



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-9000

THE GOVERNMENT NATIONAL  
MORTGAGE ASSOCIATION

December 18, 2003

03-26

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Elimination of Third-Party Review for Insurance Status of Single Family FHA Loans

The Government National Mortgage Association (“Ginnie Mae”) is pleased to announce a major change in documentation requirements within its Single Family Mortgage-Backed Securities (“MBS”) Program. This change will result in substantial cost savings to the industry, and represents the continuing commitment by Ginnie Mae to reduce the costs of homeownership and deliver the most efficient MBS program possible.

Effective for Single Family FHA loans placed in Ginnie Mae pools with an issue date of January 1, 2003 or later, third-party verification of FHA insurance is no longer required. Ginnie Mae will now utilize information received from FHA to determine insurance status of FHA single family loans. With this change, document custodians may certify loans without ascertaining the existence of FHA mortgage insurance. For FHA loans pooled prior to January 1, 2003, and not yet insured, third-party confirmation of insurance is still required.

Ginnie Mae plans to announce similar streamlining for loans guaranteed by the Department of Veterans Affairs, and the Rural Housing Service in the near future.

In order to be considered insured, FHA loans backing Ginnie Mae pools must be recognized as endorsed in FHA’s Single Family Insurance System (“SFIS”). Ginnie Mae will perform this match to determine the percent of loans insured at various intervals after pool origination. Issuers lagging behind industry benchmarks will be subject to administrative action by Ginnie Mae.

Since inaccurate data will result in loans being classified as uninsured, it is critical that issuers report correct loan information at pooling and in monthly loan level reporting. Issuers are also reminded that inaccurate data reported to FHA may impact Ginnie Mae’s ability to match certain fields. Issuers are required to report loan level data to Ginnie Mae on a monthly basis beginning with the January 2004 reporting period. Initial reporting is due no later than February 15, 2004. For information regarding Ginnie Mae’s new monthly loan level reporting requirements, please see All Participants Memorandum 03-20, dated October 7, 2003.

Issuers are responsible for monitoring cases that are currently reported as uninsured, as well as those with erroneous case numbers. Effective February 1, 2004, this information will be posted on the Ginnie Mae e-Access website. Issuers can use information on this website to review errors in their loan data. If the case has been established in FHA's systems, but one or more of the data fields associated with the case is incorrect, issuers will receive an error message notifying them of the incorrect fields. The loan level information posted on the website will be updated on a monthly basis.

A copy of the Ginnie Mae Mortgage-Backed Securities Guide changes will be available shortly.

Should you have any questions, please contact your Single Family Account Executive in the Office of Mortgage-Backed Securities at (202) 708-1535.