



Ginnie Mae – Current Events

Presented for the Puerto Rican MBA, June 2016

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Office of Issuer Portfolio Management

U.S. Department of Housing and Urban Development



@GinnieMaeGov



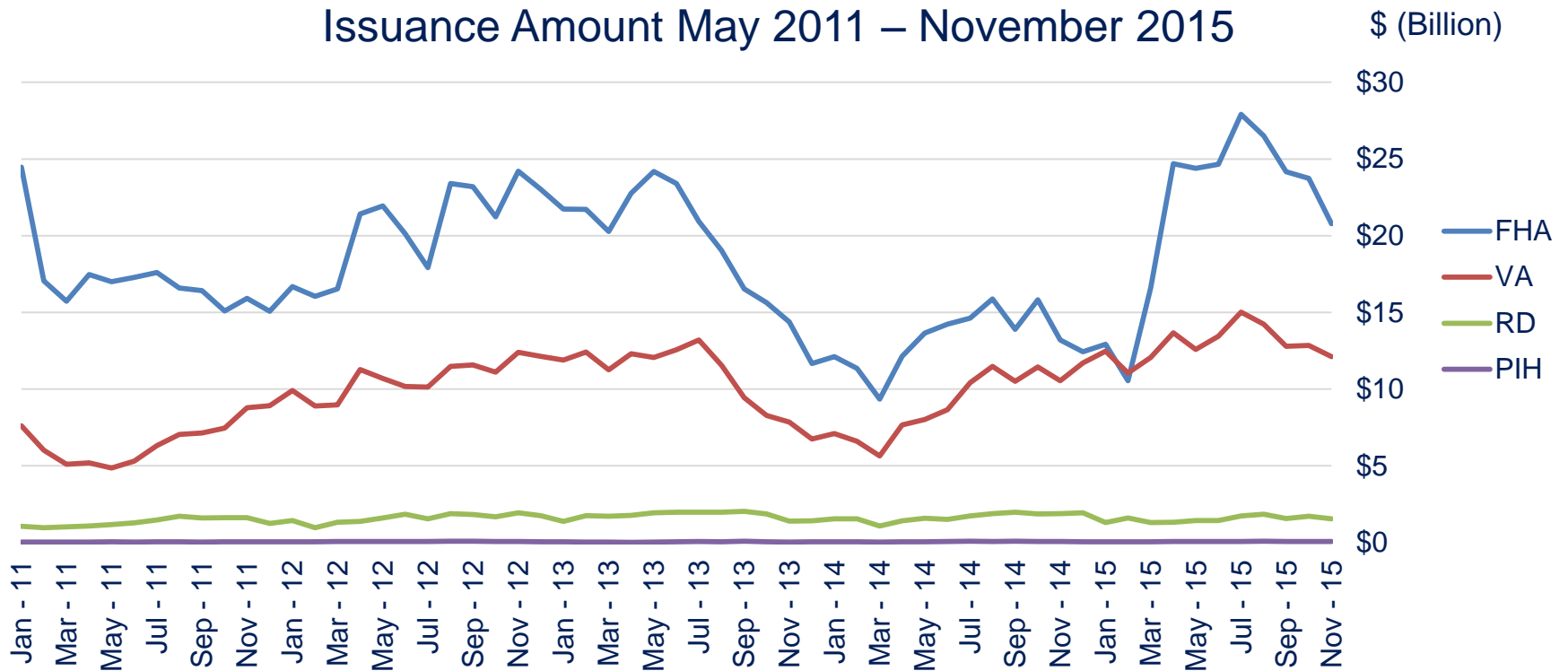
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Ginnie Mae and the Mortgage Industry

