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

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

July 12, 2002

02-18

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Forbearance and Buyout Authorization for Loans in Areas Declared a Disaster by President Bush Due to Severe Storms, Flooding, or Wildfires

FORBEARANCE

In an effort to minimize the economic hardship for those persons affected by the severe storms, flooding, and wildfires, Ginnie Mae encourages all single-family, manufactured housing, and multifamily Ginnie Mae issuers to provide forbearance to mortgagors in areas declared a disaster in **Arizona, Alaska, Montana, Texas, and Guam** by President Bush. Ginnie Mae realizes that with the massive destruction of property and the temporary loss of jobs, many individuals will experience severe economic and personal hardships. Ginnie is prepared to assist issuers holding mortgage loans in the affected areas in making their Ginnie Mae pass-through payments.

For the months of August, September, and October 2002, Ginnie Mae will assist issuers with pass-through payments if the issuer has more than five percent (5%) of its Ginnie Mae loan portfolio in the affected areas. However, Ginnie Mae should be asked to provide assistance as a "last resort". Those issuers who have large numbers of customers unable to make loan payments because of the severe storms, flooding, or wildfires, and who, as issuers, cannot obtain private market financing to cover the delinquencies, will be eligible for Ginnie Mae assistance.

The issuer must provide the following documents in order to be considered for assistance:

> For each of the eligible months that assistance is requested, the issuer will sign and submit a Request for Disaster Assistance ("Request"), the Supervisory Agreement (two copies), and a copy of the wire instructions to Ginnie Mae at least three business days prior to the month for which assistance is requested. These documents are found in Appendix XI of the Ginnie Mae Guide and are applicable to advances under both the Ginnie Mae I and Ginnie Mae II programs.

Ginnie Mae will review the Request and if approved, will execute the Supervisory Agreements and return one copy to the issuer. Ginnie Mae will wire Eligible Advances directly into the issuer's Principal and Interest custodial account(s) on August 14, September 13, and October 11, 2002, the day prior to the ACH date, for issuers of Ginnie Mae I pools, and on August 19, September 19, and October 18, 2002, the day prior to the ACH date for the issuer's Ginnie Mae II pools. These deposits will assure that the issuer can properly cover investor and ACH payments on the appropriate dates.

Eligible locations are those contained in the disaster areas declared by President Bush. Loans on homes outside the eligible areas in the declared disaster areas are also eligible if the disaster has directly and significantly reduced the homeowners' employment opportunities and income.

The issuer will compute its advances needed for August, September, and October 2002 pass-throughs respectively, for loans in the eligible locations ("Eligible Loans"), as follows:

> Subtract the July total advances that the issuer made with respect to the pooled loans located in the declared disaster areas from the estimated advances required for such loans in August, September, or October 2002. Ginnie Mae considers the July advances to be the base level ("Base Level") of advances not related to the disaster, and therefore not eligible for assistance under this announcement. The balance will be eligible for Ginnie Mae advances assistance (Eligible Advances").

Issuers subject to the Supervisory Agreements with Ginnie Mae will be obligated to repay Eligible Advances to Ginnie Mae on the expiration of the 90-day term, which will be in November and December 2002, and January 2003, as appropriate. While these repayment dates and the associated Supervisory Agreements are not expected to be extended, the President of Ginnie Mae may do so at his sole discretion.

Under the Supervisory Agreement, the issuer will be considered in default under its Ginnie Mae Guaranty/Contractual obligations. However, Ginnie Mae will forbear from exercising its right to extinguish the issuer's rights and allow the issuer to remedy its default by repaying the advances to Ginnie Mae within 90 days of the date of Ginnie Mae's payment of the Eligible Advances, together with interest computed at Ginnie Mae's current monthly borrowing rate from Treasury for the month of the advance, and by not allowing any other event of default to occur. The attached Supervisory Agreement obligates issuers to repay all Eligible Advances with interest.

While technically in default as a result of the advances provided by Ginnie Mae pursuant to this All Participants Memorandum ("APM"), this status will not affect an issuer's ability to obtain commitments, issue securities, or transfer issuer responsibility, so long as the issuer complies with the Supervisory Agreement. The issuer is also required to comply with the normal eligibility requirements for obtaining commitment authority, issuing securities, and transferring issuer responsibility, as specified in the Ginnie Mae Guide.

In addition to the Ginnie Mae advance assistance, Ginnie Mae will exclude mortgages on properties within the declared disaster areas from calculations of delinquency ratios (DQ3, DQ2, and DQP). These thresholds are used to approve commitments, assign pool numbers, and allow transfers of issuer responsibility. Through Ginnie Mae's Mortgage-Backed Security Information System, the staff of Ginnie Mae and ACS GSG, Ginnie Mae's contractor, will work with issuers to track the affected mortgages by location.

Ginnie Mae encourages all Ginnie Mae issuers to continue their commitment to the disaster areas and provide appropriate funding and forbearance for individuals attempting to rebuild their communities.

BUYOUT AUTHORITY

Also, in accordance with this APM, Ginnie Mae is authorizing issuers of Ginnie Mae pools containing loans on properties damaged by the severe storms, flooding, or wildfires, to buy the loans out of the pools for the remaining principal balance of each loan. The loans do not have to be delinquent before they can be repurchased. The purpose of this authority is to assist homeowners, whose home have been directly damaged by the disaster, avoid becoming delinquent on their loan payments, which can lead to default and foreclosure.

Ginnie Mae will allow the buyout loans to be re-pooled if they are modified and continue to be insured or guaranteed by FHA, VA, or RHS (refinanced loans are not restricted as to pooling since a refinanced loan is a new loan and must only meet the criteria in the Ginnie Mae Guide for eligibility). For purposes of computing the eligible age of a loan, the loan modification date must not be more than 48 months prior to the issue date of the pool. All other loan eligibility requirements as stated in the Guide are applicable.

The authority to buyout loans will expire six months from the issue date of this APM.

An issuer requesting assistance pursuant to this APM should submit the two copies of the Supervisory Agreement, properly executed by an authorized corporate official, the Request for Disaster Assistance form, and Wire Instructions form by express mail to:

Vice President
Office of Mortgage-Backed Securities
Ginnie Mae
Declared Disaster [insert name of disaster]
451 7th Street, SW, Room 6214
Washington, DC 20410

Issuers requesting permission to buy loans out of existing pools pursuant to this APM must request the permission in writing to the address above. The format of the buyout request letter for loans under either program is in Appendix XI-5 of the Ginnie Mae Guide. The buyout request letter must specify that the property was damaged by the effects of the declared disaster and must refer to this APM by number.

If an issuer has any questions regarding the issues addressed by this APM, they may call their appropriate Single-Family/Manufactured Housing Account Executive on (202) 708-1535 or their Multifamily Account Executive on (202) 755-2043.