

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

### 35-1: OVERVIEW OF CHAPTER

This chapter describes the special requirements that apply to a pool of Home Equity Conversion Mortgage (HECM) loans. The requirements described in this chapter may modify, supplement or in some cases repeat, for the purposes of emphasis, those requirements set forth in previous chapters with respect to Issuer eligibility, mortgage eligibility, pool requirements, required pool and submission documents and the actual HECM mortgage-backed securities (HMBS).

From time to time, balances related to a HECM loan may be pooled into HMBS securities. These balances, which represent participation interests in the related HECM loan, are referred to herein as Participations. Participation interests generally consist of advances made to borrowers, monthly insurance premiums paid to FHA, certain servicing fees and accrued interest, which may include certain servicing fees and guaranty fees. HECM loans, also commonly referred to as “reverse mortgage loans,” are FHA-insured loans designed specifically to permit senior citizens to convert the home equity of their principal residence into cash. No interest or principal payments are due on the mortgage until maturity, which is triggered upon the occurrence of a number of different events discussed in this chapter. Interest, however, accrues daily on the HECM loan and is added to the borrower’s remaining principal balance at month end.

HMBS securities are accrual class pass-through securities and therefore do not provide scheduled payments of principal or interest to investors. Interest accruing on the security is added each month to the remaining principal balance of the security. Unscheduled payments of principal and interest will generally be passed through to security holders under the following circumstances: (i) when a full or partial payment is made on a related HECM loan which is related to a Participation that backs an HMBS security and/or (ii) upon the purchase of all Participations of the related HECM loan, by the Issuer, for a reason specifically authorized in the applicable Guaranty Agreement (Appendix III-27) or in this Guide.

HMBS pools may only be formed under the Ginnie Mae II Custom MBS Program. Multiple Issuer pools are ineligible for HMBS pooling.

This chapter will review the program requirements unique to the HMBS pooling process, and, where applicable, refer the Issuer for guidance to other sections of the MBS Guide when program requirements remain unchanged. HMBS Issuers may obtain additional information about the HECM mortgage insurance program from FHA.

**CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS –  
SPECIAL REQUIREMENTS (HECM / HMBS)**

**HMBS Program Highlights - "At a Glance":**

<b>Entity</b>	<b>Relationship Rules</b>	<b>Administration</b>
<b>HMBS Security</b>	The HMBS Security is a unique entity specifically identified by a "Ginnie Mae" pool number, EIN Number and CUSIP.	Must be accounted for and reported on pursuant to Ginnie Mae's HMBS program requirements, as communicated in this MBS Guide.
<b>HMBS Pool of Collateral</b>	The pool of collateral that is specifically and uniquely associated with the HMBS security, which includes the related Participations.	Must be accounted for and reported on pursuant to Ginnie Mae's HMBS program requirements, as communicated in this MBS Guide.
<b>HECM Loan</b>	Separate Participations in a single HECM loan may serve as collateral in multiple HMBS pools.	Issuers must be able to specifically identify, at the HECM loan level, all Participations across all related HMBS pools.
<b>Payment to Security Holder</b>	There may exist a "One-to-Many" relationship between a specific HECM loan payment and the associated Participations and related HMBS securities. As such, any unscheduled borrower payments must be pro rated among all related Participations as a percentage of the outstanding principal balance of the related HECM loan.	Payments to security holders must be accounted for at both the HECM loan level and the Participation level, and appropriately summarized at the security level. Unscheduled payments to security holders must be reported monthly with RPB reporting obligations.
<b>Participation</b>	A Participation is that portion of a HECM loan securitized into an HMBS security. One HECM loan may have multiple Participations in various HMBS securities throughout the life of the loan. Although HMBS securities will likely contain many Participations from many different HECM loans, there may only exist a one-to-one relationship between any one Participation and the HMBS security for which it serves as pool collateral.	Participations must be specifically linked to the HECM loan and to the HMBS pool in which it serves as collateral. Participations must also be specifically accounted for in monthly Issuer reporting obligations.

Basic Relationship Rules between HECM Loans, Participations & HMBS Pools

*\* This "At-A-Glance" Chart is intended to provide a general description of the mechanics of the HMBS Program.*

**35-2: ISSUER ELIGIBILITY REQUIREMENTS**

Each entity, including an existing Issuer, must apply for approval to issue HMBS pools. Each approved applicant will be assigned an Issuer identification number that may only be used to issue HMBS pools. The HMBS Issuer identification number must be used on all correspondence and communication with Ginnie Mae.

**(A) Existing Issuer Eligibility**

An existing Issuer in good standing is eligible to request approval to issue HMBS securities.

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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To request approval, the Issuer should submit a letter of interest to Ginnie Mae's Office of Issuer & Portfolio Management (see Addresses) and include applicable documents from Appendix I-1. The request for approval must demonstrate the applicant's ability to satisfy the following eligibility requirements:

- (1) Experience originating and servicing HECM loans;
- (2) Capacity to perform Participation tracking and HECM loan accounting. If an Issuer elects to fulfill the participation tracking and monitoring requirement using a third party "Participation Agent", the Issuer is fully responsible for the work performed under that arrangement. An Issuer may contract with only one Participation Agent to perform all monitoring and accounting activities related to pooled Participations, as designated in form HUD 11706H (see Appendix I-7); and
- (3) Financial requirements described in Chapter 3.

Ginnie Mae will review the request and notify the applicant in writing of its decision. The Ginnie Mae application fee is not required for existing Issuers who seek approval to issue HMBS.

If additional information is requested by Ginnie Mae, the applicant has 60 days to provide it. If the requested information is not submitted to Ginnie Mae within 60 calendar days, the application package will be rejected and returned.

If the application is denied, Ginnie Mae will advise the applicant in writing of the reason(s) for its decision.

Ginnie Mae, in its sole discretion, may refuse to grant any request for HMBS Issuer approval if it determines that the applicant has failed to meet the specific requirements set forth in this MBS Guide, or if Ginnie Mae otherwise determines that approval of the applicant would be detrimental to the MBS Program.

### (B) New Issuer Eligibility

A new entity that wishes to issue HMBS securities must first comply with all Ginnie Mae program eligibility requirements described in Chapter 2 and the application procedure described in Chapter 7. The entity will then need to satisfy the eligibility requirements set forth above in Section 35-2(A).

### 35-3: ISSUER RISKS AND LIABILITIES

An HMBS Issuer has certain obligations that may not be customary for a mortgage servicer in the private sector. Each Issuer must be aware of these obligations and must make suitable financial arrangements to ensure that it has the capacity to fulfill them. Some of the risks and liabilities are more

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

---

generally described in Chapter 5 and elsewhere in this MBS Guide.

### (A) Purchase Events

Issuers are responsible for purchasing any Participation when the outstanding principal balance of the related HECM loan is equal to or greater than 98% of the Maximum Claim Amount. Section 35-10 describes this Mandatory Purchase Event. In addition, Section 35-10 describes certain optional purchase events.

