

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

### 24-1: OVERVIEW OF CHAPTER

This chapter describes special requirements that apply for a pool or loan package of single family, level payment mortgages. The requirements described in this chapter may modify, supplement or, in some cases repeat for the purpose of emphasis, those set forth in previous chapters with respect to mortgage eligibility, pool and loan package requirements, required pool and loan package submission documents, and the securities. The pool suffix is “SF.”

SF pools can be formed under the Ginnie Mae I MBS Program as X SF pools, and the Ginnie Mae II MBS Program as either C SF or M SF pools.

### 24-2: MORTGAGE ELIGIBILITY, POOL, AND LOAN PACKAGE REQUIREMENTS

The mortgage eligibility, pool and loan package requirements that apply, with limited exceptions, to all pool types are found in Chapter 9. In addition, SF mortgages, pools, and loan packages must meet the following requirements:

#### *(A) Mortgage Eligibility Requirements*

- (1) General requirements:
  - (a) Number of units: Each mortgage loan must generally cover no more than four units in a single structure. A mortgage loan for a two to four unit dwelling may be a High Balance Loan as defined in Section 9-2(B). Issuers must ensure that the pooling requirements for High Balance Loans, specified below in Section 24-2(A)(1), are satisfied. The restrictions on the number of units for a single structure imposed by FHA, VA, RD or PIH are applicable to this program.
  - (b) Maturity: For pools or loan packages originated on or after September 1, 2004, Issuers may securitize loans with a first payment date more than 48 months before the issue date of the pool. However, and in order to avoid possible negative tax consequences to foreign investors, Ginnie Mae will not allow any loans originated prior to 1985 to be included in new pool or loan package originations. Moreover, and in order to ensure that Ginnie Mae’s single family pools adhere to the test for reasonable homogeneity, Issuers must also ensure that the loan maturity requirements specified below in Section 24-2(B)(3) are met.
  - (c) Interest rate
    - (i) Ginnie Mae I MBS pools:  
Each mortgage in a pool must bear the

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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same fixed interest rate as every other mortgage in its pool, which is one-half of one percent (50 basis points) higher than the interest rate on the related securities. The interest rate on the mortgage may not change during the life of the mortgage.

- (ii) Ginnie Mae II MBS pools and loan packages:

Each mortgage in a pool or loan package issued on or after July 1, 2003 must bear a fixed interest rate at least 25 but not more than 75 basis points higher than the interest rate on the related securities. The interest rate on the mortgage may not change during the life of the mortgage.

- (c) Amortization: Each loan must provide for repayment in equal monthly installments over the fixed term of the loan. No loan may be re-amortized while it is in a pool or loan package.

- (d) Buydowns

- (i) Ginnie Mae I MBS pools:

Ginnie Mae I SF pools may not contain mortgages with buydown provisions. Any mortgage with buydown features, whether or not specifically approved as a buydown mortgage, must either be placed in a separate BD or SN pool (see Chapters 25 and 29).

- (ii) Ginnie Mae II MBS pools and loan packages:

SF loans that include buydown provisions are eligible for Ginnie Mae II SF pools and loan packages under the following conditions:

With respect to custom, Single Family Level Payment pools, buydown loans may not constitute more than 10.00% of the total original principal balance at origination. In order to accommodate buydown loan pooling, a new pool type

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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designation has been created: C BD. The C BD pool type does not need to pool buydown loans exclusively, and may in fact commingle both buydown and non-buydown loans. Adjustable Rate Mortgages (ARMs), Graduated Payment Mortgages (GPMs) and Growing Equity Mortgages (GEMs) are not eligible for buydown consideration.

If an Issuer submits a C BD pool type through *GinnieNET*, and the pool contains one or more buydown mortgages, the pool will be issued as a C BD pool regardless of the BD dollar amount and total pool dollar amount. *GinnieNET* will apply the FHA's ADP codes to identify BD mortgages.

