



***SUCCESS STORIES***  
2016 Ginnie Mae Summit

# Maintaining Issuer Eligibility



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Welcome!

## Panelists

- **Harlan Jones**, Director, Single Family Account Management
- **John Staudt**, Mortgage Banking Analyst, Monitoring & Asset Management

# AGENDA

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Overview of Eligibility Requirements –Maintaining Ginnie Mae Issuer Status

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The Drill Down into the Financial Requirements

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How Does Ginnie Mae Respond to Events of Non-Compliance



*Overview of Eligibility Requirements –  
Maintaining Ginnie Mae Issuer Status*

1. Approved with Insuring or Guaranty Agencies
2. Fannie Mae or Freddie Mac Approval
3. Fidelity Bond and E&O insurance
4. Annual Certification of HUD-11702
5. Change in Issuer Business Status
6. Servicing Performance
7. Delinquency Rates
8. Demonstrated Participation
9. Financial Statement Requirements



## *The Drill Down into Financial Requirements*

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- All Issuers must submit annual audited financial statements and Quarterly financial statements
- New Net Worth Requirement for 2016 (APM 14-16)

*(\$2.5M + 35bps (Total Securities Outstanding + Available Commitment Authority + Total Pools Funded)  
= Minimum Net Worth Requirement*

- New Liquidity Requirement for 2016 (APM 14-16)

*Must have Liquid Assets greater of \$1M or 10bps of Total Securities Outstanding*

- Capital Requirements (No Change)

*Banks, Thrifts and Savings and Loan Institutions requirements:*

1. *Tier 1 Capital/total Assets Ratio of 5% or greater;*
2. *Tier 1 Capital/ Risk –Based Assets Ratio of 6% or greater; and*
3. *Total Capital/ Risk – Based Assets Ratio of 10% or greater.*

- Independent Mortgage Banks

*Total Adjusted Net Worth/Total Assets Ratio of 6% or greater.*

# Executing Core Program Requirements/Activities

## Remittances

- Timely and accurate payments to Ginnie Mae MBS investors
- Timely and accurate payment of Ginnie Mae fees (guaranty, commitment)
- Avoiding ACH rejections (e.g. fraud filter, incorrect ACH information)

## Reporting

- Timely and accurate RPB reporting by the 2nd and 4th business day
- Timely clearing of exceptions
- Avoiding manual corrections on the 5<sup>th</sup> business day

## Subservicers

- Appropriate and active oversight and governance over Subservicer(s)

## Issuer Information

- Timely notification to Ginnie Mae of Issuer change in control transaction
- Timely notification to Ginnie Mae of a transition to in-house loan servicing, or a change in an Issuer's loan servicing platform
- Timely submission of audited financial statement & insurance information

## Pool Certification

- Follow-up with the PPA in verifying pool certification/re-certification
- For TOS transactions – ensuring that all pools subject to transfer are final certified

# Executing Core Program Requirements/Activities

## Insurance Matching

- Timely endorsement of loans in Ginnie Mae pools
- Accurate reporting of loan data to Ginnie Mae and Agencies
- Timely resolution of aged, un-matched loans

## Document Custody

- Reporting structure ensures adequate segregation of custodian staff
- Robust oversight protocols of 3<sup>rd</sup> party custodian exist to ensure compliance

## Findings Remediation

- Implement steps to adequately resolve Compliance Review findings
- Fully mitigate all high and medium findings in a timely manner
- Ensure remediation steps taken will prevent a recurrence of any findings



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

Ginnie Mae responds to an event of non-compliance by a:

- Soft Notification – E-mail, phone call, or letter to discuss event and remedial actions

Formal Notifications can include:

- 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 – 15<sup>th</sup> calendar day

Ginnie Mae II P&I – 20<sup>th</sup> calendar day

Ginnie Mae I G Fee – 10<sup>th</sup> calendar day

Ginnie Mae II G Fee – 19<sup>th</sup> 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

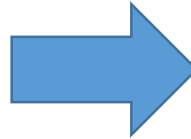
2nd or 4<sup>th</sup> Business Day

- 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.)
- 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



## 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



Questions

Observations



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## CONTACT INFORMATION

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