CHAPTER 18. MORTGAGE DELINQUENCY AND DEFAULT

PART 1. OVERVIEW OF CHAPTER

Effective Date: 2018-01-25

This chapter describes the Issuer's obligation to service delinquent mortgages and mortgages that are in default. Default is the failure to comply with the covenants of the mortgage and can be monetary, as in the failure to make a payment when due, or non-monetary, as in a failure to comply with one or more other covenants of the mortgage. Failure to make payments when due also results in the mortgage being delinquent. If the failure continues for 30 days, the loan is considered to be one month delinquent. For the purposes of calculating delinquency and default, each month is considered to be the equivalent of 30 days regardless of actual number of days in the month.

The chapter sets forth Ginnie Mae's broad prohibition on the removal of loans from pools or loan packages, while describing certain circumstances in which an Issuer may purchase a defaulted mortgage from a pool or loan package. The chapter also explains Ginnie Mae's guidelines for determining whether an Issuer is managing delinquencies adequately and describes Ginnie Mae's remedies in cases in which delinquency management is inadequate. Special requirements related to the administration of HMBS pools can be found in MBS Guide, Ch. 35.

PART 2. REMOVAL OF LOANS FROM POOLS AND LOAN PACKAGES

Effective Date: 2018-01-25

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.

PART 3. MORTGAGE DELINQUENCY AND DEFAULT

Section A. Servicing Delinquent Loans

Effective Date: 2018-01-25

The Issuer must service delinquent mortgages and manage foreclosure or assignment procedures in accordance with applicable servicing and claims collection requirements of the mortgage insurance or guaranty agency, the applicable Guaranty Agreement, and accepted mortgage lending and servicing practices, ethics, and standards.

Section B. Buying Out Loans from Pools and Loan Packages

Effective Date: 2020-06-30

(1) Requirements for buying out loans due to monetary default or delinquency

(a) Loans Backing Securities Issued before January 1, 2003.

For loans backing a Ginnie Mae security with an issue date before January 1, 2003, Issuers may buy out any pooled loan without written permission from Ginnie Mae if (1) the loan is due, but unpaid for three consecutive months (*Please See MBS Guide Chapter 18, Part 3, § B(1)(c) below for an example)* or (2) for four consecutive months one missed payment remains uncured.

(b) Special Repooling Restrictions on Loans Backing Securities Issued between August 1 and December 1, 2002.

Special repooling restrictions are imposed on loans bought out under MBS Guide, Ch. 18, Part 3, § B(1)(a)(2) above and that back securities issued between August 1 and December 1, 2002: (1) These loans may only be repooled once, even if the loan is sold to a new Issuer; and (2) these loans may only be repooled if (i) the loan becomes current and remains current for six months, or (ii) if the loan undergoes formal loss mitigation and is otherwise eligible to be placed in a Ginnie Mae pool.

(c) Loans Backing Securities Issued on or after January 1, 2003.

For loans backing a Ginnie Mae security with an issue date on or after January 1, 2003, Issuers may buy out any pooled loan without written permission from Ginnie Mae if the loan is due, but unpaid, for three consecutive months.

For example, no payments are made for the months of March, April, and May. The Issuer may buy the loan out of the pool on or after June 1.

(d) Loans Subject to a trial modification period:

In connection with each agency's own program requirements, an Issuer shall also be permitted to buy out a loan from a pool if the borrower is approved for a trial modification, completes any required trial payment plan, and the loan is in a continuous period of default for 90 days or more. For purposes of this requirement, the loan is considered to be in a continuous period of default each day that the loan is subject to a trial payment plan. Please note that the Issuer may not execute a loan modification agreement altering the terms of the loan until after the loan is bought out. The Issuer remains obligated to make full payments of principal and interest to investors, as required by the security while the loan remains pooled.

(2) Requirements for buying out loans in non-monetary default

If a loan comes into default other than for non-payment, i.e. a covenant default, and the default continues for 90 days or more without curing, the loan may be bought out following the procedures listed below.

(3) Procedures for Loan Buyout

The Issuer shall buy out any pooled loan for an amount equal to 100 percent of the loan RPB, less the principal payments advanced by the Issuer on the loan. The bought out loan's principal amount must be included in the payment made to security holders following the reporting month in which the loan was removed. The removed loan must not be included in the RPB reported in the month in which the proceeds of the buyout are paid to security holders.

(4) Prohibition on Modification of Pooled Loans

Issuers are prohibited from modifying the terms of loans held in Ginnie Mae pools that affect the amount or duration of loan payments.

(5) Loss Mitigation Options That May Be Executed without Buying Out Loans

Certain loss mitigation strategies, such as Special Forbearance and Partial Claim options described in FHA loss mitigation guidance do not alter the terms of the loan and may be accomplished without buying out the delinquent loan from the pool.

(6) Restrictions on Re-performing Loans

(a) Definitions.

(i) The term "Re-performing Loan" means a mortgage loan that is not more than 30 days Delinquent, that was previously bought out from a pool or loan package backing a Ginnie Mae MBS, and that retains the same rate and terms as the rate and terms associated with such loan on the date the loan was previously securitized in a Ginnie Mae MBS.

