



GinnieMae

Our Guaranty Matters

2015

SEPTEMBER 21-22 | ARLINGTON, VIRGINIA



GAMECHANGERS
2015 GINNIE MAE SUMMIT

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Monitoring and Compliance

Implications of Non-Compliance

Agenda

- What constitutes an Event of Non-Compliance?
- What program activities does Ginnie Mae Monitor?
- How does Ginnie Mae respond to events of non-compliance?
- How does Ginnie Mae respond to egregious program violations?
- How does Ginnie Mae administer civil money penalty actions?



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Events of Non-Compliance

Events of Non-Compliance result from acts by or deficiencies on behalf of an Issuer due to an Issuers inability to properly execute core program activities mandated by the Ginnie Mae MBS Guide and Guaranty Agreements.



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What Constitutes an Event of Non-Compliance

Article X of the Ginnie Mae Guaranty Agreement lists the following 10 egregious program violations:

1. Failure of Issuer to timely remit Principal & Interest payment to Security Holders;
2. Notice by the Issuer to Ginnie Mae for an advance of funds;
3. Any other act or omission by the Issuer that results in an untimely payment;
4. Any notification to Ginnie Mae by the Issuer that it cannot meet its payment obligation;
5. Any impending or actual insolvency of the Issuer;



What Constitutes an Event of Non-Compliance

Article X of the Ginnie Mae Guaranty Agreement lists the following 10 egregious program violations:

6. Any change in an Issuers business status that may result in an inability to carry out its obligations;
7. Any unauthorized use of custodial funds;
8. Any withdrawal or suspension of FHA mortgagee status or Fannie Mae / Freddie Mac seller/servicer status;
9. Any submission of false reports, statements or data, or any act of dishonesty or breach of fiduciary duty to Ginnie Mae;
10. Any failure of the Issuer to observe or comply with any of the terms and provisions of the Guaranty Agreement or Guide



What does Ginnie Mae Monitor?

Remitting Activity:

- Remittance of Ginnie Mae I and II principal and interest payments;
- Remittance of Guarantee Fee

Data Reporting Activity:

- Accurate and complete transmission of all Remaining Principal Balance data by 2nd business day;
- Timely Correction of Remaining Principal Balance data errors by 4th business day;
- Incidents requiring manual intervention by Ginnie Mae/Pool Processing Agent



What does Ginnie Mae Monitor?

Other Core Program Activities:

- Loan Matching exceptions
- Delinquency Ratios – DQ2/DQ3/DQP
- Submission of Annual Audited Financial Statements, E&O and Fidelity Insurance, quarterly financial statements and compliance with Ginnie Mae net worth and liquidity requirements
- Remediation of Compliance Review Findings
- Pool Certifications – Collateral Document Management
- Change in Control or Issuer status (Merger/Asset Sale)
- Change in Servicing Strategy – Migration of loan servicing function to a Sub-Servicer or In-House
- Loan Pooling and Suspense Processing and other investor reporting tasks
- IOPP Results (new – beta testing)



How Does Ginnie Mae Respond to Events of Non-Compliance?

- Soft Notification – E-mail, phone call, or letter to discuss event and remedial actions
- Notice of Violation – 30-Day Default – written response required from the Issuer detailing remedial actions to be taken within 30 days
- Notice of Violation – Event of Immediate Default with prescribed remedy by Ginnie Mae
 - Letter of Understanding
 - Corrective Action Plan
 - Constrained Program Participation (Probation)
- Notice of Violation – Event of Terminal Default with
 - Mandated portfolio transfer and withdrawal from the Program
 - Portfolio Seizure with Extinguishment and Termination
- Civil Money Penalty – Imposing a monetary penalty per statutory guidelines



How Does Ginnie Mae Respond to Events of Non-Compliance?

Remittance Infraction

Ginnie Mae I P&I – 15th calendar day
Ginnie Mae II P&I – 20th calendar day

Ginnie Mae I G Fee – 10th calendar day
Ginnie Mae II G Fee – 19th calendar day

- First infraction – Issuer must remedy but is subject to a Notice of Violation – Event of Immediate Default and a Civil Money Penalty
- Subsequent infractions – Issuer must remedy. Circumstance could warrant a Notice of Violation – Event of Terminal Default and a Civil Money Penalty

Data Reporting Infraction

2nd or 4th Business Day

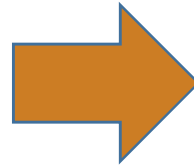
- First infraction – Issuer must remedy but is given a “Free Pass”
- Second infraction – Issuer must remedy but is subject to Civil Money Penalty
 - Civil Money Penalty (up to \$8.5K per pool per incident. Cap of \$1.525M per calendar year)
- Subsequent infractions - Notice of Violation (30-day default) up to an Event of Immediate Default declaration coupled with another Civil Money Penalty action



How Does Ginnie Mae Respond to Events of Non-Compliance?

Non-Compliance Related to Other Core Program Activities

- Elevated Loan Matching Rates
- Elevated Delinquency Ratios
- Failure to submit Audited Financial Statements & Insurance Documentation
- Failure to remediate Compliance Review Findings
- Delinquent Pool Certifications
- Material changes in an Issuer's Status
- Failure to notify Ginnie Mae about a change in Servicing Strategy or Change in Control event
- Loan Pooling and Suspense Processing



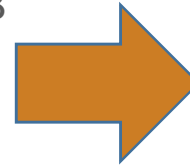
Ginnie Mae Response

- Soft notification by Ginnie Mae or its contracted agent
- Notice of Violation – 30 Day Default
- Inability to remedy or failure to timely remedy infraction or program violation could warrant a Notice of Violation – Event of Immediate Default with measures prescribed by Ginnie Mae



How Does Ginnie Mae Respond to Egregious Program Violations?

- Fraud – Misuse of custodial funds.
Submission of false reports/data
- Material adverse change in business status
- Regulatory Action – FDIC takeover, CFPB adverse action
- Adverse action by Insuring Agencies or GSE's – loss of FHA mortgagee status
- Institutional Failure – bankruptcy, receivership or conservatorship
- Gross inability to meet Ginnie Mae program requirements



Warrants a declaration of a Terminal Default with:

- Mandatory transfer of the Ginnie Mae portfolio and withdrawal from the program or
- Extinguishment, seizure of the Ginnie Mae portfolio and termination from the program



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How Does Ginnie Mae Administer Civil Money Penalty Actions?

- Civil Money Penalty statutory guidance provided in – 24 CFR, Part 30
- Infraction occurs and warrants the imposition of a civil money penalty
- Ginnie Mae sends Issuer the Pre-Penalty Notice
- Issuer provides response to Pre-Penalty Notice within 30 calendar days
- Ginnie Mae reviews response and determines if enforcement is warranted and penalty amount - up to \$8,500.00 per pool, per occurrence or violation
- Verbal conveyance of the penalty amount to the Issuer. If Issuer:
 - Accepts penalty amount – Settlement Agreement with payment instructions is provided to the Issuer
 - Rejects penalty amount – Complaint filed by Ginnie Mae and administrative law proceeding commences
- Penalties are not disclosed in the Federal Registry





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