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APM 15-21

December 28, 2015

To: All Participants in Ginnie Mae Programs

From: Theodore W. Tozer, President

Subject: Document Custody Manual Revised Effective Date and Clarification of Documentation Requirements for Modified Loans

In APM 15-12, published August 3, 2015, Ginnie Mae announced revisions to the Document Custody Manual (Revised Manual), Appendix V-1 to the Mortgage Backed Securities Guide, 5500.3, Rev-1 (MBS Guide) that would be effective for pools issued January 1, 2016 and thereafter. APM 15-12 also provided that additional guidance, including Chapter 9 of the Manual, would follow pending feedback from the Issuer and custodian communities. Ginnie Mae is still completing Chapter 9 and making other corrections based on the substantive feedback received from Issuers and custodians. Ginnie Mae intends to publish these updates in January 2016, and for this reason, the effective date of the Manual is changing to February 1, 2016.

Ginnie Mae recognizes that Issuers and custodians have begun adapting to the requirements in the Revised Manual since its publication in August 2015, and may have loans intended for January pooling that comply with the revised requirements. Issuers and custodians may, but are not required to, apply the requirements contained in the Revised Manual for pools issued January 1, 2016 and thereafter.

Ginnie Mae also acknowledges that Issuers need to know several months in advance of pooling which documentation requirements will apply to the final certification process for pools containing modified loans. To eliminate any confusion that may exist, Ginnie Mae would like to clarify both the current title insurance and lien subordination requirements and the changes announced in the Revised Manual for the certification of pools containing modified loans.



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Current Documentation Requirements for Modified Loans

In addition to the documents required generally, for all loans, the following documents are required for modified loans:

- (a) Recorded Loan Modification Agreement;
- (b) New title policy, or title policy endorsement that reflects recordation of the loan modification agreement. The title policy or title policy endorsement must provide coverage for the total amount of the modified loan, and insure that the modified loan retains first lien position;
- (c) Recorded subordination agreements in some cases. If a title policy endorsement is used, the Issuer must also provide any subordination agreements required by the title policy endorsement provider to insure first lien position. Any subordination agreements required for this purpose must be recorded. If the title insurance provider does not require subordination agreements in order to issue a title policy, Ginnie Mae does not require the subordination agreements.

Revised Documentation Requirements for Modified Loans

The Revised Manual included the option to provide an ALTA form Mortgage Modification Policy (MMP) as an alternative to a new title policy, or title policy endorsement so long as any intervening liens were subordinated. This documentation is intended to be an alternative to obtaining a new title policy or title policy endorsement. Therefore, in addition to the documents required generally, for all loans, and the requirement for a recorded Loan Modification Agreement, the Revised Manual requires

EITHER:

- (a) New title policy, or title policy endorsement that reflects recordation of the loan modification agreement. The title policy or title policy endorsement must provide coverage for the total amount of the modified loan, and insure that the modified loan retains first lien position;
- (b) Recorded subordination agreements in some cases. If a title policy endorsement is used, the Issuer must also provide any subordination agreements required by the title policy endorsement provider to insure first lien position. Any subordination agreements required for this purpose must be recorded. If the title insurance provider does not require subordination agreements in order to issue a title policy, Ginnie Mae does not require the subordination agreements.

OR

- (a) An ALTA form Mortgage Modification Policy (MMP) that reflects all amounts added to the loan's principal balance through modification are insured, and
- (b) Recorded subordination agreements for liens added to title after the original date of the mortgage.

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.