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## APPENDIX IV-2

# INSTRUCTIONS FOR ISSUANCE OF GINNIE MAE MORTGAGE-BACKED SECURITIES THROUGH BOOK-ENTRY

These instructions apply to all Ginnie Mae securities which Ginnie Mae requires to be issued in book entry form.

The following are the key features of issuing a book entry security:

- (1) The initial issuance of new securities through the Federal Reserve Bank of New York (the “Depository” or “FRBNY”) depository system results in the issuance of securities registered in the name of the Federal Reserve Bank of NY. The issuance of new Serial Note securities is discussed in paragraph 1(b) below. Although a physical certificate will not be available for delivery to the subscriber (purchaser) of new, book-entry Ginnie Mae securities when they are initially issued, after initial issuance a beneficial owner of the securities may request to receive certificated securities registered in its name. Thereafter, a beneficial owner of such certificated securities may redeposit them with the Depository, after which they will be maintained as book-entry securities registered in the name of the Depository, until again withdrawn from the Depository and issued in certificated form. In addition, after initial issuance, a security holder or beneficial owner may convert Serial Note securities into securities evidencing lots or separate units and thereafter, reconvert such securities into Serial Note securities evidencing multiple lots or units, all as described in Chapter 29.
- (2) It will be the responsibility of the purchaser to arrange for a bank that is a member of the Depository (“Clearing Bank”), if it is not itself a Clearing Bank, to take delivery of the security position within the Depository. It will be the responsibility of the issuer to assure itself that the correct Clearing Bank is designated and the correct Depository account information is provided on the Schedule of Subscribers and Ginnie Mae Guaranty Agreement, (form HUD 11705). If this is not provided, the Depository may not be able to timely credit a Clearing Bank’s account with an expected position.
- (3) Important rules in preparing the Schedule of Subscribers and Ginnie Mae Guaranty Agreement (form HUD 11705) are as follows:
  - The Depository is always the designated subscriber for securities in the total amount of the pool. This information is preprinted at the bottom of the subscribers box on the form HUD 11705.

The chosen Clearing Bank(s), their Depository account information, and their corresponding purchase amount must be designated so that the security position can be credited to the specified Clearing Bank on the records of the Depository.

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The account information required is shown in the following example:

**Name of Subscriber**  
JPMorgan Chase Bank (Custody)  
*or,*  
CHASE/CUST/G12345  
ABA# 021000021

An example of a properly completed form HUD 11705 is attached.

**Please Note:** Delivery will occur when the Depository is named as the registered owner on the Ginnie Mae central registry (Central Registry) maintained by the CPTA.

Securities initially issued in book-entry form will always be held in book-entry form so long as they are registered in the name of the Depository.

In order to issue through the Depository, an issuer must establish a relationship with a Clearing Bank. Another method of effecting new pool issuance is by establishing an agent (an "Agent") relationship with a local bank that has a correspondent relationship with a Clearing Bank. Securities when ready will be issued into the account of the Clearing Bank or such Agent and delivered by book-entry on the agreed upon delivery date to the account of the purchaser or its Agent.

In any case, the issuer may, through its Clearing Bank or Agent, obtain a physical certificate in exchange for its beneficial interest in a book-entry security from the CPTA.

In accordance with good delivery guidelines of the Bond Market Association, trades are required to be in whole dollars only. This means, for example, that a security with an original principal amount of \$35,216.85 will trade at \$35,216.00. The cents will be dropped from the trade. Issuers/Serviceicers and the CPTA will not eliminate the cents portion from their records.

The elimination of pennies on securities will, under certain circumstances, create a security on the transfer agent's and the issuer's transfer record of amounts less than \$1.00. If a trade takes place where a physical certificate will be obtained from the CPTA and the security was issued in an original amount that included cents, the CPTA will only release the whole dollar amount. To account for the pennies, an adjustment will be made in the amount registered in the name of the Depository on the Central Register. Therefore, two transfer records will be recorded by the CPTA and by the Issuer/Serviceicer. For example, a security that has an original principal amount of \$1,624,791.54 and that is requested from the CPTA in certificated form will be issued in the amount of \$1,624,791.00. The Depository will be credited in the Central Register with an additional \$.54 principal amount of the securities.

