Good morning, everyone, and welcome to the Bipartisan Policy Center. My name is Dennis Shea, and I'm the Executive Director of the J. Ronald Terwilliger Center for Housing Policy here at BPC. This will be the sixth conversation in our Leaders Speaker series, which is intended to spotlight individuals who understand the foundational importance of housing and who have made significant contributions to improving housing affordability in our country. We are thrilled to have with us today a very distinguished guest, Alanna McCargo, the president of Ginnie Mae. Welcome Alanna.

Ginnie Mae plays a critical role in the US Housing Finance System by providing a full faith and credit guarantee for 2.4 trillion. That’s trillion, with a T, in securities consisting of mortgages insured by the Federal Housing Administration, the Veterans Administration, USDA’s Rural Housing Service, and HUD’s Indian Home Loan Guarantee program. Ginnie Mae helps connect investors from across the globe to the US housing market. This promotes the availability of mortgage credit to the millions of households served by federal housing programs.

Our guest today is certainly no stranger to those in the housing field where she has enjoyed a long and distinguished career. Alanna McCargo was sworn in as Ginnie Mae's 18th president in December 2021. Previously she served as senior advisor for Housing Finance to HUD's Secretary Marsha Fudge. Prior to joining the Biden-Harris administration, President McCargo was vice president of the Housing Finance Policy Center at the Urban Institute where she helped advance the national policy conversation around reducing racial home ownership and wealth gaps and removing barriers to credit and capital. She also has held important roles in the private sector with Core Logic and JP Morgan Chase. From 2002 to 2012, President McCargo worked at Fannie Mae focusing on secondary mortgage market programs and policy. While at Fannie, she played a critical role executing the Housing and Economic Recovery Act of 2008, including implementation of new programs to promote mortgage servicing reforms, foreclosure prevention and loss mitigation solutions.

So again, thank you for joining us and before we start our conversation, let me remind our virtual audience that if you have questions for our guest, you can post them to our Twitter X account @BPC_bipartisan. You can do that throughout the event using the hashtag BPC Live. You’re also welcome to submit your questions in the YouTube chat. We will save some time at the end to take questions from both our in-person audience and from our virtual audience.

So, let me just begin, I think Alanna, Ginnie Mae is certainly one of the most important financial agencies in Washington, but I think it’s also one of the least understood. So, for those in the virtual world and here in the room here at BPC who might not be as familiar with the critical role of Ginnie Mae, could you start off by just briefly going through the organization’s mission?
Alanna McCargo (03:43):

Well, thank you first of all, Dennis, for having me. It's great to be at the Bipartisan Policy Center. It's been a long time since I've been here, so I appreciate the invitation and the opportunity to talk about Ginnie Mae. It is true, very important to the housing finance system, not only in the US but globally, given our investor base and very, very not well-known. And I learned this when I was going through my confirmation process, especially because I would tell people, oh, President Biden has nominated me to be the president of the Government National Mortgage Association, and nobody knew what that was except for you guys in the room and those that are close to housing. So, it was really interesting, and I've been really spending my time since I've been here explaining what we do and all the great work and the great public servants that are working and their careers at Ginnie Mae. We are a government owned corporation that in and of itself is unique. We are housed within the Department of Housing and Urban Development. We provide an explicit full faith and credit guarantee of the United States government on our mortgage backed securities program.

We basically guarantee timely payments to investors every single month of principal and interest on mortgage securities that are collateralized by the federal government. So, the Federal Housing Administration, FHA, VA, USDA, Rural Housing, and as you mentioned PIH or the Indian Loan Guarantee Program are all of the government mortgage lending programs that provide access to credit to communities and people really underserved, a lot of low to moderate income, specialized populations. And so, we do single family and multifamily collateralization. We also back the healthcare program at FHA and the loans that are made, so for hospitals and senior care facilities also something that is less known. And we, pretty much back a hundred percent, almost a hundred percent of the multifamily affordable housing program out of FHA. And so, there's a lot of good things to talk about as it relates to the role we play in making housing affordable and creating liquidity and access through the process.

