CHAPTER 32. CONSTRUCTION LOAN POOLS — SPECIAL REQUIREMENTS

PART 1. OVERVIEW OF CHAPTER

Effective Date: 2015-05-01

This chapter describes special requirements that apply to a pool consisting of a single loan for the construction of multifamily housing.

The requirements stated in this chapter modify those set forth in previous chapters for applying for and maintaining issuer status, obtaining commitment authority and pool numbers, submitting pool issuance documents, delivering securities, and administering pools.

The pool suffix is “CL” or “CS.”

The construction loan pool designations have the following meanings:

(1) “CL” identifies a pool consisting of a single construction loan; the interest rate payable on the securities backed by a CL pool will also be the interest rate payable, upon conversion of the construction loan securities, on the resulting project loan securities.

(2) “CS” identifies a pool consisting of a single construction loan; the interest rate payable on the securities backed by a CS pool will differ from the interest rate payable, upon conversion of the construction loan securities, on the resulting project loan securities.

Construction loan pools can be formed only under the Ginnie Mae I MBS Program.

PART 2. ISSUER ELIGIBILITY

Effective Date: 2015-05-01

To be eligible to issue construction loan securities, an applicant must satisfy the eligibility requirements set forth in MBS Guide, Ch. 2 and 3, including the net worth requirements applicable to issuers of construction loan securities. *(Please See MBS Guide Chapter 2, Part 9 and Chapter 3, Part 8)*

PART 3. ISSUER’S RISKS AND LIABILITIES

Effective Date: 2015-05-01

In addition to the risks and liabilities described in MBS Guide, Ch. 5, a construction loan pool issuer incurs the following liability: if the securities mature, the issuer must retire the securities at par, in cash, using its own funds. *(Please See MBS Guide Chapter 32, Part 10, § I and J)*

PART 4. SERVICING FEES AND GUARANTY FEES

Effective Date: 2015-05-01

These fees are the same as those for project loan securities. *(Please See MBS Guide Chapter 31, Part 3*)

PART 5. COMMITMENT AUTHORITY TO GUARANTEE SECURITIES

To participate in the program, issuers must request commitment authority and pool numbers as described in MBS Guide, Ch. 8. All multiline commitment authority will expire the last day of the month that is 24 months from the date of approval of the commitment authority. Multiline commitment authority cannot be converted to single-line commitment authority.

Section A. Application
Effective Date: 2015-05-01

The procedure for applying for multiline commitment authority or pool numbers is described in MBS Guide, Ch. 8, Part 3.

Section B. Commitment
Effective Date: 2015-05-01

The commitment fee is described in MBS Guide, Ch. 6, Part 2, § B.

Section C. Pool Numbers
Effective Date: 2015-05-01

Consecutive pool numbers must be reserved for an issue of construction loan securities and the related project loan securities. The lower pool number is to be used for the construction loan securities.

PART 6. MORTGAGE ELIGIBILITY AND POOL REQUIREMENTS

A construction loan pool consists of one mortgage representing a single construction loan. The mortgage must satisfy the following requirements:

Section A. FHA Insurance
Effective Date: 2015-05-01

The mortgage must be insured by FHA under the National Housing Act and the appropriate implementing regulations and must be eligible for pooling under both the construction loan and the project loan MBS programs.

Section B. Minimum Mortgage Amount
Effective Date: 2015-05-01

The mortgage amount, after all advances, must total at least $250,000.

Section C. Initial Endorsement
Effective Date: 2015-05-01

The mortgage note must have been initially endorsed by FHA for insurance of advances.

PART 7. ADVANCES OF LOAN FUNDS PRIOR TO POOL SUBMISSION
Effective Date: 2015-05-01

Prior to each issuance of securities, the issuer takes the following steps with respect to FHA-insured advances:

(1) makes a request to FHA for the insurance of advances;

(2) makes timely disbursement to all payees named in form HUD 92403; and

(3) submits documents to the document custodian for its certification and to PPA for the issuance of securities, as described in MBS Guide, Ch. 32, Part 8, § B and Ch. 32, Part 9, § B, respectively.

