CSBS

Ginnie Mae Issuer Relief – Overview and Outlook of the Pass-Through Assistance Program (PTAP)

Introduction

The Government National Mortgage Association (Ginnie Mae) established special assistance programs for mortgage lenders and servicers, known as "Issuers," and Chapter 34 of the Ginnie Mae MBS Guide outlines the terms and conditions of these programs for eligible Issuers. This document provides information about the Pass-Through Assistance Program (PTAP) offered by Ginnie Mae, and is included on the CSBS publicly accessible COVID-19 webpage, csbs.org/information-covid-19-coronavirus. This webpage will be updated if new information is released.

Background Information

Ginnie Mae established special assistance programs and Chapter 34 of the Ginnie Mae MBS Guide outlines the terms and conditions of the programs for eligible Issuers. Ginnie Mae defines an Issuer as a business organization that, having met certain criteria established by Ginnie Mae, has been approved by Ginnie Mae to issue securities guaranteed by Ginnie Mae.[1] "From time to time, Ginnie Mae may offer special assistance to Issuers in connection with initiatives by the President of the United States, the Congress, or Federal agencies."[2] Ginnie Mae, through its Mortgage-Backed Securities (MBS) Programs, guarantees securities that are backed by pools of mortgages and issued by mortgage lenders approved by Ginnie Mae. Security holders receive a "pass-through" of the principal and interest payments on a pool of mortgages, less amounts required to cover servicing costs and Ginnie Mae guaranty fees. If a borrower fails to make a timely payment on a mortgage, the Issuer must use its own funds to ensure that the security holders receive timely payment. To make up for this shortfall, the Ginnie Mae guaranty ensures that the security holder receives the timely payment of scheduled monthly principal and any unscheduled recoveries of principal on the underlying mortgages, plus interest at the rate provided for in the securities.

As borrowers become increasingly stressed from the damaging economic impacts of the COVID-19 national emergency, the likelihood of borrowers requesting forbearance on their monthly mortgage payments will also increase. There is a concern that a significant percentage of borrowers who were current on their mortgage loan payments prior to the COVID-19 emergency will need forbearance assistance due to a change in their income or employment status. The industry experts are hypothesizing that as many as 50% of all Ginnie Mae borrowers may request forbearance for an extended period. A borrower forbearance relief rate of 50% translates to billions of dollars in required advances that many Issuers will be unable to fund without federal assistance.

Number of Ginnie Mae Loans Outstanding and Delinquency Rates

To understand the potential volume of loans that could enter forbearance as the economic realities of this emergency set in, it is important to look at a breakdown of the outstanding loans in the Ginnie Mae portfolio and the corresponding delinquency rates for these loans. Roughly 93 percent of all outstanding loans backed by Ginnie Mae consist of Federal Housing Administration (FHA) and Veterans Affairs (VA) loans.[3]

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[1] Ginnie Mae MBS Guide Glossary https://www.ginniemae.gov/issuers/program_guidelines/MBSGuideLib/mbs_guide_glossary.pdf

[2] Ginnie Mae MBS Guide: Overview of Chapter 34 Special Assistance Programs Part 2. Section D. https://www.ginniemae.gov/issuers/program_guidelines/MBSGuideLib/Chapter_34.pdf

[3] March 2020 Ginnie Mae Global Markets Report https://www.ginniemae.gov/data_and_reports/reporting/Documents/global_market_analysis_mar20.pdf

Delinquency Loan Counts for Single-family FHA and VA Loans (as of Q4 2019)[4]

