

MBA's Document Custody Conference 2007

Agency Update

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Ginnie Mae



**San Antonio, Texas
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Ginnie Mae Update

Agenda

- Introduction of Ginnie Mae HMBS
- Adjustable Rate Mortgages
- Electronic Vault
- e-Notification
- Most Common Document Custodian Findings
- Future Initiatives
 - Elimination of Pool Master Files
 - Ginnie Mae HMBS

Home Equity Conversion Mortgage (HECM) Securitization Program



- Ginnie Mae's primary mission is to promote affordable housing by linking the nation's housing markets to the world's capital markets.
- Ginnie Mae's HECM securitization program will create the first standardized structure for the delivery of HECM loans to the world's capital markets.
- Ginnie Mae's structure coupled with the full faith and credit guarantee of the U.S. Government will serve as the foundation for a robust secondary market.
- Ginnie Mae's structure will help mortgage lenders realize the true economic value of their lending efforts by maximizing the return. As history has proven, this will drive down the cost for borrowers.




Home Equity Conversion Mortgage (HECM) Ginnie Mae's HMBS Model



- Allows issuers to securitize funded balances in a HECM MBS guaranteed by Ginnie Mae.
- Future funding and/or advance/accrued balances would be securitized in subsequent MBS deals.
- MBS would be sold to investors or be aggregated to provide collateral for a REMIC transaction and structured cash flows.



Home Equity Conversion Mortgage (HECM) Document Custodian Requirements

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- Promissory Note
 - Home Equity Conversion Loan Agreement
 - Security Instrument
 - Intervening Assignment(s)
 - Preliminary Title Report / Title Commitment / Final Title Policy

Adjustable Rate Mortgages

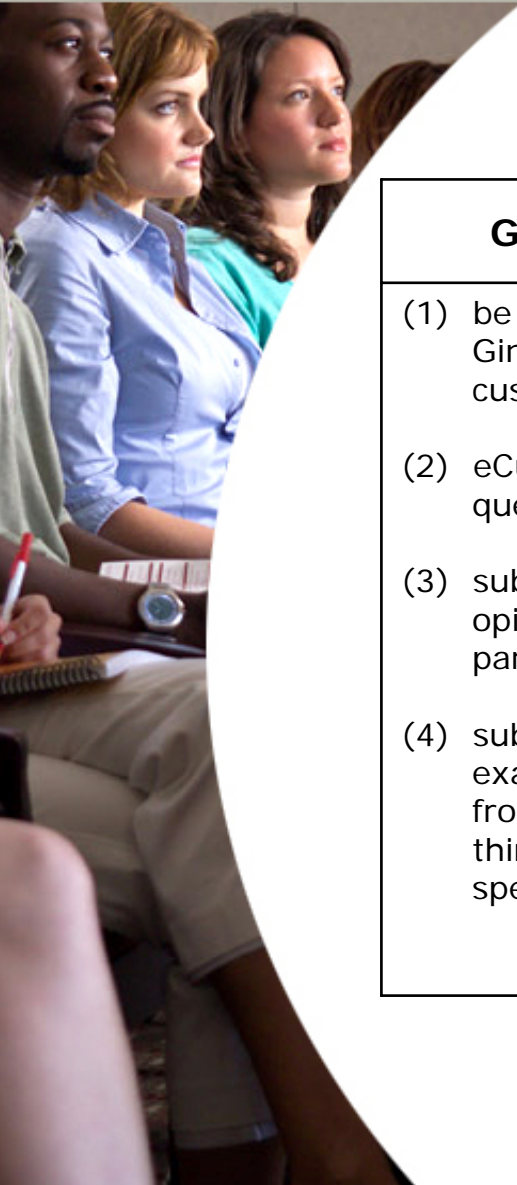
New Fields for Document Custodian Review

New review and audit requirements will become effective for all promissory notes dated on, or after, October 1, 2007.

New fields include:

