Ginnie Mae
Our Guaranty Matters

Overview of Key Program Guidelines Transcript

Table of Contents

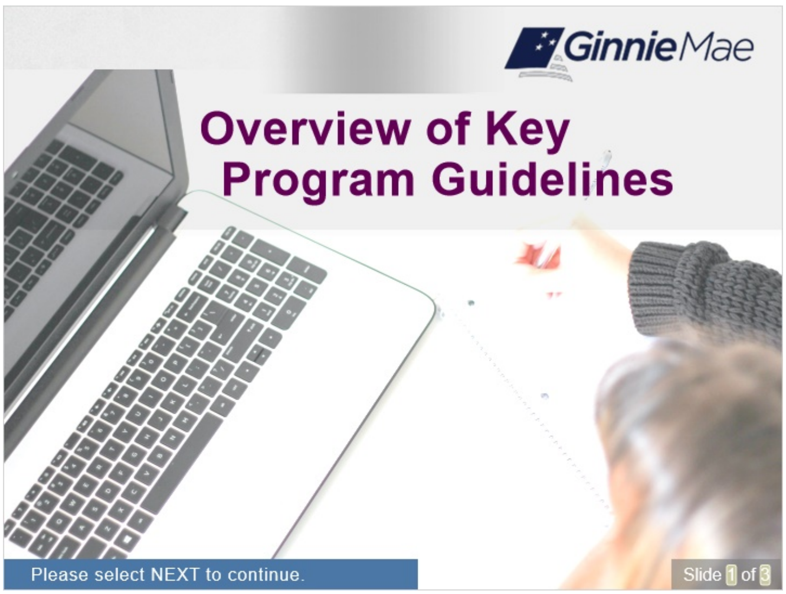
Table of Contents 1
Overview of Key Program Guidelines 3
1. Introduction 3
1.1 Overview of Ginnie Mae Key Program Guidelines 3
1.2 Module Purpose 3
Objectives 3
1.3 Navigation Tutorial 3
2. Ginnie Mae MBS Programs 4
2.1 Overview of the Ginnie Mae MBS Programs 4
2.2 Distinction between Ginnie Mae MBS Programs 4
2.3 Ginnie Mae I MBS - Single-Family Mortgages 4
2.4 Ginnie Mae I MBS Program - SF & MF Pool Types 5
2.5 Ginnie Mae II MBS 5
2.6 Ginnie Mae I and II MBS Expanded Comparison (a) 5
2.7 Ginnie Mae I and II MBS Expanded Comparison (b) 6
2.8 Ginnie Mae I and II MBS Expanded Comparison (c) 6
2.9 Knowledge Check 1 6
3. Differentiating Single-Class MBS Program Issuances 7
3.1 Overview of Issuance Types 7
3.2 Single-Family Issuance 7
3.3 Multifamily Issuance 8
3.4 HMBS Issuances 8
3.5 Manufactured Housing (MH) Issuances 9
3.6 Knowledge Check 2 9
4. Multiclass Securities 10
4.1 What Is a Multiclass Security? 10
4.2 Real Estate Mortgage Investment Conduits (REMICs) 10
4.3 Platinum Securities 11
Platinum Security Benefits 11
4.4 Stripped Mortgage-Backed Securities (SMBS) 12
4.5 Knowledge Check 3 13
5. Conclusion 13

5.1 Summary 13
Objectives 14
Single-Class MBS 14
Multiclass MBS 15

Overview of Key Program Guidelines

1. Introduction

1.1 Overview of Ginnie Mae Key Program Guidelines



1.2 Module Purpose

Welcome to the Overview of Ginnie Mae Key Program Guidelines!

The purpose of this training is to present the Government National Mortgage Association (Ginnie Mae) mission, history, statutory and regulatory authority, and the basics of the Mortgage-Backed Securities (MBS) program.

Objectives

- Distinguish between the Ginnie Mae I and Ginnie Mae II Programs
- Differentiate Single-Class MBS program issuances including the Single-Family (SF), Multifamily (MF), Home Equity Conversion Mortgage-Backed Securities (HMBS), and Manufactured Housing issuances
- Differentiate the Ginnie Mae Multiclass Securities

1.3 Navigation Tutorial

[The navigational tutorial is applicable to the on-line training only.]