We have really two critical stakeholders in the secondary market, issuers being one of them, and that's banks and non-bank financial institutions, mortgage banks that are doing mortgage lending, but also investors around the globe who are investing in Ginnie Mae mortgage-backed securities, which enables us to put more money back into the system and allows lenders to make more loans to people and communities that need them. So, really a critical role, and that's the place where we play. And our issuers are a volunteer army is what we call them often because really doing issuance, it's a very different model than, for example, Fannie and Freddie. And we have a heavy reliance on those issuers. Those issuers are primarily majority non-banks today. That was very different than where we were 10 years ago where it was primarily banks. And so the dynamics, the risk profile, everything in our business has really changed fundamentally since the great financial crisis. So I'm looking forward to getting into all of that with you and talking more about it.

Dennis Shea (07:14):
So, the lenders are insured by federal government agencies. Are most of the time the lenders also the issuers of the securities?

**Alanna McCargo (07:22):**

Yes. So, lenders are the issuers of securities for Ginnie Mae. So it's a very, very different model than the GSEs.

**Dennis Shea (07:32):**

Could you just explain that a little bit? People I think are more familiar with Fannie Mae and Freddie Mac as opposed to Ginnie?

**Alanna McCargo (07:42):**

I would say one of the biggest differences, Fannie and Freddie, are involved in the underwriting, in the creating of the policies underlying the loans that are made in the conventional mortgage market. They also issue and have just a completely different business model. And they're also in a very different credit loss position than Ginnie Mae is. Ginnie Mae is because of our issuer and based on our model with our explicit guarantee, we are essentially in a fourth loss position. So that means we stand behind a number of counterparties before we take any losses in the government. And essentially we do not create underwriting guidelines. We securitize loans that are made under the guidelines of the federal agencies that make mortgages. And so we don't influence that process. We work with those agencies very closely to make sure that we understand the guidelines and we understand what's in the securities underlying those.

And then we obviously manage the risk of the counterparties, and our counterparties are those issuers. So, it's again a very different model that puts us in a better loss position than you might see, which is why, and I should have mentioned this at the top. On August 1st, Ginnie Mae celebrated its 55th birthday. And so 55 years of great work without interruption on behalf of the federal government. Now again, going from a $500 million enterprise to an almost $2.5 trillion organization. And so, the growth has been incredible. And the story of the 55 years, it's been pretty transformative to see a federal government agency be able to keep pace with all of the change that has happened, whether it's technologically or otherwise in our housing finance system in America. So it has played a really, really crucial role in making sure access to credit and affordable housing has been made available to, again, low to moderate income families, our veterans, our seniors. So, I should have mentioned that at the top.
Dennis Shea (10:00):

It's great. I mean, you mentioned the fourth loss position. I worked on the BPC Housing Commission report, and a key part of our report was envisioning a new housing finance system for the US in the wake of the 2008 financial crisis. And we were attracted by the fourth loss position model of Ginnie Mae. So, you've been president for almost two years, approaching two years. Give us your top priorities.

Alanna McCargo (10:29):

So, it's been an interesting time as you can all imagine as you are all experiencing yourselves in the housing market these last two years. Coming out of the pandemic, we started there. We did a lot of work focused on how we in the secondary market could support the programs that the agencies were putting in place around loss mitigation. So, we did some creative things in the secondary market. We created some, for example, a 40-year securitization program called the Extended Term program. We did a retooling program. Those enabled billions of dollars of modified loans to be able to be resecuritized and put back out into the marketplace. And so that we've done a lot of development.

That's where we started really, because when we got here, the pandemic was still very much a real driver of what was happening. And we were seeing in the government sector the largest number of defaulted mortgages underlying. And so there was a lot of support and liquidity that our issuers needed through that period. So we did focus there. Our risk management program is the number one thing that we think about every single day is sort of who our issuers are, are they financially in good health? As I mentioned at the top, we have really seen a transformation of the underlying issuer base that supports us. So the independent mortgage bankers and non-bank banking sector has really stepped up since the crisis and has done the majority of government lending and disproportionately serving those that we are here to serve. So, in our minds, that is a huge shift from pre 2008 and post pandemic is just really, we have a whole new landscape that is supporting this part of the housing market, and we just are doing everything we can stay on top of, collect data, understand what's happening, watching all the various factors that we watch every single day, prepayments, defaults because of the sector that we operate in.

