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

<table>
<thead>
<tr>
<th>Forward Issuer Review</th>
<th>Reverse (HMBS) Issuer Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Single Family, Multifamily and Manufactured Housing Issuers</td>
<td>• Home Equity Conversion Mortgage (HECM) Mortgage-Backed Securities (HMBS) Issuers</td>
</tr>
<tr>
<td>• On-site at Issuer or Issuer’s Subservicer facility or conducted remotely</td>
<td>• On-site at Issuer, Issuer’s Subservicer, Issuer’s Participation Agent, and Issuer’s Document Custodian</td>
</tr>
<tr>
<td>• Custom testing based on portfolio type (SF/MF/MH)</td>
<td>• Focuses on cash management and participation accounting</td>
</tr>
<tr>
<td>• Focuses on cash management, collections and loss mitigation, Agency endorsements, and additional custom</td>
<td>• Custom Document Custodial pool/loan level testing</td>
</tr>
<tr>
<td>testing for expanded reviews</td>
<td></td>
</tr>
</tbody>
</table>

### 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

<table>
<thead>
<tr>
<th>Scheduling</th>
<th>Advance</th>
<th>On-Site Review</th>
<th>Follow-Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer is contacted by Field Review Contractor (FRC)</td>
<td>Issuer receives Advance Letter</td>
<td>Entrance Conference</td>
<td>Exit Conference</td>
</tr>
<tr>
<td>• Verify availability of staff</td>
<td>• Receive SCS log-in</td>
<td>• Monitor status reports</td>
<td>• Respond immediately to high risk cash findings</td>
</tr>
<tr>
<td>• Provide POC for activities</td>
<td>• Review Advance letter</td>
<td>• Provide additional documentation or responds to questions</td>
<td>• Monitor disagreement process</td>
</tr>
<tr>
<td>• Determine location of review</td>
<td>• Provide Advance documentation</td>
<td>• Complete Advance Questionnaire in SCS</td>
<td>• Prepare and submit FRPs</td>
</tr>
<tr>
<td></td>
<td>• Receive sample selections</td>
<td>• Upload requested documents into SCS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Complete Advance Questionnaire in SCS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Upload requested documents into SCS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Advance Letter</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Advance Questionnaire</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Sample Selections</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Advance Letter</td>
<td>• Status Reports</td>
<td>• Final Report</td>
</tr>
<tr>
<td></td>
<td>• Advance Questionnaire</td>
<td>• Findings Worksheets</td>
<td>• Final disposition communications</td>
</tr>
<tr>
<td></td>
<td>• Sample Selections</td>
<td>• Draft Report</td>
<td></td>
</tr>
</tbody>
</table>

**COMPLIANCE REVIEW**

**Lifecyle**

**Scheduling**
- Issuer is contacted by Field Review Contractor (FRC)
  - Verify availability of staff
  - Provide POC for activities
  - Determine location of review

**Advance**
- Issuer receives Advance Letter
  - Receive SCS log-in
  - Review Advance letter
  - Provide Advance documentation
  - Receive sample selections
  - Complete Advance Questionnaire in SCS
  - Upload requested documents into SCS

**On-Site Review**
- Entrance Conference
  - Monitor status reports
  - Provide additional documentation or responds to questions

**Follow-Up**
- Exit Conference
  - Respond immediately to high risk cash findings
  - Monitor disagreement process
  - Prepare and submit FRPs

**Documents**
- Advance Letter
- Advance Questionnaire
- Sample Selections
- Status Reports
- Findings Worksheets
- Draft Report
- Final Report
- Final disposition communications
• 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

