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APM 14-17

November 7, 2014

To: All Participants in the Ginnie Mae Programs

From: Theodore W. Tozer, President

Subject: Periodic MBS Program Maintenance

Periodically, it is necessary for Ginnie Mae to make minor changes and/or corrections to the Mortgage-Backed Securities Guide 5500.3, Rev. 1 (MBS Guide), to ensure that Ginnie Mae's policies are clearly and accurately reflected. These changes do not materially alter existing policies or procedures, but are necessary for maintenance purposes. Rather than issue separate All Participants Memorandums (APMs) in each case, Ginnie Mae will combine minor MBS Guide changes and issue Periodic MBS Guide Maintenance APMs as necessary.

#### **VA Hybrid ARM Pooling Eligibility**

The Department of Veterans Affairs (VA) recently expanded the type of loans it will guarantee to include 7/1 and 10/1 hybrid adjustable rate mortgages (ARMs) – mortgages that maintain a fixed rate for an initial period and adjust on an annual basis thereafter. While the MBS Guide does not currently preclude the inclusion of such loans in Ginnie Mae mortgage-backed securities, GinnieNET, Ginnie Mae's electronic pool processing system, is not currently able to accept these loans for pool processing. In order to accommodate VA hybrid ARM pooling at the seven and ten year product levels, GinnieNET is currently in the process of being updated. Effective with issuances dated on or after December 1, 2014, VA 7/1 and 10/1 hybrid ARMs will be eligible for pooling.

#### **Update regarding GinnieNET Testing**

In APM 14-14—New Single Family Data Elements, published September 3, 2014, Ginnie Mae announced that Issuers would be able to test file layouts in late October or early November. The testing period opened November 3, 2014 and Issuers will be able to test both the data elements announced in APM 14-14, and the pooling of VA 7/1 and 10/1 Hybrid ARMs referenced above. Issuers are strongly encouraged to participate in GinnieNET testing to ensure that their ability to pool will not be adversely affected. If you have any questions regarding testing, please call the GinnieNET Helpdesk at 1-800-234-4662, Option 1.

**Restoration of Errors and Omissions (“E&O”) Insurance Coverage Cap**

When updating Chapter 2 of the MBS guide in accordance with APM 14-11 (July 22, 2014), Ginnie Mae unintentionally removed language on the cap on E&O insurance coverage, specifically that “mortgagee errors and omissions coverage is capped at \$20 million.” This inadvertently omitted language has now been restored to Chapter 2-7 of the MBS Guide.

**APM 14-16 New Issuer Net Worth and Liquidity Requirements**

The requirements announced in APM 14-16 are not effective immediately, however, Ginnie Mae has decided to update the MBS Guide to reflect the new requirements along with their effective dates, rather than waiting until January 1, 2015 to do so.

For additional assistance, Issuers should contact their Ginnie Mae Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.