

Ginnie Mae Compliance Reviews

Single Family Forward Compliance Review Training

March 17, 2016



Agenda

- Overview of Training and Field Reviews
- The Field Review Lifecycle, Key Players and Documents
- Scheduling and The Advance Process
- The On-Site Review: Cash, Collections, Liquidations, and Endorsements
- Managing the On-Site Review: From Status Reports to the Exit Conference
- Follow-up: Findings Resolution Plans and Final Reports
- Open Q&A

Objectives

At the end of this training, you should be able to:

- **Understand** the types, purposes, and outputs of Ginnie Mae's Compliance Reviews.
- **Prepare** for compliance reviews in an effective manner.
- **Identify** key documentation and personnel the Issuer should provide to support the review.
- **Coordinate** involvement of sub-contractors and sub-servicers in the review process.
- **Engage** in the follow-up process more effectively to provide information to mitigate findings.

Types of Compliance Reviews

Forward Issuer Review

- For Single Family, Multifamily and Manufactured Housing Participants
- On-site at Issuer or Issuer's Subservicer facility
- Custom testing on portfolio type (SF/MF/MH)
- Focuses on cash management, collections and loss mit, agency endorsement, and additional custom testing in expanded reviews

HMBS Reviews

- For Home Equity Conversion Mortgage (HECM) Mortgage Backed Security (HMBS) Issuers
- On-site at Issuer, Issuer's Subservicer, Issuer's Participation Agent, and Issuer's Document Custodian
- Cash management and participation accounting focus
- Custom Document Custodian Pool/Loan Level testing

Document Custodian Reviews

- Conducted for a document custodian, but may review multiple issuers using a document custodian.
- On-site at custodial facility
- Overall evaluation of Custodial Facilities and financial security
- Individual Issuer Portfolio evaluations at issuer, pool and loan levels (Many issuers reviewed at one custodian)

How Other Review Types May Affect You

- In the course of a **Document Custodian** review, your Document Custodian may be required to contact you to clarify some questions.
 - For instance, Issuers may be reporting pools to Ginnie Mae as being housed at a Document Custodian for which no custodial services are provided. This sort of reconciliation may be uncovered in a Document Custodian review.
 - Additionally, you may need to work with your document custodian during a compliance review for copies of some documentation, such as the HUD Form 11708.
- Other review types, such as HMBS reviews, will not be addressed in this training. Specifically, this training will focus on Single Family Forward reviews. However, please be aware that other portfolio types may have their own requirements for compliance reviews different than what is discussed in this training.

The Review Lifecycle

Scheduling

Advance

On-Site Review

Follow-up

START POINT

- Contacted by Ginnie Mae Field Review Contractor (FRC)
- Receipt of Advance Letter
- Entrance Conference
- Exit Conference

KEY ACTIVITIES

- Verify availability of staff
- Provide Point of Contact for subsequent activities
- Determine location of review (Issuer / subservicer facility)
- Review Advance Letter
- Provide Advance Documentation
- Receive Sample Selections
- Complete Advance Questionnaire
- Prepare for On-site Review
- Obtain Clarification
- Monitor Status Reports
- Provide Additional Documentation or Answers to Questions
- Respond immediately to High Risk Cash Findings
- Monitor Disagreement Process
- Prepare FRPs

DOCUMENTATION

- Advance Letter
- Advance Questionnaire
- Sample Selections
- Status Reports
- Findings Worksheets
- Draft Report
- Final Report
- Final Disposition Communications
- Findings Updates

Using a Subservicer

Per the Ginnie Mae Guide, Chapter 4 “The Issuer is fully responsible for the administration of the securities and the servicing of the pooled mortgages.” This means that while significant portions of the review may take place at a sub-servicer’s location, the Issuer is expected to be involved in the review process.

If you use multiple subservicers, a separate compliance review will be scheduled for each subservicer, typically running concurrently with each other. It is **STRONGLY** recommended that Issuers:

- Provide a point of contact for the course of the review even if taking place at a subservicer
- Make the point of contact available to the review team and subservicer staff
- Provide oversight of the sub-servicer’s response to the compliance review

Subcontractors

If you use subcontractors to assist in the administration of your Ginnie Mae portfolio, you may wish to reach out to them to prepare for the review.

Consider if any of the following situations apply to your institution:

- Our Document Custodian maintains all copies of loan releases (Form HUD-11708)
- We contract with another institution to provide loss mitigation or collections activities including borrower contacts
- We use a payment servicer for T&I payments

Outputs of Your Compliance Review

The Compliance Review may identify findings. Findings are documented at the conclusion of the on-site review in two documents:

- **Findings Worksheets:** These worksheets are provided at the exit conference and serve to document the formal presentation of compliance findings as well as provide you a chance to agree or disagree with each finding.
- **Draft Report:** The Draft Report summarizes the review process, compiles all findings together, and provides you documentation on next steps.