Should an investor request a security registered in book-entry form instead be registered in certificated form and the security was originally issued with cents, then CPTA will issue the certificated security in an amount equal to the nearest whole dollar, and a separate security will be registered in the Depository's name on the Central Registry in the principal amount of the cents portion. The Depository has notified Ginnie Mae that in the interest of efficiency, it does not expect to receive, and Ginnie Mae will not require, payment for any security issued in an amount of less than \$1.00, but the Depository will accept such payment if tendered.

The elimination of cents will not affect the issuers' security holder registers or the CPTA's Central Registry. Moreover, the calculations of Remaining Principal Balances (RPBs) and monthly payments due to the Depository will not change.

For questions regarding book entry delivery methods and procedures [ ] [CHASE contact]. The telephone no. is: \_\_\_\_\_.

The remainder of this Appendix provides details on the various methods by which securities are issued through the Depository.

### Example #1

New pool issuance where issuers have a relationship with a Clearing Bank and the security has been sold to an investor. In this case the issuer must specify delivery to a Clearing Bank or to an entity that has an agent account relationship with a Clearing Bank. The sale could be free of payment or versus money.

It is the responsibility of the issuer to establish a relationship with a Clearing Bank or with an institution that has a direct or indirect relationship with a Clearing Bank. An example of how an indirect Clearing Bank relationship functions is as follows:

Issuer has an account relationship with its local Bank "A" that is not a Clearing Bank. However, Bank "A" has a correspondent banking relationship with a Clearing Bank, Bank "B". The issuer instructs Bank "A" to act as its agent in the transaction. Instructions to process and settle the transaction pass from Bank "A" to the Clearing Bank, Bank "B". Bank "B" acts as agent for Bank "A" which is the agent of the issuer.

| Responsibility | Action   |
|----------------|--|
| Issuer         | 1. Prepares form HUD 11705 as per standard procedures, specifying the Clearing Bank or the designated Clearing Bank Account that will settle the transaction.<br><br><i>Note:</i> It is vital to reflect Bank "B's" designated Clearing Bank Account and ABA Number, if such account is being used, in the subscriber column on the form HUD 11705. Also, Bank "A's" name and custody account number with Bank "B" should be listed. |
|                | Example: Bank B's designated [account] a/c # _____.  |
|                | 2. Communicates pertinent pool information to Bank "A" including settlement date, contra party, net money or free of payment. Informs Bank "A" that pool must be held in Bank "B's" designated "Member" Account, if such account is being used.  |
| Bank "A"       | 3. Communicates pool information in Step 2 to Agent Bank "B", the Clearing Bank.<br><br><i>Note:</i> Instructions should be provided to Bank "B" at least 2 business days prior to settlement date to ensure that the Clearing Bank or Agent has enough lead time to update its internal systems and accept delivery on settlement date. This will avoid DK's and costly rework.   |
| CPTA           | 4. Registers security in name of the Depository and notifies issuer. The CPTA confirms to the Depository the registration of the securities in its name.   |

| Responsibility           | Action  |
|--------------------------|---|
| FRBNY                    | 5. Credits security to Agent Bank "B's" designated Member Account on date securities are delivered by the CPTA. All securities will be posted by the Depository no later than 2:00 p.m. on the ready date. FRBNY sends an original issue wire to Bank B confirming that the securities were credited to the Member Account. |
| Issuer                   | 6. Informs Bank "A" that securities are ready.  |
| Bank "A"                 | 7. Informs Bank "B" that securities are ready.  |
| Bank "B"                 | 8. If security has been credited, proceeds to step 9. If security has not been credited by 2:00 p.m. on the ready date, informs Bank "A" of the situation.  |
| Bank "A"                 | 9. Receives information from Bank "B" and informs issuer of situation.  |
| Issuer                   | 10. Resolves issuance delay with the CPTA.  |
| Bank "B"                 | 11. Upon settlement, the Clearing Bank or Agent for the issuer receives same day funds wired to its bank as per standing instructions.  |
| Bank "B"                 | 12. Advises Bank "A" that transaction has settled.  |
| Bank "A"                 | 13. Advises issuer that transaction has settled.  |
| <b>End of Example #1</b> |   |

### Example #2

New pool issuance by issuers where issuers have a relationship with a Clearing Bank and the security has not been sold at time the pool is submitted for processing. In this case, the pool is issued to the issuer.

