



SUCCESS STORIES

2016 Ginnie Mae Summit

Investor Accounting Deep Dive

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Overview

- Custodial Accounts
- Reconciliation of Pool Balance to Security Balance
- Test of Expected P&I
- Bank Reconciliations
- Reporting and Feedback System (RFS)
- Loan Buyouts

Custodial Account Requirements

P&I Custodial Bank Account:

- Ginnie Mae funds only
- Single **non-interest** bearing
- May contain funds for more than one pool
- Form HUD 11709 must exist for each account (Master Agreement)
- Maintained at a financial institution capable of ACH
- Bank Reconciliation completed timely
- Meet Bank rating requirements; See Chapter 16 -8 of the Guide
 - Thompson Bankwatch: C or better
 - Moody's: P-3 or better (Short term bank deposits)
 - Standard & Poor's: A-3 or better (short term CD's)
 - If funds custodian is not rated by any of the agencies above
 - Knoll Financial Corporation: C or better
 - Cates Bank Rating Service: 3.5 or better
 - IDC Financial Publishing: 75 or better (Rank of Financial Ratio)
 - Highline Rating Service: 47 or better



Custodial Account Requirements

- P&I Disbursement Account
 - Non interest bearing
 - Zero balance account
 - Financial Institution must be capable of ACH transactions
 - Used for Ginnie Mae only
 - Only 1 Ginnie Mae Issuer ID per account
 - HUD Form 11709 must exist for each account
- T&I Account
 - May be interest bearing
 - Ginnie Mae funds only
 - HUD Form 11720 must exist for each account
 - Separate Escrow Custodial Accounts required for FHA section 203K, buy downs, loss drafts, etc.
- Collection Clearing Account – optional
 - Can co-mingle Ginnie Mae and Non Ginnie Mae funds
 - Must transfer funds to Ginnie Mae P&I and T&I Account within 1 BD
 - Zero Balance Account



Custodial Account Title and Ownership

P&I Custodial Bank

- Account Title on HUD form 11709:

“ ABC Financial Service, LLC Trustee
of Principal and Interest Custodial Account or Principal and Interest
Disbursement Account for Various Ginnie Mae Mortgage-Backed
Securities Pools or Loan Packages”

- Ownership: Can only be owned by the Issuer



Custodial Account Title and Ownership

T&I Custodial Bank

- Account Title on HUD form 11720:

“ ABC Financial Service, LLC Trustee of Servicer’s Escrow Custodial Account for Various Mortgagors, Ginnie Mae Mortgage-Backed Securities”

- Ownership: Can only be owned by the Issuer



Account Title Acceptable Abbreviations

Issuer Name Abbreviations:

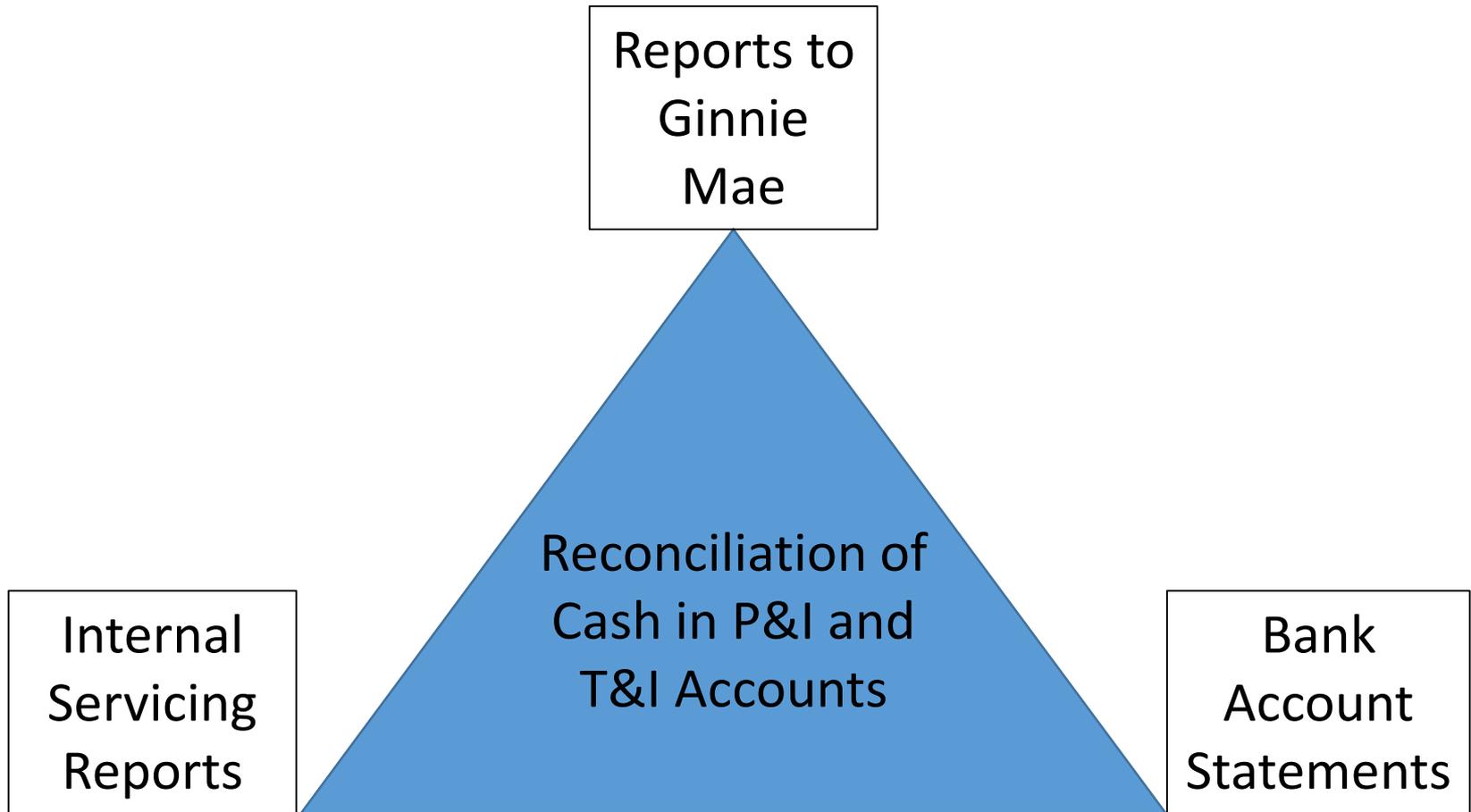
National Association	N.A.
Incorporated	Inc.
Federal Savings Bank	FSB
Company	Co.
Corporation	Corp.
Limited Liability Company	LLC
Limited Liability Partnership	LLP
Housing Finance Authority	HFA
Limited Company	LTD
Limited Partnership	LP



Custodial Account Titling- Acceptable Abbreviations

- | | |
|------------------------------|-------|
| • Trustee | TTEE |
| • Principal and Interest | P&I |
| • Escrow | ESCRW |
| • Custodial | CUST |
| • Disbursement | DISB |
| • Account | ACCT |
| • Ginnie Mae | GNMA |
| • Mortgage-Backed Securities | MBS |
| • Packages | PKGS |
| • Various | VAR |

The Reconciling Triangle



Reconciliation of Mortgage Collateral to Security Outstanding

RECONCILIATION OF MORTGAGE COLLATERAL TO SECURITIES OUTSTANDING	
POOL NUMBER: _____	REPORTING MONTH: _____
+ Month end pool principal balance (Sum of Fields 23 on L-Records in the pool (except liquidated loans))	\$ _____
+ Prepaid installment principal (Sum of Fields 17 on all L-Records in the pool)	\$ _____
- Delinquent installment principal (Sum of Fields 15 on all L-Records in the pool)	\$ _____
- CD Pools Only: Scheduled Principal (Enter amount from Section 2.A. of Issuer's Monthly Reconciliation of Pool and Loan Data Worksheet)	\$ _____
+ CD Pools Only: Liquidation Principal Installment (Enter principal portion of last installment reported on Issuer's Monthly Liquidation Reconciliation Worksheet)	\$ _____
- CD Pools Only: Additional Principal Adjustments or FIC change on GPM (Enter amount from Section 2.D. of Issuer's Monthly Reconciliation of Pool and Loan Data Worksheet)	\$ _____
= Adjusted Pool Principal Balance	\$ _____
- Securities Principal Balance (Amount in Field 10 on the P-Record as entered by Issuer)	\$ _____
= Difference: Over / Short	\$ _____



