



August 9, 2021

The Honorable Michael Drayne  
Acting Vice President  
Ginnie Mae  
U.S. Department of Housing and Urban Development

Re: Ginnie Mae Request for Input: Eligibility Requirements for Single Family MBS Issuers

**Voluntary response provided to HUD in response to an RFI. This is not a required submission for participation in a federal program.**

Transmitted via Email

Dear Acting Vice President Drayne:

On behalf of the National Council of State Housing Agencies (NCSHA)<sup>1</sup>, thank you for the opportunity to submit comments on Ginnie Mae's July 9 Request for Input (RFI) on its proposed new eligibility requirements for issuers of single-family Ginnie Mae mortgage-backed securities (MBS).

NCSHA appreciates Ginnie Mae's efforts to maintain the financial health of its programs and protect against taxpayer losses. However, we are deeply concerned that the new standards outlined in the RFI, which have been developed with little public or stakeholder input, will make it more difficult for HFAs and other public-mission-driven entities to participate as single-family Ginnie Mae issuers. This would reduce access to credit to underserved communities and hinder the Biden Administration's efforts to build a healthy and equitable home purchase market and reduce the racial homeownership gap.

NCSHA strongly urges Ginnie Mae to rescind the proposals outlined in the RFI and to develop new requirements with industry and stakeholder input.

HFAs have decades of experience responsibly lending to low- and moderate-income home buyers, which they apply to their programs today. Combined, state HFAs financed home purchase loans for more than 152,000 working households in 2020. The median state HFA-assisted homeowner's income in 2020 was just under \$48,000, 61 percent of the national median income. Three-quarters of HFA loans in

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<sup>1</sup> NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

2020 assisted borrowers earning at or below area median income. Twenty-six percent of all HFA loans in 2020 went to households of color and 30 percent went to women-headed households.

Ginnie Mae securities have played an indispensable role as a source of liquidity for HFAs' homeownership programs. In any given year, nearly 60-70 percent of state HFA loans are insured by one of the federal mortgage insurance programs – the Federal Housing Administration (FHA), the U.S. Department of Agriculture, or the Department of Veterans' Affairs (VA) – making them eligible to be pooled into Ginnie Mae securities. Currently, nearly 20 state HFAs are certified as single-family Ginnie Mae issuers (others issue Ginnie Mae MBS in conjunction with master servicers and other partners). In 2020 alone, 34 HFAs securitized more than \$15.2 billion in loans in Ginnie Mae MBS, helping to finance over 63,000 affordable mortgages.

The new eligibility standards Ginnie Mae proposes in the RFI could greatly hamper HFA efforts to continue these vital homeownership financing programs. If an HFA were unable to meet these standards and could no longer issue single-family Ginnie Mae MBS, it would lead to increased costs for HFA program loans and fewer borrowers assisted.

As public-mission-driven entities without the same access to investment or capital as many private sector entities, HFAs may face extraordinary difficulty in meeting the increased net worth and liquidity standards. The proposed new risk-based capital requirements for nonbank servicers, which appear to apply to HFAs, may be particular difficult for HFAs to meet.

In addition, it will likely be more difficult for HFAs to meet the new eligibility requirements during economic downturns, when agencies have to make do with fewer resources. This will hinder HFAs' (as well as Ginnie Mae's and the federal mortgage insurance programs') efforts to play a countercyclical role in supporting homeownership lending during down markets.

NCSHA is also concerned that Ginnie Mae has proposed these new eligibility requirements without first seeking input from all impacted stakeholders, including HFAs, nonbank servicers, bank servicers, lenders, and consumer and community advocates. Nor has Ginnie Mae shared any details about the data and analytics it used to develop the proposed new standards.

In fact, already several independent experts have questioned the assumptions Ginnie Mae used in establishing the new standards. The 250 percent risk weighting for mortgage servicing rights seems especially high and unreflective of risk such assets generally pose. Further, Ginnie Mae proposes to assign a 100 percent risk weight to all "other" assets not explicitly listed, applying a uniformly high risk-weighting to a broad category of assets.

Finally, Ginnie Mae has proposed these major changes at a time of tremendous challenges in the market. The new proposed requirements would take effect for audited financial statements for calendar year 2021, meaning issuers would have to adopt them immediately. HFAs and other servicers are currently considering loss mitigation options for the nearly 1.75 million homeowners in forbearance and adapting to new servicing guidelines from the federal mortgage insurers and Fannie Mae and Freddie

Mac. In addition, almost all the HFAs are setting up programs through the Homeowner Assistance Fund. This workload means HFAs have little time to analyze the impact the new requirements could have on their programs and operations and implement them so quickly.

In short, we believe Ginnie Mae is taking the wrong approach and this is the wrong time to implement such a consequential policy. We strongly recommend Ginnie Mae rescind the proposals in the RFI and undertake a collaborative and open process to develop reasonable eligibility requirements for single-family MBS issuers that protect Ginnie Mae from unnecessary risk while also ensuring access to Ginnie Mae programs for a wide array of servicers.

If Ginnie Mae chooses to go ahead in finalizing the proposed new eligibility requirements, we strongly suggest that Ginnie Mae consider different eligibility standards for HFAs and other public-mission-driven issuers. NCSHA and the state HFAs stand ready to work with you on either of these initiatives.

Thank you for taking the time to read our recommendations. Feel free to reach out to me to discuss this further at any time.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long horizontal flourish extending to the right.

Garth Rieman

Director of Housing Advocacy and Strategic Initiatives