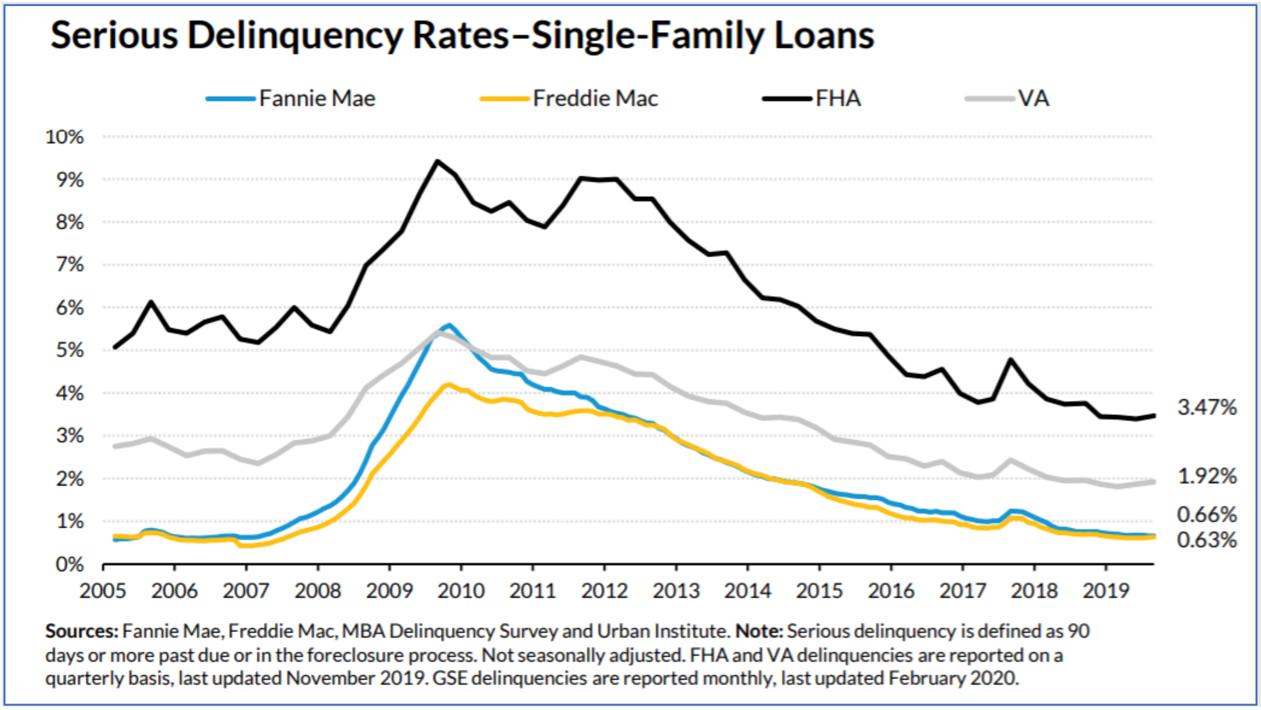
To provide some context around a potential range of borrower relief requests, this chart derived from the Mortgage Bankers Association's (MBA) Q4 2019 National Delinquency Survey outlines delinquencies nationwide for FHA and VA loans as of the end of last year. Also, below is a graph from the March 2020 Ginnie Mae Global Markets Report showing delinquency rates for FHA and VA loans.

MBA National Delinquency Survey Q4 2019

		Nationwide Number of Loans with Installments Past Due						
Loan Type	Nationwide Number of Loans Serviced	30 Days (loan count)	30 Days (% of outstanding loans)	60 Days (loan count)	60 Days (% of outstanding loans)	90 Days (loan count)	90 Days (% of outstanding loans)	Nationwide Loans in Foreclosure at End of Q4 2019
FHA	6,402,670	338,061	5.3%	115,248	1.80%	127,413	1.99%	94,760
VA	2,581,548	57,569	2.2%	19,362	0.75%	27,623	1.07%	21,943
Totals	8,984,218	395,630	4.4%	134,610	1.50%	155,036	1.73%	116,703

[4] Derived from the MBA National Delinquency Survey, Q4 2019

Delinquency rates for FHA and VA loans as of February 2020[5]