C BD pool types will be eligible for participation in the Targeted Lending Initiative (TLI) program. In addition, the C BD pool type will also be available for immediate servicing transfer ("PIIT"), so long as both parties meet the servicing transfer requirements communicated in the MBS Guide. At issuance, the aggregate unpaid principal balance of all loans in a C BD pool must be at least \$500,000, and consist of at least three loans, with the exception of Custom Bond Finance pool products, which only require, at minimum, an unpaid principal balance of \$25,000.00, and one loan.

Pursuant to recent changes to the Ginnie Mae II MBS program, the spread of note rates eligible for securitization of C BD pool types must be at least 25 basis points, but not more than 75 basis points, above the security rate. Consequently, C BD pool types will have a minimum servicing fee of 19 bps and a maximum servicing fee of 69 bps plus a 6 basis point Ginnie Mae guaranty fee. For pools meeting Ginnie Mae's Targeted Lending Initiative, the minimum servicing fees will be 20, 21 and 22 basis points with a guaranty fee

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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of 5, 4 and 3 basis points, respectively. The maximum weighted average servicing fee at issuance cannot exceed 72 basis points.

With respect to multiple Issuer pools and loan packages, (M SF), no more than ten percent (10%) of the aggregate original principal balance of the mortgage loans in a SF pool may consist of buydown loans. Within a loan package, buydown loans may exceed ten percent (10%) of the aggregate original principal balance of the loans in the loan package. However, when creating a multiple Issuer SF pool, if the Pool Processing Agent (PPA) determines that the pool contains more than ten percent (10%) buydown loans, the PPA will determine which Issuer has the highest percentage of buydown loans in their loan package. The loan package with the highest percentage of buydown loans will be deleted from the multiple Issuer pool. The recalculation and removal process will continue until the pool reaches the ten percent (10%) threshold. Issuers whose loan package has been rejected will be contacted by the PPA. Issuers whose loan package does not exceed the ten percent (10%) threshold will not be subject to removal from the multiple Issuer pool.

An M SF pool or loan package may not contain both buydown loans and High Balance Loans.

Interest escrow custodial account: An interest escrow custodial account must be maintained in connection with buydown mortgages for the deposit of buydown funds provided by the Issuer. This account must meet Ginnie Mae's escrow custodial account requirements (see Section 16-5), and it must meet FHA's and VA's requirements for such accounts.

- (e) Loan amount: The original principal amount of the mortgage for FHA loans is limited to the

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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amount permitted for a particular geographic area pursuant to section 203(b)(2), section 214 or section 220(d)(3)(A)(i) of the National Housing Act. For VA loans see section 24-2(A)(3) below. For RD loans see section 24-2(A)(4) below. For PIH loans see section 24-2(A)(5) below.

With respect to Ginnie Mae I “X SF” and Ginnie Mae II “M SF” pools, the aggregate amount of the issue date unpaid principal balance of the High Balance Loans, as defined in Section 9-2(B), may not exceed 10% of the original principal balance of each pool or loan package.

With respect to Ginnie Mae I “X BD” and “X SN” pool types as well as Ginnie Mae II “M JM”, “M FS”, “All ARMS”, “C SF”, and “C BD” pool types, Issuers may pool High Balance Loans in excess of 10% of the original principal balance of each pool or loan package.

- (f) Builders' inventories: FHA-insured loans made for the purpose of financing builders' inventories, including operative builder, builder/investor, and escrow commitment procedure loans, are not eligible for an SF pool. The Issuer is responsible for determining whether a loan is intended to be used for financing a builder's inventory.
  - (g) Section 203(k) loans: A section 203(k) loan is eligible for a Ginnie Mae I MBS pool or a Ginnie Mae II MBS pool or loan package if (i) the borrower is an individual owner-occupant, or (ii) the borrower is an eligible nonprofit agency and the loan is originated under an affordable housing program approved by a local FHA office as specified in FHA Mortgagee Letter 96-52 or (iii) the borrower is a state or local government agency. The Issuer pooling nonprofit agency section 203(k) loans must maintain in the loan package file with the document custodian a copy of the FHA letter approving the FHA affordable housing program under which the loans are originated.
- (2) Special requirements for modified FHA-insured loans,

