



GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

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

March 24, 2011

APM 11-03

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Theodore W. Tozer, President

SUBJECT: HMBS Mandatory Purchase Events

The purpose of this All Participants Memorandum is to remind Issuers of their existing obligations under the Home Equity Conversion Mortgage-Backed Securities (HMBS) program for Home Equity Conversion Mortgages (HECMs).

Issuers are obligated to purchase all Participations related to a HECM when the outstanding principal balance of the related HECM equals or exceeds 98% of the Maximum Claim Amount (MCA); such obligation is referred to as a Mandatory Purchase Event.

When a Mandatory Purchase Event occurs, the Participations related to the HECM must be purchased by the Issuer by the end of the reporting month in which the outstanding principal balance of the related HECM equals or exceeds 98% of the MCA. The amount to purchase the Participations must be deposited into the Issuer's Central Principal and Interest Custodial Account by the end of the reporting month in which the outstanding principal balance of the related HECM equaled or exceeded 98% of the MCA. The amount to purchase the Participations is passed through to the related security holders on the following distribution date. (See Sections 4.02 and 6.04 of the Guaranty Agreement, Sections 35-10(B)(3) and Sections 35-11(B) and (E) of Mortgage-Backed Securities Guide 5500.3, Rev 1, as well as pages 14 and 16 of the Base Prospectus.)

The Issuer must timely purchase any Participation when a Mandatory Purchase Event occurs, regardless of whether the Issuer has received a mortgage insurance claim payment. For example, if mortgage insurance proceeds are not available because an assignment request is being processed or the HECM is not otherwise eligible for assignment, then the Issuer must advance its own funds to purchase the Participations. Ginnie Mae relinquishes all right, title, and interest it has in the HECM upon payment of the amount to purchase the related Participations. (See Sections 4.02 and 6.04 of the Guaranty Agreement, and Sections 35-3(A) and 35-11(E) of the Guide.)

The remaining principal balance (RPB) of the HMBS pool and the payment amount to investors reported in monthly RPB reports must reflect Mandatory Purchase Events. (See Appendix VII-2 of the Guide.) Each submission of an RPB report is deemed a certification by the person making the submission that the RPB report is true, correct, and completed in accordance with Ginnie Mae instructions. The failure, by an Issuer, to either timely repurchase Participations for which a Mandatory Purchase Event has occurred, or to submit a false or misleading report, constitutes an event of default under the Guaranty Agreement.

Issuers are required by Section 6.02(a) of the Guaranty Agreement to establish and maintain such controls and procedures to enable them to accurately project in advance, whether they will have sufficient funds to make required deposits. Section 3-9 of the Guide requires Issuers to maintain quality control plans to (1) account for, and monitor, Participations related to HECMs, and (2) monitor the work of any subcontract servicer or participation agent. Issuers are advised to review their quality control plans, and if necessary, augment their plans to comply with the Mandatory Purchase Event requirement. Ginnie Mae will look for documentation of such procedures in its compliance reviews.

For additional assistance, Issuers may contact their Ginnie Mae Account Executive in the Office of Mortgage-Backed Securities at (202) 708-1535.