2. Ginnie Mae MBS Programs

2.1 Overview of the Ginnie Mae MBS Programs

At the core of Ginnie Mae's business model is the modified pass-through security, which comes in the form of two product structures or programs—Ginnie Mae I Mortgage-Backed Securities (MBS) and Ginnie Mae II MBS.

Unlike other entities such as Fannie Mae and Freddie Mac, Ginnie Mae does not originate or invest in mortgage loans directly. Rather, Ginnie Mae is the guarantor of securities issued by approved Issuers who participate in our programs.

Fannie Mae and Freddie Mac are both examples of Government-Sponsored Enterprises (GSEs). Neither organization actually originates loans with borrowers in the primary markets, but they do purchase from their participating sellers/services as a sort of a proxy to our "Issuer" class.

Ginnie Mae's business model differs from other Government-Sponsored Enterprises (GSEs) that package loans into mortgage securities sold to investors because it does NOT issue the securities it guarantees, nor does it buy or sell loans.

This means Ginnie Mae operates with a much smaller balance sheet and no debt.

2.2 Distinction between Ginnie Mae MBS Programs

Ginnie Mae's products fall into two broad categories: Single-Class securities and Multiclass securities, which we will discuss later in this module. For now, it is important to understand that Ginnie Mae created the Ginnie Mae I Program and the Ginnie Mae II Program for Single-Class securities.

The primary distinctions between the two programs include the payment mechanism and payment date. Additionally, Ginnie Mae I pools are created by one Issuer with direct payment to the security holder. Ginnie Mae II pools may be either Custom or have multiple Issuers to a security and payments are made by the Central Payment and Transfer Agent (CPTA). The Custom MBS II Issuer pools are similar to the MBS I pools, though they pay out on the 20th not the 15th.

The Ginnie Mae I MBS Program is for the issuance of securities backed by Single-Family or Multifamily loans.

The Ginnie Mae II MBS Program is for the issuance of securities backed by Single-Family loans (MBS) and also contains special provisions for the issuance of HMBS.

2.3 Ginnie Mae I MBS - Single-Family Mortgages

Ginnie Mae I MBS are modified pass-through MBS on which registered holders receive separate principal and interest (P&I) payments on each of their certificates. The underlying mortgages generally have the same or similar maturities and the same interest rate on the mortgages.

As modified pass-through securities the Single-Family Ginnie Mae I pools have a 50-basis point (0.5 percent) spread between the interest rate for each note in the pool and the security rate. This program also permits the Securitization of Multifamily mortgages. The securitization provisions are established in detail in the MBS Guide, Chapter 1, Part 3, Section A, Unique Features of Each Program. Ginnie Mae I payments are made to holders on the 15th day of each month.

Under the Ginnie Mae I MBS Program, in the case of shortfalls in collections on the mortgage loans, the Issuer must supply on a timely basis from its own funds the amounts to which the security holders are entitled.

2.4 Ginnie Mae I MBS Program - SF & MF Pool Types

Under the Ginnie Mae I MBS Program, there are various types of mortgage pools and guaranteed securities. In addition to Single-Family mortgages, one or more Multifamily mortgages may be pooled. Take a moment to review the different types.

2.5 Ginnie Mae II MBS

The MBS II pooling requirements allow greater flexibility between Issuers and investors, not necessarily due to the 3 loan one million dollar pool requirement elsewhere.

The securities in this program are modified pass-through MBS for which registered holders receive an aggregate P&I payment from a Central Payment & Transfer Agent (CPTA). These MBS are useful tools for “pipeline” management for Ginnie Mae Issuers and provide additional flexibility and liquidity.

As an example, this program’s securities permit greater flexibility with respect to loan characteristics. Coupon rates on the underlying mortgages can vary between 25 and 75 basis points above the interest rate on the pool for pools issued on or after July 1, 2003, and between 50 and 150 basis points for pools issued before July 1, 2003.

