



Investor Reporting Quarterly Webinar— Loan Substitution

October 13, 2022

REVIEW AND CLEARING RFS EXCEPTIONS

Presenters

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LOAN SUBSTITUTION

Agenda

1. Introduction
2. Reference Documents
3. Substitution Timeline
4. Chapter 14 Pool and Loan Package Administration - General
5. Request to Buyout/Substitute Loan
6. Review and Create New Loan
7. Report Required New Loan Data
8. Questions

Introduction

OBJECTIVES: LOAN SUBSTITUTION

Webinar Objectives



What tasks should an Issuer be able to complete after training?

What new information will Issuers be exposed to?

Understand loan substitution requirements and effectively complete required documents

Utilize **resources provided by Ginnie Mae**

Report new Unique Loan IDs (ULID) required information

GENERAL INFORMATION

Loan Substitution: Used to replace a defective loan when approved by Ginnie Mae.

Remittance of principal is based on net amount between UPB of Defective Loan at time of removal and UPB of Substitute Loan.

Defective loan approval for removal will be determined by Ginnie Mae's Office of Issuer and Portfolio Management.

Substitute loan must satisfy all eligibility requirements as if it had originally been put in the pool and its remaining principal balance may not be greater than the remaining principal balance of the mortgage to be replaced.

Substitutions are processed between the 25th calendar and the last calendar day of the month.

No Issuer or subcontract servicer may, without the written permission of Ginnie Mae, remove a loan, whether pursuant to a substitution or otherwise, from a pool or loan package or reduce a balance on a pooled loan for any reason not specifically authorized in the applicable Guaranty Agreement or in this Guide

Reference Documents

REFERENCE DOCUMENTS

DOCUMENT	DESCRIPTION	LINK
 <p>Ginnie Mae Website</p>	<p>Government National Mortgage Association official website Access to MBS Guide and Appendix/Forms.</p>	<p>www.ginniemae.gov</p>
 <p>Ginnie Mae MBS Guide</p>	<p>The Ginnie Mae Mortgage-Backed Securities Handbook provides in-depth information about the Ginnie Mae I and Ginnie Mae II programs. It includes program information on many topics, including eligibility requirements, Issuer responsibilities, risks and liabilities, applications, pools, required forms, and other special requirements.</p>	<p>www.ginniemae.gov/issuers/program_guidelines/Pages/mbs_guide.aspx</p>
 <p>Ginnie Mae MBS Chapter 14 Pool and Loan Package Administration - General</p>	<p>This chapter describes the responsibilities of an Issuer in servicing mortgage pools and loan packages and the related securities. The chapter describes the servicing standards that govern the discharge of these responsibilities</p>	<p>www.ginniemae.gov/issuers/program_guidelines/MBSGuideLib/Chapter_14.pdf</p>
 <p>Ginnie Mae MBS Appendix VI-02 Form Letter for Repurchase</p>	<p>Ginnie Mae MBS Appendix VI-02 Form Letter for Repurchase Request to repurchase defective loan(s) and Exhibit A detail of defective loan(s).</p>	<p>www.ginniemae.gov/issuers/program_guidelines/MBSGuideAppendicesLib/Appendix_VI-02.pdf</p>

Substitution Timeline

SUBSTITUTION TIMELINE

- If a SF Mortgage or manufactured home loan is found to be defective within 120 calendar days after the Issue Date of the securities, then the Issuer must cure the defect or replace the mortgage or loan in the pool or loan package. The mortgage/loan will be replaced with a substitute mortgage or loan prior to the expiration of the 120 day period.
 - However, Project loans, Construction loans, and Home Equity Conversion Mortgage (HECM) loans are ineligible for loan substitutions and must be bought out as provided in Chapter 14 (Pool and Loan Package Administration – General, Part D. Defective Loans, (2) Issuer Responsibilities for Defective Loans subsection (b), Mandatory Loan Buyouts.)
- If a project or construction loan is found to be defective, regardless, of the time of discovery, the Issuer must cure the defect or buy out the loan.