GINNIE MAE – INDUSTRY UPDATE

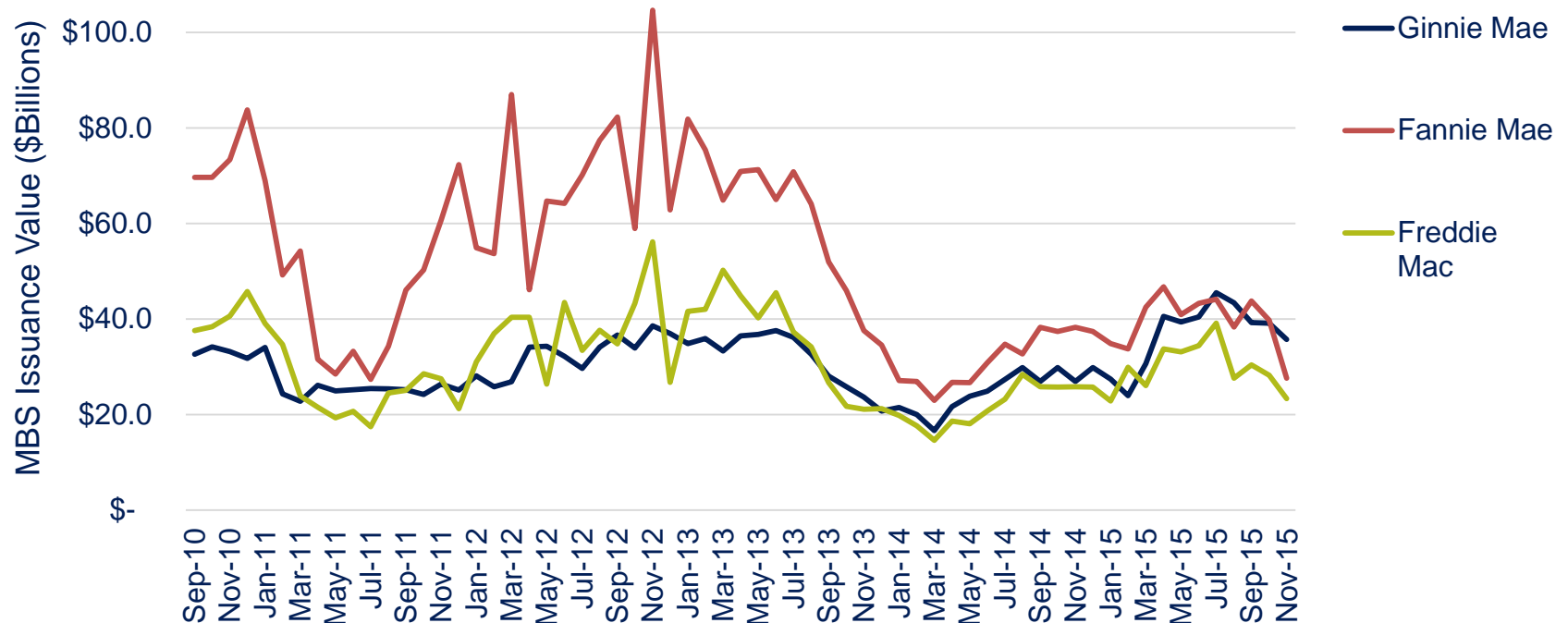
Issue Amount for Insuring Agencies of Ginnie Mae Single Family Securities

