

## CHAPTER 11: POOL AND LOAN PACKAGE CERTIFICATION

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### 11-1: OVERVIEW OF CHAPTER

This chapter describes the initial, final, and recertification procedures for Issuers and document custodians. The document custodian is required to review and certify for each pool and loan package that the loan and pool or loan package documents placed in its control completely and accurately represent the pool or loan package in accordance with Ginnie Mae requirements and that the documents are consistent with the related Schedule of Pooled Mortgages, form HUD 11706 (Appendix III-7) or the Schedule of Pooled Participations and Mortgages, form HUD 11706H (Appendix III-28).

### 11-2: INITIAL CERTIFICATION

By an initial certification, the document custodian certifies to Ginnie Mae that the Issuer has submitted the minimum loan, pool or loan package documents required to allow a Ginnie Mae security to be issued.

Initial certification applies to all pool and loan package types except project loan pools (PL, PN, LM, LS, and RX) and construction loan pools (CL and CS), which must receive final certification prior to issuance of a security. Other pool and loan package types may also be finally certified in accordance with Section 11-3 prior to issuance of the related securities.

For initial certification, the document custodian accepts the documents from the Issuer as they are submitted. See Section 13-4(A) for a description of the documents required for all pools and loan packages and Chapters 24 through 32 and 35 for specific requirements and exceptions, if any, for particular pool and loan package types. See also Sections 3-C-2, 4-C-2, 5-C, 6-C and 10-C of the Document Custodian Manual (Appendix V-1).

### 11-3: FINAL CERTIFICATION

By a final certification, the document custodian certifies to Ginnie Mae that the Issuer has submitted all required loan documents in correct form. Final certification of a pool or loan package must be completed no later than 12 months after the issue date of the related securities.

A pool or loan package may be transferred to a new document custodian or to a new Issuer before final certification, but the transfer does not extend the final certification deadline. Transfer of Issuer responsibility is allowed only once prior to final certification, but is not permitted within 30 days of pool or loan package issuance (except for immediate pool or loan package transfer under Section 10-10) or once the pool or loan package is past due for final certification. (See Chapter 21 for additional information on transfers)

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For final certification, the documents for an individual loan file may be delivered to the document custodian either as they become available or all together after all required documents have been received. As each loan file is completed, however, the Issuer must deliver it to the document custodian promptly. The Issuer may not wait until all documents have been collected for the entire pool or loan package before delivering them to the document custodian. See Section 13-4(B) for a description of the documents required for all pools and loan packages and Chapters 24 through 32 and 35 for specific requirements and exceptions, if any, for particular pool and loan package types. See also Sections 3-D-2, 4-D-2, 5-C-3, 6-C-3 10-D-1 and 10-D-2 of the Document Custodian Manual (Appendix V-1).

### 11-4: RECERTIFICATION

By a recertification, the document custodian certifies to Ginnie Mae, in connection with a transfer of Issuer responsibility for a pool or loan package or a transfer of the pool or loan package loan documents to a new document custodian, that all required loan and pool or loan package documents are present and in good form.

If final certification has occurred, recertification of a pool or loan package must be completed within twelve months after (A) the effective date of a transfer of Issuer responsibility, or (B) the date Ginnie Mae gives its approval, in the case of a transfer of the document custodian's responsibilities. Recertification may have to be completed more quickly in certain cases (see Section 11-5(D)(1)).

Recertification is required for all pool and loan package types. See Section 13-4(C) for a description of the requirements for recertification and Chapters 24 through 32 and 35 for specific requirements and exceptions, if any, for particular pool and loan package types. See also Sections 3-E, 4-E, 5-D, 6-D and 10-E of the Document Custodian Manual (Appendix V-1).

### 11-5: CERTIFICATION PROCEDURE

Outlines of the certification procedures for GinnieNET and non-GinnieNET pools and loan packages are set forth below. GinnieNET is a system for submitting pools and loan packages to the document custodian and to Ginnie Mae electronically. It is currently available, to the extent described in Sections 10-4 and 10-5, for the submission of pools and loan packages for initial certification. These sections also describe the extent to which pools and loan packages may or must be submitted in a paper format.

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GinnieNET is also available, to the extent described in this Chapter, for final certification and recertification of pools and loan packages.

