

Ginnie Mae Single Family Issuer Training

Ginnie Mae 101



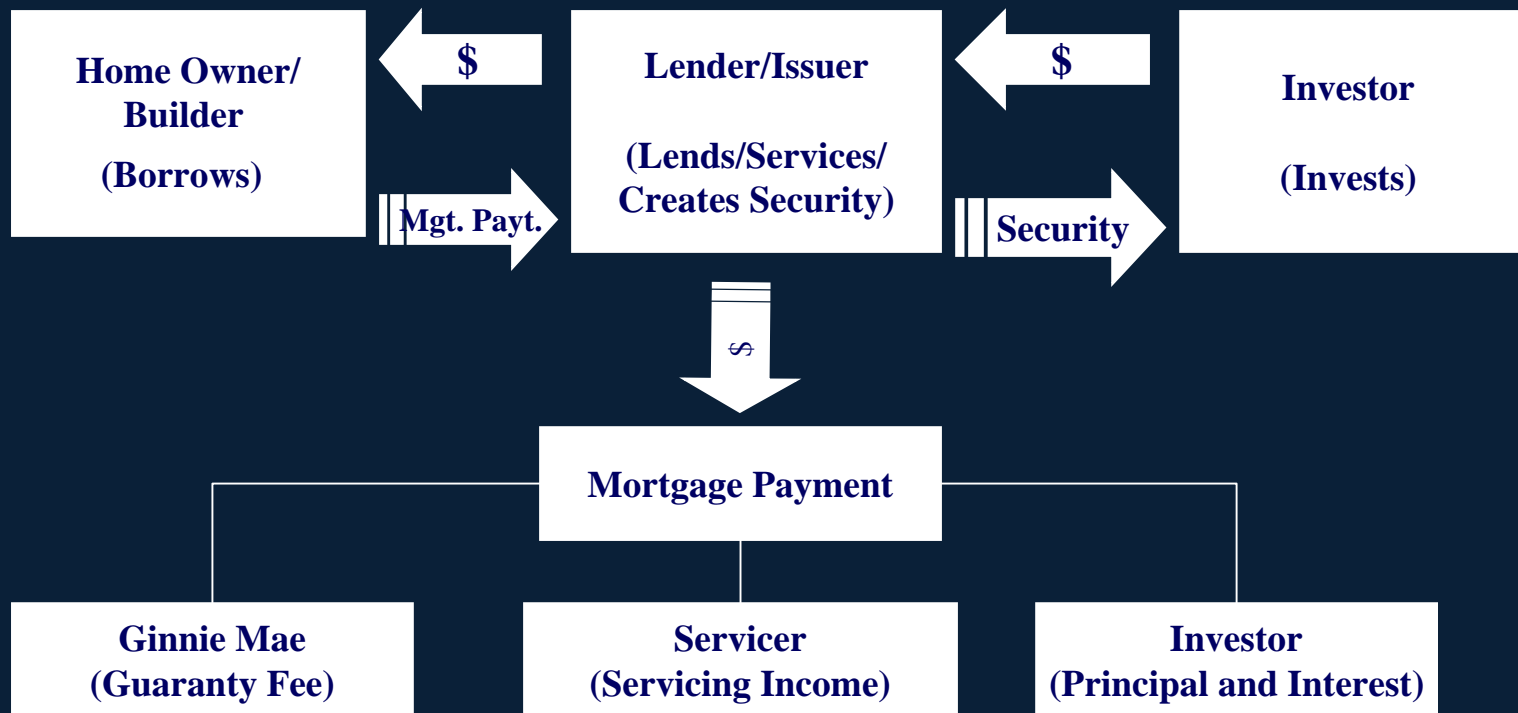
Ginnie Mae's History, Purpose & Authority

- Formed in 1968 as a Government Corporation
- Promotes Affordable Housing by Linking the Federal Housing Market and Capital Markets
- Guarantees Mortgage-Backed Securities Collateralized by Loans Insured or Guaranteed by the Federal Government
- Full Faith & Credit Guaranty of the United States on the Mortgage-Backed Securities (MBS)

