
Compliance Review Process Overview



COMPLIANCE REVIEW **Agenda**

- Introduction
 - Types of Compliance Reviews
 - Field Review Lifecycle
 - Roles and Responsibilities
- Review Phases
 - Scheduling
 - Advance Process
 - On-Site
 - Follow-Up
- Introduction to the Smart Compliance Solution
- Success Factors
- Open Q&A

COMPLIANCE REVIEW Types

Forward Issuer Review

- Single Family, Multifamily and Manufactured Housing Issuers
- On-site at Issuer or Issuer's Subservicer facility or conducted remotely
- Custom testing based on portfolio type (SF/MF/MH)
- Focuses on cash management, collections and loss mitigation, Agency endorsements, and additional custom testing for expanded reviews

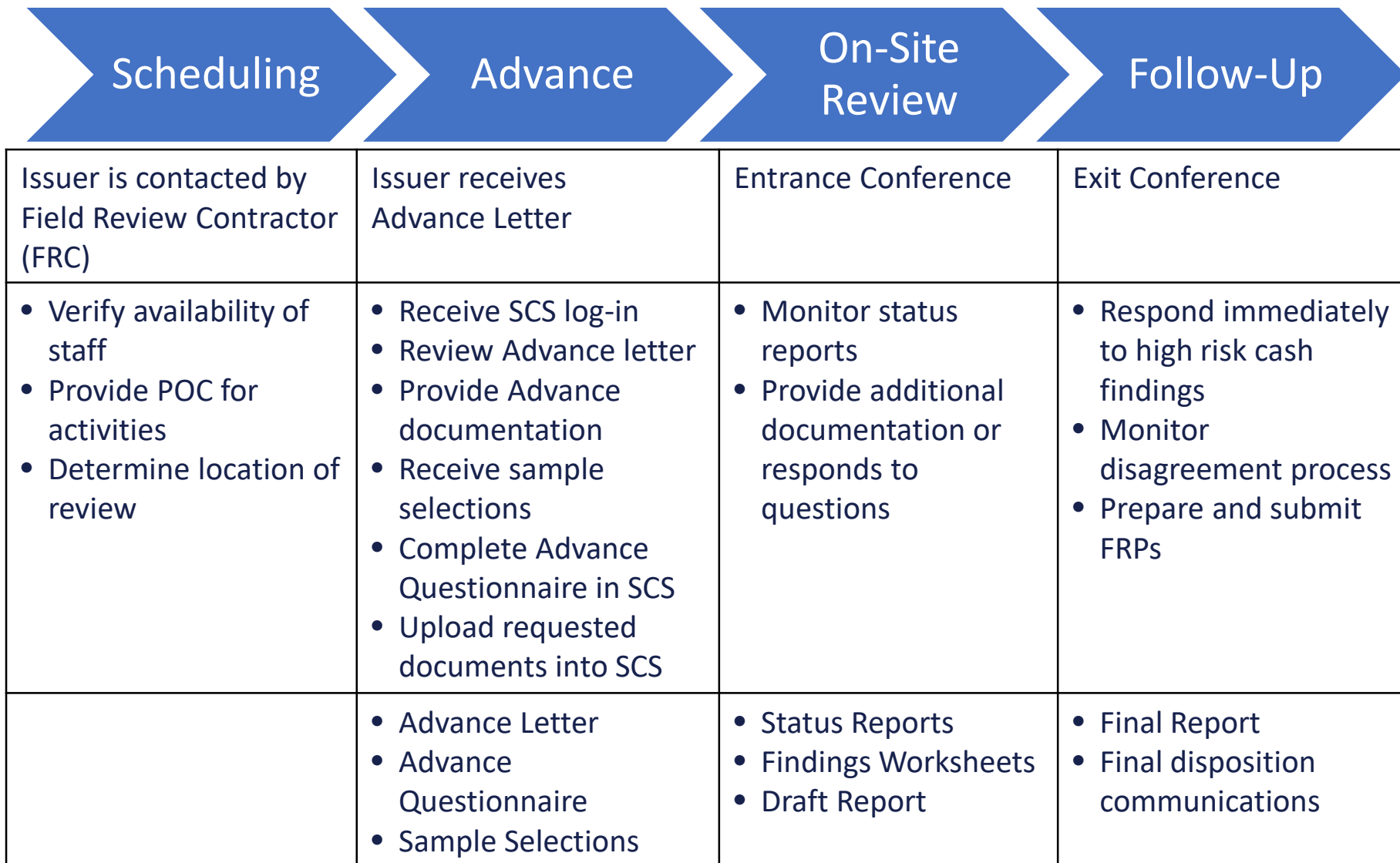
Reverse (HMBS) Issuer Review

- Home Equity Conversion Mortgage (HECM) Mortgage-Backed Securities (HMBS) Issuers
- On-site at Issuer, Issuer's Subservicer, Issuer's Participation Agent, and Issuer's Document Custodian
- Focuses on cash management and participation accounting
- Custom Document Custodial pool/loan level testing

