

CHAPTER 3: ELIGIBILITY REQUIREMENTS — MAINTAINING GINNIE MAE ISSUER STATUS

3-1: OVERVIEW OF CHAPTER

Once an applicant is approved as a Ginnie Mae issuer, it must thereafter comply with the applicable Guaranty Agreement and this Guide, and it must advise Ginnie Mae immediately of any default or impending default under the applicable Guaranty Agreement as soon as it becomes apparent. In addition, an issuer must satisfy the continuing eligibility requirements described in this chapter, which are applicable with respect to all pool types. Additional continuing eligibility requirements, if any, for a Ginnie Mae issuer of a particular pool type can be found in Chapters 24 through 32.

If an issuer fails to satisfy a continuing eligibility requirement, it will be subject to termination of its Ginnie Mae issuer status or other administrative action by Ginnie Mae. (See Chapter 23)

3-2: FHA APPROVAL

An issuer must remain an approved FHA mortgagee in good standing at all times. Suspension or withdrawal of FHA mortgagee approval constitutes an event of default of the issuer under the applicable Guaranty Agreement. The issuer must comply with all FHA mortgagee servicing guidelines.

An issuer must immediately notify Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)), of each pending adverse FHA action and any FHA Mortgagee Review Board action that affects the issuer, including any letter of reprimand, probation, suspension or withdrawal of FHA lender or mortgagee approval, or fine. An issuer also must disclose to Ginnie Mae immediately if it or any of its principals become the subject of any proceedings for government debarment or HUD program exclusion.

Failure by an issuer to provide Ginnie Mae any notification or disclosure required by this Section 3-2 may be determined by Ginnie Mae, in its sole discretion, to be an event of default under the applicable Guaranty Agreement and also may result in administrative action by Ginnie Mae. (See Chapter 23)

An issuer must certify through its independent auditor (IA), in accord with Section 3-7(A)(4), that it is in good standing with FHA and whether it has been the subject of any adverse action as described in this section.

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3-3: FANNIE MAE OR FREDDIE MAC APPROVAL

If an issuer is a Fannie Mae- or Freddie Mac-approved mortgage servicer, termination of its approved status by either agency is also grounds for termination as an issuer by Ginnie Mae.

An issuer that has been in good standing as a Fannie Mae- or Freddie Mac-approved mortgage servicer must immediately notify Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)), if it is no longer in good standing with Fannie Mae or Freddie Mac, or if Fannie Mae or Freddie Mac takes any adverse action against the issuer, including but not limited to a letter of reprimand, termination, or forced transfer of servicing rights. Failure to notify Ginnie Mae of an adverse action taken by Fannie Mae or Freddie Mac may be determined by Ginnie Mae, in its sole discretion, to be an event of default under the applicable Guaranty Agreement and also may result in immediate administrative action by Ginnie Mae. (See Chapter 23)

An issuer that has been an approved Fannie Mae or Freddie Mac mortgage servicer must certify to Ginnie Mae annually through its Audit Guide Reports (Audit Reports), in accordance with Section 3-7(A)(4), that it continues in good standing with Fannie Mae or Freddie Mac or both and whether it has been the subject of any adverse action as described in this section.

3-4: PRINCIPAL ELEMENT OF BUSINESS

The underwriting, origination, or servicing of mortgage loans must continue to be a principal element of the issuer's business.

3-5: MANAGEMENT CAPABILITY

An issuer must conduct its business on a continuing basis in accordance with the requirements set forth in Section 2-6.

3-6: FIDELITY BOND AND ERRORS AND OMISSIONS INSURANCE

Each issuer must maintain on a continuing basis the fidelity bond and mortgagee errors and omissions insurance described in Section 2-7. In addition:

(A) Insurance Information

- (1) The issuer must forward to Ginnie Mae's Review Agent (see [Addresses](#)) within 90 days after the end of each fiscal year a duplicate original of each current certificate of insurance with proper endorsements, including an endorsement naming Ginnie Mae as loss payee. Each issuer must also provide Ginnie Mae with timely updates to its insurance information.
- (2) Renewal certificates and endorsements or other notifications of policy renewals must be received by

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Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)), no later than 30 days prior to policy expiration.