Note that findings may be identified at multiple stages of the review. Monitor your status reports to keep abreast of current findings that have been identified for your review.

Risk of Findings

- Findings are classified as High, Medium, or Low Risk
- Findings are based on the nature of compliance risk, not on materiality, frequency, or potential financial impact.

Risk Level	Requirement Criteria
High Risk	<p><u>High Risk findings must meet one of the following criteria:</u></p> <ul style="list-style-type: none">• Poses risk of non-timely or inaccurate payment to Ginnie Mae MBS Investors• Poses risk of participant default to Ginnie Mae• Poses risk of losses to Ginnie Mae in a default situation• Represents Significant Internal Controls Procedural Deficiency that, if unaddressed, could potentially disrupt successful management or transfer of the portfolio if Ginnie Mae were to assume the portfolio in a default situation
Medium Risk	<p><u>Medium Risk findings are findings which are not High Risk Findings and meet one of the following criteria:</u></p> <ul style="list-style-type: none">• Represent a failure to administer the portfolio in such a way that, if unaddressed, portfolio value could be negatively affected in the future• Represent operational deficiencies that lead to potential unreliability of information reporting to Ginnie Mae• Represent issues of non-compliance that hinder the efforts of Ginnie Mae to provide proper oversight of the participant
Low Risk	All procedural findings that are not High Risk or Medium Risk

Scheduling



Compliance Review Scheduling

- All reviews are scheduled by the Field Review Contractor at the request of Ginnie Mae
- But, a few general rules are used for determining review frequency:
 - **Probationary Issuers:** Three (3) reviews will be scheduled within 24 months following first pool issuance
 - **All other Issuers:** Will be scheduled for review no less than once every three years, but potentially more frequently based on the Issuer's characteristics
- Characteristics that will trigger more frequent reviews:
 - Larger Issuers will be reviewed more frequently
 - Issuers that experience compliance reviews with high risk findings will likely be reviewed more frequently

Initial Contact

- Initial Contact
 - The Compliance Review Advance Team will contact the official Point-of-Contact that Ginnie Mae has registered for each Issuer. Please be sure to keep your account executive informed as to the designated Point of Contact you need the Field Review Team to use.
 - Contact typically will occur anywhere from 1 to 3 months in advance of the proposed review date
 - The Compliance Review Advance Team will seek the following information:
 - Any additional Points-of-Contact
 - Types of Portfolio (Ginnie I, Ginnie II, Multifamily/Singly Family/Manufactured Housing)
 - Parking locations
 - Servicing Systems/Service Bureau
 - Dress Code
 - Office Hours
 - Confirmation of the timing of the compliance review
 - If applicable – Subservicer Information
 - What type of accounts are used (Collection, Lockbox, Custodial, Special Escrow, etc...)

The Advance Process



The Advance Process

The Advance Letter

- Typically provided to review participant no later than 3 weeks prior to the compliance review date
- Date of the Compliance Review
- Compliance Review Length: **Maximum potential length.** Actual review time will be based on testing progress and availability of information
- Pre-selected pools and Test Months for your review
- Documentation to be provided in advance of the Compliance Review
- Documentation to be provided on-site

Key considerations when reviewing the Advance Letter

- Look at the scope required for each documentation request: Is it for pre-selected pools? The entire portfolio? The test months? A year period prior the review? This is specified in the advance letter:
- If you don't understand a particular documentation request, or if an area is confused when it is requested, please contact the team for clarification.

Documentation Requested	Portfolio Scope	Time Scope	Timeline By
Documentation to be provided at least one week prior to the review			
Note: Additional sample selections may be based on this information and can only be provided once this information has been received			
HUD-11710A	For the preselected pools	For the test month, month prior to the test month, and month after the test month	1 week prior to the start of the on-site review
HUD-11710D	Both Ginnie Mae I and Ginnie Mae II	For the test month, month prior to the test month, and month after the test month	1 week prior to the start of the on-site review
Mortgage Loan Trial Balance as of the Test Month Cut Off Date	For the preselected pools	For the test month, month prior to the test month, and month after the test month	1 week prior to the start of the on-site review
A flowchart of all bank accounts			1 week prior to the

Information to be provided at least 1 week prior to the review...