Test of Expected P&I

TEST OF EXPECTED P&I CUSTODIAL ACCOUNT BALANCE AT CUTOFF

POOL NUMBER: _____	Reporting Month: _____
+ Prepaid Principal and Interest (Sum of L-Record Fields 16 and 17 for each prepaid loan in the pool)	\$ _____
+ Additional Principal Payments (Sum of L-Record Field 20 for each loan in the pool)	\$ _____
+ Additional Principal Adjustment (Sum of L-Record Field 21 curtailment adjustments for each current loan in the pool)	\$ _____
+ Liquidation Principal (Sum of L-Record Field 28 for each liquidated loan in the pool prior to its liquidation)	\$ _____
+ Delinquent Service Fee (Sum of L-Record Field 14 for each delinquent loan in the pool multiplied by the service fee rate divided by the mortgage interest rate)	\$ _____
+ Service Fee (P-Record Field 5: Enter only if taken after cutoff date)	\$ _____
+ Fixed Installment on Liquidation (Sum of L-Record Field 11 for each liquidated loan in the pool)	\$ _____
- Delinquent Principal and Interest (Sum of L-Record Fields 14 and 15 for each delinquent loan in the pool)	\$ _____
- Prepaid Service Fee (Sum of L-Record Field 16 for each prepaid loan in the pool multiplied by the service fee rate divided by the mortgage interest rate)	\$ _____
- Service Fee from Liquidations (Sum of L-Record Field 26 for each liquidated loan in the pool multiplied by the service fee rate divided by the mortgage interest rate, based on last interest installment on Monthly Liquidation Worksheet)	\$ _____
= Subtotal (Expected P&I Balance)	\$ _____
- Reported P&I Balance (Field 12 of P-Record for pool)	\$ _____
= Difference: Over/Short	\$ _____

Bank Reconciliations

- Complete monthly within **30** days of cut off date.
- Reconciled Custodial Account balance should equal the amount that was reported in RFS Summary Screen under “Other Funds” which is the sum of fields 12 and 13 of all of the Pool Records.
- Reconciling items must be cleared within 90 days.
- Explanations should be clear and understandable to those outside of your organization.
- What are some of the P&I Shortfalls?
 - Late payments from Mortgagor
 - Non-sufficient Funds Check
 - Incorrect Advance Calculation
 - Data input errors i.e. service fee input on pool header incorrectly



Ginnie Mae P&I Reconciliation

- Bank statement balance at cut off date of: mmddyyyy \$ _____
- Deposits in Transit (total) + _____
- Outstanding Checks (total) - _____
- Adjustments (Explanation required) - _____
- SUBTOTAL (Adjusted bank balance) = _____
- LESS reported P&I and Other Funds
- (Sum of Fields 12 and 13 on the Pool Record as entered by Issuer) - _____
- Unreconciled difference (explain): = _____
- Preparer: _____ Date: _____
- Reviewer: _____ Date: _____



Ginnie Mae T&I Reconciliation

- Bank statement balance at cut off date of: mmddyyyy \$ _____
- Deposits in Transit (total) + _____
- Outstanding Checks (total) - _____
- Adjustments (**Explanation required**) - _____
- SUBTOTAL (Adjusted bank balance) = _____
- LESS reported T&I Funds
- (Field 11 on the Pool Record as Entered by Issuer) - _____
- Unreconciled difference (explain): = _____
- Preparer: _____ Date: _____
- Reviewer: _____ Date: _____

Investor Accounting with Ginnie Mae

When you service loans for Ginnie Mae, you will perform the following Investor Accounting Activities:

- Report activity for each pooled mortgage loan monthly through the Reporting and Feedback System.
- Remit “**Scheduled**” Principal and “**Scheduled**” Interest due to Ginnie Mae Security Holders.
- Resolve reporting and remitting discrepancies.
- Ensure Bank Accounts are fully funded for Remittance of payment due Security Holder and Guaranty Fee due Ginnie Mae
- Reconcile the Ginnie Mae Custodial Accounts.