The Issuer must purchase any related Participation in any outstanding HMBS pools when a Mandatory Purchase Event occurs, regardless of whether the Issuer receives timely insurance payments, if at all. If insurance payments are not available, the Issuer must apply its own funds to acquire the Participations upon the occurrence of a Mandatory Purchase Event.

Under certain circumstances, for instance when a HECM loan becomes due and payable, an Issuer may not be able to assign the mortgage to FHA. In this instance, the Issuer must utilize its own funds to purchase any outstanding Participations.

Issuers are responsible for using their own funds to ensure that security holders receive any outstanding principal and interest due on the Final Distribution Date.

### (B) Interest Due Security Holders But Not Payable by Mortgagor

An Issuer is responsible for making funds available for interest payments due security holders even if associated interest payments are not required to be paid by the mortgagor on the underlying Participation. When a mortgage is prepaid, either in partial or full repayment before the end of the month, the mortgagor pays interest only until the payoff date. With HECMs, the mortgagee must, according to FHA requirements, permit the mortgagor to prepay at any time without penalty. Security holders, however, are entitled to interest through the end of the month. The Issuer must make up any interest payment shortfall due security holders from its own funds.

### (C) Costs Related to Defective Mortgages

If a HECM loan is found to be defective at any time after the related Participations have been pooled, the Issuer must cure the defect or purchase all related Participations. Substitutions of Participations related to HECM loans in HMBS pools are not permitted. An Issuer must receive prior written permission from Ginnie Mae's Office of Issuer & Portfolio Management before purchasing Participations related to defective HECM loans. A request to purchase all Participations related to a defective

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

---

HECM loan must be submitted to the Office of Issuer & Portfolio Management (see Addresses) in accordance with the Form Letter for Loan Purchase (Appendix VI-2).

### (D) Pool Administration Costs

Issuers are responsible for all pool administration costs as described in this chapter and in Chapter 5, generally. Administration costs for HMBS pools include those associated with tracking, accounting for and monitoring the pooled Participations, in addition to servicing the related HECM loans.

### (E) Guaranty Fee

Issuers are required to pay a monthly guaranty fee to Ginnie Mae for each HMBS security for which the Issuer is Issuer of record.

The Issuer pays the monthly guaranty fee by making adequate funds available in the central P&I custodial account for ACH debit by the CPTA (See Section 6-4). The CPTA calculates the amount of the guaranty fee using the RPB data reported by the Issuer in the preceding month (See RPB reporting requirements in Appendix VII-2, HMBS RPB Reporting Requirements).

1. Computing the Guaranty Fee: The monthly guaranty fee is computed based on the aggregate principal balance of the guaranteed securities outstanding at the beginning of the monthly reporting period. The monthly rate used to compute the fee is the annual rate of .06 percent (6 basis points) divided by 12 months.
2. HMBS Guaranty Fee Deposits and Collection: No later than 7 a.m. (EST) on the 19<sup>th</sup> calendar day of the payment month (collection date) the Issuer must deposit into its designated central P&I custodial account “same day funds” or “good funds” equal to the amount needed to pay the fees. The CPTA notifies the Issuer on the 7<sup>th</sup> business day of the amount of the guaranty fee to be debited on the collection date. On that specified date, each Issuer’s central P&I custodial account will be debited via ACH for the guaranty fee amount reported. The monthly collection of guaranty fees via ACH debit will occur at 7:00am (EST) on the 19<sup>th</sup> calendar day of the month, if that day is a business day. If the 19<sup>th</sup> calendar day is not a business day, then collection will occur on the 20<sup>th</sup> calendar day if that day is indeed a business day. If neither the 19<sup>th</sup> nor 20<sup>th</sup> calendar days of the month are business days, then the applicable collection date must be the first business day immediately preceding the 19<sup>th</sup> calendar day of the month.

**CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS –  
SPECIAL REQUIREMENTS (HECM / HMBS)**

---

(F) Extinguishment	If Ginnie Mae declares a default and extinguishment under the applicable Guaranty Agreement, the Issuer forfeits and waives any and all rights to reimbursement or recovery of any of its own funds used to satisfy the obligations of the HECM mortgagor, including expenditures or accruals related to the pooled Participations. This includes, but is not limited to, accrued interest, funds applied to or on behalf of mortgagors, servicing fees, monthly insurance premiums paid to FHA, and other amounts added to the HECM loan balance even if such amounts have not been pooled in an HMBS security.
35-4: APPLICATION FOR COMMITMENT AUTHORITY, LOAN NUMBERS AND POOL NUMBERS	In order to participate in the HMBS program, the Issuer must apply for and obtain from the Office of Issuer & Portfolio Management single family commitment authority and pool numbers.
(A) Application for Commitment Authority and Pool Numbers	To participate in the HMBS program, Issuers must request commitment authority and pool numbers as described both in Chapter 8 and in Section 35-4(B), below. Applications for commitment authority must be made electronically through GinnieNET, using an Issuer's HMBS identification number. Issuer requests for commitment authority should cover the Issuer's production schedule for 120 days. Commitment authority usage will be based on the original principal balance of the HMBS security at pooling.
(B) Unique Loan Identifiers	A unique Ginnie Mae loan identification number shall be assigned to each HECM loan by the CPTA.
35-5: PARTICIPATION REQUIREMENTS	Each issue of HMBS securities must be backed by a separate pool of Participations, each of which must comply with the following requirements:
(A) Relationship to HECM Mortgage	<ol style="list-style-type: none"><li>(1) A Participation is that portion of a HECM loan that an Issuer pools into a Ginnie Mae HMBS. Each pooled Participation must relate to a single HECM loan, and that HECM loan must satisfy the mortgage eligibility requirements discussed below in Section 35-6.</li><li>(2) A Participation is an interest in the principal balance of a HECM loan that has been pooled in an HMBS pool (i) that does not represent interests backing any other pooled Participation and (ii) that has an original principal amount and Participation interest rate as shown in the Schedule to the applicable Guaranty Agreement. The outstanding principal balance of a HECM loan may include funds provided by the Issuer on behalf of mortgagors, including, for instance, funds to pay taxes and insurance, servicing</li></ol>

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

---

fees, mortgage insurance premium (MIP) payments and interest accruing on the HECM note, a portion of which may be attributable to the Ginnie Mae guaranty fee.

As the mortgagor's loan balance increases each month, the loan balance that is not otherwise pooled and does not represent any interest backing another Participation, is eligible to be securitized as a new Participation in another HMBS pool.