- HUD-11710A
- HUD-11710D
- Mortgage Loan Trial Balance as of the Test Month Cut Off Date
- A flow chart of all bank accounts through which Ginnie Mae funds flow
- Bank statements and reconciliation support
- A list of all loans that have had a claim paid, claim outstanding, or a denied claim including the pool number, the loan number, and the insuring agency that are in the Ginnie Mae portfolio at the time the claim is filed or received.
- A list of all loans refinanced by the Issuer in which the Issuer held both the refinanced loan and the loan with the revised terms (Expanded Reviews Only)
- A list of all loans that have been liquidated from the Ginnie Mae portfolio including pool number, loan number, liquidation code, and date of liquidation
- A list of delinquent loans as of the test month cutoff date including pool number, loan number, loan type (FHA/VA/RHS), last paid installment date, and loan status (i.e., pending modification, in process of assignment, bankruptcy, foreclosure, forbearance, loss mitigation)
- A list of all loans that have been assigned and/or repossessed, sold and foreclosed within the last twelve months, ending with the test month, including pool number and loan number
- A list of all Cash-Out refinances, including loan number, pool number, and pool issue date for the Cash Out refinance (Expanded Reviews Only)

The Advance Process: Advance Questionnaire

- The Advance Questionnaire is the first portion of testing that an Issuer will receive from the Compliance Review team
- The Questionnaire asks many questions that don't fit the other areas of Compliance Review testing and has many forms that require completion
- If the Issuer utilizes a sub-servicer, it will require coordination to complete the questionnaire between the sub-servicer and the Issuer

Documents for Pre-Review Sample Selections

Documentation to be provided in advance of the Compliance Review date will be needed to create the Sample Selections, especially:

- A flow chart of all bank accounts through which Ginnie Mae funds flow
- Trial Balance for pre-selected pools for the test months
- For all Bank accounts through which Ginnie Mae funds flow, statements and reconciliation support
- A list of all loans that have had a claim paid, claim outstanding, or a denied claim including the pool number, the loan number, and the insuring agency
- A list of all loans that have been liquidated from the Ginnie Mae portfolio including pool number, loan number, liquidation code, and date of liquidation
- A list of delinquent loans as of the test month cutoff date including pool number, loan number, loan type (FHA/VA/RHS), last paid installment date, and loan status (i.e., pending modification, in process of assignment, bankruptcy, foreclosure, forbearance, loss mitigation)

The Advance Process: Sample Selections

As soon as the requested Advance Documentation is received by the Compliance Review team, they will begin generating the Sample Selections

- Liquidation Selections
- Claims Paid/Denied/Pending Selections
- Loan Histories and Escrow Analysis Selections
- Deposit and Disbursement Selections
- Delinquency Selections
- Endorsement Selections
- Cash-out Refinances/Net Funded Loan Selections (Expanded Only)

Potential Findings

- Issuers will be assessed a finding for any documentation that is requested in the Advance letter, but is not provided during the entrance conference
- Issuers likely will be assessed a finding for any documentation that can not be produced to support compliance review testing

Information to be provided by the Entrance Conference

- Sample selection responses
- Other internal records supporting reported P&I on HUD-11710As (i.e. GNMA Pool Reconciliation of Principal and Calculation of Minimum Cash Required report)
- Corporate advance ledger
- HUD-11714
- Canceled security holder checks (plus internal policies governing identification and proper handling of un-cleared or returned funds)
- A list of Claims for which offsets have occurred for loans that remain in a Ginnie Mae pool
- Written procedures for claims filing and monitoring processes
- A copy of all agency indemnification agreements
- HUD-11710E or successor report for loans in preselected pools during the test month and
- Written procedures governing Modifications Agreements and handling of Bankruptcies.
- Written procedures for handling foreclosures and assignments (plus any tracking logs associated with these actions)
- Proof of annual recertification for all lettered accounts
- Pre-Collection Remittance Notices
- HUD-11702 and evidence of recertification
- HUD-11715 and evidence of recertification
- HUD-11709 and/or HUD-11720
- GinnieNET Enrollment Administrator Form
- The selected claims and liquidations

Who should be involved?

Keeping key areas of your institution informed of the review including the sample selections will help you respond accurately and timely to information requests. Consider identifying the following areas within your institution as you respond to your review:

- **Ginnie Mae Accounting Reports:** Investor Accounting and Reporting
- **Endorsement Selections:** Individuals responsible to validating agency insurance status of loans.
- **Liquidations:** Payment processing areas, investor accounting/reporting, and document custodians.
- **Deposit/Disbursement samples:** Payment processing areas, investor accounting/reporting.
- **Collections/Delinquency Samples:** Collections and delinquency areas, Loss Mitigation areas, Bankruptcy monitoring.

