

### **PART A. GENERAL ELIGIBILITY REQUIREMENTS FOR DOCUMENT CUSTODIANS**

To be a document custodian for Ginnie Mae pools, an organization must meet, and continue to satisfy, the requirements contained in this chapter. In addition to these requirements, eCustodians maintaining Digital Collateral must also meet the requirements contained in the Digital Collateral Guide, Appendix V-07 to the MBS Guide.

#### **Section 1. Subject to Federal Banking Regulation & Oversight**

The document custodian must be a financial institution subject to federal banking regulation and oversight by one of the following agencies:

- (a) Federal Deposit Insurance Corporation (FDIC);
- (b) Office of the Comptroller of the Currency (OCC);
- (c) National Credit Union Administration (NCUA);
- (d) Federal Reserve (FRB); or
- (e) Be a Federal Home Loan Bank (FHLB).

The document custodian must be in good standing with its primary regulator, which means that the organization must not be in receivership, conservatorship, liquidation or any other program of management oversight by its primary regulator, unless it is operating under an approved management plan. In the event of a failure to be in good standing with its primary regulator, the document custodian must immediately notify Ginnie Mae in writing of all formal or informal supervisory and/or regulatory actions, including terminations. Regulatory actions include, but are not limited to, supervisory agreements, cease and desist orders, notices of determination, memoranda of understanding, and any adverse action taken by the U.S. Department of Housing and Urban Development (HUD), Department of Public and Indian Housing (PIH), Department of Veterans Affairs (VA), Rural Development (RD), or by any state regulatory agency. Supervisory actions include, but are not limited to, the appointment of a trustee, conservator or managing agent.

The trust service function must be subject to periodic review or inspection by the primary regulator. If, upon such review, the trust service function is suspended or terminated, the Issuer and document custodian must notify Ginnie Mae's Office of Issuer & Portfolio Management (see Addresses) immediately and must transfer the documents to a new document custodian in accordance with Ginnie Mae instructions.

#### **Section 2. Maintain Physically Secure, Fire Resistant Storage Facilities**

A document custodian must maintain secure, fire resistant storage facilities with adequate access controls to ensure the safety and security of pool and loan documents. The access controls may be either in (1) an automated form, such as requiring each employee to use a security card reader (with electronic access record) to gain entry to the vault; or (2) a manual form, requiring two employees to be present whenever the vault is entered, with a written access log maintained.

All document custodial facilities must provide a minimum of two (2) hours of fire protection, which must be attested to by a written statement from the insurance company of the document custodian, the fire marshal of the applicable jurisdiction or an independent, qualified fire protection contractor. This statement of compliance must be updated upon any significant change in the facility and be available for inspection by Ginnie Mae or its designee.

#### **Section 3. Employ Personnel with in-depth Knowledge of the Ginnie Mae Programs for which it will Provide Document Custody Services**

A document custodian is required to utilize employees who are familiar with the procedures of their respective job function and:

- (a) The requirements for document custodians under the Ginnie Mae MBS program as contained in the MBS Guide, including this Manual;

- (b) Demonstrate practical experience with each Ginnie Mae program type that represents loan and pool packages that will be held in custody;
- (c) The required pool and loan documents; and
- (d) The required Ginnie Mae, HUD, FHA, VA, RHS and PIH Section 184 documents and corresponding loan programs

### **Section 4. Meet Minimum Ginnie Mae Financial Requirements**

The document custodian must have available for review, by Ginnie Mae or its designee, annual financial statements audited by an Independent Auditor (IA) that report that the document custodian, or its parent, meets the minimum capital requirements of its primary regulator. Ginnie Mae, in its sole discretion, may allow institutions to hold documents and take on additional work while operating under an approved management plan. However, while a document custodian is preparing a capital/management plan or awaiting approval of the plan by its regulator, the document custodian may be prevented from accepting Ginnie Mae related custodial work. Institutions will not be allowed to accept new Ginnie Mae related custodial work while experiencing a capital shortfall.

