

Client Alert

April 2020

Ginnie Mae Announces Pass-Through Assistance Program Related to COVID-19

On Friday, April 10, 2020, Ginnie Mae threw a lifeline to its issuers (Issuers), who are experiencing unprecedented liquidity shortfalls related to the COVID-19 emergency. Issuers must make timely and in-full principal and interest payments to mortgage-backed security (MBS) holders, regardless whether borrowers make their mortgage payments. As a result of the recent passage of the CARES Act¹, borrowers increasingly will request forbearance from making these payments as they have suffered financial hardships from the COVID-19 emergency. In response, Ginnie Mae has authorized Issuers to borrow funds through the Pass-Through Assistance Program related to COVID-19 (PTAP/C19), which funds will bear interest at a fixed rate that will be updated for each month's assistance. This assistance (being made available for April remittances) should go a long way to minimize disruptions in the mortgage servicing and MBS capital markets.

With its ability to guarantee the timely payment of principal and interest, Ginnie Mae provides trusted financing solutions to the mortgage market through various programs. Those programs include the Ginnie Mae I and Ginnie Mae II Mortgage-Backed Securities Programs, the Multiclass Securities Program and, most recently, PTAP/C19. The following is an overview of PTAP/C19.

For Issuers facing shortfalls of principal and interest payments due on loans that are delinquent as of the date of assistance and which shortfalls result directly from the COVID-19 crisis, PTAP/C19 offers, as a last resort, to advance to Issuers amounts necessary to pass-through payments to investors. The maximum monthly assistance under PTAP/C19 is based upon the principal and interest that must be paid to investors but for which the related borrowers did not make their full monthly payments. The Issuers do not need to demonstrate why the borrowers missed the payments.

Ginnie Mae will not consider an Issuer's request for or receipt of assistance under PTAP/C19 as a basis for default under the Ginnie Mae MBS Guide (MBS Guide) or Guaranty Agreement. Issuers will be required to repay the payments plus interest, calculated at the rate at which Ginnie Mae borrows from the Treasury Department (and which will be published on Ginnie Mae's website by the second business day of each month), approximately seven months after the month of investor remittance or by July 30, 2021, whichever is earlier, and any missed repayments will be considered an event of default under the MBS Guide and the Guaranty Agreement.

To receive assistance under PTAP/C19, Issuers are required to apply (as further described in Chapter 34, Part 2, Section E of the [MBS Guide](#)) between the fifth and sixth business day of the month in which a shortfall exists, and to submit documents, including a signed statement of the Issuer describing previous efforts to obtain financing or other assistance and the Issuer's plan for repayment of Ginnie Mae funds. Ginnie Mae plans to respond to such request at least one business day prior to the related remittance date.

¹ See Hunton Andrews Kurth's [Banking and Financial Services Pandemic Resource Center](#) for recent client alerts outlining the CARES Act.

Issuers also may consider financing from servicer advance facilities from traditional lenders. Ginnie Mae recently [announced](#) the approval of an advance financing facility as part of a mortgage servicing rights securitization program, which representation at Hunton Andrews Kurth is led by structured finance and securitization partners Ed Douma and Tom Hiner.

Hunton Andrews Kurth has represented Ginnie Mae since the inception of the Ginnie Mae Multiclass Securities Program in 1994. Today, the representation is led by structured finance and securitization partners Amy Williams and Rudene Haynes and tax partner Kendal Sibley and supported by a large cadre of attorneys, acting as co-counsel on the Ginnie Mae I and Ginnie Mae II MBS Programs and sole Legal Advisor on the Multiclass Securities Program. In addition, Hunton Andrews Kurth has advised both lenders and Issuers in numerous Ginnie Mae financing programs, led by structured finance and securitization partners Ed Douma and Brit Mohler. As Issuers avail themselves of PTAP/C19, Hunton Andrews Kurth is available to advise its client institutions that need to tap either PTAP/C19 or private financing solutions for their liquidity needs.

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