



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

GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

March 15, 2004

04-01

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Revision of Guaranty Agreements

In order to enhance its oversight of issuers, Ginnie Mae announces a revision to its Guaranty Agreement. Effective for securities issued on or after May 1, 2004, all issuers are required to use the revised forms of Guaranty Agreement. Section 10.07 of the Guaranty Agreements (Section 11.07 for the Construction Loan Securities Guaranty Agreement) are revised to permit Ginnie Mae to use the facilities of a defaulted issuer to insure the continued operation of such issuer's programs and to protect the assets backing the Ginnie Mae-guaranteed mortgage-backed securities pools. The Guaranty Agreements can be found as Appendices to Ginnie Mae Mortgage-Backed Securities Guide 5500.3, Rev. 1, and may be accessed on Ginnie Mae's web site at www.ginniemae.gov on or after April 15, 2004. Section 10.07 (11.07), as revised, is attached.

This revision to the Guaranty Agreement will have no impact on issuers in good standing in Ginnie Mae's MBS program, or on investors. The change only impacts Ginnie Mae's ability to operate after an issuer is defaulted. The new provision in the Guaranty Agreement improves Ginnie Mae's capacity to immediately begin mortgage servicing when an issuer has defaulted and Ginnie Mae is forced to seize its portfolio. Ginnie Mae expects this change to reduce disruption to borrowers in the event of a default.

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

Attachment

Section 10.07. On and after the time Ginnie Mae issues a letter of extinguishment to the Issuer, the Issuer shall continue to render Ginnie Mae the fullest assistance practicable in furtherance of the orderly and due removal of the Mortgage from the Issuer. Such assistance may include, at Ginnie Mae's sole discretion, use of the Issuer's physical facilities, Issuer's computers and servicing platform and any other facilities that Ginnie Mae, in its sole discretion, determines necessary to the orderly transfer of the Mortgages backing Ginnie Mae securities. Ginnie Mae will reimburse the Issuer reasonable operating costs, as determined by Ginnie Mae, for the use of Issuer's facilities and equipment during the transfer process. Issuer shall not object to its employees cooperating with Ginnie Mae or its subservicer. Issuer shall execute, at Ginnie Mae's direction, powers of attorney to facilitate the orderly transfer of the portfolio, and the continuation otherwise of this Agreement and the transactions and arrangements set forth and provided for herein. This obligation of the Issuer shall survive any termination of this Agreement.