

January 21, 2022

**APM 22-01**

**MEMORANDUM FOR:** All Participants in Ginnie Mae Programs

**FROM:** Alanna McCargo, President

**SUBJECT:** Streamlined Documentation Requirements for FHA Advance Loan Modifications

In support of the goal of achieving broad economic recovery following the pandemic, the Federal Housing Administration (FHA) established the Advance Loan Modification (ALM) which is proactively offered to eligible delinquent borrowers (Mortgagee Letter 2021-15). The proactive nature of the ALM, and the timeline associated with it, make it difficult for Issuers to comply both with FHA's requirements to offer the ALM, and Ginnie Mae's requirements for recordation and title insurance. Therefore, Ginnie Mae is streamlining its documentation requirements for FHA's ALM loans to eliminate the requirement for recordation and title insurance except as provided below. This guidance is applicable only to ALMs, but also applies to all ALMs, even if executed prior to the publication of this APM. All other loan modifications must meet Ginnie Mae's existing requirements in Chapter 24, part 2, Section A(2), which includes recordation.

The Issuer remains responsible for ensuring the ALM loan retains its first lien position and remains enforceable in accordance with its terms at the time of modification, throughout its modified term, and during any bankruptcy or foreclosure proceeding. In some cases, that may require recordation, such as when the modification agreement contains assignment of leases or rents provisions.

The Issuer is required to provide the following documentation to the Document Custodian:

1. Original fully executed Loan Modification Agreement, signed by all borrowers, and in recordable form.
2. If the Issuer determines recordation is necessary to maintain an enforceable first lien position, or if the loan modification agreement contains assignments of leases or rents provisions, the modification must be recorded for final certification.
3. If the modification is recorded, the Issuer must also comply with the title insurance requirements in Chapter 24, Part 2, §A(2), as well as obtain the necessary title policy or endorsement, and subordination(s) as indicated on title.
4. The modified loan file must clearly identify for the document custodian that it is an ALM.

Document custodians will not be required to verify that the ALM is recorded, unless the loan modification agreement contains provisions for assignment of leases or rents, or title insurance is present. However, if the ALM loan modification agreement is recorded, title insurance that

meets the requirements of Chapter 24, Section 2 is required. A copy of an ALM loan modification agreement will only be acceptable if it contains clear evidence of recordation. Concurrently with this APM Ginnie Mae is updating Chapter 34 and Appendix V-01, Chapter 3 of the Mortgage-Backed Securities Guide, HUD Handbook 5500.1, REV-1 (MBS Guide) to reflect these exceptions.

The streamlined documentation requirements for ALM loans will sunset with June 1, 2023 pool issuances. ALMs in pool issuances on or after July 1, 2023, must meet Ginnie Mae's standard requirements for recording and title insurance.

If you have any additional questions about the content of this memorandum, please contact your Account Executive in the Office of Issuer and Portfolio Management.



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