

## CHAPTER 4: ISSUERS AND SUBCONTRACT SERVICERS — RESPONSIBILITIES

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### 4-1: OVERVIEW OF CHAPTER

For each Ginnie Mae pool or loan package of mortgages, there may be only one issuer of record. The issuer is fully responsible for the administration of the securities and the servicing of the pooled mortgages. This chapter will summarize these responsibilities and direct the reader to the chapters in which they are described in greater detail. The Guaranty Agreement also provides more detail. Because the issuer is permitted to arrange for a subcontract servicer to perform some, though not all, of the required servicing functions on behalf of the issuer, this chapter will also describe briefly the role of a subcontract servicer.

### 4-2: ISSUER'S RESPONSIBILITIES

The issuer's responsibilities include:

#### *(A) Responsibilities*

- (1) Acquiring or originating eligible mortgages and forming eligible pools or loan packages. (See Chapter 9 for mortgage, pool, and loan package eligibility requirements)
- (2) Establishing and maintaining proper P&I and escrow custodial accounts and, if elected or required, disbursement and clearing accounts for the pools and loan packages (see Chapter 16 for information on such accounts), and handling properly all payments and other funds pertaining to the pooled mortgages. Issuers must also establish and maintain a central P&I custodial account.
- (3) Obtaining an eligible document custodian. All documents for a pool or loan package must be held by one document custodian. (See Chapter 13 for information regarding the document custodian)
- (4) Providing the required loan, pool, and loan package documents to the document custodian and to the PPA. (See Chapter 10 for details on assembling and submitting these documents)
- (5) While custodial documents are in the issuer's possession, maintaining such documents in compliance with the same document safekeeping standards that apply to document custodians.
- (6) Marketing or holding the securities backed by the pool or loan package. (See Chapter 12 for information about issuing and marketing Ginnie Mae securities)

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- (7) Servicing the mortgages in the pool or loan package or, where permitted by this Guide, contracting with a subcontract servicer to service them. (See Chapters 14 through 20 for pool administration details)
- (8) Administering the outstanding securities:
  - (a) Ginnie Mae I MBS Program

Under the Ginnie Mae I MBS Program, the issuer must make timely payment of all amounts due to security holders of certificated securities, and make available, in a designated account (which may be the central P&I custodial account described in the next paragraph), to the depository, as security holder of all book-entry securities, all amounts due in respect of such book-entry securities and to the CPTA the guaranty fee due to Ginnie Mae.
  - (b) Ginnie Mae II MBS Program

Under the Ginnie Mae II MBS Program, the issuer must make available to the CPTA in the central P&I custodial account all amounts due to security holders and the guaranty fee due to Ginnie Mae.

Under both Programs, the issuer must use its own resources to cover shortfalls in amounts due to security holders or to Ginnie Mae resulting from insufficient collections on the mortgage collateral. (See Chapter 15 for information about how security holders and Ginnie Mae are paid under both Programs).
- (9) Submitting required monthly, quarterly, and other reports and certifications to Ginnie Mae. (See Chapter 17 for reporting requirements)

### **(B) Subcontract Servicing**

For most pool types, the issuer may arrange for a subcontract servicer to perform servicing functions, other than those functions set forth in Section 4-2(C), on the issuer's behalf. If it does so, however, the issuer remains fully responsible for the subcontract servicer's performance. A subcontract servicer must be a Ginnie Mae-approved issuer and meet all requirements for maintaining Ginnie Mae issuer status.

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### ***(C) Nondelegable Responsibilities***

The issuer may not delegate or transfer to others (through a power of attorney or otherwise) its obligations to perform the following functions:

- (1) Both Ginnie Mae MBS Programs
  - (a) Withdrawing funds from a P&I custodial account for any purpose, including making payments to security holders.
  - (b) Signing any accounting reports and certifications to Ginnie Mae; however, a subcontract servicer may prepare and submit accounting reports to Ginnie Mae and monthly RPB data to the RPB contractor.
  - (c) Withdrawing mortgage documents from the document custodian.
- (2) Ginnie Mae I MBS Program
  - (a) Withdrawing funds from the P&I custodial account for any purpose, including making monthly payments to the security holders.
  - (b) Signing checks to security holders and to Ginnie Mae; a subcontract servicer, however, may prepare and distribute checks to security holders and to Ginnie Mae.
  - (c) Signing remittance advices to security holders.
  - (d) Remitting guaranty fees to Ginnie Mae.
  - (e) Maintaining the register of security holders.
- (3) Ginnie Mae II MBS Program
  - (a) Withdrawing funds from the central P&I custodial account or any other P&I custodial account for any purpose.