### **Section 5. Maintain Minimum Insurance Coverages**

A document custodian must maintain the following insurance coverages to indemnify Ginnie Mae against losses involving Ginnie Mae pool and loan documents in its custody:

- (a) Financial Institution Bond to include the following coverages:
  - (i) Fidelity
  - (ii) Premises
  - (iii) In Transit
  - (iv) Forgery or Alteration
- (b) Trust Operations Errors and Omissions (“E&O”) for document custodians holding in excess of \$500 million in Ginnie Mae pool and loan documents

The Financial Institution Bond must be underwritten by an insurance carrier with an A. M. Best’s rating of B+ or better (or be affiliated with Lloyds of London). The carrier must be specifically licensed or authorized by law to transact business within the states or territories in which properties securing the pool and loan documents are located.

The loss payable endorsement must name Ginnie Mae as the loss payee, as follows:

*In the event of a loss affecting the interest of the Government National Mortgage Association, the Government National Mortgage Association, its successors and assigns shall be named on the loss payable draft as their interests may appear.*

Coverage must be maintained in amounts that are deemed adequate for the number of notes, mortgages, and assignments held in custody and that are deemed appropriate based on prudent business practice. The deductible should be no more than the greater of five (5) percent of the document custodian’s generally accepted accounting principles (GAAP) net worth or One Hundred Thousand Dollars (\$100,000), but in no case greater than (Ten Million Dollars) \$10,000,000.

### **Section 6. Follow Established Written Procedures**

The document custodian must establish and periodically update written procedures within its operation for Ginnie Mae pool and loan document review, and for the processing of pool and loan documents. The written procedures must, at a minimum, address the document review and control requirements set forth in this Manual.

### **Section 7. Maintain a Written Disaster Recovery Plan**

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The written disaster recovery plan must cover restoration of the facilities, physical recovery of the files, and backup and recovery of information from electronic data processing systems. The disaster recovery plan must document, the following, at a minimum:

- (a) The recovery of the electronic tracking system utilized by the document custodian (both data and reports);
- (b) The relocation/restoration of the document custodial facilities to ensure the continuing ability to perform required custodial functions;
- (c) Additional requirements for the testing and maintenance of the plan;
- (d) Procedures for notifying both the Issuer(s) and Ginnie Mae of a disaster within 24 hours of the event; and
- (e) Certification testing which provides for the disaster recovery plan to be tested annually and acknowledged by an independent party (i.e., Internal Audit or an Independent Auditor). Such acknowledgment must state that the test was completed successfully. In the event that the document custodian facility failed the disaster recovery test, the date of the failed test and the reason(s) for the failure, and the date the most recent successful test was completed.

The document custodian must inform Ginnie Mae and all Issuers affected by a disaster within 24 hours of the event. Continued discussions with Ginnie Mae staff during the subsequent period are required until completed.

Actual recovery plans involving the re-creation of documents lost during the disaster will be reviewed on a case-by-case basis with Ginnie Mae staff, the Issuer and the document custodian.

Issuers ultimately bear full responsibility for the reconstruction of loan files. The degree of responsibility of the document custodian to the Issuer depends on the contractual agreement between the two parties.

### **Section 8. Maintain a Quality Control Plan**

The document custodian must have in place and maintain a written quality control plan for review standards utilized by the document custodian.

The document custodian also must have available for review, by Ginnie Mae or its designee, its most recent quality control audit report and must disclose any action taken as a result of the quality control review findings.

### **Section 9. Remain in Good Standing**

If the document custodian is a Government Sponsored Enterprise (“GSE”) approved document custodian, it must be in good standing with the GSE(s), certify to Ginnie Mae to that effect, and certify whether it is or has been the subject of any adverse action by either GSE; and

In the event of any adverse action, including but not limited to suspension or termination of document custodian authority, by one or both of the GSEs, the document custodian must notify Ginnie Mae in writing immediately.