Interest that accrues on a Participation at the related Participation interest rate will be added to the principal amount of such Participation and thus will not be eligible to be securitized as a new Participation. As discussed below, the Participation Interest Rate is the note rate of the related HECM loan less the related Servicing Fee Margin. Because the note rate is reduced by the Servicing Fee Margin, amounts accrued in respect of the Servicing Fee Margin, and interest accruals thereon at the note rate, do not accrue to the principal amount of the Participation. Amounts added to the outstanding balance of a HECM loan in respect of MIP, servicing compensation paid on a flat monthly fee arrangement and additional amounts drawn by the mortgagor, as well as any interest accrued on any such amounts, at the note rate, are not included in the Participation Interest Rate and are not added to the principal amount of any existing Participation. Such amounts, as well as any amounts added to the outstanding balance of a HECM loan in respect of the Servicing Fee Margin with respect to any Participation (including any interest accrued thereon at the note rate), are eligible to be included in a future Participation and securitized in a future HMBS Security.

HMBS Issuers may select, at their discretion, the timing and frequency of pooling Participations, so long as pooling requirements are met.

(B) Minimum Amount

A Participation may be of any dollar amount; there is no limit on the number of Participations associated with a given HECM loan.

(C) Participation  
Identification Number

The Issuer must assign to each Participation a unique three digit identification number appended as a suffix to the unique Ginnie Mae loan identifier. This suffix will then be used to tie the pooled Participation back to the related HECM loan. As Issuers pool successive portions of a mortgagor's HECM loan into Participations, each successive Participation suffix must be

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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assigned sequentially. i.e., “001”, “002”, etc.

(D) Participation Interest Rate

Each Participation bears a Participation Interest Rate equal to the note rate of the related HECM loan, less the Servicing Fee Margin. For adjustable rate HECM loans, Participation Interest Rates must change on the same index adjustment date of the related HECM loan.

(E) Servicing Fee Margin

(1) The Servicing Fee Margin generally represents the amount of the servicing compensation payable to the Issuer (other than servicing compensation paid on a flat monthly fee arrangement) to cover the Issuer’s servicing costs, including the guaranty fee. The Servicing Fee Margin is established by the issuer at pooling and shall not change throughout the life of the Participation. The Servicing Fee Margin may vary depending on the Issue Date of the Security and the servicing fee compensation structure for the HECM.

(2) The servicing fee compensation structure for each HECM may reflect a servicing fee paid as a flat monthly fee or as a portion of the note rate. At pooling, Issuers must indicate which servicing fee compensation structure (flat monthly fee or as a portion of the note rate) was selected for the HECM related to the Participation to be pooled. HMBS pools may contain Participations related to HECMs which use either servicing fee compensation structure.

(3) With respect to a HECM loan for which the servicing compensation is a flat monthly fee, the Servicing Fee Margin is established by the Issuer and is a rate (i) for a Participation backing a Security issued prior to July 1, 2011, not less than 0.06% (6 bps) nor more than 0.75% (75 bps), and (ii) for a Participation backing a Security issued on or after July 1, 2011, not less than 0.36% (36 bps) nor more than 1.50% (150 bps). With respect to a HECM loan for which the servicing compensation is based on a portion of the note rate, the Servicing Fee Margin is established by the Issuer and is a rate (i) for a Participation backing a Security issued prior to July 1, 2011, not less than 0.25% (25 bps) nor more than 0.75% (75 bps), and (ii) for a Participation backing a Security issued on or after July 1, 2011, not less than 0.36% (36 bps) nor more than 1.50% (150 bps). The Servicing Fee Margin established by the Issuer for a Participation may not change after issuance of the related pool.



## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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Participations related to the same HECM may each have different Servicing Fee Margins.

### 35-6: MORTGAGE ELIGIBILITY REQUIREMENTS

Each HMBS security issuance must be backed by a pool of Participations, each of which must comply with the following requirements. The requirements described in this section replace those requirements found in Section 9-2.

#### (A) Insurance

The HECM loan related to each Participation must be, and must remain, insured under Section 255 of the National Housing Act, and must at all times comply with the requirements for obtaining and maintaining such insurance.

#### (B) Security for Loan

The HECM loan related to each Participation must be secured by one of the following four housing classifications, and in each instance, the Mortgagor(s) must occupy the dwelling as their principal residence: (1) a 1- to 4- family residence, (2) a condominium unit designed for one-family occupancy, (3) a manufactured home that meets the requirements set forth in the FHA Handbooks, including that it is classified and taxed as real estate or (4) a single family residence located in a planned unit development (PUD).

#### (C) HECM Loans at 98% of Maximum Claim Amount

An Issuer may pool a Participation, provided that as of the date of pooling, the outstanding principal balance of the HECM loan related to any Participations, plus any borrower-requested draws under such HECM loan, must be and must remain, less than 98% of the Maximum Claim Amount of the HECM loan. HECM loans are ineligible for pooling in the Ginnie Mae TLI program.

#### (D) Assignment Option

Ginnie Mae will only permit the pooling of Participation interests in HECM loans originated under the assignment option. Participation interests in HECM loans with the shared premium option, as described in the FHA Handbooks, are ineligible for HMBS pooling.

#### (E) Payment Plan

For an HMBS security backed by a pool of Participations related to adjustable rate HECM loans, the HECM loan related to each Participation may allow the use of any of the payment plan options available to mortgagors and described in the FHA Handbooks.

For an HMBS security with an issue date on or before May 1, 2014, that is backed by a pool of Participations related to fixed rate HECM loans, the HECM loan related to each Participation may allow the use of any of the payment plan options available

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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to mortgagors and described in the FHA Handbooks.

For an HMBS security with an issue date on or after June 1, 2014, that is backed by a pool of Participations related to fixed rate HECM loans, the HECM loan related to a Participation must (1) if originated with an FHA case number assigned before September 30, 2013, have been originated as a closed-end loan (as defined hereafter) and be fully drawn prior to the issue date, (2) if originated with an FHA case number assigned on or after September 30, 2013, have been originated with the Single Disbursement Lump Sum payment plan, or (3) be related to a Participation that is in a pool backing an HMBS security with an issue date on or before May 1, 2014.

For an HMBS security with an issue date on or after June 1, 2014, that is backed by a pool of Participations related to fixed rate HECM loans, the pool of Participations may commingle Participations related to fixed rate HECMs that satisfy any of the pooling parameters in the preceding sentence.

For the purposes of the pooling parameters, the term “closed-end loan” means a loan for which the loan documents do not permit the borrower to redraw funds to the extent that the borrower partially prepays any outstanding balance after loan closing. For the purposes of the pooling parameters, the “closed-end” requirement does not prohibit the borrower’s prepayment of the loan.

### (F) Servicing Fee Compensation

FHA requires that a mortgagee choose a servicing fee methodology of either a flat monthly fee, as authorized by FHA, or a servicing fee computed as a percentage of the mortgage note interest. Ginnie Mae accommodates both servicing fee compensation structures, as described above in Section 35-5(E).

### (G) Issuer Obligations

Issuer Advances: Effective with any HMBS security issuance, an Issuer must be current with the following obligations:

- (1) the required payments to or on behalf of the mortgagor as they relate to the HECM loan for which any Participations remain outstanding;
- (2) the payment of the MIP and any interest on MIP due FHA on a HECM loan related to a Participation;
- (3) the payment of any late charges due FHA on the HECM loan related to the Participation; and
- (4) satisfactory compliance with any other customary covenants that Issuers are required to perform pursuant

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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to the HECM mortgage insurance program.

