

March 29, 2019

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Maren Kasper, Acting President

SUBJECT: Additional Compliance Guidance for Seasoning Provisions  
Announced in APM 18-04

Over the past few months, Ginnie Mae has received numerous inquiries concerning the application of APM 18-04 to a variety of loan refinancing scenarios. Effective immediately, we are amending the MBS Guide in accordance with this memorandum to aid Issuers in their compliance with APM 18-04 requirements.

### **New Defined Terms**

To illustrate the various scenarios that implicate the requirements in APM 18-04, Ginnie Mae is adding the following definitions to Chapter 24 of the MBS Guide.

- As used in Chapter 24-2, Section 3, Subsection (d)(ii), the term “*Refinance Loan*” means a loan secured by an interest in real property that is a refinancing made to pay off or satisfy one or more outstanding loans, debts, or liens associated with the corresponding real property.
- As used in Chapter 24-2, Section 3, Subsection (d)(ii) by Ginnie Mae, the term “*Loan Refinancing a Mortgage Without a VA Guaranty*” means a Refinance Loan that is made to pay off a mortgage loan that is not insured or guaranteed under chapter 37 of title 38 of the United States Code, including but not limited to Refinance Loans made to pay off conventional mortgage loans, Refinance Loans made to pay off mortgage loans insured by the Federal Housing Administration, and Refinance Loans made to pay off mortgage loans insured or guaranteed under USDA’s Rural Development Program.
- As used in Chapter 24-2, Section 3, Subsection (d)(ii), the term “*Loan Refinancing Non-Mortgage Debts*” means a Refinance Loan that is made to pay off or satisfy a lien placed on the corresponding secured property other than a lien associated with a previous mortgage loan, including but not limited to tax, judgment, and mechanic’s liens.
- As used in Chapter 24-2, Section 3, Subsection (d)(ii), the term “*Loan Refinancing a Mortgage Without Scheduled Monthly Payments*” means a Refinance Loan that is



made to pay off or satisfy an outstanding mortgage that provides, by its own terms, for no monthly payments.

- As used in Chapter 24-2, Section 3, Subsection (d)(ii), the term “*Permanent Financing Construction Loan*” means a loan used to provide permanent financing for a newly-constructed or renovated Single-family home and to satisfy an existing lien against such a home resulting from the corresponding construction or renovation project.
- As used in Chapter 24-2, Section 3, Subsection (d)(ii), the Term “*Re-Performing Refinance Loan*” means a Refinance Loan that is not more than 30 days delinquent, that was previously bought out from a pool or loan package backing a Ginnie Mae MBS, and that retains the same rate and terms as the rate and terms associated with such loan on the date the loan was initially securitized in a Ginnie MBS.
- As used in Chapter 24-2, Section 3, Subsection (d)(ii), the term “*Modified Loan*” means a mortgage loan that has undergone a rate and/or term modification pursuant to a duly executed loan modification agreement.

### **General Applicability of APM 18-04 Requirements**

APM 18-04 required the note date of any VA-guaranteed Refinance Loan to be on or after the later of: a) the date that is 210 days after the date on which the first monthly payment was made on the mortgage being refinanced and b) the date on which 6 full monthly payments have been made on the mortgage being refinanced (“Seasoning Requirements”). Except as provided below, any VA-guaranteed Refinance Loan that is used to pay off another mortgage loan must meet these Seasoning Requirements to be eligible collateral for a Ginnie Mae MBS.

### **Loans Refinancing Mortgages Without a VA Guaranty**

The Seasoning Requirements were derived from Section 309(b) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155/P.L 115-174) (the Act). Section 309(b) of the Act does not carve out any exceptions for VA-guaranteed Refinance Loans used to pay off mortgages that are not guaranteed by the VA. Hence, any VA-guaranteed Loan Refinancing a Mortgage Without a VA Guaranty, *including a Refinance Loan used to pay off a conventional mortgage*, is subject to the Seasoning Requirements in APM 18-04.

