2022 REPORT TO CONGRESS

Ginnie Mae
Our Guaranty Matters

TABLE OF CONTENTS

SECRETARY'S MESSAGE

The Department of Housing and Urban Development (HUD) plays an important role in providing safe and affordable housing in communities across America. We serve this mission through a vast number of programs that span from homelessness to the global financial markets and everything in between. Ginnie Mae has been a leading social enterprise since its founding more than 54 years ago and remains strong. The liquidity Ginnie Mae provides in the housing finance ecosystem enables first time homebuyers, veterans, seniors, and members of urban, rural, and tribal communities access to affordable housing.

Ginnie Mae's mission to attract investment capital from around the world has never been more important. The U.S. housing market is facing pressure from inflation, rises in mortgage rates, and persistently out-of-reach home prices.

During this critical time, Ginnie Mae has made significant strides to help households of color become first time homebuyers, providing much needed stability for families and communities. I'm proud of the work Ginnie Mae is doing to expand affordable homeownership and wealth building opportunities for underserved communities. Ginnie Mae has been a major force and driver that enables the government mortgage market to scale and support millions of households, often those underserved and overlooked by the conventional mortgage market.

Ginnie Mae and its government partners—the Federal Housing Administration, HUD's Office of Public and Indian Housing, U.S. Department of Veterans Affairs, and U.S. Department of Agriculture—have moved rapidly to address the challenging market conditions of the past year. They have coordinated the development of new mortgage products to help struggling homeowners access refinancing products. Additionally, they have eased restrictions on some securities products that simplify business for issuers, resulting in stronger investor interest in Ginnie Mae mortgage-backed securities and lower mortgage costs for consumers.

Ginnie Mae has formed, strengthened, and maintained effective partnerships across the Federal Government to support the Biden-Harris Administration's whole-of-government approach to increasing supply of quality affordable housing and lower housing costs across the nation. Ginnie Mae serves in a critical role to implement this approach, as well as ongoing efforts to ensure the housing finance, homeownership, and affordable rental housing ecosystem is sustainable, equitable, and accessible.

I am pleased with the growth, innovation and strength of the Ginnie Mae program, and the significant contribution this government corporation is making to the overall strategic plan and vision I have for HUD. I salute the dedicated team at Ginnie Mae for another year of solid accomplishments during a challenging environment and for making its social mission the top consideration in all the work that is underway in support of a fairer, faster, and more affordable housing finance system.

Marcia L. Fudge

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

A MESSAGE FROM GINNIE MAE

DEAR MADAME SECRETARY,

It is my honor to present the Fiscal Year 2022 Annual Report for the Government National Mortgage Association (Ginnie Mae), reflecting a solid year of financial results. Ginnie Mae continues to deliver on its core mission to create and scale affordable homeownership and rental housing by connecting global capital to America's housing markets.

During the course of this fiscal year, Ginnie Mae supported more than 2.3 million households in our nation's urban, rural, and tribal communities, including underserved segments of the population, servicemembers, and veterans. Mortgage-backed security (MBS) issuance through the course of the year topped $653 billion, and the Ginnie Mae MBS outstanding reached a historic high of $2.284 trillion. This growth represents $158 billion and a year-over-year increase of 7 percent.

The past year presented a dynamic economic environment and a volatile housing market, as our nation continued to recover from the global pandemic and dealt with high inflation and interest rates. Even with these challenges, the U.S. housing market remained resilient, and Ginnie Mae MBS remained an attractive investment across the global capital markets.

Ginnie Mae remains focused on ensuring the securitization platform supports access to and liquidity for all government-insured mortgage programs and remains stable and reliable through any economic cycle. During the year, we continued to strengthen operations and risk management by announcing enhanced issuer financial eligibility requirements and working with stakeholders throughout the housing finance industry to ensure capital and liquidity flow safely through the system.

Today, Ginnie Mae is a strong partner and a crucial program within the U.S. Department of Housing and Urban Development (HUD), having a prominent role in HUD's 5-year strategic plan. As part of that plan, we are exploring ways to deploy our securitization platform and capabilities in innovative ways to broaden our reach to more market participants and new investors, enabling our program to serve a wider range of communities and first-time homebuyers.

During the fiscal year, we continued to pursue the technological modernization and digitalization of our program, completing critical steps toward the migration of our platform operations to the cloud in early 2023. This enhancement will give us greater agility to improve product delivery, such as transforming our Digital Collateral program from a pilot to a permanent program during 2022.

Aligning with the priorities of the Biden-Harris Administration's climate initiatives, we expanded Ginnie Mae securities' environmental, social, and governance disclosures and continued to explore greater transparency to meet the social impact investing demands of our domestic and international investors. Partnering with other federal agencies, we performed an assessment to identify and manage climate-related risks and integrate policy development.

The initiatives and accomplishments presented in this report well position Ginnie Mae for achieving its strategic goals. Going forward, we will continue our operational transformation journey to improve our ability to measure and mitigate risks and enhance our value proposition to investors at home and abroad. We strive to keep pace with the rapidly changing market and attract new global capital into the U.S. housing finance system while protecting taxpayers. We are working each day to broaden housing finance availability for all households, especially those who seek affordable safe homeownership and rental housing nationwide.

I am proud of the work Ginnie Mae accomplished in my first year as president. We can overcome any challenge when we work collaboratively and in good faith with private and public stakeholders, counterparties, and our federal agency partners. I am committed to the mission and to making the vision you set forth for HUD and the Ginnie Mae program durable and lasting as we face the most significant affordable housing challenges.

Alanna McCargo

ALANNA MCCARGO
GINNIE MAE PRESIDENT

EXECUTIVE SUMMARY

Chartered as a government corporation within the U.S. Department of Housing and Urban Development (HUD), Ginnie Mae connects global capital markets to America's housing finance system through its administration and oversight of the explicit full faith and credit of the United States government guaranty on mortgage-backed securities (MBS).

Throughout fiscal year 2022, during a dramatically shifting economic environment, Ginnie Mae continued its strong performance in the government MBS market. Focusing on our social impact mission to support the financing of affordable housing for millions of Americans, Ginnie Mae made historical advances in transformational technology and policy, ensuring a more nimble and sustainable MBS system. While the housing finance system transitioned from responding to the COVID-19 pandemic to reacting to a higher interest rate environment, Ginnie Mae maintained its role as a market leader with record growth.

In fiscal year 2022, Ginnie Mae issued more than $649 billion in MBS that supported 2.2 million households. Although new issuance experienced a year-over-year decline as of fiscal year 2022-year end, Ginnie Mae's total outstanding portfolio of guaranteed MBS reached an all-time high of $2.284 trillion, representing a 7 percent increase.

Ginnie Mae achieved this growth even as the outlook for the housing market began to change in March 2022, when the Federal Reserve began increasing the federal funds rate. During fiscal year 2022, the Federal Reserve raised the Federal Open Market Committee target federal funds rate five times, with benchmark interest rates sitting at 3 percent at the end of the fiscal year. Combined with inflation, these rate increases presented significant headwinds for the mortgage industry.

During the course of fiscal year 2022, as the macroeconomic climate became more challenging, Ginnie Mae continued to mobilize global capital in support of mortgages insured or guaranteed by the Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), U.S. Department of Agriculture Rural Development (USDA), and HUD's Office of Public and Indian Housing (PIH). Ginnie Mae's MBS guaranty continued to serve as a force multiplier for these government-backed mortgage finance programs, facilitating access to credit for middle- and lower-income Americans, many of who were first-time homebuyers, veterans, and in minority households.

By guaranteeing the principal and interest payments for government insured MBS, Ginnie Mae lowers the cost of mortgage funding and increases access to affordable housing and homeownership for millions of Americans.

Throughout the fiscal year, Ginnie Mae made progress toward many critical initiatives. These improvements solidified Ginnie Mae's resilience and sustainability for decades to come. One of our top accomplishments was the successful testing and critical preparation for the migration of our MBS platform operations to the cloud scheduled for the first quarter of fiscal year 2023. After years of planning and executing our platform consolidation strategy, Ginnie Mae's cloud migration creates a more agile, secure, and cost-efficient infrastructure and is foundational to swifter implementation of future business initiatives, enabling Ginnie Mae to adapt quickly to the ever-changing technological landscape.

Ginnie Mae also reopened its Digital Collateral program to all qualified Ginnie Mae approved issuers. Since its inception, more than $15 billion in electronic mortgages have been issued through the program. This innovation makes it easier for borrowers, especially military personnel, to complete the mortgage transaction from anywhere on the globe. Beyond technological and operational improvements, Ginnie Mae's enhanced financial eligibility requirements for independent mortgage bank issuers ensures that investors and lenders alike have sustained confidence in the health and stability of Ginnie Mae securities, especially as the industry encounters increasing economic stress.

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 year applicable legal requirements in accordance with and pursuant to the provisions of Government Corporation Control Act, 31 U.S.C. Section 9106.

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

Ginnie Mae's essential role in providing liquidity for government-sponsored housing programs has been recognized in HUD's 2022-2026 Strategic Plan under Strategic Goal 3 to "Promote Homeownership." Ginnie Mae is called on in Strategic Objective 3B to "create a more accessible and inclusive housing finance system" through four strategies.

- Advance the digitization and optimization of the Ginnie Mae mortgage-backed securities (MBS) platform to drive more efficient outcomes for issuers, investors, and borrowers.
- Broaden housing finance availability for underserved participants and expand access to Ginnie Mae programs.
- Pursue further methods of enhancing the value of Ginnie Mae MBS by meeting new sources of investor demand.
- Provide a leading voice in the housing finance system by engaging with key stakeholders to communicate and coordinate on Ginnie Mae's strategic objectives.

Since its beginning in 1968, Ginnie Mae has been an integral part of the U.S. housing finance system. Ginnie Mae's mission is to expand equitable access to homeownership, leveraging the government mortgage programs to break down longstanding barriers, particularly to communities of color. Having served tens of millions of borrowers and renters, Ginnie Mae is one of the most successful social enterprises operating today.

The Ginnie Mae guaranty ensures the timely payment of scheduled principal and interest due to the owner of the security. This guaranty creates a market of domestic and global investors who favor the certainty of Ginnie Mae's guaranteed fixed income bonds. Ginnie Mae's guaranty and the market it creates incentivize lenders to make government-backed loans, knowing that the demand on the secondary market mitigates the costs to carry that loan. Because of Ginnie Mae's 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 and tribal homeowners, low- to moderate-income borrowers, and others who qualify under federal mortgage programs. By increasing liquidity, Ginnie Mae reduces the cost of mortgage funding and lowers financing costs for American households.

In fiscal year 2022, FHA-insured mortgages accounted for 60.8 percent of issuance in Ginnie Mae pools. VA-guaranteed mortgages accounted for 34.5 percent, and USDA and PIH loans contributed the remainder.

Since the onset of the Global Financial Crisis of 2008, Ginnie Mae securities outstanding principal balance has grown every year, standing at $2.284 trillion at the close of fiscal year 2022 and reflecting year-over-year growth of more than 7 percent.

In fiscal year 2022, Ginnie Mae increased its focus on its mission-driven responsibilities, knowing that homeownership is the primary way families build wealth and pass it on to the next generation. In the second quarter of fiscal year 2022, HUD's support of Ginnie Mae's mission of making affordable housing finance available to all Americans was expressed through the historical inclusion of Ginnie Mae in HUD's 5-year strategic plan. For the first time in its 54-year history, Ginnie Mae took on a prominent role in achieving HUD's strategic objective of "Promoting Homeownership by Creating a More Accessible and Inclusive Housing Finance System." For Ginnie Mae, this objective is expressed in its charter and baked into every policy, program, and process implemented since inception.

In fiscal year 2022, under President McCargo's leadership, Ginnie Mae continued to be the nation's leading MBS platform, as the engine for government-backed mortgage programs that support underserved communities and create opportunities for wealth building. Mortgages made to first-time homebuyers collateralized more than 68 percent of Ginnie Mae's issuance, up slightly from fiscal year 2021.

During fiscal year 2022, 91.4 percent of FHA single-family insured loans were pooled into Ginnie Mae MBS. Of these securitized FHA loans made to households for which ethnicity was disclosed, the overwhelming majority of the loans made to minority households were to first-time homebuyers. Within the subgroup of loans made to each minority classification, the percentage of those loans made to first-time homebuyers was—

- 62 percent to Asian-American Pacific Islander households.
- 62 percent to African American households.
- 68 percent to Hispanic households.
- 63 percent to Native American households.

Amid challenging market conditions and slowing refinance activity, the previously noted first-time homebuyer activity reflects Ginnie Mae's continued strength and support of the countercyclical role of government-backed loan programs in America's housing finance system. Fiscal year 2022 showed that as economic conditions threaten financing availability in the conventional markets, Ginnie Mae remains steadfast in its commitment to ensure that opportunities exist for affordable homeownership and rental housing, especially for our nation's historically underserved.

In 2022, some of Ginnie Mae's most notable accomplishments include—

- The introduction of a new security product and implementation of policy measures to support borrowers still affected by the pandemic.
- Updating financial eligibility standards for independent mortgage bank (IMB) issuers with more carefully tailored capital requirements.
- Completing the migration of the ginniemae.gov operations to include disclosures to the cloud.
- Completing business validation testing and the development of additional functions in the cloud environment in preparation for the long-awaited final migration of the MBS platform operations at the beginning of Fiscal Year 2023.
- The expansion of its Digital Collateral (eMortgage) program with the publication of the enhanced eGuide and the opening of the program to new participants.

The following sections will illustrate how Ginnie Mae's initiatives and accomplishments supported HUD's Strategic Goal 3 to "Promote Homeownership" and achieved significant advances in "Creating a More Accessible and Inclusive Housing Finance System."

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

During fiscal year 2022, Ginnie Mae continued to strengthen its MBS program through technology and policy enhancements, addressing the needs of borrowers and also investing in the long-term reliability and functionality of the securitization platform.

Ginnie Mae invested in transformational technology to ensure its MBS ecosystem is an efficient and effective securities utility for years to come. Ginnie Mae continued to incorporate state of the art technologies, bringing resilience to mortgage lending, lowering costs for families, and improving access to homeownership for borrowers who are not well served by the traditional mortgage lending approach.

Securitization Platform Migration to the Cloud

During fiscal year 2022, Ginnie Mae was engaged in a massive transformation, as it successfully tested and prepared for the migration of its securitization platform to a fully cloud-enabled environment scheduled for the first quarter of fiscal year 2023. These advances were critical to implementing the many planned technological and digital innovations and to improving the way it does business with issuers, investors, and service providers. The move to the cloud will spur greater flexibility to deliver agile programs and build more nimble products, reducing transaction costs for its industry partners. As a result of this accomplishment, in fiscal year 2022, Ginnie Mae was named to Foundry's CIO 100 Awards list in recognition of Ginnie Mae's business innovation and technological transformation by consolidating information technology operations into a single and secure cloud.

Digital Collateral

The cloud infrastructure is critical to the evolution of Ginnie Mae's Digital Collateral program, which is poised for growth and has already reached nearly $15 billion in eNotes in less than two years. In June 2022, the Digital Collateral program, allowing for the securitization of electronic mortgages, was expanded from a pilot to a permanent program and began accepting applications for new "eMortgage" issuers. Along with the re-opening of the program to all current qualified issuers, Ginnie Mae published a major revision to its "eGuide," an appendix to the MBS Guide that covers eMortgages. Issuer enthusiasm for this program has exceeded expectations, with nearly 54,000 eMortgages securitized during the fiscal year. The digital mortgage program provides opportunities not only to underserved communities that lack ready access to brick-and-mortar lenders, but also, to its veterans and servicemembers at home and abroad. At the end of the fiscal year, more than 70 percent of Ginnie Mae's securitized digital collateral was comprised of VA loans.

Platform Enhancements

In April 2022, Ginnie Mae achieved a major milestone in its modernization journey with the launch of the Single-Family Pool Delivery Module (SFPDM). The SFPDM provides Ginnie Mae issuers an improved user experience for the delivery of single-family and manufactured housing pools via an intuitive, user-friendly interface. The SFPDM and its file submission layout are compliant with standards set by the Mortgage Industry Standards Maintenance Organization (MISMO), further advancing a common data exchange protocol across the mortgage ecosystem. Extensive customer experience and adoption activities were performed to prepare issuers to transition pooling activities to the SFPDM.

II. BROADENING HOUSING FINANCING AVAILABILITY AND EXPANDING ACCESS TO GINNIE MAE PROGRAMS

Ginnie Mae is actively engaged with its colleagues across HUD to ensure that its doing everything possible to expand equitable access to financing and affordable housing.

CDFI-MDI Working Group

In fiscal year 2022, under President McCargo's leadership, Ginnie Mae initiated robust research and development relating to the expansion of mortgage financing in underserved communities. Ginnie Mae's long-term goal is to connect the knowledge and passion of mission-driven lenders to the power and scale of the global capital markets through our program. Early in the year, Ginnie Mae conducted a series of focus-group meetings with community development financial institutions (CDFI) and minority depository institutions (MDI) to identify potential avenues to connect government mortgage programs to community-based lenders. Ginnie Mae identified opportunities for and challenges to greater access to its MBS platform. During the course of the year, Ginnie Mae partnered with FHA and expanded the efforts into a HUD-wide CDFI-MDI working group to conduct outreach, build partnerships with external stakeholders, collect information, and analyze data to formulate potential policy recommendations.

Title I Manufactured Housing Request for Input

Following preliminary research, Ginnie Mae partnered with FHA to launch another HUD-wide initiative to redefine program requirements for Title I manufactured housing lending and securitization. As a result, a joint FHA-Ginnie Mae public request for input was issued in July 2022, soliciting feedback from stakeholders regarding program changes that would improve the financing of manufactured housing and address the nation's housing supply shortage.

Federal Home Loan Bank of Chicago Partnership

In May 2022, Ginnie Mae and the Federal Home Loan Bank of Chicago (FHLBC) announced a milestone of $3 billion in Ginnie Mae MBS issuance under the Mortgage Partnership Finance (MPF) government loan program. The MPF is a partnership between the FHLBC and Ginnie Mae that provides mortgage lenders, particularly smaller community-based financial institutions, access to the secondary market through the Ginnie Mae MBS platform. Federal Home Loan Banks across the country offer the MPF MBS product to their members, with FHLBC acting as the aggregator. During the year, to explore greater opportunities for issuance growth, Ginnie Mae, FHA, and FHLBC initiated collaborative discussions to explore the challenges to and opportunities for greater outreach and accessibility for community mission-driven lenders to take advantage of the MPF program.

III. ENHANCING THE VALUE OF GINNIE MAE SECURITIES

Ginnie Mae operates in an environment in which continuous improvement of its program and platform is necessary to continue to achieve its mission and remain competitive to the global investment community. Market developments and technology constantly present new challenges and opportunities. Ginnie Mae manages a complex scheme of counterparty, financial, cyber, and operational risk that underlies its success and its obligation to protect taxpayers and to provide liquidity in all business cycles. In fiscal year 2022, Ginnie Mae accelerated its investment in data analytics and policy development, targeting counterparty risk and the systems used to mitigate it.

Assessing and Managing Counterparty Risk

Ginnie Mae announced updated financial standards for IMB issuers that are critical to ensuring the ongoing safety, stability, and certainty of the Ginnie Mae MBS program. These enhanced standards are the result of several years of extensive research and dialogue in collaboration with IMB issuers, the Federal Housing Finance Agency (FHFA), and the Conference of State Banking Supervisors, resulting in a June 2021 request for input and an April 2022 joint listening session with FHFA. The final requirements were announced in August 2022.

The new issuer eligibility standards address net worth, liquidity, and for the first time, a defined a capital adequacy test that differentiates asset types based on risk. With IMB issuers now dominating Ginnie Mae's portfolio, the new standards are an essential tool in preserving access to mortgage credit across all economic cycles. Ginnie Mae continued to work with its IMB-approved issuers and to engage in stress testing intended to minimize counterparty risk related to capital and liquidity.

Ginnie Mae also reexamined the ways in which other regulatory standards interact with Ginnie Mae's requirements. For example, Ginnie Mae adjusted its issuer eligibility standards for credit unions and state housing finance agencies. These amendments align Ginnie Mae's standards with the financial requirements of credit unions' prudential regulators and housing finance agencies' business model as a government supported entity.

Also related to counterparty risk, Ginnie Mae developed a governance framework that reduces disruption and costs to the government in the event of an issuer default and updated procedures to incorporate the digital collateral.

Assessing Cybersecurity and Climate-Related Financial Risks

During the year, Ginnie Mae performed a comprehensive assessment of vulnerabilities and established an updated platform for continuous monitoring and reporting under President Biden's May 2021 Executive Order 14028 on Improving the Nation's Cybersecurity. Ginnie Mae also collaborated with the Office of Management and Budget, USDA, VA, and FHA to examine climate-related financial risk to the single-family government-insured housing programs in response to President Biden's May 2021 Executive Order on 14030 on Climate-Related Financial Risk.

