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Ginnie Mae Multifamily Training

Module IV Compliance Reviews

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COMPLIANCE REVIEWS AGENDA

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- Background information to set the stage
- Value and objectives of compliance reviews
- Compliance review process
 - overview from 30,000 feet
 - then at 15,000 feet
 - then “touch & go’s”
 - Specific review areas
 - Case Studies
- Wrap-up/discussion

1

Agenda

The compliance review process is an integral component of the Ginnie Mae Mortgage-Backed Securities (MBS) Program. The review process permits Ginnie Mae to observe how the Issuer performs its obligations under the terms of the Guaranty Agreements, and the regulations stated in the Ginnie Mae Guide and All Participants Memos.

An important function of compliance reviews is that they promote uniformity within the Issuer community. Ginnie Mae securities remain attractive investments when the underlying collateral is perceived by investors as carrying the same level of risk from pool to pool. This benefits the Security Holder, the industry and Ginnie Mae.

In this session, we will focus on the background of compliance reviews, explaining their value to Ginnie Mae and the Issuer community. We will also discuss how the Issuers are selected for review and the areas of most concern to Ginnie Mae. As part of the general overview of the compliance review approach, we will look at how results are measured, and how findings are relayed to the Issuers and the Ginnie Mae Account Executives. We will also address specific areas that are reviewed as a part of this process and briefly touch on the role of the document custodian. Case studies will be provided to highlight key areas.



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COMPLIANCE REVIEWS BACKGROUND

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- Ginnie Mae Guaranty Agreement
- Ginnie Mae guarantees payment to Security Holders
- Ginnie Mae encourages uniformity in mortgage servicing
- Ginnie Mae or its agents can audit / review the Issuer's records

Background

The Ginnie Mae Guaranty Agreement is the contract between Ginnie Mae and the Issuer that establishes the rights and obligations of each party in connection with Ginnie Mae MBS pools and the related securities. By entering into this contract, the Issuer agrees to comply with Ginnie Mae regulations.

Under the Guaranty Agreement Ginnie Mae guarantees that all required payments to Security Holders will be made in full, and in a timely manner. Ginnie Mae is authorized by contract and by legislation to perform compliance reviews to ensure that Issuers participating in the MBS Program are complying with acceptable program standards. These reviews test the Issuer's ability to pay Security Holders, and also assist the Issuers with possible improvements in their operations. Compliance reviews examine Issuer-prepared written policies and procedures, accounting reports, loan servicing records, and evidence of remittances to the Security Holders. We will discuss all of these items in this section.

The compliance review process helps Ginnie Mae fulfill its obligation to Security Holders as outlined in the Guaranty Agreement by determining that Security Holders are receiving all payments to which they are entitled. The compliance review process also provides Ginnie Mae with additional information to manage program risk efficiently and effectively and to help minimize losses to Ginnie Mae. This process also assists Ginnie Mae in promoting uniformity in mortgage servicing, which benefits the Security Holders, Ginnie Mae and the industry as a whole.



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VALUE OF COMPLIANCE REVIEWS

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- Reduces overall program risk
- Reinforces policy interpretations
- Improves long term program compliance
- Provides knowledge transfer to Issuer personnel
- Promotes uniformity of mortgage servicing
- Maintains market confidence

Value of Compliance Reviews

The Guaranty Agreement states that the Issuer shall establish and maintain such controls and procedures necessary to enable it to accurately project whether or not it will have sufficient funds to meet payments required under the Securities.

The compliance review process gives Ginnie Mae confidence that participants in the Program are meeting their responsibilities in a manner that minimizes risk of Issuer default and loss to Ginnie Mae. This process reduces overall risk to the MBS Program. A value-added factor is the availability of Ginnie Mae representatives to the Issuers at their operational sites to discuss servicing methods.

The compliance review process results in considerable improvement in the quality of portfolio servicing, documentation, and accuracy of monthly accounting reports. The process helps reduce the likelihood of Ginnie Mae being called upon to fund its guarantee. This leads to greater market confidence, marketability and value of the securities.



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OBJECTIVES OF COMPLIANCE REVIEWS

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Evaluate if:

- Issuer has financial ability to advance funds
- Adequate internal controls have been established
- Ginnie Mae guidelines consistently followed
- Personnel have sufficient level of understanding
- Documentation and procedures support reports submitted to Ginnie Mae and/or agents

Objectives of Compliance Reviews

Compliance reviews are designed to reassure Ginnie Mae that its Issuers are operating within acceptable program standards that minimize risk to Ginnie Mae.

The compliance review process is designed to benefit the Security Holders, Ginnie Mae, and the Issuers.

Compliance reviews are designed to determine the following:

- The Issuer demonstrates the ability to advance its own funds when required so that payments to Security Holders are made in a timely manner
- The Issuer provides adequate controls on funds from collection through the payment to Security Holders
- The Issuer follows industry standards and Ginnie Mae Program specific steps to minimize loss risks to Ginnie Mae
- The Issuer has the necessary level of understanding of, and performance within, the Ginnie Mae Program guidelines
- The Issuer's documentation and procedures support the information as presented on the reports required by Ginnie Mae and/or its agents



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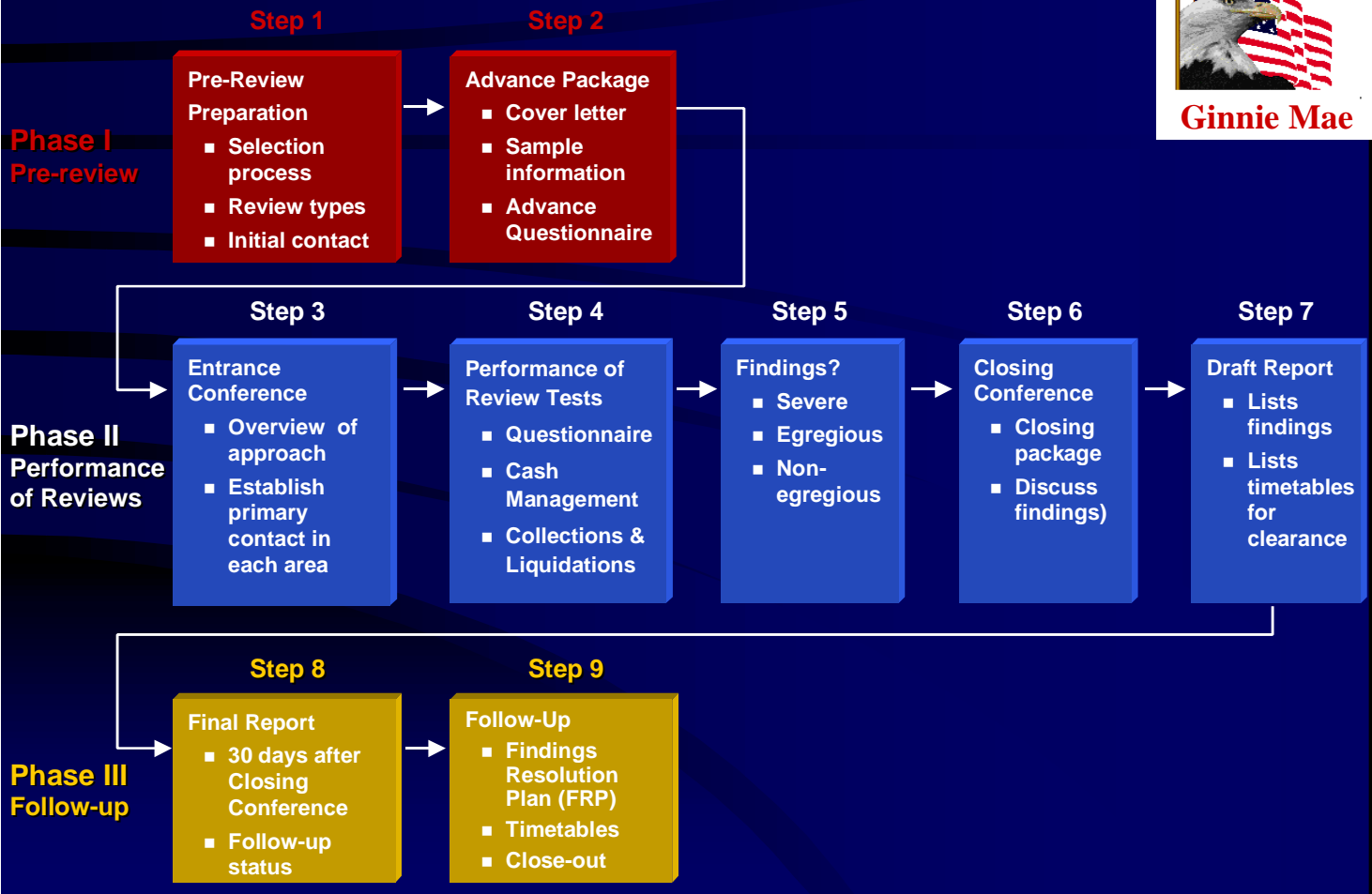
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Compliance Review Process Map



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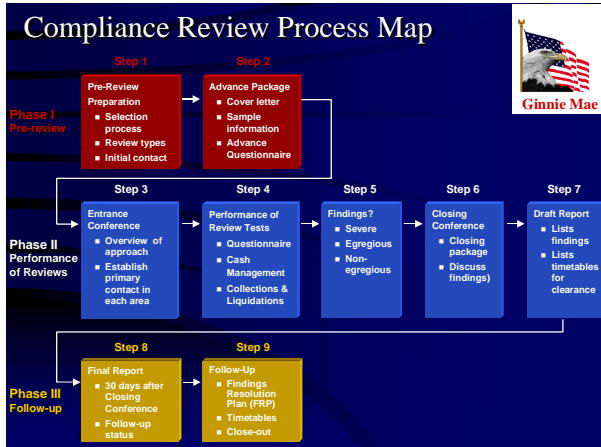
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Compliance Review Process

Compliance reviews are outsourced to the Field Review Contractor (FRC) who, assisted by a number of qualified subcontractors, works with Ginnie Mae to determine that Issuers are operating within acceptable program standards that minimize the potential for losses to Ginnie Mae.

The compliance review is a nine-step process that can be categorized in three phases:

PHASE I PRE-REVIEW

1st Step Pre-Review Preparation

a. In the Selection Process, the Issuers are scheduled for review by the FRC based on Ginnie Mae guidelines. The schedule of Issuer's listed by type of review, is submitted to Ginnie Mae for approval. There are four levels of review:

1. Special
2. Expanded
3. Basic
4. One Day

b. The FRC contacts the Issuer four weeks in advance¹ to schedule the review and discusses:

1. Level of review and proposed dates
2. Administrative arrangements, contacts and personnel availability
3. Advance package to be sent to Issuer in about a week

2nd Step Advance Package

- a. Cover letter
- b. List of required documentation and of pools to be reviewed
- c. Advance Questionnaire
- d. FRC contact information

¹ At times, Ginnie Mae may request that a review be started right away. In that case, the FRC will contact the Issuer to inform them of the review and the Advance Package will be sent by fax.