<table>
<thead>
<tr>
<th>Risk Severity</th>
<th>Risk Severity Criteria</th>
</tr>
</thead>
</table>
| **High**      | • 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**    | • 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**       | • 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
• 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.)
<table>
<thead>
<tr>
<th>Cash Management</th>
<th>Delinquency</th>
<th>Liquidations</th>
<th>Endorsements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reconciliation of Mortgage Collateral to Securities Outstanding</td>
<td>• Collections and Reporting Processes for Delinquent Loans</td>
<td>• Liquidation Processing</td>
<td>• Agency Terminated Endorsements</td>
</tr>
<tr>
<td>• Test of Expected P&amp;I</td>
<td>• Agency Claims Processing</td>
<td>• Refinances and Net Funded Loans</td>
<td>• Agency Endorsement Matching</td>
</tr>
<tr>
<td>✓ Service Fee Testing</td>
<td></td>
<td>• Cash-out Refinances</td>
<td>• Evidence of Clear Title at Time of Pooling</td>
</tr>
<tr>
<td>✓ Prepayment Fee Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Delinquent Fee Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Liquidation Fee Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Fixed Installment Control Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• P&amp;I Custodial Account Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• P&amp;I Disbursement Account Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• T&amp;I Custodial Account Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Special Escrow Account Testing (if applicable)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Collection and Disbursement Clearing Account Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Issuer Corporate Advance/Recovery Testing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Guaranty Fee Testing (if applicable) and Annual Recertification</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• 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.
• 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)
### Findings Mitigation Requirements

<table>
<thead>
<tr>
<th>Finding Risk Level</th>
<th>Required Mitigation Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Risk – Cash Related</td>
<td>24 hours (1 calendar day)</td>
</tr>
<tr>
<td>High Risk</td>
<td>48 hours (2 business days)</td>
</tr>
<tr>
<td>Medium Risk</td>
<td>30 calendar days</td>
</tr>
<tr>
<td>Low Risk</td>
<td>90 calendar days</td>
</tr>
</tbody>
</table>

### Timeline for Submission of Findings Resolution Plans (FRPs)

<table>
<thead>
<tr>
<th>Finding Category</th>
<th>FRP Submitted, Mitigated, and Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Risk – Cash Related</td>
<td>1 calendar day</td>
</tr>
<tr>
<td>High Risk</td>
<td>7 calendar days</td>
</tr>
<tr>
<td>Medium Risk</td>
<td>30 days</td>
</tr>
<tr>
<td>Recurring Low Risk</td>
<td>45 calendar days</td>
</tr>
</tbody>
</table>
## Finding Status

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

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

<table>
<thead>
<tr>
<th>Finding Code</th>
<th>Risk Level</th>
<th>Description</th>
<th>% Of Overall Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>400301</td>
<td>High</td>
<td>Account title of T&amp;I Custodial Account(s) per bank signature card and/or Form HUD-11720 is incorrect.</td>
<td>19</td>
</tr>
<tr>
<td>400229</td>
<td>High</td>
<td>Account title of P&amp;I Custodial Account(s) per bank signature card and/or Form HUD-11709 is incorrect.</td>
<td>17</td>
</tr>
<tr>
<td>150015</td>
<td>Low</td>
<td>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.</td>
<td>7</td>
</tr>
<tr>
<td>400300</td>
<td>High</td>
<td>Account title of P&amp;I Disbursement Account(s) per bank signature card and/or Form HUD-11709 is incorrect.</td>
<td>6</td>
</tr>
<tr>
<td>510209</td>
<td>Medium</td>
<td>Authorized signers per Forms HUD-11702 do not agree to the SecurID Token Order Form.</td>
<td>6</td>
</tr>
</tbody>
</table>
• Common Areas of Concern
  ✓ Fire Protection
    ▪ Be aware of Ginnie Mae’s fire resistance requirements for the custodial facility
      o Minimum of two (2) hours fire protection required
  ✓ Operational Procedures
    ▪ Be aware of Ginnie Mae’s requirements for the release/return of collateral files
      o Liquidation
      o Non-liquidation
COMPLIANCE REVIEW Average Findings

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

5.08*
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 ordered desired vs sequentially
- Option to receive a record of your responses
Appendix
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)