CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

33-1: OVERVIEW OF CHAPTER

This chapter describes special provisions that may apply to one or more of the programs covered in Chapters 24 through 32 and 35 through the implementation of new Ginnie Mae programs or initiatives. This chapter discusses three of those initiatives: the Targeted Lending Initiative, the Reps & Warranties Program and *FHASecure* mortgage pools.

33-2: TARGETED LENDING INITIATIVE

The Targeted Lending Initiative program (TLI) provides for a reduction in the Ginnie Mae guaranty fee from 1 to 3 basis points (BP) on an eligible pool or loan package, depending on the percentage of loans in the pool or loan package that are secured by properties located in certain eligible communities.

HMBS pools are ineligible for TLI.

The eligible communities are limited to census tracts specified by HUD (see Section 33-2(B)(2)).

(A) Issuer Eligibility

All Ginnie Mae Issuers of the eligible pool types may participate in the TLI. No separate application or approval is required.

(B) Loan and Pool Eligibility

(1) TLI applies to the following eligible pool types:

SF under the Ginnie Mae I and Ginnie Mae II MBS Programs (Chapter 24);

BD under the Ginnie Mae I MBS Program (Chapter 25); Buydown loans may constitute up to 100% of a C BD pool, whereas the original principal balance of C SF and M SF pools may not contain more than 10% buydown loans under the Ginnie Mae II MBS program. (Chapters 24 through 28);

ARM (AR, AQ, AT, AF, AS and AX) under the Ginnie Mae II MBS Program (Chapter 26); ARM pools are not issued under the Ginnie Mae I MBS Program;

GPM (GP or GT) under the Ginnie Mae I MBS Program and the Ginnie Mae II MBS Program (Chapter 27);

GEM (GA or GD) under the Ginnie Mae I MBS Program and the Ginnie Mae II MBS Program (Chapter 28); and

Serial Notes (SN) under the Ginnie Mae I MBS Program (Chapter 29); SN pools are not issued under the Ginnie Mae II MBS Program.

(2) "Eligible loans" include any loans eligible for a program listed in (1) above that are located within certain census tracts, as specified by HUD, in communities located in 48 states and the District of

Columbia. These eligible census tracts have been designated by HUD as Empowerment Zones, Enterprise Communities, and Renewal Communities. These designated communities are listed in Appendix III-10. Underserved census tracts located in a Metropolitan Statistical Area (MSA) that includes a designated community defined above, as well as HUD/FHA Section 184 and 248 (Tribal Trust) loans, are also eligible for the program. HUD defines an underserved area as a low income or middle income census tract with a high minority representation.

"Eligible loans" also includes loans eligible for a program listed in (1) above that are located in census tracts designated as a Colonia or in census tracts with 50% or greater Native American or Alaskan Native populations. Colonias are defined as rural communities and neighborhoods along the Southwest region of the United States, within 150 miles of the border between the United States and Mexico. These areas frequently lack adequate infrastructure and other basic services.

Ginnie*NET*, which must be used by Issuers desiring TLI credit (see Section 33-2(B), will enable the Issuer to determine which of its pooled loans are "eligible loans."

(C) Fees

(1) The standard single family MBS guaranty fee of 6 BP may be reduced by 1, 2 or 3 BP, depending on the ratio of TLI eligible loan balances to total pool or loan package balance. The following table shows how this percentage affects the applicable guaranty fee:

PERCENT OF ELIGIBLE ORIGINAL PRINCIPAL AMOUNT OF POOL OR LOAN PACKAGE		GUARANTY FEE
MINIMUM	**MAXIMUM**	**BASIS POINTS**
0.00%	< 33.33	6
33.33	< 66.67	5
66.67	<100.00	4
100.00	100.00	3

The guaranty fee will be established at the time of pool or loan package submission, and will remain fixed over the life of the pool or loan package. A change in composition over time due to unscheduled recoveries of principal will not affect the guaranty fee.

(2) Example:

A loan package composed of the following loans is ready for submission.

Loan	Remaining Principal Balance
1	$50,000
2	60,000
3	70,000
4	75,000
5	80,000
6	80,000
7	85,000
8	85,000
9	90,000
10	90,000
Total Pool or Loan Package	$765,000

(a) Case 1:

If loans 1, 4, and 9 were determined to be in eligible census tracts, a guaranty fee of 6 BP would be charged by Ginnie Mae.

Loan			
1	$ 50,000		
4	75,000	$215,000	= 28%
9	90,000	$765,000	
	$215,000		

The percentage of targeted loans to the total loans in the loan package is 28%. Based on the fee matrix chart above, a loan package with 28% of its loans in eligible census tracts would not be eligible for any fee reduction.