PART 8. REQUIRED DOCUMENTS FOR CERTIFICATION BY DOCUMENT CUSTODIAN

After initial endorsement by FHA, the documents listed below must be delivered to the document custodian, which certifies to their receipt on the back of the Schedule of Pooled Mortgages, form HUD 11706 (Appendix III-7).

Section A. Basic Pool Documents

Effective Date: 2026-11-03

Prior to issuance of the initial securities backed by a pool, the following documents shall be delivered to, and certified by, the document custodian:

(1) The original of the note or other evidence of indebtedness endorsed for insurance by FHA and endorsed or assigned in blank by the issuer.

(2) An executed original Release of Security Interest, form HUD 11711A (Appendix III-5) relating to the pooled mortgage, if applicable.

(3) An executed original Certification and Agreement, form HUD 11711B (Appendix III-5) signed by an officer of the issuer.

(4) The original of the recorded mortgage or other security instrument securing payment of the indebtedness.

A title insurance company-certified copy may be used to certify the pool, but when the issuer receives the recorder-certified copy, the issuer must submit it to the document custodian.

(5) A duplicate original standard title insurance policy containing such provisions as are acceptable to FHA.

(6) A duplicate original of the performance bond (dual obligee) naming Ginnie Mae, either on the policy or by assignment or endorsement, as an insured party, or an assurance of completion agreement as approved by FHA. If a letter of credit is collected as collateral for the assurance of completion agreement, an assignment of the letter of credit shall be deposited. Any assignment must evidence the surety's written consent.

(7) Copies of Uniform Commercial Code forms or other security documents pertaining to personalty evidencing recordation with the appropriate office and an original assignment of such security documents to Ginnie Mae in recordable form but unrecorded. Issuers must keep UCC filings current while a loan is in the pool.

(8) Copies of survey and surveyor's report.

(9) An original of the Building Loan Agreement.

(10) A copy of the Construction Contract.

(11) Such other documents as Ginnie Mae may require.

Section B. Documents Supporting Separate Issuances

Effective Date: 2026-11-03

Prior to each individual issuance of securities, including the first, the issuer must place in the possession of, and have certified by, the document custodian, the following additional documents:

(1) A certificate showing that the disbursement has been made to the mortgagor and payee named in form HUD 92403. Other documents must be made available upon request.

(2) A copy of the application for insurance of advances (form HUD 92403) approved by an authorized signatory. The authorized signatory for loans fully insured by FHA may be the HUD field office or (except for initial and final draws) an FHA-approved Multifamily Accelerated Processing ("MAP") lender. If the MAP lender approves form HUD 92403, a copy of the lender's MAP approval must be provided to the document custodian. The form HUD 92403 provides evidence of FHA insurance inclusive of the latest disbursement.

(3) Evidence that title insurance coverage, inclusive of the amount of the advance, is in effect.

The loan documents required for certification are summarized below:

Document	Form Number	Appendix
To document custodian prior to initial issuance		
Schedule of Pooled Mortgages	HUD 11706	III-7
Release of Security Interest, if applicable	HUD 11711A	III-5
Certification and Agreement	HUD 11711B	III-5
Original note, endorsed for FHA insurance and endorsed in blank, without recourse		
Original recorded mortgage or other security instrument of indebtedness		
Duplicate original title insurance policy		
Completion Assurance Agreement / Performance Bond		
Copies of UCC forms or other security documents for personalty		
UCC assignment to Ginnie Mae, in recordable form but not recorded		
Copy of survey and surveyor's report		
Original Building Loan Agreement		
Copy of construction contract		
Any other document required by Ginnie Mae		
To document custodian prior to each subsequent issuance		

Application for insurance of advances. If Multifamily Accelerated Processing (MAP) approved lender accepts the form HUD 92403, a copy of lender's MAP approval.	HUD 92403	
Certificate of disbursement		
Evidence of title insurance		

PART 9. REQUIRED DOCUMENTS FOR CERTIFICATION BY DOCUMENT CUSTODIAN

Once the mortgage proceeds have been advanced and insured and all necessary documents have been delivered to and certified by the document custodian, the issuer is ready to issue the Ginnie Mae securities.

