News Release

For Immediate Release

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Ginnie Mae Changes Buyout Policy to Enhance Performance of Modified Loans

Washington, DC – Today, the Government National Mortgage Association (Ginnie Mae) announced that it is expanding the parameters regarding loans eligible for repurchase from Ginnie Mae Mortgage-Backed Securities (MBS). Under the new policy, any modified loan may be repurchased after successfully completing a three-month trial payment period, if a trial period is required. This change aligns Ginnie Mae's repurchase policy for the Federal Housing Administration (FHA) non-Home Affordable Modification Program (HAMP) high-risk loans with the current policy for FHA-HAMP loans.

Ginnie Mae's updated loan repurchase policy is designed to accommodate the recently expanded FHA trial payment requirement for modified loans. The FHA policy now requires that high-risk non-HAMP loans complete a three-month trial period before a modification becomes permanent. Loans that have completed the required three-month trial payment program will be eligible to be repurchased from Ginnie Mae pools. Additionally, the newly-modified loan can be re-pooled into MBS by Issuers.

"This is one of our most important efforts this year," said Ginnie Mae President Ted Tozer. "FHA loan performance data shows that many modified borrowers are at risk of a re-default. By requiring that high-risk non-HAMP borrowers undergo a trial payment period on the modified loan terms in order to test the borrower's ability to repay, we hope to avoid the pattern of high re-defaults on modified loans. Given the investor concerns about pre-payment speeds, working with FHA to create this trial modification initiative was clearly in the best interest of borrowers, issuers, and investors."

FHA loan data shows that modified high-risk borrowers were responsible for more than half of re-defaults in Fiscal Year 2010. The majority of loan defaults occurred within three months on modified loans without a trial payment period. This new requirement for a trial payment period on high-risk mortgage loans prior to the permanent loan modification means that the loans most likely to default at an early stage will not be placed into Ginnie Mae MBS.

The Ginnie Mae policy also applies to loans insured or guaranteed by the Department of Veterans Affairs (VA), Rural Development (RD), and the Office of Public and Indian Housing (PIH) when the agencies require trial payment periods for permanent loan modifications.

Ginnie Mae raises capital from investors in the global credit markets to ensure liquidity for affordable rental and homeownership opportunities across the country. Through its MBS, Ginnie Mae finances housing mortgage programs run by the FHA, the VA, PIH, and RD.

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Ginnie Mae is a wholly-owned government corporation within the U.S. Department of Housing and Urban Development. Ginnie Mae pioneered the MBS, guaranteeing the very first security in 1970. An MBS enables a mortgage lender to aggregate and sell mortgage loans as a security to investors. Ginnie Mae securities carry the full faith and credit of the United States Government, which means that, even in difficult times, an investment in Ginnie Mae is one of the safest an investor can make.