The program also permits Multiple Issuer Pools (MIPs) and Single-Issuer Pools as well as securitization of Adjustable Rate Mortgages (ARMs).

2.6 Ginnie Mae I and II MBS Expanded Comparison (a)

Let’s compare the Ginnie Mae I and II MBS Programs. They are alike in five areas: Issuer, Underlying Mortgages, Guarantor, Guaranty, and Principal & Interest (P&I).

Issuers are Ginnie Mae-approved mortgage lenders. The underlying mortgages are government-insured and government-guaranteed loans such as from the Federal Housing Authority (FHA), the U.S. Department of Veterans Affairs’ (VA) Home Loan Program for Veterans, the U.S. Department of Agriculture’s (USDA) Rural Development (RD) Housing, and the U.S. Department of Housing and Urban Development’s (HUD) Office of Public and Indian Housing (PIH).

As the guarantor, Ginnie Mae's guaranty ensures timely payment of the principal and interest (P&I) paid monthly to the securities holders for both programs. Monthly P&I mirrors borrower payments on their mortgage, the underlying collateral. The borrower payments, net of servicing and other fees, are then passed through to investors.

2.7 Ginnie Mae I and II MBS Expanded Comparison (b)

Now let's see how the Ginnie Mae I and II MBS Programs are different. Each program has different pool types as shown on your screen. Notice that Ginnie Mae II MBS pool types does not include serial notes, Multifamily construction, or project loan pools.

The programs are different with regard to the interest rate on the underlying mortgages. Under Ginnie Mae I MBS, all mortgages in a pool have the same interest rate (except manufactured housing pools).

Under Ginnie Mae II MBS, the interest rates may range from 25 to 75 basis points on mortgages in a pool.

2.8 Ginnie Mae I and II MBS Expanded Comparison (c)

Finally, the Ginnie Mae I and II MBS Programs are different with respect to payment dates, maturity, minimum certificate size, minimum pool size, and the number of Issuers that may form a pool. Take a moment to study the differences as shown in the table.

Importantly, notice that the payment date for the Ginnie Mae I MBS is the 15th of the month versus the 20th of the month for Ginnie Mae II MBS.

Also, note that the Ginnie Mae I MBS does have a maturity of 40 years for Multifamily MBS and has a $1,000 minimum certificate size for Multifamily construction loans.

Notice that the minimum pool size varies depending on whether it's a Single-Family or Multifamily MBS under Ginnie Mae I as well as the pool type under the Ginnie Mae II MBS Program.

Each pool under the Ginnie Mae I Program must be formed by a single Issuer, while under the MBS II Program, Single-Family pools may be formed by a single Issuer or by multiple Issuers.

Finally, it should be noted that Ginnie Mae now offers the Custom Extended Term (C ET) pool type, which is essentially a custom pool type, albeit with loan package characteristics: 1 loan, $25,000 minimum pool size.

2.9 Knowledge Check 1

Now try this knowledge check.

For each statement, select whether it is a feature of the Ginnie Mae I or Ginnie Mae II Program.

Statement	Ginnie Mae I	Ginnie Mae II
Under this program, multiple Issuers may form Single-Family pools.		✓
Only Single-Family mortgages may be pooled under this program.		✓
Under this program, all the mortgages in a pool must bear the same interest rate except in the case of securities backed by manufactured home loans.	✓	
Multifamily mortgages can only be pooled under this program.	✓	

3. Differentiating Single-Class MBS Program Issuances

3.1 Overview of Issuance Types

There are four types of issuances in the Single-Class MBS Program: Single-Family Issuances, Multifamily Issuances, Home Equity Conversion Mortgage-Backed Securities (HMBS) Issuances, and Manufactured House (MH) Issuances.

For the life of the pool or loan package, the Issuer is responsible for servicing the mortgages in accordance with FHA, VA, RD, and PIH guidelines and Ginnie Mae's requirements and practices that are generally accepted in the mortgage lending industry. Accounts and records relating to the pooled mortgages must be maintained according to sound accounting practices in a manner that permits Ginnie Mae's representatives to examine and audit them with or without prior notice.

