



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

THE GOVERNMENT NATIONAL  
MORTGAGE ASSOCIATION

November 21, 2001

01-28

**MEMORANDUM FOR:** All Participants in Ginnie Mae Programs

**FROM:** George S. Anderson, Executive Vice President

**SUBJECT:** Forbearance and Buyout Authorization for Loans to Individuals Entering Military Service Pursuant to President Bush's Orders to Ready Reserves of the Armed Forces to Active Duty under the September 14, 2001 Declaration of National Emergency by Reason of Certain Terrorist Attacks

In an effort to minimize the economic hardship to persons entering military service, or called to active duty in the Ready Reserves, Ginnie Mae encourages all single-family, manufactured housing, and multifamily Ginnie Mae issuers to provide forbearance to "affected borrowers". Ginnie Mae is prepared to assist issuers choosing to offer forbearance to affected borrowers to make their advances of pass-through payments. This relief to issuers is provided in addition to relief made subject to the Soldiers' and Sailors' Civil Relief Act ("SSCRA"). Overall, these events are comparable to events designated in the past as disasters by the President of the United States for which Ginnie Mae has provided relief in accordance with section 34-2 of the Ginnie Mae Mortgage Backed Securities Guide, Handbook 5500.3 ("Guide"). Ginnie Mae will also advance funds so lenders can remove a loan from a pool in a case where the borrower is eligible for SSCRA relief and has missed three consecutive mortgage payments. These advances are available to lenders unable to obtain private financing. The advances must be repaid to Ginnie Mae the month following the month that the loan which is removed from the pool is modified or refinanced and repooled, the month following the month an FHA, VA, RHS or HUD claim is received in whole or in part, or within one year of receipt, whichever occurs first.

**ADVANCES AND FORBEARANCE**

Ginnie Mae will assist an issuer with advances of pass-through payments to security holders on loans in its Ginnie Mae-loan portfolio made to affected borrowers for a period of up to four months from the date the borrower entered military service, or was called to active duty. An issuer who services mortgages for borrowers unable to make loan payments because of the borrowers entry into military service, or call to active duty, and who cannot obtain private market financing to cover related delinquencies, will be eligible for Ginnie Mae assistance. An Issuer may establish a loan's eligibility for inclusion in these relief provisions by reference to Chapter 34, Section 34-3 of the Guide. Eligible borrowers are those qualifying for the Soldiers' and Sailors' Civil Relief Act. A request for this relief will be administered as a request for

Disaster Assistance as set forth in Appendix XI of the Guide. The advance will be subject to the terms of a Supervisory Agreement in the form attached as Exhibit A.

The issuer must provide the following documents in order to be considered for assistance:

- 1) For each of the eligible months that assistance is requested, the issuer will sign and submit a Request for Disaster Assistance ("Request"), the Supervisory Agreement, attached as Exhibit A or the Supervisory Agreement for Buyout of Loans attached as Exhibit B, as appropriate, (two copies), and a copy of the wire instructions to Ginnie Mae at least three business days prior to the month for which assistance is requested. The Request for Disaster Assistance is found in Appendix XI of the Ginnie Mae Guide. Both documents are applicable to advances under both the Ginnie Mae I and Ginnie Mae II programs.
- 2) The issuer will compute its advances monthly from the date the affected borrower enters military service, or is called to active duty for loans subject to this APM for which the issuer cannot obtain private financing. The issuer will submit the list of such loans with its Request for Disaster Assistance Form. The list shall identify each loan and borrower and include current amounts requested for each borrower and the cumulative amount and number of prior month advances made for each borrower by Ginnie Mae.

Ginnie Mae will review the Request, and if approved, will execute the Supervisory Agreements and return one copy to the issuer. Ginnie Mae will wire Eligible Advances directly into the issuer's Principal and Interest custodial account(s) in time to allow payment to security holders. These deposits will assure that the issuer can properly cover investor and ACH payments on the appropriate payment dates.

Issuers subject to the Supervisory Agreements with Ginnie Mae will be obligated to repay Eligible Advances to Ginnie Mae on the expiration of the 120-day term, as appropriate. While these repayment dates and the associated Supervisory Agreements are not expected to be extended, the President of Ginnie Mae may do so at his sole discretion.

While technically in default as a result of the advances provided by Ginnie Mae pursuant to this APM, this status will not affect an issuer's ability to obtain commitments, issue securities or transfer issuer responsibility, so long as the issuer complies with the Supervisory Agreement. The issuer is also required to comply with the normal eligibility requirements for obtaining commitment authority, issuing securities and transferring issuer responsibility, as specified in the Ginnie Mae Guide.

In addition to the Ginnie Mae advance assistance, Ginnie Mae will exclude mortgages to affected borrowers from calculations of delinquency ratios (DQ3, DQ2 and DQP). These ratios are used to approve commitments and allow transfers of issuer responsibility. Ginnie Mae will track the affected mortgages listed on the Disaster Assistance Form as stated above.