The On-Site Review



Cash Management

- Recon of Mortgage Collateral to Securities Outstanding
- Test of Expected P&I
- Service Fee Testing
- Fixed Installment Control Testing
- P&I Custodial Account Testing
- P&I Disbursement Account Testing
- T&I Custodial Account Testing
- Special Escrow Account Testing (203(k), Buydown)
- Disbursement and Collection Clearing Account
- Issuer Corporate Advance/Recovery Testing
- GFee Testing and Annual Recertification

Collections

- Collections and Reporting Processes for Delinquent Loans
- Agency Claims Processing

Liquidations

- Liquidation Processing
- Refinances and Net Funded Loans
- Cash-out Refinances

Endorsements

- Agency Terminated Endorsements
- Agency Endorsement Matching
- Evidence of Clear Title at Time of Pooling

Entrance Conference: Overview

- The Entrance Conference serves as the formal kickoff of the on-site testing portion. This is a good time to clarify your understanding about how your review will be performed.
- If the review team has noticed anything prior to their arrival on-site, it may be discussed at the Entrance Conference.
- If the review team believes they are missing key documentation, they will discuss it with you.
- Logistics of the review should be finalized (arrival time on-site, documentation, copying facilities, points of contact while on-site).
- Based on the documentation provided, the review team will indicate an anticipated timeline for your review duration. If documentation is sufficiently prepared, the review team **should not** require the full week for your review except for very large portfolios requiring all testing areas to be performed.

Entrance Conference: Issuer Considerations

- Who Should Attend from the Issuer and the Subservicer?
- Can people dial-in?
- What kind of questions should I ask?
- Do you have anything you should make the review team aware of (e.g., transfer of portfolio upcoming, change of sub-servicer, special arrangements with Ginnie Mae)?
- Who should receive status reports? Who should the Issuer share the status reports with?
- To whom will draft report containing the results of the review be addressed?

Cash Management Testing



Cash Management Testing: Overview

Objectives:

- Cash management testing procedures are used to evaluate how an Issuer handles funds remitted from borrowers and subsequently passed through to investors. Investor reporting is also examined for accuracy.

Areas of Testing:

- Reconciliation of Mortgage Collateral to Securities Outstanding
- Test of Expected P&I
- Service and Guaranty Fees
- Bank Account Testing
- Advances / Recoveries / Management of Excess Funds
- Re-certifications of custodial accounts and key forms
- Movement and payment of escrow funds

Cash Management Testing: Key Documentation

Selected Source Documentation:

- Bank statements and reconciliations
- HUD Form 11710A
- HUD Form 11710D
- HUD Form 11709 or HUD Form 11720
- Advance and Recovery Log (including Excess Funds Tracking)
- Trial Balance
- Deposit and Disbursement Selection Documentation
- Loan Payment History and Escrow Analysis Selection Documentation

Key Considerations for Cash Testing: Bank Accounts

- Know the account structure in which Ginnie Mae funds flow. Key considerations are claims, payoffs, escrow disbursement and additional accounts beyond the standard collections clearing and custodial accounts.
- Funds tracing need to be understandable with respect to movement from Clearing Accounts through remittances or disbursements. We may require a walkthrough on that process in response to deposit/disbursement selections.
- Signature cards will often have full account titles that can not be displayed on bank statements. The review team will use the signature card if the title on the statement is truncated. This card will also serve as the record of who has deposit/disbursement authority for the account.
- We will be examining 11702s, 11707, 11715s, 11709s and 11720s for evidence of annual recertification via GinnieNet. Please provide your communications with Bank of New York that demonstrate the recertification or a screen print from the Ginnie Mae MAMS system.
- Know how your initial escrow funds are boarded when a pool is securitized and how they transfer to the custodial accounts.

Key Considerations for Cash Testing: Other Cash

- Advance, Recovery, and Excess funds logs should show Excess Funds tracking. If this is a separate log, please provide both.
- You may be requested to provide a loan-level breakdown of your service fees for a given month.
- Please advise the team of key considerations such as accounting cutoff dates and known reconciling issues.

Cash Testing: Commonly Identified Issues

Common Issues with Cash Testing:

- Timely funding of T&I Escrows when pools are delivered to the securities market
- Bank overdrafts
- Significantly aged reconciling items
- Over / under collateralized pools
- Account styling
- Annual recertification

Collections Testing



Collections Testing: Overview

Objectives:

- Collections testing procedures are designed to evaluate the effectiveness of a servicer's default management practices.

Areas of Testing:

- Delinquent loans
- Foreclosures
- Bankruptcies
- Claims
- Agency reporting

Collections Testing: Key Documentation

Selected Source Documentation:

- Collection notes
- Property inspection evidence
- Single Family Default Management System (SFDMS) information / VAlerie reporting
- Evidence of loss mitigation being offered and evaluated
- Proof of claim in bankruptcy situations and bankruptcy notes
- Letter logs
- Neighborhood Watch for selected loans
- Evidence of MIP payments
- Evidence of hazard insurance coverage

Collections Testing: Key Considerations

- Much of collections testing revolves around examining for compliance with HUD, Agency, and Ginnie Mae milestones. As such, we will need to develop an understanding of your collection notes, the relevant codes your system uses, and how events are time-stamped.
- Please note that you may need to provide multiple files on a given loan to address all areas of collection testing. For instance, if bankruptcy notes are separate from collection notes, please provide both. Other considerations include loss mitigation and workout notes, contact logs, and inspection reports.
- If you maintain your collection notes in an online system, you may need to arrange for access for the review team as well as a walkthrough of that system.