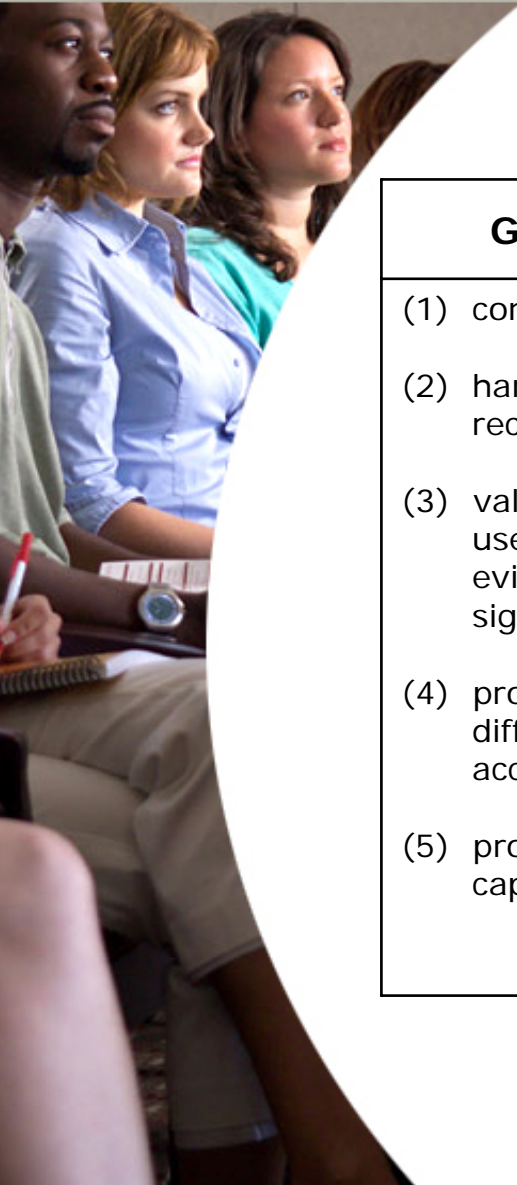
- Index Type
- Initial Interest Rate Cap
- Subsequent Interest Rate Cap
- Lifetime Interest Rate Cap
- Interest Rate Change Date

Electronic Vault e-Custodian Approval



GINNIE MAE	FANNIE MAE	FREDDIE MAC
<ul style="list-style-type: none"> (1) be an approved Ginnie Mae document custodian (2) eCustodian application questionnaire (3) submit a signed legal opinion from a third-party law firm (4) submit a practical examination or report from an independent third-party technology specialist 	<p>Custodians are given access to Fannie Mae's eMD, to view the eNotes for certification.</p>	<ul style="list-style-type: none"> (1) selected and recommended by a Freddie -Mac approved Seller/Service (2) an eCustodian application questionnaire (3) submit a signed legal opinion from a third-party law firm (4) a technical analysis from an independent third-party technology

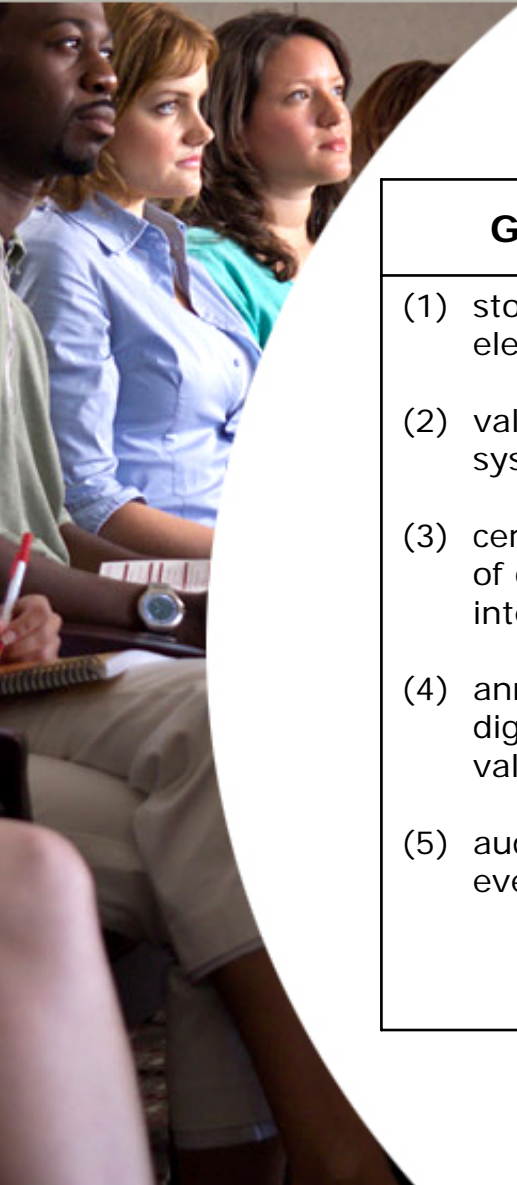
Electronic Vault Functional Requirements



GINNIE MAE	FANNIE MAE	FREDDIE MAC
<ul style="list-style-type: none"> (1) control access (2) handle transferable record requirements (3) validate certificates used for tamper evident digital signature (4) provide and manage different levels of access (5) provide full auditing capabilities 	<p>The lender is responsible for determining that it meets the requirements necessary to create valid and enforceable mortgage obligations</p>	<ul style="list-style-type: none"> (1) exclude co-mingling of assets (2) securely accept electronic documents (3) authenticate users and prevent unauthorized access (4) verify system integrity (5) validate eMortgage vault tamper-evident seals (6) audit significant events