Measuring Risk

Ginnie Mae made significant progress in preparing for the application of the Current Expected Credit Loss (CECL) standard issued by the Financial Accounting Standards Board in 2016, taking effect for Ginnie Mae in 2023. To that end, Ginnie Mae developed the necessary accounting policy to support CECL processing and reporting, built the required valuation modeling, updated system documentation, and performed all phases of solution development and testing. Project implementation is planned for the first quarter of fiscal year 2023.

Expanding Pandemic Relief Mortgage-Backed Securities Programs and Policies

Working with issuers and the insuring agencies, Ginnie Mae continued to develop products to assist homeowners recovering from the pandemic. In December 2021, Ginnie Mae created the extended-term MBS pool, allowing the securitization of modified loans with terms up to 40 years. During the year, 64 institutions participated in these pools, serving nearly 5,000 borrowers who were able to reduce their monthly mortgage payment and remain in their homes, avoiding a potential foreclosure. On the policy front, Ginnie Mae extended adjustments to the MBS Guide that assisted issuers and provided streamlined methods of conducting business under pandemic conditions.


Gathering to celebrate the 54th anniversary of Ginnie Mae.

Promoting the Inherent Social Value of Ginnie Mae Securities

Ginnie Mae MBS are an important component of the global fixed-income market. To ensure its securities remain well understood and highly valued by investors, during the fiscal year, Ginnie Mae stepped up activities focused on demonstrating to investors the "value proposition" of an investment in Ginnie Mae securities.

Ginnie Mae is committed to meeting the increased investor demand for environmental, social, and governance (ESG) information. In fiscal year 2022, Ginnie Mae took several steps to expand ESG disclosure information and initiated the development of criteria for defining ESG within the government-insured MBS space. These efforts included engaging with stakeholders on areas of investor interest and industry definitions for ESG. For multifamily MBS, Ginnie Mae released "affordability of rents" and "green" pool-level data identifying which MBS have properties with "green" features, like energy-efficient windows or water-saving devices.

Regarding Ginnie Mae's single-family MBS, disclosures were enhanced to include geocoded information at the pool level, and work continued toward income disclosures at the pool level for low- to moderate-income borrowers. These improved data disclosures will not only highlight its support of underserved communities but also incentivize investors' demand, as they look for social impact investing opportunities.

IV. PROVIDING A LEADING VOICE IN THE HOUSING FINANCE SYSTEM

Leading Initiatives for Greater Access for Mission-Driven Lenders and Issuers

During the fiscal year, Ginnie Mae continued to meet with stakeholders on the current state of the housing finance system and how it can continue to expand access to credit and affordable housing for all Americans through all economic cycles. Key initiatives include numerous meetings with policy and industry groups and individual issuers on IMB financial eligibility requirements and the current economic environment; collaboration with FHA and FHLBC on efforts to expand the MPF aggregator program to more mission-driven community lenders in underserved communities; and providing views on the Notice of Proposed Rulemaking for Community Reinvestment Act Reform, which carries significant potential implications for the "social" component of ESG investment.

Leading the Market in the LIBOR Index Transition

Ginnie Mae continued to play a leading role in supporting the market's transition away from the London Inter-Bank Offered Rate (LIBOR) index. In February 2022, Ginnie Mae published a LIBOR Index Transition Reference Guide, a comprehensive tool for assisting affected parties in adjusting business practices, ensuring a smooth transition as possible. Publication of the guide and related activities laid the groundwork for the planned shift in 2023 from LIBOR to the Secured Overnight Financing Rate, or SOFR, as the index for the Home Equity Conversion Mortgage (HECM) Mortgage-Backed Security (HMBS or reverse mortgage) pools, pending finalization of FHA regulation and completion of Ginnie Mae's cloud migration.

Returning to Pre-pandemic Investor Relations Strategies

After two years, during which engagement with international investors was curtailed because of COVID-19 pandemic restrictions, Ginnie Mae reinstated in-person investor meetings, culminating in President McCargo's visit to Japan at the close of the fiscal year. These meetings are critical to maintain relationships and exchange information. The Japan trip involved a robust schedule of meetings with current and potential investors—including banks, investment firms, and insurance companies—who warmly received President McCargo. The trip included an exchange with Ginnie Mae's Japanese counterpart, Japan Housing Finance Agency, with whom it has a longstanding partnership. The information gleaned from these investor meetings reinforced the significance of the ESG value of Ginnie Mae securities and the global understanding of and appreciation for Ginnie Mae's social impact on American households.

THE ROAD AHEAD

Since its inception in August 1968, Ginnie Mae has facilitated social capital investments in affordable housing to advance the needs of America's underserved communities. Ginnie Mae has guaranteed approximately 9.8 trillion in MBS overall, serving more than 22 million U.S. households.

Fiscal year 2022 again proved Ginnie Mae's ability to operate effectively across many fronts—addressing the challenges of the current market environment, laying the groundwork for increased support of underserved communities, and implementing improvements to ensure the securitization platform is state of the art, while focusing on risk management, digital transformation, and social impact.

The business results for fiscal year 2022 illustrate Ginnie Mae's unwavering focus on its mission and its resilience regardless of the economic environment. The people and communities it serves are Ginnie Mae's motivating force. Its efforts to continuously improve and modernize operations will ensure a level competitive playing field for government-backed programs and a foundation of support for Americans well into the future.

The completion of Ginnie Mae's migration to the cloud in the first quarter of fiscal year 2023 will enable us to accelerate the development of products and programs, such as the loan-level transfer of servicing capabilities. In the coming year, relationship building with domestic and global investors will continue to expand Ginnie Mae's value proposition with a focus on ESG disclosures enhancements.

Ginnie Mae's central role in a changing housing policy landscape remains 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 ensure Ginnie Mae continues as a vital driver of the future's housing finance system.

In fiscal year 2022, Ginnie Mae delivered on its responsibility for connecting homeowners to the capital markets, even as adverse business conditions were moving to the fore. With its cloud-based operations platform, it is fully equipped to continue serving the mission Congress gave us and prepared to add value though new initiatives.

As Ginnie Mae continues its program and technology transformations, 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, while minimizing risk and serving as a leading voice for an equitable and accessible housing finance system.

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

The following is management's discussion and analysis (MD&A) of the financial position and results of operations of Ginnie Mae for the Fiscal Years ended September 30, 2022 and 2021. This MD&A should be read in conjunction with Ginnie Mae's financial statements and related notes, included in this annual report, and issued to Congress.

Mission

Ginnie Mae's mission remains providing liquidity and stability to the housing finance system by guaranteeing mortgage backed securities collateralized by mortgage loans insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture (USDA), and the HUD's Office of Public and Indian Housing (PIH). Ginnie Mae's focus in 2022 was pursuing this mission through investing in transformational technology to bring resilience to mortgage lending, lower costs for families, and improve access to homeownership for borrowers who are not well served by the traditional mortgage lending programs.

Economic Environment

In 2022, Ginnie Mae faced challenging macroeconomic conditions from a high inflationary environment, rising interest rates, and the residual impact of the COVID-19 pandemic.

The Federal Reserve approved three consecutive interest rate increases of 75 basis points during Fiscal Year 2022 in response to inflation, which rose 8.20 percent over the last 12 months as measured by Consumer Price Index (CPI). Impacted by the economy, the current housing market continues to present serious affordability challenges for many households. The lack of affordable housing supply is exacerbated by higher interest rates. The 30-year fixed-rate Mortgage (FRM) increased to 6.70 percent as of September 30, 2022, compared to 3.01 percent as of September 30, 2021, which is its highest level since 2008. This 3.69 percent increase caused mortgage application volume to fall to the lowest level since 1997. A decrease in mortgage applications unfavorably impacts Ginnie Mae's monthly mortgage-backed securities (MBS) issuances.

The decrease of MBS issuances was slightly offset by the securitization activities due to the effect of the provisions of the Coronavirus Aid, Relief, and Economic Securities (CARES) Act, as borrowers continued to take advantage of the forbearance option, deferring mortgage payments for up to a year.

The increase in the Federal Funds Rate also impacts the valuation of Ginnie Mae's guaranty asset. Ginnie Mae uses a model to calculate the net present value of the expected future guaranty fees over the guaranty period as of the reporting date. A higher Federal Funds Rate results in a higher discount rate and an unfavorable change in the valuation of the guaranty asset. Moreover, increased interest rates also decrease demand in home purchases and increase housing supply. These factors decrease home price appreciation, which is another key input into the model and negatively impacts the guaranty asset valuation under current economic conditions.

A high interest rate environment also increases counterparty credit risk related to the default of an issuer or borrower from the failure or inability to meet its financial and/or contractual obligations to Ginnie Mae. Refer to Risk Factors section below for more details on counterparty credit risk and borrower credit risk.

Audit Readiness 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 2013. The previous years' disclaimers focused primarily on Ginnie Mae's non pooled loans portfolio that was 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 2022 and 2021, Ginnie Mae continued to build upon the accomplishments achieved in Fiscal Year 2020, the first full year the SLDB solution was operational, gaining efficiencies through automation, standardization, and modernization of the existing technology. 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 control environment by enhancing its 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 its strategic goals and instill reliability in the financial statements as a whole. During Fiscal Year 2020,

Secretary Fudge and President McCargo on the floor of the NY Stock Exchange.

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. During Fiscal Years 2022 and 2021, Ginnie Mae has also been diligently working to timely close out any additional prior year findings and recommendations to maintain its audit readiness and unmodified audit opinion.

Financial Position

In Fiscal Years 2022 and 2021, Ginnie Mae generated ample cash to fund operations. As highlighted in Figure 1, total assets as of September 30, 2022 increased to $39.5 billion from $37.8 billion as of September 30, 2021. Total liabilities were $9.7 billion and investment of the U.S. Government was $29.8 billion as of September 30, 2022, compared to $9.0 billion and $28.8 billion during the same period in the prior year. As of September 30, 2022, Ginnie Mae held unrestricted cash and cash equivalents of $27.7 billion, which is an increase of approximately $1.6 billion from $26.1 billion as of September 30, 2021. Restricted cash and cash equivalents totaled $1.4 billion as of September 30, 2022, which was an increase from the $1.3 billion balances as of September 30, 2021. Ginnie Mae has increased its total cash and cash equivalents[1] balances for seven continuous years since 2015. Mortgage loans held for investment including accrued interest, net was $1.6 billion as of September 30, 2022, compared to $1.9 billion as of September 30, 2021. 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 $8.6 billion as of September 30, 2022 which represents 21.75 percent of total assets, compared to $8.3 billion as of September 30, 2021, an increase of $0.3 billion. The guaranty liability for Fiscal Year 2022 is $9.0 billion, which represents 92.73 percent of total liabilities and is compared with $8.3 billion as of September 30, 2021, an increase of $0.7 billion.

[1] Total cash and cash equivalents include unrestricted and restricted cash.

FIGURE 1 – *SELECTED FINANCIAL DATA FROM BALANCE SHEET*

	September 30, 2022 *(Dollars in thousands)*	September 30, 2021 *(Dollars in thousands)*
Assets		
Cash and cash equivalents	$ 27,661,211	$ 26,075,289
Restricted cash and cash equivalents	$ 1,441,925	$ 1,298,536
Mortgage loans held for investment including accrued interest, net	$ 1,570,208	$ 1,866,333
Guaranty asset	$ 8,595,302	$ 8,304,052
Other assets[2]	$ 249,585	$ 253,652
Total Assets	**$ 39,518,231**	**$ 37,797,862**
Liabilities:		
Liability for loss on mortgage-backed securities program guaranty	$ 10,934	$ 19,485
Guaranty liability	$ 8,966,555	$ 8,308,235
Other liabilities[3]	$ 692,289	679,171
Total Liabilities	**$ 9,669,778**	**$ 9,006,891**
Investment of U.S. Government	$ 29,848,453	$ 28,790,971
Total Liabilities and Investment of U.S. Government	**$ 39,518,231**	**$ 37,797,862**

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

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

Liquidity and Capital Adequacy

Ginnie Mae's primary sources of revenue are guaranty fees and commitment fees from the issuance of Ginnie Mae guaranteed MBS. Ginnie Mae reported $29.1 billion total cash and cash equivalents as of September 30, 2022, an increase of approximately $1.7 billion from $27.4 billion as of September 30, 2021. Unrestricted and restricted cash and cash equivalents included $18.5 billion and $10.6 billion of U.S. Treasury overnight certificates and Funds with U.S. Treasury, respectively, as of September 30, 2022, compared to $14.3 billion and $13.0 billion respectively during the same period from the prior year. The overall increase was mainly attributed to a $1.4 billion cash received from MBS Guaranty Fees, which was driven by the outstanding UPB of Ginnie Mae's guaranteed MBS portfolio.

Ginnie Mae is also authorized to borrow funds from the U.S. Treasury for program operations in the instance where Ginnie Mae's own capital reserves are insufficient. However, to date, Ginnie Mae has been able to support its program operations 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 $16.7 million in Fiscal Year 2022 and $14.1 million in Fiscal Year 2021, 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 $19.3 million in Fiscal Year 2022 and $14.1 million in Fiscal Year 2021, respectively. Ginnie

Secretary Fudge and President McCargo during a due diligence meeting in NYC.

Mae's fixed asset purchases include commercial software, hardware, and internally developed software. Moreover, Ginnie Mae maintained highly favorable expense coverage and efficiency ratios throughout Fiscal Years 2022 and 2021, which is indicative of healthy cash flow and effective cost management. Expense coverage ratio measures Ginnie Mae's ability to generate enough cash to satisfy cash requirements of routine operations. Efficiency ratio shows Ginnie Mae's ability to control overhead expenses; an efficiency ratio of 50.00 percent or under is considered optimal. See Figure 2 for Balance Sheet Highlights and Liquidity Analysis.

FIGURE 2 – *BALANCE SHEET HIGHLIGHTS AND LIQUIDITY ANALYSIS*

	September 30, 2022 *(Dollars in thousands)*	September 30, 2021 *(Dollars in thousands)*
Balance Sheet Highlights		
Total Cash and cash equivalents	$ 29,103,136	$ 27,373,825
Other	$ 10,415,095	$ 10,424,037
Total Assets	**$ 39,518,231**	**$ 37,797,862**
Total Liabilities	**$ 9,669,778**	**$ 9,006,891**
Liquidity Analysis		
Total UPB Outstanding[4]	$ 2,284,456,000	2,125,591,000
Investment of U.S. Government as a Percentage of Average Total Assets	77.29%	78.80%
Expense Coverage Ratio[5]	77.5	84.6
Efficiency Ratio[6]	19.61%	17.92%

4 Unpaid Principal Balance (UPB) of Ginnie Mae MBS

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

6 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, non-GAAP financial measures are reconciled to GAAP measures to show adjustments applied.

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

Non-GAAP Results of Operations (Earnings)

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

FIGURE 3 – *NON-GAAP RESULTS OF OPERATIONS FOR FISCAL YEARS 2022 AND 2021*

	September 30, 2022 *(Dollars in thousands)*	September 30, 2021 *(Dollars in thousands)*
GAAP Results of Operations	$ 1,057,482	$ 2,732,531
Adjustments for:		
Income on guaranty obligation	$ (2,034,881)	$ (3,500,444)
Total Non-cash Other (Gains)/Losses[7]	$ 2,401,948	$ 2,219,300
Total (Recapture) / Provision	$ 21,783	$ (62,076)
Fixed Asset Amortization	$ 19,725	$ 23,548
Non-GAAP Results of Operations	**$ 1,466,057**	**$ 1,412,859**

[7] Total Non-cash Other (Gains)/Losses includes: Gain (Loss) on Guaranty Asset and non-cash portion of Gain (Loss) other

Global Investors Summit Roundtable discussion.

Free Cash Flow

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

FIGURE 4 – *FREE CASH FLOW FOR FISCAL YEAR 2022 AND 2021*

	September 30, 2022 *(Dollars in thousands)*	September 30, 2021 *(Dollars in thousands)*
Cash Generated from Operating Activities	$ 1,503,177	$ 1,528,136
Adjustments for:		
Purchases of Fixed Assets	$ (19,300)	$ (14,115)
Free Cash Flow	**$ 1,483,877**	**$ 1,514,021**

Revenues

Ginnie Mae generated positive results of operations (i.e., net gain) of $1.1 billion in Fiscal Year 2022, compared to positive results of operations of $2.7 billion in Fiscal Year 2021, a decrease of $1.6 billion from 2021. The decrease was largely driven by a $1.5 billion decrease in income of guaranty obligation, which was $2.0 billion in 2022, compared to $3.5 billion in 2021. This decrease in income on guaranty obligation represents a decrease in guaranty obligation amortization of prior issuances, mainly driven by decreased activity of prepayment and refinancing with higher interest rate in Fiscal Year 2022. Ginnie Mae's core business and overall cash position remains strong in 2022 as evidenced by positive non-GAAP Earnings of $1.5 billion, compared to positive non-GAAP Earnings of $1.4 billion in 2021. As of September 30, 2022, Ginnie Mae's non-GAAP Results of Operations (Earnings) as a percentage of average total assets of 3.80 percent, compared to 3.87 percent as of September 30, 2021, demonstrates its ability to generate net earnings for the year from its 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*

	September 30, 2022 *(Dollars in thousands)*	September 30, 2021 *(Dollars in thousands)*
Highlights from Statement of Revenues and Changes in Investment of U.S. Government		
MBS program income[8]	$ 1,688,362	$ 1,715,009
Income on guaranty obligation	$ 2,034,881	$ 3,500,444
Other interest income	$ 130,924	$ 5,371
Total Revenues	**$ 3,854,167**	**$ 5,220,824**
Fixed asset depreciation and amortization	$ (19,725)	$ (23,548)
Administrative expenses	$ (41,315)	$ (34,992)
Mortgage-backed securities program and other expenses[9]	$ (313,837)	$ (271,769)
Acquired Property expenses, net	$ (1,610)	$ (1,564)
Total Expenses	**$ (376,487)**	**$ (331,873)**
Total Recapture (Provision)[10]	**$ (21,783)**	**$ 62,076**
Total Other Gains / (Losses)[11]	**$ (2,398,415)**	**$ (2,218,496)**
Results of Operations	**$ 1,057,482**	**$ 2,732,531**
Non-GAAP Results of Operations (Earnings)	**$ 1,466,057**	**$ 1,412,859**
Profitability Ratios		
Return on Average Total Assets	2.74%	7.48%
Non-GAAP Results of Operations (Earnings) as a percentage of Average Total Assets	3.80%	3.87%
Non-GAAP Results of Operation (Earnings) as a percentage of Total Revenues	38.04%	27.06%
Total Expense to Average UPB Outstanding	0.017%	0.016%
Total Recapture (Provision) to Average UPB Outstanding[12]	-0.0010%	0.0029%

[8] MBS program income includes: MBS guaranty fees; interest on mortgage loans held for investment; interest on pass-through assistance program receivable (applicable to FY 2021 only); commitment fees; multiclass fees; and other MBS program income

[9] Mortgage-backed securities program and other expenses includes contractor expenses totaling $308.8 million and $266.1 million as of September 30, 2022 and 2021, respectively. Refer to Expenses section for further details

[10] Total recapture (provision) includes: recapture (provision) for mortgage loans held for investment including accrued interest, net; mortgage-backed program guaranty reimbursable cost, claims receivable; and loss on uncollectible advances

[11] Total Other Gains/(Losses) includes: Gain (loss) on guaranty asset; and Gain (loss) other

[12] Total Recapture (Provision) divided by Average UPB Outstanding

In Fiscal Year 2022, Ginnie Mae earned total revenues of $3.9 billion down from $5.2 billion in 2021. Revenue streams for Ginnie Mae mainly consist of MBS program income, income on guaranty obligation, and other interest income.

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

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 97.43 percent of total MBS program revenue for 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. These fees are received over the life of Ginnie Mae securities. Guaranty fees are collected on the aggregate UPB of the guaranteed securities outstanding. The outstanding MBS portfolio balance as of Fiscal Year 2022 was $2.3 trillion which increased by $158.9 billion compared to Fiscal Year 2021. MBS guaranty fees also grew year-over-year, by approximately 2.54 percent to $1.4 billion in Fiscal Year 2022. Please refer to Figure 6 below for a more detailed view of UPB growth over the past three Fiscal Years.