Issuers should contact GinnieNET Customer Service (See Addresses) and document custodians should refer to the GinnieNET Custodian Guide for information about the system. The latter guide can be obtained from GinnieNET Customer Service (see Addresses).

For information on becoming a GinnieNET subscriber, document custodians should call GinnieNET Customer Service (see Addresses).

### **(A) Initial Certification of GinnieNET Pools and Loan Packages**

- (1) The Issuer submits and the document custodian receives the required pool or loan package submission documents and loan documents. The "loan documents" must include an original Certification and Agreement, form HUD 11711-B (Appendix III-5) and, if the form HUD 11711-B indicates that a release of security interest is required, an original Release of Security Interest, form HUD 11711-A (Appendix III-5), executed by each secured party for the pooled loans in which it has a security interest
- (2) The document custodian retrieves the Schedule of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages from GinnieNet and prints it.
- (3) The document custodian reviews the loan documents, verifies the information in the Schedule of Pooled Mortgages or in the Schedule of Pooled Participations and Mortgages, and determines whether to initially certify or reject the pool or loan package. (See Chapter 13 for a description of the document review process, including a description of the documents that must be received and reviewed for initial certification)

If the document custodian decides to initially certify the pool or loan package, it will execute the initial certification, following the instructions in the GinnieNET Issuer Guide.

If all of the documents are available for final certification at the initial pool or loan package submission stage, the document custodian need only execute the final certification, following the instructions in the GinnieNET Issuer Guide.

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It is the Issuer's responsibility to correct or resolve any defects found during the certification process, or to provide the document custodian with adequate clarification for those defects that are not considered material.

- (4) The document custodian transmits the certification or rejection over the GinnieNET system.
- (5) The document custodian places the loan documents in safekeeping.
- (6) Upon completing the initial certification, the document custodian prints out a copy of the Schedule of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages and places it in the pool or loan package master file.

### ***(B) Initial Certification of Non-GinnieNET Pools and Loan Packages***

- (1) Non-GinnieNET pools and loan packages are pools and loan packages submitted in original paper form. The Issuer submits to the document custodian the loan documents and the Schedule of Pooled Mortgages, form HUD 11706 (Appendix III-7) in hard copy.
- (2) The document custodian reviews the submission (see Chapter 13 for a description of the document review process). If the documents are in order, the document custodian makes its initial certification (or, in the case of a multifamily pool, its final certification) on the back of the Schedule of Pooled Mortgages.

If all of the documents are available for final certification at the initial pool submission stage, the document custodian need only execute the final certification.

It is the Issuer's responsibility to correct or resolve any defects found during the certification process, or to provide the document custodian with adequate clarification for those defects that are not considered material.

- (3) The document custodian's initial certification must be made by the original signature of an officer of the document custodian. If the Schedule of Pooled Mortgages consists of more than one page, the original signature need only be affixed to the last page.

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### **(C) Final Certification of Certain GinnieNET Pools and Loan Packages**

- (4) After signing the initial certification, the document custodian places the loan documents and copies of the pool submission documents in safekeeping and, based on the Issuer's instructions, either sends the pool or loan package submission documents and the original certification to the PPA or sends them to the Issuer so that the Issuer can forward them to the PPA. All pool or loan package submission documents required in connection with an initial certification must be submitted to the PPA as a complete package.
- (5) The document custodian must deliver a copy of the initial certification to the Issuer and place a copy in the pool or loan package master file. (See Chapter 13 for a description of the document review process)
- (1) An Issuer may elect to have a pool or loan receive final certification under this Section 11-5(C) if:
  - (a) it backs securities with an issue date of May 1, 1999 or later;
  - (b) it was initially certified using GinnieNET; and
  - (c) neither Issuer nor document custodian responsibility for it has been transferred prior to final certification (other than pursuant to an immediate transfer of Issuer responsibility under Section 10-10 upon issuance of the related securities).
- (2) Within 12 months of issuance of securities backed by a pool or loan package of mortgages that was initially certified, the Issuer must provide the document custodian with the original recorded mortgages listed on the Schedule of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages and all other documents necessary for final certification.
- (3) The document custodian reviews the required documents (see Section 13-4(B)). If the documents are in order, the document custodian, following the instructions in the GinnieNET Issuer Guide, executes the final certification and transmits the certification over the GinnieNET system. This form must be transmitted and approved by the PPA within 12 months of issuance of the securities.