Notwithstanding this, as described elsewhere in this Guide the CPTA and the depository are authorized to access central P&I custodial accounts or other designated accounts to ACH for amounts due to security holders and the guaranty fees due to Ginnie Mae.

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### **4-3: SUBCONTRACT SERVICER'S RESPONSIBILITIES**

Servicing of all pool types except MH pools may be carried out on behalf of the issuer by another servicer (a subcontract servicer) under a contractual agreement between them. The arrangement must have Ginnie Mae's prior written approval. There may be only one subcontract servicer for each pool or loan package.

#### ***(A) Permitted Subcontract Servicing Functions***

Subcontract servicing arrangements may cover many of the functions customarily associated with mortgage servicing, including receipt and deposit of mortgagors' monthly payments and payment of taxes and insurance premiums in connection with the pooled mortgages. The subcontract servicer is allowed to supply its own funds to the issuer (1) to make advances necessary to ensure that funds required to pay security holders and Ginnie Mae are available on a timely basis and (2) to cover losses on foreclosures that are not covered by FHA, VA, RHS, or the § 184 loan guaranty.

The issuer, however, may not delegate or transfer to others (through a power of attorney or otherwise) its obligations to perform, and the subcontract servicer may not perform, the functions set forth in Section 4-2(C). Those functions must be carried out by the issuer.

The following tables summarize the responsibilities that must be performed by the issuer and those that may be performed by a subcontract servicer. The first table sets forth responsibilities that exist under both Ginnie Mae MBS Programs. The next shows additional responsibilities that the issuer and the subcontract servicer have only under the Ginnie Mae I MBS Program. The final table shows additional responsibilities that exist only under the Ginnie Mae II MBS Program.

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| Responsibilities: Both Ginnie Mae MBS Programs   |                             |  |
|--|-----------------------------|--|
|  | Must be Performed by Issuer | May be Performed by Subcontract Servicer |
| Collect P&I and escrow amounts   | No                          | Yes                                      |
| Deposit funds into P&I and escrow custodial accounts                                   | No                          | Yes                                      |
| Withdraw funds from P&I custodial account  | Yes                         | No                                       |
| Withdraw funds from escrow custodial accounts  | No                          | Yes                                      |
| Supply funds for advances to security holders  | No                          | Yes                                      |
| Absorb losses on foreclosures not covered by FHA, VA, RHS, or PIH settlements          | No                          | Yes                                      |
| Prepare and submit accounting reports to Ginnie Mae and RPB data to the RPB contractor | No                          | Yes                                      |
| Sign all accounting reports and certifications to Ginnie Mae                           | Yes                         | No                                       |
| Access documents at document custodian   | Yes                         | No                                       |

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| Additional Responsibilities: Ginnie Mae I MBS Program   |                             |  |
|---|-----------------------------|--|
|   | Must be Performed by Issuer | May be Performed by Subcontract Servicer |
| Prepare and send checks to security holders that are paid by check  | No                          | Yes                                      |
| Sign checks to security holders that are paid by check  | Yes                         | No                                       |
| Authorize withdrawal of funds from central P&I custodial account for payment of all book-entry securities and Ginnie Mae guaranty fee | Yes                         | No                                       |
| Prepare and send Remittance Advice to security holders  | No                          | Yes                                      |
| Sign Remittance Advice to security holders  | Yes                         | No                                       |
| Report Monthly Guaranty Fees via GinnieNET  | No                          | Yes                                      |
| Fund the Guaranty Fee in the Central P&I Custodial Account for ACH Debit  | Yes                         | No                                       |
| Maintain Register of Security Holders   | Yes                         | No                                       |

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| Additional Responsibilities: Ginnie Mae II MBS Program  |                             |  |
|---|-----------------------------|--|
|   | Must be Performed by Issuer | May be Performed by Subcontract Servicer |
| Authorize withdrawal of funds from central P&I custodial account for payment to security holders and payment of Ginnie Mae guaranty fee | Yes                         | No                                       |

**(B) Approval of Subcontract Servicing**

The issuer requests approval of a subcontract servicer arrangement by submitting a cover letter and Master Servicing Agreement, form HUD 11707 (Appendix III-1), to the PPA (see [Addresses](#)). The form HUD 11707 may not be altered.

**(C) Separate Agreements**

If the issuer and the subcontract servicer wish to set forth the terms of their relationship more fully in a separate agreement that is consistent with the terms of the applicable Guaranty Agreement and this Guide, they may do so. Any agreement of this nature will be subordinate to the applicable Guaranty Agreement and this Guide.