FIGURE 6 – *UPB OUTSTANDING IN GINNIE MAE'S MBS PORTFOLIO FROM FISCAL YEAR 2020 TO FISCAL YEAR 2022*

Interest on Mortgage Loans Held for Investment – Ginnie Mae accrues interest for loans at the contractual interest rate of the underlying mortgage unless the loans become 90 days past due, at which point the loans are placed on nonaccrual or modified accrual status. In Fiscal Year 2022, gross interest on mortgage loans held for investment decreased to $82.8 million from $88.7 million in Fiscal Year 2021, 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 $0.6 trillion in commitment authority in Fiscal Year 2022, a 45.93 percent decrease from Fiscal Year 2021. Ginnie Mae recognizes the commitment fees as earned when issuers use their commitment authority. Total commitment fees earned in Fiscal Year 2022 were $130.5 million, compared to $186.3 million earned in Fiscal Year 2021. Commitment Fees are deferred until earned or expired, whichever occurs first. As of September 30, 2022 and 2021, commitment fees deferred totaled $31.6 million and $60.3 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 consists of Real Estate Mortgage Investment Conduits (REMIC) and Platinum Securities Program fees. Ginnie Mae guaranteed approximately $46.1 billion of newly issued Platinum Certificates in Fiscal Year 2022, compared to $37.5 billion of newly issued Platinum Certificates in Fiscal Year 2021. Fees earned on Platinum Certificates totaled $7.6 million for Fiscal Year 2022, compared to $7.3 million for Fiscal Year 2021. Ginnie Mae guaranteed REMIC issuances of $150.1 billion in Fiscal Year 2022, compared to $216.8 billion in Fiscal Year 2021. Fees earned on REMIC securities for Fiscal Year 2022 totaled $26.1 million, compared to $27.5 million for Fiscal Year 2021. Ginnie Mae recognizes the Modification and Exchange (MX) combination portion of the REMIC fee in the period it is received. Platinum Securities Program fees, as well as the guaranty fee portion of the REMIC fees are deferred and amortized into income evenly over the contractual life of the underlying financial instruments. As of September 30, 2022, and 2021, REMIC and Platinum Securities Program fees deferred totaled $563.1 million and $528.4 million, respectively.

The outstanding balance of multiclass securities as of September 30, 2022 was $659.0 billion, of which $117.4 billion and $541.6 billion were Platinum and REMIC securities, respectively. This represents a $50.3 billion increases from the $608.7 billion outstanding balances as of September 30, 2021, of which $92.3 billion and $516.4 billion were Platinum and REMIC securities, 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 revenue based on the declining UPB of MBS pools. In Fiscal Year 2022, income on guaranty obligation was $2.0 billion, which is 52.80 percent of total revenues and decreased by $1.5 billion compared to Fiscal Year 2021.

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 increased in Fiscal Year 2022 due to the significant increase in the U.S. Treasury overnight rate as well as an increase in the U.S. Treasury Securities balance as compared to Fiscal Year 2021. In Fiscal Year 2022, interest income on U.S. Treasury overnight certificates increased to $130.9 million, up from $5.4 million in Fiscal Year 2021.

Expenses

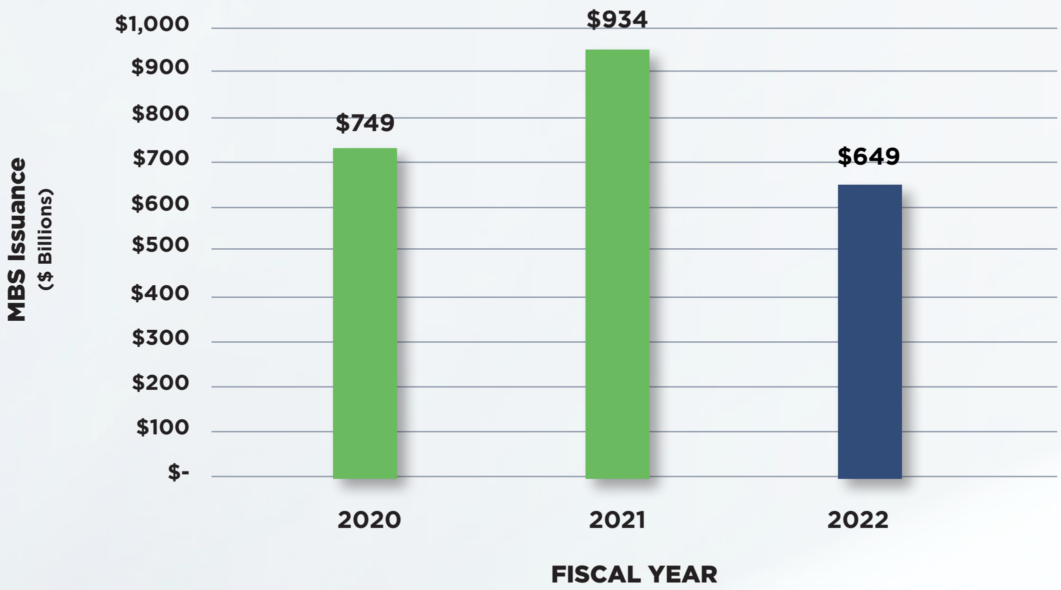
Total expenses increased by 13.44 percent to $376.5 million in Fiscal Year 2022, compared to $331.9 million in Fiscal Year 2021, an increase of $44.6 million. Total expenses as a percentage of average UPB of Ginnie Mae guaranteed MBS were both less than 0.02 percent in Fiscal Years 2022 and 2021.

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 2022, Ginnie Mae's total contractor expenses were 82.03 percent of total expenses, compared with 80.17 percent in Fiscal Year 2021.

MBS Programs, Issuances, and Portfolio Growth

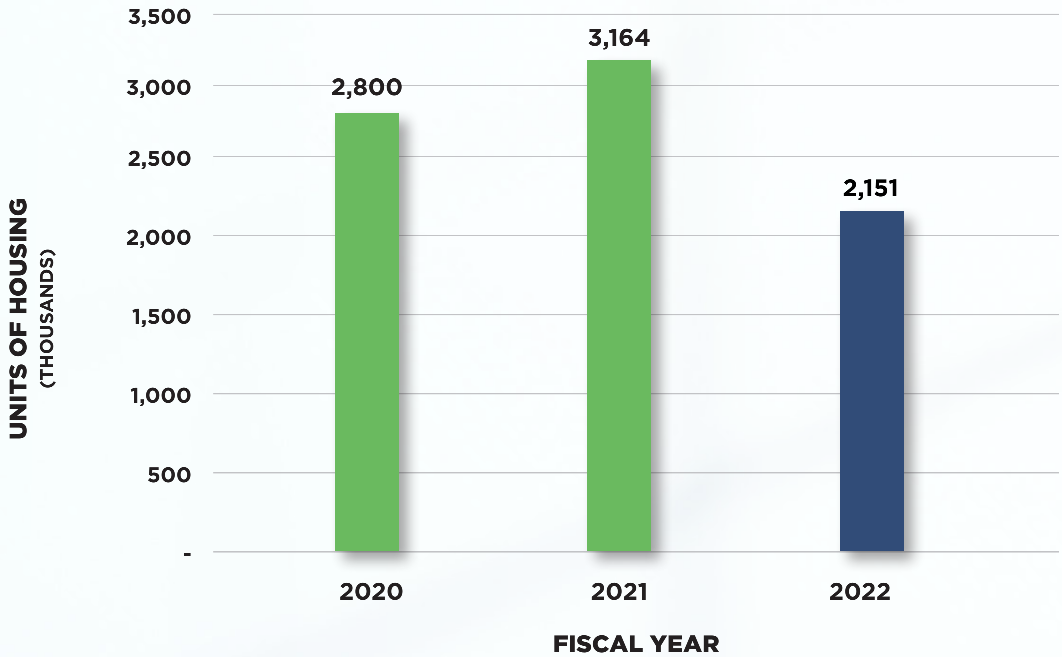
Fiscal Year 2022 showed a decrease in Ginnie Mae MBS issuances mainly due to the rising interest rate environment causing a decline in mortgage applications and refinance activity. Ginnie Mae MBS issuances decreased by 30.46 percent to $649.5 billion in Fiscal Year 2022 from Fiscal Year 2021, as shown in Figure 7.

FIGURE 7 – GINNIE MAE MBS ISSUANCE FROM FISCAL YEAR 2020 TO FISCAL YEAR 2022



As shown in Figure 8 below, Ginnie Mae supported approximately 2.2 million units of housing for individuals and families in Fiscal Year 2022, a 32.01 percent decline from Fiscal Year 2021. The current total outstanding UPB in Ginnie Mae's MBS portfolio balance of $2.3 trillion represents over 10.7 million active loans (excluding HECM/HMBS). Ginnie Mae has guaranteed approximately $9.8 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 2020 TO FISCAL YEAR 2022*



Single-Family Program

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

Ginnie Mae’s Single-Family Program consists of single-family mortgages originated for the purchase, construction, or renovation of single-family homes originated through FHA, VA, USDA, and PIH loan insurance/guarantee programs. The vast majority of the mortgages in Ginnie Mae securities are insured by FHA and VA. FHA-insured loans accounted for 59.62 percent of Fiscal Year 2022 Ginnie Mae MBS issuances, while VA-insured loans accounted for 35.64 percent; USDA and PIH loans contributed to 4.75 percent. Comparatively, FHA-insured loans accounted for 49.94 percent of Fiscal Year 2021 Ginnie Mae MBS issuances, while VA-insured loans accounted for 45.16 percent; USDA and PIH loans contributed to 4.90 percent.

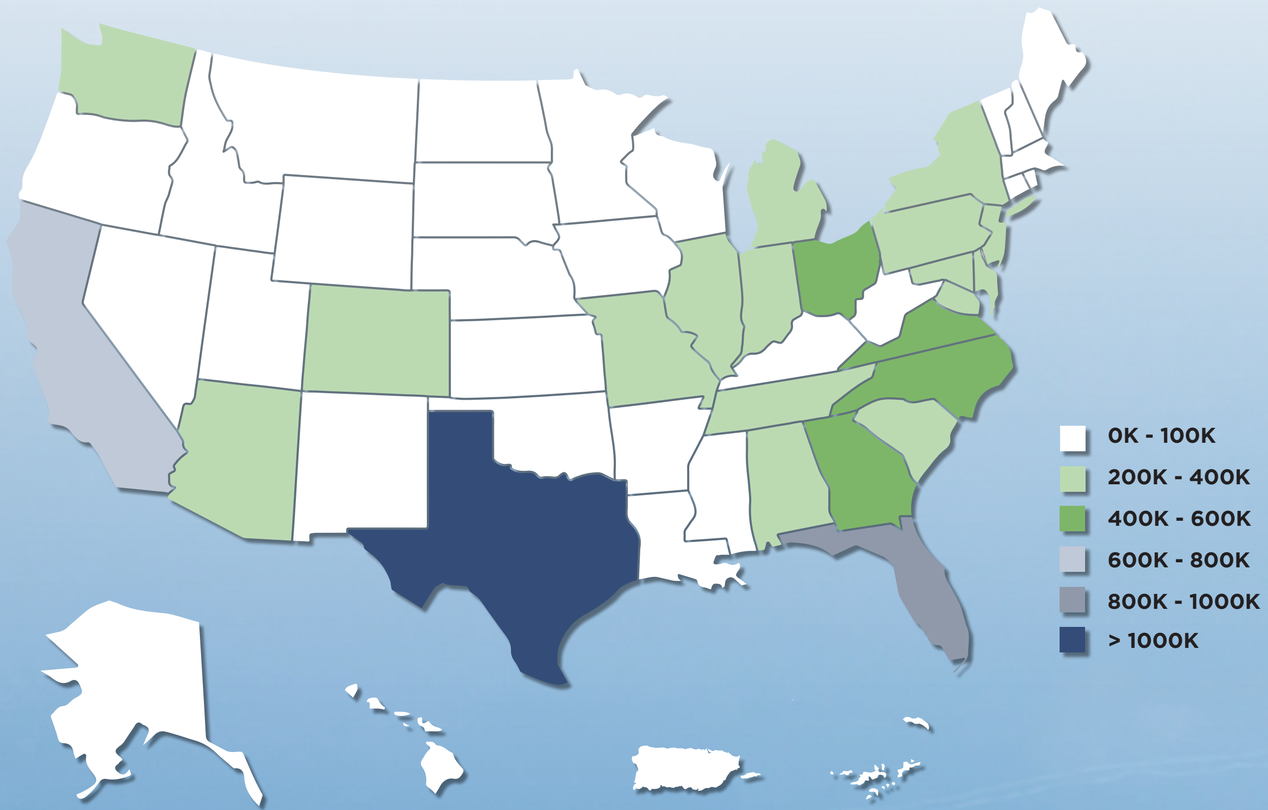
Ginnie Mae’s portfolio of Single-Family FHA loans grew in Fiscal Year 2022 to a UPB of $1,096.8 billion compared to $1,026.2 billion at the end of Fiscal Year 2021. There were FHA loans in all 50 states, 3 territories and the District of Columbia in Ginnie Mae pools as of September 30, 2022 and September 30, 2021.

In addition, Ginnie Mae’s portfolio of single-family VA loans grew to a UPB of $883.3 billion compared to $800.7 billion in Fiscal Year 2021. There were VA loans in all 50 states, 3 territories the District of Columbia in Ginnie Mae pools as of September 30, 2022 and September 30, 2021.

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 2022, 97.30 percent of FHA fixed-rate loans and 97.31 percent of VA fixed-rate loans were placed into Ginnie Mae guaranteed MBS. In Fiscal Year 2021, 98.57 percent of FHA fixed-rate loans and 99.18 percent of VA fixed-rate loans were placed into Ginnie Mae guaranteed MBS. Since inception, Ginnie Mae has guaranteed $9.3 trillion in single-family MBS, helping to finance affordable and community-stabilizing single-family developments across the nation.

Although loans underlying its securities may not be concentrated in specific areas, Ginnie Mae has provided homeownership opportunities in every U.S. state and territory. Figure 9 highlights the geographic distribution of single-family properties securing Ginnie Mae MBS as of September 30, 2022.

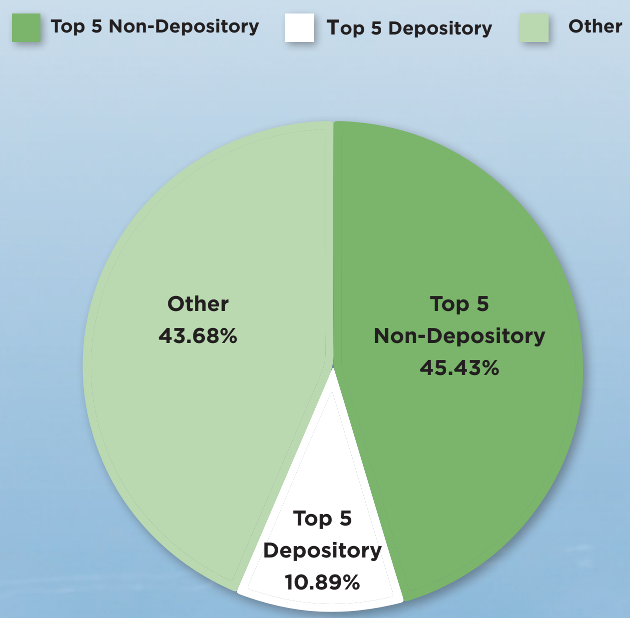
FIGURE 9 – *GEOGRAPHIC DISTRIBUTION OF SINGLE-FAMILY PROPERTIES SECURING GINNIE MAE MBS AS OF SEPTEMBER 30, 2022*



State	Loans	Percent of Total Loans	UPB
Texas	1,066,131	10.00	191,265,000,000
Florida	829,982	7.79	173,110,000,000
California	668,930	6.28	217,198,000,000
Georgia	487,671	4.58	86,227,604,958
Virginia	438,492	4.11	112,151,000,000
Ohio	415,677	3.90	53,554,838,766
North Carolina	405,987	3.81	70,316,978,145
Pennsylvania	382,662	3.59	56,621,287,477
Illinois	358,728	3.37	56,939,679,214
New York	302,261	2.84	62,663,477,675
Top 10 Total	**5,356,521**	**50.27**	**1,080,047,866,235**

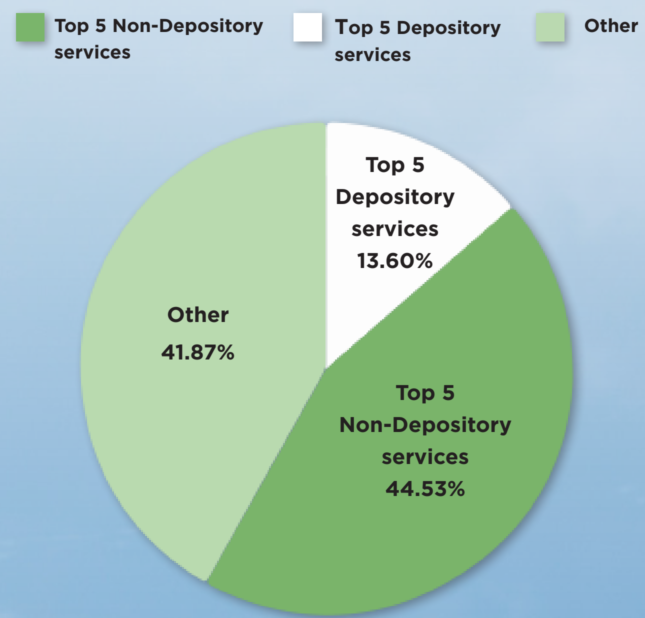
The figures below display the percentage of Ginnie Mae's single-family mortgages (measured by UPB) by Ginnie Mae's top five depository issuers and top five non-depository issuers.

FIGURE 10 – *TOP FIVE DEPOSITORY AND NON-DEPOSITORY ISSUERS OF GINNIE MAE SINGLE-FAMILY MORTGAGES AS OF SEPTEMBER 30, 2022*



AS OF SEPTEMBER 30, 2022

FIGURE 11 – *TOP FIVE DEPOSITORY AND NON-DEPOSITORY ISSUERS OF GINNIE MAE SINGLE-FAMILY MORTGAGES AS OF SEPTEMBER 30, 2021*



AS OF SEPTEMBER 30, 2021

** As of September 30, 2022, Freedom Home Mortgage Corporation together with its affiliates, serviced approximately 12.06 percent of Ginnie Mae's single-family mortgages, compared with 13.54 percent as of September 30, 2021.*

The tables below show the UPB of the top 10 single-family Ginnie Mae MBS issuers.