The document custodian also must notify Ginnie Mae in writing immediately upon the receipt of any adverse, supervisory or regulatory action taken against it by the U.S. Department of Housing and Urban Development (HUD) Office of Public and Indian Housing (PIH), the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), Department of Agriculture’s Rural Development Office (RD), or by a state licensing agency. Supervisory actions include, but are not limited to, the appointment of a trustee, conservator or managing agent. Regulatory actions include, but are not limited to, supervisory agreements, cease and desist orders, notices of determination, memoranda of understanding, and any adverse action taken by the U.S. Department of Housing and Urban Development (HUD) Office of Public and Indian Housing (PIH), Federal

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Housing Administration, Department of Veterans Affairs, Department of Agriculture's Office of Rural Development, or by a state licensing agency.

### **Section 10. Possess Fiduciary Powers**

The document custodian must have or obtain approval to exercise fiduciary powers from its primary regulator. Such fiduciary powers must:

- (a) include ordinary trust services such as personal trust services, personal representative services (executor), guardianship, custodial services and/or investment advisory services offered to the public; and
- (b) not be limited to maintaining custody of documents for Ginnie Mae Issuers.

The document custodian function must also be subject to periodic review or inspection by the primary regulator. If, upon such review, the document custodian function is suspended or terminated, the Issuer and document custodian must immediately notify Ginnie Mae's Office of Issuer & Portfolio Management (see Addresses) and must transfer the documents to a new document custodian pursuant to Ginnie Mae's instructions.

### **Section 11. Remain Physically Separate from Clients Participating in Ginnie Mae's Program**

The document custodian operations, including the custodian's files, must be physically separate from the mortgage origination, selling, or servicing department of any entity for which the document custodian provides the custodial functions required by the MBS Guide.

### **Section 12. Other Requirements**

A document custodian must satisfy all requirements determined by Ginnie Mae, in its sole discretion, to be necessary for the protection of Ginnie Mae's interest in the pool and loan documents and set forth in writing.

## **PART B. ADDITIONAL REQUIREMENTS FOR ISSUERS PERFORMING SELF CUSTODY**

An Issuer that meets the requirements of [Part A, General Eligibility Requirements for document custodians](#), may perform the custodial functions required in this Manual for its own issuance activities, but only if:

- the issuer has a trust department with fiduciary powers in accordance the requirements of [Section A\(10\), Possess Fiduciary Powers](#);
- Such trust department is vertically independent from the Issuer's mortgage loan origination, servicing or selling functions. Neither the trust department, nor any of its principals, officers, or employees, may be directly or indirectly supervised by any principal, officer, or employee of the Issuer's mortgage loan origination, servicing, or selling functions;
- The trust department maintains personnel that is different and separate from any personnel within the Issuer's mortgage loan origination, servicing, or selling functions, and;
- The custodial functions are performed by the trust department described herein.

## **PART C. ADDITIONAL REQUIREMENTS FOR PERFORMING CUSTODIAL ACTIVITIES FOR AFFILIATES**

An "Affiliate" is an organization that can exercise control or significant influence over the management or operating policies of the Issuer, directly or indirectly, through some type of influence or control or ownership, as defined in GAAP. An Affiliate may also be an organization that is controlled by, or whose management or operating policies may be significantly influenced by, the Issuer, through some type of control or ownership, as defined in GAAP.

Document custodians may not provide the custodial functions required by this Guide for any Affiliate unless the following two conditions are met:

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- First, the document custodian must meet and continue to satisfy the requirements of [Part A, General Eligibility Requirements for Document Custodians](#); and
- Second, the document custodian must be, and remain, vertically independent from the Affiliate Issuer. For purposes of this requirement, the document custodian is **not** vertically independent if:
  - its principals, officers, or employees are directly or indirectly supervised by the Affiliate Issuer;
  - it must report to its controlling entity or another Affiliate through the Affiliate Issuer or any of the Affiliate Issuer's employees, or;
  - the document custodian, its principals, officers, or employees are supervised by an Affiliate that is controlled by the Affiliate Issuer.

