



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

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

December 31, 2002

02-28

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Revised Procedures for Extending the Maturity Date of Construction Loan Pools and Converting Multifamily Construction Loan Pools to Project Loan Pools

Ginnie Mae is pleased to announce revised procedures for extending the maturity date of construction loan ("CL/CS") pools and converting construction loan pools to project loan pools ("PL/PN").

Effective immediately, issuers have a range of options for setting the CL/CS maturity date from a minimum of 200% of the construction loan term as determined by FHA, to a maximum of the permanent loan securities maturity date. Issuers who match their CL/CS maturity with their permanent loan securities maturity will eliminate the need for extending the maturity dates for CL/CS certificates. Issuers who have tax-exempt bond deals credit enhanced with Ginnie Mae securities may choose to use the minimum maturity date to accommodate the special requirements of bond deals.

Extending CL/CS Pools Maturity Dates

To request an extension of the maturity date of a CL/CS pool, issuers must e-mail Ginnie Mae's Pool Processing Agent, ("PPA"), at ginniemae@chase.com. The e-mail must be sent at least two weeks prior to the expiration of the maturity date of the CL/CS pool, to allow sufficient time for processing. In addition, issuers are required to submit to the PPA a letter from the contracted security purchaser, the entity bound under contract with the issuer to accept all CL issuances, consenting to the extension. A transmittal letter must also be submitted and must include the following information: pool number, current maturity date of the pool, and new maturity date of the pool. Furthermore, a revised HUD Form 11705, Schedule of Subscribers must also be submitted. **CL/CS pools that mature prior to conversion or completion of the extension process will be automatically terminated from the Federal Reserve's system, requiring the issuer to retire the security by cash payment to the security holder at the next payment date.**

Converting CL/CS Pools to PN Pools

Effective with April issuances, investors will no longer be required to deliver their CL/CS security position to Ginnie Mae in order to convert their CL/CS security position to a PN security position. **Under the new procedure, all CL/CS pools will automatically be converted to PN pools after the settlement of the final CL/CS draw and upon completion of the requirements for conversion as required by this issuance.** The PN pool structure allows issuers to avoid early pool termination under predetermined circumstances and offers issuers options to prevent the default and assignment of a loan to FHA. **Issuers may submit a special written request to convert a CL/CS pool to a PL pool instead of a PN pool, as part of their conversion package.**

The CL/CS to PN conversion process will have two settlement streams. Issuers will submit their final CL/CS pool draw and the replacement PN conversion package to the PPA simultaneously. (See Ginnie Mae Guide 5500.3, Chapters 31 and 32 for required documents). Issuers must include in the conversion package a transmittal letter identifying the pool package as a CL/CS to PN conversion submission. Prior to submitting a conversion package, the issuer must call the PPA at (212) 623-8041 or (212) 623-8169 and follow-up with a confirming e-mail to ginniemae@chase.com, (return receipt requested), to request delivery instructions for the investor of record, for the replacement PN pool. The Federal Reserve will give dealer investor instructions to the PPA who will forward them to the issuer. **Issuers are responsible for providing correct delivery instructions on the Form 11705 for delivery of the final CL/CS draw and the PN pool submission, as well as for submitting a revised Prospectus for the replacement PN pool.**

The final construction loan draw will be issued as a CL/CS security to the contracted investor. The contracted investor must deliver the final CL draw security to the investor of record immediately upon receipt. The replacement PN pool cannot be settled and issued until the investor of record holds the final draw position. The replacement PN pool will be delivered to the investor of record's Federal Reserve clearing account after the Federal Reserve has processed the final maturity of the CL/CS pool. **CL/CS positions should not be traded between the settlements and maturing of the final draw, and issuance of the replacement PN security.**

The maturing of the CL/CS securities and the settlement of the final CL/CS draw security will require two business days of processing time after which the issuance of the replacement PN pool will occur on the third business day. (Example: If the CL/CS final draw settles on Monday, the settlement for the PN conversion would occur on Thursday.) The final CL/CS draw and the replacement PN pool will both have the same issue date, and both transactions must settle within the same issuance month. The PPA will contact the Federal Reserve, who will broadcast a FED wire announcing the maturing and cancellation of the CL/CS securities to all investors. On the cancellation date, the CL/CS CUSIPs will be withdrawn, and the PN CUSIP will be settled and delivered to the investor of record. **Issuers must extend**

CL/CS pools that mature in the month of a CL/CS to PN conversion to ensure that they are not automatically terminated from the Federal Reserve system, and so that the issuer will not be required to retire the securities by cash payment to the security holder at the next payment date.

Additional Information

Attached are revisions to Chapters 31 and 32 of Ginnie Mae Guide 5500.3, reflecting the changes outlined herein. Issuers should contact their Multifamily Account Executive at (202) 708-2043 with any questions regarding this memorandum.

Attachments – [Chapter 31](#)
[Chapter 32](#)
[Appendix IV-10](#)