FIGURE 12 – *UPB OF THE TOP 10 SINGLE-FAMILY GINNIE MAE MBS ISSUERS AS OF SEPTEMBER 30, 2022*

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

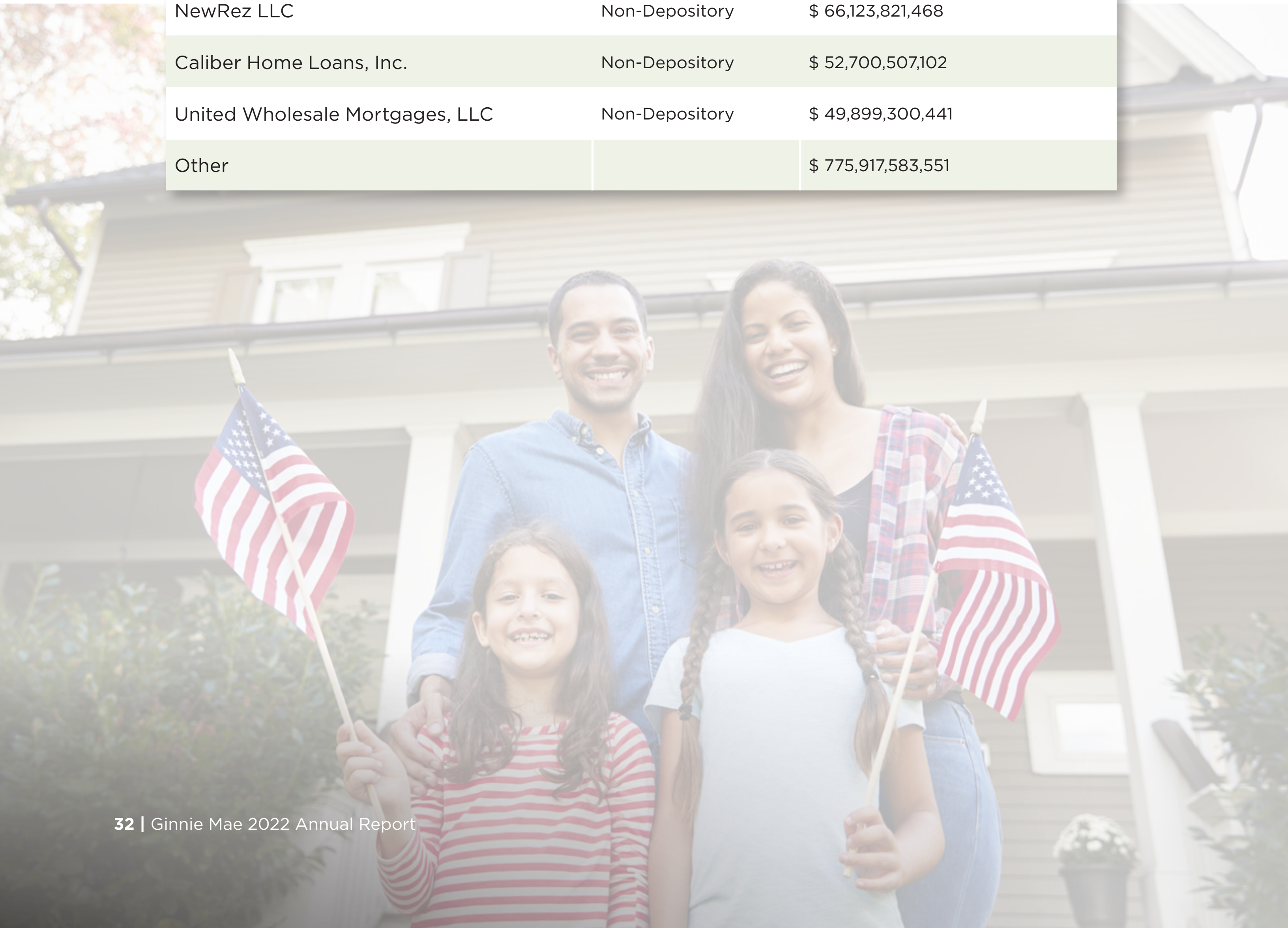


__FIGURE 13 –__ UPB OF THE TOP 10 SINGLE-FAMILY GINNIE MAE MBS ISSUERS AS OF SEPTEMBER 30, 2021

Issuer Name	Category	UPB
Freedom Home Mortgage Corporation	Non-Depository	$ 262,291,024,656
PennyMac Loan Services, LLC	Non-Depository	$ 215,411,296,083
Lakeview Loan Servicing, LLC	Non-Depository	$ 201,409,392,665
Wells Fargo Bank, NA	Depository	$ 129,892,021,308
Rocket Mortgage, LLC	Non-Depository	$ 95,964,200,759
Nationstar Mortgage, LLC	Non-Depository	$ 87,338,952,481
NewRez LLC	Non-Depository	$ 58,667,906,655
U.S. Bank, N.A.	Depository	$ 47,624,186,360
Caliber Home Loans, Inc.	Non-Depository	$ 47,103,791,955
Carrington Mortgage Services, LLC	Non-Depository	$ 44,469,785,184
Other		$ 746,470,740,521

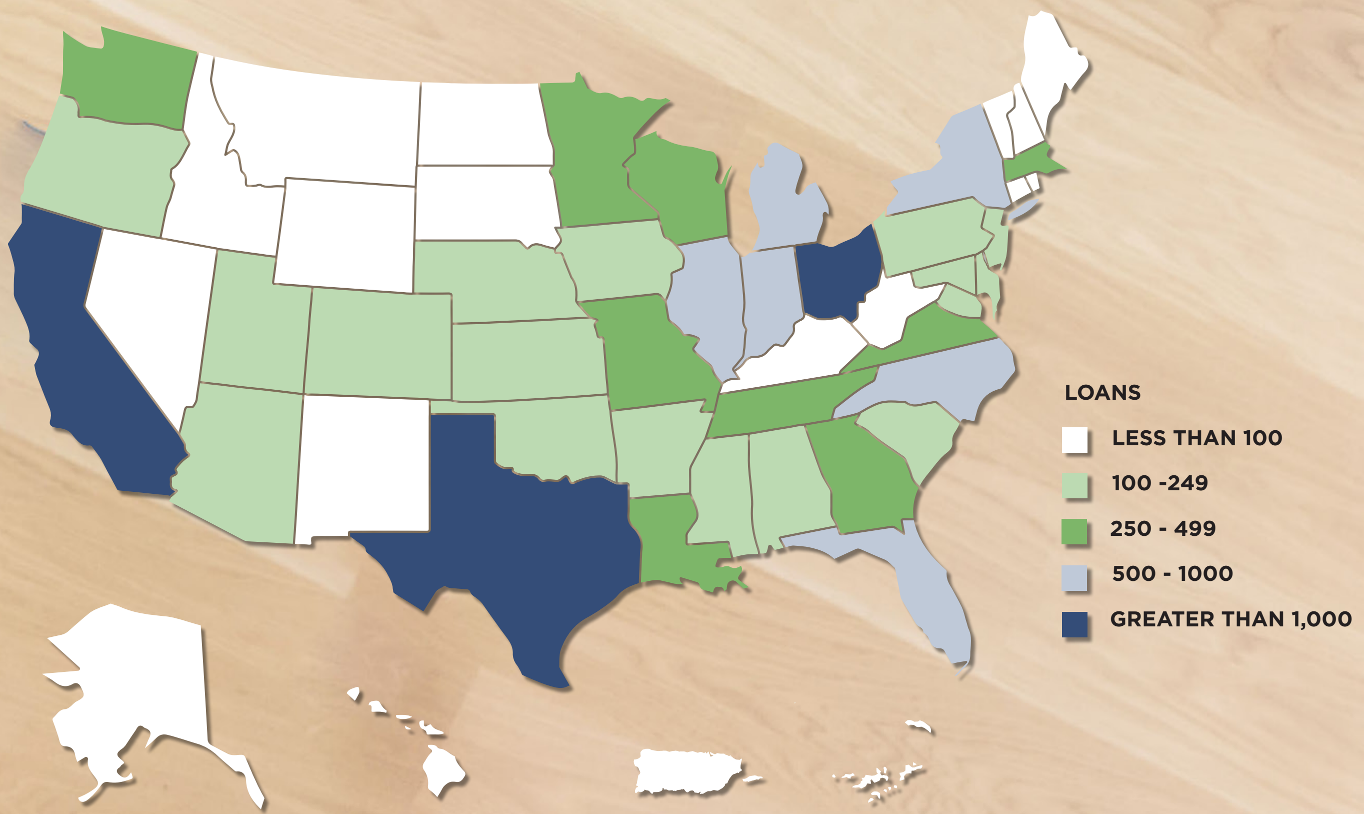
Multifamily Program

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

At the end of Fiscal Year 2022, Ginnie Mae guaranteed securities comprising 99.79 percent of eligible multifamily FHA loans. The Multifamily Program portfolio increased by $5.7 billion, from $136.2 billion at the end of Fiscal Year 2021 to $141.9 billion at the end of Fiscal Year 2022. This increase was consistent across FHA and USDA multifamily loans and was largely due to higher net new issuances compared to the liquidation caused by the ongoing housing shortage and continued demand for additional multifamily housing despite rising interest rates.

Figure 14 shows the geographic distribution of multifamily properties securing Ginnie Mae MBS as of September 30, 2022. Since 1971, Ginnie Mae has guaranteed $449.1 billion in multifamily MBS, helping to finance affordable and community-stabilizing multifamily housing developments across the nation.

FIGURE 14 – GEOGRAPHIC DISTRIBUTION OF MULTIFAMILY PROPERTIES SECURING GINNIE MAE MBS AS OF SEPTEMBER 30, 2022



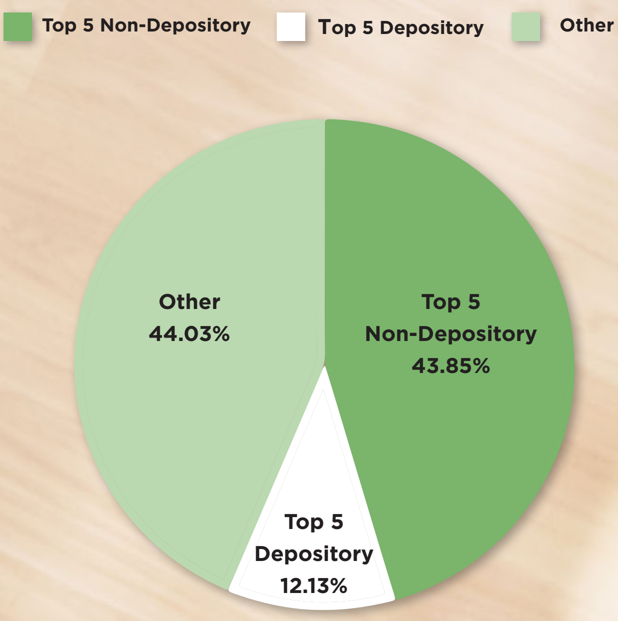
State	Loans	Percent of Total Loans	UPB
Texas	1,226	8.39	14,559,908,783
New York	560	3.83	10,176,796,760
California	1,029	7.04	9,953,092,998
Florida	526	3.60	7,000,031,884
Massachusetts	450	3.08	6,933,240,457
Illinois	704	4.82	6,814,245,935
Virginia	342	2.34	5,869,987,125
Ohio	1,028	7.03	5,764,761,985
Maryland	396	2.71	5,685,577,448
North Carolina	627	4.29	4,862,746,748
Top 10 Total	**6,888**	**47.12**	**77,620,390,123**

Ginnie Mae's portfolio of Multifamily FHA loans grew in Fiscal Year 2022 to a UPB of $140.2 billion compared to $134.6 billion at the end of Fiscal Year 2021. There were FHA loans in all 50 states, 2 territories and the District of Columbia in Ginnie Mae pools as of September 30, 2022 and as of September 30, 2021.

In addition, Ginnie Mae's portfolio of Multifamily USDA loans, grew in Fiscal Year 2022 to an outstanding UPB balance of $1.7 billion compared to $1.5 billion in Fiscal Year 2021. There were USDA loans in 47 states and 1 territory in Ginnie Mae pools as of September 30, 2022 and as of September 30, 2021.

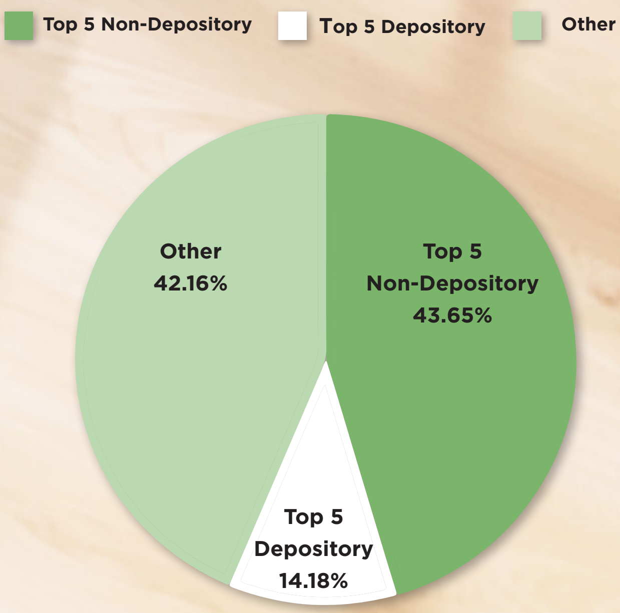
The figures below display the percentage of Ginnie Mae's multifamily loans (measured by UPB) by Ginnie Mae's top five depository issuers and top five non-depository issuers.

FIGURE 15 – *TOP FIVE DEPOSITORY AND NON-DEPOSITORY ISSUERS OF GINNIE MAE MULTIFAMILY MORTGAGES AS OF SEPTEMBER 30, 2022*



AS OF SEPTEMBER 30, 2022

FIGURE 16 – *TOP FIVE DEPOSITORY AND NON-DEPOSITORY ISSUERS OF GINNIE MAE MULTIFAMILY MORTGAGES AS OF SEPTEMBER 30, 2021*



AS OF SEPTEMBER 30, 2021

** As of September 30, 2022, ORIX Real Estate Capital together with its affiliates, serviced approximately 15.02 percent of our multifamily loans, compared with 15.38 percent as of September 30, 2021.*

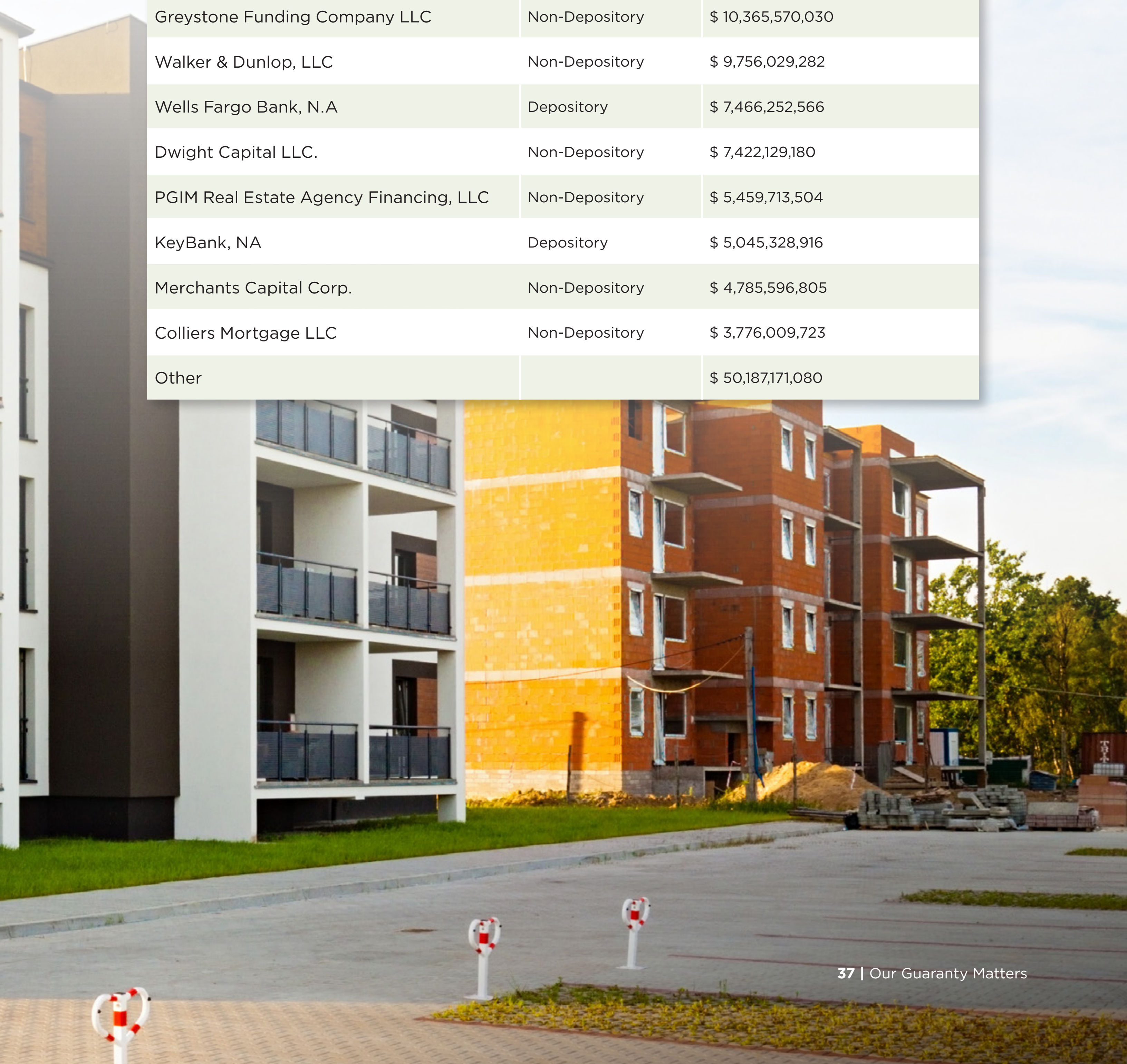
The tables below show the UPB of the top 10 multifamily Ginnie Mae MBS issuers.

FIGURE 17 – *TOP 10 MULTIFAMILY GINNIE MAE MBS ISSUERS AS OF SEPTEMBER 30, 2022*

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

__FIGURE 18 –__ TOP 10 MULTIFAMILY GINNIE MAE MBS ISSUERS AS OF SEPTEMBER 30, 2021

Issuer Name	Category	UPB
ORIX Real Estate Capital, LLC	Non-Depository	$ 20,944,549,637
Berkadia Commercial Mortgage	Non-Depository	$ 10,951,652,060
Greystone Funding Company LLC	Non-Depository	$ 10,365,570,030
Walker & Dunlop, LLC	Non-Depository	$ 9,756,029,282
Wells Fargo Bank, N.A	Depository	$ 7,466,252,566
Dwight Capital LLC.	Non-Depository	$ 7,422,129,180
PGIM Real Estate Agency Financing, LLC	Non-Depository	$ 5,459,713,504
KeyBank, NA	Depository	$ 5,045,328,916
Merchants Capital Corp.	Non-Depository	$ 4,785,596,805
Colliers Mortgage LLC	Non-Depository	$ 3,776,009,723
Other		$ 50,187,171,080



HMBS Program

Ginnie Mae's HMBS Program provides liquidity for FHA-insured reverse mortgages, an essential financial solution for a growing number of senior citizens. Total HMBS issuances in Fiscal Year 2022 increased to $15.6 billion from $12.3 billion in Fiscal Year 2021. The increase in HMBS issuances was due to lower interest rates until April 2022. After April 2022 and when the Federal Reserve started to increase interest rates, the issuances started to decrease month over month. The UPB of HMBS as of September 30, 2022 was $59.2 billion as compared to $56.7 billion as of September 30, 2021. The slight increase of HMBS Program's UPB is due to the slowdown in repayment activities arising from the higher interest rate at the second half of Fiscal Year 2022. Refer to Note 14: *Concentrations of Credit Risk* for 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. In the past, 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 $167.0 million at the end of Fiscal Year 2022, a decrease from $196.0 million at the end of Fiscal Year 2021. Refer to Note 14: *Concentrations of Credit Risk* for risk analysis related to Ginnie Mae's Manufactured Housing Program.

Significant Program Changes

Program Eligibility Requirements

Prompted by the changing nature of the U.S. housing finance system, FHFA and Ginnie Mae issued a joint statement on August 17, 2022 updating minimum financial eligibility requirements for seller/servicers and issuers. These enhanced eligibility requirements

reflect FHFA and Ginnie Mae's shared goals to promote confidence in approved issuers and seller/servicers and improve the safety and soundness of the U.S. MBS ecosystem through all economic cycles. FHFA and Ginnie Mae's effort to coordinate on financial eligibility requirements provides greater consistency for enterprise seller/servicers and Ginnie Mae issuers.

Ensuring that Ginnie Mae issuers can acquire financing during times of stress is critical to preserving access to credit for those borrowers who depend on Ginnie Mae and its agency partners. These enhanced requirements will promote the resilience of its issuers and better enable them to operate throughout challenging economic cycles. The majority of the requirements will be effective on September 30, 2023.

Single-Family Pool Delivery Module

Ginnie Mae adopted the Single-Family Pool Delivery Module (SFPMD) for Single-Family and Manufactured Housing Program issuers. This modernized application provides new capabilities, including more insight into the progress of pool submissions through an intuitive and user-friendly interface that enhances the user experience. SFPDM enables Ginnie Mae to align with mortgage industry standards for the delivery of Single-Family issuance data. Ginnie Mae has outlined an 18-month adoption period for the transition, ending approximately in July 2023.

C ET Pool Type Implementation for Single-Family Securities

In October 2021, Ginnie Mae announced the creation of a new single-family, fixed-rate MBS pool type to provide for securitization of modified loans with terms of up to 40 years from the pool issuance date. The new Extended Term (ET) pool became available for pool issuance in December 2021. The C ET Pool is a Ginnie Mae II program custom pool that must be comprised exclusively of loans modified pursuant to the insuring or guaranteeing agency's requirements that have terms greater than 30 years but not more than 40 years from the pool issuance date. The introduction of the new pool type has allowed Ginnie Mae issuers to offer loan modifications that carry a lower monthly payment than a 30-year term while retaining the ability to securitize these loans for sale into the secondary market.

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

FIGURE 19 – *GINNIE MAE I AND II MBS ISSUANCES FROM FISCAL YEAR 2020 TO FISCAL YEAR 2022*

Multiclass

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

- Platinum Securities are formed by combining Ginnie Mae MBS into a new single security. Platinum Securities can be constructed from both fixed-rate and ARM securities. They provide MBS investors with greater market and operating efficiencies, and may be used in structured financings, repurchase transactions, and general trading.

- REMIC Securities direct underlying MBS principal and interest payments to classes with different principal balances, interest rates, average lives, prepayment characteristics and final maturities. REMIC Securities allow dealers to have more flexibility for creating securities that meet the needs of a variety of investors. Principal and interest payments are divided into varying payment streams to create classes with different expected maturities and other characteristics.

