



MORTGAGE BANKERS ASSOCIATION

December 23, 2019

Mr. Seth D. Appleton
Principal Executive Vice President
Ginnie Mae
425 3rd Street, SW, Suite 500
Washington, DC 20024

RE: Request for Input: Digital Collateral Guide¹

Dear Mr. Appleton:

The Mortgage Bankers Association (MBA)² respectfully submits our comments to Ginnie Mae in response to a Request for Input (RFI) on its Digital Collateral Guide (eGuide).³ The eGuide describes the requirements that would apply to the securitization of pools and loan packages containing digital mortgages, and is a vital first step to fully incorporating digital mortgages into the Ginnie Mae business model.

MBA applauds Ginnie Mae for its commitment to adapting to the new digital mortgage landscape, an objective which was highlighted in the *Ginnie Mae 2020* plan.⁴ A future state in which Ginnie Mae accepts digital collateral not only potentially lowers risk by improving data integrity and reducing loan defects, but could provide the added benefit of increasing access to credit for Americans across the country.

After reviewing the eGuide, MBA offers the following items that we believe warrant further clarification or reconsideration.

¹ Ginnie Mae, "Request for Input: Digital Collateral eGuide," October 25, 2019. Available at: https://www.ginniemae.gov/newsroom/publications/Documents/digital_collateral_guide_rfi.pdf

² The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, DC, the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, credit unions, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

³ MBA's comments are a voluntary response provided to HUD in response to an RFI. This is not a required submission for participation in a federal program.

⁴ "Ginnie Mae 2020: Roadmap for Sustaining Low-Cost Homeownership," June 20, 2018. Available at: https://www.ginniemae.gov/newsroom/publications/Documents/ginniemae_2020.pdf.

eNote Origination

- The eGuide states that an elssuer applicant must have the ability to originate and secure eligible eNotes. Further clarification is needed regarding the eligibility of elssuers that only purchase eNotes from other lenders and do not originate such eNotes directly.
- Ginnie Mae should clarify whether an issuer is required to operate an eClosing system if it is not originating eNotes directly.

eCustodian

- Ginnie Mae should explicitly state whether any documentation aside from the Master Custodial Agreement (Form HUD-11715) is required of issuers and custodians once both are approved (as elssuers and eCustodians) by Ginnie Mae.

eVault

- The eGuide states that all contracts between an elssuer or eCustodian and any third-party eVault provider must specify that the eNotes being held in the eVault are the property of Ginnie Mae. In the event that an eVault holds eNotes for other entities in addition to Ginnie Mae, additional guidance or language that can be used in those situations is needed.
- Additional details are needed regarding the entities that are permitted to perform the annual audits of eVaults.
- It is unclear if the legal certification and technology certification referenced in the eGuide are required if an eVault provider is on the eMortgage Technology Provider Lists maintained by Fannie Mae and Freddie Mac. Additionally, Ginnie Mae should specify whether it will add the Technology System Providers integrated with the Mortgage Electronic Registrations Systems, Inc. (MERS) eRegistry, which are listed on the MERS website, to its list of approved entities.

Third-Party Certifications

- The eGuide references the use of various third parties including technology specialists, law firms, and eVault providers—all of which must meet certain standards. The process of identifying third parties that meet these standards may be difficult and possibly very costly. A preapproved list of entities provided

by Ginnie Mae could eliminate such issues and ensure that all institutions using these services are in compliance with the eGuide.

Electronic Images

- There is some confusion regarding the storage of electronic images or copies of documents required for the initial certification, final certification, or recertification of a digital pool or loan package. Ginnie Mae should clarify whether eCustodians are expected to operate their own image repositories or whether access to a servicer's image repository containing the documents would suffice.
- Multiple sections of the eGuide reference requiring the storage of both physical documents and electronic copies. Additional information regarding the reasoning for these requirements would be helpful, as compliance could entail time-consuming, manual efforts for custodians without image capabilities.
- Additional guidance is required to determine whether electronic images of documents are acceptable only for digital pools or if custodians can begin to store electronic images for all pools.
- The naming convention Ginnie Mae has outlined for eDocs may be too long to be supported by certain storage applications. The use of an abbreviated version may address this problem.

eRecording

- The eGuide seems to imply that eNotes are a requirement for eRecording of security instruments. This interpretation differs from Fannie Mae and Freddie Mac policies and may limit the potential benefits of eRecording. Ginnie Mae should reconsider this policy so as to allow the use of eRecording for all loans, regardless of whether the note is paper or digital.

