CHAPTER 9: ELIGIBLE MORTGAGES, POOLS AND LOAN PACKAGES

9-1: OVERVIEW OF CHAPTER

This chapter describes basic mortgage and pool and loan package eligibility requirements for Ginnie Mae MBS pools and loan packages. Special requirements that apply to HMBS pools can be found in Chapter 35.

9-2: MORTGAGE REQUIREMENTS

Each issue of securities must be backed by a separate pool of mortgages (or, in the case of some multifamily pools, a single mortgage) each of which, except as otherwise specified, must comply with the following requirements. Additional exceptions and requirements, if any, for particular pool types can be found in Chapters 24 through 32 and 35.

(A) Insurance/Guaranty

Each mortgage must be, and must remain, insured or guaranteed under the National Housing Act, Title V of the Housing Act of 1949, the Servicemen's Readjustment Act of 1944, chapter 37 of Title 38, United States Code, or section 184 of the Housing and Community Development Act of 1992, and must at all times comply with the requirements for obtaining and maintaining such insurance or guaranty.

(B) Maximum Loan Amount

See Chapters 24, 31 and 32 for additional requirements for maximum loan amounts and High Balance Loans (as defined below).

The Housing and Economic Recovery Act of 2008 ("HERA") amends the National Housing Act to grant Ginnie Mae permanent authority to guarantee MBS backed by High Balance Loans. For MBS with an issue date on or after January 1, 2009, a "High Balance Loan" is defined as a single-family forward mortgage loan originated with a note date on or after October 1, 2008, with an original principal balance (minus the amount of any upfront mortgage insurance premium) that exceeds the following limits:

Units	Contiguous States, District of Columbia, Puerto Rico	Alaska, Guam, Hawaii, U.S. Virgin Islands
One-Unit	$417,000	$625,500
Two-Unit	$533,850	$800,775
Three-Unit	$645,300	$967,950
Four-Unit	$801,950	$1,202,925

Notwithstanding the foregoing, until Ginnie Mae is able to obtain unit information on loans for multiple unit dwellings, all multiple unit loans with an original principal balance (minus the amount of any upfront mortgage insurance premium) that exceeds, for collateral located in the contiguous United States, the District of Columbia or Puerto Rico, $417,000, or, for collateral located in Alaska, Guam, Hawaii or the U.S. Virgin Islands, $625,500, are defined as High Balance Loans.

(C) Date of First Payment

For mortgages backing SF, FS, BD, GPM, GEM, ARM and SN pools, there is no age limitation as to the first payment date, provided the loans meet the maturity requirement specified in Section 24-2 (B)(3) of this Guide. However, and in order to avoid possible negative tax implications to foreign investors, Ginnie Mae will not allow any loans originated prior to 1985 to be included in new pool or loan package issuances.

For mortgages backing MH pools, the date of the first scheduled monthly payment of principal and interest must be no more than 48 months before the issue date of the securities.

For multifamily loans, the date for the first scheduled monthly payment of principal and interest must be no more than 24 months before the issue date of the securities, except in the case of LM loans (see Section 31-1).

(D) Amortization

For the following pool types, each mortgage must commence amortization no later than the month immediately following the month in which the issue date of the securities occurs: SF, FS, BD, AQ, AR, AT, AF, AS, AX, GP, GT, GA, GD, and SN. Each MH loan must commence amortization no later than the issue date. See the specific chapters relating to PL, PN, LM, LS, RX, CL, and CS pools for special requirements relating to commencement of amortization (Chapters 31 and 32).

(E) Delinquency Status

Ginnie Mae will consider a loan payment delinquent if the agency insuring or guaranteeing the loan considers the delay in payment to be an act of delinquency. No single family mortgage may be more than 60 days delinquent, no manufactured home loan may be more than 15 days delinquent, and each project loan and construction loan must be current, as of the issue date of the related securities. In the case of pools issued to consolidate any or all bond financed pools issued as a result of a bond series; single family mortgages may be more than 60 days delinquent as of the issue date of the securities.

Effective January 1, 2009, and thereafter, delinquent single family loans that are repurchased from Ginnie Mae pools and subsequently placed in Ginnie Mae I "X SF", Ginnie Mae II "M SF" and Ginnie Mae II "M JM" pools must be current as of the issue date of the related security.