Chapter 14 Pool and Loan Package Administration- General

CHAPTER 14 POOL AND LOAN PACKAGE ADMINISTRATION – GENERAL

- This chapter describes the **responsibilities of an Issuer in servicing mortgage pools and loan packages and the related securities**. The chapter describes the servicing standards that govern the discharge of these responsibilities.
- **No Issuer or subcontract servicer may, without the written permission of Ginnie Mae, remove a loan,** whether pursuant to a substitution or otherwise, from a pool or loan package or reduce a balance on a pooled loan for any reason not specifically authorized in the applicable Guaranty Agreement or in this Guide.
- **Within the first 120 calendar day from the Issue Date of a security, Issuers must prioritize efforts to cure loan defects that arise from missing federal mortgage insurance or guaranty.** Ginnie Mae will refrain from enforcing the loan substitution requirement for any Single Family mortgage or manufactured home loan that (i) is defective solely because it does not comply with the terms of the securities because it has not been insured or guaranteed by an agency of the Federal Government named in Section 306(g)(1) of the National Housing Act, and (ii) is not otherwise defective under elements (a) – (e) of the definition of Defective Mortgage in MBS Guide, Ch. 14, Part 8, § D(1).
- Ginnie Mae may act, at any time, to **enforce the loan substitution requirement** if it determines, in its sole discretion, **that an Issuer is not prioritizing efforts to cure defects or for other good cause**. Immediately upon receiving notice or being deemed to have notice that Ginnie Mae, in its sole discretion, will no longer refrain from enforcing the loan substitution requirement for any Single Family mortgage or manufactured home loan that is defective solely because it has not been insured or guaranteed, the Issuer shall become subject to the loan substitution requirement in the Guaranty Agreement.

SUBSTITUTION REQUIREMENTS

Substitute Mortgage or Loan Requirements:

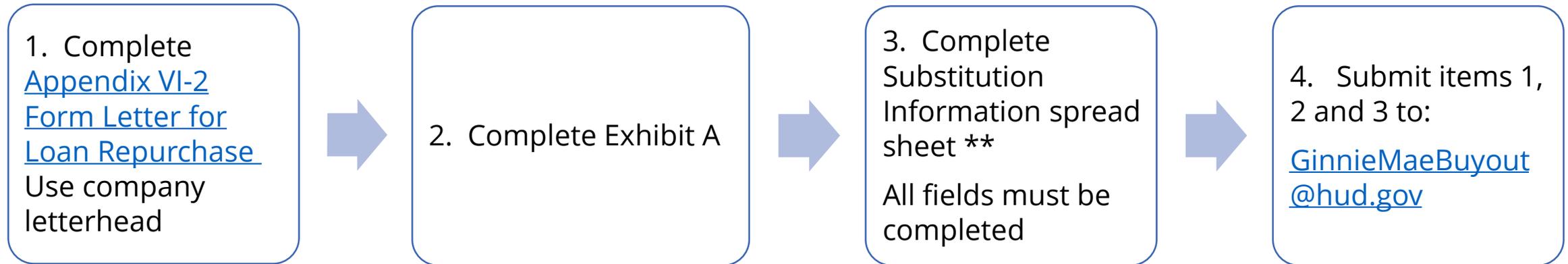
- Pool eligibility requirements:
It must satisfy all of the eligibility requirements in the Guide or terms of the securities that would have had to meet had it been properly included in the related pool initially.
- Maturity Date:
Its maturity date may not be later than the maturity date of the related Ginnie Mae MBS.
- Remaining principal balance:
At the time of replacement, its remaining principal balance may not be greater than the remaining principal balance of the mortgage, according to the pool and security records, to be replaced. If its remaining principal balance is less than the remaining principal balance of the mortgage or loan to be replaced, the Issuer must, as applicable, include the pro rata portion of such difference in the next payment made to the security holders of the related securities.

Notice and Approval Requirements:

- The Issuer must notify in writing Ginnie Mae's Office of Issuer & Portfolio Management (see Addresses) of any mortgage found to be defective. The Issuer must receive Ginnie Mae's written approval prior to any substitution for or buyout of a Defective Mortgage from a pool. A request to buy out a Defective Mortgage must be submitted in accordance with the Form Letter for Loan Repurchase (Appendix VI-2).

Request to Buyout/Substitute Loan

REQUIRED DOCUMENTATION



** if needed, request Substitution Information spreadsheet from GinnieMaeBuyout@hud.gov

STEP 1 - APPENDIX VI-2 FORM LETTER FOR LOAN REPURCHASE

Applicability: Ginnie Mae I MBS Program and Ginnie Mae II MBS Program.