(ii) The term "Delinquent" means a mortgage loan with a full monthly payment that is due but unpaid regardless of reason, including loans in forbearance that are not treated as delinquent for credit or servicing purposes.

(iii) The term "Timely Payment" means a full monthly payment made by a borrower no more than 30 calendar days from its scheduled due date.

(b) General Pooling Requirements. Re-performing loans may be re-pooled if they satisfy the mortgage eligibility requirements in MBS Guide, Ch. 9, including those on delinquency status set out in MBS Guide, Ch. 9, Part 2, § E.

(c) Special Restrictions on Re-performing Loans Related to COVID-19 Pandemic.

(i) Any Re-performing Loan that meets the following two conditions will be ineligible collateral for Ginnie Mae MBS backed by any pool types, except as permitted under subparagraph (ii), immediately below:

(1) the loan was in forbearance, of any type, regardless of duration, on or after March 1, 2020, and

(2) the loan was bought out on or after July 1, 2020, as reflected in the Issuer's servicing system of record.

(ii) Any Re-performing Loan that meets the two conditions in subparagraph (i), immediately above, may be repooled into a C RG pool, a new pool type being deployed by Ginnie Mae to securitize the Re-performing Loans affected by the Special Restrictions on Re-performing Loans Related to COVID-19 Pandemic published in APM 20-07, but only if:

(1) the borrower has made Timely Payments for the six (6) months immediately preceding the issuance month associated with the MBS, and

(2) the issuance date of the MBS is at least 210 days from the last date the loan was Delinquent.

Section C. Acceptable Delinquency Rates

Effective Date: 2018-01-25

Issuers must maintain delinquency rates on outstanding pools and loan packages below the threshold levels described in this MBS Guide, Ch. 18, Part 3, § C. Data used to measure delinquency rates will come from the RFS Issuer Monthly Report of Pool and Loan Data (Appendix VI- 19).

(1) Ginnie Mae evaluates delinquency rates for Ginnie Mae pools and loan packages as follows:

(a) Three indicators of delinquencies are used:

(i) DQ3+ Delinquency Ratio: Number of loans in the Issuer's Ginnie Mae portfolio that are either in the foreclosure process or are three months or more delinquent divided by total number of loans remaining in the portfolio.

(ii) DQ2+ Delinquency Ratio: Number of loans in the Issuer's Ginnie Mae portfolio that are either in the foreclosure process or are two months or more delinquent divided by total number of loans remaining in the portfolio.

(iii) DQP Delinquency Ratio: Accumulated amount of delinquent P&I payments divided by total monthly fixed installment control due the Issuer.

(b) For purposes of establishing threshold levels for delinquencies, Issuers are grouped into one of two categories: those with more than 1000 active loans, and those with 1000 or fewer active loans in their Ginnie Mae portfolios. The threshold levels for the delinquency indicators within each category are shown in the following table for all pools of loans. A higher ratio in any one category will be sufficient cause for Ginnie Mae to impose the sanctions of MBS Guide, Ch. 18, Part 3, § D.

INDICATORS	CATEGORIES	
	Issuers with more than 1000 loans	Issuers with 1000 loans or fewer
DQ3+ Delinquency Ratio	5%	9%
DQ2+ Delinquency Ratio	7.5%	10%
DQP Delinquency Ratio	60%	90%

(2) Issuers of multifamily pools:

For multifamily pools, the threshold level is 7.5 percent of the aggregate remaining principal balance of the loans that are two or more months delinquent. A lower delinquency ratio, however, will not ensure that Ginnie Mae will approve a request MBS Guide, Ch. 18, Part 3, § D.

(3) Issuers with single family or manufactured home status and multifamily status:

Issuers that are approved to do both single family or manufactured home transactions and multifamily pool transactions must meet the single family and manufactured home delinquency criteria and the multifamily delinquency criteria for each respective pool type.

(4) Other delinquency criteria:

In addition to requiring an Issuer to maintain delinquency rates within the limits prescribed above, Ginnie Mae may require corrective action by the Issuer for the following conditions:

(a) an excessive number of loan delinquencies and foreclosures in pools and loan packages originated within the preceding 24 months;

(b) indications of faulty or improper processing of delinquencies and foreclosures; or

(c) significant inconsistencies or errors in the RFS Issuer Monthly Report of Pool and Loan Data (see Appendix VI-19).

Section D. Failure to Maintain Acceptable Delinquency Rates
Effective Date: 2018-01-25

If an Issuer fails to maintain delinquency rates on outstanding pools and loan packages below the applicable threshold levels described in MBS Guide, Ch. 18, Part 3, § C or to otherwise comply with the requirements of this section, Ginnie Mae may impose sanctions on the Issuer, including but not limited to the following:

(1) denial of further commitment authority;

(2) denial of transfers of Issuer responsibility to the Issuer;

(3) denial of Issuer's request to subcontract service for other Issuers, or discontinuation of existing permission to subcontract service;

(4) denial of authority to issue additional securities, even though Issuer may have commitment authority outstanding;

(5) imposition of civil money penalties;

(6) denial of participation in multiple Issuer pools;

(7) denial or discontinuation of participation in the PIIT program;

(8) imposition of additional financial obligations, including the establishment of special escrow accounts, or enhanced financial and operational standards;

(9) declaration of a default and termination of Issuer status.