



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

GOVERNMENT NATIONAL  
MORTGAGE ASSOCIATION

June 8, 2004

04-03

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Expansion of Ginnie Mae's Targeted Lending Initiative

In support of President Bush's commitment to improve housing conditions for families living in colonias, Ginnie Mae has expanded its Targeted Lending Initiative ("TLI") to include census tracts containing areas designated, by the U.S. Department of Housing and Urban Development ("HUD"), as "colonias" along the Southwest border region. In addition, 40 new Renewal Communities and 8 new Urban Enterprise Zones designated by HUD in December 2001 are now eligible for the TLI. Concurrent with these additions, Ginnie Mae has updated all eligible TLI tracts from the 1990 Census to the 2000 Census. The expansion of Ginnie Mae's TLI will provide families and households with increased opportunities to achieve homeownership. This program update will be effective July 1, 2004.

Ginnie Mae initially implemented its TLI in 1996 to help raise homeownership levels in urban areas. The program was subsequently expanded to include Native American Lands, new Urban Empowerment Zones and new Urban Enterprise communities in 1999, and Rural Empowerment Zones and Rural Enterprise Communities in 2000. Under the TLI program, Ginnie Mae provides an enhanced secondary market vehicle that gives lenders an incentive to originate loans in designated areas, which increases homeownership opportunities.

Colonias are rural communities and neighborhoods that lack adequate infrastructure and other basic services. These communities are located along the Southwest border region of the United States within 150 miles of the border between the United States and Mexico, in the states of Arizona, California, New Mexico, and Texas, excluding metropolitan statistical areas with a population exceeding 1,000,000. This definition is based on the statutory definition of "United States-Mexico Border region" in Title IX, Section 916(e)(4) of the National Affordable Housing Act of 1990. Census tracts containing colonias, based on the above definition, are eligible for the TLI. This effort provides financial incentives for lenders to increase loan volumes in traditionally underserved areas.

Under the TLI, Ginnie Mae reduces its guarantee fee by up to 50% when approved issuers originate (or purchase) eligible home mortgage loans in designated communities and place them in Ginnie Mae pools. Issuers may combine these newly eligible loans with other eligible single-family loans to meet previously established targeted lending thresholds. The

Ginnie Mae guarantee fee is reduced by one to three basis points on a pool, depending on the percentage of unpaid principal balance of eligible loans in the pool at the time of issuance.

A listing of all eligible census tracts is available for download on the Ginnie Mae website at [www.ginniemae.gov](http://www.ginniemae.gov). The changes in this memorandum will be effective for pools issued on or after July 1, 2004.

If you have any questions regarding this memorandum, please contact your Ginnie Mae Account Executive in the Office of Mortgage-Backed Securities at (202) 708-1535.