### **Re-Performing Refinance Loans**

The restrictions imposed by the Act apply to Ginnie Mae single-class Mortgage-Backed Securities issued after the date the Act was enacted. Hence, the determination of whether the Seasoning Requirements in APM 18-04 apply to a given VA-guaranteed Refinance Loan depends on the issuance date of the corresponding MBS, not on any loan transaction date. For this reason, any VA-guaranteed Refinance Loan that is re-

delivered to Ginnie Mae without modification must satisfy the requirements of APM 18-04 to be eligible for pooling and securitization, even if they were previously pooled. In short, any VA-guaranteed Re-Performing Refinance Loans submitted for June 2018 issuances or later must comply with the Seasoning Requirements in APM 18-04.

### **Modified Loans**

The requirements of APM 18-04 apply exclusively to Refinance Loans guaranteed under the VA Loan Guaranty Program. Any loans subject to rate and/or term changes resulting from the execution of a loan modification agreement have a separate and distinct loan purpose from a Refinance Loan, and are therefore treated differently, even when the loan being modified is a Refinance Loan. Consequently, Modified Loans are not subject to Seasoning Requirement in APM 18-04.

### **Loans Refinancing Non-Mortgage Debt**

As noted earlier, the restrictions in APM 18-04 stem from Section 309(b) of the Act. Section 309(b) states explicitly that its restrictions apply when refinancing a “mortgage.” Those restrictions do not extend to refinances of other types of liens. Thus, a VA-guaranteed Loan Refinancing Non-Mortgage Debt **is not** subject to the Seasoning Requirements in APM 18-04.

### **Loans Refinancing Mortgages Without Scheduled Monthly Payments**

Refinance Loans made to pay off mortgages that provide for no monthly payments are outside the scope of the prohibitions in Section 309(b), which provides for the requisite seasoning to be computed by reference to the date corresponding to “full monthly payments.” Hence, a Loan Refinancing a Mortgage Without Scheduled Monthly Payments, including for example a Refinance Loan used to pay off a reverse mortgage for which no monthly payments are scheduled, **is not** subject to the Seasoning Requirements in APM 18-04.

### **Permanent Financing Construction Loan**

Permanent Financing Construction Loans may or may not be subject to the Seasoning Requirements depending on the circumstances. In cases where the permanent financing is guaranteed under VA’s Loan Guaranty Program as a “refinancing”, Ginnie Mae will require compliance with APM 18-04. On the other hand, if the loan is structured and guaranteed under VA’s Loan Guaranty Program as a “purchase”, then it will not be subject to the seasoning requirements of APM 18-04. Ginnie Mae requires Issuers to follow the loan guaranty policies and requirements promulgated by the VA, and to identify the attributes of each loan delivered to Ginnie Mae in a manner that is consistent with those policies and requirements as well as Ginnie Mae’s requirements.

Please note however, that similar to Loans Refinancing Mortgages Without Scheduled Monthly Payments, certain Permanent Financing Construction Loans may be exempt from the Seasoning Requirements when the loan associated with the mortgage that is being refinanced does not, by its own terms, provide for a minimum of six-monthly payments. For example, a Refinance Loan that is used to pay off a construction loan with terms that provide for interest only payments during the first four months followed by a fifth payment covering the full balance of the construction loan would not be subject to the Requirements of APM 18-04.

Ginnie Mae expects all Issuers to implement processes and quality controls to ensure that any VA-guaranteed refinance delivered to Ginnie Mae for securitization complies with the Seasoning Requirements. Issuers should consult with their internal legal, compliance, and risk teams to identify and implement any necessary and additional underwriting, quality control processes or documentation requirements. If an Issuer cannot precisely calculate the seasoning of the mortgage being refinanced, then it should not pool the loan. Any Issuer that has pooled VA-guaranteed Refinance Loans that are, subject to, but not compliant with the Seasoning Requirements must process the corresponding buyouts immediately.

For questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.