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APM 16-02

February 1, 2016

To: All Participants in Ginnie Mae Programs

From: Theodore W. Tozer, President

Subject: Modified Loan Documentation—Revised Subordination Requirements

In APM 15-12, published August 3, 2015, Ginnie Mae announced revisions to the Document Custody Manual (Revised Manual), Appendix V-1 to the Mortgage Backed Securities Guide, 5500.3, Rev-1 (MBS Guide). The APM also provided that additional guidance, including Chapter 9 of the Revised Manual, would follow pending feedback from the Issuer and custodian communities. Issuers expressed particular concern with the requirement to obtain and record subordination agreements for modified loans. After additional research and consideration, Ginnie Mae has revised this requirement, as described below.

In the Revised Manual as it was published in August 2015, the Issuer had the option to document the first lien position of a modified loan with either a Title Policy Endorsement, or an ALTA form Mortgage Modification Policy (MMP). However, if the Issuer obtained an MMP, it was required to obtain subordination agreements for all intervening liens, not only those required to maintain first lien position of the modified loan. Ginnie Mae has revised its guidance to require subordination agreements only if they needed to maintain first lien position of the modified loan, regardless of the title product—Title Policy Endorsement or MMP—obtained by the Issuer. Any subordination agreements required for this purpose must be recorded.

This policy change has been incorporated into the Revised Manual and Chapter 24 of the MBS Guide, and is effective February 1, 2016.

If you have any questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management directly, or at (202) 708-1535.



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