Collections Testing: Commonly Identified Issues

Common Issues with Collections Testing:

- Default management timelines
 - Timely referral to foreclosure
 - Timely foreclosure
 - *For FHA loans*: Delivery of Form 426H “How to Avoid Foreclosure”
- Timely receipt and movement of claim payments
- Insufficient documentation maintained or provided regarding selected loans

Liquidations Testing



Liquidations Testing: Overview

Objectives:

- Liquidations testing procedures are used to evaluate Issuer reporting and management of liquidated loans.

Areas of Testing:

- Liquidated loans
- Refinanced loans
- Net funded loans
- Cash-out refinanced loans

Liquidations Testing: Key Documentation

Source Documentation:

- Form HUD 11710E
- Evidence of funds receipt for liquidation, such as wires, internal corporate funds movement, borrower checks, or claim payment advice
- Evidence of deposit of liquidation funds into custodial account
- Evidence of Ginnie Mae approval for any Code 5 or Code 6 liquidations
- HUD-1 Forms
- Form HUD 11708

Liquidations Testing: Commonly Identified Issues

Common Issues with Liquidations Testing:

- Missing or non-timely Form HUD 11708
- Non-timely movement of funds into custodial account
- Incorrect Liquidation Codes, especially for short-sales, claims, and loss mitigation
- No written approval for Code 5 or Code 6 liquidations

Endorsements Testing



Endorsements Testing: Overview

Objectives:

- Endorsements testing procedures are used to evaluate agency insurance on the Ginnie Mae portfolio of loans.

Areas of Testing:

- Loans in suspense
- Terminated loans
- Matching (Expanded Reviews only)

Endorsement Testing: Key Documentation

Source Documentation:

- Issuer internal reporting screens showing loan profile data reported to Ginnie Mae (borrower name, address, Original Principal Balance (OPB), Unpaid Principal Balance (UPB), maturity date, interest rate, term)
- Loan note
- Federal Housing Administration (FHA) Neighborhood Watch
- FHA lender query by case number report
- Mortgage Insurance Certificate (MIC) / Loan Note Guaranty (LNG) / Loan Guaranty Certificate (LGC)

What the Lender Query by Case Number Report Looks Like:

Lender Query by Case Number - Results

SUCCESS

Lender Query by Case Number was Successful

Data Name	Data Value	Description of Value
Case Number	352-[REDACTED]	
Original Mortgage Amount	\$319,217	
Prior FHA Case Number	352-[REDACTED]	
ADP Section of Act Code	0703	203(b) Mutual Mortgage
Coinsurance Code		Not Coinsured
Insurance Status Code	A	Active Insurance Status
Current Holder Name	[REDACTED]	
Current Servicer Name	[REDACTED]	

Endorsement Testing: Commonly Identified Issues

Common Issues with Endorsements Testing:

- Loans with terminated insurance status
- Loans with information not matching between Ginnie Mae and Agency systems
- Not notifying Ginnie Mae when agency and source records can not be made to agree

Managing the Review



Status Reports

You will receive at least one status report update for each day of testing. It will contain three major points for review:

- **Preliminary Findings:** Findings the review team believes their current testing has identified. This list may change as information is provided to the review team.
- **Pending Documentation:** Information that has been requested by not yet provided to the review team. If this information is not provided in a timely fashion, findings may be issued even if the information is provided at a later date.
- **Outstanding Questions:** Questions the review team has identified on the material provided. Answers to these questions may result in findings changing, being added, or being removed.

Using the Status Reports

- Please use the status reports to help keep all key personnel involved and aware of the current status of the review.
- Status reports also should provide you a chance to double-check with your team, and confirm that information was or was not provided.
- While the status reports are provided daily (at a minimum), it is recommended that a face-to-face with the review team also occur on a daily basis to allow for discussion and answering of questions.
- Status reports may be updated multiple times daily depending on the pace of the review and changes to information provided previously.

Review Deadlines

- The review team wants complete the review in an efficient and expeditious manner. As such, the team lead will be providing you status updates frequently.
- The review team will set a deadline for documentation which can be considered for testing and incorporated into the draft report. Information submitted after this deadline may be provided to the follow-up team, but may not affect the findings issued by the review team.
- Changes to the draft report can not be accommodated in the exit conference. Amended draft reports may be provided if typos or errors are noted after the exit conference.
- The review team may conclude the review prior to the end of the week, even if all documentation requested has not been provided by the Issuer, if the review team feels sufficient time for providing this information has been made and time on-site is not being used efficiently.

