CHAPTER 2. ELIGIBILITY REQUIREMENTS – APPROVAL AS A GINNIE MAE ISSUER

PART 1. OVERVIEW OF CHAPTER

Effective Date: 2022-06-17

An applicant must meet certain eligibility requirements in order to be approved as a Ginnie Mae Issuer. This chapter describes those eligibility requirements. Once approved, a Ginnie Mae Issuer must meet the requirements described in MBS Guide, Ch. 3 in order to maintain Ginnie Mae approved status. Applicants who wish to be approved as eIssuers must meet the eligibility requirements in Ginnie Mae's Digital Collateral Guide, Appendix V-07 to this Guide.

An applicant may arrange for another Ginnie Mae Issuer (a subservicer) to perform certain servicing functions, as described in MBS Guide, Ch. 4, with respect to the securities and the pooled mortgages. However, the subservicer must be a Ginnie Mae approved Issuer and the subservicing arrangement must have prior Ginnie Mae approval. *(Please See MBS Guide Chapter 21, Part 7)*

PART 2. ELIGIBILITY REQUIREMENTS

Effective Date: 2026-11-03

The eligibility requirements for approval as a Ginnie Mae Issuer are the same under both the Ginnie Mae I and the Ginnie Mae II Mortgage-Backed Securities (MBS) Programs. Thus, an applicant must file only one application in order to qualify to issue securities under both of those Programs.

An applicant for Ginnie Mae MBS Issuer status must satisfy the eligibility requirements described in this chapter regardless of the type of loans the applicant intends to pool in issuing securities.

FHA-insured Title I Manufactured Home (MH) lenders who wish to issue Ginnie Mae securities backed by FHA Title I manufactured home loans must meet certain additional eligibility requirements as described in MBS Guide, Ch. 30, and Home Equity Conversion Mortgage (HECM) MBS (HMBS) Issuers must meet specific program requirements described in MBS Guide, Ch. 35.

Each applicant must notify Ginnie Mae immediately of any material change with regard to its ability to meet these eligibility requirements while the application is pending and at any time thereafter.

If an applicant fails to satisfy an eligibility requirement or fails to notify Ginnie Mae timely of any material changes in the applicant's status, Ginnie Mae may deny the application. Ginnie Mae reserves the right to decide, in its sole discretion, who may participate in the Ginnie Mae MBS Programs.

PART 3. FHA APPROVAL

Effective Date: 2020-12-04

(1) The applicant must certify at the time the application to Ginnie Mae is filed that it is an FHA-approved mortgagee in good standing and provide its FHA mortgagee identification number. The applicant must have held their FHA approval for at least three years,

including submission of all required test cases. Multifamily applicants must meet the experience requirements in Part 6 (3) (b) below.

(2) If the applicant or any of its principals, officers or employees is the subject of any unresolved findings in an FHA quality assurance or Mortgage Review Board matter, the facts of the matter must be disclosed to Ginnie Mae at the time of application.

(3) The applicant must certify whether it or one or more of its principals or officers is the subject of any government debarment or HUD program exclusion or has been subject to any such sanction within the ten years preceding the submittal of the application.

PART 4. FANNIE MAE OR FREDDIE MAC APPROVAL

Effective Date: 2018-11-08

If the applicant is a Fannie Mae-approved or Freddie Mac-approved mortgage seller and servicer, it must be in good standing with that agency or agencies, certify to that effect, provide its seller/servicer identification number(s), and certify whether it is or has ever been the subject of any adverse action by either agency.

PART 5. PRINCIPAL ELEMENT OF BUSINESS

Effective Date: 2018-11-08

For Ginnie Mae MBS Issuer approval, the origination, underwriting, and servicing of mortgage loans must be principal elements of the applicant's business.

PART 6. MANAGEMENT CAPABILITY, EMPLOYEES AND EXPERIENCE REQUIREMENTS

Effective Date: 2022-10-31

(1) General Requirements for All Applicants

An applicant must conduct its business in accordance with accepted mortgage lending and servicing practices, ethics, and standards. An applicant for Ginnie Mae Issuer approval must possess demonstrated experience and management capability, and it must have facilities that are, together with the facilities of its subservicers, appropriate to service the mortgage collateral and to issue and service Ginnie Mae MBS. The applicant must have in place sound financial, business, and management plans that incorporate a budget, operating procedures, and objectives with management oversight and control.