Section A. Initial Issuance

Effective Date: 2026-11-03

For the initial issuance, in addition to the documents required by MBS Guide, Ch. 10, Part 3, the issuer must deliver to the PPA all the following documents not later than 3 business days prior to the anticipated delivery date of the securities.

(1) A copy of the mortgage note or other form of indebtedness, evidencing the FHA insurance endorsement.

(2) Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705 (Appendix III-6).

(3) Schedule of Project Mortgages, form HUD 11706 (Appendix III-7).

(4) Prospectus, form HUD 1731 (Appendix IV-10). This prospectus serves also as the prospectus for the project loan securities that are issued upon the conversion of the construction loan securities.

(5) Custodian's Certification for Construction Securities, form HUD 11732 (Appendix III-22). This document, which must be signed by the document custodian before it is submitted to Ginnie Mae by the issuer, evidences that the document custodian is holding: (a) a certification that disbursement has been made to the mortgagor, (b) evidence of FHA insurance inclusive of the disbursement, and (c) evidence of title insurance coverage inclusive of the latest disbursement.

(6) A copy of form HUD 92403, evidencing insurance of the advances.

(7) If the FHA assignment fee is to be waived by FHA, a written certification by the issuer to the effect that the assignment fee is not applicable.

The following table lists the pool documents to be sent to the PPA for approval of the initial issuance of a construction loan pool:

Document Name	Form Number	Appendix
To PPA prior to initial issuance		

Copy of note or other form of indebtedness	--	--
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705	III-6
Schedule of Pooled Mortgages	HUD 11706	III-7
Master Servicing Agreement	HUD 11707	III-1
Master Agreement for Servicer's Principal and Interest Custodial Account	HUD 11709	III-2
Master Agreement for Servicer's Escrow Custodial Account	HUD 11720	III-3
Master Custodial Agreement	HUD 11715	III-4
Prospectus	HUD 1731	IV-10
Custodian's Certification for Construction Securities	HUD 11732	III-22
Copy of Application for insurance of advances	HUD 92403	--
Any other documents required by Ginnie Mae		

Section B. Subsequent Issuances
Effective Date: 2026-11-03

For subsequent issuances within a pool, the issuer must deliver to the PPA, not later than 3 business days prior to the anticipated delivery date, the following documents:

(1) Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705 (Appendix III-6);

(2) Custodian's Certification for Construction Securities, form HUD 11732 (Appendix III-22); and

(3) HUD Form 92403, as described above.

The following table lists the pool documents to be sent to the PPA for approval of subsequent issuance of a construction loan.

Document Name	Form Number	Appendix
To PPA prior to each subsequent issuance		
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705	III-6
Custodian's Certification for Construction Securities	HUD 11732	III-22
Application for insurance of advances	HUD 92403	--

Section C. Conversion Issuance
Effective Date: 2026-11-03

In addition to the documents described in MBS Guide, Ch. 10, Part 3, the issuer must deliver the conversion issuance package to the PPA not later than 3 business days prior to the

anticipated delivery date of the securities. The conversion issuance package consists of the final CL/CS pool draw and the replacement PL/PN pool, which must be delivered simultaneously. *(Please See MBS Guide Chapter 10 for detailed instructions on the delivery of these documents)*

All CL/CS pools will automatically be converted to PN pools after the settlement of the final CL/CS draw. However, issuers may submit a special written request to the Office of Issuer & Portfolio Management to convert a CL/CS pool to a PL pool instead of a PN pool, as part of their conversion package.