Scheduled/Scheduled Accounting Method

- Calculate interest in arrears based on the beginning unpaid principal balance and *the Pool Interest Rate*. For example the October 1st payment would consist of interest collected from 9/1/16 through 9/30/16. (Pool Interest Rate is the loan note interest rate less the servicing fee.)
- Report and remit scheduled interest and principal.
- Report and remit principal curtailments in the cycle in which they occur.
- Report and remit Liquidations that occurred during the accounting cycle. *Monthly interest due is based on the mortgage's unpaid principal balance.*

Ginnie Mae Accounting Cycle

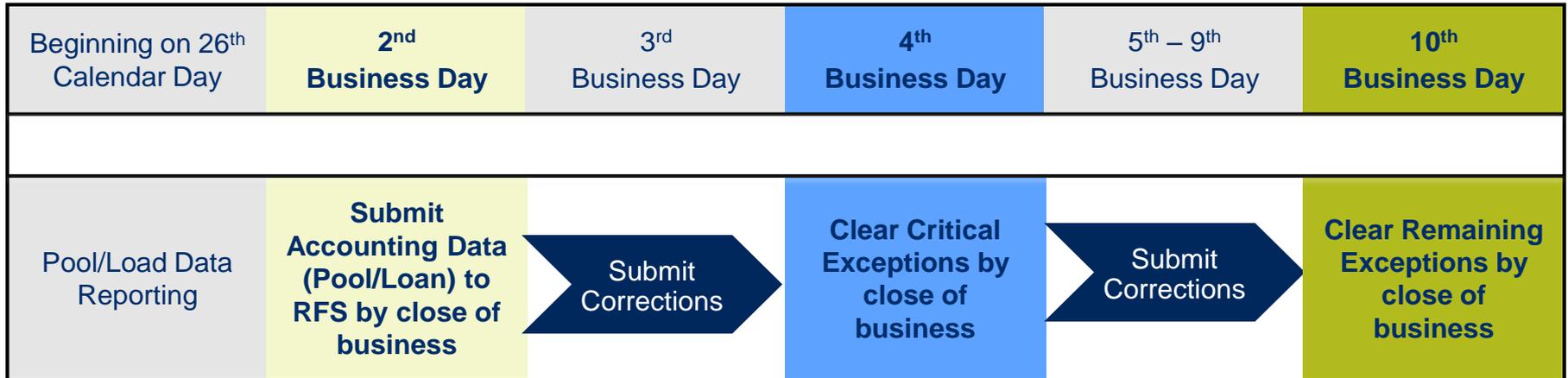
- The Ginnie Mae Accounting Cycle is a one (1) month period.
- Issuers may choose to begin the accounting cycle as early as the 25th Calendar Day of the month or as late as the 1st Business Day of the following month. This will be the established cut-off date. (This is an Issuer business decision.)
- Once established, the stated monthly reporting cut-off date will apply to all of the Issuer's pools and loan packages, and may not be changed without the prior written approval of Ginnie Mae's Office of Issuer & Portfolio Management
- For each type of pool and loan package, Issuers are required to report to Ginnie Mae the pool and loan data described in the Reporting and Feedback System (RFS) Issuer Monthly Report of Pool and Loan Data, Appendix VI-19 of this Guide, by 7:00 pm (Eastern Time) on the 2nd business day of each month.

Example of Critical Dates

Data	RFS Due Dates
100% Pool, Loan and RPB Data Reported	2 nd Business Day 7 pm ET
RPB Data Corrections (final)	4 th Business Day
Critical Corrections Resolved	4 th Business Day
Quarterly Custodial Account Verification Due	6 th to 15 th Business Day of March, June, September, & December
11714 & 11714SN Remittance Advice Due	8 th Business Day
Pool Data Corrections Completed	10 th Business Day
Loan Data Corrections Completed	10 th Business Day
Monthly Reporting Certification (fka 11710D)	10 th to the 14 th <u>Business</u> Day

RFS: Reporting Timeline

Timeline for Ginnie Mae Issuers to Submit Monthly MBS Data Security RPB and Pool and Loan Data Reporting



COB – Close of Business: 7:00PM Eastern Time

Analyze Exceptions

Severity Level	Correction Timeframe	Severity Description
E	Corrections to Pool and Loan Records as applicable; corrections on these exceptions are due no later than the 4th business day. Corrections to Various and Sensitive record exceptions are due no later than the 10th business day.	Record cannot be processed – Exceptions must be addressed in order to complete monthly reporting; resubmit data as applicable to the particular RFS message. Exceptions can occur on any Pool, Loan, Sensitive, or Various records.
C	Corrections must be addressed by the 4th business day. The severity level, “C”, is only associated with Pool and Loan reporting.	Generally these are exceptions related to remittance and/or disclosure data. These only occur on data related to Pool reporting and/or Loan reporting.
H	Corrections should be addressed by the 10th business day.	Exceptions related to Pool reporting and/or Loan reporting data.
M	Corrections should be addressed by the 10th business day.	Single Family Loan Matching and/or Suspense; corrections may require research, and therefore corrections could be made in the following reporting period
L	Corrections should be addressed by the 10th business day.	Exceptions can occur on any reporting of Pool, Loan, Sensitive, or Various records.

