



Mr. Sam Valverde
Acting President, Ginnie Mae
425 3rd Street, SW, Suite 500
Washington DC. 20219

November 18, 2024

Dear Mr. Valverde,

The Community Home Lenders of America (CHLA) is a national non-profit association of small and mid-sized community-based mortgage lenders. The mission of the CHLA is to promote federal mortgage programs, rules, and regulations which treat community mortgage lenders fairly, and which reflect the critical importance that community mortgage lenders play in providing broad access to credit for borrowers, in increasing competition in mortgage markets, and in providing borrowers with quality mortgage services and access to loans at a local level.

CHLA is becoming increasingly concerned that Ginnie Mae issuers cannot transfer loans within a pool to transact a full loan mortgage servicing right (MSR) sale. So, for example, to sell and transfer a single loan MSR, all loans in the pool need to be bought out of a pool. This occurs because many investors will not purchase delinquent loans so those loans need to be bought out of the pool by the lender.

Once the lender buys a loan out of the pool and the remaining loans are sold, the lender must hold the loan until if/when the loan becomes current. Once the loan is current, the lender will sell the loan and the MSR.

Because the loan is held by the lender as an investment due to these Ginnie Mae pool buyout rules, and the delinquent loans are sometimes held for extended periods of time until they become current, the loan re-sale choices are limited. Depending on market conditions, lenders are likely to incur a loss due to holding the loans as investments. The lender's liquidity is also constrained by tying up cash in the loan(s) that was bought out. This buyout activity forces issuers to construct full loan pool

and servicing transfers of current and delinquent loans, which is costly and suboptimal.

CHLA would also like to point out that loss mitigation program requirements mandated by FHA can create situations where, because of the policy, the loan may have multiple loss mitigation events that not only require lenders to advance funds to buy these loss mitigation loans out of the Ginnie Mae pools, but also to fund these loans for long period of times until the loan becomes current and eligible for a resale to Ginnie Mae or other investors – again, likely at a loss.

The impacts to the community lenders are many, and these impacts create indirect borrower impacts as a result. First, the issuer’s operating cash is tied up in holding a loan creating less operating liquidity, and second, the issuer may be subject to losses upon resale of the loan in the current market (e.g., interest rate pricing adjustments, illiquid “one off” price adjustments, credit adjustments, etc.).

Both Fannie Mae and Freddie Mac recognize these challenges and offer solutions that permit the loan level MSR servicing transfer. CHLA recognizes the fact that there is operational complexity and resources likely needed for Ginnie Mae to be able provide this capability.

Given the extra burden this lack of loan level servicing capability places on small and medium sized community lenders that don’t have the advantages in breadth and depth of portfolio structuring, lending, and funding facilities that larger lenders have, CHLA respectfully requests that Ginnie Mae act to provide this capability:

1. Do not require a full pool buyout to conduct a servicing transfer of Ginnie Mae loans.
2. Provide the capability to transfer the servicing of the loan WHILE it remains in the existing Ginnie Mae pool.
3. Invest in the operations, resources and policy mandates to provide this capability.
4. Permit loans to be re-pooled if the loan is delinquent, regardless of the time of re-pooling of re-modified loans.

As noted above, this capability is important for the liquidity and functioning of a healthy mortgage market – it removes unnecessary stress in the system, especially

for small – medium community lenders (IMBs), and thus the communities that we serve.

As always, CHLA appreciates the partnership and the opportunity to express concerns, provide feedback and work constructively with Ginnie Mae.

Sincerely,

Community Home Lenders of America