(1) Timing

Two days prior to submitting a conversion issuance package to the PPA, the issuer shall call the PPA to inform the PPA of the pending submission of the conversion package. The phone call is to be followed by an e-mail confirming receipt of the package. The following information must be provided in these requests: issuer name, contact name, phone number, and pool number. The PPA will respond via e-mail with clearing bank instructions provided by the Federal Reserve, for insertion on the form HUD 11705.

The issuer then submits a complete conversion package to the PPA to issue the final CL/CS draw and to authorize the conversion of the CL/CS security to a PN security. Upon approval, the final construction loan draw will be issued as a CL/CS security to the contracted security purchaser. Upon issuance of the final draw, the Federal Reserve sends out a wire announcing that the subject CL/CS pool will be converted to a PN security position, within two business days. The contracted security purchaser must transfer the final CL draw security to the appropriate clearing bank account before the replacement PN pool can be settled and issued. On the date specified, the Federal Reserve will cancel the CL/CS CUSIP and replace it with the assigned PN CUSIP. The transaction will be settled and delivered to the appropriate clearing bank account. The final CL/CS draw and the replacement PN pool will both have the same issue date. Both transactions must settle within the same issuance month. CL/CS positions should not be traded between the settlement of the final draw and issuance of the replacement PN security.

(2) Documents

The following documents are required for issuance of the final draw and PN conversion pool along with a cover letter identifying the pool submission as a CL/CS to PL/PN conversion issuance:

(a) Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705 (Appendix III-6);

(b) Custodian’s Certification for Construction Securities, form HUD 11732 (Appendix III-22); and

(c) HUD Form 92403, final insurance of advances for the project.

The following table lists the pool documents to be sent to the PPA for approval of a final construction loan pool draw:

Document Name	Form Number	Appendix
Final CL/CS Pool Draw Package		
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705	III-6
Custodian's Certification for Construction Securities	HUD 11732	III-22
Application for insurance of advances (Final)	HUD 92403	--

The following documents are required for issuance of the PL/PN conversion issuance:

(a) A copy of the mortgage note or other form of indebtedness, evidencing the final FHA insurance endorsement.

(b) Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705, which must indicate the Pool Type "PL" or "PN" securities (Appendix III-6). If the pool is a PL pool, a copy of Ginnie Mae's Approval must be included as part of the package of delivered documents.

(c) Schedule of Project Mortgages, form HUD 11706 (Appendix III-7).

(d) Prospectus, form HUD 1731 (Appendix IV-10) for construction securities that will be converted to permanent loan securities. At conversion a revised prospectus must be submitted for pool issuance.

The issuer must specify on the "Annex — Special Disclosure," which is attached to the prospectus, the prepayment provisions of the note (which must include any provision detailing prepayment privileges or penalties). If, for example, the loan may not be prepaid in full for a specified period or partial prepayments are restricted, these requirements must be disclosed in the annex to the prospectus. If there are no prohibitions against voluntary prepayment, that must be stated in the annex to the prospectus. (If a prepayment premium or charge is collected, it must be passed through to security holders as an additional payment apart from the amortization of principal of the securities and from required interest.)

If amortization of the mortgage and, consequently, amortization of the securities will not commence immediately, this deferred amortization must be described. It must be made clear that while amortization may be deferred because of provisions of the underlying mortgage, interest, as required by the security, will be paid by the 15th day of each month or, if payment is made by electronic transfer and the 15th day of the month is not a business day, then on the first business day following the 15th day of the month, commencing 45 days after the issue date of the security.

(e) If the FHA assignment fee is to be waived by FHA, a written certification by the issuer to the effect that the assignment fee is not applicable.

(f) For loans sold in a Ginnie Mae-approved auction, a copy of a notice of acceptance of the bids duly executed by an authorized official of the agency holding the auction.

(g) Application for Insurance of Advances, form HUD 92403, the final advance of the project.

