

SERVICING

Ginnie Mae removes a step for servicers on some FHA loan modifications

By [Bonnie Sinnock](#) January 24, 2022, 9:04 a.m. EST 2 Min Read

New streamlined documentation requirements could make it easier for mortgage companies to quickly help some borrowers with long-term losses of income from the pandemic as temporary payment suspensions end.

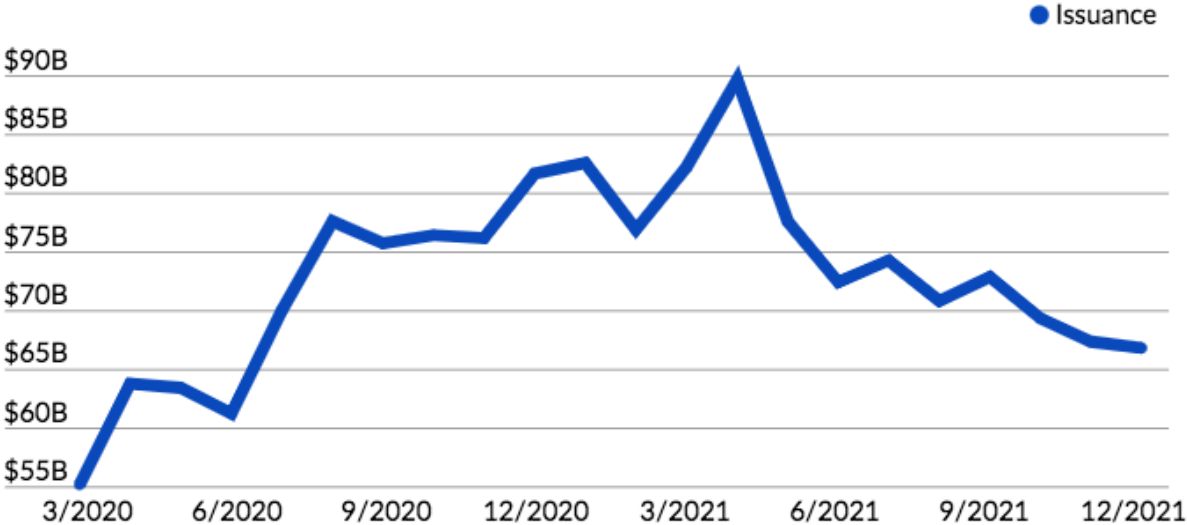
The change will allow companies processing some of the tens of billions of dollars worth of newly issued mortgage-backed securities that government agency Ginnie Mae insures each month to skip certain requirements when modifying mortgages to accommodate lower monthly payments.

When issuers and servicers are processing the COVID-19 Advance Loan Modification available for Federal Housing Administration-insured mortgages, they can now eliminate a requirement for recordation and title insurance in some cases. The ALM reduces monthly principal and interest payments by a minimum of 25%.

Servicers must still supply the document custodian with an original, fully executed modification agreement signed by all borrowers and in recordable form. The loan file also must be clearly labeled as an ALM to use the streamlined documentation requirements. In the cases where they're used, document custodians won't have to verify recordation except where Ginnie still considers it necessary. The guidance is available for use in conjunction with ALMs both on a go-forward basis and retroactively.

Recordation will still be required if it's needed to maintain an enforceable first-lien position. It also will still be necessary if leases or rent are part of the modification agreement. In cases where the modification is recorded, compliance with the usual requirements around title insurance and lien subordination must be met.

Ginnie Mae MBS issued during the pandemic



Note: Monthly issuance was more typically in the \$50 billion to \$60 billion range just prior to March 2020
Source: Ginnie Mae

The streamlined documentation requirements will remain in place through the first five months of next year and be discontinued for all loan pools issued on June 1, 2023 and thereafter.

Problems Ginnie Mae securities issuers faced in fulfilling documentation quickly enough to keep up with ALM requirements appear to have prompted the streamlining effort.

“The proactive nature of the ALM, and the timeline associated with it, make it difficult for issuers to comply both with the FHA’s requirements to offer the ALM, and Ginnie Mae’s requirements for recordation and title insurance,” the government bond insurer said in a All Participant Memorandum announcing the streamlined documentation requirements.

The move also may be aimed at addressing broader concerns about whether or how quickly borrowers with hardships are gaining access to more expansive modifications put in place as a form of post-forbearance relief.

A group of state attorneys general recently reported that [some of their constituents weren't being offered some of the more recent modifications available for pandemic relief](#), and relatively high numbers of [seriously-delinquent borrowers](#) have been exiting forbearance without loss mitigation in place.

The FHA and Ginnie, which are both arms of the Department of Housing and Urban Development, have made several moves with the aim of making modifications more accessible to borrowers who have pandemic related hardships, including making it possible to extend loan terms [to 40 years](#), and allowing for the use of [digital signatures](#).

“In order to fully stabilize the economy, servicers need as many tools as possible to help homeowners recover from the pandemic’s economic effects,” [Ginnie Mae President Alanna McCargo](#) said in a press release.