Electronic Vault

eVault Audit Requirements



GINNIE MAE	FANNIE MAE	FREDDIE MAC
<ul style="list-style-type: none"> (1) store and accept electronic documents (2) validate the eVault system users (3) certification standards of overall document integrity (4) annual electronic digital signature validation (5) audit of all significant events 	<p>Following initial implementation, lenders must inform Fannie Mae prior to making any substantial technology or process changes.</p>	<ul style="list-style-type: none"> (1) verify system integrity (2) verify document integrity and detect document alteration (3) validate eMortgage Vault tamper-evident seals (4) audit significant events (5) evaluate compliance data center (6) evaluate compliance backup and business continuity

Electronic Vault eMortgage Guide

- Development of an eMortgage solution can only be achieved through a partnership with government agencies
- Ginnie Mae's role

Electronic Vault

eMortgage Guide

- Establish eMortgage workgroup within MISMO's Government Housing Workgroup structure
- Development of a Government eMortgage Guide (FHA, VA, RD)
- Invite industry partners to assist in the development

Ginnie Mae's e-Notification Project

Background



- Ginnie Mae is continuing to work towards eliminating all paper correspondence with issuers and document custodians.
- Ginnie Mae strongly encourages active issuers and document custodians to provide an email address so they can be alerted when notices have been posted to their *e-Notification* mailbox.
- Each issuer and document custodian should have already registered at least one user responsible for monitoring the *e-Notification* mailbox. To register, visit Ginnie Mae's website at www.ginniemae.gov.


Ginnie Mae's *e-Notification* Project

Additional Enhancements



- During the months of September, October, and November 2007, notices will be communicated via fax, mailing, and *e-Notification*. Effective **December 1, 2007**, notices will no longer be sent via fax and/or mailings. The *e-Notification* system will be the only method of communication.
- Document Custodians will receive the following notices via *e-Notification*:
 - New Pools Posted
 - Final Certification Pools Posted
 - Recertification Pools Posted
 - Document Custodian Transfers
 - Form HUD11708 Documentation Posted





Again, *e-Notification* will be the only method of communication beginning...

December 1, 2007

Document Custodian Field Review Results

Most Frequent Findings – HIGH Risk



- **Finding:** Document Custodian could not provide written attestation from the first marshal, it's insurance company, an architect, a building contractor, or a fire protection contractor stating that the facility where the pool documents are located provides the minimum two (2) hour fire resistance.
- **Finding:** Document Custodian does not possess a written and updated Policies and Procedures Guide accurately reflecting Ginnie Mae's custodian standards in accordance with Ginnie Mae's Guide 5500.3,Rev. 1.

Document Custodian Field Review Results

Most Frequent Findings – LOW Risk



- **Finding:** The Errors and Omissions Policy and/or Fidelity Bond failed to have an endorsement naming Ginnie Mae as loss payee.
- **Finding:** The form HUD11708, Request for Release of Documents, is incomplete or incorrectly prepared.
- **Finding:** The number of pools held at the Document Custodian do not match Ginnie Mae's records.
- **Finding:** The active loan count per the form HUD11706, Schedule of Pooled Mortgages, does not agree to the number of physical files and forms HUD11708 at the time of certification/recertification.



Elimination Pool Master File (PMF) Future Initiative



- The PMF is the file held by the document custodian which includes all documents pertaining to more than one loan in the same pool, including copies of opinions from qualified legal counsel.
- As automation becomes more fully imbedded in the document custodian process, elimination of this requirement would have a cost-savings benefit to the document custodian community.
- The change in storage requirements would allow for a more efficient transfer process when Ginnie Mae approves issuer or document custodian transfers involving physical file moves from custodian to custodian.

Pool Master File (PMF) Proposed Alternatives



Current PMF Requirement	Proposed Acceptable Alternatives
HUD11715 – Master Custodial Agreement	Maintain in the Issuer Master File
HUD11706 – Schedule of Pooled Mortgages	Available in and reproducible if transmitted via GinnieNET. For pools not originated or processed through GinnieNET, the document custodian must maintain the original form 11706 with signatures in the PMF.
HUD11711B – Certification and Agreement	Available off of GinnieNET
HUD11711A – Release of Security Interest, if applicable	Must be retained in respective loan file
Original blanket interim assignments	Original in Issuer Master File, copies in each loan file the blanket assignment references
Original or copies of opinions from qualified outside legal counsel	Original in Issuer Master File, copies in each individual loan file the opinion references
Original pool level waiver letters	Original in Issuer Master File, copies in each loan file to which the waiver pertains
HUD11708 – Request for Release of Documents (Non-liquidation)	Electronic releases acceptable so long as releases can be papered-out upon request.



Thank you for your attendance.