

## CHAPTER 12: THE PROSPECTUS, SECURITIES AND SECURITIES MARKETING

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### 12-1: OVERVIEW OF CHAPTER

This chapter identifies the form of prospectus for each pool type, describes the forms, preparation, registration, and delivery of Ginnie Mae securities, both at the time of initial issuance and in connection with subsequent exchanges of securities and transfers of securities from one security holder to another, and provides guidance on the marketing of Ginnie Mae securities.

Additional requirements, if any, for particular pool types can be found in Chapters [24](#) through [32](#).

### 12-2: PREPARATION OF PROSPECTUS

For all pools submitted using paper submission process, the issuer must prepare the appropriate standard form prospectus for presentation to each prospective purchaser. For pools submitted using GinnieNET, including all multiple issuer pools, the PPA will prepare the prospectus and provide a copy to the issuer. The issuer must present the prospectus to each prospective purchaser. The standard forms of prospectus for Ginnie Mae pool types can be found in Appendices [IV-4](#) through [IV-10](#) and [IV-20](#) through [IV-24](#). Copies of standard forms of prospectuses for Ginnie Mae MBS issued prior to July 1, 2003 can be found on Ginnie Mae's website at [www.ginniemae.gov](http://www.ginniemae.gov).

### 12-3: DELIVERY OF PROSPECTUS

No security of any issuer may be sold in the primary market unless a prospectus is given to the initial purchaser or is sent to the initial purchaser under such circumstances that it would normally be received prior to any payment of all or any part of the purchase price of the security.

### 12-4: ADVERTISING GUIDELINES

Advertising in any form regarding the sale of Ginnie Mae MBS, and the issuance of statements or releases to the press, is prohibited until the proposed advertisements, statements, or releases are approved by Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)). Advertisements must contain no more than the following information:

- (A) the name and address of the issuer of the security;
- (B) the title of the security, the amount being offered, and the per-unit offering price to the public;
- (C) the identity of the general type of business of the issuer;
- (D) the party from whom a prospectus may be obtained;
- (E) the minimum denomination of the securities;
- (F) a brief statement of the Ginnie Mae guaranty; and

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### 12-5: MARKETING THE SECURITIES

- (G) any statement or legend required by state law or administrative authority.
- (A) In marketing the securities, the issuer is required to comply with the requirements set out in Securities Marketing and Trading Requirements (Appendix IV-1), which are intended to assure that issuers carry out their marketing and trading activities in a manner consistent with prudent business practices and the financial capacity of prospective purchasers.
- (B) The issuer of a Ginnie Mae I pool or a Ginnie Mae II custom pool is responsible for marketing all of the securities related to the pool. An issuer participating in a Ginnie Mae II multiple issuer pool is responsible for marketing all of the securities related to its loan package. Each issuer makes all necessary arrangements for the sale of and receipt of payment for the securities for which it is responsible. Prevailing market conditions will determine whether the securities can be sold at their initial principal amount, at a discount, or at a premium. The cost of any marketing discount must be borne by the issuer.

### 12-6: THE SECURITIES: FORMS OF INITIAL ISSUANCE

#### (A) *Introduction*

This section is applicable to all Ginnie Mae MBS.

All Ginnie Mae MBS will be issued initially in book-entry form. After initial issuance of such Ginnie Mae MBS, an investor may request delivery of a certificated security registered in its name or the name of its designee. (See Section 12-9(B)(1)) To the extent that such Ginnie Mae MBS are held in book-entry form at any time, however, they will be held in uncertificated form by the depository.

Instructions for issuance of book-entry Ginnie Mae MBS are found in Appendix IV-2 of this Guide.

#### (B) *Book-Entry Securities*

- (1) Form of Ginnie Mae MBS identified in Section 12-6(A)(1)

Immediately following pool processing and approval of the pool, the CPTA will prepare an entry for the Ginnie Mae central registry, described in Section 12-8, with respect to the new issuance of securities. This entry will include the principal pool-specific terms of the securities (including without limitation pool number, original principal amount, interest rate, and maturity date) and will register the depository, as registered owner of the securities. Registration of the depository as registered owner of an issuance of securities

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occurs when the transfer agent releases to the central register the entry for that issuance.