The applicant must maintain at least one physical office. The applicant's physical offices must be self-contained and separate from those of any other entity. The applicant must be a separate legal entity with its own exclusive employees and must maintain financial and operational records of its activities separate and distinct from other business operations.

The applicant must submit proof satisfactory to Ginnie Mae that the applicant is responsible and fit to function as an Issuer in the MBS Program, including for example, satisfactory proof that the applicant has existing brokerage relationships and trading limits that demonstrate an ability to fulfill a robust Ginnie Mae business strategy. To the extent that the applicant has been reviewed by a federal mortgage insurance or guaranty agency (i.e. FHA, VA, USDA or PIH), the applicant must have received an acceptable assessment during their most recent compliance review.

(2) Staff Requirements for All Applicants

(a) The applicant must have at least three full-time officers and one additional full-time employee who are responsible for supervising the issuance of MBS, and the origination and servicing of pooled mortgages, and/or pooled Participations.

(b) The officers and employees described in (a) above must have sufficient experience in originating and servicing mortgages of the type that the applicant plans to pool to ensure proper long-term management of the pools and security investor accounting and remittance functions that it will be responsible for if it is approved by Ginnie Mae.

(c) The employee in charge of servicing operations or responsible for oversight of its contract subservicer must have a minimum of three (3) years of broad mortgage servicing experience in the following areas: government loan servicing including payment processing, investor reporting, collection techniques and timelines, bankruptcy and foreclosure timelines, loss mitigation techniques (modification, short sales, etc.), and the claims processes for the types of loans (FHA/VA/RD/PIH) it intends to pool and service. This employee must be a full-time employee and may not perform servicing operations for or on behalf of any other Issuer or Issuer affiliate.

(d) The officer in charge of day-to-day operations must be employed full time exclusively by the applicant.

(3) Corporate Servicing Experience Requirements

For all corporate servicing experience requirements identified below, the applicant must identify the officers or employees that possess the requisite experience levels. For each such officer or employee, the applicant must demonstrate that the corresponding officer or employee has been employed by the applicant for at least two years from the date of the application, or if not, that the individual(s) performing the same functions prior to the current officer(s) or employee(s) possessed a similar level of experience and is still employed by the applicant.

(a) Single-Family Applicants: An applicant must demonstrate that it has managed directly, or through a subservicer, a mortgage servicing portfolio for a period of not less than two years as of the date of application. Single-Family applicants must demonstrate corporate servicing experience that includes performing the following activities for a minimum of two years as of the date of application:

(i) Performing Loans

(a) Investor reporting and accounting (using custodial accounts)

(b) Investor remittance

(c) Payment processing

(d) Escrow administration

(e) Special loans, such as ARMs, buyup/buydown, balloons and SCRA

(f) Custodial account reconciliations

(ii) Non-performing loans

(a) Bankruptcy

(b) Foreclosure

(c) Collections

(d) REO disposition

(e) Loss mitigation

(f) Default reporting

(g) Claims processing (FHA/VA/RD/PIH)

The applicant must also demonstrate that its servicing portfolio maintained a monthly average of $250,000,000 in unpaid principal balance during the 12 consecutive months preceding the month of application. For purposes of the subsection (2) (a), the servicing portfolio can include loans serviced for the GSEs, the applicant's own servicing portfolio, or loans serving as PLS collateral.

(b) Multifamily Applicants: To satisfy experience requirements in paragraph (1) above, Multifamily Applicants must perform their own servicing operations and are prohibited from utilizing a sub-servicer. The Multifamily applicant must be an approved FHA Multifamily Accelerated Processing ("MAP") lender at the time of application. Multifamily applicants must demonstrate through corporate or key personnel, a five-year history of FHA Multifamily servicing and FHA Multifamily origination experience.

PART 7. FIDELITY BOND AND ERRORS AND OMISSIONS INSURANCE

Each applicant must have a fidelity bond and a mortgagee's errors and omissions policy (E&O) as described below and acceptable to Ginnie Mae, in effect at all times.

Section A. Type of Coverage

Effective Date: 2018-11-08

(1) Fidelity bond:

The fidelity bond must cover all losses resulting from dishonest, fraudulent or negligent acts committed by the applicant's officers and employees or any other persons authorized by the applicant to act on its behalf, including but not limited to:

(a) officers and employees of outside firms while they are providing legal, data processing or accounting services to the applicant;

(b) persons assigned to the applicant through an intervening employer or agency to perform the usual duties of an employee of the applicant on a contingent or temporary basis; and

(c) students pursuing studies or duties in the applicant's office.

