



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

JAN 21 1997

97-06

GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

APMS-0005-2077

MEMORANDUM FOR: All Participants in the Government National
Mortgage Association ("Ginnie Mae") Mortgage-
Backed Securities Program

FROM: *Kevin G. Chavers*
Kevin G. Chavers

SUBJECT: Readmittance of Ginnie Mae Defaulted Issuers and
Entities with Principals and Officers of Defaulted
Issuers

Mortgage-Backed Securities Program (Program) participants that have been declared in default and have received a letter of extinguishment from Ginnie Mae may subsequently indicate an interest in returning to full participation. These past participants may apply as the same or a different organization for consideration by Ginnie Mae.

Ginnie Mae will consider applications from these past participants. Ginnie Mae, however, reserves the right to decide, in its sole discretion, who may participate in its programs.

Principals and employees of the defaulted issuers may appear on applications from the defaulted issuer or a different entity. Depending on facts and circumstances associated with the default, applications for reentry will be considered as set out below.

**Defaulted Issuers and Entities with Principals and Officers of
Defaulted Issuers (Applicants)**

- ✓ 1 Applicants are not permitted to reenter the Program for a period of three years following the receipt of the letter of extinguishment. Should applicants be debarred or sanctioned by any government agency or by a government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, they are not permitted to reenter any Ginnie Mae program until the removal of the other sanctions.

- condition of approval* 2. Prior to approval to participate in the Ginnie Mae Mortgage-Backed Securities Program, applicants are required to reimburse Ginnie Mae for deficiencies in Principal and Interest and Taxes and Insurance Accounts *ONLY* (Custodial Accounts) at the time of extinguishment. *other costs not measurable with certainty*

first principal to apply must full reimbursement

- ✓ 3. Provisional Participation. Applicants are required to serve a three-year period of provisional participation (Provisional Participants). Provisional Participants

3yr moratorium for principals of defaulted issuers.

are required to maintain their delinquency statistics, DQ2, DQ3, and DQP at or below minimums described in Section 2-2 of the Ginnie Mae I Guide, or Section 3-1 of the Ginnie Mae II Guide.

Applicants are required to maintain pool administration procedures in accordance with policies stated in the Ginnie Mae Guides. The measure of compliance will be the Issuers Administrative Profile (IAP). The IAP is a product of completed field or desk procedural reviews. IAP scores, at the time a review report is prepared, must be equal to or less than the average scores of issuers in the same class in the preceding year

MARY
GSA
data

Delinquency and IAP statistics may not exceed maximum levels set by Ginnie Mae.

Applicants shall receive procedural reviews after six and twelve months of program participation, and yearly for the following two years. All reviews will use reviewers designated by Ginnie Mae. All but the review in year three will be performed at the issuers' expense and shall not exceed \$12,000 for each review

Applicants that fail to satisfy the requirements of a Provisional Participant may, at Ginnie Mae's sole discretion, be required to leave the MBS program.

Principals and Officers of Defaulted Issuers

For the purpose of administering this policy, "Principals and Officers" are defined as:

All business organization owners and officers who are or were required to submit resumes with the application to Ginnie Mae. In addition, the issuer's Chairman, Chief Executive Officer, Chief Operating Officer, President, any senior or executive vice president(s), and vice president(s) of servicing, origination and marketing are considered principals.

1. Principals and officers of a defaulted issuer who were primarily responsible for management of the defaulted issuer are not permitted to represent a Ginnie Mae issuer for a period of three years following the receipt of the letter of extinguishment. Ginnie Mae considers the Chairman, Chief Executive Officer, Chief Operating Officer, President, any senior or

executive vice president(s) and vice president(s) of servicing, origination and marketing to be primarily responsible for management of the defaulted issuer, as well as other principals and officers identified by Ginnie Mae

Should principals or officers be debarred or sanctioned by any government agency or by a government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, they are not permitted to represent a Ginnie Mae issuer until the removal of the other sanctions.

2. Principals and officers engaged in management of the defaulted issuer, but not specifically identified in paragraph 1, are not permitted to represent a Ginnie Mae issuer for two years following the receipt of the letter of extinguishment. Should principals or officers be debarred or sanctioned by any government agency or government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, they are not permitted to represent a Ginnie Mae issuer until the removal of the other sanctions.
- 3 All other persons, not otherwise identified in paragraphs 1 and 2, above, who have been authorized on the form 11702 to act for the defaulted issuer, are not permitted to represent a Ginnie Mae issuer for a period of one year following the receipt of the letter of extinguishment. Should such persons be debarred or sanctioned by any government agency or government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, they are not permitted to represent a Ginnie Mae issuer until the removal of the other sanction.
- 4 Other officers, technical, and administrative employees who had no management responsibilities at the defaulted issuer, are permitted to work for applicants without being subject to the restrictions above.

Applicable pages which change Ginnie Mae Guides 5500 1 and 5500.2 on this subject are attached.

Attachments

GNMA I

APMS-0005-2081

GNMA 5500.1 Rev. 6

CHG 48

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES GUIDE

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Ginnie Mae will consider applications from past participants. Ginnie Mae, however, reserves the right to decide, in its sole discretion, who may participate in its programs

Principals and officers of defaulted issuers may appear on applications from the defaulted issuer or a different entity. Depending on facts and circumstances associated with the default, applications for reentry will be considered as set out below.