The terms of an issuance of book-entry securities will consist of (i) the terms set forth in the applicable central registry entry, (ii) the terms set forth in the applicable Appendix designated below, and (iii) the terms set forth in the remainder of this Guide:

- (a) Ginnie Mae I MBS
  - (i) SF, BD, GEM, GPM and MH pools: Appendix [IV-17](#)
  - (ii) CL pools: Appendix [IV-B](#)
  - (iii) PL, Level Payment LM and LS pools: Appendix [IV-C](#)
  - (iv) PN, Non-Level Payment LM, LS pools and RX pools: Appendix [IV-D](#)
  - (v) CS pools: Appendix [IV-E](#)
- (b) Ginnie Mae II MBS
  - (i) SF, GPM, GEM, and MH pools: Appendix [IV-27](#)
  - (ii) APM pools: Appendix [IV-28](#)

In case of inconsistency, the terms set forth in the applicable central registry entry shall govern over the terms set forth in the applicable Appendix and the terms set forth in the remainder of this Guide, and the terms set forth in the applicable Appendix shall govern over the terms set forth in the remainder of this Guide.

(2) Delivery dates:

Registration of book-entry securities in the name of the depository will constitute delivery of the securities to the depository. On the settlement date specified on the Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705 (Appendix [III-6](#)), submitted by the issuer, the depository will deliver the securities to depository members, following the depository's procedures, in accordance with the instructions specified on the form HUD 11705 .

Complete instructions and examples for delivery of securities through the book-entry system are provided in Appendix [IV-2](#). Any questions regarding book-entry delivery methods and settlement procedures should be referred to the Depository Operations Manager (see [Addresses](#)).

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(3) Responsibility for delivery:

It is the responsibility of the investor, if the investor is not itself a member, to arrange for a depository member to take delivery of the investor's security position within the depository on the specified settlement date. It is the responsibility of the issuer to ensure that the correct member is designated and that the correct depository account information is provided on the Schedule of Subscribers and Ginnie Mae Guaranty Agreement, form HUD 11705. Otherwise, the depository may not be able to credit the proper account at the time specified by the issuer. Ginnie Mae is not responsible for proper establishment of account positions within the depository.

(4) Effective date of guaranty:

The Ginnie Mae guaranty of book-entry securities becomes effective upon registration of the securities in the name of the depository on the central registry.

### **12-7: GINNIE MAE I MBS PROGRAM: SECURITY HOLDERS REGISTER**

#### **(A) Contents**

Each issuer of Ginnie Mae I MBS must maintain a register of security holders for each Ginnie Mae I pool for which the issuer is responsible.

The register must contain at least the following information for each security outstanding:

- (1) pool number;
- (2) certificate number, if applicable;
- (3) name, address, and EIN of each security holder;
- (4) original principal amount of security;
- (5) date of issue of the securities;
- (6) interest rate;
- (7) initial payment date; and
- (8) maturity date.

#### **(B) Notification of Changes**

The issuer must notify the CPTA in writing of any changes or corrections it makes to its register of security holders. The notification must include pool number, registered security holder's name as used in the security registration, security holder's EIN, and the information requiring change.

Similarly, the CPTA will notify issuers of transfer activity (see Section 12-9) and of any other change requests it receives directly from Ginnie Mae security holders.

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### ***(C) Updating the Register***

An issuer may not change a security holder's registered name without a transfer advice from the CPTA.

The issuer must post updated information to its register of security holders as it is received. Principal and interest payments are due on the 15th of each month in the case of nonbook-entry securities. In the case of book-entry securities, funds sufficient for the payment of principal and interest must be made available to the depository, as security holder, on the 15<sup>th</sup> of each month (or on the next business day if the 15<sup>th</sup> is not a business day). Payments are made or made available to the security holders of record as of the end of the preceding month identified on the register of security holders. Accurate and timely record keeping, therefore, is essential to ensure that all transfers or changes of address that occur through the last day of the record month are recorded on the issuer's books prior to the 7th day of the payment month.