(2) Mortgagee's errors and omissions, mortgage impairment or mortgage interest insurance: The mortgagee errors and omissions policy must protect the applicant against loss resulting from negligence, error or omissions committed by any officers and employees of the company and other persons identified in MBS Guide, Ch. 2, Part 7, § A(1) above that are required to be covered while performing normal duties with respect to the mortgages originated or acquired, and mortgages serviced, by the applicant. These duties include but are not limited to:

(a) determining whether the mortgaged properties are located in special hazard flood areas as defined by the Director of the Federal Emergency Management Agency (FEMA);

(b) ensuring that the mortgaged properties are insured in accordance with the requirements of this Guide;

(c) maintaining FHA insurance or guaranties by VA, RD, or PIH on each mortgage; and

(d) ensuring the payment of real estate taxes and any other mandatory assessments on each mortgaged property.

Section B. Required Elements
Effective Date: 2021-07-28

Ginnie Mae will accept coverage from insurers where all coverage requirements in this chapter, including the following, are met:

(1) Ginnie Mae shall have the right to file a claim directly with the insurer and be paid directly by the insurer.

(2) Ginnie Mae shall be notified if the insurer cancels or amends an Issuer's fidelity bond or errors & omissions coverage, whether for cause or at the request of the Issuer, at least 30 days before the effective date of the cancellation or amendments.

(3) For any policy that terminates automatically upon certain events, including takeovers of the insured by federal or state entities, Ginnie Mae shall, for a period of at least 90 days from the date of termination of the policy, continue to have the right to file a claim and be paid directly by the insurer for events that took place during the coverage period prior to the date of termination.

(4) The policy must not have a deductible that exceeds the maximum ratios set in accordance with portfolio size in Section D below.

(5) If the applicant is a sole proprietorship or a partnership, Ginnie Mae requires endorsements to the fidelity bond and mortgagee errors and omissions policy stating that principals of the proprietorship or partnership are not excluded as insured "employees" under the policies.

In lieu of submitting fidelity bond and errors and omissions insurance policies, applicants have the option of submitting a Mortgage Bankers Bond. Similar coverage is also provided by insurers affiliated with Lloyd's of London.

Many alternative insurance products are labeled as fidelity bond and/or errors & omissions policies, but are not acceptable coverage because they do not meet Ginnie Mae requirements. Issuers will need to negotiate with their insurance carrier to ensure that all Ginnie Mae requirements are met.

Section C. Exclusionary Endorsement

Effective Date: 2018-11-08

The applicant must submit, with its application for Ginnie Mae approval, a copy of the complete bond and insurance policy showing the kinds and limits of coverage, any exclusionary endorsements, and all other endorsements to the bond or insurance policy.

Section D. Amount of Coverage

Effective Date: 2018-11-08

The minimum amount of the fidelity bond is $300,000. The minimum amount of the mortgagee errors and omissions policy is $300,000. Each policy must be written (1) per loss or per occurrence or (2) in the aggregate.

If the applicant has an existing servicing portfolio, or otherwise owns the mortgage servicing rights for a portfolio being subserviced by another entity (including Fannie Mae, Freddie Mac, private label, or other conventional insured or uninsured loans), then the amount of the required insurance coverage will be based on the remaining principal balance of the applicant's total servicing portfolio and calculated as follows:

TOTAL SERVICING PORTFOLIO	MINIMUM AMOUNT OF COVERAGE	MAXIMUM DEDUCTIBLE BASED ON FACE VALUE OF POLICY
$100 million or less	$300,000	higher of 10% or $100,000
Over $100 million to and including $500 million	$300,000 plus 0.15 percent of portfolio for amounts over $100 million to less than or equal to $500 million	higher of 10% or $100,000
Over $500 million to and including $1 billion	The amount produced by the preceding calculation plus 0.125 percent of portfolio for amounts over $500 million to less than or equal to $1 billion	higher of 10% or $100,000

Over $1 billion	The amount produced by the preceding calculation plus 0.1 percent of portfolio for amounts over $1 billion	15%

Examples of calculations of minimum amounts of insurance required are:

TOTAL SERVICING PORTFOLIO	CALCULATION	MINIMUM AMOUNT OF COVERAGE
$100 million		$300,000
$500 million	$300,000 + 0.15% of $400 million	$900,000
$1 billion	$900,000 + 0.125% of $500 million	$1,525,000
$1.5 billion	$1,525,000 + 0.1% of $500 million	$2,025,000

(1) Fidelity bond coverage may be capped at a minimum amount less than the above calculations for those Issuers who provide evidence that their fidelity insurance has been capped by the Government Sponsored Enterprises, subject to Ginnie Mae's evaluation of several factors that may include, but are not limited to, the following criteria:

(a) Reportable conditions that have been identified by an Issuer's Independent Public Accountant (IPA) under standards established by the American Institute of Certified Public Accountants (AICPA);

(b) Adjusted net worth relative to Ginnie Mae's requirements; and

(c) Material compliance issues with Ginnie Mae, the Government Sponsored Enterprises, or federal regulators.

(2) Mortgagee errors and omissions coverage is capped at $20 million.

Section E. Rating for Carrier

Effective Date: 2018-11-08

The required insurance policy must be written by an insurance carrier with an A.M. Best rating of B+ or better. The carrier must be specifically licensed or authorized by law to transact business within the states or territories where the properties are located.

Section F. Submission of Insurance Policy and Certificate of Insurance

Effective Date: 2024-03-26

Applicants seeking approval to become Ginnie Mae Issuers will need to submit fidelity bond and E&O insurance policies in accordance with the requirements of Chapter 7 of this Guide.

PART 8. REQUIRED FINANCIAL STATEMENTS

Effective Date: 2018-11-08

An applicant must provide a copy of its annual financial statements for the three most recent fiscal years. The statements must be audited and certified by an independent auditor that meets the auditor qualifications set out in Chapters 1, 2 and 6 of the "HUD OIG Consolidated Audit Guide for Audits of HUD Programs," Handbook No. HUD OIG 2000.04 (Audit Guide). The audit shall be conducted in accordance with the government auditing standards of the Comptroller General of the United States.

Annual audited financial statements must include a balance sheet and statements of operations and cash flow which must be prepared in accordance with Generally Accepted Accounting Principles (GAAP).

If the latest audited financial statement is for a period ending more than six (6) months prior to the date Ginnie Mae receives the application, an interim unaudited statement as of the most recent month-end, certified by the Chief Financial Officer or Chief Executive Officer of the applicant, also must be submitted. *(Please See MBS Guide Chapter 3, Part 7, § C(6) for the form of certification.)*

PART 9. FINANCIAL REQUIREMENTS

Ginnie Mae requires that applicants meet financial requirements in order to receive approval to participate in the MBS program. An applicant must demonstrate that it has sufficient adjusted net worth for the program type(s) in which it intends to participate. An applicant must also meet other financial requirements, including liquidity requirements, as provided below and in accordance with MBS Guide, Ch. 2, Part 9, § D herein.

Section A. Net Worth Requirements for Types of Authorized Securities

Effective Date: 2023-09-30

(1) For applicants seeking approval to participate in the Single-Family (SF) program, which is comprised of MBS that are backed by single-family level payment, graduated payment, growing equity, buy-down, serial note or adjustable rate mortgages, the minimum base net worth requirement is

   (a) $2,500,000, plus

   (b) 0.25% (25 basis points) of the applicant's total Government Sponsored Enterprise ("GSE" or "Enterprise") single-family outstanding servicing portfolio balance, plus

   (c) 0.25% (25 basis points) of the Issuer's total non-agency single-family servicing portfolio. Non-agency means non-GSE, non-Government

(2) For applicants seeking approval to participate in the MH program which is comprised of MBS that are backed by FHA-insured Title I manufactured home loans, the minimum base net worth is $10,000,000. Applicants who seek authority to issue MH MBS also must meet the eligibility requirements described in MBS Guide, Ch. 30.

(3) For applicants seeking approval to participate in the Multifamily program, which is comprised of MBS backed by multifamily construction or permanent loans, the minimum base net worth is $1,000,000.

(4) For applicants seeking approval to participate in the HMBS program, which is comprised of MBS backed by HECMs, the minimum base net worth requirement is $5,000,000. Applicants who seek authority to issue HMBS also must meet the eligibility requirements described in MBS Guide, Ch. 35.

Applicants seeking Ginnie Mae Issuer approval to participate in more than one program type (Single-Family, Multifamily, MH, and/or HMBS) are required to meet and maintain adjusted net worth equal to or greater than the sum of the minimum net worth requirements for each program type in which the applicant intends to participate.

