

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

33-1: OVERVIEW OF CHAPTER

This chapter describes special provisions that may apply to one or more of the programs covered in Chapters 24 through 32 through the implementation of new Ginnie Mae programs or initiatives.

33-2: TARGETED LENDING INITIATIVE

The Targeted Lending Initiative program (TLI) provides for a reduction in the Ginnie Mae guaranty fee from 1 to 3 basis points (BP) on an eligible pool or loan package, depending on the percentage of loans in the pool or loan package that are secured by properties located in certain eligible communities.

The eligible communities are limited to census tracts specified by HUD (see Section 33-2(B)(2)).

(A) Issuer Eligibility

All Ginnie Mae issuers of the eligible pool types may participate in the TLI. No separate application or approval is required.

(B) Loan and Pool Eligibility

- (1) TLI applies to the following eligible pool types:

SF under the Ginnie Mae I and Ginnie Mae II MBS Programs (Chapter 24);

BD under the Ginnie Mae I MBS Program (Chapter 25); BD pools are not issued under the Ginnie Mae II MBS Program, but BD mortgages can be co-mingled under the Ginnie Mae II MBS Program with non-buydown mortgages in single family pools and loan packages (Chapters 24, 26 through 28);

ARM (AR, AQ, AT, AF, AS and AX) under the Ginnie Mae II MBS Program (Chapter 26); ARM pools are not issued under the Ginnie Mae I MBS Program;

GPM (GP or GT) under the Ginnie Mae I MBS Program and the Ginnie Mae II MBS Program (Chapter 27);

GEM (GA or GD) under the Ginnie Mae I MBS Program and the Ginnie Mae II MBS Program (Chapter 28); and

Serial Notes (SN) under the Ginnie Mae I MBS Program (Chapter 29); SN pools are not issued under the Ginnie Mae II MBS Program.

- (2) “Eligible loans” include any loans eligible for a program listed in (1) above that are located within certain census tracts, as specified by HUD, in communities located in 48 states and the District of Columbia. These eligible census tracts have been designated by HUD as Empowerment Zones, Enterprise Communities, and Renewal Communities. These designated communities are listed in Appendix

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

III-10. Underserved census tracts located in a Metropolitan Statistical Area (MSA) that includes a designated community defined above, as well as HUD/FHA Section 184 and 248 (Tribal Trust) loans, are also eligible for the program. HUD defines an underserved area as a low income or middle income census tract with a high minority representation.

“Eligible loans” also includes loans eligible for a program listed in (1) above that are located in census tracts designated as a Colonia or in census tracts with 50% or greater Native American or Alaskan Native populations. Colonias are defined as rural communities and neighborhoods along the Southwest region of the United States, within 150 miles of the border between the United States and Mexico. These areas frequently lack adequate infrastructure and other basic services.

GinnieNET, which must be used by issuers desiring TLI credit (see Section 33-2(B), will enable the issuer to determine which of its pooled loans are “eligible loans.”

(C) Fees

- (1) The standard single family MBS guaranty fee of 6 BP may be reduced by 1, 2 or 3 BP, depending on the ratio of TLI eligible loan balances to total pool or loan package balance. The following table shows how this percentage affects the applicable guaranty fee:

PERCENT OF ELIGIBLE ORIGINAL PRINCIPAL AMOUNT OF POOL OR LOAN PACKAGE		GUARANTY FEE
MINIMUM	MAXIMUM	BASIS POINTS
0.00%	< 33.33	6
33.33	< 66.67	5
66.67	<100.00	4
100.00	100.00	3

The guaranty fee will be established at the time of pool or loan package submission, and will remain fixed over the life of the pool or loan package. A change in composition over time due to unscheduled recoveries of principal will not affect the guaranty fee.

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

(2) Example:

A loan package composed of the following loans is ready for submission.

Loan	Remaining Principal Balance
1	\$50,000
2	60,000
3	70,000
4	75,000
5	80,000
6	80,000
7	85,000
8	85,000
9	90,000
10	90,000
Total Pool or Loan Package	\$765,000

(a) Case 1:

If loans 1, 4, and 9 were determined to be in eligible census tracts, a guaranty fee of 6 BP would be charged by Ginnie Mae.

Loan

1	\$ 50,000				
4	75,000	<u>\$215,000</u>	= 28%		
9	<u>90,000</u>	\$765,000			
	<u>\$215,000</u>				

The percentage of targeted loans to the total loans in the loan package is 28%. Based on the fee matrix chart above, a loan package with 28% of its loans in eligible census tracts would not be eligible for any fee reduction.

(b) Case 2:

If loans 1, 4, 7, and 9 were determined to be in eligible census tracts, a guaranty fee of 5 BP would be charged by Ginnie Mae.

Loan

1	\$ 50,000				
4	75,000	<u>\$300,000</u>	= 39%		
7	85,000	\$765,000			
9	<u>90,000</u>				
	<u>\$300,000</u>				

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

The percentage of targeted loans to the total loans in the loan package is 39%. Based on the fee matrix chart above, a loan package with 39% of its loans in eligible census tracts would be eligible for a fee reduction of 1 BP for a total fee for the loan package of 5 BP (6 BP - 1 BP).

(c) Case 3:

If loans 1, 4, 6, 7, 8, 9, and 10 were determined to be in eligible census tracts, a guaranty fee of 4 BP would be charged by Ginnie Mae.

Loan

1	\$ 50,000		
4	75,000	<u>\$555,000</u>	
6	80,000	\$765,000	= 72%
7	85,000		
8	85,000		
9	90,000		
10	<u>90,000</u>		
	\$555,000		

The percentage of targeted loans to the total loans in the loan package is 72%. Based on the fee matrix chart above, a loan package with 72% of its loans in eligible census tracts would be eligible for a fee reduction of 2 BP for a total fee for the loan package of 4 BP (6 BP - 2 BP).

If all 10 loans were in eligible census tracts, a 3 BP guaranty fee (6 BP - 3 BP) would be charged by Ginnie Mae.

(D) Pool and Loan Package Submission

All pools and loan packages for which the issuer intends to receive TLI guaranty fee credit must be submitted through GinnieNET. Paper pools are therefore ineligible for TLI consideration. If issuers elect not to participate in TLI, they must do so in the GinnieNET Maintenance Screen. Unless TLI is waived, all issuer pools and loan packages will be checked for TLI eligibility. In order to receive the appropriate guaranty fee credit, issuers must ensure that both FHA and/or VA case/ loan numbers are correct, and that property addresses include valid street address and zip code information.

(E) Post Issuance Monitoring

After a pool or loan package containing eligible loans has been issued, Ginnie Mae will compare the borrower, property address, and FHA or VA loan case number against the loan file data maintained by the two agencies to determine the

CHAPTER 33: GINNIE MAE INITIATIVES — SPECIAL PROVISIONS

validity of the data. For this reason, it is imperative that the data be submitted correctly through GinnieNET.

If loans are not found in the FHA or VA loan files, the issuer will be required to submit a written explanation for any discrepancy. Ginnie Mae will take appropriate action following a review of the submitted material.

Ginnie Mae will also monitor the substitution of loans to assure compliance with the intent of the TLI and the Ginnie Mae Guide regarding loan substitution.