Issuers are also responsible for administering the securities including collecting and depositing the mortgagors' monthly principal, interest, and escrow payments and all other payments and recoveries with respect to the pooled mortgages and deposits them into its P&I and escrow custodial accounts for the pool or loan package.

Importantly, Issuers must submit monthly pool and loan level data for the life of the security.

3.2 Single-Family Issuance

The majority of Ginnie Mae securities are backed by Single-Family mortgages originated through the FHA, VA, RD, and PIH insurance programs.

The Single-Family Program is based on Single-Family loans which are secured by properties made up of one to four units in a single structure.

Ginnie Mae's Single-Family Program is the conduit for government mortgage lending to the world-wide capital markets. This program allows borrowers in government programs to reap the benefits of the full faith and credit of the United States by adding liquidity into the market to lower their borrowing costs.

3.3 Multifamily Issuance

Since the creation of the Multifamily Program in 1971, Ginnie Mae has guaranteed more than $300 billion in Multifamily MBS.

Ginnie Mae's mission of supporting affordable housing and promoting stable communities extends to ensuring that decent rental units remain accessible and affordable. It also means facilitating the construction and renovation of Multifamily and Healthcare housing such as apartment buildings, hospitals, nursing homes, assisted-living facilities, and other housing options.

By guaranteeing pools of Multifamily loans that are sold to investors in the global capital markets, Ginnie Mae enables lenders to reduce mortgage interest rates paid by property owners and developers. In addition, these projects stabilize and bring jobs to communities across the country.

3.4 HMBS Issuances

Turn your attention now to Home Equity Conversion Mortgage-Backed Securities (HMBS) Issuances.

In addition to traditional mortgages, Ginnie Mae's expanding Home Equity Conversion Mortgage (HECM) Securities Program provides capital and liquidity for FHA-insured reverse mortgages.

This is an essential financial solution for a growing number of senior citizens.

Reverse mortgages provide senior citizens with access to the equity in their homes during challenging economic times.

HECM loans can be pooled into HECM mortgage-backed securities (HMBS) within the Ginnie Mae II MBS program. They also can serve as collateral for Real Estate Mortgage Investment Conduits (REMIC) backed by HMBS (H-REMICs).

With continued investor interest in HECM-backed securities, significant efforts have been made to support market demand for reverse mortgages.

The structure and support that Ginnie Mae has brought to this market has increased its liquidity. This translates into better execution on the securities and lower costs for the growing population of senior citizens.

3.5 Manufactured Housing (MH) Issuances

Ginnie Mae's Manufactured Housing (MH) Program provides a guaranty for mortgage loans insured by FHA for the purchase of a new or used manufactured home.

This program provides liquidity in the market that, in turn, lowers costs for borrowers.

Manufactured housing plays an integral role in affordable housing across the United States housing market today.

Ginnie Mae's MH MBS program allows for the issuance of Ginnie Mae pools for loans insured by FHA's Title I Program, which are used to finance manufactured housing.

Manufactured housing loans can be pooled into MH MBS within the Ginnie Mae II Program. MH loan collateral consists solely of "real property." Manufactured homes that are not secured to a foundation (i.e., mobile homes) are not considered eligible collateral due to their high risk nature.

The Manufactured Housing Program works in conjunction with the Housing and Recovery Act of 2008 as well as the FHA Manufactured Housing Loan Modernization Act of 2007 to address the diminishing market for the earlier version of the Title I Program.

The limited nature of this Program left low- to moderate-income borrowers with no adequate financing options for manufactured housing.

Following FHA's modernization of the program, Ginnie Mae also made updates to the Title I Program to offer a securitization vehicle for manufactured housing that is backed by the U.S. Government.

3.6 Knowledge Check 2

Now try this knowledge check.

For each statement, select the appropriate Ginnie Mae issuance.

