



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-9000

GOVERNMENT NATIONAL  
MORTGAGE ASSOCIATION

September 1, 2006

APM 06-07

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Michael J. Frenz, Executive Vice President

SUBJECT: Updates to Annual Financial Statements and Supplemental Reporting Procedures

Ginnie Mae is pleased to announce the following changes to its annual financial statement and supplemental reporting requirements, which are effective immediately. The changes can be found in Appendix IX of Ginnie Mae Mortgage-Backed Securities Guide 5500.3, Rev. 1 (see [www.ginniemae.gov/guide/pdf/app\\_ix-01.pdf](http://www.ginniemae.gov/guide/pdf/app_ix-01.pdf)). The changes will also be published as part of an update to the Consolidated Guide for Audits of HUD Programs. Highlights include the following:

- Issuers that did not have outstanding Ginnie Mae securities or commitment authority at any time during the fiscal year under audit do not have to submit an internal controls report, a report on compliance with specific requirements, or supplemental information. However, they must still submit unaudited evidence of meeting Ginnie Mae's fidelity bond and errors and omission insurance and net worth requirements.
- For issuers that make up 40 percent or more of the equity of its parent (*the 40 percent threshold may be collectively met by related party issuers that have entered into a cross default agreement*), Ginnie Mae will accept consolidated financial statements of the issuer's parent, provided that the consolidating schedules, which distinguish the balance sheet and operating statement of the Ginnie Mae issuers, are included with the parent's audit. The consolidating schedules must be subject to the auditing procedures applied to the consolidated statement of the parent.
- For issuers that are federally- or state-regulated institutions, such as those under the supervision of the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, Ginnie Mae will accept audited financial statements on the issuer's parent, if the issuer makes up 40 percent or more of the parent's equity, and there is no more than one bank holding company covered in the audit.
- The issuer may elect to direct its Independent Public Accountant to perform an offsite review of the issuer's custodian if its securities outstanding balance totals less than \$50mm, it has no commitment authority outstanding to issue new Ginnie Mae securities, and an onsite review of the document custodian was performed within one of the previous two fiscal years.

- Nonprofit organizations that elect to submit audits in accordance with OMB Circular A-133 must also independently submit evidence of meeting Ginnie Mae's fidelity bond, errors and omission and net worth insurance requirements.

If you have any questions regarding these changes, please contact your Account Executive in the Office of Mortgage-Backed Securities at 202-708-1535.