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APM 15-14

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MEMORANDUM FOR: All Participants in the Ginnie Mae Programs

FROM: Theodore W. Tozer, President

SUBJECT: Changes in Issuer Business Status

The housing finance industry continues to evolve in response to recent changes in the economic and regulatory environments, and Ginnie Mae has experienced an increase in the volume and complexity of Issuer requests for approval of changes in Issuer business status. In response to this recent trend, Ginnie Mae has updated the requirements for notification and prior approval of changes in Issuer business status contained in Chapter 3 of the Mortgage-Backed Securities Guide 5500.3, Rev.1 (MBS Guide). The revised requirements are further described below and are effective immediately.

### **Changes in Relationship with Agencies**

Section 3-13(A) of the MBS Guide required Issuers to provide Ginnie Mae written notice within five (5) days of any material adverse change in its business relationship with Fannie Mae, Freddie Mac, FHA, VA, RD, PIH, or any other supervisory or regulatory agency. Section 3-13(A) has been modified to make explicit that this notice requirement also applies to any material adverse change in an Issuer's business relationship with any banking agency, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau, and state licensing or regulatory agencies.

### **Mergers**

Section 3-13(B) of the MBS Guide previously required Issuers to provide Ginnie Mae a written notice, as well as a variety of other legal and financial documents, at least thirty (30) days prior to the effective date of a merger. This section of the MBS Guide has been modified to reduce the number of documents that Issuers must provide Ginnie Mae, and change the time at which they must be provided. Issuers will now have thirty (30) days from the completion of the merger to submit the documents prescribed in



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Section 3-13(B) of the MBS Guide.

In light of the streamlined documentation requirements discussed above, Issuers are now required to provide written notice at least sixty (60) days prior to the desired effective date of a merger to afford Ginnie Mae sufficient time to approve or deny continued participation in the MBS program of the surviving entity. In a merger where the surviving entity is not currently a Ginnie Mae Issuer, the entity must provide Ginnie Mae written notice at least ninety (90) days prior to the desired effective date of the proposed merger, indicating whether the intention of the entity is to become a Ginnie Mae Issuer or not.

### **Change in Ownership or Control of an Issuer or Guarantor**

Ginnie Mae previously defined “change in ownership or control” as a change in ownership of twenty (20) percent or more of the stock or other ownership interest in the Issuer or an Issuer’s guarantor. The terms “principal owner” and “control” are now defined according to the Statement of Financial Accounting Standards No. 57 (FAS-57) issued by the Financial Accounting Standards Board. An Issuer may consult its independent auditor for further guidance on the subject.

In the event of a change in principal ownership or control of an approved Issuer or the Issuer’s guarantor, Ginnie Mae requires that the Issuer provide written notice at least thirty (30) days prior to the desired effective date of the change. In addition, Ginnie Mae requires that the Issuer provide a variety of legal and financial documents within thirty (30) business days after the completion of the change. The number of documents that Ginnie Mae needs to review when an Issuer or guarantor is undergoing a change in ownership or control has been reduced to the documents detailed in Sections 3-13(C) and 3-13(E), respectively.

### **Transfer of Assets**

Ginnie Mae now requires Issuers that plan on executing a transfer of assets to provide Ginnie Mae written notice regarding the transfer at least thirty (30) days prior to the desired effective date. Upon receipt of this notice, Ginnie Mae will determine whether to approve or deny an Issuer’s continued participation in the program. Ginnie Mae considers a transfer of assets to be any transfer of a principal element of the Issuer’s business assets related to the origination, underwriting, or servicing of mortgage loans without the transfer of accompanying liabilities, not including the transfer of non-Ginnie Mae mortgage servicing rights.

For any questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.