) related to conveyed properties and short sales. Short sale claims receivable represents payments owed to Ginnie Mae for shortfalls covered by insuring or guaranteeing agencies for properties where the net proceeds from a short sale fall short of the debts secured by liens against the property, in accordance with the respective agency guidelines. Foreclosed property claims receivable represents amounts Ginnie Mae expects to receive by conveying the foreclosed property title to the insuring or guaranteeing agency for properties where Ginnie Mae has received title by completion of foreclosure, deed in lieu of foreclosure, or through a similar legal agreement. 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, 2021							
	FHA		VA		RD		Total	
	(Dollars in thousands)							
Foreclosed property claims receivable[1]	$	41,192	$	806	$	1,136	$	43,134
Short sale claims receivable[2]		627		179		-		806
Allowance for claims receivable		(2,271)		(51)		(13)		(2,335)
Claims receivable, net	**$**	**39,548**	**$**	**934**	**$**	**1,123**	**$**	**41,605**

	September 30, 2020							
	FHA		VA		RD		Total	
	(Dollars in thousands)							
Foreclosed property claims receivable[1]	$	88,300	$	1,153	$	2,126	$	91,579
Short sale claims receivable[2]		920		236		182		1,338
Allowance for claims receivable		(20,278)		(609)		(114)		(21,001)
Claims receivable, net	**$**	**68,942**	**$**	**780**	**$**	**2,194**	**$**	**71,916**

(1) Foreclosed property claims receivable represents reimbursements owed to Ginnie Mae by insuring or guaranteeing agencies (which may include FHA, VA, RD, 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, RD, and PIH) for properties sold to avoid foreclosure where the proceeds received are insufficient to fully satisfy the remaining balances of the mortgages.

The foreclosed property claims and short sale claims allowance balances are estimated based on underlying insuring or guaranteeing agency guidelines, and historical collectability experience.

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

Note 12: Acquired Property, Net

Ginnie Mae recognizes acquired property in accordance with the accounting policy described in Note 2: *Summary of Significant Accounting Policies and Practices*. The acquired properties are typically either RD insured[1], FHA insured[2] or uninsured conventional loans[3]. 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 year ended September 30, 2021	2020
	(Dollars in thousands)	
Balance, beginning of period – acquired properties	$ 5,724	$ 11,337
Additions	5,296	11,572
Dispositions	(4,707)	(17,185)
Balance, end of period – acquired properties	**$ 6,313**	**$ 5,724**
Balance, beginning of period – valuation allowance	(1,121)	(1,392)
Change in valuation allowance	809	271
Balance, end of period – valuation allowance	**$ (312)**	**$ (1,121)**
Balance, end of period – acquired properties, net	**$ 6,001**	**$ 4,603**

(1) Properties from foreclosed RD insured loans are not conveyed to the insuring agency subsequent to foreclosure per the insurance guidelines published by RD.

(2) 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.

(3) 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 RD insured, FHA insured or uninsured conventional loans, not VA insured loans.

Note 13: Fair Value Measurement

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

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

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

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

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

Assets 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, 2021			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Assets:				
Guaranty asset	$ -	$ -	$ 8,304,052	$ 8,304,052
Mortgage servicing rights	-	-	268	268
Total Assets at Fair Value	**$ -**	**$ -**	**$ 8,304,320**	**$ 8,304,320**

	September 30, 2020							
	Level 1		Level 2		Level 3		Total	
	(Dollars in thousands)							
Assets:								
Guaranty asset	$	-	$	-	$	6,755,883	$	6,755,883
Mortgage servicing rights		-		-		398		398
Total Assets at Fair Value	**$**	**-**	**$**	**-**	**$**	**6,756,281**	**$**	**6,756,281**

For the year ended September 30, 2021 and 2020, the guaranty asset increased by $3.8 billion and $2.5 billion, respectively, due to new MBS issuances, which was offset by $2.2 billion and $2.8 billion, respectively, due to paydowns and unrealized losses in fair value.

Ginnie Mae had no acquisitions of MSRs for the years ended September 30, 2021 and 2020, respectively.

Ginnie Mae records transfers into or out of Level 3, if any, at the beginning of the period. There were no transfers into or out of Level 3 during the year ended September 30, 2021 and twelve months September 30, 2020.