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### ***(D) Final Certification of All Other Pools and Loan Packages***

- (4) Upon completing the final certification, the document custodian prints out a copy of the Schedule of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages and places it in the pool or loan package master file. The Issuer must also print out and maintain in its files a copy of the Scheduled of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages bearing the completed final certification.
- (1) This Section 11-5(D) is applicable to all pools and loan packages except those covered by Section 11-5(C).
- (2) Within 12 months of issuance of securities backed by a pool or loan package of mortgages that was initially certified, the Issuer must provide the document custodian with the original recorded mortgages listed on the Schedule of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages and all other documents necessary for final certification.
- (3) The document custodian reviews the required documents (see Section 13-4(B)). If the documents are in order, the document custodian makes its final certification on the back of the Schedule of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages.
- (4) The document custodian's final certification must be made by the original signature of an officer of the document custodian. If the Schedule of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages consists of more than one page, the original signature need only be affixed to the last page.
- (5) After signing the final certification, the document custodian, based on the Issuer's instructions, either sends the original final certification to the PPA or sends it to the Issuer so that the Issuer can forward it to the PPA. The form must be forwarded to and approved by the PPA within 12 months of issuance of the securities.
- (6) If a pool or loan package is transferred to a new Issuer or to a new document custodian before final certification, the transfer does not extend the final certification deadline.
- (7) The document custodian must deliver a copy of the

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final certification to the Issuer and place a copy in the pool or loan package master file. (See Chapter 13 for a description of the document review process)

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### **(E) GinnieNET Recertification of Certain Pools and Loan Packages**

- (1) If a pool or loan package that has received final certification is transferred either to another Issuer or to a new document custodian, the Issuer must choose whether to have the pool or loan package recertified using GinnieNET or using hard copy. The pool or loan package must be recertified by the document custodian within 12 months after the earlier of:
  - (a) the effective date of a transfer of Issuer responsibility (the first day of the month following the date Ginnie Mae executes the assignment agreement for transfer (see Section 21-8(B)(3)), and
  - (b) Ginnie Mae's approval of a transfer to a new document custodian.

If a pool or loan package is transferred either to another Issuer or to another document custodian before it receives final certification, the final certification and recertification must be completed at the same time, but not later than the final certification date and must be submitted in accordance with Section 11-5(D).

- (2) The document custodian must conduct the recertification, depending on the pool or loan package type involved, in accordance with the applicable requirements of Sections 3E, 4E, 5D, 6D or 10E of the Document Custodian Manual (Appendix V-1). If the documents are in order, the document custodian executes the recertification and transmits the recertification over the GinnieNET system.
- (3) Upon completing the recertification, the document custodian must place a copy of the Schedule of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages with the recertification completed in the pool or loan package master file. The Issuer must also maintain in its files a copy of the Scheduled of Pooled Mortgages or the Schedule of Pooled Participations and Mortgages bearing the completed recertification.
- (4) The Issuer will receive confirmation that the recertification has been completed.



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### **(F) Hard Copy Recertification of Pools and Loan Packages**

- (1) If a pool or loan package that has received final certification is transferred either to another Issuer or to a new document custodian, it must be recertified by the document custodian within 12 months after the earlier of:
  - (a) the effective date of a transfer of Issuer responsibility (the first day of the month following the date Ginnie Mae executes the assignment agreement for transfer) (see Section 21-8(B)(3)), and
  - (b) Ginnie Mae's approval of a transfer to a new document custodian.

If a pool or loan package is transferred either to another Issuer or to another document custodian before it receives final certification, the final certification and recertification must be completed at the same time but not later than the final certification due date.