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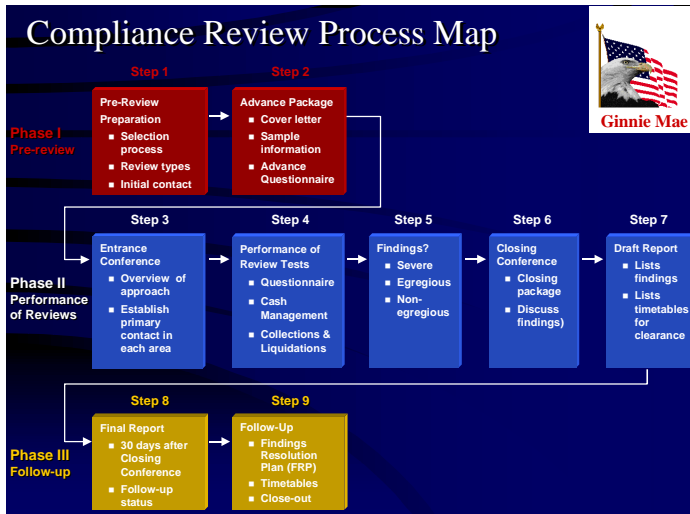
The FRC confirms the review requirements with the Issuer at least one week before the review¹.



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Compliance Review Process (continued)

PHASE II PERFORMANCE OF REVIEW

3rd Step Entrance Conference

- First meeting between the Issuer staff and FRC review team.
- The FRC discusses the review:
 - Length and type
 - Areas to be tested
 - Documentation requested

4th Step Performance of Review Tests

- Advance Questionnaire
- Cash management
- Collections and liquidations

5th Step Findings

- Categories
 - No Findings
 - Severe
 - Egregious
 - Non-egregious
- Approach
 - Discussed with Issuer on a preliminary basis
 - Documented and noted
 - Communicated immediately to Ginnie Mae if severe



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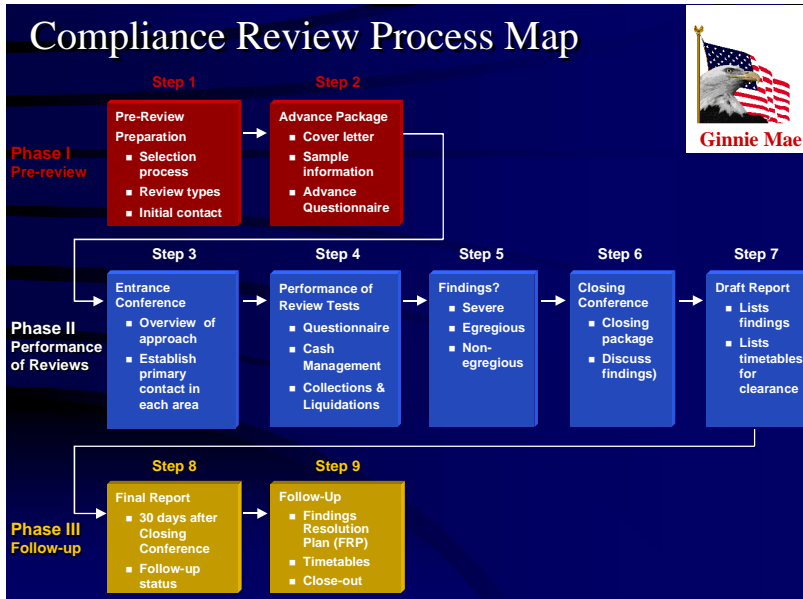
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Compliance Review Process (continued)

6th Step Closing Conference

- Last meeting between Issuer personnel and FRC team
- Findings discussed
- Issuer signs off on the findings, making any comments

7th Step Draft Report

- Generally provided at the Closing Conference
- Lists findings and timetable for resolution
- Provides Issuer with information needed to begin findings resolution
- Copy sent to Ginnie Mae



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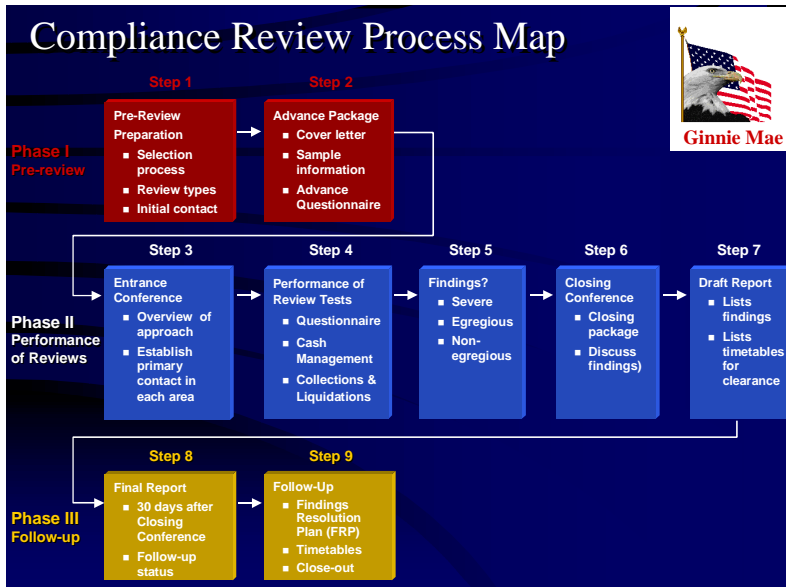
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Compliance Review Process (continued)

PHASE III FOLLOW-UP

8th Step Final Report

- Due 30 days after the Closing Conference
- Final version of the draft report, signed by the reviewing firm
- For reviews performed by the FRC, it contains the status of follow-up
- Sent to both Issuer management and Ginnie Mae.

9th Step Follow-up Process and Resolution of Findings

- The FRC follow-up team contacts the Issuer
- The Issuer prepares the Findings Resolution Plan (FRP)
 - Describes the steps taken by the Issuer to resolve the findings
 - Supported by documentation for Severe findings
- On all reviews conducted by the FRC, the final report will indicate whether or not the findings have been cleared. If findings are cleared, the final letter will indicate so and the review process is complete. If, however, there are any findings that remain unclear, the final report will indicate which findings are still open. Once all findings are cleared, an approval letter is issued, and the review process is completed.
- Approval letters are used for all completed reviews conducted by the FRC's subcontractors
- e. If after 120 days all findings have not been cleared, the FRC will refer the review to Ginnie Mae.



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COMPLIANCE REVIEWS SELECTION PROCESS Phase I - Step 1

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Who to review?

- Review at least every three years
- Previous review findings
- Portfolio performance
 - High delinquencies
 - Rapid Growth
- Management changes
- IPA findings
- Referral by Ginnie Mae Account Executive

What type of review?

Step 1 – Pre-Review Preparation - Selection Process

The selection process is designed to review in greater detail Issuers that could pose a higher risk potential to Ginnie Mae. Some of the criteria used in the selection process are summarized in this section.

An Issuer is reviewed at least once every three years. Results from previous reviews are a reliable indicator of the Issuer’s compliance and internal controls, and therefore are a significant factor in the selection process. An Issuer with several “severe” findings in its most recent review would probably be reviewed the following year, not three years later. Other important indicators are delinquencies, sudden changes in portfolio performance, substantial portfolio growth, changes in management, and Independent Public Accountant (IPA) findings. Additional factors such as late recertification of pools, problems in monthly reporting, and information received by Ginnie Mae from others that indicates potential financial and/or servicing problems at the Issuer could result in a request for a review.

For example, if an Issuer’s MBS portfolio grew by 100% or more in a short time, Ginnie Mae would want to be assured that the quality of servicing did not suffer. If the CEO, CFO and VP of Servicing were replaced all at once, Ginnie Mae would have some concerns of the Issuer’s ability to maintain the quality of its operation. An Issuer whose net worth, as shown in its annual financial statements, dropped 50% from the previous year may be a candidate for a review.



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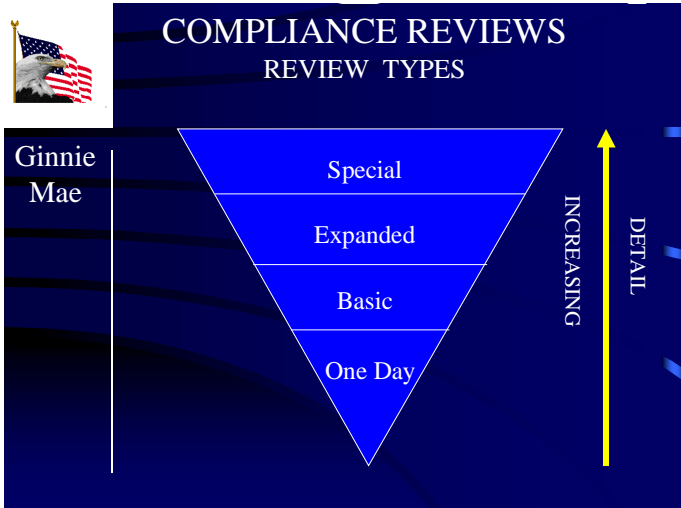
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Step 1 – Pre-Review Preparation- Review Types

The FRC develops and Ginnie Mae approves the list of Issuers to be reviewed. In addition, a member of the Ginnie Mae staff may request the FRC to schedule a review of an Issuer. There are four different levels of review. As the level of review increases, both tests and samples expand and the procedures become more comprehensive.

Special –This level of review is for Issuers that have the greatest perceived level of risk to Ginnie Mae. The Issuer receives the most in-depth level of review to determine that information from primary documents (i.e., loan files) is reflected on reports sent to Ginnie Mae and that the Issuer is performing all duties in accordance with the Program guidelines.

Expanded –This level of review is for Issuers that have above average risk ratings. This review determines that data from the servicing system records is reported accurately and that the Issuer is performing all duties in accordance with Program guidelines.

Basic –This level of review is for Issuers that have moderate risk ratings. The Issuer is reviewed to assess that its system-generated reports (i.e., trial balances) reflect the same activity that was reported to Ginnie Mae, and that the Issuer is performing all duties in accordance with Program guidelines.

One Day –This level of review is for Issuers with the lowest perceived risk. The review assesses the Issuer’s accurate preparation and submission of reports to Ginnie Mae and the Issuer’s continued performance of all duties in accordance with Program guidelines.



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COMPLIANCE REVIEWS

INITIAL CONTACT / TIMING

Phase I - Step 1

Scheduler's responsibility to initiate first contact.

- Discuss with Issuer four weeks before review
 - Date and length of review
 - factors = level of review, # of pools serviced, # of staff available, # of liquidations, # of delinquent pools, \$ of commitment authority outstanding
 - Type of review and information needed
 - Confirm Issuer personnel names, addresses and phone numbers
 - Availability of Issuer key personnel
 - Access to work space and equipment **(TIPS!!)**
- Send advance package three weeks prior to arrival
- Follow-up call one week before review

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Step 1 – Pre-Review Preparation-Initial Contact

The pre-review preparation process is designed to permit reviews of Issuers to be conducted in the most efficient manner. The goal is to perform an effective examination of the Issuer's activities, without interfering with the Issuer's ability to conduct day-to-day operations.

At least **four** weeks prior to the visit, the FRC will call the Issuer's contact person to schedule the compliance review. The following will be discussed:

- The proposed level of review
- Timely completion of the Advance Questionnaire (refer to Step 2 – Advance Package for details)
- Availability of key personnel and notification to senior management of the planned visit
- The correctness of all information on the Issuer Fact Sheet, such as names addresses, contact person, CEO, titles, fax and other phone numbers
- Exact review dates, arrival times and accommodations
- Administrative requirements such as access to work space, telephone and fax



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The FRC will contact the Issuer by telephone at least **one** week prior to the scheduled review to reconfirm the dates, the estimated time of arrival and arrangements previously discussed. At that time the FRC will also confirm that the Issuer will have all requested documentation and the Advance Questionnaire completed and available for the compliance review team upon their arrival.