Issuance Amount May 2011 – November 2015



Ginnie Mae is Significant in SF MBS Issuance

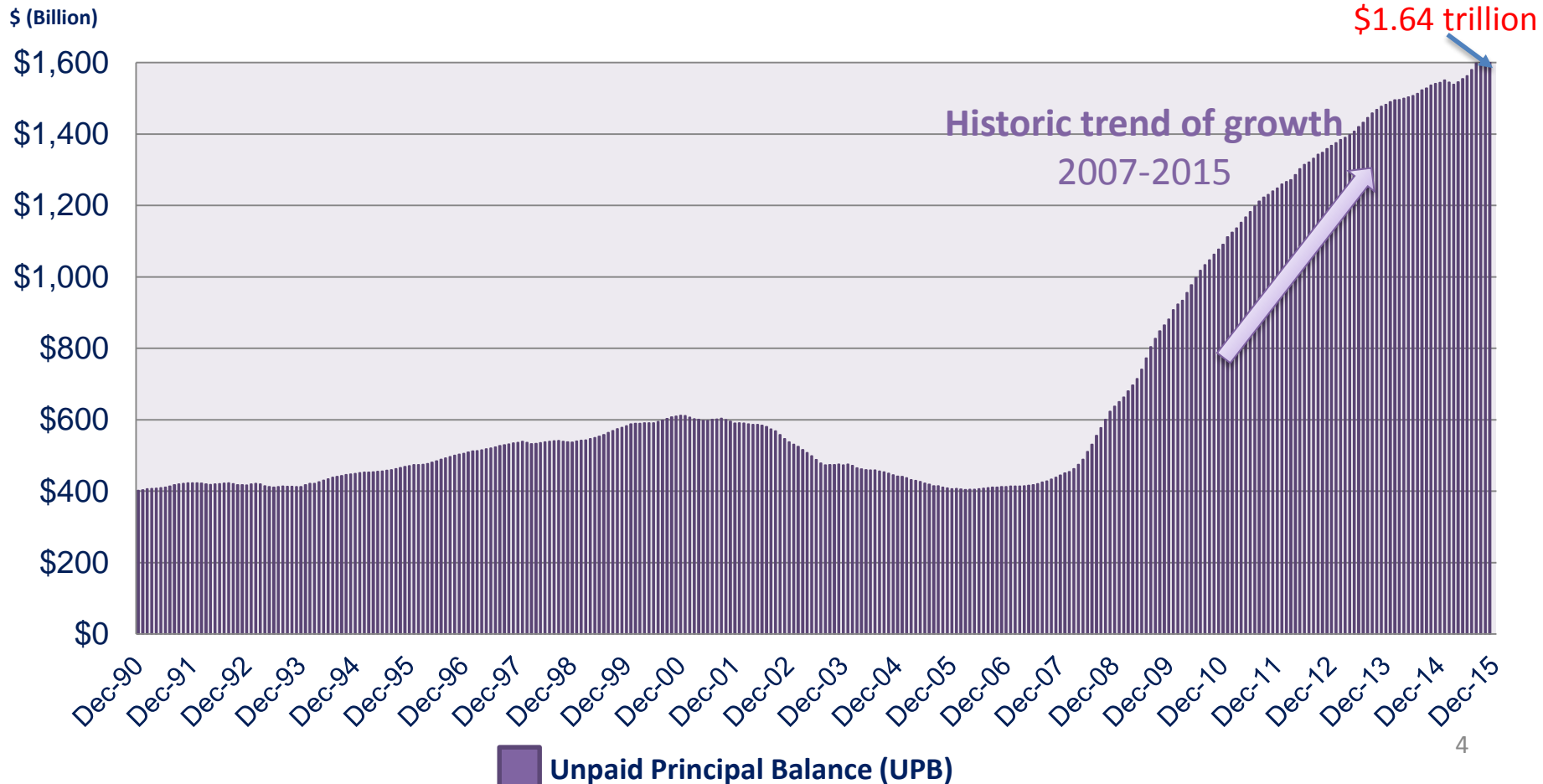
SINGLE-FAMILY MBS MARKETSHARE*



Note: Ginnie Mae data includes HECM

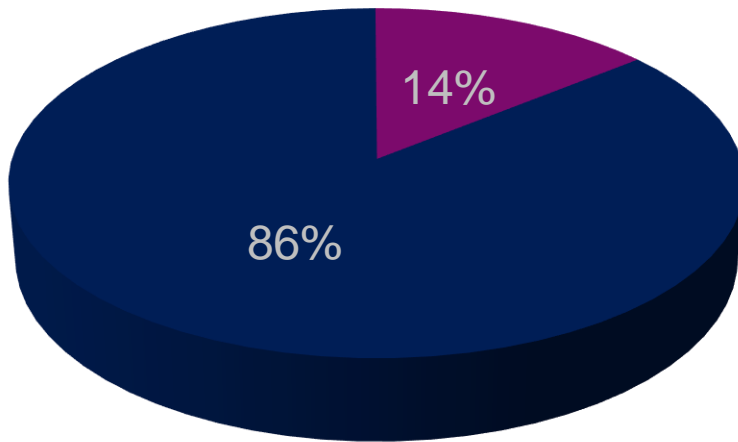
*Sourced from Inside MBS & ABS Monthly Issuance Data

Ginnie Mae MBS Outstanding Surges, Post Financial Crisis 42 Years to Reach \$1 Trillion then to \$1.6 in Six Years