Document Custodian Review

- Ginnie Mae Document Custodians and can include multiple Issuers using the same Document Custodian
- On-site at the document custodial facility
- Focuses on evaluation of custodial facilities and financial capacity
- Individual Issuer portfolio evaluations at the Issuer, pool, and loan level

COMPLIANCE REVIEW Lifecycle



COMPLIANCE REVIEW Roles and Responsibilities

- Issuer- Responsible for providing information to Ginnie Mae before, during and after review
 - If subservicer is used, issuer is responsible in all respects for the performance of its subservicer.
 - It is crucial that the Issuer actively participates in all aspects of the review, including the time when the FRC is on site at the subservicer.
- Subservicer- Performs all or selected tasks on behalf of the Issuer
 - The compliance review is generally performed on-site at the subservicer; it is the responsibility of the issuer to mitigate any findings identified that are attributed to the subservicer.
- Document Custodian- Holds all collateral and legal documents in secure location
 - Ensures newly issued and transferred pools have all required documents.
 - Releases loan documents when requested by Issuers.

COMPLIANCE REVIEW Risk Finding Severity

Risk Severity	Risk Severity Criteria
High	<ul style="list-style-type: none">• Poses risk to Ginnie Mae of non-timely or inaccurate payments to security holders• Poses risk of Issuer default and extinguishment by Ginnie Mae• Poses risk to Ginnie Mae of losses in the event of default and extinguishment• Represents significant internal controls procedural deficiency that, if not addressed, could disrupt management and transfer of the portfolio if Ginnie Mae were to assume the portfolio as a result of a default and extinguishment
Medium	<ul style="list-style-type: none">• Represents a failure to administer the portfolio that could, if not addressed, negatively affect its future value• Represents operational deficiencies that could lead to unreliable reporting of data to Ginnie Mae• Represents issues of non-compliance that hinder the efforts of Ginnie Mae to provide proper oversight
Low	<ul style="list-style-type: none">• All procedural findings that are not categorized as high or medium risk

COMPLIANCE REVIEW **Scheduling**

- Reviews are scheduled by the Field Review Contractor (FRC) at the request of Ginnie Mae
- 1-2 Month's Notice Prior to Review
- Field Review Frequency
 - Probationary Issuers: Three (3) reviews scheduled within 24 months following issuance of the first pool
 - Existing Issuers: Once every three (3) years
 - Increased Frequency: Larger Issuers, prior High Risk Findings, Ginnie Mae discretion

COMPLIANCE REVIEW **Advance Process**

- Information for Advance Team:
 - Additional points-of-contact
 - Portfolio characteristics
 - Servicing system/service bureau
 - Subservicer information
 - Types of bank accounts
 - On-site logistics

COMPLIANCE REVIEW **Advance Process**

- Advance Letter
 - Confirms date of the compliance review
 - Identifies duration of on-site activities
- Pre-selected Pools and Test Months to be Reviewed
- Documentation Requirements
 - Advance Questionnaire and information
 - Information required upon arrival on-site

- Advance Questionnaire
 - Comprised of questions spanning miscellaneous topics, mostly operational and not related to the pool or loan level testing
 - Coordination between the Issuer (and Subservicer) is required to complete the questionnaire

COMPLIANCE REVIEW **Advance Process**

- Sample selections are generated upon receipt of information prior to the review:
 - Liquidations
 - Claims paid/denied/pending
 - Loan histories and escrow analysis
 - Deposits and disbursements
 - Delinquencies
 - Endorsements
 - Cash-out refinances
- Findings may be issued if:
 - Missing or incomplete documentation that is not received by the entrance conference
 - Documentation cannot be produced to support compliance review testing

After initial contact by the Advance Team:

- Two (2) emails from Intellimime, postmaster@intellimime.com
 - First: Log-in instructions to log-in to the Smart Compliance Solution
 - Second: Advanced Letter (no later than three (3) weeks prior to review.

COMPLIANCE REVIEW **On-Site Review**

Cash Management

- Reconciliation of Mortgage Collateral to Securities Outstanding
- Test of Expected P&I
 - ✓ Service Fee Testing
 - ✓ Prepayment Fee Testing
 - ✓ Delinquent Fee Testing
 - ✓ Liquidation Fee Testing
 - ✓ Fixed Installment Control Testing
- P&I Custodial Account Testing
- P&I Disbursement Account Testing
- T&I Custodial Account Testing
- Special Escrow Account Testing (if applicable)
- Collection and Disbursement Clearing Account Testing
- Issuer Corporate Advance/Recovery Testing
- Guaranty Fee Testing (if applicable) and Annual Recertification

Delinquency

- Collections and Reporting Processes for Delinquent Loans
- Agency Claims Processing

Liquidations

- Liquidation Processing
- Refinances and Net Funded Loans
- Cash-out Refinances

Endorsements

- Agency Terminated Endorsements
- Agency Endorsement Matching
- Evidence of Clear Title at Time of Pooling

- Entrance Conference
 - Serves as the formal kickoff for the on-site testing portion of the review.
 - Discussion topics include:
 - Any potential areas of concern noted prior to the entrance conference
 - Key missing documentation
 - Final review logistics
 - Anticipated duration of the review, based on the documentation previously provided.