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COMPLIANCE REVIEWS

ADVANCE PACKAGE

Phase I - Step 2

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- Sent to Issuer three weeks before review
- Package contents
 - Cover letter (confirms date and type of review scheduled)
 - Communicates test month
 - List of pools to be tested and documentation required
 - Advance Questionnaire
- Subserviced?

It is **very important** the information requested be assembled completely and accurately before the review begins. Insufficient information will prolong the review. If you have any question about the documentation requested, please call the Field Review Manager.

Step 2 – Advance Package

The advance package is the most important part of the pre-review preparation. It provides the compliance review team with much of the information that will be tested during the review. The Issuer’s timely completion of this material and the availability of the requested information is critical to the performance of the review within the scheduled time.

At least **three** weeks prior to the review, the FRC will send the advance package to the Issuer via certified-receipt overnight delivery.

The advance package (Exhibit II) contains the following:

Cover Letter: The cover letter confirms each item discussed in the initial telephone conversation including the date of the review and the review type. The letter also informs the Issuer of the number of individuals on the review team and the day of their arrival.

Pool List and Documentation Needed:

- The Ginnie Mae pool numbers of the pools selected for review.
- The reporting month to be tested. For example, if March 2000 is selected, the accounting activity examined will be as of the March 2000 cut-off date.
- Documents requested includes monthly internal servicing reports, reports submitted to Ginnie Mae, reconciliations and related supporting documentation.

Advance Questionnaire: The questionnaire and instructions for completion. The questionnaire must be completed before the arrival of the review team. Among other items, the questionnaire provides Ginnie Mae with information pertaining to:

- Issuer’s eligibility requirements
- management of internal controls
- operational procedures
- data management



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FRC Information: The name, phone number and address of the contact person at the FRC. The Issuer should call that person if there are any questions about the Advance Questionnaire, required documentation or the review process.



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COMPLIANCE REVIEWS

ENTRANCE CONFERENCE

Phase II - Step 3

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- Meeting with Issuer personnel conducted by review team leader
- Discuss compliance review
 - Type of review
 - Length of review
 - Key areas that the FRC will test
 - Documentation needed by review team
- Issuer provides the completed Advance Questionnaire to the review team

Step 3 – Entrance Conference

The entrance conference is the first step of the compliance review conducted on-site.

The FRC compliance review team, as well as key Issuer representatives, including senior level Issuer personnel, should be present. An important objective of the Entrance Conference is to establish a cooperative working relationship between both parties. The compliance review approach is discussed in detail. Items covered include the type of review, the timing, and the areas to be reviewed. The Issuer provides the FRC with the documentation requested in the advance package, including the completed Advance Questionnaire. The Issuer identifies the point of contact for each area to be reviewed in order to facilitate the review process. The FRC identifies the team.



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COMPLIANCE REVIEWS
PERFORMANCE OF REVIEW TESTS
Phase II - Step 4

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- Major areas of multifamily review
 - Information in the Advance Questionnaire
 - Cash Management
 - Collections and Liquidations

Step 4– Performance of Review Tests

This process includes all activities and work performed while the FRC is at the Issuer’s office. The availability of the completed advance package questionnaire and other requested information helps the FRC to conduct the review efficiently. The availability of appropriate Issuer representatives to respond to questions is absolutely essential.

Besides matters raised in the Advance Questionnaire, the specific areas that are reviewed include:

1. Cash Management
 - Reconciliation of Mortgage Collateral
 - Test of expected P&I
 - Collection clearing accounts
 - P&I custodial accounts
 - Corporate advances
 - P&I disbursement accounts
 - T&I custodial accounts
 - Reserve for replacement accounts
 - Payments to Security Holders
2. Collections and Liquidations
 - Delinquency reporting and Issuer collection processes
 - Bankruptcy
 - Foreclosure/assignments and claims
 - Liquidations
 - Financial Statements and UCC Filings



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COMPLIANCE REVIEWS
FINDINGS
 Phase II - Step 5

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- Categories of findings
 - **Severe** (Immediate risk)
 - Must be cleared within 48 hours
 - **Egregious** (Substantial impact)
 - Must be cleared within 30 days
 - **Non-egregious** (Minimal impact)
 - Must be cleared within 90 days
- Issuer kept informed of potential findings
- Ginnie Mae informed of severe findings
- Issued as “Open” until resolved in FRP (exceptions are non-reoccurring, non-egregious findings)

Step 5 – Findings

The compliance review may result in the identification of potential findings. The FRC will discuss them with the Issuer to establish whether an actual finding exists and if additional documentation is needed to explain the matter. If the compliance review team leader determines that there is a Severe finding, it will be formally raised after discussion with the FRC Manager, along with any Egregious and/or Non-egregious findings noted.

Findings are coded numerically and classified into three categories:

- Severe
- Egregious
- Non-egregious

Severe findings are findings that have the potential to cause an immediate risk to Ginnie Mae, Security Holders, and Issuers. The FRC Manager discusses these findings with the Ginnie Mae Account Executive within 24 hours of the determination that a Severe finding does exist. An example of a severe finding is: reported overdrafts in the bank statements of a P&I custodial account. Severe findings must be cleared within 48 hours.

Egregious findings are findings that could have a substantial impact on Ginnie Mae, Security Holders, and Issuers. An example of an Egregious finding is: the Security Holders register or alternate documentation does not contain all required information. Egregious findings must be cleared within 30 days.

Non-egregious findings result in a lesser impact on Ginnie Mae, Security Holders, and Issuers. An example of a Non-egregious finding is: the P&I Custodial bank account reconciliation was not prepared within 30 days. Non-egregious findings must be cleared within 90 days.

Even though a matter may have already been cleared by the time of the review, a finding may still be raised which will require the Issuer to describe the action it has taken to avoid reoccurrence in its response.

At times, the FRC is unable to conduct a required test that could result in a severe finding because the Issuer cannot provide the necessary information. In that case, Ginnie Mae may require the Issuer to have its own independent accountant perform the test or have the FRC return to perform the test at the Issuer’s expense.



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COMPLIANCE REVIEWS
CLOSING CONFERENCE
Phase II - Step 6

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- Review findings with Issuer management
- Management signs individual findings forms
- Overview of the follow-up process
- Discuss Findings Resolution Plan (FRP) requirements

Step 6 – Closing Conference

The closing conference is the final on-site step of the compliance review process. The purpose of the conference is to discuss findings and the timelines for clearing the findings with the Issuer.

The FRC compliance review team, as well as key Issuer representatives, including senior level Issuer personnel, should be present. A Closing Conference Package, detailing all of the findings, is provided for the Issuer's management representative to sign and to comment on whether the Issuer agrees fully, partially, or disagrees with the findings. The Issuer's comments are included in the attachments to the final report subsequently sent to the Issuer and Ginnie Mae. During the conference the FRC personnel will provide an overview of the follow-up process, including a discussion of the FRP.



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COMPLIANCE REVIEWS
DRAFT REPORT
Phase II - Step 7

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- Dates and level of review
- Closing conference attendees
- Contents
 - Findings grouped by severity level
 - Timetables for clearing and closing each finding
- Distribution

Step 7 – Draft Report

The draft report is delivered at the completion of the on-site compliance review. Its purpose is to provide both the Issuer and Ginnie Mae with information about the results of the review. The Issuer is expected to immediately begin responding to the findings based on the draft report, without waiting for the final report to be issued.

The draft report is required to be sent to Ginnie Mae within one week of the Closing Conference. It is usually provided to the Issuer at the time of the Closing Conference. The report contains a list of findings by category, along with a timetable for clearing the findings. The draft report is addressed to the Issuer's senior operations manager and copied to the Issuer's field review contact person and to the assigned Ginnie Mae Account Executive.



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COMPLIANCE REVIEWS
FINAL REPORT
Phase III - Step 8

- Review specific
- Due 30 days from the closing conference
- Summarizes
 - Review
 - Closing Conference date
 - Findings issued
 - Current status of Finding Resolution Plan
- Indicates if the review is closed out
- Distribution

Step 8 – Final Report

The final report is issued within 30 days of the closing conference. It summarizes the findings, timetables and corrective actions to be taken by the Issuer to resolve the findings. A complete copy of the Closing Conference Package is attached to the Final report.

The final report is substantially identical to the draft report, contains any technical corrections noted by the review manager and is signed by a member of the firm that issues the report.

For reviews performed by the FRC itself, if the Issuer has provided the FRC follow-up team with an FRP containing the documentation necessary to clear all the findings, and/or if no further action is required, the FRC will provide that information in the final report and the review will be closed out. The final report for reviews performed by a subcontractor of the FRC will not contain that information, unless no findings were raised (see Step - 9 Follow-up Process).

The final report is sent to the Issuer's senior operations manager, the Issuer's point of contact for the field review and to the assigned Ginnie Mae Account Executive.



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COMPLIANCE REVIEWS
FOLLOW-UP PROCESS
 Phase III - Step 9

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- Tracks and documents Issuer compliance
- Findings Resolution Plan
 - Begins with **WHY** infraction occurred
 - Describes **HOW** and **WHEN** findings were cleared
 - Explains **WHAT** procedures were adopted to avoid reoccurrence
- Reviewed for reasonableness and approval by FRC
- Review follow-up completed
 - All findings cleared (documented in final report or approval letter)
 - After 120 days (open findings referred to Ginnie Mae for action)

Step 9 – Follow-up Process

At the closing conference, the FRC describes the requirement to develop and submit an FRP. The FRP documents the Issuer’s correction of identified findings and actions taken to insure future compliance. The FRP is sent to the FRC for review and approval.

The FRP, submitted by the Issuer to the FRC, is a document that explains the findings from the Issuer’s point of view and puts forth the actions the Issuer will take to correct the problems found and prevent reoccurrence. It includes supporting documentation to show that severe findings have been cleared. If necessary, the FRC will discuss the findings and the FRP with the Issuer to facilitate the resolution of the findings. While there is no required format for the FRP, it should contain certain specific information, as follows:

For Severe findings:

- Explanation of what was done to clear the finding, with supporting documentation
- Description of procedures changed or put in place to ensure that the finding will not reoccur

For Egregious findings:

- Explanation of what was done to clear the finding, with supporting documentation optional
- Description of procedures changed or put in place to ensure that the finding will not reoccur

For Non-egregious findings that are recurring (raised in the previous review), the requirements are the same as for Egregious findings. For all other (non-recurring) Non-egregious findings, nothing is required to be submitted to the FRC. However, within 90 days, the Issuer is expected to clear each of those findings and put in place procedures to ensure that the findings will not reoccur.

Findings are often resolved subsequent to the issuance of the final report. In that case, the FRC will send an “approval letter” to the Issuer, with a copy to Ginnie Mae. The letter will advise the Issuer that the review is complete and that no further action is required.

The final report for a subcontracted review will not contain follow-up information. An approval letter will be issued when the review is complete.

Any findings not resolved within 120 days of the Closing Conference will be referred to Ginnie Mae. In that case, no further follow-up activity will be performed by the FRC.