(H) Failure of Borrower to Meet Obligations

A Participation is not eligible for pooling if, as of the HMBS security issuance date, any of the following conditions exist with respect to the related HECM loan:

- (1) a mortgagor has died and the property is not the principal residence of at least one surviving mortgagor, unless an Eligible Non-Borrowing Spouse satisfies the conditions for deferral as described in this section below;
- (2) a mortgagor has conveyed all title in the property and no other mortgagor retains title to the property;
- (3) a surviving mortgagor no longer occupies the property as their principal residence, and the property is not the principal residence of at least one other mortgagor;
- (4) for a period in excess of twelve consecutive calendar months, a mortgagor has failed to occupy the property due to physical or mental illness and the property is not the principal residence of at least one other mortgagor; or
- (5) the mortgagor has not performed an obligation of the mortgagor as stated in the terms of their mortgage or note.

The terms of some HECM loans provide for deferral of due and payable status when the last surviving mortgagor dies and there is an Eligible Non-Borrowing Spouse identified on the HECM who satisfies the FHA qualifying attributes and FHA ongoing requirements for deferral. If the Eligible Non-Borrowing Spouse ceases to satisfy these attributes and requirements after the death of the last surviving mortgagor, the deferral period is terminated and no additional Participations related to the HECM may be pooled.

(I) Interest Rate

Any HECM loan related to a Participation may be either a fixed rate or adjustable rate mortgage.

(J) Adjustable Rate Mortgages

FHA permits the origination of adjustable rate HECM loans.

(1) Interest Rate Adjustments:

The annual adjustable rate HECM loans related to a pool may have different interest rate adjustment dates. The Participations that make up a pool of annual adjustable rate HECM Participations must all be related to HECM loans with an interest rate that adjusts on an annual basis and that will adjust within twelve months following the

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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month of pool issuance.

The monthly adjustable rate HECM loans related to a pool must have the same interest rate adjustment date – the first day of the month. The Participations that make up a pool of monthly adjustable rate HECM Participations must all be related to HECM loans with an interest rate that adjusts on a monthly basis and that will adjust in the month immediately following pool issuance.

- (2) Available Indices: Each HECM mortgage related to a pooled Participation that backs an HMBS security must be set to the same index. The available indices for a monthly adjustable rate HECM are (a) the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year (one-year CMT), and (b) the average of the London interbank offered rates (LIBOR) for one-month United States dollar deposits (one-month LIBOR). The available indices for one-year adjustable rate HECM are (a) one-year CMT, and (b) the average of the LIBOR for twelve-month United States dollar deposits (one-year LIBOR).
- (3) Calculating adjustments:
  - (a) Each HECM loan must provide for initial and subsequent interest rate changes to be calculated by adding a “mortgage margin” to the published index, and applying the rounding rule as described below. Each HECM with an interest rate that adjusts annually is subject to a 2% annual cap and a 5% lifetime cap. Each HECM with an interest rate that adjusts monthly is subject to a lifetime cap established by the lender at loan origination.
  - (b) The mortgage margin is the amount, in basis points (“bps”), to be added to the published index in order to establish a note rate adjustment. The FHA-approved lender establishes this mortgage margin at loan origination. Furthermore, and consistent with existing Ginnie Mae margin policies the HECM loan mortgage margin must always remain constant for the life of the loan. It is not necessary that all of the HECM loans related to any Participations in an HMBS pool possess the same mortgage margin.
  - (c) The HECM loans related to any Participations must provide for calculation of the new interest

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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rate by rounding the sum of the index plus the mortgage margin up (or down) to the nearest one-eighth of one percentage point (0.125).

- (4) HMBS Issuer responsibility: It is the Issuer's responsibility to originate or acquire mortgages with initial note rates, interest rate adjustment dates, indices and mortgage margins that comply with all applicable mortgage and Participation eligibility requirements contained in this chapter.

### (K) Limitation Against Encumbrances

At the time the assignment to Ginnie Mae becomes effective (i.e., when the securities are issued to the subscribers designated on the Schedule of Subscribers (form HUD 11705H) and the applicable Ginnie Mae Guaranty Agreement, (Appendix III-27), and excluding any interests arising as a result of a prior issuance of Ginnie Mae-guaranteed securities, the pooled Participations and the mortgages related to the pooled Participations must not be subject to any security interest or encumbrance arising from any previous or future assignment, pledge, hypothecation, or transfer of the Issuer's right, title, and interest in and to the Participations or mortgages.

The Issuer must provide the document custodian with releases by the interim lenders of all security interests in Participations included in a specific pool and related mortgages (see Release of Security Interest, form HUD 11711A (Appendix III-5)). In addition, the Issuer must certify that these releases encompass all Participations in the pool and the related mortgages (see Certification and Agreement, form HUD 11711B (Appendix III-5)). If there are no security interests, the Issuer must certify that fact on form HUD 11711B.

With the consent of Ginnie Mae, an Issuer may pledge its servicing income or servicing rights in pooled Participations and related mortgages in accordance with Sections 21-5, 21-6 and 35-15.

### (L) Other Requirements

Participations and related HECM loans must meet any other requirements set forth by Ginnie Mae in its Commitment to Guarantee MBS, form HUD 11704 (Appendix II-2), including the right to require unusual hazard coverage such as insurance against flood, earthquake, and other catastrophes.

### (M) Defective Mortgages

HECM loans that do not satisfy the requirements set forth in Sections 35-5 and 35-6, above, are defective and all related Participations must be removed from the related HMBS pools. HECM loan substitutions are not permitted under any

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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circumstances.

For example, a fixed rate HECM loan improperly pooled in an HMBS security with an issue date on or after June 1, 2014 in violation of Section 35-6(E) that allows for future draws to be disbursed to the borrower (regardless of whether such a draw has been requested or made) is defective and must be repurchased.

### 35-7: POOL REQUIREMENTS

The requirements described in this section may repeat, and in some cases may replace, those requirements set forth in Chapter 9. Each HMBS pool must satisfy the following requirements:

#### (A) Custom Pool Designation

Each HMBS pool must be originated and administered by a single HMBS Issuer, and that Issuer bears full responsibility to market and disseminate the related HMBS securities.

The following are HMBS pool suffix options:

1. RA – For one year adjustable rate HECM loans, one-year CMT index, 2/5 Cap structure;
2. RM – For monthly adjustable rate HECM loans, one-year CMT index, Lifetime Cap determined by Issuer;
3. AL – For one year adjustable rate HECM loans, one-year LIBOR index, 2/5 Cap structure;
4. ML – For monthly adjustable rate HECM loans, one-month LIBOR index, Lifetime Cap determined by Issuer;
5. RF – For Fixed Rate HECM loans.