For example, an applicant seeking approval to participate in both the Single-Family and HMBS programs must have an adjusted net worth of at least $7,500,000.

Section B. Other Financial Requirements
Effective Date: 2026-11-03

Applicants for Single-Family, Multifamily, Manufactured Home and HMBS Ginnie Mae Issuer approval must meet the liquidity and institution-wide capital requirements below.

(1) Liquidity Requirements:

Ginnie Mae requires applicants to have appropriate levels of liquidity to enable them to meet and sustain their obligations under the MBS Program. Ginnie Mae will analyze the applicant's most recent fiscal year-end financial statement to assess compliance with the following:

- cash, cash equivalents as defined under FAS95,
- AAA rated government securities marked to market, as defined under FAS95,
- GSE MBS marked to market,
- GSE obligations marked to market,
- The following advances made as reflected in total assets reported on the balance sheet:
    - Advances made to cover principal and interest payments,
    - Advances made to cover taxes and insurance payments, and HMBS program applicants
    - Foreclosure advances relating to loans serviced on behalf of mortgagors and investors.

For the purposes of these requirements for Manufactured Home, Multifamily and HMBS program applicants, the liquid assets may be comprised of cash, cash equivalents as defined under FAS95, and AAA rated government securities marked to market, as defined under FAS95.

Ginnie Mae will analyze the applicant's most recent fiscal year-end financial statement to assess compliance with the following:

(a) Single-Family Issuer applicants Issuer applicants must have liquid assets equal to the greater of at least $1,000,000, or the sum of

(i) 0.035% (3.5 basis points) of the applicant's outstanding GSE single-family servicing Unpaid Principal Balance (UPB), if the applicant remits (or the Enterprise draws) the principal and interest only as actually collected from the borrower, plus

(b) 0.07% (7 basis points) of the applicant's outstanding GSE single-family servicing UPB, if the applicant remits (or the Enterprise draws) the principal or interest, or both, as scheduled, regardless of whether principal or interest has been collected from the borrower, plus

(iii) 0.035% (3.5 basis points) of the applicant's outstanding non-agency single-family UPB.

(c) Effective December 31, 2023, single-family Issuer applicants that originated more than $1,000,000,000 in UPB of any residential first mortgages, regardless of channel (including retail, wholesale correspondent, and wholesale broker) in the most recent four-quarter period must have liquid assets equal to the greater of at least $1,000,000 or the sum of (i) through (iii) listed immediately above in Chapter 2, Part 9 § B(1), plus

(iv) 0.5% (50 basis points) of Loans Held For Sale (HFS), plus

(v) 0.5% (50 basis points) of the applicant's UPB of Interest Rate Lock Commitments ("IRLCs") after fallout adjustments. UPB of IRLCs after fallout adjustments is UPB of IRLCs after making adjustments for estimated fallout (i.e., excluding part of the balance because some locks are not expected to close).

(d) Manufactured Home program Issuer applicants must have liquid assets of at least $1,000,000, which may be comprised of cash, cash equivalents as defined under FAS95, and AAA rated government securities marked to market, as defined under FAS95

(e) Multifamily and HMBS Issuer applicants must have liquid assets of at least 20% of their Ginnie Mae net worth requirement, which may be comprised of cash, cash equivalents as defined under FAS95, and AAA rated government securities marked to market

(2) Institution-wide Capital Requirements:

Institution-wide capital requirements are based on the applicant's fiscal year-end audited financial statement:

(a) Applicants that are subject to federal regulation by the Board of Governors of the Federal Reserve (Fed), Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC) or Federal Housing Finance Agency (FHFA) must meet all regulatory capital requirements to be considered at least "well-capitalized" or its equivalent. Applicants in this category include but are not limited to bank holding companies (BHCs), banks, wholly owned subsidiaries of BHCs that are consolidated for purposes of regulatory oversight, thrifts, savings and loan

holding companies, and credit unions. Non-depository mortgage companies are generally not included in this category.

(b) Applicants that are instrumentalities of a US state or territory, including but not limited to State Housing Finance Authorities or Agencies, are not subject to institution-wide capital requirements.