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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VA and RD guaranteed loans:

A mortgage that has been modified under the Insuring or Guarantying Agency's loss mitigation program may be re-pooled if the modified loan retains its first lien position and meets the conditions listed below. It is the Issuer's responsibility to ensure the modified loan's first lien position is not adversely impacted by any real estate taxes, assessments such as HOA dues, or other matters that could become a first lien.

Additional conditions for modified loans:

- (a) the original mortgage that is to be removed from a Ginnie Mae pool for modification is 90 days or more delinquent;
  - (b) the modified mortgage meets all of Ginnie Mae's eligibility criteria for single family mortgages; and
  - (c) the term of the modified mortgage is not longer than 360 months from the due date of the first installment payable under the modification agreement. The date of loan modification may be used as the origination date for the purpose of pooling.
  - (d) The Loan Modification Agreement must be recorded.
  - (e) The Issuer must ensure that the modified mortgage maintains its first lien position, which is documented by either a Title Policy Endorsement, or ALTA Form Mortgage Modification Policy (MMP); and by such recorded subordination agreements as required to maintain first lien position.
- (3) Special requirements for VA-guaranteed loans:
- For a VA-guaranteed loan to be eligible for pooling, the following additional requirements apply:
- (a) The amount of cash down payment plus the amount of available VA guaranty must equal at least 25% of (i) the purchase price of the property or (ii) the Certificate of Reasonable Value (CRV), whichever is less. The funding

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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fee charged by VA must not be included in this calculation.

The cash down payment must also include the amount, if any, by which the purchase price exceeds the CRV. Loans for the simultaneous purchase of a home and energy conservation improvement are based solely on the CRV amount.

The cash down payment may not be derived from a second mortgage on the property.

- (b) The mortgage amount may exceed the CRV amount only if the VA funding fee is included in the mortgage and only to the extent of the funding fee. The unpaid principal balance of a VA loan may be greater than the current conforming loan limit and still be eligible for inclusion in a Ginnie Mae pool.
- (c) If there are co-mortgagors on a loan (other than husband and wife) and one or more of the mortgagors do not have VA eligibility (i.e., vet/non-vet joint loans) the loan is eligible for inclusion in a Ginnie Mae pool if the 25 percent requirement of VA guaranty plus cash/equity is met. The loan guarantee certificate will only reflect the veteran's pro rata interest in the mortgage.
- (d) Refinance loans:
  - (i) VA requires an appraisal (a new CRV): If a loan is refinanced and VA requires a new CRV or appraisal, the guaranty requirement specified above in Section 24-2(A)(3)(a) must be met. The cash requirement, however, may be satisfied by either cash or "equity," which is defined as the positive difference between the amounts specified in the CRV and the new loan amount.

Ginnie Mae authorizes these loans to be supported by an independent appraisal. The appraiser may not be an employee of the Issuer or of any subsidiary or related firm or corporation and must meet the qualifications for appraisers established by Fannie Mae

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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or Freddie Mac.

- (ii) VA does not require an appraisal: If a mortgage involves refinancing at a lower rate of interest and the VA does not require an appraisal, Ginnie Mae will not require an appraisal. In such cases, the Issuer must ensure that the VA guaranty plus cash (or equity, as defined above) will be equal to at least 25% of the new loan amount. The Issuer may use a reasonable value estimate other than an appraisal to determine the equity portion (the estimated market value in excess of the new loan amount).

Ginnie Mae does not specify any particular estimation procedure. The only requirement is that there be written documentation establishing a reasonable market value estimate and that such documentation be available to Ginnie Mae for review.

If a VA GPM loan is refinanced into a level payment mortgage at a lower rate of interest, and if no cash is taken out as a result of the transaction, no appraisal is required.