Statement	Single-Family Issuance	Multifamily Issuance	HMBS Issuance	Manufactured Housing Issuance
This issuance is based on loans that are secured by properties made up of one to four units in a single structure.	✓			
This issuance provides capital and liquidity for FHA-insured reverse mortgages.			✓	

This issuance provides a guaranty for mortgage loans insured by FHA for the purchase of new or existing real property that is secured to a foundation, lowering costs for borrowers.				✓
This issuance ensures rental units remain accessible and affordable and facilitates construction and financing of apartment buildings, nursing homes, and other housing options.		✓		

4. Multiclass Securities

4.1 What Is a Multiclass Security?

Recall that Ginnie Mae's products fall into two broad categories: Single-Class Securities and Multiclass Securities. Now let's explore the Multiclass security products.

Multiclass Securities are formed by aggregating Single-Class and/or other Multiclass Securities into the structured product.

Ginnie guarantees Single-Class Securities, which are then used to assemble structure products in the secondary market, typically by dealers.

Ginnie Mae's Multiclass Securities include the Ginnie Mae Real Estate Mortgage Investment Conduits (REMIC), Platinum securities, and Stripped MBS (SMBS) products.

These structured transactions allow the private sector to combine and restructure cash flows from Ginnie Mae MBS into securities that meet unique investor requirements for yield, maturity, and call-option protection.

The intent of the Multiclass Securities category is to further increase the liquidity of Ginnie Mae securities in the secondary mortgage market, attract new sources of capital, and lower price premiums.

4.2 Real Estate Mortgage Investment Conduits (REMICs)

REMICs are complex investments that generate income for Issuers and investors. Mortgage pools are generally broken up into tranches, repackaged, and marketed to investors as individual securities. The tranche inside the REMIC is where the different payment structures are offered to investors. The assets underlying REMIC securities can be either other MBS or whole mortgage loans.

REMICs direct P&I payments from underlying MBS to classes with different principal balances, interest rates, average lives, prepayment characteristics, and final maturities.

REMICs allow investors with different investment horizons, risk-reward preferences, and asset-liability management requirements to purchase MBS tailored to their needs. Unlike traditional pass-throughs, the P&I payments in REMICs are not passed through to investors pro rata. They are divided into varying payment streams to create classes with different expected maturities, level of seniority or subordination or other characteristics.

Ultimately, REMICs allow Issuers to create securities with short, intermediate, and long-term maturities and flexibility that, in turn, allows Issuers to expand the MBS market to fit the needs of a variety of investors.

4.3 Platinum Securities

A Ginnie Mae Platinum Security is formed by combining Ginnie Mae MBS into a new single security. Platinum Securities provide investors with greater market and operating efficiencies.

Platinum Securities can be constructed from fixed rate underlying Ginnie Mae Securities that have uniform coupons and original terms to maturity. Platinum Securities can also be constructed from Ginnie Mae adjustable-rate mortgage (ARM) securities through the Weighted Average Coupon ARM program. WAC ARM Platinum securities currently do not meet To Be Announced (TBA) eligibility.

The Ginnie Mae Platinum pool consists entirely of Ginnie Mae I MBS or entirely of fixed-rate Ginnie Mae II MBS. In both cases, the securities must have the same pool type, coupon rate, and delivery eligibility.

Both 30-year and 15-year Ginnie Mae MBS Certificates are eligible for Ginnie Mae Platinum pools. Ginnie Mae Platinum pools can be created from seasoned or current MBS production; depositors can contribute entire or partial pools of Ginnie Mae MBS certificates.

Ginnie Mae guarantees the timely payment of P&I on each Ginnie Mae Platinum pool. This guaranty is backed by the full faith and credit of the U.S. Government.

In exchange for Ginnie Mae’s guaranty of the Ginnie Mae Platinum pool, a cash fee is charged.

Platinum Security Benefits

Benefits of the Platinum security product include:

- Increase marketability and liquidity for relatively illiquid MBS pools, which, when combined, still meet Public Securities Association (PSA) “good delivery” guidelines

- May be used in structured financings, repurchase transactions, and general trading
- Decreased prepayment variation than the MBS due to the diversification of the underlying mortgages
- Lower pool processing costs for investors, for monthly P&I payments, since multiple MBS pools are combined into one larger pool
- Greater market and operating efficiencies for investors
- Investors owning smaller pools of Ginnie Mae MBS can combine new or existing MBS into larger Ginnie Mae Platinum pools.

