



Federal Reserve Banks

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December 3, 2001
Clearing Memo #231

To: All Fedwire Book-Entry Securities Participants

Subject: Ginnie Mae Securities - Serial Notes

As part of the Ginnie Mae securities migration, Serial Notes will move to the Federal Reserve Fedwire[®] Book-Entry Securities system from the MBS Division of the Depository Trust and Clearing Corporation, ("DTCC") on March 23, 2002. Serial Notes consist of a pool of single family, level payment mortgages and can be formed only under the Ginnie Mae I Mortgage Backed Securities Program.

The record date of these securities will be the last business day of the month. The payment date will be on the 15th day of the month or the following business day if the 15th day is not a business day, following the record date. In addition, the timing of the P&I notification will be no later than two to three days prior to the payment date (See Section E).

A. Class Codes/Security Description

Each security will be assigned a unique nine-character CUSIP number. These securities will be issued under the following class code and security description:

Ginnie Mae I Serial Notes Fixed Rate - GNSN nnnnnn nnn-nnn

The nnnnnn is the pool number. The first part of nnn-nnn is the unit sequential lot number and the second part is the unit number.

B. Denominations

The minimum and multiple denominations for these securities will be the same amount. The minimum and multiple amount of each CUSIP will be broadcast with other new issue information. The amount of par issued to each CUSIP must remain intact.

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C. Original Issues

On the original issue settlement date, the original issue will be effected by sending a Type Code 2500 message (Reversal Code 2502) which will transfer the securities to the purchaser's account, against payment, if applicable, from GNMA WASH/ISSUER.

D. Secondary Market Transactions

Transfers will be at par amount and effected using the standard Type Code 2000 message (Reversal Code 2002).

E. Principal and Interest Payments

The principal and interest payments for these securities will be automated. The principal and interest payment will be made via Type Code 8906 wires. Maturing securities will be withdrawn electronically on the payment date via a Type Code 8900. The detailed payment information will be available in the Notification of P&I – Non-Immediate report.

F. CUSIP Conversion Information

Currently, only the serial note pool (parent) is assigned a CUSIP number issued by the CUSIP Service Bureau. DTCC identifies individual serial note units by appending the unit number to the parent CUSIP number.

Each individual unit within the pool will be assigned a unique CUSIP number when the Ginnie Mae serial note securities move to the Fedwire System.

The CUSIP information for existing Serial Note units will be available via bulkdata using the BAMI Bulkdata applid to those Fedwire participants that choose to receive it. Please note that this is the same Bulkdata applid used for the CUSIP inventory file. To request the "Ginnie Mae Serial Note Assignment" file layout, please call 201-531-3341. The test "Ginnie Mae Serial Note Assignment" bulkdata file will be available early December 2001. More information will be available on the www.frbservices.org web site.

G. Conversion to Lots and Sequential Units

After a Serial Note has been issued, it may be converted into as few as 4, or as many as 8 lots, of 25 sequential units ("units"). For example, a pool with 100 units can be converted into 4 lots: lot 1- units 1 to 25, lot 2- units 26 to 50, lot 3- units 51 to 75, and lot 4- units 76 to 100. Normally lots will contain 25 units with the last lot containing more or less units depending on the dollar amount of the serial note pool.

After issuance, two types of conversions may be requested:

1. Parent to Lots

CUSIP A (parent) may be converted into lots CUSIPs B, C, D and E...up to I.

2. Lot to Units

CUSIP lots B and/or C and/or D and/or E through I, may be converted into their corresponding units.

However, a customer cannot convert CUSIP A (parent) for individual units directly. See Attachment 1.

If the total amount outstanding is not equally divisible by \$25,000 the last lot and unit will include the odd amount. For example, a serial note in the amount of \$2,500,123 that is converted into lots would be obtainable in three lots in the amount of \$625,000, and the fourth lot in the amount of \$625,123. Similarly, the last unit in lot 4 would be in the amount of \$25,123.

H. Relationship Information of Units and Lots to Parent

Relationship of existing serial note units to lot and lots to pool including their respective par amounts will be available via bulkdata transmission only to those Fedwire participants that choose to receive it.

This information for existing Serial Note units will be available via bulkdata using the BAGS Bulkdata applid. For those participants requesting the Strip/Reconstitution Relationship file layout, please call 201-531-3341. A Strip/Reconstitution Relationship bulkdata test file will be available early December 2001. More information will be available on the www.frbervices.org web site.

For new Serial Note issuances on Fedwire, the Federal Reserve will send the relationship file via bulkdata applid BAGS, to those predefined, on the same or following day we announce the new issue information via MBS broadcast code.

I. Conversion into Lots and Units Procedures

The procedures for Serial Note conversion requests are similar to the procedures for STRIP requests for other Fedwire eligible securities.

Serial Note securities may be converted at the option of the Depository Institution (DI) in whose account the securities are maintained.

1. To initiate a conversion, a DI must send a Type Code 2000 message, free of payment to the FRB NYC/STRIP. The message must comply with the minimum and multiple par amount requirements of \$25,000 per unit and \$625,000 per lot. The last lot or unit will include the odd amount. In the previous example, a serial note in the

amount of \$2,500,123 would be converted into three lots in the amount of \$625,000 each, and the last lot would be in the amount of \$625,123.