A. Defaulted Issuers and Entities with Principals and Officers of Defaulted Issuers (Applicants)

1. Applicants are not permitted to reenter the Program for a period of three years following the receipt of the letter of extinguishment. Should applicants be debarred or sanctioned by any government agency or by a government chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, they are not permitted to reenter any Ginnie Mae program until the removal of the other sanctions.
2. Prior to approval to participate in the Ginnie Mae Mortgage-Backed Securities Program, applicants are required to reimburse Ginnie Mae for deficiencies in Principal and Interest and Taxes and Insurance Accounts (Custodial Accounts) at the time of extinguishment.
3. Provisional Participation. Applicants are required to serve a three-year period of provisional participation (Provisional Participants). Provisional Participants are required to maintain their delinquency statistics, DQ2, DQ3, and DQP at or below minimums described in Section 2-2 of the Ginnie Mae I Guide, or Section 3-1 of the Ginnie Mae II Guide.

Applicants are required to maintain pool administration procedures in accordance with policies stated in the Ginnie Mae Guides. The measure of compliance will be the Issuers Administrative Profile (IAP). The IAP is a product of completed field or desk procedural reviews. IAP scores, at the time a review report is prepared, must be equal to or less than the average scores of issuers in the same class in the preceding year.

Delinquency and IAP statistics may not exceed maximum levels set by Ginnie Mae.

Applicants shall receive procedural reviews after six and twelve months of program participation, and yearly for the following two years. All reviews will use reviewers designated by Ginnie Mae. All but the review in year three will be performed at the issuers' expense and shall not exceed \$12,000 for each review.

Applicants that fail to satisfy the requirements of a Provisional Participant may, at Ginnie Mae's sole discretion, be required to leave the MBS program.

B Principals and Officers of Defaulted Issuers

For the purpose of administering this policy, "Principals and Officers" are defined as:

All business organization owners and officers who are or were required to submit resumes with the application to Ginnie Mae. In addition, the issuer's Chairman, Chief Executive Officer, Chief Operating Officer, President, any senior or executive vice president(s), and vice president(s) of servicing, origination and marketing are considered principals.

1. Principals and officers of a defaulted issuer who were primarily responsible for management of the defaulted issuer are not permitted to represent a Ginnie Mae issuer for a period of three years following the receipt of the letter of extinguishment. Ginnie Mae considers the Chairman, Chief Executive Officer, Chief Operating Officer, President, any senior or executive vice president(s) and vice president(s) of servicing, origination and marketing to be primarily responsible for management of the defaulted issuer, as well as other principals and officers identified by Ginnie Mae.

Should principals or officers be debarred or sanctioned by any government agency or by a government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, they are not permitted to represent a Ginnie Mae issuer until the removal of the other sanctions.
2. Principals and officers engaged in management of the defaulted issuer, but not specifically identified in paragraph 1, are not permitted to represent a Ginnie Mae issuer for two years following the receipt of the letter of extinguishment. Should principals or officers be debarred or sanctioned by any government agency or government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, they are not permitted to represent a Ginnie Mae issuer until the removal of the other sanctions.
3. All other persons, not otherwise identified in paragraph 1 and 2 above, who have been authorized on the form 11702 to act for the defaulted issuer, are not permitted to represent a Ginnie Mae issuer for a period of one year following the receipt of the letter of extinguishment. Should such persons be debarred or sanctioned by any government agency or government-chartered entity for a period in excess of the period that Ginnie Mae restricts reentry, they are not permitted to represent a Ginnie Mae issuer until the removal of the other sanction.

GNMA 5500.1 Rev. 6

4. Other officers, technical, and administrative employees who had no management responsibilities at the defaulted issuer, are permitted to work for applicants without being subject to the restrictions above.

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JAN - 1997

GNMA I I

GNMA 5500.2

CHG 45

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES GUIDE

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servicing and securities administration functions. The issuer must identify the officer (who must be a full-time employee) in charge of day-to-day operations. Delete the statement that applicants must follow the resume format noted in Appendix 4- this is no longer applicable. *

GNMA will notify the applicant, in writing, of the approval or disapproval of the application. If approved, GNMA will assign the firm a unique issuer identification number. The issuer is identified in the records of GNMA and the CPTA by this identification number. It should be used by the issuer in all correspondence with GNMA or the CPTA and shown on all reports submitted by the issuer.

If it is determined that the application will not be approved, GNMA will so advise the applicant, stating the reasons for rejection. An applicant may resubmit an application within a period of 60 days from the date of the rejection without payment of an additional fee. Approval as a GNMA II issuer automatically conveys approval to participate in the GNMA I program as well.

- c. Applicants already approved under GNMA I. Firms which are already approved as issuers under the GNMA I programs must apply for specific approval as GNMA II issuers. The applicant must submit a new executed form 11702, a form HUD 11709A and, if appropriate, a form HUD 11709. (If the issuer determines to use an existing P&I custodial account as its central P&I account, a new form HUD 11709 need not be submitted.)

If approval as a GNMA II issuer is denied, GNMA will so advise the applicant in writing, stating the reasons for the rejection.

The issuer application fee is not applicable for firms already approved as GNMA I issuers. A GNMA I issuer which is approved under GNMA II will continue to use the same issuer identification number.

3-5 DELIVERY OF APPLICATION

* Applications shall be sent to: Ginnie Mae, Office of Customer Service or Multifamily Programs, 451 Seventh Street, S.W., Room 6210 Washington, D.C. 20410. *

3-6 TERMINATION OF ISSUER AUTHORITY.

GNMA may terminate an issuer's authority to administer pools and loan packages, to utilize commitment authority already outstanding, and to receive additional commitment authority or pool numbers in the event that GNMA, in its sole discretion, determines that an event of default has occurred under the terms and conditions contained herein. (See chapter 15.)

*
3-7 Applications from Defaulted Issuers and Entities with Principals and Officers of Defaulted Issuers

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GNMA 5500.2

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GNMA 5500.2

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