(B) Mortgage Impairment Insurance

The issuer must maintain evidence of insurance by retaining either the original hazard insurance policies or the information relating to the insurance policies in a form that is accessible to Ginnie Mae. If the issuer does not maintain the original policies as evidence of insurance it must carry mortgage impairment or mortgage interest insurance. (See Section 14-9(B))

(C) Determining Required Coverage

For purposes of determining under Section 2-7(D) the amount of coverage required under the fidelity bond and the mortgagee errors and omission policy, the issuer's "total servicing portfolio" will include the remaining principal balance of issuer's Ginnie Mae pooled loans plus all other loans for which it has servicing responsibility.

(D) Cancellation of Coverage

If the fidelity bond or mortgagee errors and omission insurance is canceled or otherwise terminated and replacement coverage cannot be obtained, the issuer is required to contact Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)), for further instructions at least 30 days prior to the cancellation or termination. If mortgage impairment or mortgage interest insurance carried by the issuer is canceled or otherwise terminated and replacement coverage cannot be obtained, the issuer must notify Ginnie Mae at least 30 days prior to the cancellation or termination.

(E) Report of Embezzlement, Fraud or Claims

The issuer must promptly advise Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)), of each case of embezzlement or fraud in its organization involving over \$1,000 and of the total amount of the loss, whether or not the issuer submits an insurance claim.

3-7: REQUIRED FINANCIAL STATEMENTS AND DOCUMENTS

An issuer must provide Ginnie Mae with annual and quarterly financial reports and related documents that attest to the ongoing financial soundness of the issuer's organization. These documents are described below.

Issuers should also refer to Chapter 6 of the Audit Guide (Appendix [IX-1](#)).

(A) Annual Audited Financial Statement

An approved issuer, independent of whether the issuer has securities or commitment authority outstanding, must provide Ginnie Mae with two copies each of its annual audited financial statements and Audit Reports, prepared by an IA. The Audit Reports must be prepared in accordance with the requirements and in the format prescribed in the Audit Guide

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(Appendix IX-1).

The Audit Reports, which must be submitted to Ginnie Mae's Review Agent (see [Addresses](#)) within 90 days after the end of the issuer's fiscal year, must include the following:

- (1) The name and telephone number of one or more contact persons on the issuer's staff who are familiar with the audit.
- (2) The name and address of each affiliate that is an approved Ginnie Mae issuer. ("Affiliate" is defined in Section 2-12) The affiliate's four-digit Ginnie Mae issuer number must be provided.
- (3) The issuer's Ginnie Mae issuer number, employer identification number (EIN), and FHA mortgagee number and the IA's EIN.
- (4) The issuer through its IA must certify that it is in good standing with FHA and, if applicable, Fannie Mae and Freddie Mac, and whether it has been the subject of any adverse actions as described in Sections 2-3 and 2-4.
- (5) Two copies of the following Audit Reports as described in the Audit Guide ([Appendix IX-1](#)).
 - (a) internal control structure;
 - (b) compliance with applicable laws and regulations;
 - (c) computation of adjusted net worth;
 - (d) verification of adequate fidelity bond and mortgagee errors and omissions insurance coverage with proper Ginnie Mae endorsement; and
 - (e) corrective action plan, if applicable.

The annual financial statements must include a balance sheet, and a statement of operations and cash flows, including notes and supplemental schedules, prepared in accordance with GAAP.

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(B) Quarterly Financial Statements

Each issuer that is not regulated by the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, or the U.S. Comptroller of the Currency must provide Ginnie Mae with an unaudited quarterly financial statement.

This statement must be submitted on a Web-based Mortgage Bankers Financial Reporting Form (MBFRF) (form HUD 11750). To obtain access to the Web-based MBFRF (Web MB), please contact us via e-mail at administrator@mbfrf.org.

Web MB statements for the 1st quarter, 2nd quarter, 3rd quarter and 4th quarter are due no later than April 30, July 30, October 30, and February 28, respectively. These dates apply to all non-supervised issuers regardless of their fiscal year-end. Therefore, non-supervised issuers with year-ends other than December 31 must file the reports for their most recent quarter by the referenced due date. For example, a non-supervised issuer with a May 31st year-end would submit their May 31st statements as 2nd quarter MBFRF data no later than July 30th. The statements must be sent via Web MB (www.mbfrf.org).

Ginnie Mae may require more frequent, internally prepared, unaudited financial statements if, in Ginnie Mae's sole discretion, more current or more frequent information is required.

