



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF AFFORDABLE HOUSING
PRESERVATION

To: OAHP Staff, PAE Closing Staff, Rehab Escrow Administrators

Purpose: This message introduces a temporary procedure to address the conflict between OAHP and Ginnie Mae requirements for the titling and setup of rehabilitation escrow deposit accounts. We expect to announce a permanent solution shortly. This message also contains instructions for addressing this conflict on open escrows.

Background: Recent REA file reviews identified a material conflict between the escrow account investment requirements listed in the Rehabilitation Escrow Deposit Agreement ("REDA"), and those set out in the Ginnie Mae Servicing Guide, also known as Ginnie Mae 5500.3 Rev 1 (the "Ginnie Guide" or the "Guide"). Many of our rehabilitation escrow administrators ("REAs") are Ginnie lenders and servicers ("Lender-REAs"), whose loans are pooled as collateral for Ginnie Mae -guaranteed mortgage backed securities, triggering a requirement that they must adhere to the Ginnie Guide in their servicing operations.

Temporary Solution for Imminent Closings: Lender-REAs with pending closings may request the PAE:

- Strike through the entirety of the second sentence of REDA paragraph 4C: "The Escrow Administrator agrees that pending disbursements, the Funds shall be invested solely in obligation of, or fully guaranteed as to principal by, the United States of America."
- Strike through the entirety of the second sentence of REDA paragraph 4D: "To perfect such security interest, the Escrow Account shall be titled in the name of the Secretary."
- Require all parties to the REDA to initial these changes
- Add a statement to the Exhibit A, as follows: "Escrow Administrator certifies that the Escrow Account will be invested in accordance with the terms and conditions of Ginnie Mae 5500.3 Rev. 1".

PAEs preparing closing documents should discuss this documentation change with any Ginnie Mae lender expected to act as REA. Where appropriate, PAEs may modify the REDA as outlined above, ensure that all signatories initial the changes, and attach a copy of this email to the fully executed and amended REDA.

Solution for Open Rehab Escrows: Lender-REAs that currently service existing rehab escrows should prepare a Form 9.10 requesting the terms of paragraphs 4C and 4D governing investment of escrow funds be modified (as outlined above) to allow the REA to act pursuant to the following certification. The request should then state "*By its signature below, <REA Name> certifies that the Escrow Account will be invested in accordance with the terms and conditions of*

Ginnie Mae 5500.3 Rev. 1". A copy of this broadcast message should be attached to the Form 9.10.

Fully executed Forms 9.10 should be submitted in the typical manner. Remember that the signatures of all parties to the REDA are required. Lender-REAs submitting multiple requests should also provide a schedule listing each of the accounts for which this modification is being requested.

Please refer all questions in this regard to Dao Vuong, REAT Specialist, at (212) 542-7698.