Government National Mortgage Association
ATTN: Office of Issuer & Portfolio Management
451 Seventh Street, S.W.
Washington, D.C. 20410-9000

To Whom it May Concern:

This is a request to purchase defective loan(s) or Participations related to defective HECM loans, out of Ginnie Mae pools, that prevent final pool certification within the prescribed time-frame. I certify that as of the date of this request (name of institution) does not have in its possession, nor do I believe that (name of institution) will be able to obtain a valid Mortgage Insurance Certificate (MIC), Loan Guaranty Certificate (LGC), Loan Note Guaranty (LNG), or Certificate of Loan Guarantee (CLG) for each of the loans listed on the attached Exhibit A.

I have stated on Exhibit A, a detailed reason why FHA, VA, RD or PIH has not issued an MIC, LGC, LNG or CLG.

I certify that I have not knowingly and willfully made or used a document or writing containing any false, fictitious, or fraudulent statement or entry. 18 U.S.C. 1001 provides that whoever does so within the jurisdiction of any department or agency of the United States shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

Sincerely,

Signature
Title
Date

Enclosure(s)

Date: 08/01/2013
VI-2

1

Appendix



Complete Appendix VI-2 Form Letter for Repurchase. Signature, Title and Date of Request.

Enclosures as required (i.e., Exhibit A and Substitution Spreadsheet)

STEP 2 - BUYOUT REQUEST

Instructions:

- Complete Exhibit A
- All fields must be completed.

GINNIE MAE 5500.3, REV. 1

EXHIBIT A

BUY OUT REQUEST

The following loans are ineligible for FHA Insurance, VA Guaranty, RD Guaranty, or PIH Guaranty and will be bought out at par if approved by Ginnie Mae.

<u>ISSUER'S GNMA ID #</u>	<u>POOL NUMBER/ BORROWER LOAN #</u>	<u>FHA-VA- RD-PIH CASE NO.</u>	<u>UNIQUE GINNIE MAE LOAN ID</u>	<u>INTEREST RATE</u>	<u>DATE OF FIRST PAYMENT</u>	<u>DATE OF LAST PAYMENT</u>	<u>ORIGINAL PRINCIPAL BALANCE</u>	<u>UNPAID REMAINING PRINCIPAL BALANCE</u>	<u>REASON FOR REPURCHASE</u>
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STEP 3 - SUBSTITUTION INFORMATION REQUIRED

	Old Loan	New Loan
Pool ID		
Pool Issue Date		
Loan Type		
Case Number		
Issuer Loan ID		
First Payment Date		
Issuer ID		
Maturity Date		
OPB		
UPB		
FIC		
LPI		
Loan Origination Date		
Interest Rate		
Address		
City		
State		
Zip code		
ULID of Old Loan		

Note: Additional information required if ARM Loan

Old Loan Loan to be removed

- Complete all fields, no blanks

New Loan Loan to be created

- Complete all fields, no blanks
- Loan Type – 3 digits required
- Case Number – 15 digits per APM 02-17
- If new loan is a modified loan, enter information from modified note.
- Ensure new loan is not already securitized.

Review and Create New Loan

REVIEW NEW LOAN INFORMATION – OUR PROCESS

Receive substitution information from Buyout Group prior to or on last business day of the month.

Review old loan to determine if still active. If loan has been liquidated, review process stops. Provide information to Buyout Group. If old loan still active, continue review process.

Review new loan to determine if loan meets pool requirements. If meets requirements, continue process.

If new loan does not meet requirements, send information back to Buyout Group and list problems.

Create new loan on/about the 25th calendar day until last business day of the current month.

Send email with spreadsheet (encrypted with password) to issuer with New Unique Loan ID with note to complete Borrower Name, Sensitive and Various Information on loan record. Send password to issuer in separate email.

COMPLETED EXAMPLE OF ADDITIONAL INFORMATION

	Old Loan	New Loan
Pool ID	BF6121	BF6121
Pool Issue Date	2/1/2018	2/1/2018
Loan Type	VAG	VAG
Case Number	000171762323853	000171757814589
Issuer Loan ID	85789	85236
First Payment Date	6/1/2016	3/1/2018
Issuer ID	9999	9999
Maturity Date	5/1/2046	2/1/2048
OPB	\$360,549.00	\$319,500.00
UPB	\$348,016.79	\$318,514.67
FIC	\$1,619.03	\$1,457.08
LPI	2/1/2018	4/1/2018
Loan Origination Date	4/28/2016	1/20/2018
Interest Rate	3.5	3.625
Address	457 Main	111 Elm Street
City	Anyplace	Anywhere
State	FL	FL
Zip code	32068	32068
ULID of Old Loan	123456789	19999XXXX



Review Team
If new loan passes review process, create substitution ULID.