FIGURE 20 – *REMIC AND PLATINUM SECURITY ISSUANCES FROM FISCAL YEAR 2020 TO FISCAL YEAR 2022*

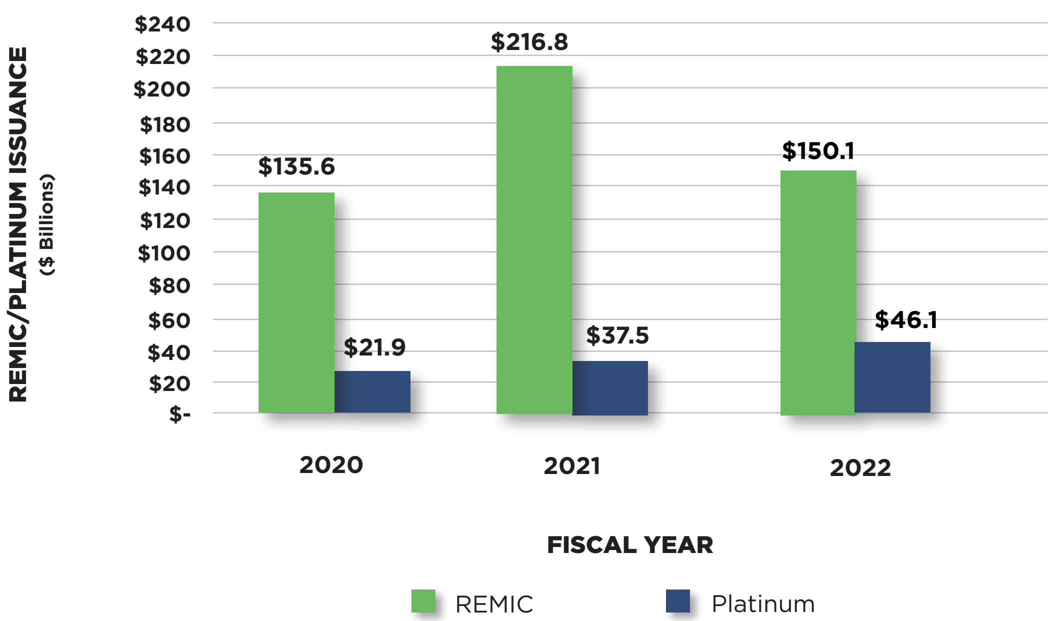
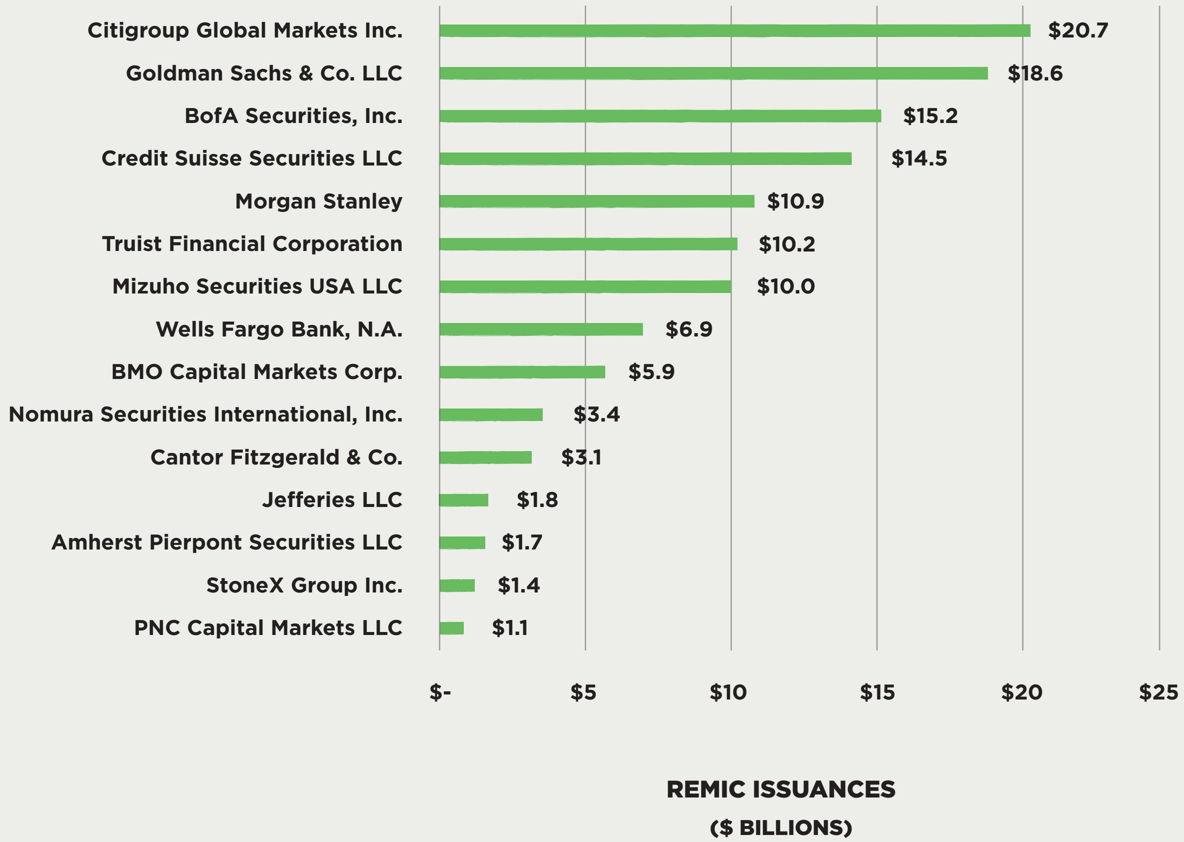


FIGURE 21 – *REMIC SECURITY PRODUCTS CONTRIBUTIONS BY SPONSOR IN FISCAL YEAR 2022*



Attractiveness in International Markets

Ginnie Mae securities are attractive to foreign investors as they offer a risk-free interest rate that is backed by the U.S. Government, which has never defaulted on its debt. Additionally, in the more recent economic environment, the U.S. dollar has significantly strengthened in relation to other currencies, which decreases volatility from foreign exchange fluctuations for foreign investors investing in Ginnie Mae MBS. Of the outstanding Ginnie Mae MBS portfolio of $2.3 trillion, as of September 30, 2022, approximately $400.0 billion is held by foreign investors. The majority of foreign investors are from Asia, the Middle East, and Europe, and primarily consist of banks, community banks, pension funds, life insurance companies, investment banks, and central banks.

Mortgage-Backed Securitization Platform Modernization

Ginnie Mae's securitization "platform" consists of the systems and processes that function collectively to execute the conversion of government-insured or guaranteed loans into government guaranteed securities. The platform provides for transmission of loan and pool information, collateral, and funds from and to a wide variety of program participants and its unimpaired functioning is a fundamental responsibility of Ginnie Mae. During 2021 and 2022, efforts to modernize the platform focused on the migration of Ginnie Mae's applications to the cloud. Completion of these projects in 2023 position Ginnie Mae to undertake initiatives that will result in significant improvements in the utility, adaptability, and security of the platform. Planning for these initiatives ("Ginnie Mae NextGen") began in 2020 and continued throughout 2021 and 2022.

As part of the modernization efforts, Ginnie Mae introduced its Digital Collateral Program, which allows Issuers and borrowers in the government-backed mortgage segment to access a paperless, efficient, secure means of closing on a home mortgage (i.e., "eMortgage"). The term eMortgage generally refers to the use of electronically signed closing documents paired with an original electronic promissory note ("eNote") signed on an eClosing platform and registered with an official eRegistry upon execution. Reliant on existing federal laws and highly secured technological standards, eMortgages bring a number of efficiencies to both borrowers and Ginnie Mae Issuers, such as improving the tracking and delivery of closing documents, reducing data errors, and increasing access to the closing process through Remote Online Notarization. Ginnie Mae securitized its first, eligible eNote via its Digital Collateral Program in January 2021. During its initial pilot phase, approved participants (eIssuers) securitized nearly 50,000 eMortgages. Based upon the success of this initial phase, Ginnie Mae opened the program to new eligible applicants on June 20, 2022 and, as of Fiscal Year 2022, approximately $14.7 billion of Ginnie Mae MBS backed by Digital Collateral has been securitized.

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.

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

Transition from the London Interbank Offer Rate (LIBOR) to Alternative Reference Rates

In July 2017, the UK Financial Conduct Authority (the FCA) announced its intention that it would no longer be necessary to persuade, or compel, banks to submit LIBOR rates after December 31, 2021. Since then, the FCA and other official sector bodies have strongly advised end-users of the need to transition from LIBOR by this date. On March 5, 2021, as a result of an Intercontinental Exchange (ICE) Benchmark Administration (IBA) consultation, the FCA announced that the publication of 1-week and 2-month U.S. dollar LIBOR would cease 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' 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. Ginnie Mae continues to work closely with key stakeholders, including other federal agencies, to monitor and mitigate LIBOR cessation risks from impacting operational processes and financial statement results moving forward.

In October 2020, Ginnie Mae 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 its 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. Ginnie Mae believes 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 guarantees, prohibitions have been put in place for certain pooled loan securities going forward. These restrictions preclude floating rate loans indexed to LIBOR from being securitized within Ginnie Mae guaranteed MBS. The following changes were made regarding specific security types that have historically included floating rate loans indexed to LIBOR:

Ginnie Mae Single-Family Forward Program: LIBOR-based single-family ARM are no longer eligible for pooling into Ginnie Mae securities. Effective January 1, 2021 all single-family forward ARM loans that rely on LIBOR, including LIBOR-based ARM-to-ARM loan modifications and re-performing LIBOR-based ARMs, are ineligible for pooling into any Ginnie Mae I or Ginnie Mae II security.

Ginnie Mae Reverse Program: LIBOR-based HECM ARMs are no longer eligible for pooling into Ginnie Mae securities. Effective March 1, 2021, the first participation of any LIBOR-based HECM is ineligible to be securitized into HMBS. Subsequent participations (that is participations other than the first participation) that are associated with a HECM loan that is backing HMBS with an Issue Date of February 1, 2021 or earlier will continue to be eligible for securitization without restriction.

Ginnie Mae Multifamily Program: There are no LIBOR-based MBS in the Multifamily program.

Ginnie Mae Multiclass Program: In September 2021, Ginnie Mae announced to Sponsors that December 31, 2021 will be the last date to include LIBOR-indexed REMIC classes for new issuances of floating rate Multiclass Securities. As of March 2020, the SOFR has been an eligible index for new issuances of floating rate Multiclass Securities.

As of the date of this report, Ginnie Mae does not hold any individual mortgages linked to LIBOR on its balance sheet and while it does 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 its current balance sheet, it identified that certain economic models with exposure to floating rate securities incorporate LIBOR as an input component. Through this assessment it found there was a limited impact to Ginnie Mae's current financial statements, including both the guaranty asset and guaranty obligation; however, if Ginnie needs to onboard new MSRs in the event of issuer defaults, the transition from LIBOR to alternative reference rates may have a more significant impact than it does today. Accordingly, Ginnie will continue to assess all effects of the transition to its 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 (ERM) program that establishes the organization's risk appetite and aligns it with its strategy, budget, objectives, and key performance indicators (KPIs). The office is divided into three divisions – the Counterparty Risk Analysis Division, the Enterprise Modeling Division, and the Operational Risk Analysis Division. ERM includes environmental, social, and governance (ESG), cybersecurity, counterparty, financial control, third-party (i.e., contractors), fraud, and operational risks. Ginnie Mae's ERM approach helps leadership achieve its mission and goals by providing timely and accurate information on risk levels and potential critical effect on business outcomes.

Credit Risk

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

Borrower credit risk is the risk of loss arising from the failure or inability of a borrower to meet its financial and/

or contractual obligations. Ginnie Mae's borrower credit risk primarily consists of mortgage assets in the non-pooled loans portfolio which is composed of loans acquired from defaulted, terminated, and extinguished issuers of Ginnie Mae guaranteed MBS, and loans purchased/repurchased out of Ginnie Mae guaranteed MBS pools in accordance with Ginnie Mae MBS guidelines. Ginnie Mae's borrower credit risk also includes potential default from multifamily borrowers. Refer to Note 4: *Financial Guaranties and Financial Instruments with Off-Balance Sheet Exposure* and Note 7: *Mortgage Loans 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, document custodians, and other related institutions. Ginnie Mae considers several factors as part of the counterparty credit risk assessment process, including the issuer's financial and operational vulnerability, credit analysis, and other evidence of probability of default, such as known non-compliance with applicable laws and regulations, interest rates, and other economic conditions. Refer to Note 13: *Reserve for Loss* for further information.

Concentrations of Credit Risk

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

Natural disasters affecting Ginnie Mae's loan portfolio (pooled and non-pooled) occur throughout the year but are typically concentrated during each year's hurricane season. In Fiscal Year 2022, natural disasters had an immaterial impact on the Ginnie Mae loan population. Refer to Note 14: *Concentrations of Credit Risk* for further information.

Model Risk

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

Model risk is the potential for adverse results from decisions based on incorrect model inputs and outputs. OER uses models to determine the value of, and measurement of, risk related to the guaranty asset and related guaranty obligation and 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.

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

Cybersecurity Risk

At Ginnie Mae, its operations rely on the secure and timely receipt, processing, storage, and transmission of confidential and other information in its systems and networks. Cybersecurity risk for large institutions like Ginnie Mae's has significantly increased in recent years. In response, Ginnie Mae took all reasonable precautions to protect its and its business partners' information and assets.

Ginnie Mae continued to invest in its cybersecurity infrastructure to secure its computer systems, software, networks, and other technology assets. Ginnie Mae aligned its cybersecurity risk management program to the COSO ERM framework and the National Institute of Standards and Technology (NIST) Framework for Improving Critical Infrastructure Cybersecurity. Ginnie Mae has also evolved its program based on the changing needs of its business and the evolving threat environment.

In addition, Ginnie Mae is undertaking an enterprise security assessment to gain insight into its security strengths and weaknesses, with further analysis focused on identifying gaps in capabilities across people, processes, and technology that may impact its ability to detect and respond to cyber threats and subsequently protect its portfolio and investors. This enterprise assessment considers the platforms and data that are most valuable to the organization, the infrastructure supporting those platforms and data, the maturity of cyber processes and procedures, and the level of cyber awareness and training throughout the organization. This insight will enable security operations, organizational management, senior leadership, and supporting personnel to view the enterprise from an adversary's perspective and allocate necessary resources to implement the appropriate security solutions. This assessment is expected to be completed in early Fiscal Year 2023.

Further, in response to the President's executive order on improving the nation's cybersecurity, Ginnie Mae worked with government agencies and technology partners as well as other businesses and cybersecurity service providers to understand the full spectrum of risks in the environment, enhance its defenses, and improve its resiliency against cyber-attacks. Ginnie Mae continues taking proactive measures across the organization with its technology partners and third-party security providers to enhance cybersecurity awareness, defensive posture and strengthen compliance.

Despite its efforts to ensure the integrity of its cybersecurity infrastructure, Ginnie Mae may not be able to anticipate, detect or recognize certain threats to its networks and technology assets. In addition, Ginnie Mae has discussed and worked with issuers, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and protect against cyber-attacks. However, given interdependencies, Ginnie Mae may be unable to put in place secure capabilities with all of its clients, vendors, service providers, counterparties and other third parties. Ginnie Mae may also not be able to ensure that these parties have appropriate controls in place to prevent cyber-attacks.

Environmental, Social, and Governance Matters

Ginnie Mae understands that ESG topics represent both risks and opportunities for the mortgage industry and making advances in this space is in alignment with Ginnie Mae's core values and mission. Failure to effectively manage these risks could result in economic destabilization caused by declining home values as a result of the increased prevalence and severity of natural disasters as well as through unfair lending practices, unknown or unaddressed counterparty risks, and homeownership disparity among women, minority populations and other underrepresented groups. At the same time, efforts by the public and private sectors will be required to promote opportunities for greater micro and macroeconomic resilience through activities related to sustainable and affordable housing and housing equity. The US mortgage market spans $11.2 trillion in outstanding residential loans, with $7.5 trillion securitized into MBS guaranteed by government entities including Ginnie Mae. As a result of both the size and ESG-related volatility of the mortgage industry, proactive management of ESG issues must be a 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 it serves, and its 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 its mission and the mortgage industry as a whole. Ginnie Mae is also developing a strategic ESG roadmap to take advantage of opportunities and mitigate risks in this space. Ginnie Mae's work to-date includes the identification of ESG risks and opportunities relevant to Ginnie Mae and the development of strategic ESG goals, with both near and medium-term actions and engaging all of its program offices in order to understand the various stakeholders' priorities.

The sections below provide further information on each of the ESG components as they relate to Ginnie Mae.

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 risks. The executive order details the need for a government-wide strategy that will:

- Measure, assess, mitigate, and disclose climate-related financial risks to Federal Government programs, assets, and liabilities;
- Address financing needs associated with achieving net-zero greenhouse gas emissions for the U.S. economy by no later than 2050, limiting global average temperature rise to 1.5 degrees Celsius, and adapting to the acute and chronic impact of climate change; 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 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 impact from supply chain disruption. Physical risks considered include, but are not limited to, the following:

geographical distribution of current MBS portfolios and potential exposure to various natural disasters (flooding, wildfires, thunderstorms, among others); historical estimates of expected losses attributable to weather-related natural catastrophes by geographic region; and the impact to building safety and soundness from extreme heat 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 impact of historical natural disasters on issuers, pooled loans, and non-pooled assets. Ginnie Mae recognizes the backward-looking nature of underwriting tools, such as flood maps, 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. Based on research of regulatory guidance and industry practices on climate risk modeling, Ginnie Mae is developing a plan to incorporate forward-looking climate risk modeling into the enterprise risk analysis framework. Collaboration with regulators, industry groups, and ESG experts will inform the development and implementation of the plan.

Social

Through its MBS programs, Ginnie Mae supports low and moderate-income (LMI) households and military veterans, among others, by providing them with more access to homeownership. In Fiscal Year 2022, it also continued enhancing data disclosures for Ginnie Mae securities. More specifically, within the Single-Family Supplemental File, it disclosed the following metrics: 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.

Ginnie Mae actively invests in the areas where it has a presence by providing physical and social infrastructure for the communities that it serves. For example, the SVP for OMO collaborated with Junior Achievement to host a JA in a Day at Plummer Elementary where K-5 through 5th grade students participated in activities designed to teach financial literacy and introduce an understanding of household cashflow needs that support successful homeownership experiences for underserved communities. In FY23, Ginnie Mae's Office of Management Operations (OMO) will lead another opportunity to collaborate with a community service provider to connect Ginnie Mae employees with the communities it serves.

In addition to its support of affordable homeownership through its extensive partnerships, Ginnie Mae also plays an important role in multifamily housing and reverse mortgage markets. One example of this is displayed by its support of the FHA's move into healthcare and senior care homes through the Multifamily Program, ensuring that its aging population has access to affordable healthcare facilities, including nursing homes. Ginnie Mae also has outreach programs in place that foster communication with its small business partners, hosting over 400 companies annually, to gather insights from those who are in direct contact with the communities it serves.

Ginnie Mae believes the dedication, determination, and collaboration of its people is a major driver of its long-term success. As a continued investment in its people, Ginnie Mae has formed a Workforce Innovation Team (WIT) and established an engagement council, comprised of employees across Ginnie Mae's respective program areas, who is responsible for employee engagement across the enterprise. In FY 2021, WIT, in partnership with the Ginnie Mae Employee Engagement Council (GMEEC), helped to foster a sense of belongingness and connectivity through social interaction among peers by hosting team building activities. Through these activities, it hopes to increase engagement with its employees to improve employee satisfaction, retention, and workforce capability. Building on the momentum established by its creation in Fiscal Year 2021, the Workforce Innovation Team has continued to focus on developing long-term workforce planning strategies and sponsoring initiatives to promote and achieve a culture of performance excellence and accountability, while supporting diversity, equity, fairness, and inclusion. This includes implementing Ginnie Mae's Employee Engagement Action Plan; planning and hosting the annual Ginnie Mae Matters Café to address issues of concern and interest to employees; developing a Leadership Development program; and collaborating with OCHCO to conduct an enterprise-wide blended skills assessment that addressed both workforce planning and succession planning. The goal of the Skills Assessment was to identify a high performing talent pool; skills gaps (current and identified future skills needed within the GNMA workforce; opportunities to close skills gaps by:

(a) Creating and implementing a strategic recruitment, hiring, and retention plan to ensure selection in service of gap closure or identified future skills needs

(b) Advise on recommended training offerings for employees who wish to move up in leadership by developing their leadership competencies; and

(c) Identify competency-specific training to recommend to existing GNMA employees to hone their competencies

Governance

The Executive Leadership team includes eleven members that provide oversight and day to day management of Ginnie Mae. The executive offices represented in this team include Capital Markets, Chief Financial Officer, Communications and Congressional Relations, Enterprise Data and Technology Solutions, Enterprise Risk, Issuer and Portfolio Management, Management Operations and Securities Operations. The Executive Leadership team is led by the Office of the President and Executive Vice President. The team has a variety of backgrounds and overall experience. The team is composed of 55.00 percent women and 45.00 percent people of color.

