CHAPTER 26: ADJUSTABLE RATE MORTGAGE POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

26-1: OVERVIEW OF CHAPTER

This chapter describes special requirements that apply to a pool or loan package of adjustable rate mortgages ("ARMs"). The requirements described in this chapter may modify, supplement or in some cases repeat, for the purpose of emphasis, those set forth in previous chapters. Included among these changes are the following: mortgage eligibility, pool and loan package requirements, required pool and loan package submission documents, securities marketing disclosures, mortgage and security interest rates, and the administration of pools and loan packages. Applicable pooling requirements for adjustable rate Home Equity Conversion Mortgage loans can be found in Chapter 35.

Ginnie Mae will securitize eligible 1-Year ARMs and hybrid ARMs with initial interest rate periods of 3, 5, 7, and 10 years. Issuers may choose either the Constant Maturity Treasury (CMT) index or the London Interbank Offered Rate (LIBOR) index. The custom pool suffix options for use with the CMT index may be either "C AR". "C AT", "C AF", "C FT", "C AS", or "C AX", while the multiple Issuer pool suffix may be "M AR", "M AQ", "M AT", "M AF", "M FT", "M AS", or "M AX". The custom pool suffix to be used with the LIBOR index may be either "C RL", "C TL", "C FL", "C FB", "C SL", or "C XL" while the multiple Issuer pool suffix may be either "M RL", "M QL", "M TL", "M FL", "M FB", "M SL", or "M XL". These pool and loan package types may be collectively referred to as "ARM" pools or loan packages.

ARM pools and loan packages may be formed only under the Ginnie Mae II MBS Program, but as indicated above, may be issued as either multiple Issuer or custom pools.

An adjustable rate mortgage is a mortgage with an amortization schedule that provides for changes in monthly payments based on adjustments to the interest rate of the mortgage. There is a standard 1-Year ARM in which the interest rate is adjusted annually. In addition, "hybrid" ARMs include loans whose interest rates are contractually fixed for a pre-determined period, i.e., 3, 5, 7 or 10 years, and adjust annually thereafter. The interest rate on an ARM loan is adjusted periodically, based on changes to one of two eligible index options. The first index is tied to the weekly average yield of U. S. Treasury securities, adjusted to a constant maturity of one year, and is commonly referred to as the Constant Maturity Treasury ("CMT") index. The second eligible index option is the London Interbank Offered Rate (LIBOR). LIBOR is the rate of interest at which banks offer to place deposits with one another for certain stated maturities.

Ginnie Mae will use the 1-year rates for both the CMT and LIBOR index options.

Adjustable rate mortgage pool type designations to be used with the CMT index include the following:

"C AR" identifies a 1-Year ARM custom pool. The first interest adjustment date for each mortgage must occur at least 12 months, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from one to 15 months after the issue date;

"M AR" identifies a 1-Year ARM multiple Issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 12 months, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 13 to 15 months after the issue date;

"M AQ" identifies a 1-Year ARM multiple Issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 12 months, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur exactly 12 months after the issue date, which must be on either January 1, April 1, July 1 or October 1;

"C AT" identifies a 3-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 36 months, but not more than 42 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M AT" identifies a 3-Year hybrid ARM multiple Issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 36 months, but not more than 42 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 37 to 39 months after the issue date;

"C AF" identifies a 5-Year hybrid ARM custom pool with a "1/5" interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M AF" identifies a 5-Year hybrid ARM multiple Issuer pool or loan package with a "1/5" interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 61 to 63 months after the issue date;

"C FT" identifies a 5-Year hybrid ARM custom pool with a "2/6" interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M FT" identifies a 5-Year hybrid ARM multiple Issuer pool or loan package with a "2/6" interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 61 to 63 months after the issue date;

"C AS" identifies a 7-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 84 months, but not more than 90 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M AS" identifies a 7-Year hybrid ARM multiple Issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 84 months, but not more than 90 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 85 to 87 months after the issue date;

“C AX” identifies a 10-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 120 months, but not more than 126 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

“M AX” identifies a 10-Year hybrid ARM multiple Issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 120 months, but not more than 126 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 121 to 123 months after the issue date.