Return substitution information to issuer with New Unique Loan ID.

Report Required New Loan Data

COMPLETED EXAMPLE OF ADDITIONAL INFORMATION

	Old Loan	New Loan
Pool ID	BF6121	BF6121
Pool Issue Date	2/1/2018	2/1/2018
Loan Type	VAG	VAG
Case Number	000171762323853	000171757814589
Issuer Loan ID	85789	85236
First Payment Date	6/1/2016	3/1/2018
Issuer ID	9999	9999
Maturity Date	5/1/2046	2/1/2048
OPB	\$360,549.00	\$319,500.00
UPB	\$348,016.79	\$318,514.67
FIC	\$1,619.03	\$1,457.08
LPI	2/1/2018	4/1/2018
Loan Origination Date	4/28/2016	1/20/2018
Interest Rate	3.5	3.625
Address	457 Main	111 Elm Street
City	Anyplace	Anywhere
State	FL	FL
Zip code	32068	32068
ULID of Old Loan	123456789	19999XXXX

Instructions

- Please add the Borrower Name and the required Various Data Information, especially Loan Purpose, Loan to Value, Credit Score, First Time Homebuyer.
 - If Loan Purpose is 3 or 4, please provide Pre-Modification Data. This is updated in your monthly reported loan level data to Ginnie Mae in RFS via GMEP.
- Please review the Case Number to ensure it agrees to the Agency Case Number.

EXAMPLE OF SUBSTITUTION LOAN RECORD IN RFS

Pool Accounting - Single Family

1.0 Home Pool **Loan** Quarterly Verification Remittance Advice User Guide

Loan List Pool List Edit Loan Liquidate Loan

Issuer ID: [dropdown] Unique Loan ID: 199990918 Report Period: 05/2018 [GO]

Issuer ID: [dropdown] Pool ID: BF6121 Pool Type: SF CD M Unique Loan ID: 199990918 Loan Type: VAG [dropdown]

[View Pool Activity](#) [View Loan Master](#) [View Forbearance](#)

Case #: 000171757814589 Security Int. Rate: 3.0000

Issuer Loan ID: 85236 Loan Int. Rate: 3.6250

OPB: 319500.00 First Payment: 03/01/2018

FIC: 1457.08 Maturity: 02/01/2048

Borrower: [dropdown] [dropdown] Click [checkbox] for Additional Borrowers SSN: [dropdown]

Address: 111 Elm St Orig UPB: 0

City: Anywhere Active: Y

State: FL Zip: 32068

Borrower Activity During Reporting Period

	Interest	Principal
In Foreclosure: N	Delinquent: 0	0
Record Date: 05/2018	Prepaid: 0	0
Prior Payment Date: mm/dd/yyyy	Opening UPB: 0	0
Last Installment Date: mm/dd/yyyy	Installment: 0	0
	Curtailment: 0	0
	Adjustments: 0	0
Loan T&I Balance: [dropdown]	Net Adjust UPB: 0	0
	Closing UPB: 0	0
Last Update Date: [dropdown]	Last Update By: [dropdown]	

Loan Various Data Fields

View of Loan record in RFS after new ULID has been created in RFS.

Important Note: Loan record information must be reported by 2nd business day at 7 p.m. EST.

EXAMPLE OF REPORTED LOAN RECORD IN RFS

Home My Profile **RFS** File Upload IPMS

Pool Accounting - Single Family

1.0 Home Pool **Loan** Quarterly Verification Remittance Advice User Guide

Loan List Pool List Edit Loan Liquidate Loan

Issuer ID: [] Unique Loan ID: 199990918 Report Period: 05/2018 GO

Issuer ID: [] Pool ID: BF6121 Pool Type: SF CD M Unique Loan ID: 199990918 Loan Type: VAO

[View Pool Activity](#) [View Loan Master](#) [View Forbearance](#)

