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APM 18-01

January 5, 2018

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Michael Bright, Executive Vice President and Chief Operating Officer

SUBJECT: Mandatory Buyout of Loans Missing the Requisite Federal Agency Insurance or Guaranty

Ginnie Mae is revising the definition for the term “Defective Mortgage” and other clauses in Chapter 14 of the MBS Guide to reflect existing Issuer requirements under the Guaranty Agreement to cure or buy out pooled mortgages that are not insured or guaranteed by an agency of the Federal Government. The revisions announced here also seek to provide Issuers with greater clarity about their options for addressing defective mortgages.

Issuers are reminded to prioritize efforts to cure loan defects that arise from missing federal mortgage insurance or guaranty. Mortgages that are missing federal insurance or guaranty by the deadline for final certification of the related pool or loan package are deemed defective. Therefore, Issuers are required to either obtain the requisite insurance or guaranty or to request approval to buy out these mortgages. The revised version of Chapter 14 of the MBS Guide attached to this memorandum, which is effective upon publication, covers these buyout obligations in greater detail.

The percentage of uninsured and unguaranteed loans in Ginnie Mae pools and loan packages is minimal, typically less than one percent (1%) of pooled loans. The percentage of pooled loans that are missing a federal mortgage insurance or guarantee by the final certification deadline is even lower. Therefore, Ginnie Mae does not expect any related Issuer buyout obligations to have a significant impact on the performance of securities or on the financial position of any Ginnie Mae Issuer. However, Ginnie Mae may, at its own discretion, manage the timing and pipeline of mandatory buyouts through its existing buyout approval process so as to minimize the impact of such buyouts on the Issuer or the related security.

If you have any questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.



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