#### (B) Unscheduled Payment

There are no scheduled payments of principal and interest due security holders. Rather, payments of principal and interest will generally be made on the securities under the following circumstances:

1. when a payment is made on a HECM loan which is related to a Participation that backs an HMBS security, and/or
2. upon the purchase of all Participations related to a HECM loan by the related Ginnie Mae Issuer.

#### (C) Maturity – Final Distribution Date

HECM loans do not have scheduled maturity dates. For purposes of the registration and transfer of HMBS securities through the book-entry system of the Federal Reserve Bank of

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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New York, each HMBS security is assigned a stated maturity date. This stated maturity date is also called the “Final Distribution Date” and the security is deemed to mature on that date. The Final Distribution Date is determined by adding 50 years to the issue date of the security.

(D) Minimum Pool Balances As of the date of issue, each pool must have an original principal amount of at least \$1,000,000.

(E) Minimum Number of Participations As of the date of issue, each HMBS pool must include at least 3 Participations, each of which is related to a distinct HECM loan.

(F) Mortgages Registered with MERS HECM loans are eligible for registration on the Mortgage Electronic Registration (MERS) system. Although one HECM loan may have multiple Participations in multiple HMBS pools, a HECM loan is deemed registered on MERS once the first pooled Participation has been transmitted to MERS.

Upon issuance of an HMBS security, Ginnie Mae becomes the registered “investor” on the MERS system.

General information on MERS can be found in Chapter 9-3(E).

(G) Escrow Accounts To the extent that escrow accounts are used by an Issuer, funds shall be deposited in the appropriate servicer’s escrow custodial account established for the related pool. If the Issuer has established an HMBS escrow account, a Master Agreement (Appendix III-3), form HUD 11720, must be executed.

35-8: ASSEMBLING AND SUBMITTING POOL ISSUANCE DOCUMENTS; POOL CERTIFICATION The procedures and basic document requirements for pool submission found in Chapters 10, 11, and 13 apply insofar as they are modified in this section.

(A) Paperless Processing through web-based GinnieNET Issuers may only submit HMBS pools electronically through web-based GinnieNET, using biometric fingerprint technology to validate the Issuer’s transmission by an authorized Issuer employee. Ginnie Mae requires two business days to process an HMBS pool submission.

(B) Required Documents for Approval by PPA and Ginnie Mae The Issuer must electronically deliver to the PPA those pool documents described above in Sections 10-2 and 10-3, except as modified below, for approval by the PPA.

In place of the Schedule of Subscribers & Ginnie Mae Guaranty Agreement (form HUD 11705) and the Schedule of Pooled Mortgages (form HUD 11706H), each Issuer is required to submit, through GinnieNET, the Schedule of Subscribers &

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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Ginnie Mae Guaranty Agreement (form HUD 11705H) and the Schedule of Pooled Participations and Mortgages (form HUD 11706H).

In addition to the Master Agreements required in Section 10-3(A), each Issuer is required to have on file with the PPA the Form HUD 11703-II, Master Agreement for Participation Accounting (Appendix I-7) for each Participation agent. This form provides assurance to Ginnie Mae that the pooled Participations will be monitored, accounted for and tracked in accordance with all applicable Ginnie Mae accounting requirements. The form will also serve to identify the Issuer's Participation Agent to Ginnie Mae.

The following table lists the pool documents required by the PPA for approval of pools:

DOCUMENT	FORM NUMBER	APPENDIX
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705H	III-28
Schedule of Pooled Participations and Mortgages	HUD 11706H	III-28
Master Servicing Agreement	HUD 11707	III-1
Master Agreement for Servicer's Principal and Interest Custodial Account	HUD 11709	III-2
Master Agreement for Servicer's Escrow Custodial Account	HUD 11720	III-3
Master Custodial Agreement	HUD 11715	III-4
Master Agreement for Participation Accounting	HUD 11703-II	I-7



**CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS –  
SPECIAL REQUIREMENTS (HECM / HMBS)**

(C) Required Documents For Certification by Document Custodian      The loan documents required by the document custodian to satisfy both initial and final pool certification are the same as those discussed in Appendix V-1, Chapter 10, and are summarized in the following table:

DOCUMENT	FORM NUMBER	APPENDIX
<b>FOR INITIAL CERTIFICATION</b>		
• Schedule of Pooled Participations and Mortgages	HUD 11706H	III-28
• Certification and Agreement	HUD 11711B	III-5
• Release of Security Interest, if applicable	HUD 11711A	III-5
• Note (or, in the case of modified loans, the original notes executed for the modifications) or other evidences of indebtedness, endorsed in blank, without recourse		
• Home Equity Conversion Loan Agreement, including 1. Payment Plan Rider; 2. Closing Costs' Rider, if applicable, and 3. Repair Rider, if applicable.		
• Intervening Assignments, if applicable		
• Preliminary Title Report or Title Commitment		
<b>FOR FINAL CERTIFICATION</b>		
• Security Instrument (or, in the case of modified loans, the recorded original security instrument, the related original notes, the modification agreements, and any required subordination agreements and/or title endorsements) including all applicable riders		
• Intervening Assignments, if applicable		
• Mortgage Title Insurance		

**35-9: THE PROSPECTUS, SECURITIES, AND SECURITIES MARKETING**      Preparation and delivery of securities through the depository are described in Chapter 12, except as modified below.

(A) Delivery of Prospectus      As is customary in existing Ginnie Mae programs, any HMBS issuance may not be sold in the primary market unless the HMBS Issuer has made the base prospectus and the

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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prospectus supplement available to the initial purchaser, or such documents are sent to the initial purchaser under such circumstances that would normally cause them to be received prior to any payment of all or any part of the purchase price of the security.

- (B) Forms of Securities All securities shall be issued and maintained in book-entry form at the Federal Reserve Bank of New York.
- (C) HMBS Security Interest Rate The HMBS security interest rate has a weighted average coupon (WAC) which is reported monthly to the CPTA by the Issuer. The WAC is generally equal to the weighted average of the Participation Interest Rates on the related Participations. With respect to each Participation, the Participation Interest Rate generally equals the interest rate of the related HECM loan, less the Servicing Fee Margin. The Issuer is required to report the WAC interest rate along with the RPBs as discussed below in Section 35-13.
- (D) No Scheduled Principal or Interest HMBS security holders are not entitled to scheduled payments of principal or interest.
- (E) Base Prospectus The base prospectus for all HMBS securities is form HUD 11775-II (Appendix IV-29). The base prospectus sets forth the disclosures generally applicable to all HMBS pool type designations.
- (F) Prospectus Supplement The prospectus supplement for the HMBS security is either the applicable form HUD 11776-II or form HUD 11777-II. The prospectus supplement sets forth the disclosures unique to the pool of Participations securitized, and supplements the base prospectus. The CPTA, in order to issue the security, prepares the prospectus supplement based on the data reported by the Issuer. A base prospectus and the related prospectus supplement will be posted to the Ginnie Mae website, at [www.ginniemae.gov](http://www.ginniemae.gov), to coincide with each HMBS security issuance.