(C) Filing Date Extension

If an extension of any filing date is necessary, the issuer must request the extension by letter to the Ginnie Mae Office of Mortgage-Backed Securities (see [Addresses](#)), prior to the due date. The letter must include the following:

- (1) The reasons for the delay.
- (2) The name, EIN, contact person, and telephone number of the firm conducting the audit.
- (3) A list and explanation of any unresolved issues with the issuer's auditor.
- (4) If it is likely that the auditor's opinion will not be unqualified, an explanation.
- (5) The expected date that the audit will be delivered. Requests for extensions should not exceed 30 days beyond the due date. Each request, however, will be evaluated on a case-by-case basis.
- (6) An internally prepared balance sheet as of the most recent month, but no later than the end of the prior fiscal year, and an earnings statement for the 12

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month period ending as of the month for which the balance sheet is submitted. The statement must be signed and certified by the chief financial officer of the company. The certification must read:

I hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.

- (7) The issuer's Ginnie Mae four-digit identification number.

The issuer must leave at least two inches at the bottom of the letter for Ginnie Mae's approval or rejection of the request. Ginnie Mae will return a file copy of the letter to the issuer approving or rejecting the request.

(D) Failure to Submit Required Statements

If an issuer fails to submit the annual audited financial statement and Audit Reports in accordance with Section 3-7(A) on or before the due date, Ginnie Mae will not approve requests for commitment authority, or the transfer of Ginnie Mae issuer responsibility or subcontract servicing to the issuer, until a complete package is submitted and the adequacy of the issuer's net worth is determined. The failure may also result in a suspension of eligibility to use existing commitment authority.

An issuer that fails to provide complete and timely statements will be notified in writing of each deficiency and will be required to correct it within a specified time or be subject to administrative action by Ginnie Mae.

(E) Sending Documents

The annual audited financial statements required by Section 3-7(A)(5) must be sent to Ginnie Mae's Review Agent (see [Addresses](#)). Quarterly financial statements must be submitted electronically (see [Addresses](#)).

3-8: NET WORTH REQUIREMENTS

An approved issuer must maintain an adjusted net worth, calculated as provided in Section 2-9(D), of at least the following amounts:

(A) Types of Authorized Securities

- (1) SF, BD, ARM, GPM, GEM, or SN securities: If the applicant is authorized to issue only the types of securities included in this category, \$250,000, plus 1 percent of the amount of the Ginnie Mae securities outstanding in excess of \$5 million but less than \$20 million, plus 0.2 percent of any amount by which the total of additional Ginnie Mae securities, commitment authority, pools, and loan packages that have been approved, but for which securities have not yet been

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delivered, exceeds \$20 million.

- (2) MH, project loan, and construction loan securities: If the issuer is authorized to issue only the types of securities included in this category, \$500,000, plus 0.2 percent of any amount by which the total of additional Ginnie Mae securities, commitment authority, pools, and loan packages that have been approved, but for which securities have not yet been delivered, exceeds \$35 million.
- (3) Types of securities from both categories: If the issuer is authorized to issue types of securities from both categories (i) and (ii) above, \$500,000, plus 0.2 percent of any amount by which the total of additional Ginnie Mae securities, commitment authority, pools, and loan packages that have been approved, but for which securities have not yet been delivered, exceeds \$35 million.

(B) Other Requirements

The requirements set forth in Sections 2-9(B) through 2-9(E) are applicable to approved issuers.

3-9: QUALITY CONTROL

The issuer must maintain a quality control plan for underwriting, originating, and servicing mortgage loans and for secondary marketing. This quality control plan must include procedures for monitoring the work of the issuer's subcontract servicer, if any.

3-10: PRIOR DEFAULTS: INSTITUTIONS

A previously defaulted issuer that is subsequently approved again as an issuer is required to serve a three-year period of provisional participation (provisional participant). A provisional participant is required to maintain its delinquency statistics DQ2, DQ3, and DQP at or below the threshold levels described in Section 18-3(C).

A provisional participant is required to maintain pool and loan package administration procedures in accordance with policies stated in this Guide. The measure of compliance will be the Issuers Administrative Profile (IAP). The IAP is a product of completed compliance reviews performed by the Compliance Review Agent (see [Addresses](#)). IAP scores, at the time a review report is prepared, must be equal to or less than the average scores of issuers of similar size (those with fewer than 1,000 loans and those with 1,000 or more) in the preceding year.

