The Partnership to Strengthen Homeownership

- **The bill provides a transition to a stable housing finance system driven primarily by private capital**

1. The government provides liquidity to the mortgage market by offering reinsurance on qualified mortgage-backed securities (MBS) with private markets first in line for losses
2. The private sector will price the risk of loss adding market discipline to government reinsurance
3. Fannie Mae and Freddie Mac phased out, providing a return to taxpayers with interest
4. The Housing Trust Fund, Capital Magnet Fund and Market Access Fund are funded to support Federal and State affordable housing initiatives

Restarts private markets

- Provides a smooth transition to a new system in which the private sector plays the leading role, and there is sufficient private capital to absorb losses, and taxpayers are compensated for providing reinsurance on MBS

Ends the private-gain, public-loss GSE model

- GSE charters are terminated and taxpayer-subsidized portfolios are wound down

Protects our economy and retains the 30 year fixed-rate mortgage

- Avoids a sudden reduction in mortgage credit that would depress house prices and risk another recession
- Provides a privately priced government guarantee that will retain access to 30 year fixed rate mortgage for homeowners

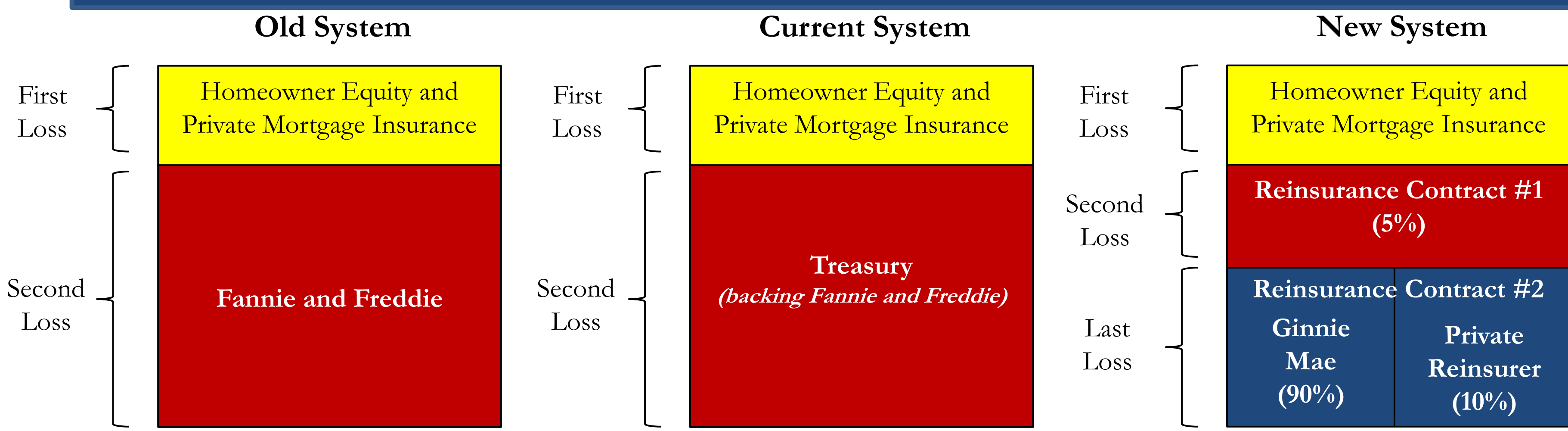
Ensures affordability

- Credit will be available during times of stress, the 30-year fixed-rate mortgage remains, and lending standards can normalize

How is the New Government Guarantee Delivered?

- **Ginnie Mae will partner with private market participants to insure qualified mortgage-backed securities**
  - Homeowners and private mortgage insurers remain first in line for losses
  - Properly-capitalized insurers and other market participants are next in line for losses on pools of eligible mortgages up to an attachment point set by Ginnie Mae
  - Ginnie Mae and private reinsurer syndicate is last in line for losses and will make up shortfalls in payments to MBS investors

LOSS SHARING



Old System

- Fannie and Freddie guaranteed conforming mortgages
- The government implicitly guaranteed Fannie and Freddie
- The government did not charge for that implicit guarantee and did not have a mechanism to absorb losses if it was triggered
- **There was little private capital protecting taxpayers**

Current System

- Fannie and Freddie continue to guarantee conforming mortgages
- Treasury provides an explicit backstop for Fannie and Freddie
- Dividends from Treasury's investments go to the general fund, leaving taxpayers exposed to future losses at the enterprises
- **There is no private capital protecting taxpayers**

New System

- A private insurer or market participant is required to absorb a minimum 5% of losses on qualified MBS issued in the insurance period
- Ginnie Mae, in partnership with a private reinsurer, provides explicit insurance behind the 5% private capital
- **There is substantial private capital protecting taxpayers AND the private sector – not the government – prices the risk**