The following table lists the pool documents to be sent to the PPA for approval of a project loan conversion pools:

Document	Form Number	Appendix
Project Loan Conversion Pool Package		
A copy of Mortgage Note	--	--
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705	III-6
Schedule of Project Mortgages	HUD 11706	III-7
Agreements for Servicer's Escrow Custodial Account; include additional copy for Section 223(f) repair escrows and loan escrows, if applicable	HUD 11720	III-3
Prospectus, CL or CS to PN or PL Conversion	HUD 1731	IV-10
Copy of FHA assignment fee waiver (if applicable)	--	--
Executed copy of notice of acceptance of pooling for loans sold in an auction	--	--
Application for insurance of advances (Final)	HUD 92403	--
If a PL pool, a copy of Ginnie Mae's Approval	--	--
Certificated CL or CS security, if applicable		
Clearing bank account consent, if applicable		

PART 10. SECURITIES

Preparation and delivery of securities through the depository are described in MBS Guide, Ch. 12. This Chapter presents additional information about securities backed by construction loan pools.

Section A. Interest Payments

Effective Date: 2015-05-01

Each issuance of construction loan securities is dated the first day of the month of issue. The securities provide that accrued interest for 30 days is payable by the issuer to the security holders, commencing 45 days after the issue date and continuing on the 15th of each successive month or, if payment is made by ACH transfer and the 15th day of the month is not a business day, then on the first business day following the 15th day of the month. Construction loan securities provide for the payment of interest, at the rate provided for in the securities, whether or not collected by the issuer.

Section B. Interest Rate

Effective Date: 2015-05-01

Without Ginnie Mae's written approval of a different rate, the interest rate on construction loan securities must be at least 25 basis points but not more than 50 basis points below the interest rate on the related construction loan.

Section C. No Scheduled Principal

Effective Date: 2015-05-01

Construction loan security holders are not entitled to scheduled payments of principal. Principal payments cannot be applied and passed through to construction loan security holders. However, principal payments may be passed through if the mortgage has been assigned to FHA, and partial or full claim settlement proceeds have been paid, or if FHA overrides the prepayment lockout and the loan pays off. Funds from principal payments due under the mortgage prior to issuance of the related project loan securities must be deposited and held in the appropriate P&I custodial account until issuance of the related project loan securities.

Section D. Insurance of Advances

Effective Date: 2015-05-01

Construction loan securities are generally issued as construction progresses and as advances are insured by FHA. Although multiple advances may be made in any given month, only one certificate will be issued, with a minimum value of at least $1,000. Mortgage funds must be insured by FHA and advanced by the issuer prior to the submission of the pool documents to the PPA.

Section E. Minimum Security Amount

Effective Date: 2015-05-01

Each issuance of construction loan securities must be in the amount of at least $1,000. Although pool size must be at least $250,000, minimum positions available to investors may be issued in denominations as low as $1,000. Several loan advances may be combined to support one draw issuance per month.

Section F. Outstanding Principal Amount

Effective Date: 2015-05-01

The outstanding principal amount of securities for a pool may not exceed the amount of advances that has been disbursed and insured on the construction loan in the pool. The amount of securities to be issued in connection with a project may be increased at such time as the amount of the mortgage is increased because of increased construction costs or other reasons. The issuer is responsible for marketing the additional securities. If the mortgage increase is at a different interest rate than the rate on the original loan, a new securities pool will be established to fund the increase.

Section G. Conversion of Securities at Maturity

Effective Date: 2015-05-01

Effective with construction loan pools with an issue date on or after April 1, 2003, unless expressly requested by an issuer in writing, such construction loan pools will be converted to PN pools. Construction loan securities are redeemed by the issuance of project loan securities to the construction loan security holders. Project loan securities are issued in the month following the final endorsement for insurance of the pooled mortgage. Instructions for assembling and

submitting pool issuance documents for the project loan securities are set forth in MBS Guide, Ch. 32, Part 9, § C.

(1) Purchasers of construction loan securities agree to accept this redemption through the issuance of project loan securities.

(2) Construction loan securities that are held in certificated form must be surrendered to Ginnie Mae prior to issuance of the project loan securities.