In today's mortgage market FHA and VA loans generally exhibit a higher risk profile, and therefore have higher delinquency and default rates when compared to the conventional loans purchased by Fannie Mae and Freddie Mac. FHA and VA borrowers tend to be first time homebuyers, low- to moderate-income earners and minorities with loan qualification characteristics such as higher LTVs, lower credit scores and higher debt to income ratios. To compound this, FHA and VA borrowers are more likely to realize underemployment or unemployment during times of economic distress. Employees at small businesses tend to be lower-skill workers (i.e. low to moderate earners) and are first in line to suffer most from layoffs. "It's sort of a double whammy that we're expecting the biggest layoffs to occur for the type of worker it's going to be most painful for," says Paige Ouimet, a finance professor at the University of North Carolina at Chapel Hill's business school.[6] The net effect of this is Ginnie Mae Issuers will face significant pressure in times of economic distress and are likely the Issuers most in need of assistance.

Given the delinquency information in the table and chart above, and current unemployment trends, where the U.S. saw 6.65 million jobless claims filed in the week ended March 28, mortgage servicers and state regulators are preparing for forbearance requests from borrowers to be in the range of 10% to 50% of all outstanding FHA and VA loans.[7] The chart below is a breakdown of the financial impact Ginnie Mae Issuers may realize, using $780 as an average monthly payment with a 4% (30 year fixed interest rate) and an average loan amount of $163,400 as a conservative proxy for the

[5] March 2020 Ginnie Mae Global Markets Report https://www.ginniemae.gov/data_and_reports/reporting/Documents/global_market_analysis_mar20.pdf

[6] Wall Street Journal, April 2, 2020 https://www.wsj.com/articles/another-3-1-million-americans-likely-sought-unemployment-benefits-last-week-11585819800

[7] https://www.bloomberg.com/news/articles/2020-04-02/u-s-jobless-claims-doubled-to-record-6-65-million-last-week?srnd=premium

average monthly principal and interest payment a borrower submits each month.[8] It should be noted that pass-through assistance offered by Ginnie Mae covers principal and interest for payment to investors and does not include advances for taxes and insurance.

	Range of Cash Shortfall Per Month Based on Forbearance Uptake Percentages					
	10% Forbearance Uptake		25% Forbearance Uptake		50% Forbearance Uptake	
Total Outstanding Ginnie Mae Loans Nationwide	10% of Total Outstanding Ginnie Mae Loans in Forbearance	Potential Monthly Cash Shortfall at 10% Forbearance Uptake	25% of Total Outstanding Ginnie Mae Loans in Forbearance	Potential Monthly Cash Shortfall at 25% Forbearance Uptake	50% of Total Outstanding Ginnie Mae Loans in Forbearance	Potential Monthly Cash Shortfall at 50% Forbearance Uptake
11,452,036	1,145,204	893,259,120	2,863,009	$2,233,147,020	5,726,018	$4,466,294,040

Below is a chart that provides state-level loan counts for outstanding Ginnie Mae loans State regulators are strongly encouraged to perform this analysis to better understand the impact to their state. In a worst-case scenario, if mortgage servicers see a 50% uptake in forbearance requests among FHA and VA borrowers, mortgage servicers across the country could see up to $4.4 billion (a month) in liquidity dry up quickly, exclusive of tax and insurance advancing. And considering that the forbearance program is only one of the many loss mitigation options, within a waterfall of options, available to borrowers, there is significant concern over liquidity in the Ginnie Mae mortgage servicing market.

