



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

GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

March 20, 2008

APM 08-06

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Thomas R. Weakland, Acting Executive Vice President

SUBJECT: Pooling Parameters for New Temporary Higher Ceiling Mortgages:
Further Information on ARM Pooling and Exclusion of MIP from
TBA Ceiling Level; Responses to Frequently Asked Questions

On March 6, 2008, Ginnie Mae announced that effective with pool issuances on or after April 1, 2008, our new Multiple-Issuer pool type, designated "M JM", must be used to accommodate certain higher balance loans eligible for FHA insurance through December 31, 2008. This APM supplements APM 08-05, and should be read in conjunction with it. The maximum loan balances for FHA-insured, fixed-rate mortgages in Ginnie Mae TBA pools, as defined by the Securities Industry and Financial Markets Association (SIFMA), are specified in APM 08-05.

No Ceiling Restriction for FHA ARMs

There is no loan ceiling restriction for FHA-insured adjustable-rate mortgages (ARMs). FHA ARMs of any size, subject to FHA loan ceilings, may be pooled in any appropriate Ginnie Mae ARM pool. There is no segregated jumbo pooling for ARMs.

Treatment of Mortgage Insurance Premium (MIP)

The ceiling for loans in Ginnie Mae TBA pools is \$362,790. It is permissible to include in a TBA pool, a loan with a principal face amount of \$362,790 PLUS the FHA MIP. Consistent with the National Housing Act and longstanding Ginnie Mae policy, loans that exceed the maximum 203(B) loan amount, due to financing of the upfront MIP, are considered within the related FHA ceiling.

The National Housing Act and FHA guidance both permit the upfront MIP to be financed. When financed, the upfront MIP is not subject to the statutory loan amount limits, or the loan-to-value (LTV) limits established by FHA.

Frequently Asked Questions

The following are responses to questions Ginnie Mae staff have received regarding the new mortgage loan ceilings for FHA and VA mortgage loans and Ginnie Mae's pooling parameters.

Veterans Administration (VA) Loans

Question: Ginnie Mae does not have a maximum principal balance limitation for VA loans. VA loans of any size can be pooled in any Ginnie Mae pool, including Ginnie Mae I or Ginnie Mae II pools. Is that still true, or do high principal balance VA loans now have to go in "M JM" pools?

Answer: VA loans may be pooled in any appropriate Ginnie Mae pool without regard to principal balance. For example, a VA loan with a principal balance of \$362,790 or higher, could be placed in a Ginnie Mae I or Ginnie Mae II TBA-eligible pool. A VA loan of any size also could be in an "M JM" pool.

Pooling for Low Mortgage Principal Balances

Question: Can Issuers include a low principal balance loan in an "M JM" pool?

Answer: A low principal balance, fixed-rate government-insured or -guaranteed mortgage loan, which could be included in a TBA-eligible pool, can also go into an "M JM" pool. However, fixed-rate mortgage loans above the ceilings specified for TBA-eligible pools must go into "M JM" pools.

The Sunset Provision for the Temporary Higher Loan Balances

Question: How does the December 31, 2008, sunset provision work for the loans with temporary higher loan balances? Does the loan have to be closed or FHA endorsed?

Answer: No. FHA Mortgagee Letter 2008-06, which may be accessed at <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/08-06ml.doc>, specifies that, "These limits are effective for mortgages endorsed for insurance on or after the date of this mortgagee letter and remain in effect for those mortgages for which the mortgagee has issued credit approval for the borrower on or before December 31, 2008."

Buydown Loans

Question: There is a 10% cap on buydown loans in Ginnie Mae TBA-eligible pools. Will there be a similar cap on buydown loans in "M JM" pools for the large loans?

Answer: No. There will be no cap on buydown loans for "M JM" pools.

Eligibility of Jumbo Loans for Targeted Lending Initiative (TLI) Credit

Question: Are loans above the prior FHA ceiling of \$362,790 eligible for TLI credit?

Answer: Yes.

Sunset for Securitization of Temporary High Balance Loans

Question: FHA is authorized to insure certain high balance loans on a temporary basis, with a sunset of December 31, 2008. Will Ginnie Mae stop guaranteeing pools issued after December 2008?

Answer: No. Ginnie Mae will continue to guarantee “M JM” pools indefinitely after the sunset period in order to accommodate unsecuritized high balance loans that were timely originated pursuant to FHA requirements.

Pooling of Jumbo Size M FS Loans

Question: According to APM 07-14, dated October 16, 2007, and the Ginnie Mae Guide, the pool suffix “M FS” is the only eligible pool suffix for loans that are:

1. conventional loans refinancing into a fixed-rate FHA loan and **were** delinquent due to a rate reset; or
2. conventional loans that have refinanced into fixed-rate FHA loans with subordinated second liens.

Similarly, APM 08-04, dated March 3, 2008, and the Ginnie Mae Guide state that the pool suffix “M JM” is the only eligible pool suffix for FHA mortgages that exceed stated loan balance limitations. What pool type should be used for *FHASecure* loans that exceed the mortgage limits defined in APM 08-04?

Answer: Any loan that is required to be placed in an “M FS” pool per the definition outlined in APM 07-14, must be pooled only in an “M FS” pool, regardless of the loan size.