Case #: 000171757814589 Security Int. Rate: 3.0000

Issuer Loan ID: 85236 Loan Int. Rate: 3.6250

CPD: 319500.00 First Payment: 03/01/2018

FIC: 1457.08 Maturity: 02/01/2048

Borrower: Joe Smith Click for Additional Borrowers SSN: XXXXX0456

Address: 111 Elm St Orig UPB: 0

City: Anywhere Active: Y

State: FL Zip: 32068

Borrower Activity During Reporting Period

In Foreclosure: Record Date: 05/2018

Prior Payment Date: mm/dd/yyyy

Last Installment Date: 05/01/2018

Loan T&I Balance: +2548.24

Last Update Date: []

	Interest	Principal
Delinquent	0.00	0.00
Prepaid	0.00	0.00
Opening UPB:		+0.00
Installment	962.18	494.90
Curtailement		0.00
Adjustments	+0.00	
Net Adjust UPB:		+318514.67
Closing UPB:		+318019.77

Last Update By: []

Loan Various Data Fields

PRIVACY POLICY Ginnie Mae: GOVERNMENT GUARANTEED

Fields to Report

Borrower Name

SSN

Last Installment Date

Loan T&I Balance

Net Adj UPB (from spreadsheet)

Closing UPB

Report any payments or curtailments received.

EXAMPLE OF REPORTED VARIOUS RECORD IN RFS

Loan Various Data Fields

Living Units: 1	Loan Purpose: 1 Regular
Credit Score: 720	GEM % Increase: 00.0000
MIN ID: <input type="text"/>	Loan Buydown Code: 2 Not a Buydown Code
Down Payment Assistance Flag: 2 No Gift Assistance	Total Debt Expense Ratio %: 000.00
Refinance Type: <input type="text"/>	Pre-Mod OPB Amount: 00000000.00
Upfront MIP Rate: <input type="text"/>	Pre-Mod Int. Rate %: 00.000
Annual MIP Rate: <input type="text"/>	3rd Party Origination Type: <input type="text"/>
Loan Origination Date: 01/20/2018	
Loan to Value: 085.00	
MOM: <input type="text"/>	
Combined LTV Ratio %: 000.00	
Pre-Mod 1st Installment Due Date: mm/dd/yyyy	
Pre-Mod Loan Maturity Date: mm/dd/yyyy	
1st Time Homebuyer Ind.: Yes	

Fields to Report

Loan Purpose

Credit Score

Loan to Value

1st Time Homebuyer

EXAMPLE OF REPORTED POOL RECORD IN RFS

Pool Accounting - Single Family

1.0 Home **Pool** Loan Quarterly Verification Remittance Advice User Guide

Pool List Pool Activity

Issuer ID: Pool ID: Report Period:

Exceptions					
Severity	Alert ID	Field Name	Field Value	Alert Text	Expected Value
H	POOL055	FIC Adjustment	1457.08	should not be specified for a fixed rate pool	

Issuer ID: 1990 Pool ID: BF6121 Report Period: 05/2018 Type: SF CD M
View: 11710A

Opening FIC:

Liquidations-In-Full FIC:

Adjustment to FIC:

Closing FIC:

Security Int. Rate:

Install Interest:

Pool Mortgage Rate:

Service Fee:

Int. Due Security Holder:

Cash Due Security Holder:

T & I Balance:

P & I Balance:

Other Balance:

Opening Security RPB:

Scheduled Principal:

Curtailments:

Liquidations:

RPB Adjustment:

Total Principal:

	Reported	Calculated
Closing Security RPB:	<input type="text" value="2980424.93"/>	<input type="text" value="2980424.93"/>
Released Security RPB:	<input type="text" value="3007651.00"/>	<input type="text" value="3007651.00"/>

Guaranty Fee:

Pool saved and summarized successfully.

Fields to Report

FIC

Negative RPB Adj

Security UPB

P&I Balance

POOL055 alert will generate

Please Save and Summarize Pool Record

October 13, 2022

Loan Substitution Webinar

Please email all questions to:
christy.christensen@vdevcorp.com
nancy.strickland@vdevcorp.com
yolanda.t.sease@hud.gov

If Dialed-In from Computer:

- Please click “Raise Hand” at the bottom of your window to indicate you have a question.
- Make sure to unmute yourself once the host allows it.

If Dialed-In from Phone:

- Please press *9 to raise your hand to indicate you have a question.
- The host will read the last 4 digits of your phone number.
- Then, press *6 to unmute before speaking.

If Typing In Question:

- Please click into the “Q & A” section of the webinar and type in your question.