Adjustable rate mortgage pool type designations to be used with the LIBOR index include the following:

“C RL” identifies a 1-Year ARM custom pool. The first interest adjustment date for each mortgage must occur at least 12 months, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from one to 15 months after the issue date;

“M RL” identifies a 1-Year ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 12 months, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 13 to 15 months after the issue date;

“M QL” identifies a 1-Year ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 12 months, but not more than 18 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur exactly 12 months after the issue date, which must be on either

January 1, April 1, July 1 or October 1;

"C TL" identifies a 3-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 36 months, but not more than 42 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M TL" identifies a 3-Year hybrid ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 36 months, but not more than 42 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 37 to 39 months after the issue date;

"C FL" identifies a 5-Year hybrid ARM custom pool with a "1/5" interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M FL" identifies a 5-Year hybrid ARM multiple issuer pool with a "1/5" interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 61-63 months after the issue date;

"C FB" identifies a 5-Year hybrid ARM custom pool with a "2/6" interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M FB" identifies a 5-Year hybrid ARM multiple issuer pool or loan package with a "2/6" interest rate cap structure. The first interest adjustment date for each mortgage must occur at least 60 months, but not more than 66 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 61 to 63 months after the issue date;

"C SL" identifies a 7-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 84 months, but not more than 90 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M SL" identifies a 7-Year hybrid ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 84 months, but not more than 90 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 85 to 87 months after the issue date;

"C XL" identifies a 10-Year hybrid ARM custom pool. The first interest adjustment date for each mortgage must occur at least 120 months, but not more than 126 months, after the first payment date on the mortgage. The security must be issued no later than 60 days before the first mortgage interest rate adjustment date;

"M XL" identifies a 10-Year hybrid ARM multiple issuer pool or loan package. The first interest adjustment date for each mortgage must occur at least 120 months, but not more than 126 months, after the first payment date on the mortgage. The first interest adjustment date for the securities must occur from 121 to 123 months after the issue date.

26-2: MORTGAGE ELIGIBILITY, POOL AND LOAN PACKAGE REQUIREMENTS

The mortgage eligibility, pool and loan package requirements that apply, with limited exceptions, to all pool types are found in Chapter 9. The mortgage, pool and loan package eligibility requirements for SF pools and loan packages found in Chapter 24 also apply to ARM pools and loan packages, except as modified in this section.

(A) Mortgage Eligibility Requirements

(1) Amortization: Each mortgage in a pool or loan package must provide for full repayment over the life of the loan in accordance with an amortization

schedule that provides for periodic adjustments to principal and interest payments, based on changes in the interest rate index. Each adjusted payment must be sufficient to retire the remaining principal balance of the loan during the remaining life of the loan on a level monthly payment basis. ARM pools typically contain mortgages with 30-year maturities, and the underlying securities also reflect 30-year maturities. These pools may, however, also contain mortgages with maturities of 15, 20 and 25 year terms, so long as the following test of reasonable homogeneity is met:

(a) at least 90 percent of the original principal balance of each ARM pool or loan package must consist of mortgages with 30-year maturities.

An adjustable rate mortgage, unlike a fixed rate mortgage, does not require repayment in equal monthly installments throughout the term of the loan. Consequently, total payments over the entire amortization of an ARM loan may be higher or lower than the total payments of a fixed rate loan.

ARMs with buydown provisions are ineligible for pooling under the ARM program.

(2) Initial mortgage interest rate: Each mortgage in a pool or loan package issued before July 1, 2003, must bear an initial rate of interest at least 50 basis points, but not more than 150 basis points, higher than the initial rate of interest on the related securities. Each mortgage in a pool or loan package issued on or after July 1, 2003, must bear an initial rate of interest at least 25 basis points, but not more than 75 basis points, higher than the initial rate of interest on the related securities.

(3) Mortgage interest rate adjustments: Each mortgage in a pool or loan package must have the same interest rate change date and payment adjustment date as every other mortgage in the pool or loan package. In addition, the interest rate change dates and payment adjustment dates for a given pool or loan package must satisfy the requirements set forth in the following tables:

MORTGAGE POOLING ELIGIBILITY REQUIREMENTS:

AR & RL Multiple Issuer Pools*:*

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 12 months, but no more than 18 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
1-Year M AR or	Jan., Feb. Mar.,	April 1	April 1	May 1
1-Year M RL	Apr., May, June,	July 1	July 1	August 1
	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

AQ & QL Multiple Issuer Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 12 months, but no more than 18 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
1-Year M AQ or	January	January 1	January 1	February 1
1-Year M QL	April	April 1	April 1	May 1
	July	July 1	July 1	August 1
	October	October 1	October 1	November 1

AT & TL Multiple Issuer Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 36 months, but no more than 42 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
3-Year M AT or	Jan., Feb. Mar.,	April 1	April 1	May 1
3-Year M TL	Apr., May, June,	July 1	July 1	August 1
	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

AF, FT, FL & FB Multiple Issuer Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 60 months, but no more than 66 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
5-Year M AF or	Jan., Feb. Mar.,	April 1	April 1	May 1
5-Year M FT or	Apr., May, June,	July 1	July 1	August 1
5-Year M FL or	July, Aug., Sept.,	October 1	October 1	November 1
5-Year M FB	Oct., Nov., Dec.	January 1	January 1	February 1