In addition, Ginnie Mae continued to actively engage with outside vendors in Fiscal Year 2022 to develop an ESG governance structure, with the goal of consistent implementation of an ESG strategy, risk management, and reporting across the organization, and a related communication strategy.

Internal Controls

Ginnie Mae management is responsible for establishing, maintaining, and assessing internal controls to provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA) of 1982 and the Federal Financial Management Improvement Act (FFMIA)

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

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

Ginnie Mae undertook a restructuring of the Management Internal Control Program during Fiscal Year 2019 in order to implement the requirements of the revised OMB Circular No. A-123 to integrate ERM and internal control over financial reporting (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 control assessment strategy, while providing sufficient annual assessment support to comply with the A-123 reporting requirements.

Ginnie Mae began executing against this robust, integrated A-123 strategy in Fiscal Year 2019 and has continued since. During Fiscal Years 2021 and 2022, Ginnie Mae continued the development of comprehensive documentation and performed an assessment of internal controls supporting significant financial statement line items and classes of transactions, including the non-pooled assets. Based on the results of this assessments and other program enhancements, Ginnie Mae was able to provide reasonable assurance that the internal controls were designed appropriately and operating effectively for Fiscal Years 2021 and 2022.

Additionally, Ginnie Mae established and maintained financial management systems to substantially comply with the three essential requirements with FFMIA: Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. Ginnie Mae annually assesses whether the financial management systems substantially comply with the essential requirements. For Fiscal Years 2021 and 2022, Ginnie Mae completed a review of its 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 ERM and Internal Controls. Based on the review, Ginnie Mae reported that all financial management systems were substantially in compliance with FFMIA, FISMA, and OMB Circular A-123.

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

Other Key Information

Critical Accounting Estimates

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

Assets Measured at Fair Value

Ginnie Mae carries a portion of its assets and liabilities at fair value. GA is measured at fair value on a recurring basis at the end of each reporting period, while acquired properties (AP) are measured at fair value on a nonrecurring basis as they are reported at the lower of cost or market (LOCOM) subsequent to acquisition.

Refer to Note 2: *Summary of Significant Accounting Policies* and Note 10: *Fair Value Measurement* for further details on Ginnie Mae's processes for determining fair values for GA 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 assets measured at fair value use internally developed valuation models and other valuation techniques that use significant unobservable inputs and are, therefore, classified within Level 3 of the valuation hierarchy in accordance with Accounting Standards Codification (ASC) 820. 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 rates, 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 OER 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, multifamily, etc.,) to be paid by issuers on the UPB of the outstanding MBS portfolio.

- 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 Note 9: *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 ASC 450-20: Contingencies – Loss Contingencies), Ginnie Mae aggregates its mortgage loans based on common risk characteristics, for example type of insurance or guarantee (FHA, VA, RD, PIH) associated with the loan or as uninsured loans. The allowance for loan losses estimate is calculated using statistical models that are based on historical loan performance and insurance recoveries. The estimate also includes qualitative factors, where applicable. Examples of changes in factors that will increase Allowance for Loan and Lease Losses (ALLL) include:

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

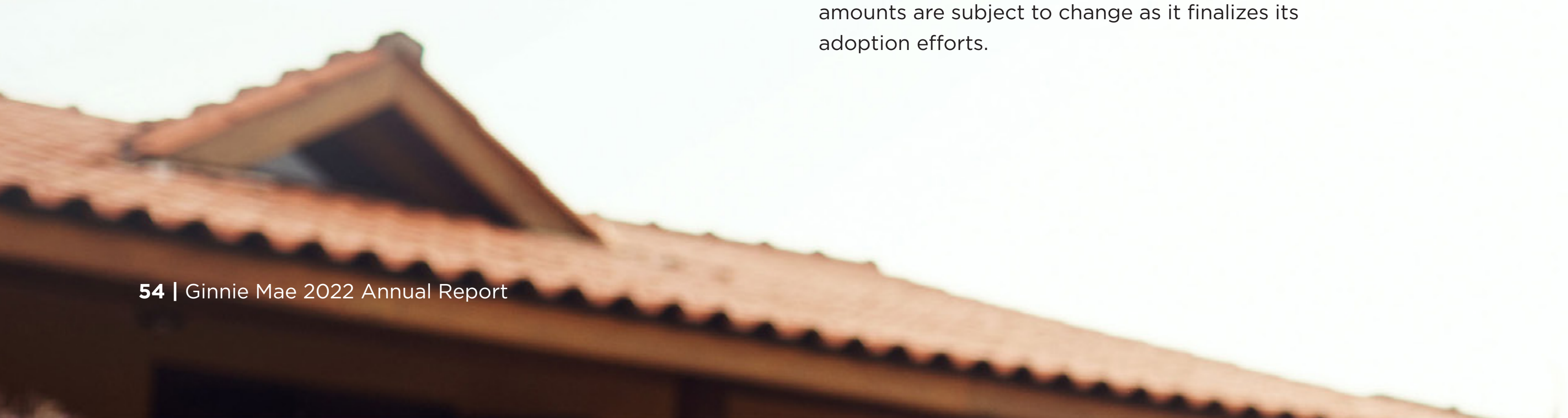
Ginnie Mae also considers a loan to be impaired when, based on current information, it is probable that amounts due, including interest, will not be recovered in accordance with the contractual terms of the loan agreement (pursuant to requirements under ASC: 310-10 Receivables – Overall). Ginnie Mae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

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

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

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

As a result of the adoption, Ginnie Mae will record one-time adjustments to the impacted financial statement line items that will result in an estimated realized gain from mortgage loans held at fair value of $173.1 million, an increase to liability for loss on mortgage-backed securities program guaranty of $114.5 million, and a related increase to investment of U.S. Government of $58.6 million. These amounts are subject to change as it finalizes its adoption efforts.



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 $157.9 billion in Fiscal Year 2022 compared to $301.0 billion in Fiscal Year 2021. 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 its MBS held by third parties, which was $2.3 trillion as of September 30, 2022 and $2.1 trillion as of September 30, 2021. The maximum exposure is not a representation of Ginnie Mae's actual exposure as it does not consider the impact of insurance, recourse, or the recovery Ginnie Mae would receive by exercising Ginnie Mae's right to the underlying collateral. Ginnie Mae recognized guaranty obligation of $9.0 billion and $8.3 billion on September 30, 2022 and 2021, respectively related to this portfolio.

Aggregate Contractual Obligations

Periodically, Ginnie Mae makes certain representations and warranties and indemnification clauses associated with Purchase and Sales Agreements (PSAs) that are enforceable and legally binding. These agreements may require Ginnie to repurchase loans that were previously sold to a third party or to indemnify the purchaser for losses if the loans are modified or not insured/guaranteed by the FHA, VA, USDA, or PIH. On September 30, 2022 and 2021, Ginnie Mae recorded $30.2 thousand and $54.6 thousand, respectively, as a contingent liability to account for these agreements.

Financial System Enhancements and Automation

Throughout Fiscal Year 2022, enhancement initiatives have continued for 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 during data processing within the SLDB. For Fiscal Year 2022 and beyond, Ginnie Mae is modernizing its technology platforms to improve operational efficiency, reduce complexity, and shorten the month-end close process. Below is a recap of Fiscal Year 2022 enhancements:

    » CECL and Fair Value Option (FVO) Implementation enables compliance with US GAAP and allow for more streamlined operations and flexibility to support the business, including reducing handoffs between different program offices to reduce operational and audit risk for Ginnie Mae. Successfully implementing CECL will meet Ginnie Mae's objective of maintaining lasting unmodified opinions after it early adopts CECL in Fiscal Year 2023.

    » The MSS Data Standardization Support helps to standardize the monthly transactions, balances and asset attributes received from the MSS to provide defaulted portfolio data in a common language that is aligned with industry standards for enterprise-wide consumption. The system is expected to go live in May 2023.

    » 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.

    » Additionally, the SLDB-RFS AWS Migration will benefit Ginnie Mae from a library of cutting-edge cloud services, performing its Business As Usual (BAU) operations more efficiently and aligning to industry standards.

- 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, focusing on the CECL- FVO adoption and the required changes to the impacted systems (VMMR, SLDB, GFAS).

- Budget Transformation and EPBCS – The Budget Transformation (BT) effort was initiated by utilizing Oracle's Enterprise Performance Management (EPM) EPBCS tool. The BT project will reassess the current Budget Formulation & Execution process and re-platform the process onto a single modernized solution to automate and centralize the budget process across Ginnie Mae organization, from aligning strategic planning to Strategic Objectives, through budget formulation, budget execution and, ultimately, tracking and analysis. Some key efficiencies to be gained are highlighted below:

    » Incorporates Executive Planning and Strategic Objective development throughout the annual budget process, within one centralized system.

    » Allows Ginnie Mae to track the amount of funding that was spent or planned on individual projects and/or Strategic Objectives over the course of the current Fiscal Year and/or Strategic Plan.

    » Provides insight into formulating future budget years, enabling a forward-looking view across the organization (estimates and re-estimates, Capital Reserve interest earned projections)

- 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 office forecasting and actual results.

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

Government National Mortgage Association

AUDIT OF FISCAL YEARS 2022 AND 2021 FINANCIAL STATEMENTS | 2023-FO-0002

November 14, 2022

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

Date: November 14, 2022

To: Alanna McCargo
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's Fiscal Years 2022 and 2021 Financial Statements

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) results of the audit of the Government National Mortgage Association's (Ginnie Mae) fiscal years 2022 and 2021 financial statements and reports on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements and other matters.

We contracted with the independent public accounting firm of CliftonLarsonAllen LLP (CLA) to audit the financial statements of Ginnie Mae as of and for the fiscal years ended September 30, 2022 and 2021, and to provide reports on Ginnie Mae's 1) internal control over financial reporting; and 2) compliance with laws, regulations, contracts, and grant agreements and other matters. Our contract with CLA required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit requirements, and the Financial Audit Manual of the U.S. Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency.

In its audit of Ginnie Mae, CLA reported:

- Ginnie Mae's financial statements as of and for the fiscal years ended September 30, 2022 and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- No material weaknesses[1] for fiscal year 2022 in internal control over financial reporting, based on limited procedures performed; and,
- No reportable noncompliance issues for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

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

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

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, grant agreements, or other matters. CLA is responsible for the attached Independent Auditors' Report, dated November 14, 2022, and the conclusions expressed therein. Our review disclosed no instances in which CLA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

The Inspector General Act, 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 Brittany Wing, Audit Director, at (202) 320-7296.

CliftonLarsonAllen LLP
CLAconnect.com

Independent Auditors' Report

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

President
Government National Mortgage Association

In our audits of the fiscal years 2022 and 2021 financial statements of the Government National Mortgage Association (Ginnie Mae), we found:

- Ginnie Mae's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, 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 2022 in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

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

Report on the Audit of the Financial Statements

<u>Opinion</u>

We have audited the accompanying financial statements of Ginnie Mae, which comprise the balance sheets as of September 30, 2022, and 2021; the related statements of revenues and expenses and changes in investment of U.S. Government, and cash flows for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, Ginnie Mae's financial statements referred to above present fairly, in all material respects, Ginnie Mae's financial position as of September 30, 2022, and 2021, 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.

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

INDEPENDENT AUDITORS' REPORT (Continued)

Basis for Opinion

We conducted our audits in accordance with 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. 22-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 22-01). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ginnie Mae and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

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

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

Required Supplementary Information

OMB Bulletin 22-01 requires that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, 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 audits of the financial statements, in order to report omissions or material departures from OMB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Report on Internal Control over Financial Reporting

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

Results of Our Consideration of Internal Control over Financial Reporting

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

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

During our 2022 audit, we identified deficiencies in Ginnie Mae's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant Ginnie Mae management's attention. We have communicated these matters to Ginnie Mae management and, where appropriate, will report on them separately.

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

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

Responsibilities of Management for Internal Control over Financial Reporting

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

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

In planning and performing our audit of Ginnie Mae's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with *Government Auditing Standards*, we considered Ginnie Mae's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ginnie Mae's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on Ginnie Mae's internal control over financial reporting or on management's assurance statement on the overall effectiveness of internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of 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.

Purpose of Report on Internal Control over Financial Reporting

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

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for fiscal year 2022 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.

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

We performed our tests of compliance in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

INDEPENDENT AUDITORS' REPORT (Continued)

<u>Auditors' Responsibilities for Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>

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 to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Ginnie Mae. We caution that noncompliance may occur and not be detected by these tests.

<u>Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters</u>

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.

Ginnie Mae's Response to the Audit Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, MD
November 14, 2022

EXHIBIT A

Ginnie Mae's Response to the Audit Report

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Ginnie Mae
Our Guaranty Matters

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

DATE:	November 10, 2022
MEMORANDUM FOR:	Brittany Wing, Director, Contracted Financial Statement Audits, Financial Audits Division, HUD OIG
FROM:	Alanna McCargo, President, Ginnie Mae
SUBJECT:	Management Response to Fiscal Year (FY) 2022 Audit Report

DocuSigned by:
Alanna McCargo
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The Government National Mortgage Association (Ginnie Mae) appreciates the opportunity to respond to the Independent Auditors' Report for FY 2022, prepared by CliftonLarsonAllen (CLA) for the Office of the Inspector General (OIG). Throughout this audit, CLA demonstrated skill and professionalism in its conduct of the engagement, and OIG provided constructive supervision for the project. We continue to appreciate and support the valuable role that OIG plays on behalf of the American taxpayer.

Resulting from the significant investment made in financial infrastructure and audit remediation, including maintaining a strong internal control over financial reporting environment, we are proud to receive an unmodified opinion for the third consecutive year. This result validates the countless efforts entailed in our investment and reinforces the confidence that our program participants and the capital markets can have in the integrity of Ginnie Mae and its guarantee.

This audit was conducted during a period in which Ginnie Mae was faced with challenging macroeconomic conditions due to a high inflationary environment, rising interest rates, and the residual impact of the COVID-19 pandemic. Despite this, Ginnie Mae continued to strive for operational excellence, including working with the Federal Housing Finance Agency (FHFA) to update minimum financial eligibility requirements for issuers to promote issuer resilience through challenging economic cycles. We also explored opportunities to increase Environmental, Social and Governance (ESG) product offerings and enhance disclosures to generate greater investor demand for securities supporting ESG objectives. In the past fiscal year, Ginnie Mae issued another $649.5 billion in Mortgage-Backed Securities (MBS), increasing the total value of Ginnie Mae's MBS portfolio to $2.3 trillion.

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 to advance strategic goals. The most prominent of these is our long-term commitment to rebuild the MBS securitization platform to take advantage of the possibilities offered by present-day technology. In FY 2022, we continued our migration of Ginnie Mae's applications to the cloud and expanded access to our Digital Collateral Program to eligible issuers. These efforts position the MBS program/platform for long-term success by adding value for issuers and investors and expanding the ways Ginnie Mae fulfills its mission.

EXHIBIT A
Ginnie Mae's Response to the Audit Report

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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, 2022

Government National Mortgage Association

Fiscal Year Financial Statements

September 30, 2022

Table of Contents

Balance Sheets		
	2022	**2021**
	September 30	**September 30**
	(Dollars in thousands)	
Assets:		
Cash and cash equivalents	$ 27,661,211	$ 26,075,289
Restricted cash and cash equivalents	1,441,925	1,298,536
Accrued fees and other receivables	122,826	119,410
Reimbursable costs receivable, net	23,981	26,004
Claims receivable, net	36,851	41,605
Advances, net	649	991
Mortgage loans held for investment including accrued interest, net	1,570,208	1,866,333
Acquired property, net	6,160	6,001
Fixed assets, net	54,805	55,560
Guaranty asset	8,595,302	8,304,052
Other assets	4,313	4,081
Total Assets	**$ 39,518,231**	**$ 37,797,862**
Liabilities and Investment of U.S. Government:		
Liabilities:		
Accounts payable and accrued liabilities	$ 96,632	$ 85,609
Deferred liabilities and deposits	774	4,697
Deferred revenue	594,853	588,810
Liability for loss on mortgage-backed securities program guaranty	10,934	19,485
Liability for representations and warranties	30	55
Guaranty liability	8,966,555	8,308,235
Total Liabilities	**$ 9,669,778**	**$ 9,006,891**
Commitments and Contingencies (See Note 15)		
Investment of U.S. Government	$ 29,848,453	$ 28,790,971
Total Liabilities and Investment of U.S. Government	**$ 39,518,231**	**$ 37,797,862**

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 years ended September 30,	
	2022	2021
	(Dollars in thousands)	
Revenues:		
Interest Income		
Interest income on mortgage loans held for investment	$ 82,843	$ 88,739
Interest income on pass-through assistance program receivable	-	38
Other interest income	130,924	5,371
Income on guaranty obligation	2,034,881	3,500,444
Mortgage-backed securities guaranty fees	1,431,430	1,395,990
Commitment fees	130,493	186,276
Multiclass fees	33,649	34,862
Mortgage-backed securities program and other income	9,947	9,104
Total Revenues	**$ 3,854,167**	**$ 5,220,824**
Expenses:		
Administrative expenses	$ (41,315)	$ (34,992)
Fixed asset depreciation and amortization	(19,725)	(23,548)
Mortgage-backed securities program and other expenses	(313,837)	(271,769)
Acquired property expenses, net	(1,610)	(1,564)
Total Expenses	**$ (376,487)**	**$ (331,873)**
Recapture (provision):		
Recapture (provision) for mortgage loans held for investment including accrued interest, net	$ (30,587)	$ 39,001
Recapture (provision) for mortgage-backed securities program guaranty	8,551	23,954
Recapture (provision) for reimbursable cost	5,326	(4,474)
Recapture (provision) for claims receivable	(5,193)	3,192
Recapture (provision) for loss on uncollectible advances	120	(51)
Recapture (provision) for pass-through assistance program receivable including accrued interest	-	454
Total Recapture (Provision)	**$ (21,783)**	**$ 62,076**
Other Gain (Loss):		
Gain (loss) on guaranty asset	$ (2,401,950)	$ (2,219,170)
Gain (loss) other	3,535	674
Total Other Gains / (Losses)	**$ (2,398,415)**	**$ (2,218,496)**
Results of Operations	**$ 1,057,482**	**$ 2,732,531**
Investment of U.S. Government at Beginning of Period	$ 28,790,971	$ 26,058,440
Investment of U.S. Government at End of Period	**$ 29,848,453**	**$ 28,790,971**

The accompanying notes are an integral part to these financial statements

Statements of Cash Flows				
	For the years ended September 30,			
	2022		2021	
	(Dollars in thousands)			
Cash Flows from Operating Activities				
Results of Operations	**$**	**1,057,482**	**$**	**2,732,531**
Adjustments to reconcile results of operations to net cash (used for) provided by operating activities:				
Fixed asset depreciation and amortization		19,725		23,548
Provision (Recapture) for mortgage loans held for investment including accrued interest, net		30,587		(39,001)
Provision (Recapture) for mortgage-backed securities program guaranty		(8,551)		(23,954)
Provision (Recapture) for reimbursable costs		(5,326)		4,474
Provision (Recapture) for claims receivable		5,193		(3,192)
Provision (Recapture) for loss on uncollectible advances		(120)		51
Provision (recapture) for pass-through assistance program receivables including accrued interest		-		(454)
Acquired property expenses, net		1,566		1,070
(Gain)/loss on guaranty asset		2,401,950		2,219,170
(Gain)/loss other		307		130
(Gain)/loss on liability for representations and warranties		-		1,758
Income on guaranty obligation		(2,034,881)		(3,500,444)
Interest income on mortgage loans held for investment		(5,355)		(5,095)
Changes in operating assets and liabilities:				
Accrued fees and other receivables		(3,416)		(1,378)
Pass-through assistance program receivables including accrued interest, net		-		3,126
Claims receivable, net		32,146		43,151
Advances, net		462		(258)
Reimbursable costs receivable, net		(1,328)		(2,560)
Mortgage loans held for investment including accrued interest, net		310		3,762
Acquired property, net		(483)		64
Other assets		(234)		(3,449)
Accounts payable and accrued liabilities		11,023		12,166
Deferred liabilities and deposits		(3,923)		1,487
Deferred revenue		6,043		61,433
Net cash provided by operating activities	**$**	**1,503,177**	**$**	**1,528,136**
Cash Flows from Investing Activities				
Proceeds from repayments and sales of mortgage loans acquired as held for investment		256,462	$	296,566
Proceeds from the dispositions of acquired property and preforeclosure sales		5,663		3,563
Purchases of loans held for investment including accrued interest, net		(16,691)		(14,077)
Purchases of fixed assets		(19,300)		(14,115)
Net cash provided by investing activities	**$**	**226,134**	**$**	**271,937**
Cash Flows from Financing Activities				
Net cash (used for) provided by financing activities	$	-	**$**	-
Net change in cash and cash equivalents		1,729,311		1,800,073
Cash and cash equivalents, beginning of the period		27,373,825		25,573,752
Cash and cash equivalents, end of the period	**$**	**29,103,136**	**$**	**27,373,825**
Supplemental Disclosure of Non-Cash Activities				
Transfers from mortgage loans held for investment including accrued interest, net to claims receivable, net	$	24,541	$	5,044
Transfers from mortgage loans held for investment including accrued interest, net to acquired property, net	$	6,273	$	5,939

The accompanying notes are an integral part to these financial statements

Notes to the Financial Statements

Note 1: Entity and Mission

The Government National Mortgage Association (Ginnie Mae) was created in 1968, through an amendment of Title III of the National Housing Act as a wholly owned United States (U.S.) government corporation within the U.S. Department of Housing and Urban Development (HUD). Ginnie Mae is a government corporation and, therefore, is exempt from both federal and state taxes. Ginnie Mae guarantees the timely payment of principal and interest (P&I) on Mortgage-Backed Securities (MBS) backed by federally insured or guaranteed mortgage loans to its MBS investors. The 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 (USDA), and the Office of Public and Indian Housing (PIH)[1]. Ginnie Mae neither originates, purchases, or guarantees direct loans.

