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APM 15-06

April 03, 2015

To: All Participants in Ginnie Mae Programs

From: Theodore W. Tozer, President

Subject: Clarification of Requirements for Custodial Funds and Custodial Accounts

Recent events have led Ginnie Mae to recognize that its requirements for Custodial Funds as well as for the accounts in which they reside may not be clear to Issuers. Ginnie Mae hereby wishes to clarify these requirements.

Clearing and Custodial Accounts

Custodial Funds are defined in the Glossary to the Mortgage Backed Securities Guide 5500.3, Rev. 1 (MBS Guide) as “all principal and interest collected on account of the mortgages and/or the property securing the mortgages and any other funds due to the security holder; any tax, insurance premium or other funds collected for the benefit of the mortgage or the property; and any unscheduled recoveries of principal.” Therefore, all Ginnie Mae funds that are deposited into clearing or disbursement accounts are considered Custodial Funds. Any Ginnie Mae requirement that applies to Custodial Funds when they are in custodial accounts also applies to these funds during the temporary period the funds remain in either clearing or disbursement accounts. Clearing and disbursement accounts are for Issuer convenience only. Ginnie Mae Custodial Funds within clearing and disbursement accounts may not be invested (including in overnight investments), earn interest, or be used for any corporate purpose unless expressly permitted in the MBS Guide.

Additionally, custodial accounts are exclusively for the management of Custodial Funds, as prescribed in Chapter 16 of the MBS Guide. Use of custodial accounts for any other purpose, including the payment of commitment or transfer fees to Ginnie Mae, is strictly prohibited.

Escrow Accounts

The MBS Guide currently explains how escrow funds may be used, but is silent as to when funds should be put into an escrow account. The MBS Guide is being updated to explain that escrow funds required to be deposited under the terms of the mortgage



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should be deposited in an escrow custodial account within two (2) business days of the pool settlement date.

The applicable changes have been made to Chapter 16 of the MBS Guide and are effective immediately. If you have any questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.