The Exit Conference: Purpose

Two primary documents delivered to you during the exit conference:

Field Review Team

- Provides designated Issuer contact with copies of the following:
 - 1) Findings Worksheets (for all findings contained in Draft Report)
 - 2) Review Draft Report

Issuer

- Findings Worksheets are signed by the designated Issuer contact, copied and returned to the Field Review Team
- Copies of Draft Report and signed Findings Worksheets are provided by Field Review Team

The Exit Conference: Purpose

- The Exit Conference serves to close the on-site portion of the review and finalize the results of the testing in order to begin the Follow-Up process.
- Questions to consider:
 - Who should attend?
 - Who should reports be addressed to?
 - Who should represent the issuer?
 - What are the key things you should get clarity on?

The Exit Conference: Preparation

Preparation for the Exit Conference should begin before the exit conference is scheduled. The following tasks should be accomplished prior to the day of the exit conference:

- The representative who will sign the findings worksheets should be identified
- All contact information to address the reports should be provided to the review team
- Attendees at the exit conference should be identified and kept informed of the review progress and possible findings
- Any findings to which the issuer plans to disagree should be identified, and the basis for disagreements prepared
- Any concerns about descriptive language in the findings should be prepared and documented to the review team

The Exit Conference: Findings Worksheets

Findings Worksheets: During the exit conference, the findings worksheets will be presented to the issuer and, if applicable, subservicer. The designated Issuer contact will be asked to mark a response to each finding:

- **Agree:** The Issuer understands the finding and agrees that it is applicable in this instance.
- **Agree with Conditions:** The Issuer understands the findings and believes it likely that the finding is correctly issued but would like to note potential mitigating factors.
- **Disagree:** The Issuer believes the finding is incorrectly issued and has prepared, in writing, a basis for disagreement. The process for handling issuer disagreements is addressed later on.