2. The normal fee applicable to book-entry securities transfer originations will be assessed.
3. Requests to convert will be processed twice each day. Conversion requests received by 9:30 a.m. will be processed and returned to the sender by 10:00 a.m. Requests received by 11:30 a.m. will be processed and returned to the sender by 12:00 noon. (Note: All times are Eastern.)
4. The Federal Reserve will return all conversion requests the same business day, via Type Code 2500. Fees will be assessed for each returned conversion request (see section M "Ginnie Mae Fees" for the details). All converted securities will be returned to the exact telegraphic sender name that appeared on the original message. The type code 2500 messages will indicate on Free Text Line 1 the date of the conversion and that it is a STRIP request. This is to help distinguish a conversion request from an original issue message. In addition, a Federal Reserve Bank IMAD (Input Message Accountability Data) followed by the security description of the parent will appear on Free Text Line 2 of the message.
5. Invalid requests will be returned via a type code 2002 due from FRB NYC/STRIP. An error description will be placed on Free Text Line 2 of the securities message.

J. Recombination Request Procedures

Units can also be recombined into their related lot. Serial Note lots can be recombined into their related parent.

The procedure for serial note recombination requests are similar to the procedures for reconstituting other Fedwire eligible securities.

1. Serial Note securities may be recombined at the option of the Depository Institution (DI) in whose account the securities are maintained.
2. To initiate a recombination request, the DI must send a type code 2000 message, free of payment, to FRB NYC/PEND RECON.
3. Each message must comply with the par amount outstanding for the CUSIP.
4. Each securities transfer message associated with a particular recombination request must be sent from the same ABA number, third party name and have the same unique identifier. The unique identifier must be 10 characters (alpha and/or numeric) in length and must begin in the first position on Free Text Line 1 of each message. Blanks, as filler are acceptable. The identifier cannot be duplicated within the same account (ABA number) and securities account (General, etc.) for a business day. Duplicate sets of identifiers will be rejected.

5. Requests received between 8:30 a.m. and 9:30 a.m. will be recombined and returned to the sender by 10:15 a.m. that same day. Requests received between 9:31 a.m. and 11:00 a.m. will be recombined and returned by 11:30 a.m. that day; requests received between 11:31 a.m. and 12:30 p.m. will be recombined and returned to the sender by 1:00 p.m. that day. Any requests received after 12:30 p.m. will be rejected.
6. Incomplete requests sent during either of the first two recombination cutoff times will be held, and the sender will be given an opportunity to complete these invalid requests. Incomplete requests still existing at the 12:30 p.m. cutoff time can not be held for correction and will be returned by 1:00 p.m.
7. Each message will be assessed the normal fee applicable to on-line book-entry securities transfers. No other fees will be applied for recombination requests.
8. The Federal Reserve will return the security the same business day, via Type Code 2500, from GNMA WASH/ISSUER. The security will be returned to the exact telegraphic due from description that appeared on the original wire. In addition, the unique identifier followed by the phrase "Reconstitution Request" will appear on Free Text Line 1.
9. If the recombination request is incorrect (invalid minimum or multiple amounts, etc.) the Federal Reserve will return all the securities submitted, via type code 2002, from FRB NYC/PEND RECON on the same business day. Each message will be returned to the exact telegraphic due from description that appeared on the original wire. The unique identifier will appear on Free Text Line 1 and an error message on Free Text Line 2.

K. Conversion of Book-Entry and Definitive Serial Note Securities

1. Conversion from Book-Entry to Definitive

- For Serial Notes, a DI must send a wire to FRB NYC/GNMA BREG.
- The closing time for all Serial Note conversion requests is 1:00 pm ET.
- Book-Entry conversions to definitive form are not priced.

Ginnie Mae is the Transfer Agent for Ginnie Mae definitive securities. The Federal Reserve will forward your conversion request to Ginnie Mae's designated Transfer Agent. The Transfer Agent will issue the registered securities to the requestor for the CUSIP submitted within 24 hours of receipt of the request. Requesters will be required to pay the appropriate transfer fee, per certificate, to Ginnie Mae's Transfer Agent, when the securities are picked up.

2. Conversion from Definitive to Book-Entry

Investors holding securities outside the Depository, in physical form, can elect to have their securities transferred to the Federal Reserve.

Due to the large volume of transfer activity expected within six months after the conversion of Serial Note securities to the Federal Reserve, a schedule for converting securities from definitive to Book-Entry by interest coupon rates and pool numbers will be provided in the near future. The following procedures apply to both mass conversion and afterwards.

- Presentment of definitive securities to Ginnie Mae's Transfer Agent will continue as it is today.
- Notification required five days prior to conversion.
- The book-entry securities will be delivered from GNMA WASH/RH to the Fedwire delivery instruction provided with the conversion request.

L. Claims Adjustment Eligibility

Ginnie Mae Serial Note securities will be eligible for the Fail Tracking and Interim Accounting claims adjustment functionality available through the Federal Reserve's operated book-entry system, as described in clearing memos #219 and #220, respectively.

M. Ginnie Mae Fees

Normal transfer fees will apply to Serial Note securities converted from definitive to book-entry or from book-entry to definitive form. The Ginnie Mae fees to convert serial note pools to lots and units, and conversion from definitive to book-entry will be published on the www.frbservices.org web site. More information regarding the fee structure will be published in the Ginnie Mae Mortgage-Backed Securities Guide, 5500.3, which is available on the Ginnie Mae website located at www.GinnieMae.gov.

Questions regarding this announcement should be directed to the Federal Reserve Bank of New York at (201) 531-3341.

