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APM 16-05

October 19, 2016

MEMORANDUM FOR: All Participants in the Ginnie Mae Programs

FROM: Theodore W. Tozer, President

SUBJECT: Pooling Eligibility for Streamlined Refinance Loans

The purpose of the Ginnie Mae Mortgage-Backed Securities (MBS) Program is to attract funding from capital market investors in support of government-insured and guaranteed housing programs, and to provide lower-cost financing for the homeowners those programs are designed to serve. Investor participation in the MBS program depends, in part, on a level of confidence that investment returns can be expected to be reasonably aligned with market conditions. Recent trends involving the rapid refinance of a small number of loans in Ginnie Mae pools, often originated at above market interest rates, have raised concerns about this alignment, and the impact of multiple, rapid refinance transactions on borrower equity and financing costs.

Ginnie Mae is therefore taking steps to reduce outlier refinance trends by adding a requirement for the inclusion of streamlined refinance loans in Ginnie Mae I single Issuer pools, and Ginnie Mae II Multiple Issuer Pools (MIPs). Effective with pool issuances on or after February 1, 2017, streamline refinance loans may be delivered into Ginnie Mae I single Issuer pools or Ginnie Mae II MIPs only if, at the time of the refinance, at least six consecutive monthly payments have been made on the existing loan. Streamline refinances of loans on which fewer than six consecutive monthly payments have been made may only be delivered into Ginnie Mae II custom MBS pools.

Ginnie Mae consulted and obtained the support of the insuring and guaranteeing agencies: the Federal Housing Administration (FHA); the Department of Veterans Affairs (VA); USDA Rural Development (RD); and the Office of Public and Indian Housing (PIH). The eligibility requirement described in this APM does not alter any program parameters or any standards or regulations established by FHA, VA, RD or PIH. Upon the effective date of the requirement described in this APM, including a streamline refinance loan into a Ginnie Mae I single Issuer pool or Ginnie Mae II MIP without the requisite payment history on the prior loan will constitute a violation of the Guaranty Agreement and the Mortgage Backed Securities Guide, HUD Handbook 5500.3, Rev-1. Ginnie Mae will continue to monitor the issue of rapid prepayment speeds and consider other measures to address security performance and borrower protections, as appropriate.

If you have any questions regarding this announcement, please contact your Account Executive



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in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.