And so that's been a top priority for us, including the recent announcements about eligibility requirement changes that we did in conjunction with FHFA and Director Thompson. We partnered to make sure we could be consistent and aligned in that because that is so important as an underpinning of the housing finance system. So those are some of the things. We've got some work going on to really try to expand access to the platform. This is not a way we'd really talked about or thought about Ginnie Mae, but Ginnie Mae has the power to really create and enable scale. And there are a lot of small financial institutions, CDFIs, credit unions, even the housing finance agencies at the state level that do not have access to us because our eligibility requirements require huge volumes to be able to participate and be an issuer. So we are doing some work with the federal home loan banks and some
others to figure out ways to maybe aggregate to get community-based lenders, CDFIs and others through our task force access to the platform.

As you know, Dennis, and I think everybody here knows, one of the first things President Biden did when he came into office was put out an executive order about equity. And it focused a lot on equity and housing. And so it challenged every single agency. Secretary Fudge looked across all of HUD and all of the agency heads looked across their businesses. We were charged to look at how Ginnie Mae can be a bigger player in making access to financing more equitable. And we think that there's a really important role that Ginnie Mae can play there. So in order to do that, not only do we need to be helping and serving who we serve today through the system, but we need to make our platform more accessible to smaller players and others who are doing that lending in the community that we care so deeply about. So, that's been a huge focus for us as well.

**Dennis Shea (14:45):**

You mentioned the non-banks becoming a much, much larger segment of the lenders in the FHA program, which you backstop. Non-banks, as I understand it, don't have access to the Fed's discount, the Fed window when there's a problem. They don't have a customer base, deposit base to tap into if there's a financial problem. What are the unique concerns?

**Alanna McCargo (15:13):**

So, what you're talking about is real. It's a dynamic at the beginning of the pandemic that everybody was really fearful about, which was what's the liquidity that's going to help support? There was a real concern that things would stop at the beginning, and you guys know this. You remember this at the beginning of March of 2020, everybody was like, oh, wait a minute. We're going to have a serious issue here. And we were saved, thankfully, I will say the non-bank issuers and others were really able to maintain and even grow because of the refinancing. We were in a very low interest rate environment. There was a ton of refinance business still happening, and that really kept folks going and afloat. So they didn't need the facilities. But at the time, Ginnie Mae did put their pass-through assistance program in place, PTAP, which is a liquidity support, but it's not perfect.

It doesn't help in all ways. It had a lot of limitations, and there were a lot of people at the time that were asking for the government to figure out ways for the non-banks to tap into some of the other liquidity facilities that are available to the banking sector. And that didn't get where it needed to get. I'll just say this. Non-bank liquidity is sort of the biggest challenge of our time, especially now because we are not in a 2%, 3% interest rate environment. The cost for the non-banking system to borrow the cost of credit, the lack of just being in a purchase market with no refinances is a huge, huge stress on the system. And so, we are thinking about and focused on this every single day, working with our partners at Treasury
Leaders Speakers Series: Ginnie Mae President Alanna McCargo  
August 8, 2023

and elsewhere to figure out what ways the government could support in the future, a more robust facility for the non-banking sector.

Haven't figured it all out yet, but definitely a huge, huge, I believe, I'll just say speaking for myself, probably one of the biggest needs that we need to figure out. We do not need to enter another crisis downturn of any kind and not know how we’re going to support these institutions. These institutions are incredibly important to the system and to the constituents that we all serve. And so their failure would be a major problem for all of us. So I think we just have to figure out what that's going to look like. And that's been some of the work we've been very focused on with our colleagues.