Delinquency and IAP statistics may not exceed levels set by Ginnie Mae.

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A provisional participant will receive compliance reviews after six and twelve months of program participation and annually for the next two years. Each review other than the review in the third year will be performed at the issuer's expense, which will not exceed \$12,000 for each review.

If a provisional participant fails to satisfy these requirements Ginnie Mae, at its sole discretion, may terminate the provisional participant's Ginnie Mae issuer status.

3-11: PRIOR DEFAULTS: PRINCIPALS AND OFFICERS

A principal or officer of a previously defaulted issuer may appear on an application from the defaulted issuer or from a different entity. Depending on the facts and circumstances associated with the default, if the applicant is granted issuer status, the issuer will be a provisional participant as described in Section 3-10. In addition, the following restrictions will apply with respect to such a principal or officer of the issuer.

- (A) A principal or officer of a defaulted issuer who was primarily responsible for management of the defaulted issuer may not represent a Ginnie Mae issuer or work on any Ginnie Mae MBS matter for any issuer for three years following the receipt of the letter of extinguishment. Ginnie Mae considers the Chairman, Chief Executive Officer, Chief Operating Officer, President, any senior or executive vice president, and any vice president of servicing, origination, or marketing, to be primarily responsible for management of the defaulted issuer, as well as other principals and officers identified by Ginnie Mae.

Should a principal or officer be debarred or sanctioned by any government agency or by a government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, he or she may not represent a Ginnie Mae issuer or work on any Ginnie Mae MBS matter for any issuer until the removal of these sanctions.

- (B) A principal or officer engaged in management of the defaulted issuer, but not specifically identified in paragraph (A), is not permitted to represent a Ginnie Mae issuer or work on any Ginnie Mae MBS matter for any issuer for two years following the receipt of the letter of extinguishment. Should a principal or officer be debarred or sanctioned by any government agency or by a government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, he or she may not represent a Ginnie Mae issuer or

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work on any Ginnie Mae MBS matter for any issuer until the removal of these sanctions.

- (C) Each person not identified in paragraphs (A) or (B) above who was authorized on the Resolution of Board of Directors and Certificate of Authorized Signatures, form HUD 11702 (Appendix I-2), to act for the defaulted issuer is not permitted to represent a Ginnie Mae issuer or work on any Ginnie Mae MBS matter for any issuer for a period of one year following the receipt of the letter of extinguishment. Should the person be debarred or sanctioned by any government agency or by a government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, he or she may not represent a Ginnie Mae issuer or work on any Ginnie Mae MBS matter for any issuer until the removal of these sanctions.
- (D) Other officers and technical and administrative employees, who had no management responsibilities for the defaulted issuer, may work for issuers without being subject to the restrictions above.

3-12: AUTHORIZED SIGNATORIES; CHANGE OF OFFICERS

Each issuer is required to submit to the PPA annually on January 1, two original, executed copies of the Resolution of Board of Directors and Certificate of Authorized Signatures, form HUD 11702 (Appendix I-2), which names the individuals that are authorized to sign documents on behalf of the issuer.

If no changes have occurred in the information in the most recently submitted form HUD 11702, the issuer only needs to submit a written certification to that effect. A copy of the form HUD 11702 most recently submitted must accompany the certification.

Each issuer is also required to submit in the same manner two original, executed copies of form HUD 11702 within five business days after there is a change in the list of individuals authorized to sign documents on behalf of the issuer. When a form HUD 11702 is submitted naming an authorized signer for the first time, the form HUD 11702 must be accompanied by a resume for that signer prepared in the form of Appendix I-2.

3-13: CHANGES IN ISSUER BUSINESS STATUS

The issuer is required to notify Ginnie Mae of any changes in its status, including but not limited to changes in its relationship with government agencies or in ownership or control of the issuer. Notification must be sent to Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)).

(A) Changes in Relationship

The issuer must notify Ginnie Mae in writing within 5 business

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with Agencies

days of any material adverse change in its business relationship with Fannie Mae, Freddie Mac, FHA, VA, RHS, PIH, or any other supervisory or regulatory government agency. Adverse changes include but are not limited to terminations, defaults, suspensions, cease and desist orders, fines, and other disciplinary actions taken against the Issuer.

