

Design Element	Draft Terms
Participation	A Participation is the portion of a HECM loan that an Issuer pools into a Ginnie Mae HMBS. Participation is further defined in the Glossary of the MBS Guide.
Participation Interest Rate	The Participation Interest Rate is the HECM note rate less servicing fee margin, inclusive of Ginnie Mae Guaranty Fee.
HMBS Rate	The HMBS Rate is the weighted average of Participation Interest Rates.
Structure	<p>HMBS 2.0 pools have a loan-level pass through structure accruing at weighted average Participation Interest Rate. Maximum Participation UPB at pooling is 95% of HECM UPB. Tail Participations will also be subject to the 95% limit. HMBS 2.0 will be pooled as Custom, single Issuer pools.</p> <p>Despite the limitation to 95% of UPB, the HECM mortgage shall be construed to include a security instrument, together with the obligation secured thereby, the title evidence, and all other documents, instruments, and other papers pertaining thereto and the related Ginnie Participations and Other Interests, and the transaction(s) to which they relate, and all claims, funds, payments, proceeds, recoveries, property, monies or assets related in any way thereto, including but not limited to any and all mortgage insurance loan guaranty claim proceeds, hazard insurance proceeds, payments by mortgagors, refunds, rents, foreclosures or sales proceeds, and escrowed items.</p>
Eligible HECM Collateral	<p>HECMs eligible for HMBS 2.0 must meet all of the following criteria at pooling:</p> <ol style="list-style-type: none"> 1. The HECM UPB must be no less than 98% and no greater than 148% of MCA. Active Buyouts [“ABOs”] and Non-Active Buyouts [“NABOs”] are eligible; 2. FHA HECM insurance is in full force; 3. Each HECM must have received FINAL Certification from the respective Document Custodian; 4. Each HECM must maintain its first lien position and be fully enforceable for the life of the HECM; 5. The Maximum Adjusted Property Value Ratio is 60%; and 6. Subsequent Participations from eligible HECMs are also eligible collateral. <p>HECMs presently existing in Fannie Mae’s or SOHUD’s portfolio are ineligible.</p>

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Adjusted Property Value Ratio

The Adjusted Property Value Ratio is determined through a two-step process. First, determine the Adjusted Property Value by multiplying the Property Value by the Valuation Adjustment Factor of 90%. Next, divide the HECM Loan UPB by the sum of the Adjusted Property Value plus 100% MCA Value. FHA appraisals dated within 180 days of the pool issue date will be accepted at 100% of valuation for this calculation.

The HECM Loan UPB is equal to the sum of all participations, including the participation being pooled.

Property Valuation Methods

Acceptable Property Valuation Methods, in order, include:

1. FHA appraisal having an appraisal date within 2 years of the pool issue date.
2. AVM from acceptable AVM Vendors.
3. Broker's Price Opinion prepared by an independent party.

AVM Vendors include those "acceptable" AVM Providers by Fitch Ratings. Currently, these are: Black Knight, Clear Capital, Collateral Analytics, CoreLogic, House Canary, Red Bell Real Estate, LLC, and Veros.

Issuer Eligibility

The HMBS Issuer must be in good standing with HECM and HMBS program requirements and have commitment authority to issue MBS. Commitment Authority Application Fee for HMBS 2.0 will be \$500 for the first \$1.5 million requested plus \$200 per each additional \$1 million requested.

REMIC Eligibility

Ineligible.

Multiclass Securities

Multiclass execution and Platinum execution are under consideration but may not be implemented simultaneously with HMBS 2.0 pools.

Cross-Collateralization

Default under HMBS 2.0 is considered an event of default under the Guaranty Agreement. Full recourse to Issuer's entire Ginnie Mae MBS servicing portfolio remains unchanged.

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Buyout Obligation	<p>The Issuer is responsible for purchasing any and all Participations at the earlier of:</p> <ul style="list-style-type: none"> • The HECM outstanding loan balance reaching 150% of MCA • Upon assignment to SOHUD • Upon termination of the HECM note
Minimum Net Servicing Compensation	30 basis points.
Guaranty Fee	6 basis points.
Minimum Pool Balances	As of issue date, each pool must have an original principal balance of \$250,000 and must include at least 3 Participations, each related to a distinct HECM.
Final Distribution Date	HECM Origination Date plus 50 years.
Pool Types	<p>HMBS 2.0 will consist of six pool types:</p> <ol style="list-style-type: none"> 1. Monthly CMT ARMs 2. Annual CMT ARMs 3. Monthly LIBOR [now SOFR plus adjustment] ARMs 4. Annual LIBOR [now SOFR plus adjustment] ARMs 5. Annual SOFR ARMS 6. Fixed Rate
Additional Pooling Data Fields	TBD – Additional data fields are expected.