(b) Case 2:

If loans 1, 4, 7, and 9 were determined to be in eligible census tracts, a guaranty fee of 5 BP would be charged by Ginnie Mae.

Loan			
1	$ 50,000		
4	75,000	$300,000	
7	85,000	$765,000	= 39%
9	90,000		
	$300,000		

The percentage of targeted loans to the total loans in the loan package is 39%. Based on the fee matrix chart above, a loan package with 39% of its loans in eligible census tracts would be eligible for a fee reduction of 1 BP for a total fee for the loan package of 5 BP (6 BP - 1 BP).

(c) Case 3:

If loans 1, 4, 6, 7, 8, 9, and 10 were determined to be in eligible census tracts, a guaranty fee of 4 BP would be charged by Ginnie Mae.

Loan			
1	$ 50,000		
4	75,000	$555,000	
6	80,000	$765,000	= 72%
7	85,000		
8	85,000		
9	90,000		
10	90,000		
	$555,000		

The percentage of targeted loans to the total loans in the loan package is 72%. Based on the fee matrix chart above, a loan package with 72% of its loans in eligible census tracts would be eligible for a fee reduction of 2 BP for a total fee for the loan package of 4 BP (6 BP - 2 BP).

If all 10 loans were in eligible census tracts, a 3 BP guaranty fee (6 BP - 3 BP) would be charged by Ginnie Mae.

(D) Pool and Loan Package Submission

All pools and loan packages for which the Issuer intends to receive TLI guaranty fee credit must be submitted electronically through Ginnie*NET*. Paper pools are therefore ineligible for TLI consideration. If Issuers elect not to participate in TLI, they must do so in the Ginnie*NET* Maintenance Screen. Unless TLI is waived, all Issuer pools and loan packages will be checked for TLI eligibility. In order to receive the appropriate guaranty fee credit, Issuers must ensure that both FHA and/or VA case/loan numbers are correct, and that property addresses include valid street address and zip code information.

(E) Post Issuance Monitoring

After a pool or loan package containing TLI-eligible loans has been issued, Ginnie Mae will compare the borrower, property address and FHA or VA loan case number against the loan file data maintained by the two agencies, in order to determine the validity of the data. For this reason, it is imperative that the data be submitted correctly through Ginnie*NET*.

If loans are not found in the FHA or VA loan files, the Issuer will be required to submit a written explanation for any discrepancy. Ginnie Mae will take appropriate action following a review of the submitted material.

Ginnie Mae will also monitor the substitution of loans to assure compliance with the intent of the TLI and the Ginnie Mae Guide regarding loan substitution.

33-3: REPRESENTATIONS & WARRANTIES PROGRAM

The Representations and Warranties (R&W) program permits an Issuer's custodian to certify pools without receipt and review of the security instrument, title policy, and intervening assignments. Certification requirements are depicted in Appendix V-1 of Ginnie Mae's Document Custodian Manual.

(A) Issuer Eligibility

All single family and HMBS Issuers may request approval to participate in the R&W program. In considering whether or not to enter into an R&W agreement with an Issuer, Ginnie Mae evaluates various factors that include, but are not limited to the following:

- Tenure as an Issuer;
- Results of compliance reviews;
- Results of an Issuer's annual audit report(s);
- Status as a supervised institution or affiliate of a supervised institution, if applicable;
- Bond rating of Issuer or affiliated institution, if applicable;
- Matters involving the internal control structure and operations that have been identified by the Issuer's Independent Public Accountant (IPA);
- Results of the Issuer's Independent Public Accountant's test of compliance;
- Adjusted net worth relative to Ginnie Mae's requirement;

- Rate of obtaining insurance relative to peer group; and
- Status with Ginnie Mae, the Government Sponsored Enterprises (GSE's), and federal regulators.

R&W participating Issuers shall also enter into a written agreement with Ginnie Mae, whereby the Issuer makes the following representations and warranty, acknowledging and understanding that Ginnie Mae has relied upon the truth and accuracy of the following representations:

- All records needed for final certification will be obtained in the normal course of business and held by the document custodian;
- Issuer indemnifies and holds Ginnie Mae (and its successors and assigns) harmless against all losses, damages, judgments or legal fees based on, or resulting from, Issuer's failure or alleged failure to obtain the original or a copy of the mortgage, record (if required), intervening assignments or title policies;
- Issuer represents and warrants that it is the recorded owner of the mortgage unless the mortgage has been assigned to MERS. If the mortgage was assigned to Issuer, the assignment to Issuer or MERS validly transfers the mortgage, free and clear of any pledge, lien, encumbrance or security interest;
- Issuer represents and warrants that the mortgages backing the guaranteed securities are federally insured or guaranteed eligible mortgages pursuant to 12 U.S.C. 1721(g)(1) and the Guide;
- Issuer represents and warrants that it maintains and will continue to maintain a document tracking system and an internal auditing department, which may be examined or audited by Ginnie Mae at any time to ensure compliance with mortgage pool requirements;
- Issuer represents and warrants that with the exception of compliance with the requirement that the Issuer provide the document custodian with copies of the mortgage, recorded (if required) intervening assignments and title policies, within twelve months, the Issuer is, and will remain in compliance with all Ginnie Mae requirements and all Federal regulations;

and

- Issuer represents and warrants that prior to transferring pools to a non R&W Issuer, Issuer/seller shall direct its custodian to perform a complete final certification of all applicable pools, as described in the Guide.