E-Notification

- E-Notification is an online function, accessible from the Ginnie Mae Enterprise Portal (GMEP). E-Notification provides an automatic email notice. However, it is the Issuers responsibility to check their notifications on line via RFS, on a routine basis.
- E-Notification directly supports the Monthly Investor Reporting and Related Activity by providing “notices” and “content” (reports, documents, files, etc.) accessible on line:

Name of Notice	Purpose
PA Functional Acknowledgement	Related to reporting of monthly files to RFS
PA Exception Feedback Notice	As a result of RFS editing of file receipt, and also as a result of RFS Summarize/Summary edit process.
Pre-Collection Notice	Part of the ACH-draft process: Ginnie Mae’s Central Paying and Transfer Agent
Various Suspense Notice	As a result of RFS editing of various records (V-Records)
Daily and Monthly Unique Loan IDs	Provides the ULIDs for loans in new pools
Other items such as LOC Letters, Notices from Ginnie Mae announcing APMs, Issuer Outreach Calls, Modernization Updates, events, outages, etc.	

Success Factors

- 100% of Pool and Loan data reported by 2nd Business Day
- Review all postings to e-Notification daily
 - Generation of ULIDs
 - PreCollection Notice (balance to reported data in RFS)
 - All other notices
- Analyze and correct RFS Exceptions per Severity Level requirements.
- Analyze and correct Matching Exceptions monthly
- Complete all reconciliations within required timeline
- Submit required Quarterly and Annual reports within required timeline



Important Links

- [Ginnie Mae Monthly Calendar](#)
- [RFS23 Pool Accounting Feedback User Guide](#)
- [Submitting Quarterly Custodial Account Verifications](#)

Buyout of Defective Loans- Centralization

In the recent months, the process of reviewing Issuer Buyout requests was centralized to the Ginnie Mae Monitoring team to promote the following efficiencies;

- Gain consistency in the decision making process of this task.
- To ensure enforcement and application of Section 14-8 of Ginnie Mae's MBS Guide in terms of meeting the definition of defective loans.
- Gain insight into the data of buyout requests including;
 - Reasons for request
 - Root cause of defects
 - Trends

Defective Loans-Definition

- **Ginnie Mae MBS Guide Section 14-8 (D):**
- **(D) Defective Loans** 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 GNMA MBS II Single Family Level Payment MBS and *H4H* mortgage loans, FHA is prohibited from paying insurance benefits, whether or not the mortgage is insured; or
 - (5) that does not comply with the terms of the related securities

Making a request ?

- Request should be sent to the Ginnie Mae Buyout mailbox at GinnieMaeBuyout@hud.gov
- Three (3) items should be included in a proper request; (***Ginnie Mae MBS Guide Appendix VI-02***)
 - I. Attestation Letter-Letter drafted on company letter head
 - II. Exhibit “A”
 - III. Evidence of Defect

Supporting Documentation

- **Type 1 - Agency Documentation:** In cases where insurer has official documentation from FHA/VA/RD that exists and provides evidence that the insurance has been denied, declined or withdrawn. Ex: NOR, Neighborhood Watch, FHAC, VALERI.
- **Type 2 - Alternative Documentation:** In cases where we are not able to obtain official documentation from the agency evidencing that the insurance has been denied, declined or withdrawn Ginnie Mae will look to the servicer to provided alternative document that supports our claim that the insurance was denied, declined or withdrawn. In these situations Ginnie Mae would be looking for us to provide this supporting documentation along with our buyout request. Example documentation: VA IRL; something to support the claim that loan is uninsurable.
- **Type 3 – (Used in cases where no supporting docs are available)-** Signed letter of explanation (LOE) on company letterhead containing a precise summary of what occurred and why the loan is uninsurable. In cases dependent on 3rd parties, include confirmation that all options to cure the defect, including attempts to engage the customer/customer partners have been exhausted, ultimately resulting in an uninsurable loan.
- Turn time to process a request is typically 5 business Days. This can be vary to be shorter or longer based on the amount of volume delivered to the Buyout mailbox.

The latest date to submit a Buyout request to be processed in the same calendar month is the last business day of the month minus (3) days. (Weekends and Holidays excluded)



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Questions



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