



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

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

April 20, 2001

01-08

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Streamlining of Ginnie Mae's Documentation Requirements

The Government National Mortgage Association ("Ginnie Mae") is pleased to announce streamlined documentation requirements for its single-family Mortgage-Backed Securities ("MBS") program. The changes, which become effective immediately, will result in substantial cost savings to the industry. This effort represents the continuing commitment by Ginnie Mae to reduce the costs of homeownership and deliver the most efficient MBS program possible.

The documentation improvements for the single-family MBS program include:

- streamlined recertification requirements;
- elimination of note endorsements currently required subsequent to transfers of servicing;
- use of "allonges" to note endorsements for third-party originations, if permitted by state law;
- reduction in bonding requirements for lost note bonds; and
- acceptance of Veterans Affairs electronically generated Loan Guaranty Certificates in lieu of physical certificates.

Streamlined Recertification Requirements

The streamlined recertification process applies only to loans in pools that have been final certified. The document custodian is required to ascertain, in a manner agreed to between the issuer and the document custodian, that the documents listed below are accounted for, and reasonably satisfy Ginnie Mae's requirements for recertifying the loans listed on form HUD-11706, Schedule of Pooled Mortgages:

- Recorded mortgage, including a complete chain of assignments;
- The unrecorded assignment to Ginnie Mae, in recordable form, but not recorded;
- Original note, including all required endorsements and the endorsement in blank and without recourse;
- Evidence of proper insurance or guarantee (e.g. FHA Mortgage Insurance Certificate), signed and dated, and;
- Title policy.

Ginnie Mae reserves the right to require a complete recertification for those issuers whose documentation fails to satisfy Ginnie Mae's minimum thresholds.

Elimination of note endorsements currently required subsequent to transfers of servicing rights

Once a loan is placed in a Ginnie Mae pool, subsequent endorsements are no longer required. The endorsement in blank placed on the note at pooling is sufficient. The complete chain of endorsements up to the pooling of the loan must be evident.

Use of allonges to note endorsements for third party originations, if permitted by state law

Ginnie Mae will permit the use of an allonge containing a note endorsement for third-party originations. Issuers must ensure that an allonge is enforceable in the jurisdiction where the property is located by obtaining a legal opinion from qualified outside counsel. The legal opinion must unambiguously state that it is one on which Ginnie Mae may rely. Such opinion does not have to be issuer specific; an opinion addressed to one issuer may be used by other issuers so long as the legal opinion explicitly provides that it may be relied upon by Ginnie Mae for any single-family MBS, regardless of whether the MBS is issued by the issuer that obtained the legal opinion.

In addition, issuers must ensure the following: the allonge clearly references the note; that measures are implemented to prevent the placement of additional endorsements on the note once an allonge has been used; and that standards are implemented to minimize the possibility of the allonge becoming detached from the note.

Reduction in bonding requirements for lost note bonds

Issuers may now purchase a bond to cover lost notes with limited liability (120% of unpaid principal balance of the loan), rather than unlimited liability. Further, the obligees may now include the issuer or successors, along with Ginnie Mae.

Use of Veteran's Affairs ("VA") electronically generated Loan Guaranty Certificates in lieu of paper

Ginnie Mae recently announced that issuers using the VA's electronically generated loan guaranty certificate will no longer be required to provide a signed original Loan Guaranty Certificate to its document custodian. Rather, the document custodian is authorized to accept direct electronic notification from the VA as evidence of guaranty (please see All Participants Memorandum 01-02 for details).

Summary

These changes are the result of ongoing improvements in Ginnie Mae's document custody requirements. While these improvements represent substantial cost savings to the industry, it is Ginnie Mae's desire to continue to work with our business partners to further streamline our requirements.

A copy of the guide changes, including those for VA's electronically generated LGC's is attached. You may also access the Guide through Ginnie Mae's website at www.ginniemae.gov.

Should you have any questions, please contact your Account Executive in the Office of Customer Service at (202) 708-1535.

Attachment 1 - Chapter 10

Attachment 2 - Chapter 21

Attachment 3 - Appendix V-1: Document Custodian Manual Chapter 3

Attachment 4 - Appendix V-1: Document Custodian Manual Chapter 9

Attachment 5 - Appendix V-1: Document Custodian Manual Appendix I

Attachment 6 - Appendix V-1: Document Custodian Manual Appendix II