

APM 18-06

November 15, 2018

MEMORANDUM FOR: All Participants in Ginnie Mae Programs**FROM:** Michael Bright, Chief Operating Officer and Executive Vice President**SUBJECT:** Fidelity Bond and E&O Insurance Requirements

In response to feedback received from both industry and Issuers, Ginnie Mae is updating the fidelity bond and errors and omissions (E&O) insurance policy requirements in Chapter 2 of the Mortgage-Backed Securities Guide, HUD Handbook 5500.3, Rev. 1 (MBS Guide).

Previously, Section 2-7(B)(4) of the MBS Guide prohibited policies that terminated automatically upon the takeover of the Issuer by a federal or state entity. Ginnie Mae will now accept policies with such automatic termination clauses so long as the policy in question affords Ginnie Mae at least 90 days after the date of termination to file a claim. Likewise, the previous version of Section 2-7(C) prescribed a specific loss payable endorsement clause to be included with each policy. Ginnie Mae acknowledges that the loss payee clause requirement is unnecessary because the remaining requirements in Section 2-7 are sufficient to afford Ginnie Mae the relevant protections it seeks. Consequently, the Loss Payable Endorsement clause requirement formerly contained in Section 2-7(C) of the MBS Guide is hereby eliminated.

The updates to Section 2-7(B) and the elimination of the loss Payable Endorsement clause described above have been incorporated to Chapter 2 and are effective immediately.

Ginnie Mae has also fielded inquiries relating to the maximum allowable deductible for the policies addressed under Section 2-7. Ginnie Mae is revising its coverage and deductible requirements in accordance with the table below.



TOTAL SERVICING PORTFOLIO	MINIMUM AMOUNT OF COVERAGE	MAXIMUM DEDUCTIBLE
\$100 million or less	\$300,000	higher of 10% or \$100,000
Over \$100 million to and including \$500 million	\$300,000 plus 0.15 percent of portfolio for amounts over \$100 million to less than or equal to \$500 million	
Over \$500 million to and including \$1 billion	The amount produced by the preceding calculation plus 0.125 percent of portfolio for amounts over \$500 million to less than or equal to \$1 billion	
Over \$1 billion	The amount produced by the preceding calculation plus 0.1 percent of portfolio for amounts over \$1 billion	15%

Lastly, Ginnie Mae is updating the MBS Guide to require that Issuers forward to Ginnie Mae a copy of their full fidelity bond and E&O insurance policy via upload the Independent Public Accountant (IPA) module within the Ginnie Mae Enterprise Portal (GMEP).

For existing Issuers, the new minimum coverage and deductible standards as well as the requirement to submit the complete fidelity bond and E&O policy will be effective for all new policies or policy renewals occurring on or after January 1, 2019. For new applicants, these new minimum coverage and deductible standards as well as the requirement to submit the complete fidelity bond and E&O policy are effective immediately. A version of these chapter 2 updates has been included as an attachment to APM 18-07.

For additional assistance, Issuers should contact their Ginnie Mae Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.