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

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

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[1] *Ginnie Mae did not have any mortgage loans insured by PIH at September 30, 2022 or September 30, 2021. However, PIH-insured mortgage loans may exist within MBS pools.*

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

- Ginnie Mae Platinum Securities are formed by combining Ginnie Mae MBS 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, USDA, and PIH loan insurance programs;
- ***Multifamily Program*** **–** consists of FHA and USDA insured loans originated for the purchase, construction, or renovation of apartment buildings, hospitals, nursing homes, and assisted living facilities;
- ***HECM Mortgage-Backed Securities (HMBS Program)*** **–** consists of reverse mortgage loans insured by FHA; and
- ***Manufactured Housing Program*** **–** allows the issuance of pools of loans insured by FHA's Title I Manufactured Home Loan Program.

Note 2: Summary of Significant Accounting Policies

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

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

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

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

Ginnie Mae has made significant estimates in a variety of areas including, but not limited to, fixed assets, 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-related 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.

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

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

Deposits in transit include principal, interest, and other payments collected by the MSS and the Trustee and Administrator of securities, on Ginnie Mae's behalf, in custodial accounts that have not yet been received by Ginnie Mae 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 overnight certificates are issued with a stated rate of interest to be applied to their par value with a maturity date of the next business day. These overnight certificates are measured at cost, which approximates fair value. Interest income on such securities is presented within "Other interest income" in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government.

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

Escrow Funds (Held in Trust for MBS Certificate Holders or Mortgagors): Escrow funds are held in trust for payments of mortgagors' taxes, insurance and related items. These funds are collected by the MSS and held at depository institutions for which Ginnie Mae does not have access. This amount is $23.6 million and $24.2 million as of September 30, 2022 and September 30, 2021, respectively. The escrow balance as of September 30, 2022 represents amounts submitted by the MSS. Escrow funds are not owned, invested or controlled by Ginnie Mae. Ginnie Mae receives no current or future economic benefits, and there is no associated risk or reward to Ginnie Mae from the escrow funds. As such, escrow funds are not included on Ginnie Mae's Balance Sheet.

Reimbursable Costs Receivable, Net: Costs incurred on both pooled and non-pooled loans, that are expected to be reimbursed, are recorded as reimbursable costs receivable and reported net of an allowance for amounts that management believes will not be collected. Reimbursable costs arise when there are insufficient escrow funds available to make scheduled tax and insurance

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

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

payments for loans serviced by Ginnie Mae, wherein Ginnie Mae advances funds to cover the escrow shortfall to preserve a first lien position on the underlying collateral. In addition, Ginnie Mae advances funds to cover servicing related expenses 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 (FHA, VA, USDA, and PIH).

Accrued Fees and Other Receivables: Ginnie Mae's accrued fees and other receivables primarily include accrued guaranty fees. Accrued guaranty fees, which are based on the aggregate unpaid principal balances (UPB) of the guaranteed securities outstanding, are recorded in the month they are earned. Guaranty fees are discussed in Note 4: *Financial Guarantees and Financial Instruments with Off-Balance Sheet Exposure*.

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

Claims Receivable, Net: Claims receivable represents receivables from properties conveyed to insuring or guaranteeing agencies (FHA, VA, USDA, and PIH) and payments owed to Ginnie Mae from such insuring or guaranteeing agencies. Claims receivable consists of 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, USDA, and PIH guaranteed loans follow a similar process in which the claims receivable amount is determined in accordance with the respective agency guidelines. Ginnie Mae records a short sale claims receivable while it awaits repayment of the shortfall amount from the insuring or guaranteeing agencies.

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 net of an 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 net of an allowance for foreclosed property claims is the amount that Ginnie Mae determines to be collectible.

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

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

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

Advances, Net: Advances represent pass-through payments made to the MSS to fulfill Ginnie Mae's guarantee of timely P&I payments to MBS 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, USDA, or PIH, as well as loans that have been modified beyond the trial modification period. Additionally, Ginnie Mae has the option to purchase mortgage loans out of the MBS pool when the mortgage loans are insured or guaranteed but are delinquent for more than 90 days.

Mortgage Loans Held For Investment: Ginnie Mae has the intent and ability to hold acquired loans for the foreseeable future or until maturity, therefore, the mortgage loans are classified as 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, 2022 and September 30, 2021, Ginnie Mae had no loans classified as HFS.

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

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

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

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

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

For large groups of homogeneous loans that are collectively evaluated (pursuant to requirements in ASC 450-20), Ginnie Mae establishes the allowance for loan losses and records an allowance against both principal and interest. When Ginnie Mae determines that it is probable a credit loss will occur and that loss can be reasonably estimated, Ginnie Mae recognizes the estimated amount of the incurred loss in the allowance for loan losses. Ginnie Mae aggregates its mortgage loans based on common risk characteristics, primarily by the type of insurance or guarantee (FHA, VA, USDA, PIH) associated with the loan, as each has a different recovery rate. Ginnie Mae also categorizes uninsured loans separately from insured loans. The allowance for loan losses estimate is calculated using statistical models that are based on historical loan performance and insurance or 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 USDA insured loans fall in scope of Section 4022 "Foreclosure Moratorium and Consumer Right to Request Forbearance" of the CARES Act which grants forbearance rights and protection against foreclosure to borrowers with a federally backed mortgage loan[4]. Per Section 4022, upon the borrower's request, a servicer must provide forbearance for up to 180 days provided that the borrower must attest that they have experienced financial hardship due to COVID-19. Section 4022 also notes that the forbearance period may be extended for an additional period of up to 180 days at the request of the borrower, provided that, the borrower's request for an extension is made during the covered period, and, at the borrower's request, either the initial or extended period of forbearance may be shortened. FHA, VA, and USDA did not extend its foreclosure moratorium to the insured borrowers past July 31, 2021. Forbearance application window remained open through the end of the nationally declared emergency[5] to provide additional forbearance for borrowers that meet relevant criteria.

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[4] *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.*

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

In April 2020, the Board of Governors of the Federal Reserve, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Consumer Financial Protection Bureau, in consultation with state financial regulators, issued a revision to the *Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus* ("Interagency Statement"), which was confirmed with the staff of the Financial Accounting Standards Board. The Interagency Statement encourages financial institutions to work constructively with borrowers impacted by COVID-19, provides additional information over loan modifications, and clarifies interactions between the interagency statement and related relief provided by the CARES Act. The Interagency Statement allows for an entity to either choose to account for an eligible loan modification under Section 4013 of the CARES Act or in accordance with the Interagency Statement's interpretation of existing US GAAP (ASC 310-40) in the context of COVID-19. The scope of the Interagency Statement applies to modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Loan modifications eligible for relief under the Interagency Statement meet all of the following criteria: 1) modification is in response to the National Emergency, 2) the loan was not 30 days or more past due at the time the modification program is implemented, and 3) the modification is short term in nature (e.g., six months).

Ginnie Mae has elected to account for modifications and take the optional relief provided within the Interagency Statement. For loan modifications to meet the criteria for relief under the Interagency Statement, one requirement is that borrowers have to be current at the implementation of the modification program. As such, institutions may presume borrowers are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program. In accordance with the Interagency Statement, loans subject to relief will continue to be presented as current within the financial statement aging disclosures. Further, these loans will continue to recognize interest income subject to Ginnie Mae's existing accounting policy. Refer to Note 7: *Mortgage Loans 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, USDA, and PIH in determining whether it is probable that Ginnie Mae will collect all amounts due according to the contractual terms. Per U.S. GAAP, Ginnie Mae is required to record realized losses on loans purchased when, upon purchase, the fair value is less than the acquisition cost of the loan. Additionally, U.S. GAAP requires Ginnie Mae to accrue and recognize the difference between the initial investment of the loan and the undiscounted expected cash flows (accretable yield) as interest income on a level-yield basis over the expected life of the loan.

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

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

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 hardware and software. Ginnie Mae capitalizes costs based on guidance in ASC 350-40: *Intangibles – Goodwill and Other – Internal-Use Software* and ASC 360: *Property, Plant and Equipment*. Additions to fixed assets consist of improvements, 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 during the years ended September 30, 2022 or September 30, 2021.

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. Refer to Note 11: *Fixed Assets, Net* for additional information.

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

In accordance with ASC 860: *Transfers and Servicing,* Ginnie Mae records a servicing asset (or liability) each time it takes over a terminated and extinguished issuer's Ginnie Mae guaranteed pooled-loan portfolio. The MSR asset (or liability) represents the benefits (or costs) of servicing that are expected to be more (or less) than adequate compensation to a servicer for performing the servicing. The determination of adequate compensation is a market notion and is made independent to Ginnie Mae's cost of servicing. Accordingly, Ginnie Mae's determination of adequate compensation is based on compensation active issuers demand in the marketplace. Typically, the benefits of servicing are expected to be more than adequate compensation for performing the servicing, and the contract results in a servicing asset. However, if the benefits of servicing are not expected to adequately compensate for performing the servicing, the contract results in 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, USDA, and PIH insured loans with similar collateral types and underwriting standard. Since these loans have similar risk profiles, Ginnie Mae identifies single family residential MSRs and multifamily residential MSRs 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. Ginnie Mae's MSR balance as of September 30, 2022 and September 30, 2021 is $265.8 thousand and $268.0 thousand, respectively, and is included within the Other Assets line item on the Balance Sheet.

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.

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

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

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

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

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

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

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

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

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

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

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

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

Refer to Note 13: *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.*

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

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

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

Ginnie Mae recognizes revenue from the following sources:

- Interest income on mortgage loans held for investment – Ginnie Mae accrues interest for loans at the contractual interest rate of the underlying mortgage unless the loans become 90 days past due, at which point the loans are placed on nonaccrual or modified accrual status.
- Other interest income – Ginnie Mae earns interest income on U.S. Government securities related to U.S. Treasury overnight certificates. Prior to 2018, Ginnie Mae earned and collected interest on uninvested funds, which was calculated using the applicable version of the Credit Subsidy Calculator 2 (CSC2) provided by the OMB. In September 2018, the U.S. Treasury clarified rules regarding the collection of interest on uninvested funds in the Financing Fund. Based on additional conversations with and clarifications from the U.S. Treasury, Ginnie Mae was not entitled to earn interest on uninvested funds without a signed borrowing agreement in accordance with the Federal Credit Reform Act of 1990. Ginnie Mae is in ongoing discussions with OMB and its legal counsel on whether the Financing Fund is fully subject to the provisions of the Federal Credit Reform Act of 1990. As a resolution of the matter between Ginnie Mae and OMB is pending, the U.S. Treasury and Ginnie Mae agreed that Ginnie Mae will not earn or collect interest on uninvested funds until the matter is resolved. Due to U.S. Treasury's new criteria for earning and collecting interest on uninvested funds, no interest income was earned and recognized on uninvested funds for the year ended September 30, 2022. 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 depends on the volume of commitment authority used, which is affected by changes in interest rates. Commitment fee revenue is recognized in income over time as issuers use their commitment authority, which represents the completion of Ginnie Mae's performance obligation. The remaining balance of the commitment fees is deferred until the service is used or expired, whichever occurs first. Fees from expired commitment authority are not returned to issuers and are recognized as income.

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

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

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

  The 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 fees, including transfer of issuer responsibilities, new issuer applications, acknowledgement agreement fees, certificate handling, mortgage servicing, and civil monetary penalty.

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

  New issuer application fees, 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 federally insured or guaranteed mortgages issued by private institutions. Unlike substantially all of the securitization market, Ginnie Mae approves issuers to pool loans and issue Ginnie Mae guaranteed MBS, or "virtual trusts". Additionally, for federal income tax purposes, the Ginnie Mae pool is considered a grantor trust. For consolidation purposes, each of these virtual trusts are considered individual legal entities and, in accordance with ASC 810: *Consolidation,* are considered variable interest entities (VIEs).

Variable Interest Entities Model:

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

Ginnie Mae's involvement with legal entities that are VIEs is limited to providing a guaranty on interest payments and principal returns to MBS holders of the Ginnie Mae virtual trusts. Ginnie Mae is not the primary beneficiary of the Ginnie Mae virtual trusts as it does not have the power to control the significant activities of the trusts. Other than its guaranty, Ginnie Mae does not provide, nor is it required to provide, any type of financial or other support to these entities. The guaranty fee receivable represents compensation for taking on the risk of providing the guaranty to MBS certificate holders for the timely payment of P&I in the event of issuers' default. Ginnie Mae's maximum potential exposure to loss under these guarantees is primarily comprised of the amount of outstanding MBS securities and commitments and does not consider loss recoverable from the FHA, VA, USDA, and PIH.

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

	September 30, 2022	September 30, 2021
	(Dollars in thousands)	
Guaranty asset	$ 8,595,302	$ 8,304,052
Guaranty fee receivable	121,000	117,000
Total	**$ 8,716,302**	**$ 8,421,052**
Guaranty liability	$ 8,966,555	$ 8,308,235
Liability for loss on mortgage-backed securities program guaranty	10,934	19,485
Total	**$ 8,977,489**	**$ 8,327,720**
Maximum exposure to loss:		
Outstanding MBS securities	$ 2,284,456,605	$ 2,125,591,309
Outstanding MBS commitments	157,894,490	301,023,584
Total	**$ 2,442,351,095**	**$ 2,426,614,893**

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

Recently Adopted Accounting Pronouncements

There were no recent accounting pronouncements that have recently been adopted as of September 30, 2022.

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	Date of Planned Adoption	Effect on the financial statements
Financial Instruments—Credit Losses (Topic 326): 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 instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326.	October 1, 2022	Ginnie Mae will elect the fair value option on mortgage loans held for investment including accrued interest as well as over the non-pooled portion of reimbursable costs receivable. Election of the fair value option will result in the modification of related disclosures. The quantitative impact of this election will be included within a cumulative effect adjustment to investment of U.S. Government as of October 1, 2022.
Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (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 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.	October 1, 2022	Ginnie Mae has completed evaluations of data requirements and necessary changes to credit loss estimation methods, and will be required to recognize expected lifetime credit losses related to the contingent portion of its guaranty obligation, liability for loss on mortgage-backed securities program guaranty. The quantitative impact of adoption will be applied through a cumulative effect adjustment to investment of U.S. Government as of October 1, 2022.

Note 3: Unrestricted and Restricted Cash and Cash Equivalents

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

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

	September 30, 2021		
	Unrestricted	Restricted	Total
	(Dollars in thousands)		
Funds with U.S. Treasury [1]	$ 11,751,661	$ -	$ 11,751,661
Unapplied deposits	-	195	195
Fund balances precluded from obligation	-	1,270,294	1,270,294
Liability for investor pay off	-	4,500	4,500
Total Funds with U.S. Treasury	$ 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
Total Deposit in Transit:	$ 53,510	$ -	$ 53,510
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**

(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 on behalf of Ginnie Mae but not yet received by Ginnie Mae.*

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

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

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

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

Deposits in Transit:

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

U.S. Treasury short-term investments: Ginnie Mae 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 $18.4 billion and $14.2 billion and the Liquidating Fund of approximately $124.0 million and $123.1 million in overnight U.S. Government securities at September 30, 2022, and September 30, 2021, respectively. At September 30, 2022, and September 30, 2021, Ginnie Mae only held overnight certificates. The U.S. Treasury short-term investments balance includes $23.7 million and $23.5 million of restricted cash related to unclaimed MBS security holder payments at September 30, 2022, and September 30, 2021, respectively. U.S. Treasury securities are carried at cost, which approximates fair value.

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

Ginnie Mae receives 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 $8.6 billion and $8.3 billion at September 30, 2022, and September 30, 2021, 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 $9.0 billion and $8.3 billion at September 30, 2022, and September 30, 2021, 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 10: *Fair Value Measurement* for discussion surrounding the volatility reflected in the Statement of Revenues and Expenses and Changes in Investment of U.S. Government as a result of changes in assumptions used in estimating the fair value of the guaranty asset.

For the guaranty asset and guaranty liability recognized on the Balance Sheet, Ginnie Mae's maximum potential exposure under these 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 $2.3 trillion at September 30, 2022, and $2.1 trillion at September 30, 2021. 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 13: *Reserve for Loss*. Terms of the guarantee for single family programs are maximum 40 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 13: *Reserve for Loss* for discussion of contingent and non-contingent guaranty liability.

Ginnie Mae is also exposed to losses related to its outstanding commitments to guarantee MBS, which are not recognized on its Balance Sheet. These commitments represent Ginnie Mae's 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 one year after the authority is approved for single family issuers and on the last day of the month that is two years after the authority is approved for multifamily issuers. Ginnie Mae's risk related to outstanding commitments is significantly lower than the outstanding balance of MBS 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, 2022		September 30, 2021	
	(Dollars in billions)			
Outstanding MBS securities	$	2,284	$	2,126
Outstanding MBS commitments		158		301
Total	**$**	**2,442**	**$**	**2,427**

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

For the years ended September 30, 2022, and 2021, multiclass security program issuances totaled \$196.2 billion and \$254.2 billion, respectively. The estimated outstanding balance of multiclass securities was \$659.0 billion and \$608.7 billion at September 30, 2022, and September 30, 2021, respectively. These guaranteed securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the MBS collateral.

Note 5: Reimbursable Costs, Net

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

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

	September 30, 2021									
	FHA		VA		USDA		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**

(1) Refer to Note 2: Summary of Significant Accounting Policies for the Reimbursable Costs description.

Note 6: 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, USDA, and PIH.

During the years ended September 30, 2022, and September 30, 2021, 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, 2022, and September 30, 2021. 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 following table presents Advances and related allowance:

	September 30, 2022	September 30, 2021
	(Dollars in thousands)	
Advances	$ 741	$ 1,203
Allowance for uncollectible advances	(92)	(212)
Advances, net	**$ 649**	**$ 991**

Note 7: Mortgage Loans Held for Investment Including Accrued Interest, Net

Ginnie Mae classifies loans as either HFS or HFI. At September 30, 2022, and September 30, 2021, Ginnie Mae's loan portfolio did not include any HFS loans.

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

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

	September 30, 2021				
	Conventional	FHA	VA	USDA	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**

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, USDA, and PIH.

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

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

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

	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
USDA	1,064	22,124	7,770	30,958
Total	**$ 129,500**	**$ 1,775,912**	**$ 58,104**	**$ 1,963,516**

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

Aging Analysis

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

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

	September 30, 2021								
	One Month Delinquent	Two Months Delinquent	Three Months Delinquent	Over Three months Delinquent	Total Delinquent	Current	Total	Loans Over 90 Days Delinquent and Accruing Interest[1]	Recorded Investment in Non-accrual loans[2]
	(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	-
USDA	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**

(1) 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.