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

### 35-10: POOL ADMINISTRATION

- (A) Advances and Payment Obligations      The Issuer is required to fund monthly MIP payments to FHA, monthly guaranty fees to Ginnie Mae and any interest shortfalls which may arise out of payments made other than on the first day of the month, whether through partial prepayment or full prepayment. Issuers are also required to fund any draws on the borrower's outstanding line of credit, so long as the principal limit amount is not exceeded.
- (B) Purchase Events      Delinquency requirements outlined in Sections 3-16 and 18-3(B), (C), and (D) do not apply to the HMBS Program. Other than the purchase obligation set forth in Section 35-6(M), an Issuer is only permitted to purchase the Participations related to a HECM loan under the following conditions:
- (1) Mandatory Purchase Event: The Issuer is required to purchase all Ginnie Participations related to a HECM loan when the outstanding principal balance of the HECM loan is equal to or greater than 98% of the Maximum Claim Amount.
  - (2) Optional Purchase Events: At the Issuer's option and without Ginnie Mae's prior authorization, an Issuer may purchase any pooled Participation under the following circumstances:
    - (a) Any mortgagor's request for an additional HECM advance, if funded, would result in an outstanding principal balance that would exceed the 98% Maximum Claim Amount threshold, or
    - (b) The mortgagor's HECM loan becomes, and remains at the end of the Issuer's reporting month, due and payable in accordance with its terms when the following conditions exist:
      1. a mortgagor dies and the property is not the principal residence of at least one surviving mortgagor;
      2. a mortgagor conveys all of their title in the mortgaged property, and no other mortgagor retains title to the mortgaged property;
      3. the mortgaged property ceases to be the principal residence of a mortgagor for reasons other than the death of the mortgagor, and the

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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mortgaged property is not the principal residence of at least one surviving borrower;

4. a borrower fails to occupy the mortgaged property for a period of longer than twelve consecutive months, due to physical or mental illness and the mortgaged property is not the principal residence of at least one other borrower; or
5. a borrower fails to perform any of its obligations as described in the terms of the HECM loan.

The terms of some HECM loans provide for deferral of due and payable status arising from the death of the last surviving mortgagor if an Eligible Non-Borrowing Spouse is identified on the HECM. An Issuer may not buyout any pooled Participation as due and payable when such status is deferred. Deferral ceases when an Eligible Non-Borrowing Spouse has ceased to meet one or more of the FHA qualifying attributes or requirements for deferral of due and payable status.

- (3) Release price: For any purchase event, the Issuer is required to purchase all Participations related to a HECM loan in any related HMBS pools (the “Ginnie Participations”) at the release price. The release price equals one hundred percent (100%) of the Outstanding Principal Amount of all of the Ginnie Participations related to such HECM loans. In connection with any purchase event described above, the Issuer is required to purchase the Participations at the end of the reporting month. Upon payment of the release price, Ginnie Mae releases all rights, title and interest it has in the related HECM loans, the related Ginnie Participations and any other related interests in such loans, and the related Ginnie Participations are extinguished. The proportionate share of any amounts payable, pursuant to the release price described in this section, shall be passed through to Security Holders. Purchase events are treated as payoffs of the related Participations, and the Issuer is required to follow the procedures for payments due security holders as described below in Section 35-11.
- (4) To the extent that a Participation is purchased from an HMBS pool, that amount is disaggregated back into its component parts, and those amounts will begin accruing once again on the Issuer’s books. The Issuer is then free to bundle outstanding HECM balances into a new

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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Participation for pooling in a new HMBS pool at its discretion, so long as pooling requirements are met.

- (5) No Issuer or subcontract servicer may, without the written permission of Ginnie Mae, remove a Participation from a pool or reduce a balance on a pooled Participation for any reason not specifically authorized in the applicable Guaranty Agreement or this MBS Guide.

### 35-11: PAYMENTS TO SECURITY HOLDERS

General requirements for payments to security holders, as described in Chapter 15, apply to all HMBS pooling, except as modified in this section.

The following requirements for the computation of deposits for HECM pools replace those described in Section 15-4: The Issuer shall deposit into its Central P&I Custodial Account funds necessary and sufficient to enable the CPTA to make (a) all payments to Security Holders required to be made under the terms and conditions of all HMBS securities issued and outstanding, and (b) funds necessary to pay Ginnie Mae's guaranty fee for all outstanding securities. All such deposits must be made in a timely manner (i) in the case of payments required to be made to Security Holders of certificated HMBS securities and all other payments on the 19<sup>th</sup> calendar day of the month, or, if the 19<sup>th</sup> calendar day is not a business day, then on the business day immediately preceding the 19<sup>th</sup> calendar day, and (ii) in the case of payments required to be made to Security Holders in book-entry form, the 20<sup>th</sup> calendar day or, if the 20<sup>th</sup> calendar day is not a business day then on the next business day. If the Issuer operates as both an HMBS and non-HMBS Issuer, then separate accounts must be established for HMBS and non-HMBS pools.

#### (A) Interest

Interest accrues on each HMBS security on a monthly basis at the HMBS security interest rate, as defined above in Section 35-9(C). Interest accrued shall not be paid to Security Holders on a monthly basis. Interest accrued and not paid will be added to the outstanding remaining principal balance of the security, as of the close of business on the last business day of the month in which the interest accrues. Amounts accrued on each HMBS security in respect of monthly interest, shall equal the product of (i) one-twelfth of the HMBS security interest rate and (ii) the unpaid principal balance of such security at the end of the prior month. To the extent, however, that there are any interest shortfalls resulting from a mortgagor's prepayment during the month, the Issuer shall be obligated to pass-through to Security Holders, on the distribution date following the reporting month in which the prepayment occurred, an amount equal to the

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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aggregate amount of interest due on such prepayment for the entire month.

### (B) Unscheduled Recovery of Principal

Any deposits to the central P&I custodial account must include the pro rata share of all unscheduled recoveries of principal received by the Issuer through the monthly reporting cut-off date.

Unscheduled recoveries of principal are proceeds received in the Reporting Month preceding the related Distribution Date, and are any and all proceeds received or due in connection with the HECM loans or the property securing the HECM loans, other than miscellaneous collections which include any amounts not permitted to be included in the principal balance of the HECM loan. Unscheduled recoveries of principal and interest include, for instance, but are not limited to, the following:

1. prepayments,
2. mortgage or title insurance and guaranty claim settlement proceeds,
3. hazard insurance and condemnation proceeds, to the extent not used to repair the collateral,
4. proceeds from foreclosure sales or, if applicable, repossession sales and any payment,
5. proceeds from any sale, resale, transfer or disposal of a HECM loan or any interest in a HECM loan,
6. any principal amount of a HECM loan finally discharged by a bankruptcy court,
7. payment from the Issuer's own funds as required under the Guaranty Agreement,
8. payments of any taxes, insurance or other amounts related to the preservation of the mortgaged property, and
9. all other payments or proceeds that include any amounts reflecting the recovery of principal due on a HECM loan.

