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APM 17- 06

December 7, 2017

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Michael Bright, Executive Vice President and Chief Operating Officer

SUBJECT: Pooling Eligibility for Refinance Loans and Monitoring of Prepay Activity

To ensure the strength and liquidity of our MBS Program, Ginnie Mae is continuing to address activities that result in unduly rapid prepayments to investors in Ginnie Mae mortgage-backed securities.

In APM 16-05, Ginnie Mae imposed seasoning requirements for streamlined refinance loans to moderate prepayment trends that appeared inconsistent with market conditions and had a negative impact on the performance of certain Ginnie Mae securities. This APM expands these pooling restrictions, and explains additional measures being taken to protect security performance.

Pooling Restrictions for Streamlined Refinance and Cash-Out Refinance Loans

Effective with pool issuances on or after April 1, 2018, streamlined refinance loans and cash-out refinance loans are eligible for Ginnie Mae I Single Issuer Pools and Ginnie Mae II Multiple Issuer Pools if and only if:

- a) the borrower made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and
- b) the first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the Initial Loan.

In the interim period before the effective date of this APM, the terms of APM 16-05 remain in effect. Upon the effective date of this APM, the terms of APM 16-05 will be superseded by this APM.

Streamlined refinance or cash-out refinanced loans that do not meet these requirements may not be pooled into Ginnie Mae I Single Issuer Pools or Ginnie Mae II Multiple Issuer Pools, but are eligible for Ginnie Mae II Custom Pools if the loans otherwise comply with Ginnie Mae II Custom pooling parameters.



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Rate/Term Refinance Loans

Fully underwritten rate/term refinance loans are acceptable collateral for any eligible Ginnie Mae security and are free from the pooling restrictions identified above so long as:

- a) the corresponding housing agency (FHA, VA, RD, or PIH) has implemented a fully underwritten rate/term refinance loan program specifying any attendant seasoning, loan performance, maximum LTV, full documentation, and full appraisal requirements; and
- b) the refinance loan in question meets all such housing agency requirements.

Enhanced Monitoring of Prepayment and Re-pooling

Pursuant to APM 16-05, Ginnie Mae is actively monitoring pooling activity to identify Issuer behavior that is inconsistent with previous guidance and the guidance herein. Any Issuer that does not comply with the requirements described in this memorandum will be subject to sanctions in accordance with the Guaranty Agreement and the Mortgage-Backed Securities Guide, HUD Handbook 5500.3, Rev-1 (MBS Guide). Ginnie Mae is able to identify Issuers with unusually fast prepayment rates through operational performance metrics. Issuers with such prepayment rates should anticipate increased engagement from Ginnie Mae. Prepayment information will be included in the next release of the Issuer Operational Performance Profile (IOPP) scorecard.

Upcoming Premium Loan Enforcement

Lastly, in early 2018, Ginnie Mae will be publishing revised standards for the eligibility of, and pooling restrictions applicable to, certain premium rate loans. Further guidance on enforcement of this provision will be forthcoming shortly.

Chapter 9 of the MBS Guide will be updated to reflect the pooling restrictions announced herein.

If you have any questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.