



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-9000

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

August 5, 2002

MPM 02-01

MEMORANDUM FOR: All Participants in the Ginnie Mae Multiclass
Securities Program

FROM: George S. Anderson, Executive Vice President

SUBJECT: Modification of Accretion Directed (AD) Securities Definition

The purpose of this Multiclass Participants Memorandum (“MPM”) is to inform interested parties in the Ginnie Mae Multiclass Securities Program of a revision in the definition of Accretion Directed (AD) classes. Prior to this enhancement, Ginnie Mae defined such classes as follows:

A class (1) that is designed to receive principal distributions from interest accretions on specified Partial Accrual or Accrual classes, and (2) that on the basis of such structure, exhibits a stable Weighted Average Life from 0% of the assumed prepayment rate of the applicable prepayment model to either: (a) the pricing percentage of the assumed prepayment rate of the applicable prepayment model; or (b) a percentage of the assumed prepayment rate of the applicable prepayment model, that although lower than such pricing percentage, is close enough to satisfy Ginnie Mae. Such a class also may receive principal payments from principal paid in respect of trust assets.

The revised AD definition will be incorporated into the Ginnie Mae Multiclass Securities Guide, and will apply to all Ginnie Mae multiclass transactions that close beginning in August 2002. The new AD definition is as follows:

A class that is designed to receive principal distributions from interest accretions on specified Partial Accrual or Accrual classes. These classes also may receive principal payments from principal paid in respect of trust assets.

In circumstances in which the AD class also exhibits principal paydown characteristics of another principal type, the order of the principal type designation will be based upon the stability exhibited by the weighted average life of the related class. The two different methods of expressing the principal type designation for such classes are described below.

The principal type designation of “AD/(Principal Type)” will apply to each

class that is designed to receive principal distributions from interest accretions on specified Accrual Classes and exhibits a stable weighted average life from 0% of the assumed prepayment rate of the applicable prepayment model to the pricing speed or above.

The principal type designation of “(Principal Type)/AD” will apply to each class that is designed to receive principal distributions from interest accretions on specified accrual classes, but that does not exhibit a stable weighted average life up to the pricing percentage of applicable prepayment model.

Ginnie Mae is revising this definition of AD Securities to meet the needs of issuers and investors of Ginnie Mae multiclass securities. This program enhancement will better define Ginnie Mae REMIC and MX securities tranches that receive accretion.

Questions regarding this memorandum should be referred to the Ginnie Mae Office of Capital Markets at (202) 401-8970.