(F) Limitation Against Encumbrances

At the time the assignments to Ginnie Mae become effective (*i.e.*, when the securities are issued to the subscribers designated on the Schedule of Subscribers and Ginnie Mae

Guaranty Agreement, form HUD 11705 (Appendix III-6)), the pooled mortgages must not be subject to any security interest or encumbrance arising from any previous or future assignment, pledge, hypothecation or transfer of the issuer's right, title, and interest in and to the mortgages.

The issuer must provide the document custodian with releases by the interim lenders of all security interests in mortgages included in a specific pool or loan package (see Release of Security Interest, form HUD 11711A (Appendix III-5)). In addition, the issuer must certify that these releases encompass all mortgages in the pool or loan package (see Certification and Agreement, form HUD 11711B (Appendix III-5)). If there are no security interests, the issuer must certify that fact on form HUD 11711B.

The issuer may pledge its servicing income or servicing rights in pooled mortgages in accordance with Sections 21-5 and 21-6.

(G) Prohibition on Pooling of Planned Refinance and Certain Premium Loans

It is Ginnie Mae's policy to prohibit the pooling of planned refinance loans and certain premium interest rate loans, as defined below.

(1) Planned Refinance Loans

A planned refinance loan is a premium loan that the lender and borrower have agreed to refinance at a later date and at an interest rate that is lower than the current rate on the loan. The lender and borrower agree that the reduction in the interest rate will be less than the basis point decline that occurs in the mortgage market between the time that the original interest rate on the loan is established and the time the loan is refinanced. The agreement can be either oral or in writing and can be established at or prior to the closing of the loan agreed to be refinanced.

(2) Premium Loans

A premium loan, for purposes of this section, is a pooled mortgage on a one- to four-family dwelling that is originated or refinanced with an interest rate at least 1.5 percentage points (150 basis points) higher than the interest rate on new Ginnie Mae securities valued closest to par on the date the interest rate on the mortgage was established.

(a) For any premium loan, the issuer's expected proceeds above par value from the sale of securities collateralized by premium loans must be reasonably related to the closing costs customarily paid by borrowers in the geographic area in which the loan is closed. In identifying the issuer's excess proceeds, Ginnie Mae will not include any gain or loss attributable to a change in mortgage market interest rates that occurred between the date on which the interest rate on the mortgage was established and the distribution date of the related securities.

(b) A premium loan that is not subject to a planned refinance agreement, as defined above, but is the result of a refinance of a prior premium loan cannot be pooled, except as provided in (c) below, if the issuer, originator, or any interim party solicited the borrower to initiate the refinance.

(c) If a premium loan is refinanced by a second premium loan, the second premium loan may be pooled only if the interest rate on the second loan is lower than the interest rate on the prior loan by at least the basis point decline in mortgage market interest rates, offset to the extent of any closing costs to be paid out of the proceeds of the sale of the related securities, between the date on which the prior mortgage interest rate was established and the date on which the current mortgage interest rate was established.

(H) Other Requirements

Mortgages must meet any other requirements prescribed by Ginnie Mae in its Commitment to Guarantee MBS, form HUD 11704 (Appendix II-2), including the right to require unusual hazard coverage such as insurance against flood, earthquake, and other catastrophes.

(I) Defective Mortgages

Mortgages that do not meet the requirements set forth above are defective and must be removed from the pool in accordance with Section 14-8(D).

9-3: POOL AND LOAN PACKAGE REQUIREMENTS

Each pool and loan package must meet the following requirements, except as otherwise noted. Additional requirements and exceptions, if any, for particular pool types can be found in Chapters 24 through 32 and 35.

(A) Number of Issuers Per Pool

(1) Ginnie Mae I pools:

A Ginnie Mae I pool must be originated and administered by a single issuer, who markets all of the related securities.

(2) Ginnie Mae II pools and loan packages:

An issuer may participate in the Ginnie Mae II MBS Program by issuing a custom pool or by participating in the issuance of a multiple issuer pool.

(a) Custom pools:

A Ginnie Mae II custom pool must be originated and administered by a single issuer, who markets all of the related securities.

(b) Multiple issuer pools:

A Ginnie Mae II multiple issuer pool is a single pool in which one or more issuers participate. The mortgages submitted by each participating issuer are referred to as a loan package. The combined loan packages are used to back a single issuance of securities.

An issuer that submits a loan package designates at the time of submission that it wishes to participate in a multiple issuer pool. If issuer A submits an eligible loan package and designates it for a multiple issuer pool for a specified issue date and at a specified interest rate, and no other issuer submits a loan package for the same issue date and interest rate, a "multiple issuer pool" will be formed consisting of only issuer A's loan package. Most multiple issuer pools, however, have two or more participating issuers.