(c) Applicants that are not covered by the requirements for financial institutions shown above (in MBS Guide Chapter 2, Part 9, § B(2)(a)) and §(2)(b)), must meet the following capital requirement: Applicants must maintain a "Leverage Ratio" of at least 6%. For purposes of this section, Leverage Ratio is defined as (i) Total Adjusted Net Worth (as defined by Ginnie Mae) divided by Total Assets.

(d) Effective December 31, 2024, single-family Issuer applicants that are not covered by the requirements for financial institutions shown above (in MBS Guide Chapter 2, Part 9, § B(2)(a), and § B(2)(b)), in addition to maintaining the Leverage Ratio in Part 9, § B(2)(c) described above, must maintain a Risk-Based Capital Ratio (RBCR) of at least 6%. RBCR is Adjusted Net Worth ("ANW") modified for Excess Mortgage Servicing Rights ("MSRs") divided by total Risk Based Assets.

$$\text{RBCR} = \frac{\text{ANW - Excess MSRs}}{\text{Risk Weighted Assets}}$$

ANW is defined in Chapter 2 Part 9, § D of this Guide. For purposes of the RBCR only, ANW will be modified by subtracting Excess MSRs. Excess MSRs are defined as MSRs in excess of an applicant's or Issuer's ANW.

Total Risk-based Assets are defined as total assets that are risk-weighted according to the following schedule:

Risk Weighting	Asset Type
0%	Cash and Cash Equivalents
0%	Reverse Mortgages Held for Investment (non-true sale)
0%	Pre-paid expenses and leases
0%	Items Deducted from Equity to compute ANW
20%	Government Loans and Conforming Loans HFS
50%	Other Loans HFS
250%	Gross MSRs (not to exceed ANW)
100%	All other assets not included above

Government Loans are mortgages that are insured or guaranteed by the Federal Housing Administration (FHA), the Department of Agriculture under the Rural Development (RD) program, the Department of Veterans Affairs (VA), or guaranteed by the Secretary of Housing and Urban Development under section 184 of the Housing and Community Development Act of 1992 and administered by the Office of Public and Indian Housing (PIH).

Gross MSRs are MSRs prior to netting for MSR related liabilities such as excess servicing spread financing.

RBCR Example:

The following example illustrates the methodology required for computing the ratio. In this example, Equity = ANW.

Asset Type	Asset Amount	Risk Weight	Risk Weighted Assets
Cash and Cash Equivalents	100	0%	0
Government Loans HFS	0	20%	0
Conforming Loans HFS	1,500	20%	300
Other Loans HFS	100	50%	50
Gross MSRs	800	250%	1500*
Other Assets	500	100%	500
Total:	3,000		2,350

Total Equity (ANW) 600
Excess MSRs 200

$$\text{Risk Based Capital Ratio} = \frac{\text{ANW - Excess MSRs}}{\text{Risk Weighted Assets}} = \frac{600 - 200}{2{,}350} = 17.0\%$$

*Risk weight of 250% applied to the lesser of Total MSRs or ANW.

Section C. Guidelines for Assets

Effective Date: 2019-09-01

(1) Acceptable assets:

Assets acceptable to Ginnie Mae in determining adjusted net worth are those of demonstrable economic value and liquidity, which are reported according to GAAP (see Audit Guide, Chapter 6). Ginnie Mae will not give credit for unaudited earnings. Ginnie Mae will give credit for capital contributions of economic value made between audit statements if verified by the Issuer's independent auditor.

(2) Unacceptable assets:

Assets unacceptable to Ginnie Mae are those assets that are unacceptable to FHA in determining whether a non-supervised lender qualifies as an FHA-approved mortgagee, plus such other assets as Ginnie Mae determines do not meet the above stated criteria for acceptability, including but not limited to Deferred Tax Assets (see Audit Guide, Chapter 6).

(a) If evidence exists to indicate that affiliate receivables have not been deducted by the independent auditor, Ginnie Mae will deduct the amount of the receivables from the Issuer's adjusted net worth.

(b) Any questions regarding asset acceptability should be directed to Ginnie Mae's Office of Enterprise Risk (see Addresses).

Section D. Net Worth Calculation

Effective Date: 2018-11-08

The computation of net worth must be performed in accordance with the procedures set forth in the Audit Guide, Chapter 6.

An applicant's adjusted net worth will be calculated by subtracting the total amount of unacceptable assets from the net worth as stated on the audited balance sheet. Excess/ (deficit) net worth is the difference between adjusted net worth and required net worth.