- (2) The document custodian must conduct the recertification, depending on the pool or loan package type involved, in accordance with the applicable requirements of Chapters 3E, 4E, 5D, or 6D of the Document Custodian Manual (Appendix V-1). If the documents are in order, the document custodian makes its recertification on the back of the Schedule of Pooled Mortgages.
- (3) The document custodian's recertification must be made by the original signature of an officer of the document custodian. If the Schedule of Pooled Mortgages consists of more than one page, the original signature need only be affixed to the last page.
- (4) After signing the recertification, the document custodian, based on the Issuer's instructions, either sends the original recertification to the PPA or sends it to the Issuer so that the Issuer can forward it to the PPA.
- (5) The document custodian must deliver a copy of the recertification to the Issuer and place a copy in the pool or loan package master file. (See Chapter 13 for a description of the document review process)

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***(G) Pools and Loan Packages Past Due for Final Certification or Recertification***

If the Issuer fails to timely final certify or recertify a pool or loan package and exceeds the threshold established by Ginnie Mae for final certification and recertification, the Issuer may be required to post a letter of credit with Ginnie Mae for the loans preventing certification. (See Section 11-6 for a discussion of pools and loan packages past due for final certification or recertification).

**11-6: POOLS AND LOAN PACKAGES PAST DUE FOR FINAL CERTIFICATION OR RECERTIFICATION**

Issuers with pools and loan packages past due for final certification or recertification will be required to submit to Ginnie Mae letters of credit, upon the terms set forth below. A letter of credit may not be used as a substitute for mortgage insurance or guaranty. Issuers must repurchase defective mortgages according to the timeframes set forth in the Guaranty Agreements and the Guide.

***(A) Pools and Loan Packages Past Due for Final Certification***

(1) Applicable thresholds:

If an Issuer has one or more pools or loan packages that were issued more than three years earlier and have not been final certified, the Issuer must submit a Letter of Credit (LOC) (Appendix [VI-3](#)) to the PPA (see Addresses) for those pools or loan packages.

In all other cases, an Issuer must submit a Letter of Credit (LOC) (Appendix VI-3) to the PPA (see Addresses) for pools or loan packages past due for final certification if it meets the following three criteria:

(a) more than 19 of the Issuer's pools and loan packages are past due for final certification, and

(b) the number of pools or loan packages issued or acquired by the Issuer that are past due for final certification exceeds 15 percent of the number of pools or loan packages issued or acquired by the Issuer during the past 18 months, and

Pool Level Threshold Test	Ex.	%
Overdue Pools and loan packages	20	= 20%
Pools and loan packages acquired in the preceding 18 months	100	

(c) the number of loans preventing certification of pools or loan packages that are past due for final certification exceeds 4 percent of the original number of loans in pools or loan packages issued or acquired by

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the Issuer during the past 18 months.

Loan Level Threshold Test	Ex.	%
Loans preventing certification of Overdue Pools and loan packages	50	= 5%
Number of Loans, at transfer date, in pools and loan packages acquired in the preceding 18 months	1000	

(2) Letter of credit:

The amount of the LOC must be equal to 100 percent of the aggregate remaining principal balance (RPB), as of the date the PPA notifies the Issuer in accordance with Section 11-6 (A)(1), of the loans that are preventing final certification of the pools or loan packages.

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LOCs must be issued on a bank with a Moody's long-term deposit rating of A-2 or better, in the format provided in Appendix VI-3. The LOC expiration date must be no less than 6 months from the issue date of the LOC.

If the Issuer brings its pools and loan packages into compliance with Ginnie Mae's tolerance levels before the LOC expires, the Issuer may request that the PPA return the LOC. If after the 6-month period the pools and loan packages are still not in compliance, the LOC must be replaced with a new one before it expires.

Issuers may combine the amount due for all pools and loan packages requiring an LOC into a single LOC.

Further questions on the format for LOCs and requests for the return of LOC's should be addressed to the PPA (see Addresses).

(3) Schedule of loans and attestations:

An Issuer with an uncertified pool or loan package that exceeds the thresholds described in Section 11-6(A)(1) must submit to the PPA a schedule of loans that are preventing final certification. The schedule must be attested to by an officer of the Issuer named on the Resolution of Board of Directors and Certificate of Authorized Signatures, form HUD 11702 (Appendix I-2) and by an officer of the Issuer's document custodian.

Issuers required to post an LOC must submit the schedule and attestations in hard copy form, see Appendix V-2.