MERS

- The eGuide states that eligible collateral for a digital pool or loan package must be originated with MERS as the Original Mortgagee. This feature is only a recommendation for Fannie Mae and Freddie Mac—not a requirement. Further clarification is needed regarding any flexibility on this requirement and the eligibility of loans that are not originated in MERS but are later assigned to MERS.

- Currently, the custodian is not required to review the security instrument at initial certification. However, the eGuide states that the eCustodian must review the MERS Mortgage Identification Number associated with the eNote to confirm that it corresponds with the Original Mortgagee security. Further clarification is needed to determine whether Ginnie Mae expects a systemic review of data in MERS or simply a review of the physical security instrument.
- The eGuide requires the eCustodian to verify that security instruments are originated by MERS as the Original Mortgagee and that loans are not deactivated or deregistered in MERS. Loans that are not registered with MERS at the time of loan and pool certification will not be acceptable collateral. It is unclear whether custodians will be required to perform these reviews and additionally whether the purpose of these reviews is to ensure that the notes are still registered as eNotes or that they are registered with MERS. It is also unclear if a loan associated with an eNote that has been deactivated or deregistered can achieve final certification.

Loan Modifications

- With respect to both certification and securitization of modified eMortgages, further clarification is needed regarding which pools and loan packages (paper or digital) can contain paper-based loan modifications.
- The eGuide states that “Ginnie Mae will not authorize re-delivery of loans that were previously bought out due to borrower delinquency but are now re-performing under the original terms of the eMortgage (re-performing loans without a loan modification).” It is unclear if this requirement applies only to the pilot period or if it will be implemented on a permanent basis, and we cannot determine why these eMortgages would pose any incremental risk to Ginnie Mae. Additional details regarding the reasoning for this requirement would allow analysis of the potential benefits relative to the potential problems that could arise for issuers.

Intervening Assignments

- The eGuide states that intervening assignments are not required, and it is unclear if the reason for this feature is that Ginnie Mae expects these assignments to be transfers within MERS. It is also unclear if there are any situations in which assignments would be required.

Buyout Requirements

- The eGuide lists stipulations governing the buyout of defective loans, one of which is that a pooled loan associated with a digital pool or loan package must be bought out prior to the initiation of foreclosure proceedings. This requirement seems to differ from guidance associated with non-eMortgages, and has the potential to create unnecessary strains on issuers given the larger gap in time between the buyout and the recovery of claim proceeds. Additional details regarding the reasoning for this requirement would allow analysis of the potential benefits relative to the potential problems that could arise for issuers.

General Inquiries

- Multiple locations in the eGuide reference the pilot program and at times it is unclear which portions of the eGuide apply only to the pilot program and which are intended to be fully implemented on a permanent basis. A list identifying items that only apply to the pilot program could eliminate any misinterpretation or confusion in this area.
- The eGuide references “demonstrated experience,” “sufficient expertise,” and “sufficient training” in several sections. Additional detail and clarification is needed regarding what constitutes these measures to ensure applicants understand any and all components of these requirements.

We appreciate the opportunity to comment on the Ginnie Mae eGuide and we look forward to continued engagement with Ginnie Mae as we move towards an environment in which digital mortgages are more widespread throughout the industry. Thank you in advance for your consideration of these comments. Should you have questions or wish to discuss further, please contact Sasha Hewlett, Director of Secondary and Capital Markets, at (202) 557-2805 and shewlett@mba.org.

Sincerely,



Pete Mills
Senior Vice President
Residential Policy and Member Engagement
Mortgage Bankers Association