



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

GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

April 7, 2005

APM 05-07

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Michael J. Frenz, Executive Vice President

SUBJECT: Securitization of New FHA Hybrid ARM Product and Release of GinnieNET 2020, Version 6.1 Software

Ginnie Mae is pleased to announce that issuers will be able to securitize the Federal Housing Administration’s (“FHA”) new five-year hybrid Adjustable Rate Mortgage (“ARM”), with a “2/6” cap structure, effective May 1, 2005. The annual interest rate adjustment on the mortgages backing the Ginnie Mae security cannot exceed two percentage points higher or lower than the preceding interest rate on the mortgages and must never be more than six percentage points higher or lower than the initial interest rate on the mortgages. At this time, the Department of Veterans Affairs (“VA”) does not offer a five-year hybrid ARM with “2/6” caps. Ginnie Mae will continue to securitize VA and FHA five-year hybrid ARMs with “1/5” caps.

To accommodate the new FHA product, Ginnie Mae has created a new pool suffix. The new pool suffix is “FT”, and the table below describes important mortgage and security interest rate adjustment parameters. Pools meeting the “FT” requirements can be issued as either a multiple issuer or custom pool under the Ginnie Mae II program; however, loans included in custom pools must be submitted no later than 60 days before the first interest rate change date.

Five-Year Hybrid ARMs with 2/6 Caps

| Description | Issue Type | Pool Suffix | Mortgage Interest Rate Adjustments | Security Interest Rate Adjustments |
|------------------------|-------------------|--------------------|---|--|
| Multiple Issuer | M | FT | At least 60 months, but no more than 66 months after the first payment date | At least 61 months, but not more than 63 months after first mortgage payment date. |
| Custom | C | FT | At least 60 months, but no more than 66 months after the first payment date | At least 61 months, but not more than 63 months after first mortgage payment date. |

Ginnie Mae's GinnieNET software has been upgraded to accommodate the new pool type. The upgraded software (GinnieNET, Version 6.1) will be mailed to issuers and document custodians no later than the second week of April. In order to securitize the new FHA product, issuers and document custodians must use GinnieNET, Version 6.1. **Furthermore, use of GinnieNET, Version 6.1 is mandatory for all issuers and document custodians effective August 1, 2005.** Issuers and document custodians are strongly encouraged to update their GinnieNET software upon receipt, but no later than July 31, 2005.

Other enhancements to the GinnieNET, Version 6.1 software include the following:

- A warning message that reminds the user to verify that the correct hybrid ARM product has been selected for the type of loans being pooled;
- The ability for issuers and their document custodian to retrieve and finally certify pools via GinnieNET, that were previously included in a transfer of servicing rights (reassignment) or merger; and
- The ability for issuers and document custodians to retrieve and final certify pools via GinnieNET, that were previously included in a document custodian transfer or merger.

Updates to Chapter 26 of Ginnie Mae Mortgage-Backed Securities Guide 5500.3, Rev.1 can be found under "What's New" on the Ginnie Mae website, www.ginniemae.gov, until the policy becomes effective on May 1, 2005. If you have any questions regarding this announcement, please contact your Account Executive in the Office of Mortgage-Backed Securities at (202) 708-1535.