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Ginnie Mae Will Advance Investor Payments on Non-Current Loans

The list of things for the housing industry to worry about in the current COVID-19 emergency has been growing steadily over the last few weeks, but **a memo from Ginnie Mae may have eased one of those concerns.** Seth Appleton, Ginnie Mae's Principal Executive Vice President has advised Ginnie Mae participants that the agency has invoked a revised version of the Pass-Through Assistance Program ("PTAP").

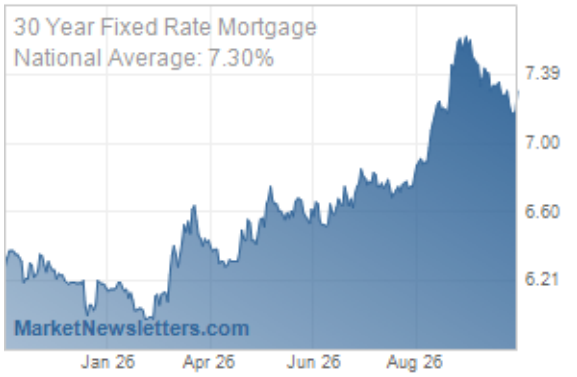
The Coronavirus Aid, Relief and Economic Security (CARES) Act, passed by Congress several weeks ago, mandates forbearance (temporary reprieve from payments) be available for borrowers with federally backed mortgages who are financially impacted by the emergency which has resulted in massive unemployment. **The Act also imposes a 60-day moratorium on foreclosures starting on March 18, 2020.**

Servicers or issuers, however, are contractually required to continue making principal and interest payments to investors in mortgaged back securities (MBS) from mortgage payments made on the underlying loans, an obligation that continues **even when the borrower stops making payments.** Tax and insurance payments are also supposed to be made from escrow accounts, even when those accounts are not being adequately funded.

While servicers maintain contingency funds for occasions when delinquencies rise, it is expected that the unprecedented nature of the current crisis will find those funds insufficient, especially for small companies. According to the Mortgage Bankers Association (MBA) borrower requests for forbearance have already been rising, up from 0.25 percent on March 2 to 2.66 percent by April 1. Loans backed by Ginnie Mae saw the greatest growth, increasing from 0.19 percent to 4.25 percent.

PTAP is one of several programs established in 2017 by the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Each of the programs is designed to be implemented at Ginnie Mae's discretion should the President declare a national disaster. Friday's memo from Appleton announces assistance for issuers/servicers under a revised version of PTAP specific to the National Emergency declared on March 13, 2020. PTAP-19 is effective immediately and is designed to honor the duty to make full and timely payments due Mortgage-Backed Security (MBS) holders while minimizing any disruptions that may occur in the mortgage servicing market as a result of COVID-19. The program is explained in Chapter 34 of the Mortgage Backed Securities Guide ("MBS Guide").

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Under the new program guidelines, Ginnie Mae may assist servicers under the Single-Family program with pass-through payments to investors if the Issuers are facing a temporary liquidity shortfall directly attributable to the declared emergency. Under the 2017 version of the program, the act of an issuer in requesting assistance automatically constituted a default and PTAP/C19 removes that condition. However, requests should be made only as a "last resort" for use when other resources have been exhausted and funds must be fully repaid. Ginnie Mae stresses that **the program is not intended to address the full extent of solvency issues that a servicer/issuer might face as a result of the emergency.**

As an operational matter, assistance may be requested only once per month to cover shortfalls on the principal and interest (P&I) due to mortgage-backed security (MBS) holders associated with loans that are delinquent, which includes loans in forbearance, as of the date that each request for assistance is submitted. Requests for assistance in meeting the Ginnie Mae II investor remittance due on April 20, 2020 must be submitted by 11:59 pm eastern standard time on April 13, 2020.

Funding may not be used to cover other Issuer operational or servicing costs. We assume that means hazard and flood insurance premiums, private mortgage insurance, and property tax payments.

Ginnie Mae's approval and execution of any Request and Repayment Agreement does not constitute approval of subsequent requests. The paperwork required for the initial assistance appears to be voluminous but also seems to decline with follow-on requests.

The assistance advanced by Ginnie Mae **will bear a fixed rate of interest and that rate will be posted on Ginnie Mae's website on the second day of each month.** Repayment of principal and interest must be made within seven months of each disbursement or by July 30, 2021 whichever is earlier.

There is not yet any indication that servicers/issuers of loans guaranteed by the GSEs Freddie Mac and Fannie Mae are scheduled to receive help similar to that offered by Ginnie Mae. Their regulator/conservator, the Federal Housing Finance Agency, had earlier ruled out any such accommodation from the two companies and we have not heard that has changed.

Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

Rich E. Blanchard 

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