



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

GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

October 1, 2008

APM 08-18

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Michael J. Frenz, Executive Vice President

SUBJECT: HOPE for Homeowners Mortgage Insurance Program

The Housing and Economic Recovery Act of 2008 authorizes the introduction of a temporary FHA mortgage insurance refinancing program called HOPE for Homeowners (“H4H”). The H4H program is designed to assist distressed homeowners currently facing foreclosure, and will enable homeowners to refinance their conventional mortgage, government-insured or -guaranteed mortgage into an FHA-insured loan. The H4H Program is effective from October 1, 2008 through September 30, 2011. Ginnie Mae will require that all H4H loans pooled as collateral in a Ginnie Mae security be pooled only under the Ginnie Mae II program’s multiple issuer pool type, “M FS.” Consequently, H4H loans cannot be pooled in any other Ginnie Mae pool type. Ginnie Mae will accept H4H loan packages to be pooled in “M FS” securities with a November 1, 2008 issue date and thereafter.

In accordance with the deadline in the applicable Guaranty Agreement for removing defective mortgages, Issuers that improperly pool H4H loans in other Ginnie Mae pool types will be required to either substitute the ineligible loan with an eligible loan, or else buy the defective loan out of the pool. Issuers are required to have appropriate internal controls in place at pooling to assure that H4H loans are not inadvertently pooled in non-FS pool types.

Under the H4H program, FHA is precluded from paying insurance benefits if the borrower fails to make a first payment within 120 days of the first payment due date. In these cases, Ginnie Mae will consider such mortgages to be defective.

For a GNMA II Single Family Level Payment MBS program, a defective mortgage is a mortgage:

1. that cannot be insured or guaranteed by an agency of the Federal Government named in Section 306(g)(1) of the National Housing Act;
2. that has been refused by the insuring or guaranteeing agency;
3. for which federal agency insurance or guaranty has been withdrawn;

4. for which, in the case of H4H mortgages, FHA is prohibited from paying insurance benefits, due to the failure of the borrower to make at least one payment on the mortgage loan within 120 days of the first payment due date, whether or not the mortgage is insured; or
5. that does not comply with the terms of the related securities.

Any defective mortgage must be removed from the pool by substitution or repurchase, in accordance with the deadline in the Guaranty Agreement.

No later than October 15, 2008, Ginnie Mae Mortgage-Backed Securities Guide, 5500.3, Rev. 1 (“Guide”) changes will be posted to Ginnie Mae’s website under “What’s New”. These changes will be formally incorporated into the Guide on November 1, 2008.

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