Ginnie Mae
Our Guaranty Matters

425 3rd Street, SW, Fifth Floor
Washington, DC 20024

August 17, 2022 **APM 22-09**

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Alanna McCargo, President

SUBJECT: Single-Family Applicant and Issuer Financial Eligibility Requirements

Ginnie Mae continually assesses the Mortgage-Backed Securities Guide 5500.3 Rev-1 ("MBS Guide") requirements as risk characteristics within the MBS program evolve, with a goal of continuing to facilitate Issuer success in our program while minimizing risk to the American taxpayer. To promote stability in the housing finance system and to provide greater assurance that Ginnie Mae single-family Issuers ("SF Issuers") can sustain themselves through all economic cycles, Ginnie Mae is revising its Issuer net worth and liquidity requirements in the MBS Guide for institutions seeking approval as Ginnie Mae single-family Issuers ("SF Applicants") and existing Ginnie Mae SF Issuers. In addition, SF Applicants and SF Issuers that are non-depository mortgage companies will be required to maintain a Risk-Based Capital Ratio ("RBCR"). The new net worth and liquidity requirements, and the RBCR, are detailed below.

Revised Net Worth Requirements

Effective September 30, 2023, for all SF Applicants, the minimum Net Worth requirement is $2,500,000, plus 0.25% (25 basis points) of the applicant's total Government-Sponsored Enterprise ("GSE" or "Enterprise") single-family outstanding servicing portfolio balance, plus 0.25% (25 basis points) of the applicant's total non-agency single-family servicing portfolio. For more information, please see revised portions of Chapter 2, Part 9, § A(1) included with this APM.

Effective September 30, 2023, for all SF Issuers, the minimum Net Worth requirement is $2,500,000, plus 0.35% (35 basis points) of the Issuer's total effective Ginnie Mae single-family outstanding obligations, plus 0.25% (25 basis points) of the Issuer's total GSE single-family outstanding servicing portfolio balance, plus 0.25% (25 basis points) of the Issuer's total non-agency single-family servicing portfolio, at all times. For more information, please see revised portions of Chapter 3, Part 8, § A(1) included with this APM.

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Revised Liquidity Requirements

I. Eligible Assets

Effective September 30, 2023, for SF Applicants and SF Issuers, the list of liquid assets that are eligible to meet Ginnie Mae's liquidity requirement will be expanded to include GSE obligations (marked to market), GSE MBS (marked to market), and the following advances made as reflected in total assets reported on the balance sheet: advances made to cover principal and interest payments, taxes and insurance payments, and foreclosure advances relating to loans serviced on behalf of mortgagors and mortgage investors. For more information regarding the types of assets that are eligible to meet the liquidity requirement, see revised portions of Chapter 2, Part 9 § B(1) included with this APM.

II. Required Liquidity

Effective September 30, 2023, SF Applicants are required to have and maintain liquid assets equal to the greater of:

$1,000,000, or the sum of:

(i) 0.035% (3.5 basis points) of the applicant's outstanding GSE single-family servicing Unpaid Principal Balance ("UPB"), if the applicant remits (or the Enterprise draws) the principal and interest only as actually collected from the borrower, plus

(ii) 0.07% (7 basis points) of the applicant's outstanding GSE single-family servicing UPB, if the applicant remits (or the Enterprise draws) the principal or interest, or both, as scheduled, regardless of whether principal or interest has been collected from the borrower, plus

(iii) 0.035% (3.5 basis points) of the applicant's outstanding non-agency single-family UPB.

Effective December 31, 2023, SF Applicants that originated more than $1,000,000,000 in UPB of any residential first mortgages, regardless of channel (including retail, wholesale correspondent, and wholesale broker) in the most recent four-quarter period must have liquid assets equal to the greater of at least $1,000,000 or the sum of (i) through (iii) listed immediately above, and

(iv) 0.5% (50 basis points) of the sum of the applicant's total Loans Held For Sale ("HFS"), plus

(v) 0.5% (50 basis points) of the applicant's UPB of Interest Rate Lock Commitments ("IRLCs") after fallout adjustments. UPB of IRLCs after fallout adjustments is

UPB of IRLCs after making adjustments for estimated fallout (i.e., excluding part of the balance because some locks are not expected to close).