Mortgage Servicing Rights – The valuation technique used by Ginnie Mae to measure the fair value of MSRs is based on the present value of expected future cash flows from servicing the underlying mortgage assets. An MSR asset represents the benefits of servicing which are expected to be more than adequate compensation to Ginnie Mae for performing the servicing related to these loans. A servicing liability is recorded when the benefits of servicing are not expected to adequately compensate Ginnie Mae for performing the servicing. The determination of adequate compensation is a market notion and it is made independent to Ginnie Mae's cost of servicing. Accordingly, Ginnie Mae's determination of adequate compensation is based on compensation demanded in the marketplace. The significant unobservable inputs used in estimating the fair value of Ginnie Mae's Level 3 MSR assets and liabilities include management's best estimates of certain key assumptions, which include prepayment experience, forward yield curves, adequate compensation, delinquency rates, and discount rates commensurate with the risks involved. Changes in anticipated prepayment experience, in particular, result in fluctuations in the estimated fair values of the servicing rights. If actual prepayment experience differs from the anticipated rates used in the model, this may result in a material change in the fair value. Note 2: *Summary of Significant Accounting Policies and Practices* contains additional details with regards to specific fair value assumptions of MSRs.

Ginnie Mae reviews the various inputs used to determine the fair value of the MSRs and performs procedures to validate their reasonableness. In reviewing the estimated fair values of the Level 3 MSRs, Ginnie Mae uses internal models and key assumptions on the loans underlying the MSRs.

The table below presents the range and weighted average of significant unobservable inputs and impact of key economic assumptions used in determining the fair value of Ginnie Mae's MSR assets valued on a recurring basis:

	September 30, 2021	September 30, 2020
	(Dollars in thousands)	
Valuation at period end:		
Fair value	$ 268	$ 398
Weighted- average life (years)	**3.42**	**3.18**
Prepayment rates assumptions:		
Weighted average rate assumption	23.97%	26.05%
Weighted average minimum	12.73%	15.33%
Weighted average maximum	30.34%	29.90%
Impact on fair value of a 10% adverse change	(30)	(20)
Impact on fair value of a 20% adverse change	(57)	(39)
Discount rate assumptions:		
Weighted average rate assumption	10.99%	10.82%
Weighted average minimum	10.50%	10.00%
Weighted average maximum	13.50%	12.48%
Impact on fair value of a 10% adverse change	(7)	(4)
Impact on fair value of a 20% adverse change	(14)	(8)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (i.e., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities.

Guaranty asset **–** The fair value option provides Ginnie Mae an option to elect fair value as an alternative measurement for selected financial assets and financial liabilities not otherwise reported at fair value. 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 the present value of expected future cash flows from the guaranty fees based on the UPB of the outstanding MBS in the defaulted and non-defaulted issuers' pooled portfolio, based on new issuances of MBS, scheduled run-offs of MBS, anticipated prepayments, and anticipated defaults.

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

Ginnie Mae recorded a loss of $2.2 billion and $2.8 billion and for the year ended September 30, 2021 and 2020, respectively, 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, 2021	September 30, 2020
	(Dollars in millions)	
Valuation at period end:		
Fair value	$ 8,304	$ 6,756
Prepayment rates assumptions:		
Weighted average rate assumption	55.58%	56.42%
Weighted average minimum	0.00%	0.12%
Weighted average maximum	98.68%	99.37%
Default rate assumptions:		
Weighted average rate assumption	13.96%	15.61%
Weighted average minimum	0.00%	0.01%
Weighted average maximum	98.32%	98.34%
Discount rate assumptions:		
Weighted average rate assumption	1.02%	0.32%
Weighted average minimum	0.05%	0.11%
Weighted average maximum	1.86%	1.09%

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

Assets Measured at Fair Value on a Nonrecurring Basis:

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

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

Mortgage Loans Held for Investment: Ginnie Mae reports the carrying value of HFI loans on the Balance Sheet at the UPB along with accrued interest, net of cost basis adjustments, and net of allowance for loan losses including accrued interest, as required by U.S. GAAP. Ginnie Mae periodically evaluates its MHI portfolio for uninsured loans that are at or greater than 180 DPD in order to write down the recorded investment to the fair market value of the underlying collateral less estimated costs to sell.