It is the responsibility of the issuer to establish an agent relationship with a Clearing Bank or with an institution that has a direct or indirect relationship with a Clearing Bank. An example of how an indirect Depository Participant relationship functions was demonstrated in Example 1.

| Responsibility | Action   |
|----------------|--|
| Issuer         | 1. Prepares form HUD 11705 as per standard procedures specifying the Clearing Bank or the designated Member Account that will settle the transaction.  |
|                | <b>Note:</b> It is vital to reflect Bank "B's" designated Clearing Bank Account and ABA Number in the subscriber column on the form HUD 11705. Also, Bank "A's" name and custody account number with bank "B" should be listed.  |
|                | Example: Bank B's designated [account] a/c # _____.  |
|                | 2. Communicates pertinent pool information to Agent Bank "A" including settlement date, contra party, net money or free of payment. Informs Bank "A" that pool must be held in Bank "B's" designated Member Account, if such account is being used.                                      |
| Bank A         | 3. Communicates pertinent pool information in Step 2 to agent Bank "B", the Clearing Bank.   |
|                | <b>Note:</b> Instructions should be provided to Bank "B" at least 2 business days prior to settlement date to ensure that the Clearing Bank or Agent has enough lead time to update its internal systems and accept delivery on settlement date. This will avoid DK's and costly rework. |

| <b>Responsibility</b>    | <b>Action</b>   |
|--------------------------|---|
| CPTA                     | 4. Registers securities in the name of Depository and notifies issuer. The CPTA confirms to the Depository the registration of the securities in its name.  |
| FRBNY                    | 5. Credits security to Agent Bank "B's" designated Member Account on date securities are delivered by the CPTA. All securities will be posted by the Depository no later than 2:00 p.m. on the ready date. FRBNY sends an original issue wire to Bank B confirming that the securities were credited to the Member Account. |
| Issuer                   | 6. Informs Bank "A" that securities are ready.  |
| Bank "A"                 | 7. Informs Bank "B" that securities are ready.  |
| Bank "B"                 | 8. If security has been credited, proceeds to step 12.<br>9. If security has not been credited by 2:00 p.m. on ready date, informs Bank "A" of the situation.   |
| Bank "A"                 | 10. Receives information from Bank "B" and informs Issuer of situation.   |
| Issuer                   | 11. Resolves issuance delay with the CPTA.  |
| Bank "B"                 | 12. Advises Bank "A" that the securities are held in its designated Clearing Bank Account.  |
| Bank "A"                 | 13. Advises issuer that the securities are held in Bank "B's" designated Clearing Bank Account.   |
| <b>End of Example #2</b> |   |

### Example #3

New pool issuance by issuers where issuers are Clearing Banks. Issuer has sold pool to a Clearing Bank or to an entity that has an agent account relationship with a Clearing Bank. (The sale could be free of payment or versus money.)

| <b>Responsibility</b> | <b>Action</b>  |
|-----------------------|--|
| Issuer                | 1. Prepares form HUD 11705 as per standard procedures specifying its Clearing Bank Account with the Depository in the subscriber column on the form HUD 11705.   |
|                       | 2. Communicates pertinent pool information to Clearing Bank, including settlement date, net money or free of payment to the purchaser of the pool.   |
|                       | <b>Note:</b> Instructions should be given to purchaser's agent Clearing Bank at least 2 business days prior to settlement date to ensure that purchaser's agent Clearing Bank has enough lead time to update its internal systems and accept delivery on delivery date. This will avoid DK's and costly rework.        |
| CPTA                  | 3. Registers security in name of Depository and notifies issuer. The CPTA confirms to the Depository the registration of the securities in its name.   |
| FRBNY                 | 4. Credits security to Investor's designated Clearing Bank on date securities are delivered by the CPTA. All securities will be posted by the Depository no later than 2:00 p.m. on the ready date. FRBNY sends an original issue wire to Issuer confirming that the securities were credited to the Issuer's account. |
| Issuer                | 5. If security has been credited, the issuance has been completed.   |

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| <b>Responsibility</b>    | <b>Action</b>   |
|--------------------------|---|
|                          | 6. If security has not been credited to issuer account by 2:00 p.m. on ready date, it is the responsibility of the issuer to call the CPTA. |
| <b>End of Example #3</b> |   |