The pro rata share of any such payment will be considered an unscheduled recovery of principal due security holders. The pro rata share, with respect to each HECM loan, is an amount equal to the aggregate amount of such principal recoveries of said HECM loan, multiplied by the ratio of the outstanding principal amount of the pooled Participation to the unpaid principal balance of such HECM loan. Unscheduled recoveries of

**CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS –  
SPECIAL REQUIREMENTS (HECM / HMBS)**

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principal must, as appropriate, be deposited into the central P&I custodial account so long as funds are due under any HMBS security. Advances previously made by the Issuer may not be recovered from these funds. Any deduction from an unscheduled recovery of principal made by third parties must be replaced by the Issuer prior to deposit.

**(C) Payment Based on Issuer Reported Payments**

The Issuer is required to report, on a monthly basis, any payments from the mortgagor, from claims or from payments associated with a purchase event, as described above in Section 35-6.

Inaccurate RPB reporting is considered a failure by the Issuer to remit timely and accurate payment to security holders. Issuers who report incorrect RPBs may be subject to default and/or other sanctions.

**(D) Escrow and Miscellaneous Collections**

Miscellaneous collections shall include, to the extent paid pursuant to the terms of the loan, any amounts that are not permitted to be included in the outstanding principal balance of a mortgage.

**(E) Losses Associated with the Removal of Participations**

To the extent that the remaining principal balance of any Ginnie Participation related to a HECM loan has not been recovered by the Issuer at the earliest of:

- (1) final payment of the mortgage insurance claim proceeds, or other final disposition of a claim by the insuring federal agency; or
- (2) the withdrawal from the pool of a Participation related to a defective loan; or
- (3) any other complete liquidation or disposition of the HECM loan or the mortgaged property (including, but not limited to, completion of foreclosure or any other act by which the mortgage is no longer in its pool or no longer provides backing for the securities related to that pool); or
- (4) any other liquidation or disposition of the HECM loan or the property secured thereto; or
- (5) any other act or transaction that has the effect of causing the mortgage or payments or recoveries related to the principal of the mortgage to no longer be available as backing for the security related to the mortgage; or
- (6) the occurrence of any Mandatory purchase event or the Issuer's exercise of its right to purchase any Ginnie Participations related to a Mortgage in connection with a

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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98% optional purchase event or the due and payable purchase event.

The deposit in the central P&I custodial account following the month in which an action described above in this section, shall include an amount to be paid from the Issuer's own funds, that, with respect to the amount owed on the related securities, will reduce the RPB of the related HMBS Participations to zero.

### (F) Excess Funds

Excess funds do not exist for HMBS pools. Therefore, no excess funds are available for use in lieu of an Issuer's own funds to make necessary advances.

### 35-12: POOL, LOAN, AND PARTICIPATION ACCOUNTING AND REPORTING

This section replaces those accounting and reporting requirements set forth in Section 14-6 and Chapter 17.

The Issuer will be required to report Pool, Loan and Participation level accounting data to the Ginnie Mae Data Collection Agent (see Addresses) on a monthly basis. The reporting approach, in general, follows the current Ginnie Mae II reporting requirements for pools, loans and securities. Certain data elements, which shall remain static throughout the life of the HECM loan, shall be collected only once at pool issuance. Ginnie Mae will retain such information in its database. Thereafter, the various static data will be reported by the Issuer only if there is a need to amend the original data.

The Issuer will report the following monthly reporting data in separate files:

- Pool/Security Accounting Records — accounting data about the pool that will include Collateral Information and reporting about the HMBS security.
- Participation Accounting Records — accounting data about each Participation, including interest accruals and payment amounts.
- HECM Loan Data Accounting Records — accounting data about the securitized portion of the HECM loan, the un-securitized portion of the HECM loan, and the HECM loan as a whole.

The Issuer shall submit the monthly reporting data to Ginnie Mae's Reporting and Feedback System (RFS) via the Ginnie Mae Enterprise Portal (GMEP) using the HMBS Issuer Pooling and Reporting Specification layouts contained in Appendix VI-17.



## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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The monthly reporting data in Appendix VI-17 is due by 7:00 pm (Eastern Time) on the 2<sup>nd</sup> business day of the month following the reporting month. All other corrections to the monthly reporting data are due no later than 7:00 pm (Eastern Time) on the 10<sup>th</sup> business day of the month following the reporting month.

The Issuer must also submit the HMBS Issuer's Monthly Summary Report, form HUD 11710-DH (Appendix VI-21). The form may be submitted as early as the 2<sup>nd</sup> business day of the month following the reporting month, however the Issuer must submit the report no later than 7:00 pm (Eastern Time) on the 4<sup>th</sup> business day of the month following the reporting month. Revisions to the HUD-11710-DH may be made between the 2<sup>nd</sup> and 4<sup>th</sup> business day. If the Issuer submits a late correction of the Appendix VI-17 data, the Issuer's submission must be accompanied by a revised form HUD-11710-DH.

### (A) ACCOUNT AND RECORD MAINTENANCE

All accounts and records related to the pooled Participations, other interests and securities must be maintained in accordance with sound accounting practices, and in a manner that will permit Ginnie Mae or its representatives time to examine and audit them at any reasonable time. Furthermore, the Issuer must be able to recreate and provide a paper copy of any monthly report, for auditing purposes.

### (B) MONTHLY REPORTING AND CUT- OFF DATES

Each Issuer must establish a monthly reporting cut-off date for purposes of making payments to security holders, for reporting RPBs and for discharging its accounting responsibilities, as stated in this chapter. Upon acceptance into the Ginnie Mae HMBS program, Issuers are required to select a monthly reporting cut-off date and are expected to apply this date consistently. The date selected must be between the 25<sup>th</sup> of the month and the first of the next month. Once established, this cut-off date will apply to all of the Issuer's pools. As noted, the stated cut-off date must be utilized consistently and may not be changed without prior written approval from Ginnie Mae's Office of Issuer & Portfolio Management (see Addresses). The period beginning the day after a monthly reporting cut-off date and continuing through the next monthly reporting cut-off date is referred to in this MBS Guide as either the "reporting month" or "monthly reporting cycle". If, for instance, an Issuer were to establish the first day of the month as its monthly reporting cut-off date, and then fail to report its RPBs in a timely fashion, Ginnie Mae may require the Issuer to establish an earlier monthly reporting cut-off date.

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

### 35-13: REPORTING REMAINING PRINCIPAL BALANCES

Issuers are required to report RPBs, the HMBS security's weighted average coupon interest rate and any unscheduled payments received during the reporting month, to Ginnie Mae's PPA (see Addresses). These reporting obligations apply to all active HMBS pools. The Issuer is required to submit this data on the second business day of the month following the pool issuance date, and every month thereafter for the life of the pool. Issuers should use the RPB reporting record format provided in Appendix VII-2, HMBS RPB Electronic Reporting Requirements

By submitting these reports electronically through web-based GinnieNET, the Issuer certifies that the information contained therein is true and accurate to the best of the Issuer's knowledge and belief.