Dennis Shea (18:04):

Great. Thank you for that. You alluded to President Biden's Executive Order on Equity. I know the National Housing Conference has with numerous organizations trying to increase the number of black homeowners, I think by 3 million by 2030. What role do you see Ginnie Mae playing in closing this racial home ownership gap? And it's important because we build wealth in this country primarily through home ownership. So closing the racial home ownership gap is important. So, could you elaborate more on how Ginnie Mae is playing into that?

Alanna McCargo (18:44):

So, this work on closing racial home ownership gaps has been kind of my career, where I've been doing this work for a long time. And I thank President Biden for just being thoughtful. And again, it was a day one thing, and that's not typical that you think about furthering and advancing racial equity and support for underserved communities throughout the federal government. And I feel like that just really empowered all of us to think deeply about how the mechanisms, the agencies that we support and that we are accountable for can be a part of that. And it made us think outside the box quite a bit, and in the conversations we would have with our partners, with lending institutions, banks, non-banks and the like, it's there now as a thing for us to continue to think about. And I think that's really important.

It should always be because we do not have, it's just the playing field has not been leveled, and we still have a lot of work to do to try to close the major gaps that still persist in our country. I think the racial home ownership gap has grown. The pandemic was, there was a boost. There was a lot of home ownership created throughout the pandemic, which I think is a great thing. And now we are in a position or in a situation where home prices are very, very high. Interest rates are very, very high, and the ability to afford anything in terms of monthly payment is very, very hard, especially for first time home buyers, which is Ginnie Mae supports the majority of first-time home buyers through the various federal housing programs.
So, it is important to me that we continue, and as I mentioned, the work we're doing to try to expand to the Ginnie Mae platform. I am a believer, and I say this, many of you in this room have heard me say it before, that in order to really expand home ownership opportunities for black and brown communities and like low to moderate income communities, we have to be talking about government lending. Because that is where many first-time home buyers, getting their first opportunity in home ownership, that's where they're getting their loans. So, expanding, having more participants doing FHA lending, doing VA lending, doing USDA rural lending, creating that scale, that's where we can really make a difference. So we have been focused on where we can play to create scale in the system really to help to close these gaps. And so, that's been priority and definitely in focus for us at Ginnie Mae every single day.

Dennis Shea (21:50):

Thank you for that. Now, I know Ginnie Mae, you think of it as a demand side organization. It's on the demand side of the housing market, promoting liquidity and access. But I was surprised when I was reading the President Biden's Housing Supply Action plan, a reference to Ginnie Mae, where it includes a proposal to make the recently relaunched federal financing bank's risk sharing program, which provides low interest loans to state and local housing finance agencies, permanent and creating a financing mechanism for it through Ginnie Mae. And so could you explain all that and how it'll work and what's Ginnie Mae's role?

Alanna McCargo (22:29):

In simple terms, currently there's a multifamily risk sharing program that really provides gap financing for multifamily developments all over the country. And it's run through the state housing finance agencies in connection with FHA, the Federal Housing Administration on the multifamily side. It's a terrific program, and it's supported by Treasury and the Federal Financing Bank, currently. So, it was stood up, I forgot what year, but I think 2014 or something like that. It was a temporary program to really help spur more development and support of financing in communities and states. And it was shut down in the last administration. So, it was allowed to expire. And that was a tremendous amount of financing to communities and states that was out of the picture for a little while. As soon as the Biden administration came in, one of our first priorities was to get it back up and running. So, FHA and the Federal Financing Bank at Treasury worked together and re-instituted the program. It's currently in place again, but it's temporary.

So, we have been pushing, at Ginnie Mae, and got into the president's budget for 2024, creating a permanent program. We believe that this is a really important source of financing and that we can play a
critical role in that. So together, FHA and Ginnie Mae could work to create a program and a market for these risk sharing loans. The risk sharing happens between the State Housing Finance Agency and FHA and again is supported by the financing bank inside of Treasury. And we think there's a model that could be created, and that's what we're pushing to get the funding to do, get the authorization to do from Congress so that we can play a critical role in a permanent program in the future. It doesn't mean that the FFB program goes away, but it does mean that we can scale because FFB is only limited to, I think they've got 19 states, maybe, a few more than that, maybe now. But again, it's hard as a state if you think about it, to make a commitment to a program like that and all that, you have to invest in operationalizing it when it's temporary. And it may go away again as the administrations change or whatever. And so, I think that's unfair to ask states to do that. And I think if we had a permanent solution that all states could participate in, build their systems and infrastructure to support, that would be a kind of a win-win. And it's a great, great way to spur and support these great affordable housing developments that are happening on the multifamily side that we obviously need to see in our supply picture.