If for any reason a prior security holder of record is paid rather than the security holder actually due that payment, the issuer is obligated to use its own funds to honor valid claims by the security holder of record. It is the issuer's responsibility, not the security holder's, to seek recovery from any other security holder who was incorrectly paid.

### **12-8: CENTRAL REGISTRY**

The CPTA maintains an electronic central registry of security holders and transfer information for all pools formed under the Ginnie Mae MBS Programs that includes:

- (A) current registered ownership of all outstanding securities;
- (B) for each pool, whether the related securities were initially issued in certificated or book-entry form, the pool-specific terms applicable with respect to the securities, including without limitation each of the pool-specific terms that would appear on the face of the related certificate if the securities were held in certificated form; and
- (C) for each pool, a history of securities transfers.

Ownership of central registry records resides with Ginnie Mae. The information on the central registry is not generally available to the public.

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### 12-9: TRANSFER AND EXCHANGE OF SECURITIES

#### ***(A) Book-Entry to Book-Entry Transfers***

For securities held in book-entry form, transfers between a transferor that holds and a transferee that will hold its securities indirectly through one or more securities intermediaries are carried out in accordance with the rules and regulations of the depository.

#### ***(B) Book-Entry to Nonbook-Entry Transfers and Exchanges***

An investor that wishes to exchange its indirectly held beneficial interest in book-entry Ginnie Mae MBS for a certificated security registered in the name of the investor or its designee, or to transfer its beneficial interest to a transferee that wants a certificated security registered in its name, should proceed as follows:

The investor must arrange for the depository member holding the investor's position to withdraw from book-entry the amount of Ginnie Mae MBS that the investor wishes to hold directly in certificated form. The depository will submit the request to the CPTA with the appropriate instructions.

The request must contain:

- (a) the exact spelling of the name in which the new certificate is to be registered;
- (b) the complete address and EIN of the new registered owner; and
- (c) a check payable to Ginnie Mae for the \$15 transfer fee for each new certificate requested.

On the day following its receipt of the depository's instruction, the CPTA will reduce the amount of the securities registered in the name of the depository on the central registry by the amount of the withdrawn securities and will confirm to the depository electronically the decrease in the amount of the securities registered in the name of the depository.

On the same day, the CPTA will also register on the central registry, in the name prescribed in the instructions, ownership of securities equal in amount to the decrease in the amount registered in the name of the depository. The CPTA will prepare a certificate in the same amount, showing the requested name as the registered owner, and deliver it to the depository for delivery, in turn, to the depository member holding the investor's position.

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### ***(C) Nonbook-Entry to Book-Entry Transfers and Exchanges***

An investor that wishes to exchange certificated securities registered in its name for an indirectly held beneficial interest in book-entry Ginnie Mae MBS, or that wishes to transfer its securities to a transferee that wants to hold an indirect beneficial interest in book-entry Ginnie Mae MBS, should proceed as set forth below.

The investor must arrange for the depository member holding the investor's position to deposit with the depository the certificated securities that the investor wishes to exchange. The depository will submit the investor's certificate and the request to the CPTA.

The request must be accompanied by the documentation described in Section 12-9(D) below, to the extent applicable.

On the day following its receipt of the depository's request, the CPTA will cancel the investor's certificate submitted by the depository, reduce the amount of securities registered in the investor's name on the central registry, and credit the amount of the cancelled securities to the account of the depository on the central registry. The depository will transfer the appropriate amount of the securities to the account of the depository member holding the investor's position.

### ***(D) Nonbook-Entry to Nonbook-Entry Transfers and Exchanges***

An investor that wishes to transfer or exchange a nonbook-entry certificated security for a nonbook-entry certificated security must proceed as follows:

(1) Form Required:

A properly executed assignment form and the physical security must be presented to the CPTA in order to effect the transfer. The following forms are acceptable for executing an assignment and transfer.