### PART D. DOCUMENTATION OF ELIGIBILITY

The document custodian must retain the following documentation in its files as evidence of its compliance with Ginnie Mae requirements:

#### **Section 1. Management Statement of Good Standing**

Management's statement that the organization is in good standing with its primary Federal banking regulator as described under [Section \(A\)\(1\), Subject to Federal Banking Regulation & Oversight](#), above.

#### **Section 2. Proof of Storage Facilities Security**

Documentation from the document custodian's insurance company, local fire marshal or an independent, qualified fire protection contractor as described under [Section \(A\)\(2\), Maintain Physically Secure, Fire Resistant Storage Facilities](#), above.

#### **Section 3. Documentation Related to Personnel Experience and Qualifications**

Résumés from the on-site manager and the officers who will supervise the Ginnie Mae document custodial functions. Such résumés must address the requirements under [Section \(A\)\(3\), Employ Personnel with in-depth Knowledge of the Ginnie Mae Programs for Which it will Provide Document Custody Services](#), as well as related trust and/or mortgage document custodial experience.

#### **Section 4. Financial Statements**

A current audited annual financial statement of the document custodian or its parent as required under [Section \(A\)\(4\), Meet Minimum Ginnie Mae Financial Requirements](#), above.

#### **Section 5. Proof of Insurance Coverage**

Evidence of insurance coverage, policies or commitments pertaining to insurance as required under [Part A, Section \(5\), Maintain Minimum Insurance Coverages](#).

#### **Section 6. Statement of Written Procedures**

A statement from management that the organization has established the required written procedures for document review.

#### **Section 7. Proof of Fiduciary Powers**

A copy of the approval from the document custodian's primary regulator permitting the institution to exercise fiduciary powers and a written statement from management explicitly describing how the organization meets the trust department requirements; or

If the document custodian is an Issuer that is performing custodial functions for itself (self-custody), maintain a copy of the approval from its primary regulator permitting the institution to exercise fiduciary powers and a written statement from management explicitly describing how the organization meets the trust department requirements under [Part B, Additional Requirements for](#)

[Issuers Performing Self Custody](#), as well as a description of the corporate structure, an organizational chart, or any other supporting documentation when required by Ginnie Mae.

### **Section 8. Additional Documentation for Entities Providing Custodial Services for an Affiliate**

If the document custodian will provide document custodial services for an affiliated Issuer, then the document custodian must have a written statement from management describing the nature of the affiliate relationship, signed by both the issuer and the document custodian; a copy of the document custodian's written approval from its primary regulator to exercise fiduciary powers and supporting documents evidencing that the organization meets the requirements under [Part C, Additional Requirements for Performing Custodial Activities for Affiliates](#), including a description of the corporate structure or an organizational chart as required by Ginnie Mae, and;

### **Section 9. List of Clients that Participate in Ginnie Mae's Program**

A current listing of all Issuers for whom the document custodian provides document custody services, detailing the Ginnie Mae pools maintained by the document custodian on behalf of those Issuers.

This documentation must be retained by the document custodian and made available to Ginnie Mae or its designee.

The document custodian must be able to respond to inquiries from Ginnie Mae or its designee in a timely manner and demonstrate the capability and agreement to comply with the requirements described above and any other requirements that Ginnie Mae, in its sole discretion, may establish.

## **PART E. GINNIE MAE DOCUMENT CUSTODIAN ID NUMBER**

If the institution meets all eligibility requirements Ginnie Mae, in its sole discretion, may assign the institution a Ginnie Mae document custodian identification number. The institution must contact Ginnie Mae (see [Summary of Addresses](#) in the Guide) to obtain a document custodian identification number. This ID number must be included in all correspondence with Ginnie Mae and with all custodial signatures on the HUD forms.