For more information, please see revised portions of Chapter 2, Part 9, § B(1) included with this APM.

Effective September 30, 2023, SF Issuers are required to have and maintain liquid assets equal to the greater of:

$1,000,000, or the sum of:

(vi) 0.10% (10 basis points) of the Issuer's outstanding Ginnie Mae single-family servicing UPB, plus

(vii) 0.035% (3.5 basis points) of the Issuer's outstanding GSE single-family servicing UPB, if the issuer remits (or the Enterprise draws) the principal and interest only as actually collected from the borrower, plus

(viii) 0.07% (7 basis points) of the Issuer's outstanding GSE single-family servicing UPB, if the Issuer remits (or the Enterprise draws) the principal or interest, or both, as scheduled, regardless of whether principal or interest has been collected from the borrower, plus

(ix) 0.035% (3.5 basis points) of the Issuer's outstanding non-agency single-family servicing UPB, plus

Effective December 31, 2023, SF Issuers that originated more than $1,000,000,000 in UPB of any residential first mortgages, regardless of channel (including retail, wholesale correspondent, and wholesale broker) in the most recent four-quarter period must have liquid assets equal to the greater of at least $1,000,000 or the sum of (vi) through (ix) listed immediately above, and

(x) 0.5% (50 basis points) of the sum of the Issuer's total Loans HFS, plus

(xi) 0.5% (50 basis points) of the Issuer's UPB of IRLCs after fallout adjustments. UPB of IRLCs is defined in (v) above.

For more information, please see revised portions of Chapter 3, Part 8, § A(2) included with this APM.

Revised Institution-wide Capital Requirements for Certain Single-family Applicants and Issuers

Ginnie Mae is introducing a Risk Based Capital requirement for certain single-family Issuers. Our Issuer portfolio has continued to shift to non-depository mortgage companies, and our analysis supports a risk-based capital requirement as a critical component for the ongoing stability and certainty of Ginnie Mae's MBS program. This new requirement is intended to

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measure Issuers' ability to sustain the volatility of market disruptions and reflects the varying risk among different asset types.

Effective December 31, 2023, SF Applicants that are not covered by the requirements for financial institutions in the MBS Guide Chapter 2, Part 9, § B(2)(a) and (b), and SF Issuers that are not covered by the requirements for financial institutions in the MBS Guide Chapter 3, Part 8, § A(3)(a) and (b) must maintain a Risk-Based Capital Ratio ("RBCR") of at least 6% in addition to continuing to maintain a Leverage Ratio of at least 6%. RBCR is Adjusted Net Worth less Excess Mortgage Servicing Rights ("MSRs") (MSRs in excess of an SF Applicant's or SF Issuer's Net Worth) divided by total Risk-Based Assets. For more information and details regarding the new RBCR requirement, please see revised portions of Chapter 2, Part 9, § B(2)(c) for SF Applicants, and Chapter 3, Part 8 § A(3)(c) for SF Issuers included with this APM.

Chapter 6 of the HUD Consolidated Audit Guide ("Audit Guide") will be updated to direct independent auditors to the MBS Guide for the current Institution-wide Capital Requirements for SF Applicants and SF Issuers. Until the Audit Guide update takes place, the requirements in the MBS guide supersede the requirements in the Audit Guide if the requirements in these two guidance documents conflict.

Please note that the numbering of portions of the currently posted versions of Chapter 2 and Chapter 3 will be amended when the above changes take place in September 2023 and December 2023.

If you have questions, please contact your Account Executive in the Office of Issuer and Portfolio Management directly.