- (e) For VA vendee account mortgages or installment contracts guaranteed pursuant to VA Regulation 4600 (38 CFR 36.4600) or VA direct loans sold and guaranteed pursuant to 38 U.S.C. 1811(g):
  - (i) If the loans are eligible for repurchase by the VA at less than 98 percent of par, there must be collateral on deposit with the Ginnie Mae Office of Issuer & Portfolio Management in an amount equal to one-half the difference between the purchase price and 98 percent of par. No collateral is required, however, if the amount is less than \$1,000.
  - (ii) Collateral must be either a certificate of deposit evidenced by a deposit



## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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agreement (Appendix III-11) or a letter of credit held for Ginnie Mae's benefit (Appendix VI-3). The collateral must be held for six years, and it may be reduced by one-sixth of the original amount at the end of each year at the request of the Issuer.

- (iii) Title evidence and other documentation required to be deposited with the document custodian is limited to that supplied by the VA to the Issuer.
  - (iv) The loans must have been sold by the VA no more than 48 months before the issue date of the securities.
  - (v) The loans must be either guaranteed by or, in the event of default, subject to repurchase by the VA at no less than the price at which they are sold by the VA.
- (4) Special requirements for RD-guaranteed loans:  
For an RD loan to be eligible for pooling, the following additional requirements apply:
- (a) The RD loan must be made under the section 502 Guaranteed Single Family Rural Housing Loan Program of the Department of Agriculture. The entire loan must be pooled.
  - (b) Once an RD loan is pooled, some of the loan servicing options offered by RD are not available. All subcontract servicing agreements must be in accordance with the requirements set forth in Sections 2-15, 3-20 and 4-3.
  - (c) In addition to the documents listed in Section 13-4(B), the Loan Note Guaranty (as evidence of the RD guaranty) must be deposited with the document custodian at the time of final certification.
  - (d) Each manufactured home loan originated under section 502 must be pooled in an SF pool. (See Chapter 30)
- (5) Special requirements for § 184 loans:  
For a § 184 loan to be eligible for pooling, the following additional requirements apply:

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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- (a) The § 184 loan must be made under the section 184 Indian Home Loan Guarantee Program.
- (b) The § 184 loan may provide both construction and permanent financing or only permanent financing.
- (c) A § 184 loan must be documented by a certificate of loan guarantee issued by PIH, which must be deposited with the document custodian at the time of final certification and maintained in the loan file.
- (d) The loan and related security instrument must be recorded with the Bureau of Indian Affairs rather than by a local jurisdiction. The security instrument may be a mortgage, deed of trust or lease contract.
- (e) Title insurance is not available for § 184 loans. A title status report issued by the Bureau of Indian Affairs must be deposited with the document custodian at the time of final certification and maintained in the loan file.

### ***(B) Pool and Loan Package Requirements***

- (1) Minimum pool and loan package balances:

As of the date of issue, each Ginnie Mae I SF pool and each Ginnie Mae II custom pool must, except as provided in paragraph (2) below, have an original principal amount of at least \$1,000,000. As of the date of issue, each loan package for a Ginnie Mae II multiple Issuer pool must have an original principal amount of at least \$25,000 and may consist of only one loan.

NOTE: Per APM 10-09, dated June 18, 2010 the half and whole security coupon rate requirement has been temporarily delayed. This requirement will be reinstated for all multiple Issuer pools with an August 1, 2010 issuance.

- (2) State or local housing bond financing programs:

A \$25,000 minimum pool size is permissible for Ginnie Mae I pools and Ginnie Mae II custom pools if the securities are to be used as collateral for a bond financing program (BFP). Each pool of this type may contain fewer than three loans and may consist of only one loan. It is intended that the related securities will

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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be held by the trustee for the BFP. If the related securities are traded in the secondary market, each purchaser must be provided with a letter stating that the underlying mortgages are part of a mortgage revenue bond program and that the security holder may experience different prepayment characteristics than might be customary.

