



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

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

June 6, 2003

03-14

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Consolidation and Modification of Multifamily Loans

Ginnie Mae is pleased to announce revised procedures for the consolidation and modification of multifamily loans on properties located in the states of New York and Maryland.

Effective immediately, Ginnie Mae's procedures will permit the modification of multifamily mortgages on properties located in New York and Maryland taken out of Ginnie Mae pools for the purpose of prepayment, as long as an authorized signatory of the issuer provides the following certification in letter form to Ginnie Mae, prior to loan closing:

To the best of the issuer's knowledge, information and belief:

1. Upon prepayment in full, any prior FHA contract of mortgage insurance will be terminated, and an Insurance Termination Request for Multifamily Mortgage (Form HUD 9807) will be filed with FHA;
2. The assignment, consolidation and modification of liens is a generally accepted practice that is expressly authorized under the laws of either the state of New York or the state of Maryland, wherein the property to be refinanced is located, and has been undertaken for the sole purpose of minimizing the recordation taxes applicable to the borrower's refinancing or sale of the multifamily project; and
3. This financing transaction was not the result of any effort to circumvent Ginnie Mae's regulations pertaining to early termination of a pool.

At this time, the procedure will not be extended to other jurisdictions unless and until Ginnie Mae satisfactorily determines that the practice is contemplated and expressly approved under state law.

Current Ginnie Mae procedures require the mandatory satisfaction and cancellation of the note and release of the recorded mortgage upon prepayment for all FHA-insured mortgage loans. Ginnie Mae's policy requiring cancellation and release was instituted to prevent Ginnie Mae issuers from unilaterally removing, for profit-motivated reasons, loans from securitized pools and assigning the underlying notes and mortgages to a new lender. However, the unintended effect of this policy in New York and Maryland has been that mortgagors whose loans are securitized in Ginnie Mae pools, and who choose to refinance their properties, pay more in recording taxes than is otherwise required under state law.

If you have questions regarding this procedure, please contact your Ginnie Mae Multifamily Program Account Executive at (202) 708-2043.