AS & SL Multiple Issuer Pools:

	Mortgages backing securities	Shall have an **initial interest adjustment** at	Shall have **annual**	Shall always have **payment adjustments** one month

ARM Type	issued on the first day of:	least 84 months, but not more than 90 months, after the first payment date on:	**interest adjustments** thereafter on:	later than the interest adjustments, on:
7-Year M AS or	Jan., Feb. Mar.,	April 1	April 1	May 1
7-Year M SL	Apr., May, June,	July 1	July 1	August 1
	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

AX & XL Multiple Issuer Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 120 months, but not more than 126 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
10-Year M AX or	Jan., Feb. Mar.,	April 1	April 1	May 1
10-Year M XL	Apr., May, June,	July 1	July 1	August 1
	July, Aug., Sept.,	October 1	October 1	November 1
	Oct., Nov., Dec.	January 1	January 1	February 1

AR & RL Custom Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 12 months, but no more than 18 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
1-Year C AR or	Any month	April 1	April 1	May 1
1-Year C RL		July 1	July 1	August 1
		October 1	October 1	November 1
		January 1	January 1	February 1

AT & TL Custom Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 36 months, but no more than 42 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
3-Year C AT or	Any month	April 1	April 1	May 1
3-Year C TL		July 1	July 1	August 1
		October 1	October 1	November 1
		January 1	January 1	February 1

AF, FT, FL & FB Custom Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 60 months, but no more than 66 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
5-Year C AF or	Any month	April 1	April 1	May 1
5-Year C FT or		July 1	July 1	August 1
5-Year C FL or		October 1	October 1	November1
5-Year C FB		January 1	January 1	February 1

AS & SL Custom Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 84 months, but no more than 92 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
7-Year C AS or	Any month	April 1	April 1	May 1
7-Year C SL		July 1	July 1	August 1
		October 1	October 1	November 1
		January 1	January 1	February 1

AX & XL Custom Pools:

ARM Type	**Mortgages** backing securities issued on the first day of:	Shall have an **initial interest adjustment** at least 120 months, but no more than 126 months, after the first payment date on:	Shall have **annual interest adjustments** thereafter on:	Shall always have **payment adjustments** one month later than the interest adjustments, on:
10-Year C AX	Any month	April 1	April 1	May 1
10-Year C XL		July 1	July 1	August 1
		October 1	October 1	November 1
		January 1	January 1	February 1

(a) The index:

After the initial fixed rate period of a hybrid ARM, or, in the case of the 1-Year ARM, after the first year, the interest rate of each mortgage in an ARM pool or loan package must be subject to an annual adjustment, based on one of two eligible index options: the one-year constant maturity treasury (CMT) index or the one-year London Interbank Offered Rate (LIBOR). The former refers to the published weekly average yield of U.S. Treasury securities, adjusted to a constant maturity of one year: CMT. This index is published in the *Federal Reserve Statistical*

Release H.15, Selected Interest Rates, and is available on the internet at: www.federalreserve.gov/releases/h15/#weekly. The latter refers to the rate calculated by the ICE Benchmark Administration for U.S. dollar deposits of a stated maturity, as published in the Money Rates section of *The Wall Street Journal*.

(i) For all forward ARM securities issued on or before March 1, 2015, eligible collateral may only include loans with 30 day lookback periods, originated on or before January 9, 2015.

The Issuer must apply the index, using the most recently published figure, in effect 30 days prior to a mortgage interest rate change. In all cases, the Issuer must use an exact day count. For example, if a mortgage interest rate change date falls on the 1st day of a month that is preceded by a 31-day month, the index determination date will be the 2nd day of the preceding month. Ginnie Mae will also periodically publish the H.15 Release date for the quarterly interest rate change dates on its website. These dates must be used when adjusting pool or loan package interest rates based on the CMT index.

H.15 is published each Monday, unless that day is a federal holiday. If a federal holiday falls on Monday, the H.15 is published on the next business day that is not a federal holiday. The release date, rather than the date on which the Issuer receives the release, is considered to be the date that the publication is available to each Issuer. If a release date and the index determination date coincide, the H.15 index value released on that date is considered to be available to an Issuer, whether or not the Issuer has actually received the H.15 data.

For example, if the day 30 days prior to an interest rate adjustment date is a Monday, the Issuer must use the index rate contained in the H.15 released on that Monday in order to adjust the interest rate on the mortgages in a pool or loan package. This is true without regard to when the Issuer actually receives the H.15 released on that Monday.

If the 30th day before an interest rate adjustment date falls on a Monday that is also a federal holiday, and the H.15 is not released until the following Tuesday, the Issuer must use the index rate contained in the H.15 that was released on the preceding Monday or the next business day if that Monday is also a federal holiday.