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

Impaired Loans

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

	September 30, 2022				
	Recorded Investment	Related Allowance	Unpaid Principal Balance	Average Recorded Investment	Total Interest Income Recognized[1]
	(Dollars in thousands)				
With related allowance recorded:					
Conventional	$ 37,306	$ (1,766)	$ 37,095	$ 39,737	$ 1,815
FHA	1,140,529	(119,636)	1,136,594	1,172,867	51,028
VA	42,081	(2,802)	41,927	44,567	1,899
USDA	17,910	(1,773)	17,821	18,474	962
Total impaired loans with related allowance recorded	$1,237,826	$ (125,977)	$ 1,233,437	$ 1,275,645	$ 55,704
With no related allowance recorded[2]:					
Conventional	5,795	-	5,517	6,651	1,101
FHA	203,884	-	201,050	207,129	11,818
VA	19,118	-	18,645	19,593	1,185
USDA	8,666	-	8,444	8,780	617
Total impaired loans with no related allowance recorded	$ 237,463	$ -	$ 233,656	$ 242,153	$ 14,721
Total impaired loans[3]	**$1,475,289**	**$ (125,977)**	**$ 1,467,093**	**$ 1,517,798**	**$ 70,425**

	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
USDA	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
USDA	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[4]	**$ 1,685,673**	**$ (95,425)**	**$ 1,674,826**	**$ 1,705,640**	**$ 74,251**

(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.*

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

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

(4) *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.*

Troubled Debt Restructuring

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

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

Ginnie Mae's loan modification programs may result in various types of concessions (including a combination of concessions) such as term extensions and interest rate reductions (lower than what the mortgagor would receive in the market at the time of the modification). The average term extension granted by Ginnie Mae was 126 months and 32 months for the years ended September 30, 2022, and 2021, respectively. The average interest rate reduction was 1.60 percentage points and 0.34 percentage points for the years ended September 30, 2022, and 2021, respectively.

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

	For the years ended September 30,			
	2022		2021	
	Number of Loans[3]	Recorded Investment[2]	Number of Loans[3]	Recorded Investment[2]
	(Dollars in thousands)			
Conventional	9	$ 707	25	$ 2,400
FHA	112	15,060	330	44,191
VA	8	1,458	22	4,715
USDA	11	1,037	16	1,366
Total	**140**	**$ 18,262**	**393**	**$ 52,672**

(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:

	For the years ended September 30,			
	2022		2021	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(Dollars in thousands)			
Conventional	-	$ -	1	$ 71
FHA	7	519	26	3,163
VA	2	402	1	417
USDA	-	-	3	263
Total	9	$ 921	**31**	**$ 3,914**

Purchased Credit Impaired Loans

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

Foreclosures in Process

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

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

The recorded investment of Foreclosure in Process loans was $103.5 million and $122.1 million as of September 30, 2022, and September 30, 2021, 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:

	For the years ended September 30, 2022	2021
	(Dollars in thousands)	
Recorded investment:		
Collectively evaluated	$ 222,402	$ 277,843
Individually evaluated	1,452,640	1,656,249
Purchase credit impaired	22,649	29,424
Total recorded investment in loans	**$ 1,697,691**	**$ 1,963,516**
Ending balance of the allowance for loan losses:		
Collectively evaluated	$ (1,506)	$ (1,758)
Individually evaluated	(125,463)	(94,952)
Purchase credit impaired	(514)	(473)
Total allowance for loan losses	$ (127,483)	$ (97,183)
Net Investment in mortgage loans HFI	**$ 1,570,208**	**$ 1,866,333**

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

	For the years ended September 30, 2022	2021
	(Dollars in thousands)	
Balance, beginning of period	$ (97,183)	$ (142,404)
Recapture (provision) for loan losses	(30,587)	39,001
Charge offs	6,082	12,000
Recoveries	(5,795)	(5,780)
Balance, end of period	**$ (127,483)**	**$ (97,183)**

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

Note 8: Claims Receivable, Net

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

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

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

	September 30, 2021			
	FHA	VA	USDA	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**

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

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

Note 9: Acquired Property, Net

Ginnie Mae recognizes acquired property in accordance with the accounting policy described in Note 2: *Summary of Significant Accounting Policies*. The acquired properties are typically acquired from foreclosed loans that are either USDA insured[6], FHA insured[7] or uninsured conventional loans[8]. 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:

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

7 *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.*

8 *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 USDA insured, FHA insured or uninsured conventional loans, not VA insured loans.*

	For the years ended September 30, 2022	2021
	(Dollars in thousands)	
Balance, beginning of period – acquired properties	$ 6,313	$ 5,724
Additions	6,727	5,296
Dispositions	(5,628)	(4,707)
Balance, end of period – acquired properties	**$ 7,412**	**$ 6,313**
Balance, beginning of period – valuation allowance	(312)	(1,121)
Change in valuation allowance	(940)	809
Balance, end of period – valuation allowance	**$ (1,252)**	**$ (312)**
Balance, end of period – acquired properties, net	**$ 6,160**	**$ 6,001**

Note 10: Fair Value Measurement

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

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

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

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

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

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

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Assets:				
Guaranty asset	$ -	$ -	$ 8,304,052	$ 8,304,052
Total Assets at Fair Value	**$ -**	**$ -**	**$ 8,304,052**	**$ 8,304,052**

Due to new MBS issuances, the guaranty asset increased by $2.7 billion and $3.8 billion during the years ended September 30, 2022 and 2021, 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 years ended September 30, 2022, and September 30, 2021.

Guaranty asset: Ginnie Mae has elected the fair value option for the guaranty asset. The valuation technique used by Ginnie Mae to measure the fair value of its guaranty asset is based on 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 $2.4 billion and $2.2 billion for the years ended September 30, 2022, and 2021, 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. Included in the aforementioned loss are the economic effects of the ongoing Russia – Ukraine conflict.

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, 2022	September 30, 2021
	(Dollars in millions)	
Valuation at period end:		
Fair value	$ 8,595	$ 8,304
Prepayment rates assumptions:		
Weighted average rate assumption	55.07%	55.58%
Minimum prepayment rate	0.00%	0.00%
Maximum prepayment rate	99.01%	98.68%
Default rate assumptions:		
Weighted average rate assumption	12.84%	13.96%
Minimum default rate	0.00%	0.00%
Maximum default rate	97.72%	98.32%
Discount rate assumptions:		
Weighted average rate assumption	2.97%	1.02%
Minimum discount rate	1.85%	0.05%
Maximum discount rate	3.35%	1.86%

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

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

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

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

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

	September 30, 2021 (Dollars in thousands)			
	Level 1	Level 2	Level 3	Total
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**

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

Note 11: Fixed Assets, Net

Ginnie Mae's fixed assets consist of hardware and software. Fixed assets are carried at cost, less accumulated depreciation 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, 2022		
	Hardware	**Software**	**Total**
Cost	*(Dollars in thousands)*		
Balance, beginning of period	$ 4,125	$ 256,732	$ 260,857
Additions	-	19,300	19,300
Disposals	-	-	-
Impairments	-	(330)	(330)
Balance, end of period	**$ 4,125**	**$ 275,702**	**$ 279,827**
Accumulated depreciation and amortization			
Balance, beginning – accumulated depreciation and amortization	$ (1,652)	$ (203,645)	$ (205,297)
Depreciation and amortization	(762)	(18,963)	(19,725)
Disposals	-	-	-
Transfers	-	-	-
Balance, end of period – accumulated depreciation and amortization	$ (2,414)	$ (222,608)	$ (225,022)
Balance, end of period – fixed assets, net	**$ 1,711**	**$ 53,094**	**$ 54,805**

	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**

There were no assets under lease as of September 30, 2022, and September 30, 2021.

Ginnie Mae recorded total depreciation and amortization expense of $19.7 million and $23.5 million for the years ended September 30, 2022, and 2021, 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: 2023 – $15.1 million; 2024 – $10.3 million; 2025 – $3.2 million; 2026 – $1.1 million; 2027 – $0.4 million.

There were no intangible assets with indefinite lives as of September 30, 2022, and September 30, 2021. As of September 30, 2022, and September 30, 2021, the original weighted average life of intangible assets (i.e., software) subject to amortization was 4.8 years and 4.9 years, respectively. The remaining weighted average life of intangible assets subject to amortization was 1.7 years and 1.9 years for the same periods.

Ginnie Mae recorded impairments of $0.3 million and $1.8 million for the years ended September 30, 2022, and 2021, respectively. During these periods, Ginnie Mae stopped the development of certain internal software development projects, 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. 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 12: Revenue from Contracts with Customers and Deferred Revenue

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

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

	For the year ended September 30, *(Dollars in thousands)*	
	2022	**2021**
Revenues:		
Commitment fees	$ 130,493	$ 186,276
Multiclass fees:		
Multiclass fees not in scope of ASC 606(1)	29,257	29,483
MX combination fees in scope of ASC 606	4,392	5,379
Total multiclass fees	**33,649**	**34,862**
Mortgage-backed securities (MBS) program and other income:		
Transfer of issuer responsibilities in scope of ASC 606	9,111	6,134
Other MBS program fees in scope of ASC 606(2)	54	66
Other MBS program fees not in scope of ASC 606(3)	782	2,904
Total mortgage-backed securities program and other income	**9,947**	**9,104**
Total Revenues	**$ 174,089**	**$ 230,242**

(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.*

Deferred revenue included the following:

	September 30, 2022		September 30, 2021[1]	
	(Dollars in thousands)			
Deferred revenue – multiclass fees	$	563,089	$	528,407
Deferred revenue – commitment fees[2]		31,644		60,277
Deferred revenue – other		120		126
Total	**$**	**594,853**	**$**	**588,810**

(1) The deferred revenue balances as of September 30, 2020, were $480.3 million for multiclass fees, $47.0 million for commitment fees, and $103.6 thousand for other.

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

Note 13: Reserve for Loss

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

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

    Ginnie Mae records a contingent liability 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.

As of September 30, 2022, one issuer was considered probable of defaulting, for which Ginnie Mae recorded $494.3 thousand as a contingent liability related to probable losses. As of September 30, 2021, no Ginnie Mae issuer was considered probable of defaulting. In addition, Ginnie Mae estimated no potential losses as of September 30, 2022, and potential losses up to $65.2 thousand as of September 30, 2021, related to reasonably possible losses on pooled single family and HECM loans in the event of issuer defaults.

As of September 30, 2022, and September 30, 2021, the contingent liability related to pooled multifamily loans probable of defaulting was $10.4 million and $19.5 million, respectively. Ginnie Mae cannot determine an estimate for a reasonably possible contingent liability for multifamily loan defaults as of September 30, 2022, and September 30, 2021, because there is not a specific loan performance indicator that can be used to accurately reflect the likelihood of a reasonably possible default.

- *Defaulted issuer, pooled loans, and allowance for P&I advances:* In the event an issuer cannot fulfill its responsibilities under the applicable MBS program, pass-through payments made by Ginnie Mae to satisfy its guaranty of timely P&I payments to MBS certificate holders are presented in "Advances, net" on the Balance Sheet and Note 6: *Advances, Net*. Advances are reported net of an allowance, which is based on management's expectations of future collections of advanced funds from the mortgagors, proceeds from the sale of the property, or recoveries from third-party insurers or guarantors such as FHA, VA, USDA, and PIH.
- *Defaulted issuer, non-pooled mortgage loans, and allowance for loan loss:* 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, 2022, and September 30, 2021, Ginnie Mae recorded $30.2 thousand and $54.6 thousand as a contingent liability, respectively, for representations and warranties under an existing PSA that requires Ginnie Mae to repurchase mortgage loans that are not insured by the FHA or guaranteed by the VA, USDA, or PIH as identified by the purchaser as of or after the sale date. This amount is presented in "Liability for representations and warranties" on the Balance Sheet.

Note 14: Concentrations of Credit Risk

Issuer concentration

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

The tables below summarize concentrations of credit risk by active issuers and loan type on September 30, 2022 and September 30, 2021:

	September 30, 2022							
	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	23	$1,637.6	9	$ 85.5	-	$ -	1	$ 21.4
Other performing Issuers	286	448.9	45	56.4	3	0.2	12	37.8
Total active issuers	**309**	**$2,086.5**	**54**	**$ 141.9**	**3**	**$ 0.2**	**13**	**$ 59.2**

	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
Total active issuers	**311**	**$1,936.6**	**54**	**$ 136.1**	**3**	**$ 0.2**	**14**	**$ 56.8**

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, USDA, or PIH). The insuring or guaranteeing agencies have strict underwriting standards and criteria for quality of collateral. Mortgage loans insured by the FHA receive full recovery of the UPB, including all delinquent interest accrued at the HUD debenture rate since default with the exception of the first two months. USDA, VA, and PIH guaranteed loans are not fully recoverable. The loan balance and related allowance for loan loss balance broken down by portfolio segment and underlying insuring or guaranteeing agencies at September 30, 2022 and September 30, 2021 are presented in Note 7: *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, USDA, or PIH insured or guaranteed loan loss recoveries.

Ginnie Mae's portfolio of issuers include both traditional banks (depositories) and independent mortgage institutions (non-depositories, or non-banks). As of September 30, 2022 and September 30, 2021, the distribution of Ginnie Mae's business volumes among these two categories was as follows:

	September 30, 2022			September 30, 2021		
	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	98	$ 72,143	11.04%	100	$ 97,664	10.40%
Non-depositories	281	581,366	88.96%	282	841,670	89.60%
Total active issuers	**379**	**$ 653,509**	**100.00%**	**382**	**$ 939,334**	**100.00%**

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

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

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

Counterparty credit risk

Ginnie Mae manages its exposure to counterparty credit risk through financial monitoring, risk modeling at the issuer level, credit reviews, and operational monitoring.

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

Geographical concentration

The tables below display geographical concentrations present within Ginnie Mae's Single Family and Multifamily Programs as of September 30, 2022 and September 30, 2021. The states presented in the tables below represent the five geographical areas with the largest exposures by combined single family and multifamily UPB, as of September 30, 2022 and September 30, 2021 respectively:

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

	September 30, 2021							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent
			(Dollars in billions)					
California	660,629	6.29%	$ 202.5	10.45%	1,010	6.89%	$ 9.4	6.89%
Texas	1,038,131	9.89%	174.9	9.03%	1,215	8.29%	14.0	10.27%
Florida	812,795	7.74%	157.9	8.15%	555	3.79%	7.1	5.20%
Virginia	424,662	4.05%	103.9	5.37%	337	2.30%	5.6	4.10%
Georgia	480,375	4.58%	79.0	4.08%	427	2.91%	2.8	2.06%
Other	7,078,401	67.45%	1,218.5	62.92%	11,110	75.82%	97.3	71.48%
Totals	**10,494,993**	**100.00%**	**$ 1,936.7**	**100.00%**	**14,654**	**100.00%**	**$ 136.2**	**100.00%**

Economic conditions unique to a geographical area may affect a borrower's ability to repay their mortgage loan as well as the value of the underlying property. These conditions are impactful to both single family and multifamily issuers and can become impactful to Ginnie Mae in instances where they effect an issuer's ability to make timely principal and interest payments to their shareholders. Ginnie Mae insured issuers hold loans in all 50 states including several U.S. territories which helps to mitigate these risks associated with geographical concentrations.

In September 2022, two hurricanes impacted certain Ginnie Mae and other issuers' properties in locales identified as disaster areas by the Federal Emergency Management Agency (FEMA). Loans impacted by the disasters presented below represent the potential maximum exposure to Ginnie Mae, which is not representative of specific FEMA disaster declared zones within the states and territories. Ginnie Mae is gathering specific impact information within disaster declared zones for actual exposure.

The tables below disclose Ginnie Mae's exposure to natural disasters as of September 30, 2022, not the actual damage.

	September 30, 2022		
	UPB of Pooled Loans		% of Total UPB
	(Dollars in millions)		
Hurricane Fiona	$	13,306	0.58%
Hurricane Ian		105,691	4.62%
Total Exposure of Affected Loans	**$**	**118,997**	**5.20%**
Unaffected Loans		2,168,837	94.80%
Ginnie Mae Total Outstanding	**$**	**2,287,834**	**100.00%**

	September 30, 2022		
	UPB of Non-Pooled Loans		% of Total UPB
	(Dollars in millions)		
Hurricane Fiona[9]	$	-	-
Hurricane Ian		84	4.98%
Total Exposure of Affected Loans	**$**	**84**	**4.98%**
Unaffected Loans		1,603	95.02%
Ginnie Mae Total Outstanding	**$**	**1,687**	**100.00%**

As of the issuance date of these financial statements, actual and estimated potential losses to Ginnie Mae resulting from the two hurricanes is still being assessed.

[9] There is a $0 exposure for the NPA population in Puerto Rico, hence there is no need to evaluate the Hurricane Fiona impact for the non-pooled population.

Federal insurance concentration

The tables below summarize the federal insurance concentrations present within the Single Family and Multifamily Programs as of September 30, 2022 and September 30, 2021:

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

	September 30, 2021							
	Single Family				Multifamily			
	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent	Number of Loans	Loan Percent	Unpaid Principal Balance (UPB)	UPB Percent
			(Dollars in billions)					
FHA	6,336,480	60.45%	$ 1,026.2	53.00%	13,508	92.18%	$ 134.7	98.87%
VA	3,302,375	31.40%	800.7	41.34%	-	-	-	-
USDA	831,671	7.92%	105.8	5.46%	1,146	7.82%	1.5	1.13%
PIH	24,467	0.23%	4.0	0.20%	-	-	-	-
Totals	**10,494,993**	**100.00%**	**$ 1,936.7**	**100.00%**	**14,654**	**100.00%**	**$ 136.2**	**100.00%**

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

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 15: Commitments and Contingencies

Lease, purchase, and other commitments

Ginnie Mae may lease facilities, hardware, and software under agreements that could require the agency to pay rental fees, insurance, maintenance, and other costs. As of September 30, 2022, Ginnie Mae did not have any active and open lease contracts related to rental expense or hardware and software.

As of September 30, 2022 and September 30, 2021, Ginnie Mae had approved and committed to make $2.7 billion and $2.6 billion respectively, in payments related to contracts with its various vendors. Some contract terms with its vendors are in excess of one year.

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

Legal

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

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

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

Ginnie Mae's management recognizes the uncertainties that could occur in regard to potential terminated and extinguished issuers and other indirect 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 13: *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 foreclosure moratorium and eviction moratorium have since expired on July 31, 2021 and September 30, 2021 respectively.

Most recently, on September 27, 2021, the FHA announced new and extended COVID-19 relief options for borrowers recently or newly struggling to make their mortgage payments because of the pandemic and for senior homeowners with Home Equity Conversion Mortgages (HECMs) who need assistance to remain in their homes. The FHA is providing an initial COVID-19 Forbearance period or HECM Extension of up to six months for borrowers, when requested between October 1, 2021, and the end of the COVID-19 National Emergency. Further, the FHA is providing an additional period of up to six months for borrowers when the initial COVID-19 Forbearance or HECM Extension was requested between July 1, 2021, and September 30, 2021.

The disruption caused by COVID-19 is ongoing and there remains uncertainty around the impact to issuer stability. Therefore, Ginnie Mae expects this matter may continue to negatively impact its operating results; however, the full extent of the related financial impact and duration cannot be reasonably estimated at this time.

Note 16: Related Parties

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

Ginnie Mae was authorized to use $52.0 million and $48.6 million during the years ended September 30, 2022 and 2021, respectively, for personnel (payroll) and non-personnel (travel, training, and other administration) costs only. For the years ended September 30, 2022 and 2021, Ginnie Mae incurred $41.1 million and $34.7 million, respectively for these costs, which are included in administrative expenses on the Statement of Revenue and Expenses and Changes in Investment of U.S. Government. Ginnie Mae has authority to borrow from Treasury to finance operations in lieu of appropriations, if necessary. Ginnie Mae did not borrow funds for the years ended September 30, 2022 and 2021.

Additionally, Ginnie Mae has relationships with FHA, VA, and USDA. All transactions between Ginnie Mae and FHA, VA, and USDA have occurred in the normal course of business. Of the total mortgage loans HFI, approximately $1.5 billion, $60.6 million, and $26.3 million of loans were insured by FHA, VA, and USDA at September 30, 2022, respectively, while $1.8 billion, $72.4 million, and $30.7 million of loans were insured by FHA, VA, and USDA at September 30, 2021, respectively. In addition, Ginnie Mae submits and receives claim proceeds for FHA, VA, and USDA-insured loans that have completed the foreclosure and short sale process.

After the Short Sale 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 USDA claims pending payment or pre-submission to FHA, VA, and USDA is below:

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

	September 30, 2021			
	FHA	VA	USDA	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**

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

Under the Federal Thrift Savings Plan (TSP), Ginnie Mae provides FERS employees with an automatic contribution of 1% of pay and an additional matching contribution up to 4% of pay. CSRS employees also can contribute to the TSP, but they do not receive matching contributions. For the years ended September 30, 2022 and 2021, Ginnie Mae contributed $5.6 million and $4.9 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 17: Credit Reform

The Federal Credit Reform Act of 1990 (“FCRA”), which became effective on October 1, 1991, was enacted to more accurately account and budget for the cost of federal credit programs and to place the cost of these credit programs on a basis equivalent with other federal spending. The FCRA 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. As of September 30, 2022 and September 30, 2021, the Investment of U.S. Government account had a balance of $29.8 billion and $28.8 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 FCRA.

Note 18: Subsequent Events

Ginnie Mae has evaluated subsequent events through November 14, 2022, the date the financial statements were available to be issued, and determined that there have been no events that have occurred that would require adjustments to our disclosures.

A-53 | Our Guaranty Matters

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