**BUYOUT AUTHORITY**

Also in accordance with this APM, Ginnie Mae is authorizing issuers of Ginnie Mae pools containing loans to affected borrowers to buy the loans out of the pools for the remaining principal balance of each loan. The purpose of this authority is to assist affected borrowers avoid becoming delinquent on their loan payments which can lead to default, foreclosure, and loss of their homes.

Ginnie Mae will allow the buyout loans to be re-pooled if they are modified and continue to be insured or guaranteed by FHA, VA, or RHS (refinanced loans are not restricted as to pooling since a refinanced loan is a new loan and must only meet the criteria in the Ginnie Mae Guides for eligibility). For purposes of computing the eligible age of a loan, the loan modification date must not be more than 48 months prior to the issue date of the pool. All other loan eligibility requirements as stated in the appropriate Guides are applicable. The authority to buy out loans will expire six months from the time the affected borrower enters the military or is called to active duty.

An issuer requesting assistance pursuant to this APM should submit the two copies of the Supervisory Agreement for Buyout of Loans (Exhibit B), properly executed by an authorized corporate official, Request for the Disaster Assistance form, and Wire Instructions form by express mail to:

SSCRA Administration, Room 6214  
Disaster Assistance  
Ginnie Mae  
451 7th Street, SW, Room 6214  
Washington, DC 20410

Issuers requesting permission to buy loans out of existing pools pursuant to this APM must request the permission in writing to the address above. The format of the buyout request letter for loans under either program is in Appendix XI-5 of the Ginnie Mae Guide. The buyout request letter must specify that the loan was to an eligible borrower and must refer to this APM by number.

If an issuer has any question regarding the issues addressed by this APM, it may call its appropriate Single-Family/Manufactured Housing Account Executive on (202) 708-1535 or Multifamily Account Executive on (202) 708-2043.

Ginnie Mae encourages all Ginnie Mae issuers to continue their commitment to the affected borrowers and provide appropriate funding and forbearance for individuals entering military service or reservists called to active duty.

Attachments:

Exhibit A - Supervisory Agreement

Exhibit B - Supervisory Agreement for Buyout of Loans

## Exhibit (A)

### SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and entered into as of \_\_\_\_\_, by and between \_\_\_\_\_ (hereinafter referred to as "Issuer") and the Government National Mortgage Association, a body corporate organized and existing under the laws of the United States within the Department of Housing and Urban Development (hereinafter referred to as "Ginnie Mae"):

WHEREAS, Issuer has been the issuer of Mortgage-Backed Securities based on mortgage pools listed on the enclosed Exhibit A (the "Mortgage Pools"), guaranteed by Ginnie Mae pursuant to the Schedule of Subscribers and Ginnie Mae Guaranty Agreement ("Guaranty Agreement") entered into between Ginnie Mae and Issuer, such Guaranty Agreement being incorporated herein by reference; and

WHEREAS, as a direct result of the effects of the disaster described in All Participants Memorandum ("Memorandum") \_\_\_\_\_, Issuer is unable to make the full payments due to the holders of the Mortgage-Backed Securities backed by the Mortgage Pools and has requested that Ginnie Mae advance certain payments to security holders ("Payments") in accordance with the terms of the Memorandum.

NOW THEREFORE, the parties hereto mutually undertake and agree as follows:

1. Issuer has submitted a written request to Ginnie Mae to advance Payments for the month of \_\_\_\_\_, in accordance with the instructions set forth in the Memorandum. Upon receipt of such request, and in accordance with the Memorandum, Ginnie Mae has wire-transferred funds directly into Issuer's Principal and Interest Custodial Account to assure full and timely Payment to security holders. Ginnie Mae has made the Payment in order to comply with its guarantee obligations to the security holders.
2. Ginnie Mae has advanced the Payment on behalf of Issuer on the following terms and conditions. The Payment shall be repaid in full to Ginnie Mae, together with interest on the Payment at the annual rate of \_\_\_\_\_, within one hundred twenty (120) days of the date of Ginnie Mae's advance of the Payment. Failure to repay the Payment and accrued interest in accordance with the terms set forth herein shall constitute an event of default under this Supervisory Agreement and a further default under the Guaranty Agreement between Issuer and Ginnie Mae, and shall constitute grounds for Termination of Issuer Status.

3. For the term of this Agreement, Issuer shall continue as a Ginnie Mae issuer in accordance with the Ginnie Mae Mortgage-Backed Securities Guide 5500.3 (hereinafter referred to as the "Guide") and the Guaranty Agreement, including but not limited to the responsibilities referenced below. At any time until this Agreement expires pursuant to Paragraph 6, Ginnie Mae may complete the Termination of Issuer Status if Issuer fails to perform properly its responsibilities pursuant to the Guide and the Guaranty Agreement, except as provided herein. Upon expiration of this Agreement, if: (i) Issuer has fully complied with the terms of this Agreement, the Guide and the Guaranty Agreement between Issuer and Ginnie Mae; and (ii) Ginnie Mae has not effected a Termination of Issuer Status, the Issuer shall be deemed restored to the status Issuer held immediately prior to the actions giving rise to this Agreement.
4. To the extent that the terms and conditions of the Guide and the Guaranty Agreement conflict with or are inconsistent with the terms of this Agreement, the terms and conditions of this Agreement shall govern.
5. Issuer shall not assign or delegate any of its rights or responsibilities under this Agreement without the prior consent of Ginnie Mae.
6. This Agreement shall continue in effect until the earlier to occur of one of the following: (a) Issuer has repaid the Payment to Ginnie Mae; or (b) any date specified by Ginnie Mae at its convenience after delivery of written notice to Issuer from Ginnie Mae that this Agreement shall be terminated and that Ginnie Mae will complete the Termination of Issuer Status. However, if this Agreement terminates pursuant to (b) above, Issuer's obligation to repay the Payment to Ginnie Mae shall survive until such obligation is satisfied in full.
7. Issuer shall meet the requirements of Section 2-7 of Ginnie Mae Guide 5500.3 with regard to fidelity bond and errors and omissions insurance coverage.
8. Nothing in this Agreement shall constitute a waiver or release by Ginnie Mae of any claim or any right to proceed or to recover any damages from Issuer relating to any existing or future facts or circumstances.