[8] Data collected from Ginnie Mae Global Market Reports using interest rate data from March 2020, March 2019, March 2018 and April 2017 https://www.ginniemae.gov/data_and_reports/reporting/Pages/global_market_analysis.aspx

Ginnie Mae Global Market Analysis Report March 2020[9]

State	Agency Issuance (past 1 year)				Agency Outstanding			
	GNMA Share	GNMA Loan Count	GNMA Avg. Loan Size (000)	GSE Avg. Loan Size (000)	GNMA Share	GNMA Loan Count	GNMA Avg. Loan Size (000)	GSE Avg. Loan Size (000)
National	32.6%	2,088,183	238.8	257.9	28.4%	11,452,036	163.4	191.1
Alabama	44.6%	37,908	180.7	203.2	43.0%	238,312	128.2	153.7
Alaska	52.8%	5,824	299.4	266.8	49.4%	38,886	231.1	200.8
Arizona	32.7%	75,403	236.2	241.5	27.9%	320,471	164.8	182.8
Arkansas	42.6%	20,660	155.4	182.3	42.6%	139,952	110.8	139.1
California	26.8%	188,542	378.8	371.2	18.6%	792,223	264.9	271.9
Colorado	32.1%	64,056	319.0	308.7	23.8%	239,280	219.3	231.2
Connecticut	31.8%	17,162	226.2	244.8	28.3%	110,487	181.7	189.4
Delaware	39.0%	9,164	229.7	243.4	34.5%	52,300	178.8	185.6
District of Columbia	17.6%	1,625	456.9	406.8	14.3%	10,076	298.0	307.1
Florida	40.8%	182,199	229.1	226.4	33.7%	843,412	166.8	174.0
Georgia	40.6%	94,937	204.0	231.3	36.6%	519,494	143.4	172.6
Hawaii	44.5%	7,732	529.8	421.7	27.8%	31,699	380.7	318.9
Idaho	31.9%	16,690	235.3	233.5	28.4%	80,030	155.7	173.0
Illinois	24.7%	60,950	191.7	220.4	23.2%	375,791	140.1	161.7
Indiana	35.8%	51,770	159.4	177.2	35.2%	309,910	110.9	128.6
Iowa	24.9%	13,913	160.5	183.2	23.9%	87,857	113.4	133.3
Kansas	34.5%	16,253	169.9	195.8	33.6%	106,709	119.7	140.8
Kentucky	38.2%	28,668	164.9	185.2	37.0%	169,956	121.0	134.7
Louisiana	43.4%	30,756	182.1	209.4	40.5%	189,682	136.9	160.2
Maine	33.4%	7,477	200.9	219.9	30.1%	41,253	151.7	163.0
Maryland	43.6%	55,053	303.8	294.3	37.0%	307,059	230.0	221.0
Massachusetts	22.1%	26,180	318.2	319.3	17.5%	125,521	235.8	232.9
Michigan	23.5%	50,793	163.4	191.3	23.3%	312,019	113.2	137.1
Minnesota	23.2%	30,639	218.9	233.5	21.7%	192,423	155.7	173.6
Mississippi	50.9%	18,295	165.8	186.6	48.8%	116,431	120.4	143.3
Missouri	33.0%	43,912	168.4	193.8	32.8%	267,702	120.3	141.1
Montana	30.5%	6,559	238.1	241.6	27.1%	37,122	169.4	180.5
Nebraska	32.0%	11,168	183.5	188.8	30.8%	74,525	122.1	139.5
Nevada	38.3%	35,052	275.0	256.9	31.4%	143,705	188.5	196.5
New Hampshire	31.0%	8,851	255.3	248.1	26.7%	45,433	192.8	184.4
New Jersey	28.6%	44,257	272.7	294.1	25.4%	251,810	209.2	221.3
New Mexico	42.4%	14,810	197.1	207.8	40.7%	99,027	140.6	154.7
New York	24.6%	44,716	265.0	297.7	23.9%	339,239	186.5	217.3
North Carolina	35.1%	76,729	201.8	227.8	31.7%	434,143	141.1	168.9
North Dakota	28.4%	2,972	227.5	224.9	24.4%	16,966	166.4	168.6
Ohio	33.5%	69,472	158.2	174.5	33.7%	458,079	112.0	128.4
Oklahoma	45.2%	27,572	166.3	187.3	46.1%	197,970	119.2	141.7
Oregon	28.7%	28,552	284.5	283.4	21.2%	128,411	199.4	211.7
Pennsylvania	31.2%	61,307	181.0	214.7	30.8%	422,131	135.6	160.0
Rhode Island	36.8%	7,141	250.5	244.1	31.7%	37,424	188.7	185.4
South Carolina	40.4%	45,272	203.6	214.6	35.5%	229,434	147.2	163.2
South Dakota	35.8%	5,681	195.0	204.9	33.5%	31,255	142.9	152.3
Tennessee	39.4%	54,123	205.8	224.3	37.0%	299,599	139.1	167.9
Texas	35.2%	176,204	217.8	235.2	33.8%	1,094,242	143.7	178.0
Utah	26.4%	29,887	275.1	281.2	23.8%	128,484	191.7	214.5
Vermont	24.9%	2,189	204.4	219.5	19.4%	13,001	163.8	160.7
Virginia	43.7%	79,794	295.9	295.3	38.5%	454,422	219.5	219.5
Washington	30.9%	61,269	321.5	324.4	24.5%	274,360	219.1	235.5
West Virginia	50.7%	9,319	167.3	169.8	44.8%	55,416	125.8	128.0
Wisconsin	21.1%	23,750	185.4	198.9	19.1%	139,597	133.1	143.4
Wyoming	41.3%	4,976	229.4	236.0	37.7%	27,306	176.8	178.8

