



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

12-2-2020

Ginnie Mae, "Who We Are: Our History"

Government National Mortgage Association (Ginnie Mae)

<https://elischolar.library.yale.edu/ypfs-documents/9585>

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfs@yale.edu.



About Us

Our History

Although created and established in 1968, the genesis of Ginnie Mae can be traced back to the Great Depression, when historically high unemployment rates led to an unprecedented wave of loan defaults. When the surge in home foreclosures further depressed housing values and the nation's overall economy, Congress passed the National Housing Act of 1934 (Act), a key component of the New Deal. The Act created the Federal Housing Administration (FHA) to help resuscitate the U.S. housing market and protect lenders from mortgage default. As a national mortgage loan insurance program, it gave greater incentive to banks, building and loan associations, and other institutions to make loans to everyday Americans.

The Act was amended in 1938 to charter the Federal National Mortgage Association (FNMA), or Fannie Mae, to create a secondary mortgage. Fannie Mae's role was to buy FHA insured loans from lenders, providing liquidity to support the flow of credit. The Housing and Urban Development Act of 1968 subsequently split Fannie Mae into two separate corporations: Fannie Mae, to purchase conventional (non-U.S. government-insured or government-guaranteed) mortgages that conformed to specific underwriting standards, and the Government National Mortgage Association (GNMA), or Ginnie Mae,

whose full faith and credit guaranty would provide liquidity to lenders while broadening the market for mortgage loan investment beyond portfolio ownership. These loans are insured or guaranteed by the FHA, the U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing (PIH), the U.S. Department of Veterans Affairs' (VA) Home Loan Program for Veterans, the U.S. Department of Agriculture's (USDA) Rural Development Housing, and Community Facilities Programs and Rural Development Guaranteed Rural Rental Housing Program (RD). Ginnie Mae remains a self-financing, wholly owned U.S. Government corporation within HUD.

Today, Ginnie Mae remains the primary financing mechanism for all government-insured or government-guaranteed mortgage loans. Historically, with mortgage rates and availability of funds varying by region and since it was nearly impossible to sell individual mortgages on the secondary market, banks customarily had to retain mortgages. This obstacle significantly limited the number of new loans that could be originated. To combat this, in 1970, Ginnie Mae developed the very first mortgage-backed security (MBS), which allowed for many loans to be pooled and used as collateral in a security that could be sold in the secondary market. With a guaranty for the timely receipt of principal and interest, MBS can be attractive investments for investors worldwide. The MBS supports housing finance by channeling investment capital from markets all over the globe for use in lending to support neighborhoods across the nation. Ginnie Mae's role from the beginning has been to provide access to capital for affordable housing for millions of Americans.