



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

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

July 9, 2004

MPM-04-04

MEMORANDUM FOR: All Participants in the Ginnie Mae Multiclass Securities Program

FROM: George S. Anderson, Executive Vice President

SUBJECT: Collateral Stipulation Rules for Ginnie Mae SMBS Transactions

As part of its new Stripped Mortgage Backed Securities (SMBS) program, Ginnie Mae herein will set forth rules for the formulation and communication of stipulations that will define the eligibility of Ginnie Mae collateral to be included in a particular SMBS transaction. Ginnie Mae has determined that, at least initially, SMBS transactions will be collateralized and sold by a syndicate of eligible broker/dealers, with one firm serving as the Sponsor. The Sponsor will initiate an SMBS transaction by proposing a set of collateral stipulations to Ginnie Mae. Those collateral stipulations will include the following information:

- The identity of the collateral as Ginnie Mae I or Ginnie Mae II securities
- Underlying MBS coupon
- WAM range
- WAC range in the case of Ginnie Mae IIs
- Pool information date
- Pool wire date
- Settlement date

Any additional collateral stipulations will be derived at the discretion of the Sponsor. The designated Sponsor will provide the recommendation of collateral stipulations to Ginnie Mae by telephone, email or Bloomberg. If Ginnie Mae chooses to permit the SMBS transaction, it will forward those collateral stipulations to its Financial Advisor, who will then poll all of the broker/dealers eligible to participate in a Ginnie Mae Multiclass Securities transaction. The purpose of that poll is to (i) determine the acceptability of the proposed collateral stipulations to eligible transaction participants and (ii) determine whether or not eligible firms will participate in a particular SMBS transaction, and with respect to the participating firms, the extent of that firm's participating in contributing collateral for the SMBS transaction. The broker/dealers will forward written responses by Bloomberg or email to Ginnie Mae, who, in its sole discretion, will decide whether to authorize the proposed SMBS transaction to proceed using the proposed collateral stipulations. Upon authorization of a proposed SMBS transaction, Ginnie Mae will publish an announcement of the contemplated SMBS transaction on its website <http://www.ginniemae.gov/>

Ginnie Mae will outline the fixed guaranty fee schedule for SMBS transactions that will be published on Ginnie Mae's website. Platinum fees will continue to be paid to the Platinum trustee following that program's guidelines. The Sponsor will be responsible for payment of the SMBS Guaranty fee in connection with an SMBS transaction. Fees outside of Ginnie Mae's SMBS Guaranty fee, including but not limited to fees and expenses of SMBS transaction participants such as Trust Counsel, the Trustee, accountants and costs of publication are syndicate fees and will be allocated within the syndicate according to the mutual agreement of the Sponsor and syndicate members.

Questions regarding this MPM should be referred to the Office of Capital Markets at (202) 401-8970.