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COMPLIANCE REVIEWS FINDINGS RESOLUTION PLAN (FRP) (Findings specific)

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Timetable for FRP and Resolving Findings

	Severe	Egregious	Non-Egregious
Must be cleared within	48 hours	30 days	90 days
FRP must be submitted within	7 days	30 days	90 days
Final Close-out within	21 days	45 days	120 days

Step 9 – Follow-up Process (continued) Findings Resolution Plan

The findings should be resolved and the FRC should receive the FRP from the Issuer in accordance with the established timetable. The due dates are calendar days measured from the date of the Closing Conference. The period for clearing severe findings is two business days after the Closing Conference.

Severe findings must be cleared within 48 hours. All severe findings require an FRP which must be submitted to the FRC within seven days. Final close-out of severe findings must take place within 21 days.

Egregious findings must be cleared within 30 days. All egregious findings require an FRP which must be submitted within 30 days. Final close-out must take place within 45 days.

Non-egregious findings must be cleared within 90 days. Only non-egregious findings that are recurring from the previous review require an FRP. The FRP must be submitted within 90 days and close-out must take place within 120 days.

While these are the latest dates by which the action must be completed, we strongly encourage Issuers to resolve all findings as quickly as possible. It is far more efficient for an Issuer to deal with problems raised in the on-site review immediately.



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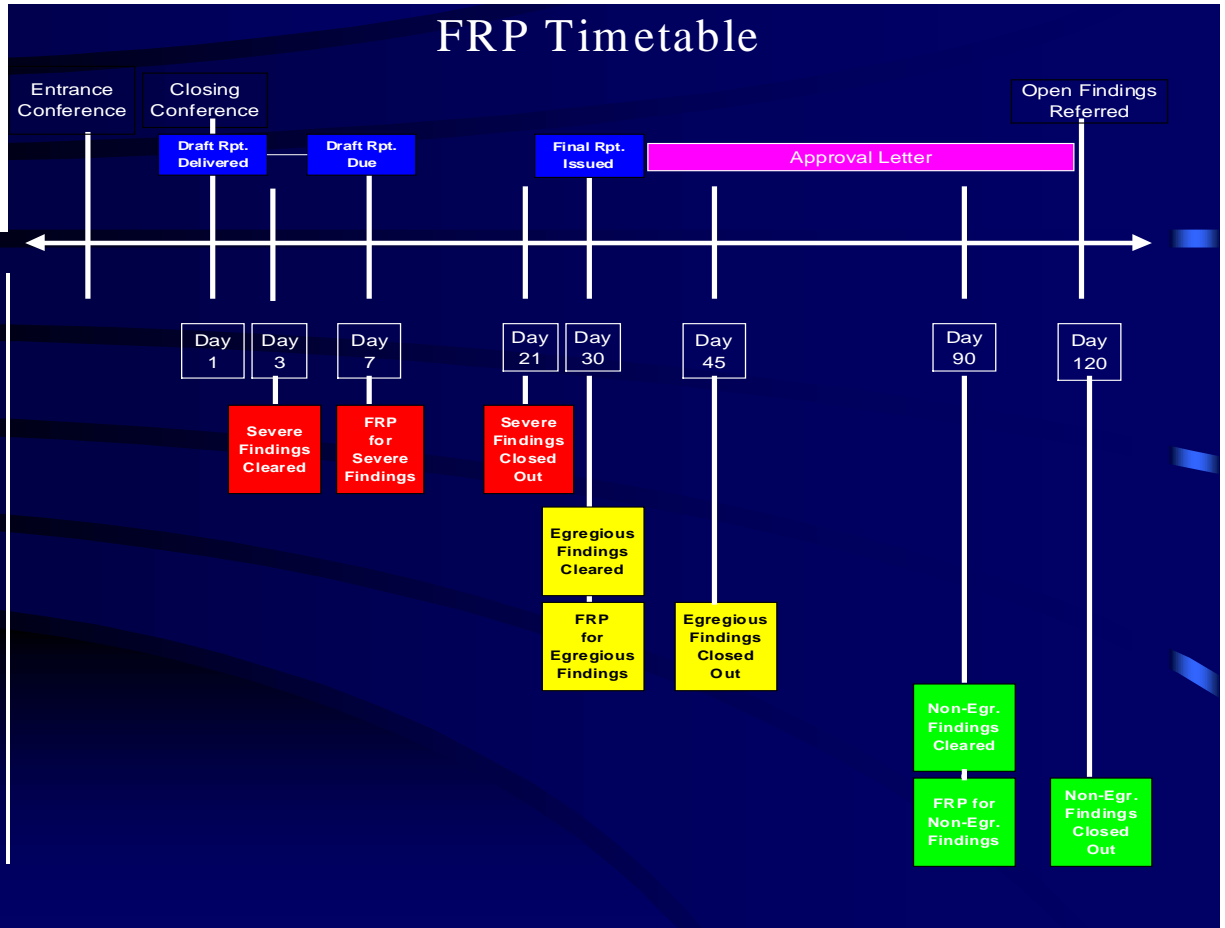
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COMPLIANCE REVIEWS CASH MANAGEMENT

Ginnie Mae

- Reconciliation of mortgage collateral
- Test of expected P&I
- Collection clearing accounts
- P&I custodial accounts
- Corporate advances
- P&I disbursement accounts
- T&I custodial accounts
- Reserve for replacement accounts

Cash Management

As mentioned before, payments to Security Holders must be made in a timely manner. The basic intent of the compliance review is to test the Issuer’s controls and procedures that ensure that custodial funds are handled properly and that Security Holder payments are made on time every month.

Ginnie Mae Issuer compliance reviews focus on the following specific areas that represent risk to the Ginnie Mae Program.

Reconciliation of Mortgage Collateral to Securities Outstanding: Ginnie Mae requires that the remaining principal balances of the mortgages provide sufficient collateral for the outstanding securities.

Test of Expected P&I: This test identifies a minimum dollar amount expected in the P&I account for any particular pool as of a given cutoff date and also confirms the accuracy of the P&I balance reported in Section 5. Block B2 of the form HUD 11710A report.

Collection Clearing Accounts: Ginnie Mae requires that Ginnie Mae related funds be transferred to the respective Principal & Interest (P&I), Taxes and Insurance (T&I) custodial accounts and other escrow or reserve accounts within 24 hours, or 48 hours if the Issuer uses ACH processing.

P&I Custodial Accounts: Ginnie Mae requires that collected funds be available as of the Security Holder payment date and that the Issuer performs monthly reconciliations of the accounts to the bank statement on a timely manner. Ginnie Mae also requires that HUD form 11709 be current and that the bank account be properly styled.

Corporate Advances: Ginnie Mae requires that the Issuer make corporate advances and/or properly utilizes excess funds to make the remittance to the Security Holders if sufficient funds are not received through normal collections.

P&I Disbursement Accounts: Ginnie Mae requires that the Issuer perform monthly reconciliations of the account to the bank statement on a timely manner. Ginnie Mae also requires that HUD form 11709 be current and the bank account be properly styled.



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COMPLIANCE REVIEWS CASH MANAGEMENT

Cash Management
(continued)

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- Reconciliation of mortgage collateral
- Test of expected P&I
- Collection clearing accounts
- P&I custodial accounts
- Corporate advances
- P&I disbursement accounts
- T&I custodial accounts
- Reserve for replacement accounts

T&I Custodial Accounts: Ginnie Mae requires that (a) the Issuer perform monthly reconciliations of the accounts to the bank statement on a timely manner (b) the HUD form 11720 be current (c) the bank account be properly styled (d) Issuer's records on corporate advances and recoveries for T&I funds agree to bank account statements, and (e) payments of escrowed items (i.e., taxes, insurance, MIP) be made timely.

Reserve for Replacement Accounts: Ginnie Mae requires that the Issuer perform monthly reconciliations of the accounts to the monthly activity statements on a timely manner. Ginnie Mae also requires that the HUD form 11720, if required, be current and the bank account and/or investment type be properly styled.



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COMPLIANCE REVIEWS
PAYMENTS TO SECURITY HOLDERS

Ginnie Mae

- Payments to security holders
 - Timely remittance of principal and interest
 - Directly to security holders
- Issuers must maintain
 - Security Holders Register
 - Issuer’s Monthly Remittance Advice, HUD 11714
 - Monthly Accounting Report, HUD 11710A

Payments to Security Holders

This section discusses the Issuer’s obligation to make timely payments and the documentation that the Issuer must maintain for Security Holders.

Timely Payment

Section 6.01 of the Guaranty Agreement Ginnie Mae I Project Loan Securities states that the Issuer will remit all payments to Security Holders under the terms and conditions of securities issued and outstanding under the Guaranty Agreement, and also that *“All such payments must be made in a timely manner such that, with respect to the payment for any given month, the Security Holders will receive payment by the 15th day of each month, with final payment to be only on receipt of the Security by the Issuer . . .”*

Section 6.02(a) states that *“The Issuer shall establish and maintain such controls and procedures to enable it to accurately project in advance whether or not it will have available sufficient funds to meet payments required under the Securities in a timely manner.”*

Security Holder Documentation

The Security Holder’s register must contain the pool number, security number, Security Holder’s name and address, tax ID number, original principal amount of the security, date of issue, interest rate, initial payment date, and maturity date. The register must be updated for any changes received prior to investor remittances through to the seventh day of each month and must confirm that the Ginnie Mae Transfer Agent was notified when changes in address or tax ID number occurred.

The Issuer’s Monthly Remittance Advice, HUD 11714 must:

1. Contain Ginnie Mae pool number, date, certificate number, reporting month, security interest rate, pro-rata share distribution, scheduled principal, interest, additional principal, adjustment (requires written explanation), Federal income tax withheld (if applicable), total cash distribution, and outstanding balance of the certificate after credit of all principal
2. Be received by the Security Holder no later than the 15th of the month
3. Tie to the Monthly Accounting Report, HUD 11710A



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**COMPLIANCE REVIEWS
COLLECTIONS AND LIQUIDATIONS**

Ginnie Mae

- Delinquency reporting and issuer collections
 - FHA regulations
 - Industry standards
 - High delinquency means issuer risk
 - Review areas include
 - Accurate reporting
 - Records
 - Procedures

Collections and Liquidations

The Ginnie Mae Guaranty Agreement requires that the Issuer pursue collections, foreclosure, dispose, file claims, and liquidate delinquent loans in a timely manner. The Issuer is also required to report to Ginnie Mae on the status of delinquent loans in the pools using form 11710A-Issuer's Monthly Accounting Report and form 11710D-Issuer's Monthly Summary Report.

Ginnie Mae Issuer compliance reviews focus on the different requirements for Co-insured Multifamily project loans and Fully insured Multifamily project loans.

Delinquency reporting and Issuer collection processes: Ginnie Mae requires Issuers to service mortgage loans according to FHA regulations (i.e., delinquent notification, notices of default or reinstatement, physical inspections, financial relief program approval, application of payments received, corporate advances T&I payments, etc.) as well as accepted industry standards. High delinquencies requires large Issuer advances which may create risk to Ginnie Mae. Compliance procedures review the accuracy of reporting, records retention and adherence to collection procedures.



