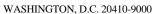
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT





December 16, 2003

03 - 24

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: First Beneficial Mortgage Corporation

The Department of Housing and Urban Development and the Government National Mortgage Association ("Ginnie Mae") are firmly committed to operate Ginnie Mae's Mortgage-Backed Securities programs with the highest level of integrity for the benefit of American homeowners and program participants. To that end, Ginnie Mae is continuously focused on monitoring its issuers' portfolios, including the loan origination and pooling process, to detect any fraud committed by its program partners.

Through such efforts, Ginnie Mae was able to determine that First Beneficial Mortgage Corporation ("First Beneficial") of Charlotte, North Carolina had engaged in fraudulent pooling practices, including pooling loans with forged documents and pooling loans collateralized with ineligible or non-existent properties. First Beneficial had attempted to cover up the fraud through the submission of falsified monthly reports.

After its default of First Beneficial, Ginnie Mae turned over the evidence it had obtained to HUD's Inspector General and to the U.S. Attorney's office in the Western District of North Carolina. Through the efforts of these organizations, all of the principals of First Beneficial involved in the scheme were successfully prosecuted, with the President of First Beneficial being sentenced to 21 years in prison and ordered to pay more than \$23 million in restitution.

Ginnie Mae strongly believes that issuers like First Beneficial are an anomaly in its Mortgage-Backed Securities programs, and that the vast majority of its issuers operate their businesses at the highest level of integrity and ethics. Ginnie Mae would like to take this opportunity to thank those issuers for their dedication to preserving and protecting the integrity of Ginnie Mae's programs. Through your efforts, Ginnie Mae is working to make homeownership a reality for millions of Americans.