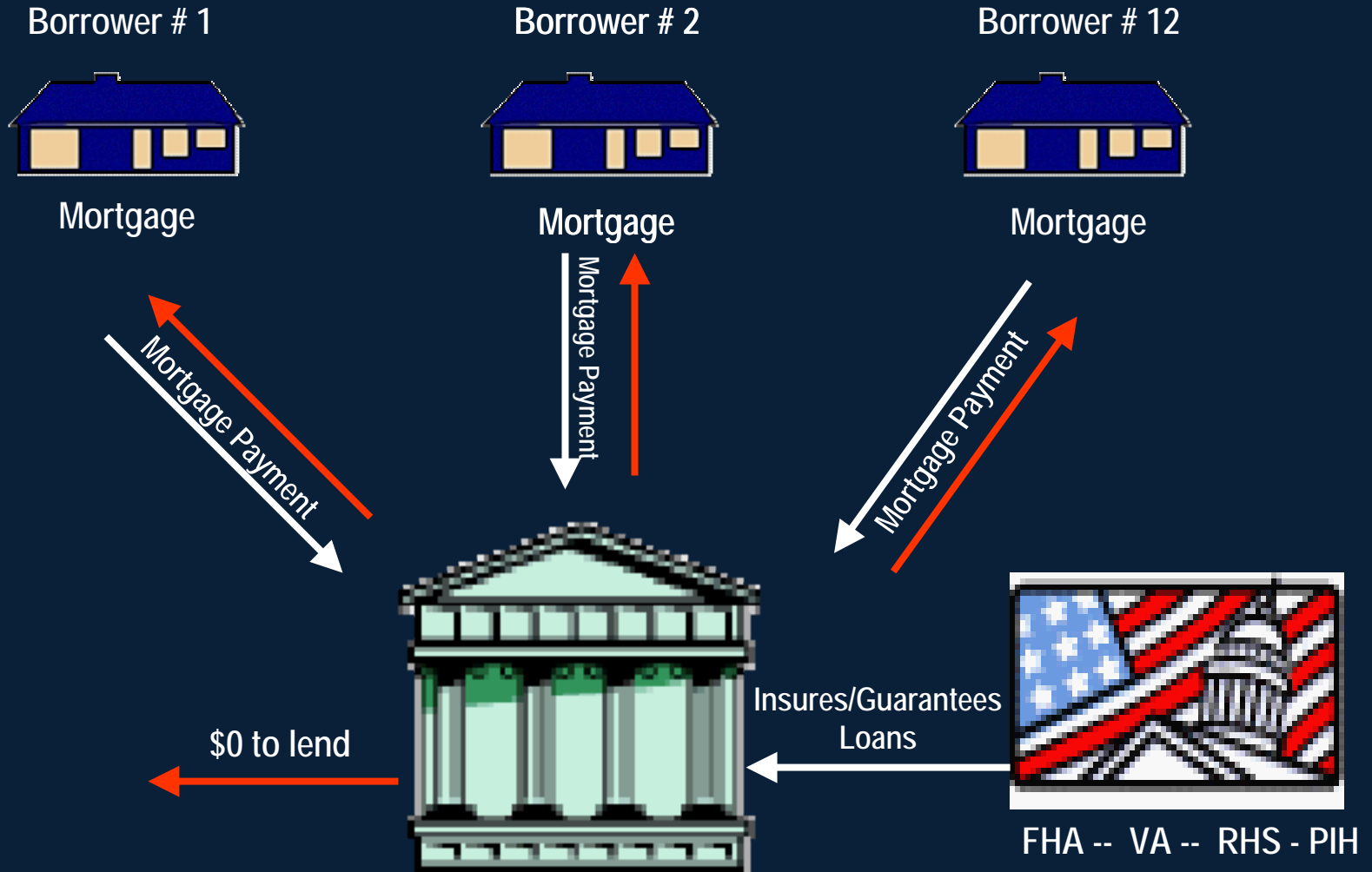
Select Glossary of Program Participants

- Ginnie Mae
- Issuers/Lenders
- Funds Custodian
- Document Custodian
- Pool Processing Agent
- Central Paying and Transfer Agent
- Depository
- Investors/Security Holders