### 35-14: MATURITY OR TERMINATION OF POOL

A pool matures on the earlier of the Final Distribution Date or on the payment date following the reporting month in which the Issuer is entitled to receive the final payments due on the pooled Participations. An early pool termination occurs by consent of the Issuer and the security holders when the securities collateralized by a pool of Participations are terminated prior to the Final Distribution Date and the maturing of the mortgages related to the pooled Participations.

The requirements described in this Section 35-14 replace those set forth in Chapter 20.

#### (A) Pool Maturity

When an HMBS pool matures, final payment due on book-entry securities must be made by the CPTA to the depository no later than the 20<sup>th</sup> of the month following pool termination. The book-entry securities will be canceled by the CPTA based on the Issuer reporting that the underlying HECM loans have all attained a stated maturity event.

When the pool matures, any final payment due on securities held in certificated form is made only upon surrender of the outstanding certificates to the CPTA for cancellation. The CPTA will give notice of final payment to the security holders in time to enable them to surrender the securities to the CPTA and still receive timely payment by the 20th of the month.

For matured pools, in the month final payment is to be made to security holders, monthly accounting documents will be submitted to the Ginnie Mae Reports Group (see Addresses), and security holder payments and guaranty fee payments will be made through ACH procedures (see Sections 15-3 and 35-

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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3(E)).

(B) Early Pool Termination An HMBS pool may be terminated prior to the Final Distribution Date and the maturing of the mortgages related to the pooled Participations if the Issuer and all security holders of the outstanding securities relating to the pool have entered into an agreement for the termination and if Ginnie Mae has approved the termination. Upon formal notification and evidence satisfactory to Ginnie Mae that all parties to the termination agreement have concurred, the related Guaranty Agreement will be cancelled. HMBS Participations related to the same HECM loan may be pooled in different HMBS securities. Only the security holder of the pool to be terminated must consent to the termination. Ginnie Mae will not permit an HMBS pool to be terminated without a cash payment to security holders for any payment required under the terms of the outstanding securities.

No pool may be terminated pursuant to an Issuer's or subcontract servicer's unilateral prepayment of HMBS Participations, HECM loans or HMBS securities, in excess of the payments received from the mortgagors or other unscheduled recoveries of principal.

(C) Disposition of Remaining Funds Upon termination or maturity of a pool, any funds remaining in the P&I custodial account that relate to the terminated pool, and to which the Issuer is not otherwise entitled based on the terms of the applicable Guaranty Agreement and this MBS Guide, must be remitted to the CPTA (see Addresses).

35-15: TRANSFERS AND PLEDGES The general requirements for transfers and pledges found in Chapter 21 apply to HECM pools, except as modified in this section.

With the consent of Ginnie Mae, an Issuer may pledge its servicing income or servicing rights in pooled Participations and related mortgages in accordance with Sections 21-5 and 21-6.

(A) Approval by Ginnie Mae In addition to the approval requirements in Chapter 21, each transfer of a mortgage related to a pooled Participation or any balance under a HECM loan that is not part of a Participation must receive Ginnie Mae's prior written approval and is subject to Ginnie Mae's determination, in its sole discretion, that the transfer complies with the requirements of the applicable Guaranty Agreement, this MBS Guide, and any other requirement of the applicable Ginnie Mae MBS Program, and that it will not harm the Ginnie Mae MBS Programs.

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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(B) Transfer to Subcontract Servicer	An Issuer is only permitted to have one subcontract servicer for an individual HECM loan. HMBS subcontract servicing activities may only be performed by an HMBS-approved Issuer.
(C) Transfer of Issuer Responsibility	In addition to the transfer requirements found in Section 21-8(A), the transferring Issuer must transfer to the acquiring Issuer all of its rights, title and interest in the Mortgages and any balance under the HECM loan that is not part of an HMBS pool. Partial HECM loan transfers are not eligible. Issuer responsibility for HMBS pools may only be transferred to an HMBS-approved Issuer.
35-16: ISSUER DEFAULT	The descriptions found in Chapter 23 addressing the grounds for declaring an Issuer default and the remedies available to Ginnie Mae against Issuers, document custodians, subcontractors, and other persons apply to HMBS pools, except as modified in the HMBS Guaranty Agreement, Appendix III-27.
(A) Events of Default	<p>In addition to the events of default in Chapter 23, an event of default by the Issuer occurs when Ginnie Mae determines, in its sole discretion, that any of the following events have occurred or conditions exist:</p> <ol style="list-style-type: none"><li>1. Any failure by the Issuer to deposit in the Central P&amp;I Custodial Account the amount necessary to enable the CPTA to remit to the security holders any payment required to be made under the terms and conditions of this Agreement, the MBS Guide or the Securities issued and outstanding under the Guaranty Agreement, as of the due date of such payment;</li><li>2. Any notice by the Issuer to Ginnie Mae for an advance of funds in order to make a deposit necessary to enable the CPTA to make security holder payments, or the subsequent making of any part or all of such advance by Ginnie Mae;</li><li>3. Any other act or omission by an Issuer that causes the required payment to the security holders not to be made timely;</li><li>4. Any notification to Ginnie Mae by the Issuer that it will not meet, or is unlikely to meet, its payment obligations in a timely manner;</li><li>5. Any impending or actual insolvency of the Issuer;</li><li>6. Any change with respect to the business status of the Issuer, whether or not subject to the reporting</li></ol>

## CHAPTER 35: HOME EQUITY CONVERSION MORTGAGE LOAN POOLS – SPECIAL REQUIREMENTS (HECM / HMBS)

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requirements of section 7.02 of the Guaranty Agreement, which materially adversely affects Ginnie Mae under the Guaranty Agreement, or which materially adversely affects the ability of the Issuer to carry out its obligations hereunder;

7. Any unauthorized use of custodial funds;
8. Any withdrawal or suspension of the Issuer's Federal Housing Administration approved status or of Federal National Mortgage Association or Federal Home Loan Mortgage Corporation approved seller/servicer status;
9. Any submission of false reports, statements or data or any act of dishonesty or breach of fiduciary duty to Ginnie Mae related to the MBS program;
10. Any failure by the Issuer to make future advances to any mortgagors in accordance with the terms and conditions of the Mortgages;
11. Any failure by the Issuer to perform any covenant or obligation to maintain FHA insurance on any Mortgage;
12. Any demand by FHA that the Issuer reimburse FHA for its payments to a mortgagor or assign a Mortgage to FHA; and
13. Any failure by the Issuer to purchase any Ginnie Participations related to a Mortgage in connection with a Mandatory purchase event as described in Section 35-10(B)(1) or Section 4.02 of the Guaranty Agreement.