Dennis Shea (25:08):

We definitely need more affordable multifamily. Also known as rental housing, more affordable rental.

When the BPC 10 years ago sort of proposed maybe this new housing finance system would be based on the Ginnie Mae model, we got some pushback from people and actually using the Ginnie Mae platform, using Ginnie Mae and expanded Ginnie Mae. People said, Ginnie Mae has got outdated technology, outdated processes, they have workforce issues. But I know you're making increased investment in technology and modernization, including a full migration to the cloud. Don't ask me what that means, but I understand that's what you're doing. So, tell us about that.

Alanna McCargo (26:00):

I would say as federal agencies go, I think Ginnie Mae's the top of the house in terms of the platform that has been built to support the securitization engine, the partners that we have in that work that is crucial. We run billions of dollars every single month in payments to investors without fail. And we've done that successfully forever. We've never missed a payment, we've never missed a beat. So the technology has been there to really support this. And again, we are, I think, leading edge and we certainly are in our migration to the cloud. That was a huge, huge milestone for the agency. It enables us to be a lot more nimble. We were working with, and I know everybody's familiar with this, some old and antiquated systems. And so this move and transition of our applications enables us to work more efficiently with our issuers.
It just speeds up time. It helps us with visibility. And I'll say one of the most important things that we've done is really improve the data that we have that is helping to enable our business. So, we've done a lot of work, not only the move to the cloud, which I think is just an enabling baseline. But we have worked to secure now all of the underlying data, and I will say was shocked to learn, especially me, I'm a data person and I come from a data background and was shocked to learn that Ginnie Mae didn't have access to all of the federal agency's underlying data at the loan level.

Dennis Shea (27:52):

Interesting.

Alanna McCargo (27:53):

So, I was like, well, wouldn't it be great and think about all the things we can do. Don't have all the underlying data at our fingertips for all the loans, FHA, V A, USDA, all that. So now we have MOUs and agreements in place with all the federal insuring agencies that send us loans that we package. And we now have that data and the access, and that enables a lot of analytics and tools and so many things that we can do. It is a big part of our ESG program. It enables us to give investors transparency and what is in the bonds. And that has been really, really important. And I don't know if we're going to talk about ESG if there's time, but I do want to explain why that's so important and what we're trying to do in that space. But this data enablement and this cloud foundation is really advancing our ability to support our issuer base and be very transparent with our investors on what's happening. And so that's why the technology journey has been so crucial for us.

Dennis Shea (28:56):

Well, let's talk about ESG. That's environmental, social and governance factors is a little bit of a hot button issue here in Washington and elsewhere. But tell me what Ginnie Mae's doing in this area.

Alanna McCargo (29:10):

This is work that, it's interesting. As I travel the world and talk to investors, they are demanding more information and they have mandates from their governments or from their boards or whatever it may be to do more work that is socially conscious, sustainable, supporting climate and all the different environmental factors. And so they're looking at us saying, we do big investing in you. Can you tell us what is in these securities? And so our ability to do that was required that we had this data access and that we could make disclosures with confidence about what was in our underlying loan set. And so that's been a game changer. And so, it means that we're on the map. Ginnie Mae, from its start 55 years ago, has been a social enterprise. We are probably one of the biggest, most successful social impact
enterprises, but we never talked about ourselves that way. Because if you think about who we're serving through this platform, when you start to look at that and break it down, it's pretty incredible. And you can tell a really great story.

