U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-9000 GOVERNMENT NATIONAL

MORTGAGE ASSOCIATION

August 22, 2003

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MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Hybrid Adjustable Rate Mortgages

Effective with October 1, 2003 pool issuances, Ginnie Mae will allow issuers to pool several new FHA and VA hybrid Adjustable Rate Mortgage ("ARM") products. The hybrid ARM products will be eligible for securitization as multiple issuer loan packages under the GNMA II mortgage-backed securities program. As such, they will be subject to the GNMA II guidelines as outlined in the Ginnie Mae Mortgage-Backed Securities Guide 5500.3 Rev. 1, which was communicated to issuers in All Participants Memorandum ("APM") 03-08.

Ginnie Mae will guarantee pools backed by FHA 3, 5, 7 and 10-Year hybrid ARMs and VA 3-Year and 5-Year hybrid ARMs. After the initial fixed rate period, the mortgage will adjust annually based on the weekly average yield of U.S. Treasury securities adjusted to a constant maturity of one year, commonly referred to as the Constant Maturity Treasury ("CMT"), plus a mortgage margin established by the issuer, rounded to the nearest 0.125%. The CMT index can be found in Federal Reserve Statistical Release H.15, Selected Interest Rates, using the website www.federalreserve.gov/releases/h15/Update. The CMT shall be the most recent index figure available 30 calendar days before the date of each interest rate adjustment.

The 3-Year and 5-Year hybrid ARMs allow a one percentage point annual interest rate adjustment after the initial fixed interest rate period, and a five percentage point interest rate cap over the life of the loan. Index changes in excess of one percentage point may not be carried forward for inclusion in a subsequent year. The 7-Year and 10-Year hybrid ARMs allow a two percentage point annual interest rate adjustment after the initial fixed interest rate period and a six percentage point interest rate cap over the life of the loan. Index changes in excess of two percentage points may not be carried forward for inclusion in a subsequent year.

New suffix designations have been created for the hybrid ARM products as follows:

Initial Fixed Rate Period	New Suffix
3-Year ARM	M AT
5-Year ARM	M AF

7-Year ARM	M AS
10-Year ARM	M AX

The table below indicates the mortgage and security interest rate adjustment time frames for the hybrid ARM products as well as annual and life of the loan caps.

ARM Type	Suffix	Mortgage	Security	Annual Cap	Life of
		Interest Rate	Interest Rate	(after initial	Loan Cap
		Adjustments	Adjustments	fixed rate	
				period)	
Multiple Issuer	M AT	No sooner than	No sooner than	1 percentage	5 percentage
3-Year		36 months or	37 months or later	point	points
hybrid		later than 42	than 39 months		
		months			
Multiple Issuer	M AF	No sooner than	No sooner than	1 percentage	5 percentage
5-Year		60 months or	61 months or later	point	points
hybrid		later than 66	than 63 months		
		months			
Multiple Issuer	M AS	No sooner than	No sooner than	2 percentage	6 percentage
7-Year		84 months or	85 months or later	points	points
hybrid		later than 90	than 87 months		
		months			
Multiple Issuer	M AX	No sooner than	No sooner than	2 percentage	6 percentage
10-Year		120 months or	121 months or	points	points
hybrid		later than 126	later than 123		
		months	months		

In order to be eligible for pooling, all loans must have identical interest rate adjustment dates and the note rate must be 25-75 basis points above the security rate. The security interest rate adjustment must occur one month after the mortgage interest rate adjustment. Consistent with the existing FHA 1-Year ARM, the hybrid ARM adjustment dates will also be January 1, April 1, July 1 and October 1.

Hybrid ARM loan packages will be eligible for the Pool Issuance and Immediate Transfer (PIIT) and Targeted Lending Initiative pooling options. Additionally, all hybrid ARMs must have 30 year maturities.

Also, Ginnie Mae's GinnieNET software is being upgraded to accommodate the new products. The upgraded software (GinnieNET, Version 5.9) will be mailed to issuers and document custodians no later than the last week in August. Ginnie Mae MBS Guide changes covering the new products will be forthcoming. Questions regarding this memorandum should be addressed to your Ginnie Mae Single-Family Account Executive at (202) 708-1535.