COMPLIANCE REVIEW **Status Report**

- Issuers receive at least one status report per day of testing.
- Status reports may be used to make key personnel aware of the current status of the review, preliminary findings, pending documentation and outstanding questions.
- Status reports may be updated multiple times daily depending on the pace of the review and updates to the status of documentation previously provided.

Prior to the Exit Conference:

- Review the Findings Forms and Draft Letter.
- Decide if you will agree or disagree with the Findings.
- Communicate any concerns about the findings to the Review Team Lead.
- Identify a representative to sign the Findings forms on behalf of the Issuer.
- Notify key personnel of the status of the review, pending findings and timing of the Exit Conference.

- The Exit Conference formally closes the on-site portion of the review and finalizes the results of the testing.
- The Issuer will be asked to mark a response to each finding:
 - **Agree:** The Issuer understands the finding and agrees that it is applicable in this instance.
 - **Agree with Conditions:** The Issuer understands the findings and believes it likely that the finding is correctly issued but would like to note potential mitigating factors.
 - **Disagree:** The Issuer believes the findings is incorrectly issued and has prepared, in writing, a basis for disagreement.

COMPLIANCE REVIEW **Follow-Up**

- A Findings Resolution Plan (FRP) to mitigate findings noted during the compliance must be submitted.
- The Finding Resolution Plan has two components:

Correction/Mitigation of Identified Conditions

- Description of the steps taken to correct the identified issues and mitigate the conditions causing issuance of the finding
- Additional supporting documentation reflecting the Issuer's internal correction/mitigation of the identified issues

Prevention of Recurrence of Identified Conditions

- Description of the policies/procedures implemented to prevent the recurrence of conditions causing the finding of non-compliance
- Additional supporting documentation reflecting implementation of the policies/procedures described within the FRP (i.e., email communication of revised procedures to applicable staff, and training materials)

COMPLIANCE REVIEW **Follow-Up**

Findings Mitigation Requirements

Finding Risk Level	Required Mitigation Timeline
High Risk – Cash Related	24 hours (1 calendar day)
High Risk	48 hours (2 business days)
Medium Risk	30 calendar days
Low Risk	90 calendar days

Timeline for Submission of Findings Resolution Plans (FRPs)

Finding Category	FRP Submitted, Mitigated, and Closed
High Risk – Cash Related	1 calendar day
High Risk	7 calendar days
Medium Risk	30 days
Recurring Low Risk	45 calendar days

COMPLIANCE REVIEW **Follow-Up**

Finding Status	Definition
OPEN	A finding issued in Draft Report which has not had its status otherwise changed
MITIGATED	A finding with an accepted FRP
DELETED	A finding which is considered removed from the Draft Report
NON-RECURRING	A non-recurring, low-risk finding which was not MITIGATED or DELETED
REFERRED	Any finding referred to Ginnie Mae for final resolution

COMPLIANCE REVIEW **Follow-Up**

- Findings may be referred to Ginnie Mae for two reasons:
 - The timeline for resolving the findings with the compliance review team has been exceeded.
 - The nature of the finding has led to an issue which only Ginnie Mae can resolve.
- The Ginnie Mae Mortgage Banking Analyst will work with you to resolve findings and will ultimately communicate the resolution to you and the review team.
- If a finding is referred and not resolved prior to a subsequent review, this will be noted in the subsequent review's report.

COMPLIANCE REVIEW **Follow-Up**

- FINAL REPORT provided on letterhead; summarizes all the finding in the Draft Report.
- Provided no later than 30 days after the Exit Conference.
- Indicates the status of all findings, even if the findings were deleted.
- May be provided prior to all findings being mitigated. The follow-up process will continue even after the issuance of the Final Report.

