



GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-9000

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APM 10-11

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Theodore W. Tozer, President

SUBJECT: Changes and Clarifications to HMBS Certification Requirements

The purpose of this All Participants Memorandum (APM) is to inform Participants of several policy changes and clarifications to the certification requirements for the Home Equity Conversion Mortgage (HECM) Mortgage-Backed Security (HMBS) program.

1. Living Trusts. The certification requirements are revised to clarify the signatory requirements when a living trust is the mortgagor.

Section 10(C)(3)(c)(iv) of the Document Custodian Manual (the Manual) in Appendix V-1 of Ginnie Mae Mortgage-Backed Securities Guide 5500.3, Rev. 1, is revised to state that when a living trust holds title, the promissory note must be signed both by the borrower and the trustee of the living trust. It is acceptable if the borrower and trustee are the same or different individuals, so long as both sign the promissory note in his or her respective capacities. Issuers are encouraged to utilize parallel signatures on the promissory note and the mortgage.

The signatory requirements for the mortgage are revised in Section 10(D-1)(2)(a)(i) of the Manual to require the signature of the trustee of the living trust, and unless not necessary to create a valid first mortgage, the borrower. If the mortgage is not signed by the borrower, then a legal opinion will need to be submitted to document that the borrower's signature is not necessary to create a valid first mortgage.

The signatory requirements for any intervening mortgage assignments in Section 10(C)(3)(e)(i) of the Manual are similarly revised. In addition, the certification requirements are clarified in various places to reflect that the borrower may be different than the mortgagor, for example, with living trusts. A copy of the living trust agreement is still required to be included in the file at the time of initial certification.

2. Miscellaneous Clarification. The certification requirements are clarified in Section 10(C)(3)(d) of the Manual to reflect that FHA has authorized lenders using the Lender Insurance procedures to execute the HECM loan agreement.

3. Lost Instrument Bonds. Appendix I of the Manual discusses the requirements for posting a lost instrument bond when the promissory note is missing. For purposes of calculating the dollar amount of the bond, in the case of HECM loans, the Issuer should use the Maximum Claim Amount of the loan, as opposed to the remaining principal balance plus 20 percent.

The specific provisions that implement these changes and clarifications are found in Section 10 and Appendix I of the Manual (Appendix V-1). If you have any questions about these provisions, please contact your Ginnie Mae Account Executive in the Office of Mortgage-Backed Securities at 202-708-1535.