Relationship of FHA and Ginnie Mae



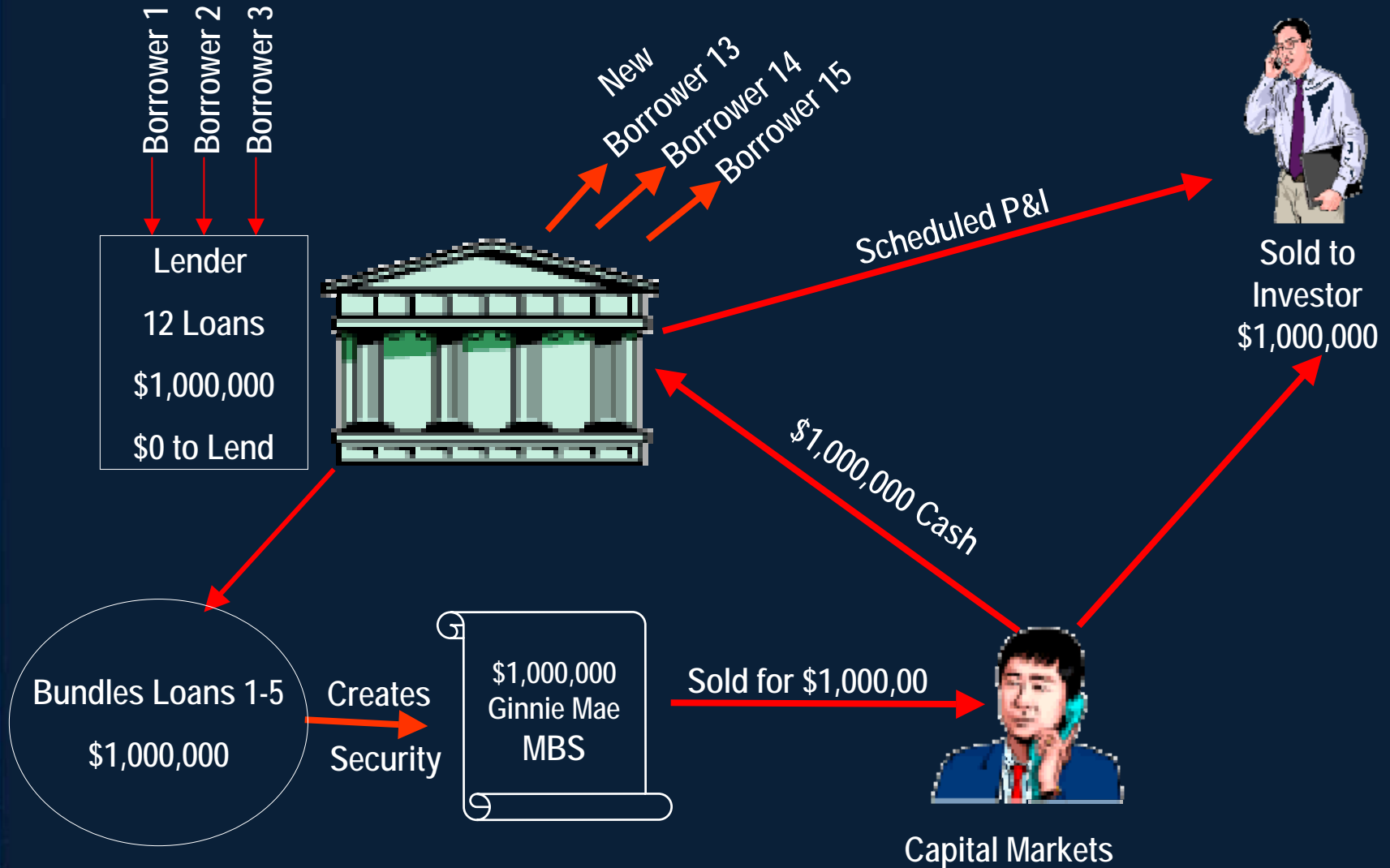
Primary Markets



Before MBS

- Loans held in Bank Vaults or Sold Loan-by-Loan
- Required Re-underwriting
- Wide Regional Variations in Interest Rates
- Credit Shortages in some parts of U.S.
- Home Financing could “dry-up” in Hard Times

Secondary Markets – SF



Mortgage-Backed Securities

- Bond-like; tradeable on Secondary Market
- No new Credit Underwriting
- Uniform Quality – a Ginnie Mae is a Ginnie Mae
- Full Faith and Credit Guaranty gives MBS liquidity & highest rating in Bond Market
- MBS Widely Accepted

Program Overview

Relationship of MBS Rates, Mortgage Rates, Servicing Fees and Ginnie Mae Guaranty Fees

**Interest Rate of Mortgages
(7.50%)**

**Interest Rate of MBS
(7.00%)**

**Servicing Fees
(.44%)**

**Ginnie Mae Guaranty
Fee (0.06%)**

MBSs Are Easy

- Originate Loans
- Form Pools
- Submit Documents to Custodian
- Pool Loans on Ginnie*NET*
- Sell Security
- Settle

Ginnie Mae I

- All loans same rate in Security
- Minimum of 3 loans – \$1,000,000
- Pass-Through is on the 15th
- FRMs and other minor types – no ARMs
- Other Major Program – Multifamily
- POP QUIZ - What is 6 BP on \$544 BILLION?

