



# Request for Input

Eligibility Requirements for  
Single Family MBS Issuers

**Responses Due August 9, 2021**

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## Overview

Ginnie Mae anticipates making changes to the financial requirements that must be met to obtain or maintain Single Family issuer approval and is soliciting input from stakeholders about the proposed changes.

## Background

Since the Global Financial Crisis (GFC), Ginnie Mae has continuously assessed MBS Guide requirements with a goal of continuing to ensure issuer success in our program while minimizing risk to the government's unconditional guarantee.

Ginnie Mae's general view during this period has been that changing risk characteristics – such as the increased size of the guaranteed portfolio(s), the changing profile of the issuer base, and a greater systemic vulnerability to economic stress and liquidity shocks – have necessitated a more rigorous set of financial requirements than was in place during the GFC. The development and implementation of new requirements has been undertaken at a measured pace however, out of a desire to minimize disruption during the transition to higher standards.

Informed by Ginnie Mae's issuer stress testing analytical framework and observations of systemic stress stemming

from the COVID-19 pandemic, Ginnie Mae has recently identified areas for enhancement to the requirements articulated in Chapters 2 and 3 relating to capital and liquidity.

The following principles have been important in the development of these proposed requirements, which are the subject of this RFI.

- to address all lines of mortgage banking activity (including the interest rate risk to origination pipelines), and the entirety of the issuer's financial profile;
- to introduce risk-based capital requirements, reflecting the varying risk associated with different asset types;
- to align our requirements to the greatest degree possible with the other governmental bodies who regulate this area; and
- to make the requirements easy to calculate and integrate into an issuer's capital planning.

## Input Sought

The proposed revisions to existing requirements, to take effect for calendar year 2021 audited financial statements (typically December 31, 2021), are contained in the Appendix:

Responders may provide input on any of the following topics and expand on the topics as seems appropriate to address related questions or implication that are not directly articulated below.

### Topic 1

Input is sought on whether the proposed revisions represent reasonable and appropriate controls on counterparty risk within the Ginnie Mae program.

### Topic 2

Input is sought on whether the proposed revisions are implementable without undue or counterproductive disruptions to issuers' ability to conduct business.

## Instruction For Submitting Input

Ginnie Mae asks that each respondent transmit responses via email no later than 30 calendar days from the publication of this request for information ("RFI") to **gnma.rfi.submission@hud.gov**. Ginnie Mae acknowledges that any responses are provided completely on a voluntary basis and responses are not required for participation in any federal program. Please clearly mark all responses with "Voluntary response provided to HUD in response to an RFI. This is not a required submission for participation in a federal program."

Any responses provided to Ginnie Mae may be subject to release subject to the Freedom of Information Act (FOIA). Should responses be responsive to a FOIA request, HUD will process in accordance with the law and apply any FOIA exemptions that may apply. If you wish HUD and Ginnie Mae to consider any portion of your response exempt from disclosure under the FOIA, you should clearly mark that portion as "confidential commercial information."

Please include in your response the following information:

- **Name(s) or organization(s) and addresses.**
- **Contact information.**

## Important Notes (Disclaimer)

This RFI is not a request for proposal, request for quotation, offer or an invitation for bid, nor does its issuance restrict the Government on its eventual activities. This is an RFI only, and all information received will be used for planning and market research purposes only. Information received will not be published. Respondents will not be notified of any results derived from a review of the information provided.

This RFI should not be construed as a commitment by Ginnie Mae. All information contained in the RFI is preliminary and is subject to modification and is in no way binding on the Government. The Government will not pay for information received in response to this RFI. Responders to this RFI are solely responsible for all expenses associated with responding to this RFI.