In certain circumstances, and in its sole discretion, Ginnie Mae may accept a corporate guaranty as consideration for reclassifying certain assets that are treated as unacceptable assets under the Audit Guide.

If the balance sheet includes "Other Assets" or the equivalent, a schedule identifying the major components of any such assets, signed by the chief financial officer or chief executive officer of the applicant, must be included. If a schedule is not included, the item will be deducted by Ginnie Mae for purposes of calculating adjusted net worth.

Section E. Failure to Comply

Effective Date: 2018-11-08

If the applicant or its independent auditor fails to respond in a timely and satisfactory manner to additional information requests made by Ginnie Mae, its agents or contractors, within 30 days of notification by Ginnie Mae, then the applicant's access to Application Connection will be deactivated and Ginnie Mae will stop processing the application. If the applicant desires to continue the application process at a later date then it must request new access to Application Connection and must submit all new forms and documents. The new submission will be treated as a new application requiring payment of a new application fee.

PART 10. QUALITY CONTROL

Effective Date: 2018-11-08

An applicant seeking Ginnie Mae Issuer approval must have in place and submit with its application a quality control plan for the origination, underwriting, and servicing of mortgage loans and for secondary marketing.

If the applicant is seeking approval to issue HMBS, the applicant must have in place and submit to Ginnie Mae a quality control plan for the origination, underwriting, servicing and administration of HECMs and Participations related to the HECM loans.

If an applicant for Ginnie Mae Issuer approval intends to contract out the servicing function, the applicant must have in place an Oversight Plan detailing how the applicant will monitor its subservicer to ensure compliance is maintained in accordance with Ginnie Mae requirements.

The applicant also must submit its most recent quality control audit and disclose any actions taken as a result of the findings.

PART 11. PRIOR DEFAULTS: APPLICANTS

Effective Date: 2018-11-08

Ginnie Mae will consider applications from former Issuers who were terminated under the Ginnie Mae MBS Program and from applicants that employ one or more persons who served as a principal or officer of another Issuer at the time that Issuer was terminated under the Ginnie Mae MBS Program. Ginnie Mae, however, reserves the right to decide, in its sole discretion, who may participate in the Ginnie Mae MBS Program and on what terms. Additional requirements imposed on former Issuers may include, but are not limited to, the following:

(1) An applicant may not reenter the program for three years following its receipt of a letter of extinguishment from Ginnie Mae. Should an applicant be debarred or sanctioned by any government agency or by a government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, it may not reenter any Ginnie Mae program until the removal of the other sanctions. If approved to reenter the MBS Program, the applicant must serve a three-year provisional participation (*Please See MBS Guide Chapter 3, Part 10*).

(2) Prior to receiving approval to participate in the Ginnie Mae MBS Program, an applicant may be required to reimburse Ginnie Mae for any deficiency that existed in the applicant's P&I and escrow custodial accounts at the time of extinguishment, as well as any other loss incurred by Ginnie Mae as a result of the default. If the deficiency or loss results from wrongdoing by the applicant or any principal, officer, employee or agent of the applicant, the applicant must reimburse Ginnie Mae for the deficiency or loss prior to receiving approval to participate in the Ginnie Mae MBS Program.

(3) A person employed by an applicant who served as a principal or officer of another Issuer at the time that Issuer was terminated under the Ginnie Mae MBS Program may be permitted to reenter the Program in accordance with MBS Guide, Ch. 3, Part 11.

PART 12. AFFILIATES

Effective Date: 2018-11-08

The applicant must provide the name and address of each affiliate engaged in mortgage origination, servicing, or securitization. An "affiliate" of an applicant is defined for these purposes as an entity that can exercise control or significant influence over the management or operating policies of the applicant, either directly or indirectly, through some type of common ownership or control, as defined in the Statement of Financial Accounting Standards No. 57 (FAS-57) issued by the Financial Accounting Standards Board. An affiliate that is a Ginnie Mae Issuer is also referred to as a "related Issuer."

The applicant also must provide the affiliate's four-digit Ginnie Mae Issuer number if the affiliate is an Issuer in the Ginnie Mae MBS Program.

If approved, the applicant and all affiliated Ginnie Mae Issuers will be required to execute a Cross-Default Agreement (see Appendix I-4). An applicant may seek and be granted an exemption from this requirement with respect to a regulated affiliate if it submits a legal opinion, acceptable to Ginnie Mae, that a Cross-Default Agreement would be prohibited by the affiliated Issuer's federal regulator.