(3) The outstanding certificated construction loan securities may be delivered by the security holder to the issuer for surrender or the security holder may deliver them directly to the CPTA (see Addresses). The outstanding certificated construction loan securities must be surrendered before the project loan securities will be issued.

Section H. Maturity of Securities; Requests for Extension

Effective Date: 2015-05-01

The maturity date of construction loan securities that is stated in the prospectus may be set at any date between 200 percent of the construction time as determined by FHA and the permanent loan maturity date.

For pools that have a maturity date less than the project loan certificate maturity date, at least two weeks prior to the expiration of the CL/CS pool maturity the issuer must notify the PPA in writing that the pool is maturing and request an extension of the CL/CS maturity date, if necessary. The issuer must also submit to the PPA (i) (a) in the case of CL/CS pools issued prior to December 31, 2002, written acceptance of the extension by all certificated security holders or, in the case of book-entry securities, the appropriate clearing bank account or (b) in the case of CL/CS pools issued after December 31, 2002 a letter from its contracted security purchaser consenting to the extension, and (ii) a revised HUD form 11705, Schedule of Subscribers, with a transmittal letter identifying the pool and stating the current and new maturity dates. Maturing CL/CS pools that have not completed the extension process prior to maturity will be automatically terminated from the Ginnie Mae depository system, and the issuer will be required to retire the securities by cash payment to the security holder at the next payment date.

Section I. Prepayment

Effective Date: 2015-05-01

If the amount of the insured loan at final endorsement by FHA is less than the amount of outstanding construction loan securities upon completion of the project, the construction loan securities must be prepaid in the amount of the difference at the time of conversion to project loan securities. This can occur, for example, if there is a reduction of the loan amount resulting from the cost certification process.

Section J. Retirement of Securities

Effective Date: 2015-05-01

If the pooled mortgage is liquidated or project loan securities cannot be issued by the maturity date of the construction loan securities, and the maturity date of the securities is not extended with Ginnie Mae's written approval, then the construction loan securities must be retired by the issuer by the payment of cash to the security holders. The security holders must surrender the securities held in certificated form to the issuer, which in turn must surrender them to the CPTA.

PART 11. THE PROSPECTUS

Effective Date: 2015-05-01

The prospectus for the construction loan securities is form HUD 1731 (Appendix IV-10). This prospectus serves also as the prospectus for the project loan securities that are issued upon conversion of the construction loan securities.

If the project loan securities are to be backed by a mortgage with non-level payments, the construction loan prospectus must disclose that fact in the "Annex — Special Disclosure" and must indicate that project loan securities issued to redeem the construction loan securities will be of the PN or, if applicable, LS variety. *(Please See MBS Guide Chapter 31, Parts 7 and 9)*

At conversion, a revised prospectus must be submitted for pool issuance.

PART 12. LOAN DEFAULT AND CLAIMS PROCEDURES

Effective Date: 2026-11-03

The issuer must follow the procedures, as applicable, set forth in MBS Guide, Chapter 31, Part 15, § D.

If the issuer files a claim for FHA insurance and the settlement of the claim is made in FHA debentures, Ginnie Mae will purchase the debentures from the issuer for cash at a price of par.

PART 13. RD SECTION 538 MULTIFAMILY CONSTRUCTION LOAN PROGRAM

Effective Date: 2026-11-01

RD Section 538 Multifamily Construction loans that are guaranteed by the Rural Housing Service, pursuant to Title V of the National Housing Act of 1949 and the attendant implementing regulations, are eligible for pooling under the following conditions:

(1) meet the conditions for pooling under both the construction loan and project loan MBS programs;

(2) the loan amount may not exceed 80% of the total project development cost, as reflected in Form RD 3565-4, Loan Note Guarantee (Guaranteed Multifamily Housing).

Additional program requirements may be found in the United State Department of Agriculture (USDA) Development Handbook, HB-1-3565, Guaranteed Rural Rental Housing Program Origination & Servicing Handbook. To the extent that any program requirements in the USDA Handbook conflict with the Ginnie Mae program requirements set forth in this Guide, the Guide controls.