In all cases for loans indexed to the CMT, the applicable interest rate for the loan must conform to the interest rate contained in the H.15 release in effect on the 30th day of the lookback period.

Similarly, the 30-day lookback period shall also apply to loans tied to the LIBOR index. Issuers should apply the same methodology discussed above for the CMT index in order to determine the appropriate rate for loans tied to the LIBOR index. Issuers, however, must use the applicable one-year LIBOR index rate found in the Money Rates section of *The Wall Street Journal* on the first business day of each week that is also a publishing day. If the 30th day before an interest rate adjustment date falls on a Monday that is a non-publishing day, the Issuer must use the LIBOR index rate published in the Money Rates section of *The Wall Street Journal* on the first business day of the preceding week, which is typically a Monday or a Tuesday if Monday is a non-publishing day. If the 30th day before an interest rate adjustment date falls on a day other than Monday, the Issuer must use the LIBOR index rate published in the Money Rates section of *The Wall Street Journal* on the first business day of that week, which is typically a Monday or a Tuesday if Monday is a non-publishing day. Ginnie Mae will also periodically publish the applicable dates which will be used to adjust LIBOR-based pool or loan package interest rates on its website.

In most instances, the CMT index will be published on the same day that the LIBOR index is published. If the LIBOR index is published in the Money Rates Section of The Wall Street Journal on a Monday that is a federal holiday, that published index rate shall be used to adjust all pools and loan packages tied to the LIBOR, while adjustments to pools or loan packages tied to the CMT index shall be calculated using the index figure from another date determined using the procedures outlined in this section.

(ii) For all forward ARM securities issued on or after April 1, 2015, eligible collateral may only include loans with 45 day lookback periods, originated on or after January 10, 2015.

The Issuer must apply the index, using the most recently published figure, in effect 45 days prior to a mortgage interest rate change. In all cases, the Issuer must use an exact day count. For example, if a mortgage interest rate change date falls on the 1st day of a month that is preceded by a 31-day month, the index determination date will be the 16th day of the preceding month. Ginnie Mae will also periodically publish the H.15 Release date for the quarterly interest rate change dates on its website. These dates must be used when adjusting pool or loan package interest rates based on the CMT index.

H.15 is published each Monday, unless that day is a federal holiday. If a federal holiday falls on Monday, the H.15 is published on the next business day that is not a federal holiday. The release date, rather than the date on which the Issuer receives the release, is considered to be the date that the publication is available to each Issuer. If a release date and the index determination date coincide, the H.15 index value released on that date is considered to be available to an Issuer, whether or not the Issuer has actually received the H.15 data.

For example, if the day 45 days prior to an interest rate adjustment date is a Monday, the Issuer must use the index rate contained in the H.15 released on that Monday in order to adjust the interest rate on the mortgages in a pool or loan package. This is true without regard to when the Issuer actually receives the H.15 released on that Monday.

If the 45th day before an interest rate adjustment date falls on a Monday that is also a federal holiday, and the H.15 is not released until the following Tuesday, the Issuer must use the index rate contained in the H.15 that was released on the preceding Monday or the next business day if that Monday is also a federal holiday.

In all cases for loans indexed to the CMT, the applicable interest rate for the loan must conform to the interest rate contained in the H.15 release in effect on the 45th day of the lookback period.

Similarly, the 45-day lookback period shall also apply to loans tied to the LIBOR index. Issuers should apply the same methodology discussed above for the CMT index in order to determine the appropriate rate for loans tied to the LIBOR index. Issuers, however, must use the applicable one-year LIBOR index rate found in the Money Rates section of *The Wall Street Journal* on the first business day of each week that is also a publishing day. If the 45th day before an interest rate adjustment date falls on a Monday that is a non-publishing day, the Issuer must use the LIBOR index rate published in the Money Rates section of *The Wall Street Journal* on the first business day of the preceding week, which is typically a Monday or a Tuesday if Monday is a non-publishing day. If the 45th day before an interest rate adjustment date falls on a day other than Monday, the Issuer must use the LIBOR index rate published in the Money Rates section of *The Wall Street Journal* on the first business day of the preceding week, which is typically a Monday or a Tuesday if Monday is a non-publishing day. If the 45th day before an interest rate adjustment date falls on a day other than Monday, the Issuer must use the LIBOR index rate published in the Money Rates section of *The Wall Street Journal* on the first business day of that week, which is typically a Monday or a Tuesday if Monday is a non-publishing day. Ginnie Mae will also periodically publish the applicable dates which will be used to adjust LIBOR-based pool or loan package interest rates on its website.