4.4 Stripped Mortgage-Backed Securities (SMBS)

A stripped mortgage-backed security (SMBS) is a type of MBS that is split into principal-only and interest-only strips. They derive their cash flows either from principal or interest payments on the underlying mortgages, unlike conventional MBSs that generate income from both of these two sources.

The profitability of principal-only strips and interest-only strips hinges primarily on the direction of interest rates. An important attribute of SMBS is that it has flexible exchange capabilities and can be tailored to consist of the desired amount of principal or interest, offering the investor a customized amount of interest rate risk.

SMBS, which will be sold from time to time in one or more series, represent interests in separate Ginnie Mae SMBS Trusts. Each Trust is comprised primarily of fully modified pass-through mortgage-backed certificates for which Ginnie Mae has guaranteed the timely payment of P&I pursuant to the Ginnie Mae I Program or the Ginnie Mae II program, the Platinum Program, REMIC, or comparable mortgage certificates; or previously issued Ginnie Mae guaranteed SMBS. In each case, evidencing interests in Trusts, consisting primarily of direct or indirect interests in Ginnie Mae Certificates, are further described in the related Offering Circular Supplement.

Each series will be issued in two or more classes. Each class of securities of a series will evidence an interest in future principal payments and/or an interest in future interest payments on the Trust assets included in the related Trust. The Trust created for each issue of SMBS will be classified as a Grantor Trust.

4.5 Knowledge Check 3

Now try this knowledge check.

For each statement, select the appropriate Ginnie Mae issuance.

Statement	REMIC	Platinum Securities	Stripped MBS
This type of security derives its cash flow from either principal or interest payments on the underlying mortgages. Cash flow from only one source causes this type of security to be more susceptible to prepayment risk, making them very sensitive to interest rate changes.	✓		
In this type of security, each series is issued in two or more classes with evidence of future principal payment and/or future interest payments.			✓
Securities underlying this type of pool consist entirely of Ginnie Mae I MBS or entirely of fixed-rate Ginnie Mae II MBS. In both cases, the securities must have the same pool type, coupon rate, and delivery eligibility.		✓	

5. Conclusion

5.1 Summary

The goal of this training module was to provide you with a fundamental understanding of the Ginnie Mae Mortgage-Backed Programs. You learned that Ginnie Mae's products fall into two broad categories: Single-Class Securities and Multiclass Securities.

For Single-Class securities, Ginnie Mae created the Ginnie Mae I Program and the Ginnie Mae II Program.

In the Multiclass securities category, you examined the REMIC, Platinum, and Stripped MBS investment vehicles.

The primary distinction between the two programs is the payment mechanism and payment date.

Objectives

- Distinguish between the Ginnie Mae I and Ginnie Mae II Programs
- Differentiate Single-Class MBS program issuances including the Single-Family (SF), Multifamily (MF), Home Equity Conversion Mortgage-Backed Securities (HMBS) and Manufactured Housing issuances
- Differentiate the Ginnie Mae Multiclass Securities

Single-Class MBS

Description	**Ginnie Mae I MBS**	**Ginnie Mae II MBS**

Pool Types	• Single-Family
	  ○ Level-Payment Mortgage
	  ○ Graduated Payment Mortgage
	  ○ Growing Equity Mortgage
	  ○ Buydown Mortgage
	• Manufactured Housing
	• Serial Notes
	• Multifamily
	  ○ Construction Loan
	  ○ Project Loan
		• Single-Family
		  ○ Level-Payment Mortgage
		  ○ Graduated Payment Mortgage
		  ○ Growing Equity Mortgage
		• Manufactured Housing
		• Buydown Mortgages

Multiclass MBS

Description	Ginnie Mae I MBS	Ginnie Mae II MBS
Pool Types	• Single-Family ○ Level-Payment Mortgage ○ Graduated Payment Mortgage ○ Growing Equity Mortgage ○ Buydown Mortgage • Manufactured Housing • Serial Notes • Multifamily ○ Construction Loan ○ Project Loan	• Single-Family ○ Level-Payment Mortgage ○ Graduated Payment Mortgage ○ Growing Equity Mortgage • Manufactured Housing • Buydown Mortgages