



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

GOVERNMENT NATIONAL  
MORTGAGE ASSOCIATION

August 12, 2004

04-09

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Introduction of the Excess Servicing Mortgage-Backed Security

Ginnie Mae is pleased to announce the Excess Servicing Mortgage-Backed Security (“XMBS”), a product that allows approved issuers to securitize and sell their excess servicing rights on new and existing Ginnie Mae II fixed-rate mortgage-backed securities. The XMBS will expand the flexibility and competitiveness of the Ginnie Mae Mortgage-Backed Securities (“MBS”) program and help to increase the flow of issuers’ capital back into the housing market, thus increasing homeownership opportunities. Ginnie Mae’s XMBS will provide the mortgage-backed securities marketplace with the first non-negotiated and fully standardized structure for the securitization and sale of excess servicing. Ginnie Mae expects the XMBS to become effective in October 2004.

The XMBS allows issuers to securitize the excess servicing on all Ginnie Mae II fixed-rate pools or loan packages. Excess servicing is defined as the difference between: (a) the weighted average note rate of loans in the pool or loan package; and (b) the sum of the MBS Certificate Rate, the Ginnie Mae MBS guaranty fee, and the Ginnie Mae mandated minimum servicing fee. For pools with an issue date prior to July 1, 2003, the minimum servicing fee is 44 basis points. For pools issued July 1, 2003 or later, the minimum servicing fee is 19 basis points. For example:

	Pools issued prior to July 1, 2003	Pools issued on or after July 1, 2003
Weighted Average Note Rate of the Underlying Mortgage Loans	7.50%	7.50%
MBS Certificate Rate	6.50%	7.00%
Servicing Spread	1.00%	.50%
Mandatory Minimum Servicing Fee	.44%	.19%
Ginnie Mae Guaranty Fee	.06%	.06%
<b>Excess Servicing</b>	<b>.50%</b>	<b>.25%</b>

Following is a summary of the main components of the XMBS:

- Issuers will create a security consisting of excess servicing rights. The excess servicing security will be used as collateral for a security issued under Ginnie Mae's Multiclass program.
- Ginnie Mae will guarantee, with the full faith and credit of the U.S. Government, the timely payment of any actual excess servicing fee income due security holders.
- Issuers participating in the program must securitize 100% of the excess servicing in a pool or loan package.
- Excess servicing securities will have a pass-through date of the 20<sup>th</sup> of the month, or the next business day if the 20<sup>th</sup> is not a business day. Payment will be made through an ACH debit, from an account covered under a Master Agreement, by Ginnie Mae's Central Paying and Transfer Agent.
- Excess servicing securities will be covered by a Guaranty Agreement. A default by the issuer under the XMBS Guaranty Agreement would automatically trigger a default under the issuer's other Guaranty Agreements, and vice versa.
- Issuers will have the option of securitizing their excess servicing as a single issuer, or through a multiple issuer transaction.

Ginnie Mae will publish a complete description of the XMBS and eligibility requirements in a future All Participants Memorandum prior to the program start date. If you have any questions regarding this memorandum, please contact your Account Executive in the Office of Mortgage-Backed Securities at (202) 708-1535.