And we also were thinking about this in terms of CRA. And when CRA was going through its renovation, we had given inputs to all the regulators to say, we've got this data. Now investing in a Ginnie Mae is, maybe folks should get credit for that. And we're hopeful that when a CRA rule comes out, there's a really big connection between ESG and CRA. And I think a lot of good that could be done in the secondary markets' participation around both of those initiatives. We, on our E side, are doing environmental. We are doing green bonds. They're now labeled in Bloomberg officially. So, investors can see that when a security is made up of a lot of loans that have underlying energy efficiency and a lot of different factors. So, all that data is there.

We won a climate bond award for the most asset backed issuance in green last year. We were very proud of that, and we've been sort of behind on this. The GSEs have been further ahead and been talking about this for a long time. We're really catching up. And now that we have the data, we can catch up pretty fast. The social bond aspect, we are a social bond that is, like I said, it is inherently in us. And so now it's just a matter of disclosing low to moderate income variables. First time home buyer down payment assistance, senior citizens. Basically, identifying the communities and individuals that we are serving underneath that underlie our bond and being able to tell investors that. They are hungry for that. So we're in the process of trying to figure out how to label our bond as a social impact bond and give that data on a monthly basis to investors so they know exactly what their investing in so that they can then turn around and say, Hey, we're doing this investment and we are doing more of this so that we can meet X, Y, Z mandate that their government or that their board may require of them. It feels like a win-win, ESG does for us. And we're not doing anything different. It's not a program.

Dennis Shea (32:46):

Just basically disclosing more information.

Alanna McCargo (32:48):

We're just telling people what they have and naturally what you have, if it's Ginnie Mae is naturally social. So it's not, again, it's not a new construct, not a new program. It is truly just supporting investors to do more to put money into the US housing finance system so we can lend to more people. You mentioned hot button. To me, it's a hot button and I'm excited about it. No, it's not a hot button. And we're not doing anything differently. We're just talking about it differently. And I think that transparency matters and it also helps to bring more, and it's why we're just seeing so much growth and so much demand for our securities.
Dennis Shea (33:31):

Thank you. We can take questions now from the audience. If anybody has a question here in person, please raise your hand and I think we have a microphone that can be brought to you. Anybody have a question here?

Hugo Dante (33:54):

Hugo Dante, I'm with Washington Analysis. Thank you for speaking to us today. I'm really interested to hear how do you anticipate Ginnie Mae interacting with future CRA rulemaking, your ESG program?

Alanna McCargo (34:08):

We put our thoughts into the regulators' heads around how banks could get credit for investing in Ginnie Mae. So, I believe a lot of banks do have ESG reports that are coming out and programs that they're trying to, so I think there is an opportunity within CRA to figure out a way to give banks credit for that. And we're hopeful, again, we'll see the rulemaking. Nobody has seen it yet. It's supposed to come out any day now. We're hopeful that credit for investment on the investment side for Ginnie Mae will be part of that. We think that that's a great, great driver of more production. CRA credit and ESG credit could be a really, really positive thing. And also keep banks involved, which banks have been involved? I mentioned we've transitioned from a 90/10 bank/non-bank to now completely flipped where non-banks are dominant. Non-banks aren't subject to CRA, but if we keep the incentives there as a good part of on the investment side of banks participating in that CRA program, it feels like a win-win and a great way to continue to keep the banks involved and engaged in a meaningful way in making housing finance flow in this country. So, it's another idea. Many ideas were put on the table during the CRA rulemaking, and we're just anxious to see where everything lands with that once they come out with the final rules.

Dennis Shea (35:53):

Anybody else have a question here? Any questions from the virtual audience? Yes, Sophia? Are there any updates on Ginnie Mae's efforts to reform the Title I program for personal property loans from manufactured homes? Good question.

Alanna McCargo (36:13):

Thank you.
Yes, it's a good question. Probably a Ginnie Mae person or FHA person planted that one. So, there are updates. Last year, or maybe it was earlier this year, I'm losing track of the years, but FHA and Ginnie Mae worked together, and FHA put out an RFI that has been collecting and gathering input on the manufactured housing Title I program for personal property loans. We are working side by side with them and we got a lot of feedback from that RFI, that was Ginnie Mae, specific things about our program that made it very difficult to securitize these loans to participate in issuing these. And we have taken that to heart and have been working on making pretty substantial upgrades and updates to how the manufactured housing Title I program, that's the Chattel Loans personal loans, how those will work in the future and open up opportunities for more issuance of that type of collateral.