In most instances, the CMT index will be published on the same day that the LIBOR index is published. If the LIBOR index is published in the Money Rates Section of The Wall Street Journal on a Monday that is a federal holiday, that published index rate shall be used to adjust all pools and loan packages tied to the LIBOR, while adjustments to pools or loan packages tied to the CMT index shall be calculated using the index figure from another date determined using the procedures outlined in this section.

(b) Calculating adjustments:

(i) Each mortgage must provide for the initial and subsequent annual interest rate changes to be calculated by adding a "mortgage margin" to the published index and applying the rounding rule described in (iv) below.

(ii) The mortgage margin is the amount in basis points ("bps") to be added to the published index in order to establish a mortgage interest rate adjustment. The loan originator establishes this mortgage margin. While the mortgage margin must always remain constant for the life of the loan, it is not necessary that every mortgage in a pool or loan package have the same mortgage margin. The mortgage margin must be at least 50 bps, but not more than 150 bps, greater than the security margin for pools issued before July 1, 2003, or at least 25 bps, but not more than 75 bps, for pools issued on or after July 1, 2003.

(iii) The security margin may not be less than 100 bps nor more than 250 bps, and must be divisible by 50. The mortgage margin, therefore, may not be less than 150 bps, nor more than 400 bps, for pools issued before July 1, 2003, and may not be less than 125 bps, nor more than 325 bps for pools issued on or after July 1, 2003.

(iv) The adjusted mortgage interest rate for one- and three-year ARM products must (a) never be more than one percentage point higher or lower than the immediately preceding interest rate on the mortgage, and must (b) never be more than five percentage points higher or lower than the initial interest rate on the mortgage. This is referred to as a "1/5" cap structure. The five-year ARM offers Issuers the choice of two cap structure options: a "1/5," or, a "2/6" structure. The "2/6" structure is identical to that used with the seven- and ten-year hybrid ARM products, on which the adjusted mortgage interest rate must (a) never be more than two percentage points higher or lower than the immediately preceding interest rate on the mortgage, and must (b) never exceed six percentage points higher or lower than the initial interest rate on the mortgage.

(v) The rounding rule states that the new mortgage interest rate must always be rounded to the nearest $1/8^{th}$ of a percentage point (0.125%). The rate, which is calculated by adding the mortgage margin to the published index, must be adjusted up or down to the nearest $1/8^{th}$ of one percentage point, always making the calculation to three decimal places (e.g., 7.875).

(4) Issuer Responsibility: It is the Issuer's responsibility to originate and/or acquire mortgages with initial mortgage interest rates, interest rate adjustment dates and security margins that comply with all applicable mortgage eligibility requirements contained in this chapter.

(5) Adjustment date extensions (“waivers”) for 1-Year ARMs only: A mortgage may have a first interest rate adjustment date later than 18 months after the first payment date only in cases where an Issuer has received prior written approval from the FHA or VA. Written approval of such waivers must be contained in the mortgage loan documents at the Issuer’s document custodian site.

(B) Pool and Loan Package Requirements

ARM pools and loan packages may only be formed under the Ginnie Mae II MBS Program.

(1) As of the issue date, (a) each custom pool, other than a pool formed pursuant to a Bond Finance Pool (“BFP”), must have an original principal balance of $500,000 ($250,000 if the pool was rejected for inclusion as a loan package in a multiple Issuer pool in the preceding month) and (b) each multiple Issuer loan package must have an original principal balance of $25,000.

(2) All mortgages in an ARM pool or loan package must satisfy the requirements for that pool type, as set forth in Section 26-1. In the event that an Issuer inadvertently commingles an adjustable rate mortgage that does not meet the stated requirements for the pool type selected, the pool will not pass the edits phase of web-based GinnieNET.

(3) All mortgages in an ARM pool or loan package must be adjusted through changes in the mortgage interest rate and have (a) the same index (one-year CMT or one-year LIBOR) upon which the interest rate is based, and (b) the same index determination date for calculating the applicable index value.

After the initial interest rate period, all interest rate adjustment dates must occur at 12-month intervals, and on one of the following four dates: January 1, April 1, July 1, or October 1.

26-3: REQUIRED DOCUMENTS

The procedures and basic document requirements for submission of all pools and loan packages are found in Chapters 10, 11, and 13.

(A) For Certification by Document Custodian

The loan documents required for initial and final certification of ARM pools by the document custodian are the same as those discussed in Section 13-4. They are summarized in the following table:

DOCUMENT	FORM NUMBER	APPENDIX
FOR INITIAL CERTIFICATION		
Schedule of Pooled Mortgages	HUD 11706	III-7
Release of Security Interest, executed original, if applicable	HUD 11711A	III-5
Certification and Agreement, executed original	HUD 11711B	III-5
Original notes (or, in the case of modified loans, the original notes executed for the modifications) or other evidences of indebtedness, endorsed in blank, without recourse		
For nonprofit agency section 203(k) loans, FHA affordable housing program letters		
FOR FINAL CERTIFICATION		
Original recorded mortgages (or, in the case of modified loans, the recorded original mortgages, the related original notes, the modification agreements, and any required subordination agreements and/or title endorsements)		
All recorded interim assignments		
Evidence of good title (e.g., mortgage title insurance policies)		
Evidence of Mortgage Insurance Certificate (“MIC”) for FHA loans and the Loan Note Guaranty (LGC) for VA loans originated before July 1, 2003.		