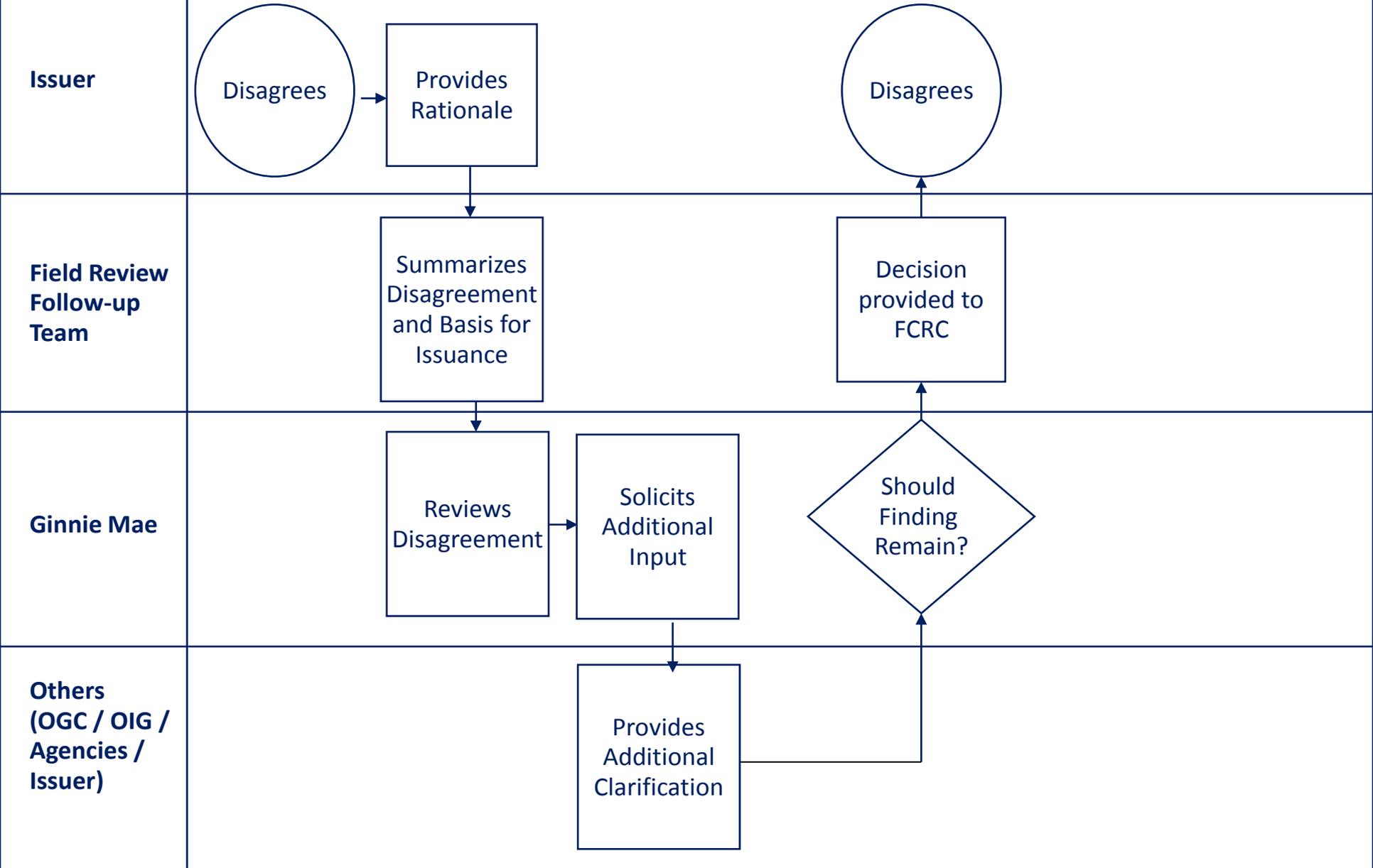
The Exit Conference: Draft Report

The Draft Report serves as a summary of the entire review process to date. It is addressed to a representative identified by the Issuer, and has the following content:

- The Issuer name, number, and contact information
- The review level, start date, and end date
- A list of all findings issued and the details leading to their issuance (as seen on the findings worksheets)
- A summary of the follow-up process and contact information for conducting follow-up activities.

The Exit Conference: Key Considerations

- The Exit Conference is the point at which the follow-up process begins, so all follow-up deadlines begin at the Exit Conference.
- Use the time of the Exit Conference to clarify questions you may have about who to contact or how to proceed with the follow-up process.
- Findings and findings language can not be changed at the Exit Conference. Similarly, any new material provided during the exit conference will go to the Follow-up team to potentially mitigate findings, but can not remove findings from the report.
- The Disagreement Process is summarized on the next slide.



Follow-up



What should you include in your FRP?

Correction / Mitigation of Identified Conditions

- Participant description of the steps and actions taken to correct the identified issues and mitigate the conditions causing issuance of the finding
- Additional supporting documentation reflecting the Participant's internal correction / mitigation of the identified issues

FRP
Acceptance

Prevention of Recurrence of Identified Conditions

- Participant description of policies/procedures implemented to prevent the recurrence of conditions causing the finding of non-compliance
- Additional supporting documentation reflecting implementation of the policies/procedures described within the FRP (i.e., email communication of revised procedures to applicable staff, and training materials)

Follow-up Timelines

Findings Mitigation Requirements

Finding Risk Level	Required Mitigation Timeframes
High Risk – Cash Related	24 hours (1 calendar day)
High Risk	48 hours (2 business days)
Medium Risk	30 calendar days
Low Risk	45 calendar days

Timeline for Submitting Findings Resolution Plans (FRPs)

Finding Category	FRP Submitted, Mitigated, and Closed-Out
High Risk – Cash Related	1 calendar day
High Risk	7 calendar days
Medium Risk	30 calendar days
Recurring Low Risk	90 calendar days

Follow-up Examples

- What would demonstrate a finding has been mitigated?
 - What procedure might demonstrate the finding is unlikely to recur?
- 1) A finding was issued for having reconciling items on a Taxes and Insurance Custodial Account for three consecutive months.
 - 2) A finding was issued for an overdraft occurring one day in a custodial clearing account before returning to a positive balance on a subsequent day.
 - 3) A finding was issued for non-timely referral of delinquent loans to foreclosure attorneys for multiple loans, some of which were subsequently referred late, and some of which had not been referred as of the date of the review.

Findings Terminology

Finding Status	Definition
OPEN	A finding issued in a Draft Report which has not had its status otherwise changed
MITIGATED	A finding with an accepted FRP
DELETED	A finding which is considered removed from the Draft Report and not identified as having been issued to the Participant, but is labeled in this manner for historical tracking purposes
NON-RECURRING	A non-recurring, low-risk finding which was not MITIGATED or DELETED
REFERRED	Any finding referred to Ginnie Mae for final resolution

Referrals

Findings may be referred to Ginnie Mae for two reasons:

- 1) The timeline for resolving the finding with the Field Review team has been exceeded.
- 2) The nature of the finding has led to an issue which only Ginnie Mae can resolve.

In these cases, the Ginnie Mae Account Executive will work with you to finish resolving this finding, and will ultimately communicate the results of the finding to you and the review team.

If a finding is referred and not resolved prior to a subsequent review, this may be noted in the subsequent review's report.

Final Report

- Provided on letterhead, it finalizes all findings previously provided in the Draft Report.
- Will indicate the status of all findings, even those findings which are DELETED.
- May be provided prior to all findings being mitigated. The Follow-up process will continue even after issuance of the Final Report.