And that's, again, when you talk about just affordable collateral type that really needs a boost and would benefit greatly from the ability to do more and scale. This is another place that's a sweet spot for us. So we're doing everything we can to try to work with FHA and really make the program more attractive. As I mentioned earlier, most of the lending FHA does, I think it's almost 99% of it ends up in a Ginnie Mae security. So that tells us that when new programs are put out, if we can make sure we can securitize them and put them back into the market, that's a good outcome and more of it will be done. So, this is another place where you'll see some policy action from FHA and Ginnie Mae in the near future, probably before year end.

Dennis Shea (38:11):

Any more questions from the virtual audience? We have another question, which is, how can Ginnie Mae support Community Land Trusts? Communities are adopting shared equity approaches to provide a step on the first rung of the housing ladder, but mortgage financing can be unavailable. Another good question.

Alanna McCargo (38:35):

It's a great question. I mean, haven't worked directly with community land trusts. I know there are a lot of shared equity models that have been tested. There's also a little bit, I don't want to say controversy, but I know there are a lot of people thinking about these shared equity approaches as if the equity sharing's with the borrower and you're trying to advance black homeownership, for example. Why do the black homeowners have to share equity? That's something I've directly gotten feedback on when I was at the Urban Institute. People are trying to understand how these approaches benefit the borrower and can we be equitable about how that works? And I a hundred percent agree, communities that are adopting shared equity approaches are seeing some good progress in that we almost need them, especially in these really unaffordable places, where it's almost impossible to buy shared equity
approaches can really make sense. I don't know if they make sense everywhere, but I definitely think in high-cost markets, they make a lot of sense. And I would also say getting on that first rung of the housing ladder, the role Ginnie Mae can play in that is having banks and other financial institutions and non-banks support FHA lending and that kind of lending.

**Dennis Shea (39:51):**

Those loans are for first time home buyers?

**Alanna McCargo (39:53):**

Absolutely. First time buyers, absolutely. So, that mortgage financing would be available as long as we have participants in those communities that are working with the community land trusts, making those loans. And this is where, again, I think this work we're doing to expand through the CDFI task force to expand housing finance agency access to the Ginnie Mae platform, doing more government lending. I feel like all of that could work together to really enable this community land trust approach to work better. And there could be special programs, special purpose credit programs. If Ginnie Mae can support those, that would be ways in which we could get those types of initiatives off the ground and scale.

**Dennis Shea (40:39):**

Great. Any more questions? Seth Appleton, someone who knows what he's talking about.

**Seth Appleton (40:50):**

It's good to see a former leader of PDNR and the current leader of Ginnie Mae on the stage. I feel right at home. One thing you mentioned was the differences between Ginnie and the GSE market. And last fall, I believe it was FHFA announced that they were undertaking a pretty large transition in credit scoring, including merge to buy, merge new models and the use of alternative credit scores as well. So far that's been confined to the conventional market, but whenever these things come up, there's always naturally the question of what are the government agencies do? Because obviously bifurcation between the government programs and the GSE backed conventional market always raises interest and concerns from the industry and market participants as well.

And so, my question, I guess, has there been thoughts of migrating the credit scoring current requirements on the government lending side? How does Ginnie think about that? What do investors think about that? Would love your thoughts on that.

**Alanna McCargo (42:05):**
We've been really, and in a lot of dialogue with the insuring agencies and with Director Thompson at FHFA about what they're doing on the conventional side, to your point, Seth, and it's a great one, and it's an important one. Most people enter the government lending space through a Fannie or Freddie platform, do you desktop underwriting, most lenders put their information in on a borrower and it goes through engines and tells you what the products are that would come out on the end of that. And if there are differences, like the GSCs are usually the first place people look. And then if it flows down to the government lending, if you can't easily flow down to the government lending programs because you have a different construct than what the government's accepting, that's a problem. That's a barrier to access, potentially.