(B) For Approval by PPA and Ginnie Mae

The ARM pool and loan package documents required for approval by Ginnie Mae are the same as those discussed in Section 10-3, except as modified below.

(1) References to "pool number" on all forms must include one of the following Pool Type suffix designations: For the CMT index, “AQ”, "AR", “AT”, “AF”, “FT”, “AS”, or “AX”, And for the LIBOR index, “RL”, “QL”, “TL”, “FL”, “FB”, “SL” or “XL”.

(2) The Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705 (Appendix III-6) must indicate in the block “Type of Issue” that the pool is to be either “C” or “M”, and in the block “Pool Type” that the securities are to be "AQ", “AR”, “AT”, “AF”, “FT”, “AS”, “AX”, or “RL”, “QL”, “TL”, “FL”, “FB”, “SL” or “XL”.

(3) The Schedule of Pooled Mortgages, form HUD 11706 (Appendix III-7) must identify each of the loans by including in the column titled "FHA-VA-RD-PIH Case Number" the complete agency-designated number, including the code identifying each loan as an

ARM. Also, and under the "Monthly Constant (P&I)" section, report only the fixed installment constant applicable to the payment for the first month the loan is in the pool.

(4) If a custom pool is submitted in paper submission format, a Prospectus, form HUD 11772-II (Appendix IV-21), must be modified, if appropriate, in accordance with Section 24-2(B)(3)(c)(iii).

(5) A BFP certification (Appendix III-12), if required, pursuant to Sections 26-2 and 24-2(B)(2).

(6) If one or more 1-Yr ARMs has a first interest rate adjustment date more than 18 months after the first payment date on the mortgage, a copy of the FHA or VA letter (“waiver”), as applicable, approving an extension to the interest rate adjustment date for each such mortgage.

The following table lists the pool and loan package documents required by the PPA for approval of every ARM pool:

DOCUMENT NAME	FORM NUMBER	APPENDIX
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705	III-6
Schedule of Pooled Mortgages	HUD 11706	III-7
Master Servicing Agreement	HUD 11707	III-1
Master Agreement for Servicer's Principal and Interest Custodial Account	HUD 11709	III-2
Master Agreement for Servicer's Escrow Custodial Account	HUD 11720	III-3
Master Custodial Agreement	HUD 11715	III-4
Prospectus (for custom pools submitted in paper format)	HUD 11772-II	IV-21
BFP certification, if required		III-12
FHA or VA approval letter for extension of interest rate adjustment date, if applicable		

26-4: THE SECURITIES AND MARKETING DISCLOSURE

Preparation and delivery of the securities through the depository are described in Chapter 12. The text of ARM securities held in certificated form is set forth in Appendix IV-26. A partial statement of the terms of ARM securities held in uncertificated form is set forth in Appendix IV-28. This section describes additional requirements for securities backed by ARM pools.

(A) Marketing Disclosure

ARM securities must be clearly differentiated from other types of Ginnie Mae MBS in all forward market and other transactions. Therefore, in all communications related to such transactions, Issuers must clearly disclose that the securities to be delivered are backed by an ARM pool, and indicate the type of ARM product involved..

An Issuer must retain these confirmation statements, as records, subject to Ginnie Mae's right of inspection.

The ARM securities are distinguishable from other Ginnie Mae MBS by the suffix "AQ", “AR”, “AT”, “AF”, “FT”, “AS”, “AX”, “RL”, “QL”, “TL”, “FL”, “FB”, “SL”, or “XL” in each certificate number.

(B) Securities Interest Rate

Securities backed by ARM loans bear an interest rate that is adjusted periodically, as provided below in this section.

The Issuer is responsible for calculating the periodic adjustments to the interest rate on the securities. The CPTA, however, will independently calculate the annual adjustment to the interest rate on the securities and the amounts due security holders thereafter.

(1) Initial security interest rate: The initial interest rate on each issue of ARM securities will be established by the Issuer;

(2) Security margin: The security margin will be established by the Issuer, but it may not be less than 100 bps, nor more than 250 bps, and must be divisible by 50. In addition, for pools issued prior to July 1, 2003, the security margin must be at least 50 bps below, but not more than 150 bps below, the mortgage margin of every mortgage in the pool. For pools issued on or after July 1, 2003, the security margin must be at least 25 bps below, but not more than 75 bps below, the mortgage margin.

