

REMINDER ABOUT THE REQUIREMENTS FOR VA-GUARANTEED LOANS

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The frequency of pooling VA guaranteed loans (VA loans) that do not meet the requisite guaranty threshold is on the rise. Therefore, Ginnie Mae is reminding Issuers of MBS Guide Chapter 24, Part 2, Section A(3) which requires that the amount of cash down payment, or equity, plus the available VA guaranty must equal 25% of the lower of the purchase price, or the Certificate of Reasonable Value for a VA loan to be eligible for pooling into Ginnie Mae Mortgage-Backed Securities (MBS). VA loans that do not meet this requirement do not comply with the terms of the securities and are therefore defective under Section 1.05(e) of the Guaranty Agreement, and MBS Chapter 14, Part 8, Section D. Defective loans are subject to cure, substitution, or buyout, as described below:

- Loans for which the defect can be and is cured, can remain pooled.
- Loans for which the defect was discovered less than four (4) months following issuance, and cannot be cured, may be replaced by substituting a compliant loan that meets the substitution requirements in MBS Guide Chapter 14, Part 8, Section D(2) (a).
- Loans for which the defect was discovered more than four (4) months following pool issuance, or more than four months have passed since issuance, and the loan remains defective, must be bought out of the MBS. Issuers must request the buyout in accordance with Chapter 14, Part 8, Section D(2)(c).

If you have any questions, please contact your Account Executive directly.