PART 13. ADDITIONAL REQUIREMENTS

Effective Date: 2018-11-08

At its discretion, Ginnie Mae may require any or all of the following:

(1) Credit reports on the applicant's principals and a commercial credit report on the applicant.

(2) Corporate guaranties in the following circumstances, among others:

(a) If the applicant does not have current audited financial statements at the time of application and the applicant is a wholly-owned subsidiary of an institution or holding company with current consolidated audited financial statements that are presented in accordance with GAAP and which are acceptable to Ginnie Mae;

(b) If the applicant, although meeting Ginnie Mae's net worth requirements, has been experiencing financial problems but its parent is financially strong;

(c) If the applicant is financially strong but its parent or an affiliate is experiencing financial problems, Ginnie Mae may require the parent company to sign a Corporate Guaranty that it will not remove assets or increase liabilities of the applicant for the benefit of the parent or any of its subsidiaries.

(d) If the applicant does not make up at least 40%or more of its parent's equity and has elected to submit consolidated audited financial statements of its parent company along with supplemental reports from the applicant (see Audit Guide, Chapter 6).

(e) If the applicant is affiliated with an existing Ginnie Mae Issuer and the Issuer's federal regulator will not permit it to sign a Cross-Default Agreement.

(3) Ginnie Mae will use various corporate credit methodologies, as appropriate according to the institution type of the applicant, to determine an applicant's overall credit profile. Applicants that receive a credit profile below a Single B, or its equivalent, will not be approved at Ginnie Mae's discretion.

PART 14. ANTI-DISCRIMINATION POLICIES

Effective Date: 2018-11-08

All applicants for Ginnie Mae Issuer approval must maintain policies prohibiting discrimination based on race, religion, color, sex, national origin, or age. All Issuers must comply with all rules, regulations, and orders specified below and all related requirements:

(1) Title VI of the Civil Rights Act of 1964, and related rules, regulations, and orders of general applicability;

(2) Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on November 20, 1962;

(3) Title VII of the Civil Rights Act of 1968;

(4) Title VIII of the Civil Rights Act of 1968, as amended;

(5) Fair Housing Law of 1968, in accordance with applicable rules and regulations of the Federal Housing Administration;

(6) The implementing rules and regulations of the Department of Labor (41 CFR Part 60-1) and the Department of Housing and Urban Development (24 CFR Part 130).

This section incorporates by reference section 202 of Executive Order 11246, Equal Employment Opportunity, issued by the President on September 24, 1965, and amended on October 13, 1967. For purposes of Executive Order 11246, this Guide is a Government contract.

PART 15. SUBSERVICER ELIGIBILITY REQUIREMENTS

Effective Date: 2018-11-08

A subservicer must be a Ginnie Mae-approved Issuer and meet all Issuer eligibility requirements. However, Ginnie Mae reserves the right to approve or deny an applicant's proposed subservicing arrangement. If denied, the application for approval will also be denied, and Ginnie Mae will require the applicant to re-apply. See MBS Guide, Ch. 4, Part 3 for a discussion of subservicer responsibilities.

PART 16. PROBATIONARY PERIOD

Effective Date: 2018-11-08

All newly approved Issuers will be subject to a probationary period to begin upon the date of first issuance or acquisition of Ginnie Mae MBS and last a period of one year.

During the probationary period, an Issuer must maintain its DQ2, DQ3 and DQP delinquency statistics at or below the threshold levels described in MBS Guide, Ch. 18, Part 3, § C.

During the probationary period, Ginnie Mae will closely monitor the Issuer and its affiliates, for compliance with program requirements, data integrity and quality, the length of time it takes for loans to become insured, the origination match percentage as compared to their peers, and additional risk parameters, as defined by Ginnie Mae.

The Issuer is responsible for submitting remittances and meeting all reporting requirements on time.

A newly approved Issuer will receive a compliance review after six months of program participation and annually for the next two years. All findings from these onsite reviews must be cleared in a timely manner.

All pools issued during the probationary period must be final certified according to MBS Guide, Ch. 11; the 19 pool exemption described in MBS Guide, Ch. 11 does not apply to pools issued during the Issuer's probationary period.

If, during the probationary period, a newly approved Issuer fails to satisfy these requirements, Ginnie Mae may, in its sole discretion, terminate the participant's Ginnie Mae Issuer status at any time.