Ginnie Mae II

- Custom Pools and Multiple Issuer Pools
- Custom – 3 loan minimum and \$1,000,000
- Multiple Issuer – 3 loan minimum & \$250,000
- Mixed Interest Rates Allowed within 25 BP to 75 BP Spread
- ARMs or FRMs allowed
- Pass Through is on **20th**

Ginnie Mae I or II?

- Why Pick Ginnie I or Ginnie II?
- It Depends!

Example Security

- Ginnie Mae I – Start with 7 Loans
- Total Value \$1,000,000
- Loans at 7.5% interest
- What kind of Loans?
- What Mixture?
- What Rate is Ginnie Mae Security?

Ginnie Maes

- Loans are FHA / VA / RHS / PIH
- Any Mixture of above will be OK
- Security Rate is 7%
- Where is that other 1/2 of 1%
- Depends on if I am the Servicer or Ginnie Mae
- .44% (44 basis points) to Servicer
- .06% (6 basis points) to Ginnie Mae

Servicing

- Other Profit-Servicing
- Servicing Retained
- Servicing Released
- What is 44 basis points on \$100 million?
- Gross Income of \$440,000 to your Company
- What is “Good” and “Bad” SERVICING?

Issuer Eligibility – General Requirements

- FHA Approval
- Mortgage Lending as Principal Activity
- Management Capability
- Quality Control Program
- Lender in Good Standing with FHA, the GSEs and other Agencies
- Electronic Data Interchange (EDI) Agreement

Issuer Eligibility Financial Requirements

- Net Worth Requirements
- Financial Statements and Documents
- Fidelity Bond / E&O Insurance

Pre-pooling Requirements

- Current Master Agreements on File
- Form HUD-11702 on File
- Sufficient Commitment Authority to Pool
- Must be an Issuer in Good Standing

Basics

- Commitment Authority
- Ginnie*NET*-Pool Documents/Certifications
- Sell Securities in Secondary Market
- Custodial Accounts
- Prepare to Make Pass-throughs
- Excellent Servicing is **REQUIRED**
- Where is the Settlement Money Going?

Payments to Security Holders “Holy Grail” of Ginnie Mae

- **MAKE YOUR PASS THROUGHS**
- Make Arrangements for ACH of Ginnie Mae I payments to FRB and Ginnie Mae II payments to CPTA
- Establish and have Proper Funds in Ginnie Mae I and II sweep account
- **RPB REPORTING IS KEY – 2ND BUSINESS DAY**
- Corrections by 5th Business Day

Certifications

- Initial Certifications
- Final Certifications
- Why are these important?
- Does this establish value for YOUR Servicing?

Transfer of Servicing & SubServicing

- Transfers ONLY with Ginnie Mae Approval
- Fees/Time Deadlines
- Why Does Ginnie Mae Care About Transfers?
- Subservicing - May be needed by you or an extra area of income for your company
- Do's and Don'ts of SubServicing (see Handbook)

Reporting to Ginnie Mae

- Annual Audited Financials
- Quarterly Financial Reporting
- Monthly Reporting to Ginnie Mae on Pools
- Monthly Loan Level Detail Reporting
- Why all these Reports?

Targeted Lending

- Opportunity to Assist in the Housing of Otherwise Underserved America
- Opportunity to Earn Extra Money
- Native American Housing Initiative
- Colonias

Trading of Securities

- Importance of Integrity
- Timely Deal Delivery
- Know Who You are Dealing With
- Prudent Business Practices

YOU and YOUR Company

- Value of YOUR Work
- Value of YOUR Company
- **YOU DO MAKE A DIFFERENCE**
- **TOGETHER WE CAN HELP HOUSE AMERICA!!!**



**Ginnie
Mae**