Composition of Ginnie Mae SF MBS Issuance Volume **FY 2011**

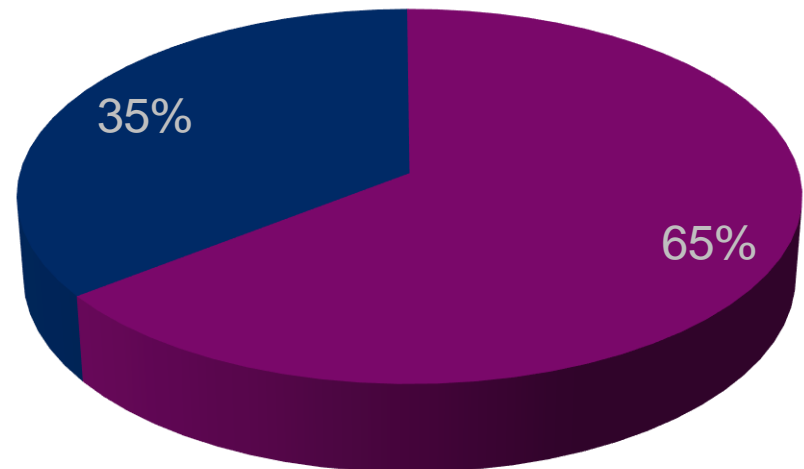
■ Depositories ■ Non-Depositories



FY2011 SF Issuance Volume: \$322 B

FY 2015

■ Depositories ■ Non-Depositories



FY2015 SF Issuance Volume: \$404 B

*Ginnie Mae Issuers are responsible for servicing the securities & the loans backing them; in the case an original Issuer sells servicing to another entity, the new entity takes on all obligations of the original Issuer

New Entrants Reducing Concentration Risk

Top Issuers of Single Family MBS in FY2011

| <u>Rank</u> | <u>Issuer Name</u> | <u>% of Total</u> |
|-----------------------|----------------------|-------------------|
| 1 | WELLS FARGO BANK, NA | 35% |
| 2 | BANK OF AMERICA | 26% |
| 3 | JP MORGAN CHASE BANK | 8% |
| 4 | PHH MORTGAGE CORP | 4% |
| 5 | U.S. BANK | 3% |
| Total Top 5 Issuers | | 76% |
| Total Issuance FY2011 | | \$322.3 billion |

Top Issuers of Single Family MBS in FY2015

| <u>Rank</u> | <u>Issuer Name</u> | <u>% of Total</u> |
|-----------------------|------------------------|-------------------|
| 1 | WELLS FARGO BANK, NA | 15% |
| 2 | PENNYMAC LOAN SERVICES | 8% |
| 3 | FREEDOM MORTGAGE CORP | 6% |
| 4 | QUICKEN LOANS INC | 5% |
| 5 | U.S. BANK | 4% |
| Total Top 5 Issuers | | 38% |
| Total Issuance FY2015 | | \$404.6 billion |

Red = Issuers that have fallen out of Top 5 since 2011

Blue = Issuers that have risen into Top 5 since 2011

Ginnie Mae Guaranty & Mortgage Cash Flow

- Ginnie Mae guarantees investors in MBS receive timely payment of monthly Principal and Interest (P&I)
- Ginnie Mae MBS is the legal obligation of the Issuer/Servicer; it is required to make P&I payment to investor regardless of whether borrower made his/her payment
- Cash Flow: Homeowner makes mortgage payment to Issuer/Servicer, then Issuer/Servicer makes payment to investor



Ginnie Mae and the Mortgage Industry
PROGRAM REQUIREMENTS

Characteristics of Successful Ginnie Mae Issuer

- Full commitment to ongoing participation in the Ginnie Mae MBS program as a substantial part of the business
- Issuing MBS regularly
- Commitment to long-term ownership of MSRMs, and maintenance of expertise in servicing them
- Construction of a diversified MSR portfolio, such as through a blend of seasoned and newer originations

Key Program Requirements

To remain in good standing, Ginnie Mae issuers should:

- Maintain a minimum of \$2.5M Adjusted Net Worth
- Maintain a minimum of \$1M in liquid (cash) assets
- Remain within delinquency thresholds
- Ensure at least 90% of all pooled loans are insured by insuring agency (i.e. FHA, VA, PIH, RD)

Corrective Action Measures

Failure to comply with guide requirements may result in:

- LOU (Letter Of Understanding) - Will detail an agreement between the issuer and Ginnie Mae in absence of adequate liquidity and/or net worth requirements
- NOV (Notice Of Violation) - Will define the guide requirement the issuer has failed to comply with
- AUP (Agreed Upon Procedure) – Document prepared by the issuer or their IPA defining and/or attesting to how the issuer will come back into compliance
- CMP (Civil Money Penalty) – A fine administered to issuers with reporting deficiencies

Puerto Rico

- Ginnie Mae understands the current struggles of the economy in Puerto Rico
- Loan performance ratios suffer due to high delinquency and low foreclosure metrics, putting a high-level of advancement requirements on PR issuers
- Ensure adequate capitalization to avoid performance correction action plans
- Keep your AE informed

Ginnie Mae and the Mortgage Industry
FIELD REVIEW FINDINGS

Top 10 Most Common Puerto Rico Issuer Findings

| Most Common Findings (Reviews Starting between 9/3/2013 and 4/13/2016) | | |
|---|---|--|
| Finding | Description | Guidance |
| 250001 | Loan(s) found where the liquidation code used was not correct on the Form HUD-11710E. | APM 02-17 |
| 510137 | 203(k) accounts are not accruing interest as applicable. | FHA Handbook 4240.4 |
| 400066 | T&I funds reported on Form HUD-11710D do not agree with Issuer's internal servicing records nor the ending balance of T&I reconciliation. | Inv. Reporting Manual Chapter 1- Section VII |
| 400334 | Interest income was not properly credited to mortgagor(s). | Ginnie Mae MBS Guide 16-5 |
| 400555 | More than one escrow type are commingled in a single lettered account. | Ginnie Mae MBS Guide 16-2 |

Top 10 Most Common Puerto Rico Issuer Findings

| Most Common Findings (Reviews Starting between 9/3/2013 and 4/13/2016) | | |
|---|--|--|
| Finding | Description | Guidance |
| 400568 | Issuer did not timely fund shortfalls identified in the Test of Expected P&I. | Inv. Reporting Manual Chapter 1 Section II-F |
| 400606 | For delinquent loans that have been referred for foreclosure, the process has exceeded FHA's allotted time requirements for that state and no extensions have been requested or granted. | HUD Handbook 4330.1 |
| 400711 | Loan(s) found in pool(s) which do not match FHA endorsement database. | APM 02-17 |
| 510208 | Guaranty Fee's for Ginnie Mae I and Ginnie Mae II were not deposited timely into the appropriate P&I custodial account. | Ginnie Mae MBS Guide Section 16-2 |
| 510209 | Authorized signers per Forms HUD-11702 do not agree to the Ginnie Net Administrator Enrollment form. | Ginnie Mae MBS Guide Section 3-12 |

Ginnie Mae and the Mortgage Industry
STREAMLINE REPORTING – POLICY UPDATE

SSR - Streamlined Investor Reporting Summary

Ginnie Mae is undertaking an effort to streamline investor reporting for the reporting requirements listed below.

| Current Reporting Process | | Streamlined Reporting Process |
|---|---|--|
| Issuer submits 11710D Monthly Summary data and certification through GinnieNET | → | Issuer will certify pool and loan data in GMEP RFS Monthly Certification Screen (New) |
| Issuer submits a PDF of the 11710DH data and certification via email to Operations (as PDF) | → | Issuer will certify loan data in GMEP RFS Monthly Certification Screen (New) |
| Issuer submits 11714 or 11714SN Remittance Advice through GinnieNET for file import | → | Issuer may upload Remittance Advice through GMEP (new file upload button) |
| Issuer submits 11714 and 11714SN Remittance Advice on-line data entry in GinnieNET | → | Issuer may provide Remittance Advice Reporting through GMEP RFS (New Screens) |