(3) Security interest rate adjustment: Each issue of 1-Year ARM securities must have annual interest rate and payment adjustments. Each issue of hybrid ARM securities must have annual interest rate and payment adjustments after the initial fixed rate period has expired. Each interest rate adjustment date and each payment adjustment date for an issue of securities must occur in compliance with the following tables:

SECURITY INTEREST RATE & PAYMENT ADJUSTMENTS:

AR & RL Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have initial interest adjustment 13, 14, or 15 months later, on:	Shall have annual security interest adjustments thereafter on:	Shall always make adjusted interest payments to security holders on:
1-Year M AR and	Jan., Feb., March	April 1	April 1	May 20
1-Year M RL	April, May, June	July 1	July 1	Aug. 20
	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb. 20

AQ & QL Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have initial security interest adjustment 12 months later, on:	Shall have annual security interest adjustments thereafter on:	Shall always make adjusted interest payments to security holders on:
1-Year M AQ and	January	Jan. 1	Jan. 1	Feb. 20
1-Year M QL	April	April 1	April 1	May 20
	July	July 1	July 1	Aug. 20
	October	Oct. 1	Oct. 1	Nov. 20

AT & TL Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have initial security interest adjustment 37, 38, or 39 months later, on:	Shall have an annual security interest adjustment thereafter on:	Shall always make adjusted interest payments to security holders on:
3-Year M AT and	Jan., Feb., March	April 1	April 1	May 20
3-Year M TL	April, May, June	July 1	July 1	Aug. 20
	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb. 20

AF, FT ,FL & FB Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have an initial security interest adjustment 61, 62, or 63 months later, on:	Shall have an annual security interest adjustment thereafter on:	Shall always make adjusted interest payments to security holders on:
5-Year M AF or	Jan., Feb., March	April 1	April 1	May 20
5-Year M FT or	April, May, June	July 1	July 1	Aug. 20
5-Year M FL or	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
5-Year M FB	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb. 20

AS & SL Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have initial security interest adjustment 85, 86, or 87 months later, on:	Shall have an annual security interest adjustment thereafter on:	Shall always make adjusted interest payments to security holders on:
7-Year M AS or	Jan., Feb., March	April 1	April 1	May 20
7-Year M SL	April, May, June	July 1	July 1	Aug. 20
	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb. 20

AX & XL Multiple Issuer Pools:

ARM Type	Securities issued on the first day of:	Shall have an initial security interest adjustment 121, 122, or 123 months later, on:	Shall have annual security interest adjustments thereafter on:	Shall always make adjusted interest payments to security holders on:
10-Year M AX or	Jan., Feb., March	April 1	April 1	May 20
10-Year M XL	April, May, June	July 1	July 1	Aug. 20
	July, Aug., Sept.	Oct. 1	Oct. 1	Nov. 20
	Oct., Nov., Dec.	Jan. 1	Jan. 1	Feb. 20

AR & RL Custom Pools:

ARM Type	Securities issued in any month:	Shall have initial security interest adjustment at least one month but not more than 15 months on:	Shall have annual security interest adjustments thereafter on:	Shall always make adjusted interest payments to security holders on:
1-Year C AR or		Jan. 1	Jan. 1	Feb. 20
1-Year C RL		April 1	April 1	May 20
		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20

AT & TL Custom Pools:

ARM Type	Securities issued in any month:	Shall have initial security interest adjustment at least 37 months, but not more than 39 months after, the first mortgage payment date. Adjustments to occur on one of the following quarters:	Shall have annual interest adjustments thereafter on:	Shall always make adjusted interest payments to security holders on:
3-Year C AT or		April 1	April 1	May 20
3-Year C TL		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20
		Jan. 1	Jan. 1	Feb. 20

AF, FT, FL & FB Custom Pools:

ARM Type	Securities issued in any month:	Shall have initial security interest adjustment at least 61 months, but not more than 63 months after first mortgage payment date. Adjustments to occur on one of the following quarters:	Shall have annual interest adjustments thereafter on:	Shall always make adjusted interest payments to security holders on:
5-Year C AF or		April 1	April 1	May 20
5-Year C FT or		July 1	July 1	Aug. 20
5-Year C FL or		Oct. 1	Oct. 1	Nov. 20
5-Year C FB		Jan. 1	Jan. 1	Feb. 20

AS & SL Custom Pools:

ARM Type	Securities issued in any month:	Shall have initial security interest adjustment at least 85 months, but not more than 87 months after, first mortgage payment date. Adjustments to occur on one of the following quarters:	Shall have annual interest adjustments thereafter on:	Shall always make adjusted interest payments to security holders on:
7-Year C AS or		April 1	April 1	May 20
7-Year C SL		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20
		Jan. 1	Jan. 1	Feb. 20