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COMPLIANCE REVIEWS
COLLECTIONS AND LIQUIDATIONS

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- Bankruptcy
- Foreclosure/assignments
 - Foreclosure procedures
 - Deed in lieu of foreclosure
- Claims
 - Filing claims
 - Deposit of proceeds

Collections and Liquidations
(continued)

Bankruptcies: Ginnie Mae requires Issuers to adhere to FHA regulations, as well as state and federal bankruptcy laws. Issuers must take whatever actions are necessary to protect their interest as first lienholder and to preserve the security. Those actions would include filing the appropriate documents (including lift-of-stay) to assure interest is adequately protected. Please note that project rents are part of the loan security and are denoted as cash collateral under the Bankruptcy Code. Therefore, Issuers should obtain an Order recognizing their entitlement to the rents under the assignment of rents clause and restricting use of the rents in accordance with the rules governing cash collateral. Issuers should also be alert to the fact that the mortgagor may not use project assets to pay attorney fees for legal service in connection with any aspect of the bankruptcy action without HUD approval.

Foreclosure/Assignments and Claims: When an incurable default occurs, the Issuer must first acquire marketable title to the real estate either by foreclosure or by accepting a deed-in-lieu of foreclosure. The Issuer's foreclosure activities must be in accordance with FHA requirements as well as the Issuer's own procedures. The Issuer then conveys or assigns the property to FHA and files a claim for insurance benefits. If the claim is approved the Issuer receives either cash or debentures from the FHA to cover the unpaid principal balance on the loan, plus other reimbursable expenses incurred in connection with the foreclosure or deed-in-lieu of foreclosure process. FHA Co-insurance programs (while still in the 60 month co-insurance period) require that a foreclosed property be sold by the Issuer prior to filing a claim on the insurance. By following the required procedures, the Issuer increases the likelihood that claims will be honored by FHA. In cases where claim benefits are denied, the Issuer must repurchase the loan from the pool.



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COMPLIANCE REVIEWS COLLECTIONS AND LIQUIDATIONS

Collections and Liquidations (continued)

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- Liquidations
 - Definition
 - Reasons for removal
 - Remittance to Security Holders
 - Liquidation schedule (HUD 11710E)
 - P&I Shortfalls
- Financial statements and UCC filings

Liquidations: The Issuer must pass through all principal and interest payments received from the mortgagors to the Security Holders. The Issuer must also pass through any liquidations. A liquidation is any transaction that reduces the unpaid principal balance of a loan to zero. Compliance reviews examine the mechanics of that process, including the timing of the pass through, the reasons for removal (i.e., mortgagor payoff, foreclosure), P&I shortfalls, and record documentation and retention

Financial statements and UCC Filings: The Issuer must follow Ginnie Mae's requirements for obtaining financial statements and maintaining current UCC filings. The Issuer must obtain or make a good faith effort to obtain updated financial statements for each project loan, and perform appropriate analyses of the financial statements. The Issuer must also maintain a list of chattels and dates of UCC expirations. The Issuer must also make annual physical inspections of the properties that are collateral for the project loans.



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COMPLIANCE REVIEWS
DOCUMENT CUSTODIANS

- Certifies pool and holds loan documents
- Contract between issuer and document custodian
 - Master Custodial Agreement, form HUD 11715
 - Subject to Ginnie Mae rules
- Special types of document custodian relationships
- Factors that affect scheduling of reviews

Document Custodians

Document custodians receive and review documents for loans to be pooled in Ginnie Mae MBS, provide pool certifications to Ginnie Mae’s agent and retain the documents for safekeeping. The three types of files required to be maintained and tracked by the custodian are the Issuer Master File, Pool Master File, and Loan Document File.

The document custodian works under a contract with the Issuer. The parties must execute form HUD 11715, the Master Custodial agreement, file it with Ginnie Mae’s Pool Processing Agent (PPA) and, annually, either file a new form showing changes or certify that there are no changes. While an Issuer may use more than one document custodian, the documents for each pool may be held by only one document custodian.

The document custodian must be regulated by one of the following authorities: Federal Deposit Insurance Corporation, Federal Reserve System, Office of the Comptroller of the Currency, Office of Thrift Supervision, or the National Credit Union Administration.

The Issuer provides the document custodian with loan files containing the required documents as listed in the Ginnie Mae Guide. The Issuer is responsible for resolving any defects identified by the document custodian in the documents.

Ginnie Mae’s obligation to Security Holders specifies that the pool of outstanding securities will be collateralized by final mortgage loan documents certified by an insured document custodian. The document custodian reviews the documents for correctness and completion, and submits the required pool certifications to the PPA. The document custodian must maintain physical and custodial control of the pool and loan documents on behalf of Issuers, Ginnie Mae and Security Holders for the life of the pooled mortgages or until its custodial responsibilities are transferred to another custodian by the Issuer or Ginnie Mae.

Document Custodians may be affiliated with Issuers or use “self-custody”. For example, under self-custody a commercial bank issues Ginnie Mae MBS and uses its Trust Department as the document custodian. In this situation, the document custodian must meet special requirements listed in the Ginnie Mae Guide.

Ginnie Mae reserves the right to examine every aspect of a high-risk Issuer’s performance including the collateral documents. Inadequate or nonexistent quality control of accounting procedures may extend to the loan documents as well. A review of one party can occur as a result of the other party’s performance. Factors considered include affiliation between the parties, Issuer’s perceived risk level, a high percentage of pools past the recertification due date and rapid portfolio growth. For example, when a mortgage servicing portfolio undergoes rapid expansion, Ginnie Mae wants to be assured that the Issuer and document custodian both maintain a high level of quality performance.

EXHIBIT I

CASE STUDIES

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Compliance Reviews

CASE STUDY I

Exercise

The following scenario contains errors. Identify these errors and provide the correct answers.

Assumptions

Ginnie Mae Issuer, ABC Mortgage Company
Ginnie Mae I Multifamily Pools

The morning mail on May 4, 1999, brought several mortgagor loan payments to the Loan Servicing department of ABC Mortgage company. All of these payments were deposited into the collections clearing account that day. On May 7, 1999, the Ginnie Mae Principal and Interest, Taxes and Insurance and Reserve for Replacement payments were transferred to the respective custodial accounts. On May 20, 1999, real estate taxes were paid to Arlington County, Virginia. The check was drawn on the Ginnie Mae Taxes and Insurance custodial account to cover all of the loans serviced by ABC located in that county. On May 25, 1999, a Project Loan payoff was processed, which included principal and interest until month end.

On May 31, 1999, ABC cut off for the month – the last business day is their established cutoff date. Before they prepared their Monthly Accounting Reports, they included one additional payoff that they received on June 1, 1999. The accounting reports are not due until June 10, 1999, and they did send a corrected HUD 11710A and 11710D to Ginnie Mae's agent. The delinquency data listed two loans, one that was one month past due and the other one two months delinquent.

Security holder remittances the following month were wired on June 16, 1999. ABC withdrew funds from the collections clearing account to cover any shortages. The investor accounting manager, the same person responsible for wiring funds to the security holders, received the May 31, 1999 bank statement for the Principal and Interest custodial account, reflecting a zero ending balance. The manager reviewed the statement and initialed next to the ending balance as indication that the account was reconciled.

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CASE STUDY II

Exercise

The following scenarios contain errors. Identify these errors and provide the correct answers.

Assumptions

ABC Mortgage Company is about to acquire all of the assets and liabilities of XYZ Mortgage Company, including 35 Ginnie Mae pools which XYZ issued and is currently servicing. As a member of the due diligence task force, your assignment is to examine XYZ's delinquent Ginnie Mae pool loans. Among other items, your examination includes Ginnie Mae accounting reports, servicing records, and mortgagor loan files.

Situation #1

For pool #46999PL, the Monthly Accounting Report (HUD 11710A) for May 1999, listed one loan and no delinquencies. The internal records (trial balance) also reflected the loan as current. The mortgagor payment history for loan #101 indicated that for the last three months there was a disbursement made from the replacement reserve escrow account on the fifteenth day of the month. This same amount is posted to the principal and interest payment only on the same day each month. The loan file contains correspondence between the borrower and XYZ Company in which the borrower has requested six monthly payments to be paid from the replacement reserve account due to temporary financial problems.

Situation #2

Loan #201, in pool #46998PL, is 16 months past due. A coinsurance claim was filed with FHA and proceeds were deposited to the collections clearing account on May 25, 1999. The entire amount of claim proceeds were passed through as an additional principal payment on the Monthly Account Report (HUD 11710A) for May 1999. The P&I custodial account reflects a deposit for this amount on June 15, 1999.

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CASE STUDY III

Exercise

The following scenarios contain errors. Identify these errors and provide the correct answers.

Assumption

ABC Mortgage Company had a profitable year. The Board of Directors decided to increase their Ginnie Mae portfolio through another acquisition effective November 1999. This time they will acquire all of the assets and liabilities of the RD Mortgage Company, including the 50 Ginnie Mae Multifamily pools which RD issued and is currently servicing. This will bring ABC's total Ginnie Mae portfolio to 100 pools. As with the previous acquisition, your task is to examine RD's Ginnie Mae accounting and servicing records.

Situation #1

RD uses a P&I Disbursement Account to remit funds to the security holders. You notice that the deposit on July 14, 1999 is the same amount as a withdrawal from the P&I Custodial Account, also the 14th. This deposit more than offsets the overdrawn balance in the P&I Disbursement Account on the 13th. Since all is in order, you turn your attention to the escrow account.

Situation #2

Your analysis of the T&I Custodial Account includes comparing disbursements to cancelled checks for July 1999.

Date	Amount	Payee
7/12/99	\$ 9,168.00	Jones Insurance Company
7/12/99	\$34,697.70	Treasurer, Fairfax County, VA
7/12/99	\$13,009.88	Ginnie Mae fee

Since all of these checks cleared prior to month end, you continue your examination.

CASE STUDY III

Continued

Situation #3

In comparing the bank account statements to the Letter Agreements, you notice:

- a. The account numbers on the P&I and T&I custodial accounts agree with the Letter Agreements.
- b. The name and location of the bank agrees with the Letter Agreements.
- c. The Letter Agreements are signed and dated May 1, 1999.

Since all of the Letter Agreements are in order, you continue.

Situation #4

The following items appeared on the reconciliation of the P&I custodial account for July 30, 1999:

- | | |
|-------------------------|-------------------------------|
| a. Deposit-in-transit | + 157,126.78 – cleared 9/3/99 |
| b. Corporate Advance | - 30,000.00 – cleared 8/12/99 |
| c. Adj. For loan payoff | + 2,241.77 – cleared 9/3/99 |

Since all of these items cleared, you continue.

Since ABC Mortgage Company and RD Mortgage Company both had field reviews in 1998, when will ABC receive its next compliance review?

EXHIBIT II

ADVANCE PACKAGE

Issuer Identification #

Dear _____ :

This letter is a follow up to the telephone call regarding the upcoming field review. To confirm our conversation, we plan to perform procedures for a **Type of Review Review** of the Ginnie Mae mortgage-backed securities and associated collateral documents for which your company is an Issuer **beginning _____ and ending _____** .









Please assure that key officers and employees are aware of our visit so they will be available to meet and assist our staff. This will be especially important since we are instituting a new review procedure and will need to assure that adequate and appropriate HUD Forms, internal servicing system reports, bank statements, loan files and other documentation is available. Sufficient workspace to accommodate the files and staff, as well as ready access to a telephone and analog modem hookup, will assist our staff in completing its work expeditiously.