SSR - GMEP and User Registration Requirements

11710D

11710DH

11714

Streamlined Reporting Credentials

Monthly Reporting Certification only in RFS

- *GMEP User ID*
- *RFS Pool Accounting User Role*
- *SecurID Token Holder*
- *Authorized 11702 "signer"*
- *Sub-servicer as 11702 "signer"*

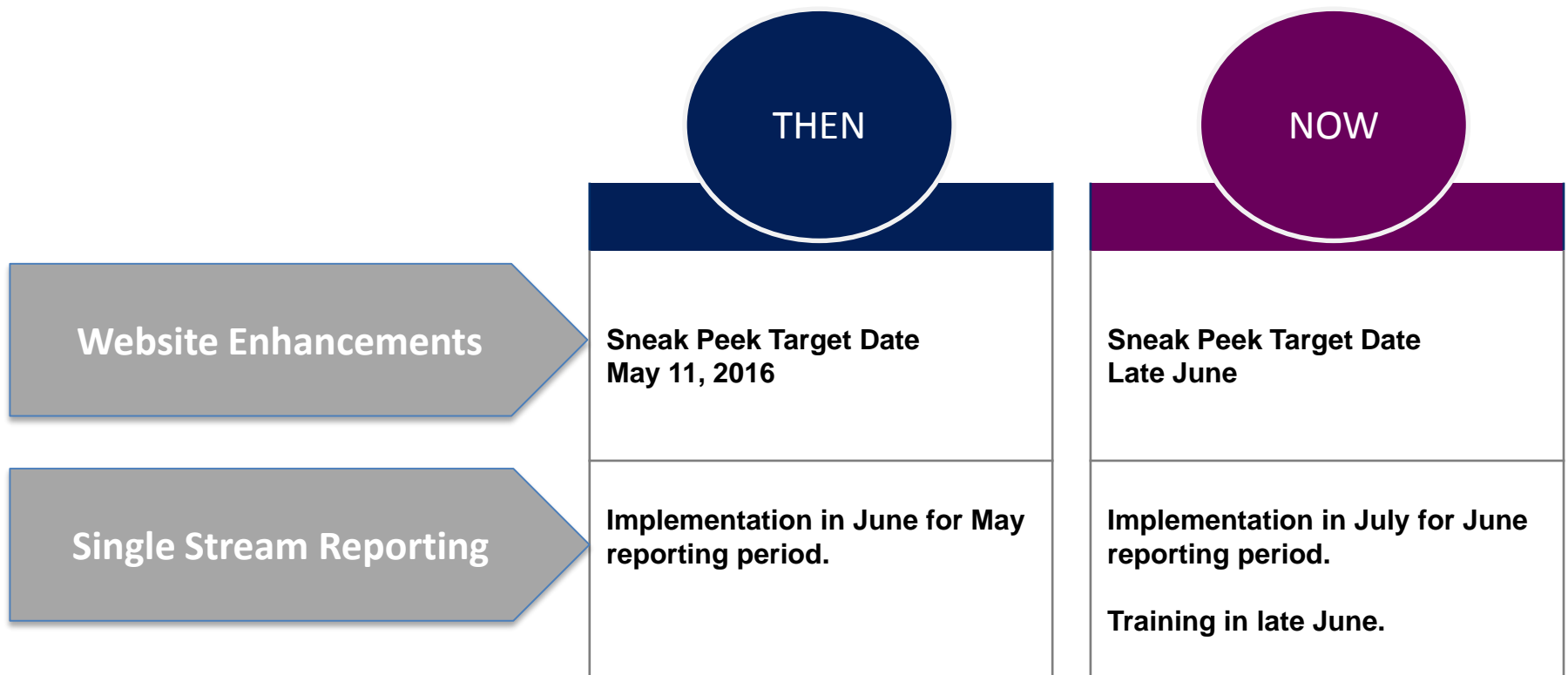
Monthly Reporting Certification only in RFS

- *GMEP User ID*
- *RFS HMBS User Role*
- *SecurID Token Holder*
- *Authorized 11702 "signer"*
- *Sub-servicer as 11702 "signer"*

Monthly Reporting Remittance Advice

- *GMEP User ID*
- *Pool Accounting User Role*

New Implementation Target Dates





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