That means you're flowing down. If you have, for example, only two credit scores and a different system or whatever, and the government's not accepting that, then you've got an issue. So we've just spent a lot of time talking about how we can get to the place that makes sense, which is that we have one way in which we look at things. And that's a lot of work really on FHA, VA USDA to determine how they're going to, or what modifications they would ask the conventional market to make so that we can have one system that flows. Because as you know, the government agencies don't have underwriting engines. And so it's a big deal. So that's the lens in which I'm looking at it from is just making sure that we got these insuring agencies at the table and that they are thinking about the implications and if they're going to make changes that we have as much alignment as possible because it is really important, especially in this space.

So, it's a great question and I'm glad you raised that one, really, really important issues. There's other issues too like that. I mean, they're beyond credit scoring, but that's been a big one. And I know because I talked to Sandra about this. We're work together and work through this. We've been collaborating really well, I feel like, with FHFA. And I think that's just so it's important to me, it's important to Director Thompson and it's important to Secretary Fudge that we do that. And Commissioner Gordon at FHA and others have been ready and willing to be at the table to talk through how we can have good alignment so that we don't disrupt or create barriers to accessing the government lending programs in the future.

**Dennis Shea (44:46):**

Thank you for that question and thank you for that answer. I'm going to offer the last question. Alanna, you've had really a remarkable career in the private sector, in the nonprofit think tank world, in government service, now leading a major financial institution. But seems like the common thread is mission public service. So what pearls of wisdom would you convey to those who are looking, those young people out there who are looking for a career in public service the way you have?

**Alanna McCargo (45:23):**
Well, I encourage young people to get interested in the mortgage market. I think we need great, talented young people to do this work. It is a massive industry and there's a lot of different opportunities at different points in the process. And we have a lot of needs, whether it's new appraisers, new folks getting into mortgage lending, folks getting into the federal government to support. Ginnie Mae is hiring. We do constantly look for new talent. We have been very successful. I should mention it's kind of one of those underpinning things that happens in the background that we don't talk about as much, but we've been working really hard to expand the budget and resources and staff at Ginnie Mae. We have been woefully under-resourced. We have not grown very much. If you look at our FTE count to the size of the portfolio, that is now under our control. Not to mention along the way, sometimes institutions fail and our guarantee goes into effect on what that means is we have a portfolio too. So we have a balance sheet in assets that we're managing, whether it's reverse mortgages, which we have a big one of those right now, or even forward mortgages from prior defaults. If there are defaults out there of our issuers, that's when we step in and we have to take on that operation. We become the issuer servicer of record. And so there's a lot of capacity we need to build so that we can do that very well because our doing that well matters to taxpayers. And so, that's a big efficiency and a big area that we've been focused on, and we've gotten a ton of support from Secretary Fudge and President Biden, and we have made some strides on increasing our budget. We have a lot more to do there. But all that to say, we are hiring too and looking for talented young people.

So, do, it's a great, great, great place. And I should say this. This is a good way to end. The 200 plus people that are working there who work very closely with a lot of contractor support from all over the industry, just top notch. I mean, we have such a phenomenal team of career public servants, again, a little overworked at the moment. But are always there, just so dedicated, looking for solutions, looking to find ways to drive forward, looking for ways to innovate, even again with our limited capacity at times. So I just want to say, shout out to my team. The team at Ginnie Mae is incredible. I know everybody that's worked with them would agree, and many of them have been there for a long, long time and have been just, we would not be where we are without them.

Dennis Shea (48:10):

Shout out noted.

Alanna McCargo (48:11):

Shout out to career staff. Yes.

Dennis Shea (48:14):
Unfortunately, we're out of time. But President McCargo, I want to thank you very, very much for joining us here at BPC and the Terwilliger Center. I think this was a very insightful and information rich conversation, so really appreciate that.

I also want to thank everyone who joined us today, both here in person at BPC, but also in the virtual world. That's it for today. Have a great rest of the day, everyone.