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

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Acquired property, net	$ -	$ -	$ 6,001	$ 6,001
Mortgage Loans Held for Investment, net	-	-	13,298	13,298
Total Nonrecurring Assets at Fair Value	**$ -**	**$ -**	**$ 19,299**	**$ 19,299**

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Acquired property, net	$ -	$ -	$ 4,603	$ 4,603
Mortgage Loans Held for Investment, net	-	-	14,252	14,252
Total Nonrecurring Assets at Fair Value	**$ -**	**$ -**	**$ 18,855**	**$ 18,855**

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

Note 14: Fixed Assets, Net

Fixed assets are carried at cost, less accumulated depreciation and amortization.

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

	For the year ended September 30, 2021		
	Hardware	Software	Total
Cost	*(Dollars in thousands)*		
Balance, beginning of period	$ 2,074	$ 248,171	$ 250,245
Additions	2,571	11,546	14,117
Disposals	(520)	(1,214)	(1,734)
Impairments	-	(1,771)	(1,771)
Balance, end of period	**$ 4,125**	**$ 256,732**	**$ 260,857**
Accumulated depreciation and amortization			
Balance, beginning – accumulated depreciation and amortization	$ (1,448)	$ (182,035)	$ (183,483)
Depreciation and amortization	(724)	(22,824)	(23,548)
Disposals	520	1,214	1,734
Transfers	-	-	-
Balance, end of period – accumulated depreciation and amortization	$ (1,652)	$ (203,645)	$ (205,297)
Balance, end of period – fixed assets, net	**$ 2,473**	**$ 53,087**	**$ 55,560**

	For the year ended September 30, 2020		
	Hardware	Software	Total
Cost	*(Dollars in thousands)*		
Balance, beginning of period	$ 2,013	$ 239,814	$ 241,827
Additions	61	10,100	10,162
Disposals	-	-	-
Impairments	-	(1,743)	(1,743)
Balance, end of period	**$ 2,074**	**$ 248,171**	**$ 250,245**
Accumulated depreciation and amortization			
Balance, beginning – accumulated depreciation and amortization	$ (1,190)	$ (159,650)	$ (160,840)
Depreciation and amortization	(258)	(22,385)	(22,643)
Disposals	-	-	-
Transfers	-	-	-
Balance, end of period – accumulated depreciation and amortization	$ (1,448)	$ (185,035)	$ (183,483)
Balance, end of period – fixed assets, net	**$ 626**	**$ 66,136**	**$ 66,762**

There were no assets under capital lease as of September 30, 2021 and September 30, 2020.

Ginnie Mae recorded total depreciation and amortization expense of $23.5 million and $22.6 million for the year ended September 30, 2021 and 2020, respectively. Based on the current amount of hardware and software subject to depreciation and amortization, the estimated depreciation and amortization expense over the next five years is as follows: 2022 – $17.5 million; 2023 – $14.2 million; 2024 – $9.3 million; 2025 - $5.3 million; and 2026 - $0.6 million.

There were no intangible assets with indefinite lives as of September 30, 2021 and September 30, 2020. As of September 30, 2021, and September 30, 2020, the original weighted average life of intangible assets (i.e., software) subject to amortization was 4.9 years and 4.8 years, respectively. The remaining weighted average life of intangible assets subject to amortization was 1.9 years and 1.5 years for the same periods.

Ginnie Mae recorded impairments of $1.8 million and $1.7 million for the year ended September 30, 2021 and 2020, respectively. In both FY21 and FY20, Ginnie Mae stopped the development of certain internal software development projects, each period, due to changes in Ginnie Mae's business and related infrastructure. As the developed technology has no reuse or recoverable value, Ginnie Mae wrote these assets down to a fair value of $0 in FY21 and FY20. The 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 15: Short-Term Liabilities and Deferred Revenue

Short-term liabilities include accounts payable and accrued liabilities, which consisted of the following:

	September 30, 2021	September 30, 2020
	(Dollars in thousands)	
Accounts payable	$ 57,530	$ 45,945
Unclaimed securities holder payments	23,547	23,492
Accrued unfunded leave	2,747	2,478
Salaries and benefits payable	1,785	1,528
Total	**$ 85,609**	**$ 73,443**

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 mainly represent cash restricted for the guarantee of timely principal and interest payments for MBS securities in event of an issuer default.

