

Legal Opinion: CF-0001

Index: 5.410

Subject: Ginnie Mae Issuer's Request to Use Mellon Bank's
Automatic Check Payment Service

July 30, 1996

MEMORANDUM FOR: George Anderson, Executive Vice President and
Acting Vice President, Office of Customer
Service, NS

FROM: John P. Kennedy, Associate General Counsel for Finance and
Regulatory Enforcement, CF

SUBJECT: Transworld's Request To Use Mellon Bank's Automatic
Check Payment Service

This responds to your request for advice regarding a Ginnie Mae issuer's inquiry on its use of Mellon Bank's Automatic Check Payment Service to pay its security holders in the Ginnie Mae I Program. You sent OGC the request made by the issuer Transworld Mortgage Corporation on its own behalf as well as for Mondrian Mortgage Corp. and Rousseau Mortgage Corp. The submission includes a description of the service provided by Mellon Bank and the applicable Ginnie Mae I Guide sections 2-1 and 11-3.

Mellon Bank's service to its commercial checking account holders is analogous to services commonly provided by other financial institutions to Ginnie Mae issuers. The difference is that Mellon provides its customers with an additional level of automation and control of the payment process.

Ginnie Mae does not allow an issuer to delegate to others its obligation to make the monthly payment to its security holders and to pay Ginnie Mae the guaranty fee. These payments obviously must be made through a financial institution. An issuer's use of Mellon Bank's Automatic Check Payment Service is not a delegation of its payment obligations. We know of no legal impediment in the GNMA I Program for an issuer to use Mellon Bank's Automatic Check Payment Service to pay its security holders and Ginnie Mae.