COMPLIANCE REVIEW **Top Findings – Single Family**

Finding Code	Risk Level	Description	% Of Reviews
400229	High	Account title of P & I Custodial Account(s) per bank signature card and/or Form HUD-11709 is incorrect.	32
400301	High	Account title of T & I Custodial Account(s) per bank signature card and/or Form HUD-11720 is incorrect.	27
400568	Medium	Issuer did not timely fund shortfalls identified in the Test of Expected P & I.	17
510125	Medium	Loan(s) liquidated for which a Form HUD-11708 could not be provided.	17
510108	High	Issuer does not make full and timely MIP payments as required per Agency.	13

COMPLIANCE REVIEW **Top Findings – Multifamily**

Finding Code	Risk Level	Description	% Of Overall Findings
400301	High	Account title of T&I Custodial Account(s) per bank signature card and/or Form HUD-11720 is incorrect.	19
400229	High	Account title of P&I Custodial Account(s) per bank signature card and/or Form HUD-11709 is incorrect.	17
150015	Low	Differences in excess of \$1.00 have been identified between the Adjusted Bank Balance and the Total Funds Other Than Escrow per the Exception Feedback Summary Screen.	7
400300	High	Account title of P&I Disbursement Account(s) per bank signature card and/or Form HUD-11709 is incorrect.	6
510209	Medium	Authorized signers per Forms HUD-11702 do not agree to the SecurID Token Order Form.	6

- Common Areas of Concern

- ✓ Fire Protection

- Be aware of Ginnie Mae's fire resistance requirements for the custodial facility
 - Minimum of two (2) hours fire protection required

- ✓ Operational Procedures

- Be aware of Ginnie Mae's requirements for the release/return of collateral files
 - Liquidation
 - Non-liquidation

COMPLIANCE REVIEW **Average Findings**



* Represents compliance reviews conducted from October 1, 2017 through May 10, 2019

COMPLIANCE REVIEW **Success Factors**

- Dedicated Resource (primary and secondary) throughout review process
- Completion of Advance Questionnaire
- Preparation for On-Site
- Timely Communication Throughout Process
- Ask Questions



SCS DEMONSTRATION

- **Scheduled Enhancements from Feedback (July 2019)**
 - Advance Questionnaire divided into 3 modules
 - All Issuers
 - Single Family Issuers Only
 - Multifamily Issuer Only
 - Questions may be answered in any order desired vs sequentially
 - Option to receive a record of your responses

COMPLIANCE REVIEW **Q&A Session**



Appendix

COMPLIANCE REVIEW **Advance Process**

Information to be provided at least one (1) week prior to the review ...

1. Forms HUD-11710 or successor forms
2. RFS Exception Feedback Summary Screen
3. Mortgage loan trial balance as of the test month reporting cutoff date
4. A flow chart of all bank accounts through which funds for loans in Ginnie Mae pools flow
5. Signature Cards for all bank accounts with Ginnie Mae Funds
6. Bank statements and reconciliation support
7. Special Escrow Accounts and reconciliations, if applicable
8. List of all loans that have had a claim paid, outstanding, or denied to include the pool number, loan number, and the insuring Agency that are in the Ginnie Mae portfolio at the time the claim was filed or received within the last 12 months, ending with the test month, to include pool number and loan number
9. List of all loans that have been liquidated from Ginnie Mae pools with pool number, loan number, liquidation code, and date of liquidation within the last 12 months
10. List of delinquent loans as of the test month reporting cutoff date to include pool number, loan number, loan type, last paid installment date, and loan status, i.e., pending modification, bankruptcy, foreclosure, forbearance, or other loss mitigation
11. List of all loans that have been assigned and/or repossessed, sold and foreclosed within the last 12 months
12. List of all loans refinanced by the Issuer and the Issuer held both the refinanced loan and the loan with the revised terms (Expanded Review only)
13. A list of all cash-out refinances, to include loan number, pool number, and pool issue date for the cash-out refinance within the last 12 months (Expanded Review only)
14. A list of all active Ginnie Mae loans with a “703” ADP code
15. A list of non-liquidation loans released by the Document Custodian

COMPLIANCE REVIEW **Advance Process**

Information to be provided by the Entrance Conference ...

(in addition to Sample selection responses)

16. Internal records supporting reported P&I on Forms HUD-11710As or successor form (i.e., GNMA pool reconciliation of principal and calculation of minimum cash required report)
17. Corporate advance ledger
18. Forms HUD-11714, if applicable
19. Cancelled security holder check (plus internal policies governing identification and proper handling of un-cleared or returned funds)
20. Pre-Collection Remittance Notices
21. List of claims for which offsets have occurred for loans that remain in a Ginnie Mae pool
22. Written procedures for claims filing and monitoring processes
23. A copy of all agency indemnification agreements
24. Forms HUD-11710E or successor form for loans in pre-selected pools during the test month and for the selected claims and liquidations
25. Written procedures governing modification agreements and handling of bankruptcies
26. Written procedures for handling foreclosures and assignments (plus tracking logs associated with these actions)
27. Proof of annual recertification for all lettered accounts
28. Form HUD-11702
29. Form HUD-11705
30. Form HUD-11707
31. Form HUD-11715
32. Form HUD-11709, and HUD-11720
33. GinnieNet Secure Token ID
34. Issuer's Taxpayer Identification Number (TIN)