

## CHAPTER 25: BUYDOWN MORTGAGE POOLS — SPECIAL REQUIREMENTS

### 25-1: OVERVIEW OF CHAPTER

This chapter describes special requirements that apply for a pool or loan package of buydown mortgages. The requirements described in this chapter may modify, supplement, or in some cases repeat, for the purpose of emphasis, those requirements set forth in previous chapters with respect to mortgage eligibility, pool and loan package requirements, required pool and loan package submission documents, and the actual securities. The pool suffix is “BD”.

Buydown pools may be formed under both Ginnie Mae I and Ginnie Mae II MBS programs, however mortgages with buydown provisions are prohibited from pooling in any Ginnie Mae I SF pool.

### Applicable Buydown Pool Types At A Glance:

Ginnie Mae I MBS Program	Ginnie Mae II MBS Program
X BD: A single family, level payment pool that may contain one or more buydown loans.	C BD: A single family, custom buydown pool that may contain one or more buydown loans.
X SF: A single family, level payment pool that may not contain any buydown loans	C SF: A single family, level payment custom pool whose buydown loan origination balance may not exceed 10.00% of the pool’s total original principal balance.
	M SF: A single family, multiple Issuer level payment pool consisting of loan packages whose aggregate principal buydown balance may not exceed 10.00% of the pool’s total principal origination balance. In the event that the percentage of buydown loans exceeds the 10.00% threshold, the loan package with the highest percentage of buydown loans will be removed. The process will continue until the 10.00% buydown limitation is met.

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A buydown mortgage is a mortgage for which funds are provided to reduce the borrower's monthly payments during the early years of the mortgage. Buydown mortgages are not subsidized by the FHA or VA. The subsidy is usually provided by the builder or other property seller to encourage the buyer to purchase the property. If a loan were originated with a buydown provision and the buydown period expired prior to pooling, that loan will always be considered a buydown loan for pooling purposes.

### 25-2: MORTGAGE ELIGIBILITY AND POOL REQUIREMENTS

The mortgage eligibility and pool requirements that apply, with limited exceptions, to all pool types are found in Chapter 9. While Buydown mortgage pools may be formed under both Ginnie Mae I and Ginnie Mae II MBS programs, C BD pool types may only be created under the Ginnie Mae II MBS program. With the exception of the prohibition on buydown provisions, the eligibility requirements for Ginnie Mae MBS mortgages (found in Chapter 24) apply to Buydown mortgages, except as modified by the following:

(A) Eligible Pool Types, Ginnie Mae I MBS:

X BD: Single Family, level payment pool that may contain one or more buydown loans. **Note: X SF pools may not contain any buydown loans.**

(B) Eligible Pool Types, Ginnie Mae II MBS:

C BD: Single Family level payment custom buydown pool that may contain one or more buydown loans.

C SF: Single Family, level payment custom pool whose aggregate original principal balance may not contain more than 10.00% buydown loans.

M SF: Single Family, level payment multiple Issuer pool consisting of loan packages that are not limited to the number of buydown loans submitted, except in cases where the pool's total origination balance of buydown loans exceeds the 10.00% threshold. In these instances, GinnieNET will remove the loan package(s) with the highest percentage of buydown loans in order to conform with the 10.00% buydown limitation. Issuers will be immediately notified of any loan package removal in order to accommodate alternative pooling options.

(C) Minimum pool balance: As of the date of issue, each

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buydown pool, other than a pool formed pursuant to a BFP, must have an original principal amount of at least \$500,000;

(D) Pool Composition: In order for a pool to qualify as a buydown pool, at least one of the underlying mortgages must have buydown provisions.

(E) Interest escrow custodial account: An interest escrow custodial account must be maintained in connection with buydown mortgages, and used for the deposit of buydown funds administered by the Issuer. This account must meet Ginnie Mae's escrow custodial account requirements (see Section 16-5) and it must also meet FHA's and VA's requirements for such accounts.

### 25-3: REQUIRED DOCUMENTS

#### *(A) For Certification by Document Custodian*

The procedures and basic document requirements for submission of all pools are found in Chapters 10, 11 and 13.

The loan documents required for initial and final certification of a BD pool by the document custodian are the same as those discussed in Section 13-4. They are summarized in the following table.