Deferred revenue[1] included the following:

	September 30, 2021		September 30, 2020	
	(Dollars in thousands)			
Deferred revenue – multiclass fees	$	528,407	$	480,321
Deferred revenue – commitment fees[2]		60,277		46,953
Deferred revenue – other		126		103
Total	**$**	**588,810**	**$**	**527,377**

(1) Deferred revenue balance was $456.2 million for multiclass fees, $23.2 million for the commitment fees, and $61 thousand for other as of September 30, 2019.

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

Note 16: Revenue from contracts with customers

Revenue from contracts with customers includes commitment fees, MX combination 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 and Practices* for further information.

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

	For the year ended September 30, *(Dollars in thousands)*			
	2021		2020	
Revenues:				
Commitment fees	$	186,276	$	152,062
Multiclass fees:				
Multiclass fees not in scope of ASC 606[1]		29,483		27,378
MX combination fees in scope of ASC 606		5,379		4,536
Total multiclass fees		**34,862**		**31,914**
Mortgage-backed securities (MBS) program and other income:				
Transfer of issuer responsibilities in scope of ASC 606		6,134		3,996
Other MBS program fees in scope of ASC 606[2]		66		115
Other MBS program fees not in scope of ASC 606[3]		2,904		902
Total mortgage-backed securities program and other income		**9,104**		**5,013**
Total Revenues	**$**	**230,242**	**$**	**188,989**

(1) Includes REMIC and Platinum Certificates guarantee 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.

Note 17: 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, RD, and PIH), Ginnie Mae is susceptible to credit losses. Due to the various U.S. GAAP requirements related to accounting for credit losses, Ginnie Mae's financial statements recognize credit losses in multiple financial statement line items, as further outlined below:

- *Non-defaulted issuer and 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 based on the present value of guaranty fees expected to be collected under the guaranty, within the financial statement line item "Guaranty liability" on the Balance Sheet (see Note 5: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure)*. Upon issuance of a guaranty, the greater of the non-contingent guarantee liability under ASC 460 or contingent liability under ASC 450 is recognized. Typically, the non-contingent liability amount exceeds contingent liability and, thus, is recorded at inception of a guaranty.

    - *Contingent liability*

      As noted in Note 5: *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 when it is probable that a loss event will occur and the amount of the loss or a range of loss can be reasonably estimated. The contingent liability is measured initially and in subsequent periods under ASC 450. Once it is determined that a loss event is probable to occur, Ginnie Mae estimates the probable losses in the underlying loan portfolio to calculate the loss contingency, which is recorded on the Balance Sheet as "Liability for loss on MBS program guaranty". Where it is only reasonably possible that a loss event may occur, a contingent liability is not recorded, but is disclosed.

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

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

- Ginnie Mae regularly monitors the credit quality of issuers through the internal Issuer Risk Grade (IRG). Ginnie Mae's IRG methodology is similar to the methodology used by credit rating agencies when evaluating corporate financial strength, and the individual IRGs are comparable to the credit ratings from rating agencies. The IRGs are updated on a monthly basis. The IRG is on a scale from 1 to 8, where an IRG of 1 indicates the strongest credit quality, and an IRG of 8 indicates the weakest credit quality. Ginnie Mae utilizes the IRG for monitoring the credit quality of PTAP receivables. See Note 6: *Pass-Through Assistance Program Receivables Including Accrued Interest, Net* for further information.

- At September 30, 2021 and September 30, 2020, no Ginnie Mae issuer was considered probable of defaulting. In addition, Ginnie Mae estimated potential losses up to $65.2 thousand and $285.5 million respectively, related to reasonably possible losses on pooled Single Family and HECM loans in the event of issuer defaults.

- At September 30, 2021 and September 30, 2020, the contingent liability related to pooled multifamily loans probable of defaulting was $19.5 million and $43.4 million, respectively. Ginnie Mae cannot determine an estimate for reasonably possible contingent liability for multifamily loan defaults as of September 30, 2021 and September 30, 2020, because there is not a specific loan performance indicator that can be used to accurately reflect the reasonably default likelihood for those loans that are not considered probable of default.