The Issuer will be required to certify that a pool is collateral for a BFP if it does not satisfy the applicable standard Ginnie Mae I or Ginnie Mae II pool requirements for minimum pool size and minimum number of loans. The required form of bond financing program certification is set forth in Appendix III-12.

At any time beginning the 6<sup>th</sup> day of the month after issuance of the final pool in a BFP, any or all of the pools issued as collateral for that BFP may be consolidated. The consolidated pool may be issued as either a Ginnie Mae I pool or II custom pool. The interest rate of the consolidated pool must be the same as that of all of the terminated pools.

The Issuer will be required to provide the certification described in Section 24-2 (B) (2) and set forth in Appendix III-12. In addition, the Issuer will be required to provide the pool numbers of the pools being terminated, and the remaining principal balance for those pools as required in Chapter 19. The original principal balance of the consolidated pool must be equal to the sum of the remaining principal balance of the pools to be terminated.

If all of the pools being terminated as part of the consolidation process have been final certified and/or recertified prior to termination, the consolidated pool shall not require final certification. If any of the pools being terminated are not finally certified and/or recertified prior to consolidating, Issuers have twelve months from the issue date of the new security to finally certify the consolidated pool. However, the document custodian must review the consolidated pool file to ensure that all required documents are present.

(3) Maturity:

To ensure reasonable homogeneity among pools of loans:

- (a) At least 80 percent of the original principal balance of each Ginnie Mae I pool and each

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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Ginnie Mae II custom pool must be in mortgages with maturities within 30 months of the latest mortgage maturity; and

- (b) At least 90 percent of the original principal amount of each Ginnie Mae I pool and each custom pool and loan package submitted under the Ginnie Mae II MBS Program must be in mortgages with maturities of 20 years or more. However, Ginnie Mae will allow the mortgages in a pool or loan package to have a uniform maturity of less than 20 years if at least 90 percent of the original principal amount of the pool or loan package is in mortgages with the same original term (e.g., 15 years), that original term is the longest term of any loan in the pool or loan package, and certain special disclosure requirements are met:
  - (i) The Issuer of the pool or loan package must disclose the following in writing to the securities dealer or other first purchaser:
    - (aa) that the pool or loan package differs in maturity composition from Ginnie Mae's normal requirements;
    - (bb) the longest term of any loan in the pool or loan package; and
    - (cc) that loans comprising at least 90 percent of the original principal amount of the pool or loan package have that term.
  - (ii) The Issuer must obtain from the securities dealer or other first purchaser written confirmation that these required disclosures have been made and are acceptable.
  - (iii) In the case of a pool submitted pursuant to Section 10-6 the Issuer, and in all other cases the PPA, must include the following text in the prospectus by typing it on the "Annex — Special Disclosure" (see Form HUD 11717 (Appendix IV-4) and Form HUD 11717-

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

II (Appendix IV-20)).

This pool contains mortgages with maturities that differ from those required under Ginnie Mae's standard program requirements.

### 24-3: REQUIRED DOCUMENTS

The procedures and basic document requirements for submission of all pools and loan packages are found in Chapters 10, 11, and 13.

#### ***(A) For Certification by Document Custodian***

The loan documents required for initial and final certification of an SF pool or loan package by the document custodian are the same as those discussed in Section 13-4. They are summarized in the following table:

DOCUMENT	FORM NUMBER	APPENDIX
<b>FOR INITIAL CERTIFICATION</b>		
Schedule of Pooled Mortgages	HUD 11706	III-7
Release of Security Interest, executed original, if applicable	HUD 11711A	III-5
Certification and Agreement, executed original	HUD 11711B	III-5
Original notes (or, in the case of modified loans, the original note and the allonge, modification agreement, or other evidence of the modification) or other evidences of indebtedness, endorsed in blank, without recourse		
For nonprofit agency section 203(k) loans, FHA affordable housing program letters		
<b>FOR FINAL CERTIFICATION</b>		
Original recorded mortgages (or, in the case of modified loans, the recorded original mortgages, the related original notes, the modification agreements, title endorsements or MMPs, and any required subordination agreements )		
All recorded interim assignments		
Evidence of good title (e.g., mortgage title insurance policies)		
Evidence of mortgage insurance or guaranty provided by FHA, VA, RD, or PIH (not required for manufactured housing). In lieu of an original MIC signed by FHA or LGC signed by VA, electronic confirmation from FHA Connect or VA's TAS is acceptable.		

#### ***(B) For Approval by PPA and Ginnie Mae***

The SF pool and loan package documents required for approval by Ginnie Mae are the same as those discussed in Section 10-3, except that the Issuer must also submit:

- (1) Schedule of Subscribers and Ginnie Mae Guaranty

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

Agreement, form HUD 11705 (Appendix III-6), which must indicate in the block “Type of Issue” that the pool is to be “X,” “C,” or “M” and in the block “Pool Type” that the securities are to be “SF.”

- (2) If a Ginnie Mae I pool or a Ginnie Mae II custom pool is submitted in paper submission format, a prospectus, form HUD 11717 (Appendix IV-4) or form HUD 11717-II (Appendix IV-20), which must be modified, if appropriate, in accordance with Section 24-2(B)(3)(c)(iii). In addition, if a Ginnie Mae II custom pool submitted in paper submission format contains one or more buydown loans, the Issuer must include the following text by typing it on the “Annex — Special Disclosure,” which is attached to the prospectus:

Some or all of the pooled mortgages are level payment mortgages for which funds have been provided to reduce the borrower’s monthly payments during the early years of the loans.

- (3) A BFP certification (Appendix III-12) if required pursuant to Section 24-2(B)(2).

The following table lists the pool or loan package documents required by the PPA for approval of SF pools and loan packages:

DOCUMENT NAME	FORM NUMBER	APPENDIX
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
ACH Debit Authorization	HUD 11709A	I-6
Master Agreements for Servicer’s Escrow Custodial Accounts	HUD 11720	III-3
Master Agreement for Servicer’s Escrow Custodial Account (for Ginnie Mae II Issuer, custodial account for deposit of buydown funds provided by Issuer)	HUD 11720	III-3
Master Custodial Agreement	HUD 11715	III-4
Prospectus (for Ginnie Mae I pools and Ginnie II custom pools submitted in paper format)	HUD 11717 or 11717-II	IV-4 or IV-20
BFP certification, if required by Section 24-2(B)(2)		III-12

### 24-4: THE SECURITIES AND Preparation and delivery of the securities through the depository

## CHAPTER 24: SINGLE FAMILY, LEVEL PAYMENT POOLS AND LOAN PACKAGES — SPECIAL REQUIREMENTS

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### MARKETING DISCLOSURE

are described in Chapter 12. The text of SF securities held in certificated form is set forth in Appendix IV-11 for the Ginnie Mae I MBS Program and Appendix IV-25 for the Ginnie Mae II MBS Program. A partial statement of the terms of SF securities held in uncertificated form is set forth in Appendix IV-17 for the Ginnie Mae I MBS Program and Appendix IV-27 for the Ginnie Mae II MBS Program.

Ginnie Mae II SF securities backed by buydown mortgages must be clearly differentiated from other types of Ginnie Mae MBS in all forward market and other transactions. Therefore, in all communications relating to such transactions, an Issuer of a Ginnie Mae II custom pool or loan package must clearly disclose that the securities to be delivered are backed by a pool containing buydown mortgages. Also, before delivery, Issuers must obtain for their records from each dealer or investor to which the Issuer is selling securities a confirmation statement clearly disclosing the nature of the pool underlying the securities to be delivered.

An Issuer must retain these confirmation statements as records subject to Ginnie Mae's right of inspection.