The following pools have been selected to be subjected to the new risk-based procedures review for the month of **Month of Review:**











Pool #	Pool #	Pool #
Pool #	Pool #	Pool #

The specific tests we will conduct fall into the following categories - Cash Management and Collections and Liquidations. The specific documentation required for the tests to be available at the Entrance Conference is noted below the test.






CASH MANAGEMENT

-  Reconciliation of Mortgage Loan Collateral to Ginnie Mae Securities Outstanding
-  Test of Expected P&I
-  Collections Clearing Account
-  P&I Custodial Account(s) and Reporting
-  Issuer Advances and Pool Advance Agreements (if used)
-  P&I Disbursement Account (if used)
-  Payment to Security Holders
-  T&I Custodial Accounts and Escrow Analysis

Documentation Required

-  HUD forms 11710A, 11710D and 1710B if applicable for the following months:
 - month tested
 - eleven month period preceding the month tested
 - the month just subsequent to the month tested
-  Copies of Mortgage Loan Trial Balance for each pool tested as of the test month
-  Other internal records supporting reported P&I on 11710A's (i.e. *GNMA Pool Reconciliation of Principal and Calculation of Minimum Cash Required report*)
-  Bank statements for the Collections Clearing, P&I Custodial, T&I Custodial, and P&I Disbursement Accounts for the month tested as well as the months immediately preceding and following the month tested (plus reconciliation statement for each)
-  HUD form 11709 and/or form 11720 for each custodial and disbursement account
-  Copies of Pool Advance Agreements (including Schedules A and B)
-  Corporate advance ledger with sufficient backup detail to track specific advances and recoveries
-  Securities Holder Register (plus internal policies governing updates to register)
-  HUD form 11714 and 11714 (SN) if applicable for pools tested as of test month
-  Canceled security holder checks for remittance associated with test month or wire transfer log (plus internal policies governing identification and proper handling of uncleared or returned funds)

COLLECTIONS AND LIQUIDATIONS

-  Delinquency Reporting and Issuer Collection Processes
-  Forbearance Agreements and Bankruptcy Procedures
-  Foreclosure, Deed in Lieu of Foreclosure, and VA Refund Program Procedures
-  Claim Filing and Payment Pass-Through Procedures
-  Loan Liquidation and Reporting

Additional Documentation Required

- ☒ For each pool selected for testing, HUD form 11710E's for all twelve months ending with month tested
- ☒ For each loan liquidated within the twelve month period referenced above, a copy of the posting effectively liquidating the loan from the Ginnie Mae pool
- ☒ Written procedures governing use of Forbearance Agreements and handling of Bankruptcies
- ☒ Written procedures for handling FHA, VA, RHS foreclosures and/or Deeds in Lieu (plus any tracking logs associated with these actions)
- ☒ Written procedures for FHA, VA, RHS claims filing and monitoring processes

Specific loans to be tested will be selected on arrival. Please be prepared to provide our staff lists of loans, **as of the month being tested** and **identified by pool**, which meet the following criteria:

- ☒ All loans which are:
 - 30 days delinquent
 - 60 days delinquent
 - 90 days delinquent, and
 - presently in foreclosure
- ☒ All loans which:
 - are presently under a Forbearance Agreement
 - had been under a Forbearance Agreement within the last twelve months and are either current or in foreclosure as of the month tested.
- ☒ All loans that are currently in Chapter 7 Bankruptcy.
- ☒ All loans that are currently in Chapter 13 Bankruptcy.
- ☒ All loans that have been foreclosed within the last twelve months and are also identified by loan type (i.e. FHA, VA, RHS).
- ☒ All loans that have a claim outstanding and are also identified by loan type (i.e. FHA, VA, RHS).
- ☒ All loans that have had a claim paid or denied within the last twelve months and are also identified by loan type (i.e. FHA, VA, RHS).

From these lists, our staff will notify you as to which specific loans will be subject to further testing. For these tests we will need the applicable loan files, correspondence, and loan histories.

Even if not specified for a given test, your company's written policies and procedures governing your practices will also need to be available for review.

Finally, the Advance Questionnaire enclosed should be completed prior to and given to our staff at the Entrance Conference. An overview of the revised review process is also enclosed which you may want to share with your staff as applicable.

Should you have any questions about these requests or arrangements, call me at (918) 461-4749. As Ginnie Mae's contractor, we appreciate your assistance in this review process.

Sincerely,

Danny Lane
Manager, Field Reviews

Enclosures

adv-ex.doc

OVERVIEW OF RISK-BASED REVIEW PROCESS

Ginnie Mae has revised its process for both selecting Issuers and Document Custodians for on-site reviews and has revised as well as the test procedures to be undertaken. The process for determining which Issuer or Document Custodian receives what level of review is based on risk factors related to performance as measured by data from a variety of sources, including information reported to Ginnie Mae. These reports are supplemented by information added by your Ginnie Mae Account Executive, who now has a greater role in the selection process.

Several other important changes have occurred, not the least of which is a shorter time period for resolution of specific Findings (exceptions). Each of the Findings will be discussed with you at the Closing Exit Conference. You will be asked to sign -off on the fact that the Findings were reviewed and explained to you, whether you fully agree with them or not.

A Draft Report will be provided to you and your contact for the review within one week of the review's completion. Any of your comments regarding the findings will be included. A Final Report will be provided within thirty days or four weeks of the Closing review's completion, again including any of your comments regarding the Findings.

There are three types of Findings. The timetables associated with their resolution follow:

Severe	<i>To be cleared within 2 days after the review.</i>
Egregious	<i>To be cleared within 30 days after the review.</i>
Non-egregious	<i>To be cleared within 90 days after the review.</i>

A Findings Resolution Plan (FRP) will be prepared by you, describing what steps have been taken to correct the problems that have been identified, as well as the steps that will be taken to assure that similar Findings will not occur in the future. The time tables associated with the completion of these follow:

Severe	<i>To be submitted within 7 days of the end of the review.</i>
Egregious	<i>To be submitted within 30 days of the end of the review.</i>
Non-egregious	<i>To be submitted within 90 days of the end of the review (not required if the Non-egregious Finding was non-recurring).</i>

It is important to note that, in order to meet the above time tables, you should begin to clear the Findings and prepare your FRP for submission as soon as you become aware of the Findings.

The FRPs are to be submitted to Deloitte and Touche LLP, at the following address:

Mr. David Kahrnoff
Director - Follow-up
Deloitte and Touche LLP
555 12th Street NW Suite 500
Washington, DC 20004

Phone: (202) 220-2131
Fax: (202) 220-2748

Finally, the time tables for closing out the Findings and the FRPs are also predicated on the type of finding:

Severe	<i>No later than 21 days after the end of the review.</i>
Egregious	<i>No later than 45 days after the end of the review.</i>
Non-egregious	<i>No later than 120 days after the end of the review (not required if the Non-egregious Finding was non-recurring).</i>

Should there be any questions regarding these procedures, please discuss them at the Entrance Conference with the review manager or team leader.

ADVANCE QUESTIONNAIRE

Management and Operations:

1. Using Form AQ1, provide the name of officers and senior management of the Company. Indicate yes or no whether the individual has been in the current position for at least two years.
2. If the Issuer has any Single Family Pools, are procedures in place to track compliance with the three delinquency indicators (DQ3+, DQ2+, DQP) as defined in the Ginnie Mae Guide? Explain briefly.
3. If Issuer has any Multifamily Pools, have any calculation of allowances for loss reserves for any multifamily pools changed since submission of the IPA? (Independent Public Audit)
If so, please provide a copy of the previous and the revised calculations.
4. Does the Issuer maintain procedures to determine the financial integrity of the securities dealers, brokers and investors with whom business is conducted, including reviewing financial statements, obtaining business references and all other requirements in the Ginnie Mae Mortgage-Backed Securities Guide?
5. Do internal management controls exist to ensure coordination of delayed delivery contract activities, controls on the Issuer's market positions, and the competence and integrity of staff in accordance with the Ginnie Mae Mortgage-Backed Securities Guide?
6. If Issuer uses a Subservicer to assist in servicing its Ginnie Mae pools, complete Form AQ2 for each Subservicer. Please provide a copy of the related form HUD-11707, Master Servicing Agreement, for each subservicer used.
7. Complete Form AQ3 for any related or affiliated Ginnie Mae Issuers. If a Cross-Default Agreement is in effect, please provide a copy of the executed agreement.

ADVANCE QUESTIONNAIRE

8. Has ownership status of Issuer changed (i.e., merged or acquired) since IPAs were provided?
- If so, is the other party a Ginnie Mae Issuer?
 - If you acquired or merged in another entity, list name of acquired entity, its ID numbers, and pool numbers.
 - List by pool number the current certification status of each of these pools.
 - Note which pools are over 18 months past certification or recertification deadlines.
 - If you were acquired or merged, provide name and address of new entity and phone number and name of contact point for new entity.
 - Provide the number of pools by which the portfolio has increased, both in absolute and per cent terms by means of merger or acquisition.
 - Provide the number of pools by which the portfolio has decreased, both in absolute and per cent terms by means of merger or acquisition.
 - If the primary regulator has changed, provide the name of the new regulator.
9. Has Issuer's portfolio (number of pools) increased or decreased since last IPA (Independent Public Audit) report by means other than a merger or acquisition?
- If yes, provide the number of pools acquired/sold and associated percentages by pool numbers.
 - List by pool number the pools past due on (re)certification deadlines, how many months past due, and the Document Custodian ID number.
 - Provide an updated listing of the pools added or sold.
10. Has the financial condition of the Issuer changed materially since the last IPA?
- If so, in what way and attributable to what events?
 - Does Issuer still meet primary regulator's minimum capital requirements? If not, provide amount of capital deficiency, name of regulator and date of notice.

ADVANCE QUESTIONNAIRE

11. Have there been any other material adverse changes in the Issuer's financial position or operations since last IPA, such as:
 - Loss of Fannie Mae servicing or approval?
 - Loss of Freddie Mac servicing or approval?
 - Loss of FHA-approved Mortgagee in good standing?
 - Probationary action by:
 - FHA
 - VA
 - Fannie Mae
 - Freddie Mac
 - RHS
 - Primary regulator
 - Other investors

12. Does Issuer have any material lawsuit(s) pending? If so, what is range of potential exposure?

13. Has there been any material settlement? If so, what is its financial impact?

14. What per cent of the Issuer's total loan portfolio do loans serviced in Ginnie Mae pools comprise?

15. Has any mortgage-backed security that the Issuer services been downgraded in the past year? If so, provide current rating, previous rating, and the rating agency's name effecting the downgrade for all securities.

16. List ID number and name of all Document Custodians. Is Issuer directly or indirectly affiliated with an institution acting as its Document Custodian? If yes, list the relation to Issuer of the institution.

17. Does an IPA perform on your behalf an annual compliance audit on site of your Document Custodian(s) in accordance with IG 2000.4? If not, list by ID number and name of these Document Custodian(s).

18. Please provide copies of your errors & omissions and fidelity bond insurance policies and Ginnie Mae loss payable endorsements.