AX & XL Custom Pools:

ARM Type	Securities issued in any month:	Shall have initial security interest adjustment at least 121 months but not more than 123 months after first mortgage payment date. Adjustments to occur on one of the following quarters:	Shall have annual interest adjustments thereafter on:	Shall always make adjusted interest payments to security holders on:
10-Year C AX or		April 1	April 1	May 20
10-Year C XL		July 1	July 1	Aug. 20
		Oct. 1	Oct. 1	Nov. 20
		Jan. 1	Jan. 1	Feb. 20

Note: Custom Hybrid ARMs must be securitized no later than 60 days before the first mortgage interest rate adjustment date.

(4) Index: Each issue of ARM securities must bear an interest rate that is adjusted based on either the one-year "CMT" or one-year "LIBOR" index options. The CMT index is published weekly in the Federal Reserve Statistical Release H.15, Selected Interest Rates, which may be accessed online at the Federal Reserve website: www.federalreserve.gov/releases/h15/#weekly. Comparable LIBOR index rates may be obtained from the Money Rates section of the *Wall Street Journal*. The procedure to determine which H.15 release date shall apply to a particular CMT interest rate adjustment date is described in Section 26-2(A)(3)(a), along with

procedures to determine which published date applies to ARM pools or loan packages tied to the LIBOR index.

Note: The same H.15 release data used to determine an adjustment to the security interest rate for pools and loan packages indexed to the CMT must also be used to adjust the interest rates on the underlying mortgages. Similarly, the same index data published in the Money Rates section of *The Wall Street Journal* that is used to determine an adjustment to the security interest rate for pools and loan packages tied to the LIBOR must also be used to adjust the interest rates on the underlying mortgages.

(5) Calculating adjustments: On the security interest rate adjustment date, the interest rate on the securities will be adjusted as follows:

(a) With respect to each annual security interest adjustment date, and for all securities with an issuance date on or before March 1, 2015, the applicable index is the most recently available figure 30 days prior to the security interest adjustment date. With respect to each annual security interest adjustment date, and for all securities with an issuance date on and after April 1, 2015, the applicable index is the most recently available figure 45 days prior to the security interest adjustment date.

(b) The security margin must be added to the index, and the resulting sum must be rounded to the nearest $1/8^{th}$ of a percentage point (0.125%).

(c) This calculated interest rate will be compared to the existing interest rate on the securities. When calculating the interest rate on the 1-, and 3-Year hybrid ARMs, if the calculated interest rate is not more than one percentage point higher or lower than the current interest rate, it becomes the adjusted interest rate on the securities. If the calculated interest rate is more than one percentage point higher or lower than the current interest rate, the interest rate that is one percentage point higher or lower than the current security interest rate will become the adjusted interest rate on the securities. These annual adjustments are subject to a 5 percentage point "life of the loan" cap, which ensures that the security adjustments neither increase nor decrease by more than 5 percentage points over the initial interest rate. When determining the interest rate on a 5-Year hybrid ARM, the selected cap structure will dictate the proper adjustment: ARMs with 1/5-cap structures follow the same procedure described immediately above for 1- and 3-Year hybrid ARMs. If a 5-Yr hybrid ARM with a 2/6-cap structure is selected, then it is appropriate to use the following adjustment procedure, which is also applied to the 7- and 10-Year hybrid ARM securities: If the calculated interest rate is not more than two percentage points higher or lower than the current interest rate, it becomes the adjusted interest rate on the securities. If the calculated interest rate is more than two percentage points higher or lower than the current interest rate, the interest rate that is two percentage points higher or lower than the current interest rate on the securities will become the adjusted interest rate on the securities. Finally, life of the loan caps with 2/6 cap structures may never increase nor decrease more than 6% over the initial security interest rate.

26-5: POOL AND LOAN PACKAGE ADMINISTRATION

For ARM pools and loan packages, Issuers must report annual adjustments to the Pool or loan package Fixed Installment Control (FIC). Specifically, Issuers are required to report the adjustment to the FIC in the RFS Pool Record Field #3-"Adjust FIC", in accordance with the RFS Issuer Monthly Report of Pool and Loan Data in Appendix VI-19. This is the adjustment to the FIC that results in the new Fixed Installment Control based on changes to the interest rates borne by the mortgages. The new FIC is reported in the RFS Pool Record Field #4-"Pool FIC." The FIC data reported in the RFS Pool record must reflect the FIC scheduled to occur during the following reporting month. For example, the March RFS Pool report will reflect the change to the FIC caused by interest rate changes scheduled to occur in April.