

September 22, 2023

APM 23-11

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Alanna McCargo, President

SUBJECT: **Revised HMBS Pooling Eligibility Requirements**

Ginnie Mae's current requirements for Home Equity Conversion Mortgage (HECM) Mortgage-Backed Securities (HMBS) limit securitization to one participation related to a particular HECM each month. Issuers utilize a combination of financing vehicles and working capital to finance HECM disbursements between the time that the HECM loans are originated or the HECM draws are funded and when the participations are securitized into HMBS. Depending on timing, Issuers may be required to wait until the following month to securitize these participations into Ginnie Mae HMBS. The potential delay in securitization can result in liquidity pressures to Issuers and counterparty risk to Ginnie Mae. Ginnie Mae is enhancing its HMBS requirements to allow securitization of multiple participations related to a particular HECM in any one issuance month.

These program enhancements are effective October 01, 2023.

Requirements When Pooling Multiple Participations Per Month

When pooling additional participations for a particular HECM in a particular month, those participations must meet the following additional requirements.

- Participations must be sequential (e.g. 005, 006);
- Only one participation per HECM per HMBS is permitted;
- Any prior pools containing participations on a given HECM have been issued¹ before additional participations can be submitted; and
- When the participation is the result of a HECM disbursement occurring on a day other than the first of the month, it must meet the requirements listed below.

Requirements for Participations Disbursed or Funded After the 1st of the Month

¹ As used here, "issued" means that the HMBS has been written to the Central Registry as further described in Chapter 12 of the MBS Guide.



When HECM loans are originated, or borrowers request draws, interest accrues beginning the day after the disbursement through the end of that month. However, when securitized as an HMBS participation, a full month of interest is owed to security holders. A disbursement made after the 1st of the month and securitized in that same month results in a participation that is undercollateralized.

To securitize such participations, Issuers must:

- Reduce the original principal balance of the Participation at issuance by the amount of the interest due to security holders, but not owed by the borrower prior to pooling. The reduced amount is determined by dividing the actual HECM draw ending balance by the HECM draw ending balance with full interest and multiplying the result by the amount of the draw. For full details on the formula and calculation, see Chapter 35 part 5 section A(4) of the Ginnie Mae Mortgage Backed Securities Guide, HUD Handbook 5500.3, REV-1 (MBS Guide);
- Segregate the portion of the draw excluded from the original principal balance of the Participation in a balance that is held, controlled, and accounted for in a manner that ensures it is not and cannot be securitized in a different HMBS; and in accordance with Chapter 35 Part 12 Section E;
- Add the segregated balance to the accrued interest owed by the borrower and add the result, in accordance with Chapter 35, Part 11, Section G, to the ending principal balance of the Participation, as of the close of business on the last business day of the month in which securitization occurred; and
- Upon performing the step immediately above, reduce to zero the segregated balance associated with that particular Participation.

Chapter 35 parts 5, and 11 of the MBS Guide have been updated to reflect these changes.

If you have any questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management.



Mailing Address
451 Seventh Street SW, B-133
Washington, DC 20410