- *Defaulted issuer, pooled loans, and allowance for P&I advances:* In the event an issuer cannot fulfill its responsibilities under the applicable MBS program, pass-through payments made by Ginnie Mae to satisfy its guaranty of timely P&I payments to MBS certificate holders are presented in "Advances, net" on the Balance Sheet and Note 9: *Advances, Net*. Advances are reported net of an allowance, which is based on management's expectations of future collections of advanced funds from the mortgagors, proceeds from the sale of the property, or recoveries from third-party insurers or guarantors such as FHA, VA, RD, and PIH. Additionally, under the PTAP program, Ginnie Mae may advance P&I payments to issuers facing temporary liquidity shortfalls directly attributable to the COVID-19 National Emergency (see "Pass-Through Assistance Program Receivables Including Accrued Interest, Net" financial statement line item on the Balance Sheet and Note 6: *Pass-Through Assistance Program Receivables Including Accrued Interest, Net*). Costs incurred on advances related to PTAP are expected to be reimbursed and are reported net of an allowance for amounts that management believes will not be collected.

- *Defaulted issuer, pooled loans, and mortgage servicing rights:* When a Ginnie Mae issuer is declared in default, terminated and extinguished, Ginnie Mae steps into the role of issuer and assumes all rights and obligations of the terminated and extinguished issuer's entire Ginnie Mae guaranteed pooled-loan portfolio. Ginnie Mae records a servicing asset (or liability) each time it takes over a terminated and extinguished issuer's Ginnie Mae guaranteed portfolio (see "Mortgage servicing rights" financial statement line item on the Balance Sheet and Note 7: *Mortgage Servicing Rights*). Ginnie Mae's servicing asset (or liability) is recorded at fair value based on the present value of the expected future net cash flows from servicing, which are expected to be greater (or less) than adequate compensation for performing the servicing related to these loans. The determination of adequate compensation is a market notion and is made independent of Ginnie Mae's cost of servicing. Accordingly, Ginnie Mae's determination of adequate compensation is based on compensation demanded in the marketplace. Ginnie Mae's discounted cash flow valuation model incorporates a number of factors (see Mortgage Servicing Rights section in Note 2: *Summary of Significant Accounting Policies and Practices*, for further information) including delinquencies and expectation of credit losses that management believes are consistent with the assumptions other similar market participants use in valuing the MSR. Thus, estimated credit losses for terminated and extinguished issuers' pooled loans are incorporated within the servicing asset (or liability).

- *Defaulted issuer, non-pooled mortgage loans, and allowance for loan loss:* As Ginnie Mae purchases forward mortgage loans out of a pool, it recognizes the loans on its Balance Sheet along with the corresponding estimated incurred loss (i.e., allowance for loan losses) within the Balance Sheet as "Mortgage loans held for investment including accrued interest, net". Costs incurred on non-pooled loans expected to be reimbursed are recorded as Reimbursable costs receivable and reported net of allowance within the Balance Sheet as "Reimbursable costs receivable, net" for amounts that management believes will not be collected.

- *Liability for representations and warranties:* Ginnie Mae performs an assessment of all existing representations and warranties and indemnification clauses associated with Purchase and Sale Agreements (PSAs) that are enforceable and legally binding. These clauses may require Ginnie Mae to repurchase loans previously sold to a third party or indemnify the purchaser for losses per the contractual terms of the PSA. On September 30, 2021 and September 30, 2020, Ginnie Mae recorded $54.6 thousand and $67.7 thousand as a contingent liability, respectively, for representations and warranties under an existing PSA that requires Ginnie Mae to repurchase mortgage loans that are not insured by the FHA or guaranteed by the VA, RD, or PIH as identified by the purchaser as of or after the sale date. This amount is presented in "Liability for representations and warranties" on the Balance Sheet.

Note 18: Concentration of Credit Risk

Issuer concentration

Credit risk is the risk of loss arising from the failure or inability of issuers to meet their obligations. 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. Generally, Ginnie Mae's MBS pools are diversified among issuers. All issuers operate within the U.S. and its territories; however, there are no significant geographic concentrations. To a limited extent, securities are concentrated among issuers.

