



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

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

February 6, 2002

02-05

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Consolidation of Single-Family Bond-Financed Pools

Ginnie Mae is pleased to announce the creation of its single-family bond-financed pool ("BFP") consolidation program, which will be effective following the completion of the conversion of Ginnie Mae securities to the Federal Reserve Banks. Currently, the conversion is scheduled for completion in March 2002. The BFP consolidation program is a part of the continuing effort to improve efficiency in the mortgage-backed securities market. It also is intended to assist state and local housing finance agencies to increase homeownership opportunities in their communities.

Typically, the size and duration of each housing authority's bond financing program results in issuers creating several small bond-financed Ginnie Mae pools over the life of the bond issue. The cost of administering small pools creates inefficiencies in the bond program and mortgage-backed securities programs. Under the BFP consolidation program, issuers with pools originated under a specific bond issue will be able to consolidate some or all of those pools into one pool, thus increasing efficiency and reducing costs.

Bond Pool Termination and Consolidated Issuance Process

Following is the process for terminating bond-financed pools and issuing a consolidated pool:

1. The issuer may choose to consolidate some or all of the pools issued under the same bond series, at any time beginning in the month following issuance of the final pool in that bond series. For example, if the final pool is issued in April 2002, the issuer may consolidate the pools with an issuance date of May 1, 2002, or thereafter. **If the conversion of Ginnie Mae securities to the Federal Reserve is completed by March 24, 2002, as scheduled, issuers will be able to issue consolidated pools beginning in May 2002;**

2. The issuer must follow the pool termination process outlined in Chapter 20-3 of the Ginnie Mae Mortgage-Backed Securities Guide 5500.3 (“the Guide”). However, as part of the termination package, the issuer must also provide Ginnie Mae: 1) written notification that each pool is being terminated as part of a bond pool consolidation; 2) a notice from the Federal Reserve clearing bank, on behalf of its customer and using the Federal Reserve’s (“depository”) transaction codes, indicating a withdrawal of the security; and 3) a notice from the investor acknowledging its understanding that it will receive new securities for the terminated pools;
3. The issuer must provide the pool numbers and Remaining Principal Balances of the pools being terminated to Ginnie Mae’s Transfer Agent, via GinnieNET 2020, Version 5.5, as part of the consolidated pool’s processing package;
4. The Original Principal Balance of the consolidated pool **must** equal the total Remaining Principal Balances of the terminated pools, as reported to Ginnie Mae at the close of the fifth business day of the month in which the consolidated pool is submitted for processing; and
5. The issuer **must** ensure that the securities or security positions of all of the pools being terminated are received by the depository and forwarded to the Transfer Agent, via the appropriate transaction, on the date designated by the issuer as the new consolidated pool’s settlement date. **If all securities or security positions are not received by 1:00 p.m. on the new pool’s settlement date, the securities or security positions will be sent back to the originating investor, and the new pool will not be settled until all securities or security positions for the terminated pools are received.**

Pooling Requirements, Limitations, and Exceptions

Bond consolidation pooling requirements differ from standard pooling requirements in the following ways:

1. The consolidated pool may be issued either as a GNMA I or GNMA II custom pool regardless of the type of issue of terminated pools. However, all of the mortgages in the consolidated pool must bear the same interest rate;
2. The consolidated pool will not require the use of commitment authority;
3. The security rate of the consolidated pool must be the same rate as that of the terminated pools;
4. Mortgages in default more than 60 days **will be** eligible for pooling;
5. Consolidated pools will be eligible for the Targeted Lending Initiative (“TLI”) if the pools qualify for a reduced guaranty fee under the terms of the TLI program; the

guaranty fee for the consolidated pool will be calculated independent of the guaranty fees of the terminated pools;

6. Consolidated pools will not be eligible for immediate issuance with transfer;
7. Consolidated pools can only be submitted via GinnieNET 2020, Version 5.5, to Ginnie Mae's Pool Processing Agent beginning on the sixth business day of the month following the month in which the old pools are approved for termination;
8. Mortgages for which the first scheduled monthly payment of principal and interest was more than 48 months before the issue date of the consolidated pool are eligible for consolidation; and
9. If all of the pools being consolidated have been final certified (or recertified), the consolidated pool will not need to be final certified.

Any original pools overdue for final certification will not be eligible for consolidation; however, pools not final certified, but not yet overdue will be eligible. Issuers will have 12 months from the issue date of the consolidated pool to final certify that pool.

For any questions regarding this Memorandum, issuers should contact their Single-Family Account Executive at (202) 708-1535.

Attachments:

- (1) [Guide Chapter 8](#)
- (2) [Guide Chapter 9](#)
- (3) [Guide Chapter 10](#)
- (4) [Guide Chapter 13](#)
- (5) [Guide Chapter 20](#)
- (6) [Guide Chapter 24](#)