

**APM 19-05**

August 1, 2019

**MEMORANDUM FOR:** All Participants in Ginnie Mae Programs**FROM:** Maren Kasper, Acting President and Chief Operating Officer**SUBJECT:** Revised Pooling Eligibility Requirements for VA Refinance Loans

On July 25, 2019, the President of the United States signed into law the Protecting Affordable Mortgages for Veterans Act of 2019, which revises the loan seasoning requirements and Ginnie Mae statutory changes prescribed by the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018. Ginnie Mae published APM 18-04 to implement the seasoning requirements prescribed by the 2018 Act as part of a series of pooling restrictions to disincentivize practices that result in unduly rapid prepayments in Ginnie Mae mortgage-backed securities and to ensure the strength and liquidity of the MBS Program.

Since the publication of APM 18-04, Ginnie Mae has collected industry feedback to explore additional MBS program requirements that may have a positive impact on the performance of Ginnie Mae securities, and thereby benefit the borrowers participating in the federal housing programs we support. In order to advance these objectives and implement the Protecting Affordable Mortgages for Veterans Act of 2019, Ginnie Mae hereby announces changes to the pooling eligibility requirements applicable to all VA-guaranteed refinance loans and new pooling criteria for certain cash-out refinances with loan-to-value ratios exceeding 90 percent.

**Revised Seasoning Requirements**

Ginnie Mae is revising the seasoning requirements in Chapter 24, Part 2 §(A)(3)(d)(i) to ensure that the requisite seasoning period is computed by reference to the first payment *due* date on each covered loan rather than by reference to the date on which the first payment is *made*. Effective with mortgage-backed securities guaranteed on or after August 1, 2019, a refinance loan insured or guaranteed under the United States Department of Veteran Affairs benefit program in chapter 37 of title 38 of the United States Code is eligible for Ginnie Mae securities only if it meets the following condition:

The note date of the refinance loan must be on, or after, the later of:

- (1) the date on which the borrower has made at least six monthly payments on the loan being refinanced; and
- (2) the date that is 210 days after the first payment due date of the loan being refinanced



## **Exemption from Seasoning Requirements for Re-Performing Refinance Loans and Permanent Financing Construction Loans**

Effective with mortgage-backed securities guaranteed on or after August 1, 2019, Re-Performing Refinance Loans and Permanent Financing Construction Loans—as defined in APM 19-03, are exempt from the seasoning requirements in Chapter 24, Part 2 §(A)(3)(d)(i).

## **Additional Pooling Restrictions for High LTV VA Cash-Out Refinance Loans**

For purposes of this new requirement, the term “High LTV VA Cash-Out Refinance Loan” means a Refinance Loan that is insured or guaranteed under the provisions of chapter 37 of title 38 of the United States Code with a loan-to-value ratio that exceeds 90 percent at the time of origination (i.e. 90.01 LTV and higher), and where the borrower converts any amount of home equity into cash.

Effective with mortgage-backed securities guaranteed on or after November 1, 2019, High LTV VA Cash-Out Refinance Loans are ineligible for Ginnie Mae I Single Issuer Pools and Ginnie Mae II Multiple Issuer Pools, except in cases when the loans are Permanent Financing Construction Loans, as defined in Chapter 24 of the MBS Guide.

High LTV VA Cash-Out Refinances may be pooled into Ginnie Mae II Custom Pools without restriction, provided they satisfy the seasoning and number of payment requirements detailed in Chapter 24, Part 2 § (A)(3)(d).

Chapter 24 of the MBS Guide has been amended effective immediately in accordance with this memorandum. 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.