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**(B) Pools and Loan Packages Past Due for Recertification**

- (1) Applicable thresholds:

If an Issuer has one or more pools or loan packages that were issued more than three years earlier and have not been final certified, the Issuer must submit a Letter of Credit (LOC) (Appendix VI-3) to the PPA (see Addresses) for those pools or loan packages

In all other cases, an Issuer must submit a Letter of Credit (LOC) (Appendix VI-3) to the PPA (see Addresses) for pools or loan packages past due for recertification if the Issuer meets the following three criteria:

- (a) more than 19 of the Issuer's pools and loan packages are past due for final certification, and if:
- (b) the number of pools or loan packages issued or acquired by the Issuer that are past due for final certification exceeds 15% of the number of pools or loan packages issued or acquired by the Issuer during the past 18 months , and

Pool Level Threshold Test	Ex.	%
Overdue Pools and loan packages	40	= 20%
Pools and loan packages acquired in the preceding 18 months	200	

- (c) the number of loans preventing certification of pools or loan packages that are past due for final certification exceeds 4% of the original number of loans in pools or loan packages issued or acquired by the Issuer during the past 18 months.

Loan Level Threshold Test	Ex.	%
Loans preventing Recertification of Overdue Pools and loan packages	80	= 5%
Number of Loans, at transfer date, in pools and loan packages acquired in the preceding 18 months	1600	

The PPA will inform Issuers of the loan packages or pools that have not been recertified and are past due and the PPA will include the due date for submitting

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the LOC.

(2) Letter of credit (LOC):

The amount of the LOC must be equal to 100 percent of the aggregate remaining principal balance (RPB), as of the date the PPA notifies the Issuer in accordance with Section 11-6 (B)(1), of the loans that are preventing final certification of the pools or loan package.

(3) Schedule of loans and attestations

An Issuer with an uncertified pool or loan package that exceeds the thresholds described in Section 11-6(B)(1) must submit to the PPA a schedule of loans that are preventing recertification. The schedule must be attested to by an officer of the Issuer named on the Resolution of Board of Directors and Certificate of Authorized Signatures, form HUD 11702 (Appendix I-2) and by an officer of the Issuer's document custodian.

Issuers required to post an LOC must submit the schedule and attestations in hard copy form, see Appendix V-3.

***(C) Federal Regulatory Agency Transfers of Servicing and Ginnie Mae Recertification Requirements***

The following procedures apply only where the seller of Ginnie Mae servicing is an institution under the control of a federal regulatory agency or institution in receivership or conservatorship. The procedures also apply to an Issuer whose document custodian is closed by a regulatory agency.

The requirements in this section apply only to recertification requirements. Final certification requirements are not affected by this section.

A Ginnie Mae Issuer that purchases a portfolio of pools or loan packages from an institution under the control of a federal regulatory agency (or subsidiary of such an institution) may apply to Ginnie Mae for an extension of the allowable recertification period. The extension period may not exceed six months.

An Issuer that is forced to change document custodians due to a takeover of a document custodian by a federal regulator may also apply for a six-month extension of the recertification process.

An Issuer requesting an extension must file a written request with the Office of Mortgage-Backed Securities (see

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Addresses), that is signed by an officer of the Issuer listed on a current Resolution of Board of Directors and Certificate of Authorized Signatures, form HUD 11702 (Appendix I-2) on file with Ginnie Mae. Ginnie Mae will require no fewer than 10 business days to process the request. The request must be on the Issuer's letterhead stationery, provide the Issuer's Ginnie Mae identification number, and include an explanation of the special problems facing the Issuer in recertifying the pools or loan packages purchased from an institution controlled by a federal regulatory agency. The Issuer must identify the federal regulatory agency and the controlled institution and submit a list of the pool and loan package numbers that will be affected by the proposed extension. The list of pool and loan package numbers must include the pool or loan package issue date, recertification due date (under the 12-month rule), and effective date of the pool or loan package transfer to the Issuer. (NOTE: The effective date of a pool or loan package transfer is always the first of the month.)

The buying Issuer must provide evidence that the seller was taken over by the regulatory agency within 12 months after the effective transfer date or that the pools or loan packages were purchased (or forced to be transferred) from a controlled institution.

An Issuer requesting a recertification extension must submit the pool or loan package information to the PPA in hard copy form, see Appendix V-3.