



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

GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

January 7, 2011

APM 11-01

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Theodore W. Tozer, President

SUBJECT: New Financial Requirements – Home Equity Conversion Mortgage-Backed Securities (HMBS)

Ginnie Mae is changing the financial requirements for institutions participating in the HMBS Program, in order to ensure that its program requirements align with the rapidly changing housing finance market. The changes to the financial requirements include an increase in the net worth requirement and new liquid asset and capital asset requirements.

Increase in Net Worth Requirements

Ginnie Mae is increasing the base net worth requirement for HMBS Program participants from the current \$1 million base net worth requirement to \$5 million. In addition, the formula for calculating the additional net worth required above the base net worth requirement is changing. Currently, additional net worth is calculated as 1 percent of the aggregate amount of the Issuer’s Remaining Principal Balance (RPB) outstanding and available commitment authority to issue securities between \$5 million and \$20 million, plus an additional .2 percent if greater than \$20 million. With this change, additional net worth will be calculated as 1 percent of the aggregate amount of the Issuer’s RPB outstanding and available commitment authority to issue securities.

Program	Current Net Worth Requirement		New Net Worth Requirement	
	Base	Additional Net Worth	Base	Additional Net Worth
HMBS Program	\$1,000,000	Add 1 percent of the aggregate amount of the Issuer’s RPB outstanding and available commitment authority to issue securities between \$5 million and \$20 million, plus an additional .2 percent, if greater than \$20 million.	\$5,000,000	Add 1 percent of the aggregate amount of the Issuer’s RPB outstanding and available commitment authority to issue securities.

Effective immediately, institutions that are seeking Issuer approval will be required to meet the new minimum net worth requirements. Existing Issuers will have until October 1, 2011, to meet the new net worth requirements.

Liquid Asset Requirements

Ginnie Mae is also instituting a new liquid asset requirement. Ginnie Mae will require that Issuers eligible for its HMBS Program have liquid assets of 20 percent of Ginnie Mae's net worth requirement. The new liquid asset requirement will help to ensure funds are available when there is a need for cash to fund borrower advances, loan buyouts, and/or to pay for potential indemnification requests from insuring agencies. HMBS Issuers will have until October 1, 2011, to meet the new liquid asset requirement.

Institution-Wide Capital Requirements

Ginnie Mae is adopting institution-wide capital requirements. Capital requirements provide better assurance that Issuers have sufficient capital to cover their financial risks on an institution-wide basis. The capital requirements are as follows:

Regulated Banks and Thrifts	Non Banks, Credit Unions & Subsidiaries
<ol style="list-style-type: none"> 1. 5 percent of Tier 1 Capital/Total Assets 2. 6 percent of Tier 1 Capital/Risk-Based Assets 3. 10 percent of Total Capital/Risk-Based Assets 	<ol style="list-style-type: none"> 1. 6 percent of Total Equity/Total Assets

The new capital requirements will be effective on October 1, 2011, for all HECM Issuers.

Minimum Servicing Fee Margin

For HECM Securities, Ginnie Mae will be introducing a new minimum servicing fee margin of 36 basis points, which includes 6 basis points for the Ginnie Mae guaranty fee. Details on the implementation and fee structure will be addressed through a separate APM at a future date.

The applicable changes to Ginnie Mae Mortgage-Backed Securities Guide 5500.3, Rev. 1 (Guide), Chapters 2, 3, and 35, are available under the "What's New" section of Ginnie Mae's website at www.ginniemae.gov. The changes to the HUD Audit Guide are forthcoming.

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