Each participating issuer originates and is responsible for administering only the loan package that it submits and for marketing securities in an amount equal to the original principal amount of the loan package that it contributes to the multiple issuer pool.

Each security issued in connection with the formation of a multiple issuer pool is backed by all of the mortgages in the pool and not merely by the loan package submitted by the issuer that marketed that particular security.

(B) First Payment Date

(1) Under the Ginnie Mae I MBS Program, the first payment due security holders will be made 45 days from the issue date.

(2) Under the Ginnie Mae II MBS Program, the first payment due security holders will be made 50 days

from the issue date for loans pooled in MBS securities, and for HMBS securities, on a date pursuant to event conditions described in Chapter 35.

(C) Maturity

(1) Under the Ginnie Mae I MBS Program, the maturity date of the securities is the 15th day of the month in which the underlying pooled mortgage with the latest maturity expires.

(2) Under the Ginnie Mae II MBS Program, the maturity date of the securities is the 20th day of the month in which the underlying pooled mortgage with the latest maturity expires.

(3) Each pool or loan package must consist of mortgages with maturities that are allowable under the FHA, VA, RHS, or § 184 loan programs.

(D) Number of Loans

(1) Ginnie Mae I MBS pools:

Except as provided in Section 24-2(B)(2) with respect to state or local bond financing programs, as of the date of issue, each SF, BD, GPM, and GEM pool must include at least 3 loans.

As of the date of issue, each SN and MH pool must include at least 8 loans; no loan may represent more than 20 percent of the original amount of an MH or SN pool.

As of the date of issue, each multifamily pool must include the number of loans specified in Chapter 31 or 32.

(2) Ginnie Mae II MBS custom pools:

Except as provided in Section 24-2(B)(2) with respect to state or local housing bond financing programs, as of the date of issue, each SF, ARM, GPM, and GEM MBS pool must include at least 3 loans. Each MH pool must include at least 8 loans. HMBS custom pool requirements are discussed in Chapter 35.

(3) Ginnie Mae II multiple issuer pools:

As of the date of issue, each SF, FS, ARM, GPM or GEM loan package must include at least three loans.

As of the date of issue, each MH loan package must include the number of loans indicated in the following table:

Original Principal Amount of Loan	Minimum Number of

Package	Loans Required
$ 250,000 to 299,999	3
300,000 to 499,999	4
500,000 to 599,999	5
600,000 to 749,999	6
750,000 to 999,999	7
1,000,000 or more	8

(E) Mortgages Registered With MERS

(1) MERS records reflect the identity of the issuers and Ginnie Mae's interest in the mortgages. Notes for mortgages registered with MERS are to be endorsed in blank by the issuers registering the mortgages on MERS. The note endorsement will not reflect the transfer to MERS or any transfer of the mortgage as long as the mortgage remains on the MERS system.

(2) In consideration for Ginnie Mae's consent to the registration on the MERS system of mortgages backing Ginnie Mae MBS, issuers, by registering such loans on the MERS system: (a) waive any and all rights under the MERS rules and acknowledge Ginnie Mae's right and authority, in the event of issuer default, to instruct MERS, and for MERS to comply with Ginnie Mae's instructions, and (b) are liable to Ginnie Mae if they provide false information to MERS in connection with the Ginnie Mae MBS Program.

(3) Upon issuance of a Ginnie Mae MBS, an issuer must register Ginnie Mae as "investor," and must enter the pool or loan package number on the MERS system.

(F) Escrow Accounts

Funds required to be placed in escrow accounts must be deposited in the appropriate servicer's escrow custodial account established for the pool or loan package of which the loan is a part.

(G) High Balance Loans

High Balance Loans are defined in section 9-2(B) of this Guide. Effective January 1, 2009 High Balance Loans may only be pooled in the following pool types:

Summary Table of Eligible Pool Types for High Balance Loans

Pool Type	Limits
X SF	Aggregate amount of the issue date unpaid principal balance of the High Balance Loans cannot exceed 10% of the original principal balance of the pool or loan package

M SF	Aggregate amount of the issue date unpaid principal balance of the High Balance Loans cannot exceed 10% of the original principal balance of the pool or loan package. M SF pools and loan packages cannot contain both High Balance Loans and buydown loans.
M JM	No limit
M FS	No limit
All ARMs	No limit