ADVANCE QUESTIONNAIRE

Cash Management:

1. Are all Ginnie Mae related bank account reconciliations *prepared* by persons not involved in cash disbursement or cash receipt functions?
2. Are all bank account reconciliations *reviewed* by persons not involved in cash disbursement or cash receipt functions?
3. Provide a copy of the written policy which establishes requirements for Issuer's staff to make a reasonable effort to locate security holders with checks outstanding for more than 3 months?
4. Is Ginnie Mae's prior written approval always obtained when P&I and T&I custodial bank accounts are transferred from one institution to another, or consolidated within the same institution?
5. Complete Form AQ4, indicating Institutions, holding Ginnie Mae related P&I Custodial funds, in which the Issuer has a direct or indirect affiliate relationship.
6. Complete Form AQ5, indicating Institutions holding Ginnie Mae related T&I Custodial funds, in which the Issuer has a direct or indirect affiliate relationship.

Data Management

1. Complete Form AQ6 if data processing is done "in-house", OR
2. Complete Form AQ7 if a Service Bureau provides data processing.

GINNIE MAE
ADVANCE QUESTIONNAIRE FORM AQ-1
ISSUER PORTFOLIO INFORMATION
LISTING OF KEY OFFICERS

ISSUER NAME: _____

ISSUER NUMBER: _____

DATE PREPARED: _____

List the officers for the Issuer as of the date prepared for the titles listed below. Answer yes or no for individual being in the position for at least two years.

YES/NO	NAME:	TITLE:
_____	_____	Chairman of the Board
_____	_____	President
_____	_____	Chief Financial Officer *
_____	_____	Controller/Treasurer *
_____	_____	Senior Ginnie Mae Marketing Officer
_____	_____	Senior Loan Production Officer
_____	_____	Loan Administration or Servicing Manager (Senior loan servicing officer) *
_____	_____	Investor Accounting Manager *
_____	_____	Foreclosure Manager *
_____	_____	Bankruptcy Manager *
_____	_____	Collections Manager *
_____	_____	Customer Service Manager *
_____	_____	Escrow Service Manager *
_____	_____	REO Manager *
_____	_____	Payoffs/Assumptions Manager *

* If individual has been in position less than two years, note the reason for the turnover.

GINNIE MAE
ADVANCE QUESTIONNAIRE FORM AQ-2
SUBSERVICERS USED BY ISSUER

ISSUER NAME: _____

ISSUER NUMBER: _____

DATE PREAPRED: _____

All Subservicers that the Issuer uses to service its Ginnie Mae portfolio should be listed. Please provide a copy of the related Form HUD 11707, Servicing Agreement, for each Issuer listed below.

NOTE: In the cross-default agreement column, note "yes" to indicate that a cross-default agreement has been executed with Ginnie Mae between the Subservicer and the issuer being tested. If a cross-default agreement is not in force, note with a "no." If a cross-default agreement is in effect, please provide a copy of the agreement to the field team.

GINNIE MAE ISSUER NUMBER	NAME OF SUBSERVICER	ADDRESS OF SUBSERVICER	NUMBER OF GINNIE MAE POOLS SUBSERVICED FOR ISSUER	CONTACT PERSON	TELEPHONE NUMBER	RELATIONSHIP OR AFFILIATION WITH ISSUER, IF ANY	CROSS DEFAULT AGREEMENT (YES/NO)

GINNIE MAE
ADVANCE QUESTIONNAIRE FORM AQ-3
RELATED OR AFFILIATED GINNIE MAE ISSUERS

ISSUER NAME: _____

ISSUER NUMBER: _____

DATE PREPARED: _____

This schedule should be completed by the Issuer as of the date prepared. List below all Ginnie Mae Issuer(s) that are related or affiliated to the identified Ginnie Mae Issuer number being tested. If a cross - default agreement is in effect, please provide copy of the agreement. In the cross - default agreement column, note "yes" to indicate that a cross - default agreement has been properly executed with Ginnie Mae between the related or affiliated Issuer and the Issuer being tested. If a cross - default agreement is not in force, note a "no".

GINNIE MAE ISSUER NUMBER	NAME OF RELATED OR AFFILIATED ISSUER	ADDRESS OF RELATED OR AFFILIATED ISSUER	CONTACT PERSON	TELEPHONE NUMBER	RELATIONSHIP OR AFFILIATION WITH ISSUER, IF ANY	CROSS-DEFAULT AGREEMENT (Yes/No)

List below all Ginnie Mae pools, belonging to the Related or Affiliated Issuer(s) listed above, that your servicing personnel and/ or loan administration functions perform services:

Issuer ID #	# of Pools	Pool Number
_____	_____	_____
_____	_____	_____
_____	_____	_____

GINNIE MAE
ADVANCE QUESTIONNAIRE FORM AQ-4
P&I CUSTODIAL BANK ARRANGEMENTS
INQUIRIES REGARDING DIRECT OR INDIRECT AFFILIATE RELATIONSHIPS BETWEEN
THE ISSUER AND ITS BANKING ENTITIES

ISSUER NAME: _____

ISSUER NUMBER: _____

DATE PREPARED: _____

BANK NAME	BANK LOCATION	TYPE OF RELATIONSHIP		
		IS THE ISSUER AND THE FINANCIAL INSTITUTION UNDER COMMON OWNERSHIP?	DOES THE ISSUER AND THE FINANCIAL INSTITUTION HAVE COMMON DIRECTORS?	DOES THE ISSUER AND THE FINANCIAL INSTITUTION HAVE SHARED MANAGEMENT?
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____

Note To Issuer:
List the banks that the Issuer uses for Ginnie Mae P&I custodial funds and note whether the relationships described exist. This schedule should reflect current information and be completed by the Issuer prior to the review date.

GINNIE MAE

ADVANCE QUESTIONNAIRE FORM AQ-5 T&I CUSTODIAL BANK ARRANGEMENTS

INQUIRIES REGARDING DIRECT OR INDIRECT AFFILIATE RELATIONSHIPS BETWEEN THE ISSUER AND ITS BANKING ENTITIES

ISSUER NAME: _____

ISSUER NUMBER: _____

DATE PREPARED: _____

BANK NAME	BANK LOCATION	TYPE OF RELATIONSHIP		
		IS THE ISSUER AND THE FINANCIAL INSTITUTION UNDER COMMON OWNERSHIP?	DOES THE ISSUER AND THE FINANCIAL INSTITUTION HAVE COMMON DIRECTORS?	DOES THE ISSUER AND THE FINANCIAL INSTITUTION HAVE SHARED MANAGEMENT?
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____
		Yes____ No____	Yes____ No____	Yes____ No____

Note To Issuer:
List the banks that the Issuer uses for Ginnie Mae T&I custodial funds and note whether the relationships described exist. This schedule should reflect current information and be completed by the Issuer prior to the review date.

GINNIE MAE
ADVANCE QUESTIONNAIRE FORM AQ-6
IN-HOUSE SYSTEM

ISSUER NAME: _____

ISSUER NUMBER: _____

DATE PREPARED: _____

NOTE "N/A" ON THIS SCHEDULE IF AN IN-HOUSE SYSTEM IS NOT USED FOR GINNIE MAE POOL SERVICING.

COMPLETE THE FOLLOWING IF GINNIE MAE POOL SERVICING IS DONE IN-HOUSE	
INQUIRY	DESCRIPTION
ORGANIZATION: 1) Data Processing contact name 2) Installation address 3) Number of staff in Data Processing department	1) 2) 3)
HARDWARE: 4) Computer manufacturer and model Magnetic storage media (Circle yes or no): 5) Magnetic tape yes no 6) Magnetic disk yes no 7) Diskettes yes no 8) Other yes no	4) N/A N/A N/A N/A
SOFTWARE: 9) Operating system 10) Communications software 11) Major programming language 12) Inquiry/report writer packages available	9) 10) 11) 12)

 ISSUER REPRESENTATIVE SIGNATURE

 DATE

 TITLE

GINNIE MAE
ADVANCE QUESTIONNAIRE FORM AQ-7
SERVICE BUREAU

ISSUER NAME: _____

ISSUER NUMBER: _____

DATE PREPARED: _____

COMPLETE THE FOLLOWING IF GINNIE MAE POOL SERVICING IS DONE BY A SERVICE BUREAU.

INQUIRY	DESCRIPTION
1) Name and address of service bureau	1) _____ _____ _____
2) Number of years the service bureau has been used?	2) _____
3) Is a third party report on the computer service bureau provided to the Issuer?	3) Yes No
4) If a third party report is provided, is the report reviewed by the Issuer?	4) Yes No N/A

 ISSUER REPRESENTATIVE SIGNATURE

 DATE

 TITLE

EXHIBIT III

CLOSING

CONFERENCE PACKAGE

October 1, 1999

Ms. Nellie Bluebell
Senior Vice President
XYZ Mortgage Company
15 Main Street, Suite 600
Sacramento, CA 95800

Re: Ginnie Mae ID# 1602

Dear Ms. Bluebell:

During the period from September 30, 1999 through October 1, 1999, we performed a Basic Review of the Ginnie Mae portfolio serviced by your organization. The compliance criteria for participants in Ginnie Mae's Mortgage-Backed Securities Program are set forth in the Ginnie Mae Guides, Handbooks 5500.1 and 5500.2, as amended. Our procedures were performed in accordance with our contract with Ginnie Mae, which incorporates by reference Ginnie Mae's Issuer and Document Custodian Risk Based Review Procedures.

On October 1, 1999, the results of that Review were discussed at a Closing Conference with you. You signed the attached Findings indicating acknowledgment of the exceptions. These Findings are presented in the following categories:

Category

Severe

Egregious

Non-egregious

A summary of the Findings is as follows:

Severe

1 of 1 MBSIS Code 150030 Unresolved reconciling items appear in three consecutive bank reconciliations for P&I Custodial account.

The May, June and July 1999 reconciliations of the P&I custodial account # 0611310061 contain an unresolved reconciling item of (\$1,602.63) dated 4/30/99.

Egregious

None

Non-egregious

None

As discussed in the Closing Conference, you should clear the Findings in accordance with the following schedule, measured from the date of the Closing Conference:

<u>Category</u>	<u>Cleared</u>
Severe	48 hours (2 business days)
Egregious	30 calendar days
Non-egregious	90 calendar days

In addition, at the Closing Conference, you were informed that your Findings Resolutions Plan (FRP) should be developed and submitted to Deloitte & Touche LLP in Washington, DC with the goal of receiving approval of the FRP in accordance with the following schedule, measured in calendar days from the date of the Closing Conference:

<u>Category</u>	<u>FRP Submitted</u>	<u>Close-out</u>
Severe	7 days (a)	21 days (a)
Egregious	30 days	45 days
Non-egregious	90 days (b)	120 days (b)

(a) You must take immediate action to clear Severe Findings, as soon as possible, without waiting for the Final Report to be issued. Note that in your submission of the FRP for any Severe Findings, you should provide documentation confirming that each Severe Finding has been cleared. This will be reviewed as part of the Close-out of all of the Severe Findings.

(b) An FRP is required for a Non-egregious Finding only if it is a recurring Finding, that is, listed in the previous review.

You are required to clear all Findings by correcting the problem (if the circumstances are such that it can be corrected) and taking action to assure that the situation will not occur again. Your FRP should describe the actions that you have taken and include copies of any new procedures that have been implemented.