- 9. Issuer agrees to execute all documents and undertake all actions reasonably necessary to effect the intent and terms of this Agreement.
- 10. This Agreement may be modified or amended only by written agreement of the parties hereto.

GOVERNMENT NATIONAL MORTGAGE  
ASSOCIATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
(Issuer)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Exhibit (B)

### SUPERVISORY AGREEMENT FOR THE BUYOUT OF LOANS

This Supervisory Agreement ("Agreement") is made and entered into as of \_\_\_\_\_, by and between \_\_\_\_\_ (hereinafter referred to as "Issuer") and the Government National Mortgage Association, a body corporate organized and existing under the laws of the United States within the Department of Housing and Urban Development (hereinafter referred to as "Ginnie Mae"):

WHEREAS, Issuer has been the issuer of Mortgage-Backed Securities based on mortgage pools listed on the enclosed Exhibit A (the "Mortgage Pools"), guaranteed by Ginnie Mae pursuant to the Schedule of Subscribers and Ginnie Mae Guaranty Agreement ("Guaranty Agreement") entered into between Ginnie Mae and Issuer, such Guaranty Agreement being incorporated herein by reference; and

WHEREAS, as a direct result of the effects of the disaster described in All Participants Memorandum ("Memorandum") \_\_\_\_\_, Issuer is unable to make the full payments due to the holders of the Mortgage-Backed Securities backed by the Mortgage Pools and has requested that Ginnie Mae advance certain payments to security holders ("Payments") in accordance with the terms of the Memorandum.

NOW THEREFORE, the parties hereto mutually undertake and agree as follows:

1. Issuer has submitted a written request to Ginnie Mae to advance funds to facilitate the removal of a loan(s) from a pool(s) for the reporting month of \_\_\_\_\_, in accordance with the instructions set forth in the Memorandum. Upon receipt of such request, and in accordance with the Memorandum, Ginnie Mae has wire-transferred funds directly into Issuer's Principal and Interest Custodial Account to assure the pass-through to the security holders of the remaining principal balance of the loan(s) which has (have) been removed from the pool. Ginnie Mae has made the Payment in order to comply with its guarantee obligations to the security holders.
2. Ginnie Mae has advanced the Payment on behalf of Issuer on the following terms and conditions. The Payment shall be repaid in full to Ginnie Mae, together with interest on the Payment at the annual rate of \_\_\_\_\_, in the month following the month that the loan which is removed from the pool is modified or refinanced and repooled, the month following the month an FHA, VA, RHS or HUD claim is received in whole or in part, or within one year of receipt, whichever occurs first. Failure to repay the payment and accrued interest in accordance with the terms set forth herein shall constitute an event of default under this Agreement and a further default under the Guaranty Agreement between Issuer and Ginnie Mae, and shall constitute grounds for Termination of Issuer Status.

3. For the term of this Agreement, Issuer shall continue as a Ginnie Mae issuer in accordance with the Ginnie Mae Mortgage-Backed Securities Guide 5500.3 (hereinafter referred to as the "Guide") and the Guaranty Agreement, including but not limited to the responsibilities referenced below. At any time until this Agreement expires pursuant to Paragraph 6, Ginnie Mae may complete the Termination of Issuer Status if Issuer fails to perform properly its responsibilities pursuant to the Guide and the Guaranty Agreement, except as provided herein. Upon expiration of this Agreement, if: (i) Issuer has fully complied with the terms of this Agreement, the Guide and the Guaranty Agreement between Issuer and Ginnie Mae; and (ii) Ginnie Mae has not effected a Termination of Issuer Status, the Issuer shall be deemed restored to the status Issuer held immediately prior to the actions giving rise to this Agreement.
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8. Nothing in this Agreement shall constitute a waiver or release by Ginnie Mae of any claim or any right to proceed or to recover any damages from Issuer relating to any existing or future facts or circumstances.



- 9. Issuer agrees to execute all documents and undertake all actions reasonably necessary to effect the intent and terms of this Agreement.
- 10. This Agreement may be modified or amended only by written agreement of the parties hereto.

GOVERNMENT NATIONAL MORTGAGE  
ASSOCIATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
(Issuer)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_