Top 5 Most Common Issuer Findings

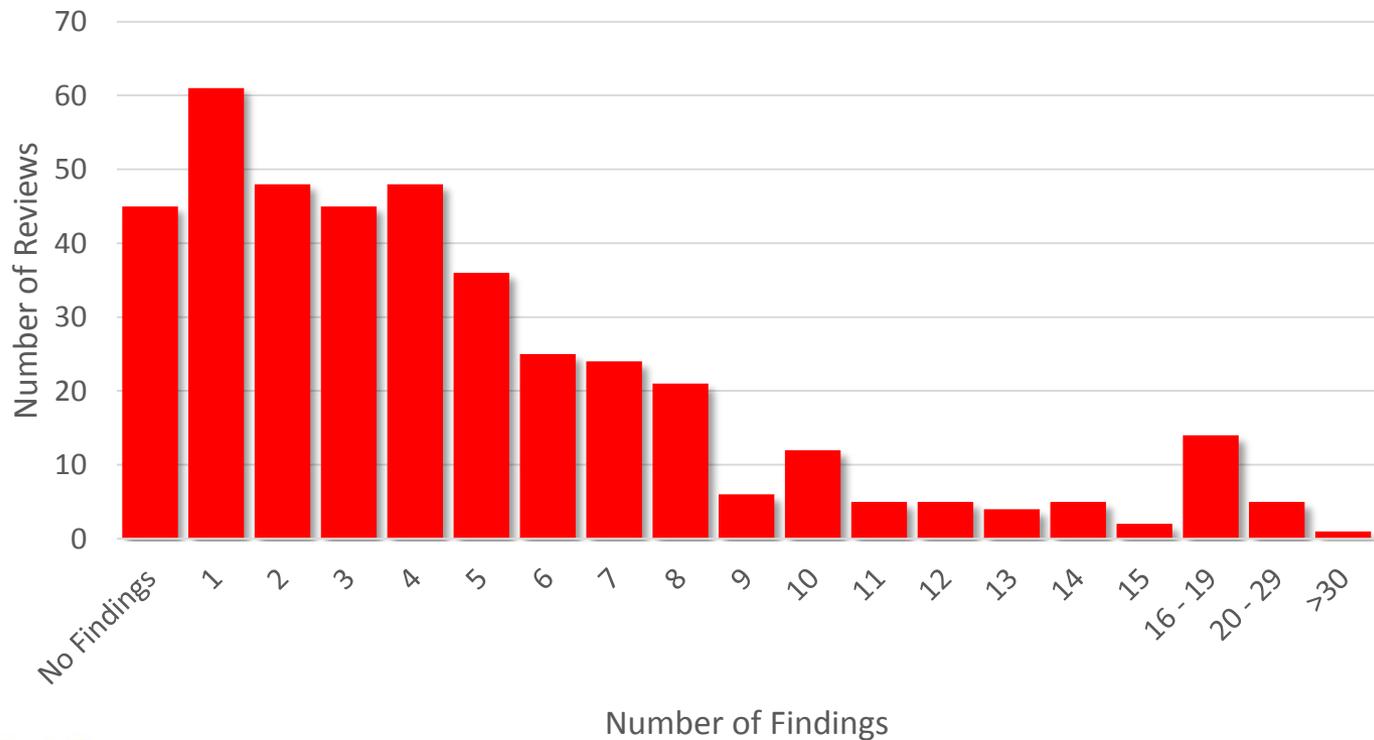
Most Common Findings (Reviews Starting between 9/3/2013 and 8/17/2015)		
Finding	Description	Percent of Reviews
510197	Escrow amounts reserved for borrower were not funded into the appropriate custodial account at time of securitization and/or pool transfer date.	24.7%
250001	Loan(s) found where the liquidation code used was not correct on the Form HUD-11710E.	18.2%
150030	Unresolved reconciling items appear in three consecutive bank reconciliations for P&I account.	18.0%
250025	Loan(s) found where funds to liquidate the loan were not deposited in the P&I custodial account(s) within one business day of receipt.	16.0%
150015	Differences in excess of \$1.00 have been identified between the Adjusted Bank Balance and the Total Funds Other Than Escrow per the Form HUD-11710D.	13.4%

Top 6-10 Most Common Issuer Findings

Most Common Findings (Reviews Starting between 9/3/2013 and 8/17/2015)		
Finding	Description	Percent of Reviews
510117	Disbursement Clearing account(s) were not timely reconciled.	12.4%
510125	Loan(s) liquidated for which a Form HUD-11708 could not be provided.	12.1%
400301	Account title on bank resolution or signature card does not agree to form HUD-11720 for the T&I Custodial account(s).	11.3%
510222	Issuer did not provide materials requested in the Advance Letter according to the required timeframes noted therein.	10.8%
120001	Differences between pool balances and underlying mortgage balances are more than \$1.00 per loan or \$50.00 per pool.	10.0%

Number of Findings Per Issuer Review

Number of Reviews by Number of Findings
(Single Family)



Q&A