On each FRP, as well as in any correspondence to Deloitte & Touche LLP, please include your Ginnie Mae Issuer Identification Number. All correspondence should be sent to:

David Kahrnoff
Director - Follow-up
Deloitte & Touche LLP
555 12th Street, NW
Suite 500
Washington, DC 20004

Phone: (202) 220-2131
Fax: (202) 220-2748

This report is intended solely for the information and use of Ginnie Mae and your organization and should not be used for any other purpose.

Very truly yours,

Deloitte & Touche LLP

By _____

Attachment(s)

cc: Mr. Jon McClain, Investor Accounting Manager
Ms. Paulette Griffin, Ginnie Mae

GINNIE MAE CLOSING CONFERENCE PACKAGE

Ginnie Mae ID #: 1602	On Site Team Leader: Melissa Caperton-Pope
Issuer/Document Custodian Name: XYZ Mortgage Company	On Site Staff: Julie Reinke
Field Work Start Date: 9/30/99	D&T Office or Subcontractor: Tulsa
Exit Conference Date: 10/1/99	Review Manager: Danny Lane

Finding's Number: # 1 OF 1			
MBSIS Code	*Category	Workpaper Reference	Description of Finding
150030	Severe	IS/CM-4	Unresolved reconciling items appear in three consecutive bank reconciliations for P&I Custodial Account
Detail of Finding			
The May, June and July 1999 reconciliations of the P&I custodial account #0611310061 contain an unresolved reconciling item of (\$1,602.63) dated 4/30/99.			

**Severe - Egregious - Non-egregious*

Issuer Representative must note one of the following:

Agree with finding

Name of Issuer Representative

Agree with finding, with conditions

(Print) Nellie Bluebell

Disagree with finding**

Signed: Nellie Bluebell

**Provide documentation

Date: 10/1/99

By signing, Issuer Representative acknowledges receipt of a copy of this form and that the findings were discussed.

EXHIBIT IV

FINAL REPORT/ APPROVAL LETTER

November 2, 1999 as of
October 1, 1999

Ms. Nellie Bluebell
Senior Vice President
XYZ Mortgage Company
15 Main Street, Suite 600
Sacramento, CA 95800

Re: Ginnie Mae ID# 1602

Dear Ms. Bluebell:

During the period from September 30, 1999 through October 1, 1999, we performed a Basic Review of the Ginnie Mae portfolio serviced by your organization. The compliance criteria for participants in Ginnie Mae's Mortgage-Backed Securities Program are set forth in the Ginnie Mae Guides, Handbooks 5500.1 and 5500.2, as amended. Our procedures were performed in accordance with our contract with Ginnie Mae, which incorporates by reference Ginnie Mae's Issuer and Document Custodian Risk Based Review Procedures.

On October 1, 1999, the results of that Review were discussed at a Closing Conference with you. You signed the attached Findings indicating acknowledgment of the exceptions. These Findings are presented in the following categories:

Category

Severe

Egregious

Non-egregious

A summary of the Findings is as follows:

Severe

1 of 1 MBSIS Code 150030 Unresolved reconciling items appear in three consecutive bank reconciliations for P&I Custodial account.

The May, June and July 1999 reconciliations of the P&I custodial account # 0611310061 contain an unresolved reconciling item of (\$1,602.63) dated 4/30/99.

Egregious

None

Non-egregious

None

As discussed in the Closing Conference, you should clear the Findings in accordance with the following schedule, measured from the date of the Closing Conference:

<u>Category</u>	<u>Cleared</u>
Severe	48 hours (2 business days)
Egregious	30 calendar days
Non-egregious	90 calendar days

In addition, at the Closing Conference, you were informed that your Findings Resolutions Plan (FRP) should be developed and submitted to Deloitte & Touche LLP in Washington, DC with the goal of receiving approval of the FRP in accordance with the following schedule, measured in calendar days from the date of the Closing Conference:

<u>Category</u>	<u>FRP Submitted</u>	<u>Close-out</u>
Severe	7 days (a)	21 days (a)
Egregious	30 days	45 days
Non-egregious	90 days (b)	120 days (b)

(a) You must take immediate action to clear Severe Findings, as soon as possible, without waiting for the Final Report to be issued. Note that in your submission of the FRP for any Severe Findings, you should provide documentation confirming that each Severe Finding has been cleared. This will be reviewed as part of the Close-out of all of the Severe Findings.

(b) An FRP is required for a Non-egregious Finding only if it is a recurring Finding, that is, listed in the previous review.

You are required to clear all Findings by correcting the problem (if the circumstances are such that it can be corrected) and taking action to assure that the situation will not occur again. Your FRP should describe the actions that you have taken and include copies of any new procedures that have been implemented.

On each FRP, as well as in any correspondence to Deloitte & Touche LLP, please include your Ginnie Mae Issuer Identification Number. All correspondence should be sent to:

David Kahrnoff
Director - Follow-up
Deloitte & Touche LLP
555 12th Street, NW
Suite 500
Washington, DC 20004

Phone: (202) 220-2131
Fax: (202) 220-2748

This report is intended solely for the information and use of Ginnie Mae and your organization and should not be used for any other purpose.

Follow-up note dated as of November 2, 1999:

We have received your response enclosing a Findings Resolutions Plan (FRP) covering the Severe Finding. The FRP indicates that the finding has been cleared and that procedures are now in place to avoid reoccurrence. We have requested that you send us the procedures that have been put into place to avoid the reoccurrence of the Severe Finding. We need this information to complete our review of your FRP. We appreciate your assistance in resolving the Findings.

Very truly yours,

Deloitte & Touche LLP

David M. Kahrnoff
Senior Manager

Attachment(s)

cc: Mr. Jon McClain, Investor Accounting Manager
Ms. Paulette Griffin, Ginnie Mae

December 20, 1999

Ms. Nellie Bluebell
Senior Vice President
XYZ Mortgage Company
15 Main Street, Suite 600
Sacramento, CA 95800

Re: Ginnie Mae ID# 1602

Dear Ms. Bluebell:

During the period from September 30, 1999 through October 1, 1999, we performed a Basic Review of the Ginnie Mae portfolio serviced by your organization. The Findings raised during that Review were listed in the Final Report that we issued to you on November 2, 1999. You have submitted a Findings Resolutions Plan (FRP) with respect to those Findings.

Pursuant to the follow-up requirements of the Ginnie Mae Issuer and Document Custodian Risk Based Review Procedures, we have reviewed the FRP to determine its appropriateness in dealing with those Findings. To be acceptable, the FRP proposed by XYZ Mortgage Company (the "Participant") must, as stated in those Procedures, "detail how the Participant will modify its processes both to correct the problem, if the circumstance is of a nature which will allow for the correction of prior occurrence, and to assure (*as defined by Ginnie Mae*) that the situation referenced in the FRP will not occur again".

Based on that criterion, your FRP submitted in connection with our Fourth Quarter, 1999 review of the Ginnie Mae portfolio serviced by your organization has been approved.

The FRP indicates that the Severe Finding has been cleared in accordance with the requirements of the Ginnie Mae Issuer and Document Custodian Risk Based Review Procedures.

We appreciate your assistance in resolving the Finding.

Very truly yours,

Deloitte & Touche LLP

David M. Kahrnoff
Senior Manager

cc: Mr. Jon McClain, Investor Accounting Manager
Ms. Paulette Griffin, Ginnie Mae

EXHIBIT V

FINDINGS ISSUED



COMPLIANCE REVIEWS

FREQUENT FINDINGS

Frequency of Severe

Findings for 148 Issuer Compliance Reviews Conducted
from January 1, 1999 through December 31, 1999

Ginnie
Mae

<u>Frequency of Finding</u>	<u>Description of Finding</u>
52	Unresolved reconciling items appear in three consecutive bank reconciliations.
33	Bank statements show overdrafts.
19	Account title on bank resolution or signature card does not agree to HUD form 11709/11720.
7	Deposits in transit and other items did not clear bank account on a timely basis
7	HUD form 11709 could not be provided for P&I Disbursement account(s).
6	P&I and T&I funds were not transferred within one business day of receipt from collections clearing accounts to custodial bank accounts.



COMPLIANCE REVIEWS

FREQUENT FINDINGS

Frequency of Severe - Multifamily Only

Findings for 148 Issuer Compliance Reviews Conducted
from January 1, 1999 through December 31, 1999

Ginnie
Mae

<u>Frequency of Finding</u>	<u>Description of Finding</u>
13	Reserve for Replacement account is not styled per Ginnie Mae requirements.
10	No HUD Form 11720 exists for Reserve for Replacement account(s).
5	Multifamily interest-bearing account is not styled per Ginnie Mae requirements.
2	Ginnie Mae custodial funds were found in the corporate (non-lettered) bank accounts.
2	Bank reconciliations not prepared for Reserve for Replacement account(s).
1	Unresolved reconciling items or adjusting entries appear in three consecutive bank reconciliations for escrow account(s).



COMPLIANCE REVIEWS

FREQUENT FINDINGS

Frequency of Egregious

Findings for 148 Issuer Compliance Reviews Conducted
from January 1, 1999 through December 31, 1999

Ginnie
Mae

<u>Frequency of Finding</u>	<u>Description of Finding</u>
7	Test of expected P&I not computed and/or reported accurately on HUD form 11710A
5	Bank name on bank statement does not agree to 11710A
5	Loan(s) found where the liquidation code used was not correct on HUD Form 11710E
4	Issuer unable to produce delinquency reports as of cutoff date as reported on form 11710D.
4	Management state that custodial bank account reconciliations were prepared by persons involved in cash disbursement functions.



COMPLIANCE REVIEWS

FREQUENT FINDINGS

Frequency of Egregious - Multifamily Only

Findings for 148 Issuer Compliance Reviews Conducted
from January 1, 1999 through December 31, 1999

Ginnie
Mae

<u>Frequency of Finding</u>	<u>Description of Finding</u>
2	Multiple escrow accounts indicated on a single HUD form 11720.



COMPLIANCE REVIEWS FREQUENT FINDINGS

Frequency of Non-Egregious

Findings for 148 Issuer Compliance Reviews Conducted
from January 1, 1999 through December 31, 1999

Ginnie
Mae

<u>Frequency of Finding</u>	<u>Description of Finding</u>
100	If HUD form 11720/11709 is not current, Issuer has not provided written certification that information submitted to Ginnie Mae on HUD form 11720/11709 for the account(s) has not changed.
66	Insufficient documentation to determine whether bank accounts were timely reconciled
60	Bank accounts were not reconciled timely.
18	Insufficient documentation to determine if collections clearing accounts were timely reconciled.
13	Bank accounts reconciliations were not signed.
12	Collections clearing accounts were not timely reconciled.
10	Complete reconciliations were not prepared on a timely basis.
10	Insufficient information available to determine whether complete reconciliations were prepared on a timely basis.



COMPLIANCE REVIEWS FREQUENT FINDINGS

Frequency of Non-Egregious - Multifamily Only

Findings for 148 Issuer Compliance Reviews Conducted
from January 1, 1999 through December 31, 1999

Ginnie
Mae

<u>Frequency of Finding</u>	<u>Description of Finding</u>
4	Issuer did not perform analysis of financial statements received.
2	UCC filings are not current.
1	Issuer did not obtain most recent audited financial statements nor inform FHA of such.
1	Reserve for replacement funds are being held in the T&I custodial account.