The tables below summarize concentrations of credit risk by active issuers and loan type on September 30, 2021 and 2020:

	September 30, 2021							
	Single Family		Multifamily		Manufactured Housing		Home Equity Conversion (HECM/HMBS)	
	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance
	(Dollars in billions)							
Largest performing Issuers	22	$ 1,481.2	8	$ 77.4	-	$ -	1	$ 13.1
Other performing Issuers	289	$ 455.4	46	$ 58.7	3	$ 0.2	13	$ 43.7

	September 30, 2020							
	Single Family		Multifamily		Manufactured Housing		Home Equity Conversion (HECM/HMBS)	
	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance	Number of Issuers	Unpaid Principal Balance
	(Dollars in billions)							
Largest performing Issuers	27	$ 1,548.1	6	$ 61.4	-	$ -	1	$ 11.6
Other performing Issuers	280	$ 390.2	47	$ 66.6	3	$ 0.2	13	$ 43.7

Largest performing issuers are defined based on the total portfolio size and, for single family issuers, includes issuers with greater than 75,000 total loans in the portfolio. For multifamily issuers, largest performing issuers are defined as issuers with a total UPB of $5 billion or more. Other performing issuers include manufactured housing and HMBS issuers whose portfolios are outside the defined thresholds for single family and multifamily issuers.

Issuers are only permitted to pool insured or guaranteed loans (from FHA, VA, RD, 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. RD, VA, and PIH guaranteed loans are not fully recoverable. The loan balance and related allowance for loan loss balance broken down by portfolio segment and underlying insuring or guaranteeing agencies at September 30, 2021 and September 30, 2020 are presented in Note 10: *Mortgage Loans Held for Investment Including Accrued Interest, Net.*

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, RD, 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, 2021 and 2020, the distribution of Ginnie Mae's business volumes among these two categories was as follows:

	September 30, 2021			September 30, 2020		
	Total Number of Issuers	**Total Issuances(1)**	**As Percentage of Total Issuances**	**Total Number of Issuers**	**Total Issuances(2)**	**As Percentage of Total Issuance**
			(Dollars in millions)			
Depositories	100	97,664	10.40%	99	100,534	13.35%
Non-depositories	282	841,670	89.60%	278	652,286	86.65%
Total active issuers	**382**	**939,334**	**100.00%**	**377**	**752,820**	**100.00%**

(1) These amounts represent the total issuances within the past 12 months from October 1, 2020 to September 30, 2021.
(2) These amounts represent the total issuances within the past 12 months from October 1, 2019 to September 30, 2020.

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

In March 2020, The President of the United States proclaimed that the COVID-19 outbreak in the United States constitutes a national emergency. Liquidity challenges arose as market conditions changed and borrowers affected by COVID-19 were offered widespread forbearance, including forbearance on loans purchased and securitized by Ginnie Mae. As Ginnie Mae issuers must continue to advance mortgage principal and interest payments for Ginnie Mae loans during the forbearance period, liquidity pressures on certain of our counterparties could increase. In response to these potential liquidity concerns, we have heightened our monitoring and review of the financial stability of our institutional counterparties. Refer to Note 6: *Pass-Through Assistance Program Including Accrued Interest, Net* for more information on Ginnie Mae's PTAP program.

Counterparty credit risk

Counterparty credit risk is the risk that issuers will be unable to fulfill their contractual pass-through obligations to investors. As Ginnie Mae guarantees investors the timely payment of P&I on MBS backed by federally insured or guaranteed residential loans, the entity's primary risk is that issuers will fail to perform their obligations under the guaranty agreement (i.e., make payment to investors on time), either due to a lack of financial resources or operational inability. Ginnie

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

Mortgage loan servicing

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

Note 19: 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, 2021, Ginnie Mae did not have any active and open lease contracts related to rental expense or hardware and software.

As of September 30, 2021, and September 30, 2020, Ginnie Mae had approved and committed to make $2.6 billion and $2.1 billion in payments under contracts with its various vendors for fiscal year 2020 and beyond, respectively. 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 5: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure*.

Legal

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

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

The table below shows the approximate number of plaintiffs and claimants who had claims pending against Ginnie Mae at the beginning of the fiscal year, the number of claims disposed of during the period, the period's filings and the claims pending at the end of the year ending September 30, 2021 (eliminating duplicate filings).

	September 30, 2021 Case Count
Pending at beginning of year	-
Disposed	-
Filed	-
Pending at September 30, 2021	**-**

No asserted or unasserted claims or assessments in which Ginnie Mae's exposure is $1 million or greater, individually or in the aggregate, 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 in which Ginnie Mae's potential loss exceeds $2 million in the aggregate for cases not listed individually or as part of similar cases that could be material to the financial statements.