- (a) the assignment form appearing on the reverse side of the security;
- (b) HUD Form of Detached Assignment (Appendix [IV-3](#)); and
- (c) Special Form of Detached Assignment for United States Registered Securities, form PD 1832 (Appendix [IV-3](#)).

The HUD Form of Detached Assignment is preferable to form PD 1832.

Appendix [XII-3](#) contains Department of the Treasury regulations concerning acceptable methods of registration and persons authorized to certify

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assignments. These regulations must be used in conjunction with the instructions on the reverse of the applicable forms to ensure proper completion of the form.

(2) Transfer Procedure:

Transfers of registered ownership of physical certificates are made by the CPTA in accordance with instructions received from a securities dealer, dealer bank, or issuer. Securities may be presented for transfer either at the CPTA's offices (window) or by mail (see [Addresses](#)). Securities held in certificated form may be transferred and assigned as described below.

- (a) The CPTA receives the certificate to be transferred, along with a transmittal letter, an assignment form, and the transfer fee.

The transmittal letter must include the following information on each security forwarded for transfer:

- (i) pool number;
- (ii) security number;
- (iii) original principal amount of security;
- (iv) exact spelling of name in which new securities are to be issued;
- (v) complete address and EIN of the new security holder;
- (vi) name and telephone number of person handling the transfer; and
- (vii) complete instructions for the delivery of the new certificate.

A check payable to Ginnie Mae for the \$15 transfer fee is required for each new certificate requested.

Improper or incomplete items will be returned to the presenter, and the securities will not be transferred until corrections have been made.

- (b) Within 24 hours after receipt of the request, the CPTA cancels the existing certificate, prepares a new certificate, and delivers it in accordance with the dealer's or issuer's instructions.

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Upon request, the CPTA can deliver the new certificate the same day. In this case, a rush-processing fee of \$45, also payable to Ginnie Mae, is required for each new certificate in addition to the \$15 transfer fee for each new certificate.

### **(E) Forms of Certificated Securities**

The CPTA will prepare certificated Ginnie Mae MBS pursuant to Sections 12-9(B) and 12-9(D) using the forms of certificates set forth in the following Appendices:

- (1) Ginnie Mae I MBS
  - (a) SF, BD, GPM, GEM and MH pools: Appendix [IV-11](#)
  - (b) SN pools: Appendix [IV-12](#)
  - (c) All PL pools and all level payment LM and LS pools: Appendix [IV-14](#)
  - (d) All PN pools and all non-level payment LM, RX and LS pools: Appendix [IV-15](#)
  - (e) CL pools: Appendix [IV-16](#)
  - (f) CS pools: Appendix [IV-18](#)
- (2) Ginnie Mae II MBS
  - (a) SF, GPM, GEM, and MH pools: Appendix [IV-25](#)
  - (b) APM pools: Appendix [IV-26](#)

Each certificate with an issue date of December 1, 1999 or thereafter that is based on the form of certificate set forth in Appendix [IV-11](#), [IV-12](#), [IV-13](#), [IV-25](#), or [IV-26](#) shall be subject to the following: the certification in the certificate to the effect that each related mortgage has been insured or guaranteed pursuant to certain federal statutes shall be construed as though it said “such mortgages are insured under the National Housing Act or Title V of the Housing Act of 1949, or are insured or guaranteed under the Servicemen’s Readjustment Act of 1944 or Chapter 37 of Title 38, United States Code, or are guaranteed under section 184 of the Housing and Community Development Act of 1992”.

Each certificate with an issue date of December 1, 1999 or thereafter that is based on the form of certificate set forth in Appendix [IV-26](#) shall be construed as though the paragraph on the reverse side of the certificate entitled “AR” were entitled “AR and “AQ”.

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Each LS and RX certificate with an issue date of December 1, 1999 or thereafter that is based on the form of certificate set forth in Appendix [IV-15](#) shall be construed as though the last sentence of the first paragraph of page 1 were deleted and replaced with the following: “The amortization schedule for each pooled mortgage that is a non-level payment mortgage provides for non-level monthly installments as described in the prospectus for this issue.”