(B) Changes in Ownership or Control of Issuer

Requirements for an issuer undergoing certain types of change in business status are set forth below. In each case any notice or application for approval required in this section must be submitted at least 30 days (or more if specified in this Guide for a particular type of change) prior to the desired effective date of the change to allow Ginnie Mae to review the transaction and update its records.

- (1) In a merger in which a Ginnie Mae issuer with issuer responsibility for one or more pools and loan packages will be the nonsurviving entity and the surviving entity will not be an approved Ginnie Mae issuer following the merger, the issuer must arrange for and have approved by Ginnie Mae, at least 30 days prior to the date of the proposed merger, a transfer of issuer responsibility (see Section 21-8) to an approved Ginnie Mae issuer. At no time may a non-Ginnie Mae approved lender hold and service or subcontract service any Ginnie Mae pool or loan package. If the survivor of a merger wishes to become a Ginnie Mae-approved issuer, it must comply with Chapters 2 and 7.
- (2) In the case of a merger where the surviving entity is an approved Ginnie Mae issuer or a change in ownership or control of the issuer, the issuer must reconfirm in writing that, following the proposed change, it will still meet all of the Ginnie Mae issuer requirements. "Change in ownership or control" means, for purposes of this Section 3-13(B) a change in ownership of 20 percent or more of the stock or other ownership interest in the issuer. The issuer must submit the following for Ginnie Mae to review prior to Ginnie Mae's determination whether to approve of the change in ownership or control:
 - (a) In the case of a merger, a certificate of merger from the Secretary of State of the state in which the merger occurs or other evidence that the state acknowledges or approves the merger; or, if the issuer is a financial institution regulated by a federal agency, a certificate of

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merger from the federal agency or other evidence that the federal agency acknowledges or approves the merger.

- (b) Financial statements: an internally prepared balance sheet and income statement signed by the chief financial officer of the issuer. The financial statement must reflect the issuer's financial position after the change of ownership or control.
 - (c) Evidence that the issuer remains an FHA mortgagee in good standing.
 - (d) If the issuer has been an approved Fannie Mae or Freddie Mac mortgage servicer, evidence that the issuer remains a Fannie Mae or Freddie Mac mortgage servicer in good standing.
 - (e) Updated fidelity bond and mortgagee errors and omissions certificates of insurance along with proper loss payee and other required endorsements (see Section 2-7).
 - (f) Identification of new directors or key employees on Resolution of Board of Directors and Certificate of Authorized Signatures, form HUD 11702 (Appendix I-2) (two originals must be provided), including resumes (see Appendix I-3).
 - (g) If applicable, a Cross-Default Agreement (Appendix I-4) executed by each affiliated issuer.
 - (h) If applicable, any corporate guaranty required by Ginnie Mae.
- (3) Each issuer must submit notice to Ginnie Mae in writing in advance of any anticipated change in its business, not otherwise addressed in this section, that may materially and adversely affect the issuer's business or financial condition.

Ginnie Mae will acknowledge in writing the issuer's notification of the change in its business status.

- (4) In connection with any change described in this Section 3-13(B), the issuer, following the initial application or notice to Ginnie Mae, must apprise Ginnie Mae from time to time of the status of the

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proposed change and its implementation.

Any submittal required in this section must be sent to Ginnie Mae's Office of Mortgage-Backed Securities, (see [Addresses](#)).

(C) Change in Ownership or Control of Guarantor

Requirements for an entity (a guarantor) that has issued a guaranty pursuant to Section 2-13(B) and is undergoing certain types of changes in business status are set forth below. In each case any notice or application for approval required in this section must be submitted at least 30 days (or more if specified in this Guide for a particular type of change) prior to the desired effective date of the change to allow Ginnie Mae to review the transaction and update its records.

