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APM 14-06

May 16, 2014

To: All Participants in Ginnie Mae Programs

From: Theodore W. Tozer, President

Subject: Clarification to the General Loan Buyout Policy

Ginnie Mae is clarifying its general buyout policy. Section 18-3(B)(1)(c) of the Ginnie Mae Mortgage-Backed Securities Guide, 5500.1 REV-3 ("Guide") presently states that Issuers may buy loans out of pools when the borrowers have failed to make any payment for three consecutive months. The intent of the current policy is to permit defaulted loans to be bought out of pools when a loan is 90 or more days, i.e. three consecutive months, past-due. The Guide language, however, is ambiguous and has created confusion as to whether, if a borrower remits any payment including a partial payment while the loan is in default, the Issuer must wait a minimum of three additional months before the loan can be bought out of the pool.

To clarify, loans collateralizing Ginnie Mae Mortgage-Backed Securities may be bought out of pools if the loan is due, but unpaid for three consecutive months. For example, if the last paid installment on a loan was December 1, and no payments are received and applied by the Issuer for January 1, February 1, and March 1, the loan is eligible to be bought out of the pool as soon as April 1. Payments from delinquent borrowers, including partial payments, do not re-start the calculation period unless they are sufficient to bring the loan current. Application of payments to a defaulted or delinquent mortgage is governed by the insuring/guaranteeing agency.

Payments applied by the Issuer may cause the first unpaid installment date to roll forward to the next month. Using the above example, if the Issuer receives a payment which equals a full monthly payment in March, that payment would be applied as of the January 1 due date, and the loan would be eligible for buyout no sooner than May 1.

In addition, to avoid confusion with definitions of delinquency or default used by the insuring or guaranteeing agencies, Ginnie Mae is incorporating into the Guide a definition of default and delinquency which applies to repurchase requirements and portfolio performance metrics such



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as DQ2, DQ3 and DQP.

The amendments to the Guide, attached hereto, are effective immediately. Please direct any questions you may have to your Ginnie Mae Account Executive in the Office of Issuer and Portfolio Management at (202) 708-1535.