### **(F) *Ginnie Mae I MBS Program: Notice of Changes in Registered Ownership***

The CPTA sends a notice to a Ginnie Mae I issuer whenever a change in a registered security holder has been executed.

In addition, no later than the second business day following the previous month’s record date, the CPTA sends each Ginnie Mae I issuer a monthly Ginnie Mae transfer advice summarizing, by pool, all changes of registered ownership and all new issues for the previous month. In order to determine the security holder of record as of the last day of the record month, each issuer is required to reconcile the transfer advices it receives throughout the month with the monthly summary of transfer information. If there is a conflict, the issuer must notify the CPTA (see [Addresses](#)).

The monthly summary is sent by overnight courier and is tracked by the CPTA. If the issuer fails to receive the summary when due, the issuer must call the CPTA and request a duplicate (see [Addresses](#)).

### **12-10: REPLACEMENT SECURITIES**

If a Ginnie Mae certificate is lost, stolen, destroyed, mutilated, or defaced the security holder should request a replacement certificate. The security holder must provide the CPTA (see [Addresses](#)) with the information described in this section.

#### **(A) *General Requirements***

The lost certificate will be replaced upon receipt by the CPTA and after approval by Ginnie Mae of the following:

- (1) A signed and notarized affidavit of loss, which must include:
  - (a) the name and address of the registered security holder and, if the report is made by any other person, the capacity in which that person represents the owner;
  - (b) the identification of the certificate by pool number, certificate number, original principal amount, and name of issuer, together with the exact form in which the certificate was registered and a full description of any assignment, endorsement, or any other writing thereon;

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- (c) a statement of the circumstances surrounding the loss or theft; and
  - (d) a statement of the measures that have been taken to find the certificate.
- (2) A lost instrument bond (3 originals) that must be of open penalty form (which can be obtained from a surety insurance company) and:
- (a) covers the current amortized amount;
  - (b) names the registered security holder as principal;
  - (c) names the Government National Mortgage Association, the issuer, and the CPTA (for name of CPTA see [Addresses](#)) as obligees; and
  - (d) contains a full description of the lost certificate, including the certificate number, pool number, original principal amount, registration, interest rate, and maturity.
- (3) A \$15.00 fee made payable to Ginnie Mae for each replacement certificate.

Delivery instructions for the replacement certificate must also be provided.

### ***(B) Lost or Stolen Securities***

Report of the loss or theft of a certificate must be made promptly to the CPTA (see [Addresses](#)) in the form of an affidavit of loss, described above.

Upon receipt of the report, the CPTA will place a stop transfer order on the security for a period of 60 days to allow the registered security holder to obtain the required lost instrument bond. The CPTA will extend the stop order for an additional 60 days if requested.

### ***(C) Destroyed, Mutilated, or Defaced Securities***

If a certificate is destroyed, or becomes so mutilated or defaced as to impair its transferability, an affidavit of loss must be sent to the CPTA, as outlined in this section. All available portions of the mutilated or defaced certificate must be included with the report. The CPTA will arrange for the preparation of a replacement certificate.

### ***(D) Ginnie Mae I MBS Program: Issuer's Responsibilities***

Should a Ginnie Mae I issuer be notified of a lost, stolen, destroyed, or mutilated certificate, it must promptly send an affidavit of loss to the CPTA as described in Section 12-10(B) and (C) above.

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When an issuer has been notified by the CPTA of a stop transfer order, the issuer must note the fact in its records but must continue to pay principal and interest to the registered security holder. When a replacement security has been delivered by the CPTA, the issuer will be notified and must adjust its records to reflect the new certificate number.

### **12-11: EMPLOYER IDENTIFICATION NUMBERS FOR SECURITY HOLDERS**

Each MBS when issued must include the EIN of the registered security holder as part of the registration. This is separate from the EIN for the pool discussed in Section 10-9. This number is the identification number required on tax returns and other documents submitted to the Internal Revenue Service. This identification number must be in the following format: Social Security number XXX-XX-XXXX; or other EIN XX-XXXXXXX.