Issuers interested in the R&W program must submit a written request and narrative, including how they meet the terms of the R&W Agreement, to Ginnie Mae's Office of Issuer & Portfolio Management (see Addresses).

(B) Loan and Pool Eligibility

R&W applies to all single-family pools, with exception of manufactured housing. HMBS pools are eligible for the Ginnie Mae R & W program.

33-4: *FHASECURE & HOPE FOR HOMEOWNERS (H4H)* MORTGAGE POOLS

FHASecure is the FHA program for loans not previously insured by the FHA that refinance into FHA-insured loans. The HOPE for Homeowners ("H4H") program enables eligible borrowers to refinance a conventional loan or a government-insured or guaranteed loan.

This section describes special requirements that apply for a pool or loan package of **certain** *FHASecure and **all** H4H* mortgages. These pools have the pool suffix M FS under the Ginnie Mae II MBS program.

(A) Mortgage Eligibility and Pool Requirements

Pooling requirements applicable to Ginnie Mae II multiple issuer pools apply to M FS pools. *FHASecure* mortgages with the following characteristics are eligible for inclusion only in M FS pools:

(1) Fixed rate loans originated pursuant to FHA Mortgagee Letter 2008-13 to borrowers that refinanced after having become delinquent.

(2) Fixed rate *refinance* loans to borrowers where the borrower takes out a new subordinate lien.

FHASecure mortgages with these characteristics are not eligible for inclusion in any other Ginnie Mae pool type. However, all other *FHASecure* mortgages may be pooled into the M FS pool type or other Ginnie Mae I and Ginnie Mae II pool types, subject to Ginnie Mae pooling requirements.

All HOPE For Homeowners mortgages are only eligible to be pooled in the M FS pool type as part of the Ginnie Mae MBS II program, as described in 24 CFR Part 4001.

High Balance Loans that satisfy the pooling requirements applicable to Ginnie Mae II multiple issuer pools may be pooled in M FS pools. In addition, there is no limit on the percentage of the issue date unpaid principal balance of High Balance Loans that may be pooled in the M FS pool type.

(B) Loan Package Submission

M FS loan packages may only be submitted electronically through Ginnie*NET*; paper pools are ineligible for pooling under both the FHASecure and the HOPE for Homeowners initiatives. Unless an Issuer waives its TLI eligibility, as discussed above in Section 33-2(D), all M FS loan packages will be checked for TLI eligibility. In order to receive the appropriate guaranty fee credit, Issuers must ensure that the FHA case numbers are correct, and that property addresses include valid street address and zip code information.

33-5: ECONOMIC STIMULUS ACT OF 2008 – NEW POOL TYPE "JM"

This section describes the special requirements for pools and loan packages transmitted electronically through Ginnie*NET* on these higher balance loans. These pools and loan packages will have the pool type suffix M JM.

(A) Mortgage Eligibility and Pool Requirements

Pooling requirements applicable to Ginnie Mae II multiple issuer pools and loan packages also apply to M JM pools.

(1) Economic Stimulus Act of 2008 fixed rate loans originated with a note date before October 1, 2008, pursuant to FHA Mortgagee Letter 2008-06 that exceed the loan balance limitations below, are not eligible for inclusion in any other Ginnie Mae pool type except M JM**:**

Units	Contiguous States, District of Columbia, Puerto Rico	Alaska, Guam, Hawaii, U.S. Virgin Islands
One-Unit	$362,790	$544,185
Two-Unit	$464,449	$696,673
Three-Unit	$561,411	$842,116
Four-Unit	$697, 696	$1,046,544

Economic Stimulus Act of 2008 loans originated with a note date on or after October 1, 2008 may be subject to the restrictions identified in section 9-2(B) of this Guide.

(B) Loan Package Submissions Through GinnieNET

"M JM" pools and loan packages may only be submitted electronically through Ginnie*NET*. Unless TLI is waived, as discussed above in Section 33-2(D), all "M JM" loan packages will be checked for TLI eligibility. In order to receive the appropriate guaranty fee credit, Issuers must ensure that the FHA case numbers are correct, and that property addresses include both valid street address and zip code information.