- (1) In the case of a merger or a change in ownership or control of the guarantor, the guarantor (or, if the guarantor is not the surviving entity, the surviving entity) must submit the following for Ginnie Mae to review prior to Ginnie Mae's determination whether to approve of the change in ownership or control. "Change in ownership or control" means, for purposes of this Section 3-13(B) a change in ownership of 20 percent or more of the stock or other ownership interest in the guarantor.
 - (a) Guaranty obligation: If the original guarantor is not a surviving entity, an affirmation by the surviving entity that it is responsible for the guarantor's guaranty obligation.
 - (b) Financial statements: If the original guarantor is not the surviving entity, an internally prepared balance sheet and income statement signed by the chief financial officer of the surviving entity. The financial statement must reflect the surviving entity's financial position after the change in ownership or control. If the original guarantor is the surviving entity, an internally prepared balance sheet and income statement signed by the chief financial officer of the original guarantor. The financial statement must reflect the guarantor's financial position after the change in ownership or control.
- (2) Each guarantor must submit notice to Ginnie Mae in writing in advance of any anticipated change in its business, not otherwise addressed in this section, that may materially and adversely affect the guarantor's

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business or financial condition.

Ginnie Mae will acknowledge in writing the issuer's notification of the change in its business status.

- (3) In connection with any change described in this Section 3-13(C), the issuer, following the initial application or notice to Ginnie Mae, must apprise Ginnie Mae from time to time of the status of the proposed change and its implementation.

Any submittal required in this section must be sent to Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)).

3-14: CHANGE IN NAME

To effect a change in name only on Ginnie Mae's records, the issuer must furnish a copy of the amendment to the issuer's articles of incorporation (or other appropriate governing document) approved by the appropriate Secretary of State or equivalent official, two new original Resolutions of Board of Directors and Certificate of Authorized Signatures, form HUD 11702 (Appendix I-2), and updated certificates of insurance for fidelity bond and mortgagee errors and omissions coverage, along with proper Ginnie Mae loss payee and other required endorsements, all indicating the new name. This information must be sent to Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)) within 10 business days after the effective date of the name change.

3-15: CHANGES OF ADDRESS

The issuer must notify Ginnie Mae's Office of Mortgage-Backed Securities (see [Addresses](#)) in writing within five business days of any change in the issuer's location, mailing address, or telephone number.

3-16: DELINQUENCY RATES

In order to remain eligible to participate in the Ginnie Mae MBS Program and receive additional commitment authority, an issuer must maintain sound mortgage servicing practices, without excessive delinquency rates, for pools and loan packages outstanding. Requests for new commitment authority or the right to purchase additional Ginnie Mae issuer responsibility or subcontract servicing will be limited or denied, in Ginnie Mae's sole discretion, if the rates of delinquencies in the issuer's Ginnie Mae portfolio reach the threshold level for any delinquency indicator described in Section 18-3(C) of this Guide. Data used to measure delinquency rates are derived from the Issuer's Monthly Accounting Reports, form HUD 11710-A (Appendix VI-4).

3-17: SERVICING PERFORMANCE

The issuer must at all times service the pooled mortgages and administer the related securities in accordance with the requirements of the applicable Guaranty Agreement and this

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3-18: ADDITIONAL REQUIREMENTS

Guide.

At its discretion, Ginnie Mae also may require any or all of the following:

- (A) Credit reports on the issuer's principals and a commercial credit report on the issuer.
- (B) Cross-Default Agreements (Appendix I-4) between the issuer and affiliates of the issuer that are prospective issuers. (See Section 2-12)
- (C) Corporate guaranties in the following circumstances, among others:
 - (1) If the issuer, although meeting Ginnie Mae's net worth requirements, has been experiencing financial problems but its parent is financially strong.
 - (2) If the issuer is financially strong but its parent or an affiliate is experiencing financial problems, Ginnie Mae may require the parent company to sign a corporate guaranty not to remove assets or increase liabilities of its subsidiary for the benefit of the parent or affiliate.
 - (3) If the issuer does not make up at least 40% or more of its parent's equity and has elected to submit consolidated audited financial statements for its parent company along with supplemental reports from the issuer. (See Section 6-4 of the Audit Guide (Appendix IX-1))
 - (4) If the issuer is affiliated with an existing Ginnie Mae issuer and the affiliated issuer's federal regulator will not permit it to sign a Cross-Default Agreement.

3-19: ANTI-DISCRIMINATION POLICIES

Issuers must maintain at all times policies prohibiting discrimination based on race, religion, color, sex, national origin, or age. Issuers must comply with all rules, regulations, and orders specified in Section 2-14 and all related requirements.

3-20: SUBCONTRACT SERVICER ELIGIBILITY REQUIREMENTS

A subcontract servicer must be a Ginnie Mae-approved issuer and meet all issuer eligibility requirements. See Section 4-3 for a discussion of subcontract servicer responsibilities.