DOCUMENTS	FORM NUMBER	APPENDIX
<b>FOR INITIAL CERTIFICATION</b>		
Schedule of Pooled Mortgages	HUD 11706	III-7
Release of Security Interest, executed original, if applicable	HUD 11711A	III-5
Certification and Agreement, executed original	HUD 11711B	III-5
Original notes (or, in the case of modified loans, the original notes executed for the modifications) or other evidences of indebtedness, endorsed in blank, without recourse		
For nonprofit agency section 203(k) loans, FHA affordable housing program letters		
<b>FOR FINAL CERTIFICATION</b>		
Original recorded mortgages (or, in the case of modified loans, the recorded original mortgages, the related original notes, the modification agreements, and any required subordination agreements and/or title endorsements)		
All recorded interim assignments		
Evidence of good title (e.g., mortgage title insurance policy)		
Evidence of mortgage insurance or guaranty provided by FHA, VA, RD, or PIH (not required for manufactured housing). In lieu of an original MIC signed by FHA or LGC signed by VA, electronic confirmation from FHA Connection or VA's TAS is acceptable.		

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### **(B) For Approval by PPA and Ginnie Mae**

The buydown pool documents required for approval by Ginnie Mae are the same as those discussed in Section 10-3, except as modified below.

- (1) All references to "pool number" on all forms must include the suffix "BD";
- (2) Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705 (Appendix III-6), that, for Ginnie Mae pools, must indicate in the block "Type of Issue" that the pool is "X" and in the block "Pool Type" that the securities are to be "BD." For Ginnie Mae II buydown pools or loan packages, the "Type of Issue" block must be populated with a "C" and in the block "Pool Type" the securities are to be "BD".
- (3) Schedule of Pooled Mortgages, form HUD 11706 (Appendix III-7), which must identify each of the loans as a buydown by including in the column titled "FHA-VA-RD-PIH Case Number" the full agency designated number, including the code identifying each loan as a BD loan. Also, the "Monthly Constant (P&I)" is the total fixed installment constant, including amounts collected from the mortgagor and from the escrow custodial account;
- (4) Unless the pool is submitted by GinnieNET, a prospectus, form HUD 11717 (Appendix IV-4), must be modified as follows:

The Issuer must include the following text by typing it on the "Annex — Special Disclosure," which is attached to the prospectus.

BUYDOWN MORTGAGES

Some or all of the pooled mortgages are level payment mortgages for which funds have been provided to reduce the borrower's monthly payments during the early years of the loans.

- (5) A BFP certification (Appendix III-12), if required pursuant to Sections 25-2 and 24-2(B)(2).

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The following table lists the pool documents required by the PPA for approval of BD pools:

DOCUMENT NAME	FORM NUMBER	APPENDIX
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705	III-6
Schedule of Pooled Mortgages	HUD 11706	III-7
Master Servicing Agreement	HUD 11707	III-1
Master Agreement for Servicer's Principal and Interest Custodial Account	HUD 11709	III-2
Master Agreement for Servicer's Escrow Custodial Account	HUD 11720	III-3
Master Agreement for Servicer's Escrow Custodial Account (custodial account for deposit of buydown funds provided by Issuer)	HUD 11720	III-3
Master Custodial Agreement	HUD 11715	III-4
Prospectus (for pools submitted in paper format)	HUD 11717	IV-4
BFP certification, if required		III-12

### 25-4: THE SECURITIES

Preparation and delivery of the securities through the depository are described in Chapter 12. The text of BD securities held in certificated form is set forth in Appendix IV-11, and a partial statement of the terms of BD and C BD securities held in uncertificated form is set forth in Appendix IV-17. This section describes additional requirements for securities backed by BD pools.

Buydown securities must be clearly differentiated from other types of Ginnie Mae MBS in all forward market and other transactions. Therefore, and in all communications relating to such transactions, Issuers must clearly disclose that the securities to be delivered are backed by a BD pool. Also, before delivery, Issuers must obtain for their records from each dealer or investor to which the Issuer is selling securities, a confirmation statement clearly disclosing the nature of the pool underlying the securities to be delivered.

An Issuer must retain these confirmation statements as records subject to Ginnie Mae's right of inspection.

The buydown securities are distinguishable from other Ginnie Mae MBS by the suffix "BD" in each certificate number. Otherwise, the security is the same as the single family, level payment, non-buydown security.

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### **25-5: POOL ADMINISTRATION**

Pool administration requirements for all pool types are described in Chapters 14 through 20. This section describes additional requirements for the administration of BD pools.

#### ***(A) Computation of Payment***

Scheduled recovery of interest is determined as described in Section 15-4, except that scheduled interest due on the mortgage includes amounts scheduled to be collected from both the mortgagors and the providers of the buydown funds. Issuers are responsible for making advances and for losses that may arise as a result of shortfalls in funds from either of those sources.

#### ***(B) Monthly Reporting Requirements***

Funds due from the providers of buydown funds are accounted for as if they were due from the mortgagor. These receipts must be aggregated with receipts from the mortgagor and reported in the RFS Issuer Monthly Report of Pool and Loan Data (Appendix VI-19).