Ginnie Mae's management recognizes the uncertainties that could occur in regard to potential terminated and extinguished issuers and other indirect guarantees, such as large issuer portfolio default, terminated and extinguished, lack of proper insurance coverage of terminated and extinguished loans. Additional information is discussed in Note 17: *Reserve for Loss*.

Contingencies

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The President of the United States proclaimed that the COVID-19 outbreak in the United States constitutes a national emergency as of March 1, 2020. In order to address the impact to the financial well-being of American individuals, families, and businesses caused by COVID-19, on March 18, 2020, HUD Secretary Ben Carson, in consultation with the Trump Administration and the Coronavirus Task Force, authorized the FHA to implement an immediate foreclosure and eviction moratorium for single family homeowners with FHA-insured mortgages, including HECM loans, for the subsequent 60 days. The moratorium has since been extended to at least September 30, 2021 by the current Administration.

While the disruption caused by COVID-19 is currently expected to be temporary, there is considerable uncertainty around the impact to issuer stability, and potential mitigating actions contemplated by the U.S. government, including HUD and Ginnie Mae. Therefore, Ginnie Mae expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

Note 20: 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 to use $48.6 million and $45.7 million during the year ended September 30, 2021 and 2020, respectively, for personnel (payroll) and non-personnel (travel, training, and other administration) costs only. For the year ended September 30, 2021 and 2020, Ginnie Mae incurred $34.7 million and $30.5 million, respectively for these costs, which are included in administrative expenses on the Statement of Revenue and Expenses and Changes in Investment of U.S. Government. Ginnie Mae has authority to borrow from Treasury to finance operations in lieu of appropriations, if necessary. Ginnie Mae did not borrow funds for the year ended September 30, 2021 and 2020.

Additionally, Ginnie Mae has relationships with FHA, VA and RD. All transactions between Ginnie Mae and FHA, VA and RD have occurred in the normal course of business. Of the total mortgage loans HFI, approximately $1.8 billion, $72.4 million and $30.7 million of loans were insured by FHA, VA and RD at September 30, 2021, respectively while $2.0 billion, $87.1 million and $37.6 million of loans were insured by FHA, VA and RD at September 30, 2020, respectively. In addition, Ginnie Mae submits and receives claim proceeds for FHA, VA and RD-insured loans that have completed the foreclosure and short sale process.

After the Short Sale and Foreclosed Property Claims Receivable are established, on an ongoing basis, the recoverability of the receivables is assessed under GAAP guidance. The allowance for claims receivable is calculated using statistical models based on expected recovery per underlying insuring agency guidelines and Ginnie Mae's most recent historical recovery experience.

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

	September 30, 2021			
	FHA	VA	RD	Total
	(Dollars in thousands)			
Foreclosed property claims receivable	$ 41,192	$ 806	$ 1,136	$ 43,134
Short sale claims receivable	627	179	-	806
Allowance for claims receivable	(2,271)	(51)	(13)	(2,335)
Claims receivable, net	**$ 39,548**	**$ 934**	**$ 1,123**	**$ 41,605**

	September 30, 2020			
	FHA	VA	RD	Total
	(Dollars in thousands)			
Foreclosed property claims receivable	$ 88,300	$ 1,153	$ 2,126	$ 91,579
Short sale claims receivable	920	236	182	1,338
Allowance for claims receivable	(20,278)	(609)	(114)	(21,001)
Claims receivable, net	**$ 68,942**	**$ 780**	**$ 2,194**	**$ 71,916**

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 year ended September 30, 2021 and 2020, Ginnie Mae contributed $4.9 million and $3.9 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 21: Credit Reform

The Federal Credit Reform Act of 1990, 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. Credit reform focuses on credit programs that operate at a loss by providing for appropriated funding, within budgetary limitations, to subsidize the loss element of the credit program. At September 30, 2021 and September 30, 2020, the Investment of U.S. Government account had a balance of $28.8 billion and $26.1 billion, respectively. Federal statute allows Ginnie Mae to accumulate and retain revenues in excess of expenses to build sound reserves. In the opinion of management and HUD's general counsel, Ginnie Mae is not subject to the Federal Credit Reform Act.

Note 22: Subsequent Events

Ginnie Mae has evaluated subsequent events through the filing of this financial statements as of November 12, 2021 and determined that there have been no events that have occurred that would require adjustments to our disclosures.

Ginnie Mae
Our Guaranty Matters