

August 14, 2014

To: All Participants in Ginnie Mae Programs

From: Theodore W. Tozer, President

Subject: Changes to ARM Interest Rate Adjustment Requirements

This APM is issued to announce modifications to Ginnie Mae's eligibility requirements for Adjustable Rate Mortgages (ARMs) in its pools. The Consumer Financial Protection Bureau (CFPB) issued a regulation in February 2013, increasing the required look-back period for interest rate adjustment dates on ARMs.¹ In the preamble to the CFPB's regulation, the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) were granted an extension of time to modify their ARM programs to comply with the new requirements.² Pursuant to the preamble, both FHA and VA ARM programs must be modified to require that loans originated on or after January 10, 2015 provide for at least a 45 day look-back period associated with the interest rate adjustment date.³ Consequently, Ginnie Mae is revising the look-back period requirement for ARMs backing Ginnie Mae guaranteed mortgage-backed securities (MBS). Effective with April 1, 2015 issuances and thereafter, loans must provide for a 45 day look-back period to be eligible for pooling.

The CFPB regulation is based on the origination date of the loan. Therefore, in order to accommodate Issuer pipelines, loans originated prior to January 10, 2015 that have a 30 day look-back period may continue to be pooled through and including March 1, 2015 issuances. Loans originated on or after January 10, 2015 must have a 45 day look-back period, and may be pooled beginning with April 1, 2015 issuances. Issuers are strongly encouraged to monitor their pipelines closely to ensure pooling eligibility.

Chapter 26 and Appendix IV-21 (Prospectus Ginnie Mae II Adjustable Rate Mortgages) of the Mortgage Backed Securities Guide 5500.3 REV-1 (MBS Guide) have been revised to reflect the

¹ See 12 C.F.R. § 1026.20; See also 78 FR 10902 (February 14, 2013).

² See 78 FR 10902 at 10927 (February 14, 2013).

³ FHA published a proposed rule on May 8, 2014, "Adjustable Rate Mortgage Notification Requirements and Look-Back Period for FHA-Insured Single Family Mortgages," to announce for public comment its proposal for compliance with the CFPB regulation. The proposed rule can be located at 79 FR 26376. As of the date of this APM, VA has not yet published a proposal.

updated look-back period requirements. Please direct any questions you may have to your Ginnie Mae Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.