## Appendix

### Proposed Amendments and Additions to Capital and Liquidity Requirements

1. The following amendments to capital and liquidity requirements apply to all issuers approved to participate in the Single Family program for MBS:

**A. Net Worth.** The current single-family requirement for net worth is \$2.5mm plus .35% (35 basis points) of an issuer's total single-family effective outstanding Ginnie Mae obligations. The total effective single-family outstanding Ginnie Mae obligations is the sum of a) all single-family GNMA securities outstanding, b) available commitment authority to issue new single-family pools, and c) total single-family pools funded. The current requirement does not address obligations from sources other than Ginnie Mae. Ginnie Mae proposes to add 25 bps of Government-Sponsored Enterprise (GSE) outstanding obligation to the existing requirement to address this gap.

Proposed net worth minimum requirement:

$\$2.5\text{mm} + 35 \text{ bps} \times \text{GNMA outstanding obligation} + 25 \text{ bps} \times \text{GSE outstanding obligation}$

**B. Liquidity.** Single-family Ginnie Mae issuers are required to have and maintain liquid assets equal to the greater of \$1,000,000 or 0.10% (ten basis points) of the issuer's outstanding single family Ginnie Mae MBS. The current requirement does not address liquidity demands from sources other than Ginnie Mae obligations and does not address interest rate risk of loans in the origination pipeline. Ginnie Mae proposes to add 5 bps of GSE outstanding obligations and 20 bps of total Held For Sale ("HFS") Loans.

Proposed liquidity minimum requirement:

The greater of \$1,000,000 or [10 bps x GNMA single-family MBS + 5 bps x all other GSE single family obligations + 20 bps x total HFS loans]

2. The following addition to capital requirements apply to all issuers approved to participate in the Single-family program, with the exception of banks, bank holding companies, thrifts and savings and loan holding companies.

**A. Risk Based Capital Ratio.** Ginnie Mae currently has no risk-based capital requirement. Ginnie Mae's Leverage Ratio requirement is not risk sensitive. We observe significant differences in mortgage bank balance sheets, but current program requirements are unable to address these differences. In creating this requirement, Ginnie Mae has considered capital adequacy requirements for regulated banks, but has significantly modified these requirements given the unique business profile of independent mortgage banks.

Ginnie Mae proposes a Risk Based Capital Ratio minimum requirement of 10%.

The definition of the Risk Based Capital Ratio is Adjusted Net Worth ("ANW") modified for Excess MSR's divided by total Risk Based Assets.

ANW is defined term found in the Ginnie Mae MBS Guide. For purposes of the Risk Based Capital Ratio only, ANW will be modified by subtracting Excess MSR's. Excess MSR's are defined as MSR's in excess of an issuer's ANW.

Total Risk Based Assets are defined as total assets that are risk weighted according to the following schedule:

Risk Weighting	Asset Type
0%	Cash and Cash Equivalents
0%	Reverse Mortgages Held for Investment (non-true sale)
0%	Ginnie Mae Loans Eligible for Repurchase, if included in total assets
20%	Government Loans HFS
50%	Conforming and Other Loans HFS
250%	Total MSR's (not to exceed Adjusted Net Worth)
100%	All other assets not included above

Risk Based Capital Ratio Example. The following simple example illustrates the methodology required for computing the ratio. In this example, Equity = ANW.

Assets		Risk Weight	Risk Weighted Assets
Cash and Cash Equivalents	100	0%	0
Government Loans HFS	1,000	20%	200
Conforming Loans HFS	1,500	50%	750
Other Loans HFS	100	50%	50
Total MSR's	800	250%	1500 *
Other Assets	500	100%	500
<b>Total Assets</b>	<b>4,000</b>		<b>3,000</b>
Total Equity (ANW)	600		
Excess MSR's	200		

$$\begin{aligned}
 \text{Risk Based Capital Ratio:} &= \frac{\text{ANW} - \text{Excess MSR's}}{\text{Risk Weighted Assets}} = \frac{600 - 200}{3,000} \\
 &= 13.3\%
 \end{aligned}$$

\* Risk weight of 250% applied to the lesser of Total MSR's or ANW

Ginnie Mae anticipates that only a small number of issuers will be unable to meet these requirements by year end 2021. For those issuers, Ginnie Mae will consider proposals for extending the period to come into compliance with the requirements.