Sources: eMBS and Urban Institute. Note: Ginnie Mae outstanding share are based on loan balance as of January 2020. Ginnie Mae issuance is based on the last 12 months, from January 2019 to January 2020.

Details of the Program, What We Know Today, and Updates Coming to the Program

The purpose of the PTAP is to allow Issuers facing a temporary liquidity shortage that is directly attributable to a major disaster to receive the benefit of the Ginnie Mae guaranty without the consequence of termination and extinguishment.[10] Given that the current COVID-19 national emergency is not limited in geographic scope in the way a natural disaster is, principal and interest advanced by Ginnie Mae through the PTAP will not be considered an event of default, though all other program requirements will continue to apply.[11] Ginnie Mae intends to issue updated PTAP guidance and requirements the week of April 6, 2020 or shortly thereafter.

Summary of Current Program Requirements for Issuers (as of April 2, 2020):

- Assistance requests from Issuers must be submitted prior to the expiration timeline identified in the Disaster APM (All Participants Memorandum that identifies the Presidential disaster declaration).
- Issuers may request Pass-Through Assistance only for a (one) particular month and must submit new requests for each of the subsequent eligible months.
- Repayment Terms:
    - Submit a Request for Disaster Assistance, two copies of a Supervisory Agreement, wire instructions.
    - Letter explaining the Issuer's efforts to obtain private financing and plans to repay funds advanced by Ginnie Mae.
    - Issuer computation of Pass-Through Assistance based on certain criteria.
    - The Supervisory Agreement outlines the Issuer repayment responsibilities and what constitutes an Issuer default status. Forbearance may be offered to the Issuer. Ginnie Mae will forbear from exercising its right to extinguish the Issuer's rights and will allow the Issuer to remedy its default by repaying each eligible advance to Ginnie Mae, together with required interest, within 90 days of the date of Ginnie Mae's payment of that eligible advance.

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[9] March 2020 Ginnie Mae Global Markets Report https://www.ginniemae.gov/data_and_reports/reporting/Documents/global_market_analysis_mar20.pdf

[10] Ginnie Mae MBS Guide: Overview of Chapter 34 Special Assistance Programs Part 2. Section D. https://www.ginniemae.gov/issuers/program_guidelines/MBSGuideLib/Chapter_34.pdf

[11] https://www.ginniemae.gov/newsroom/GinnieInBrief/Pages/Post.aspx?PostID=40