**Frequently Asked Questions: GNMA Compliance Audit Considerations Regarding Wells Fargo Sale of its Document Custodian Business to Computershare Effective November 1, 2021. Computershare is Not Considered an Approved Ginnie Mae Document Custodian**

**Date Issue: March 28, 2022**

To serve AICPA members and promote audit quality, the AICPA Depository Institutions Expert Panel is providing the following frequently asked questions (FAQs) to assist Ginnie Mae Issuers and practitioners performing compliance audits of such Issuers. This document provides nonauthoritative guidance on compliance and auditing matters as developed by AICPA staff. Official AICPA positions are determined through certain specific committee procedures, due process, and extensive deliberation. The views expressed in this document are intended to provide member services, but not for the purposes of providing accounting services or practicing public accounting. The AICPA makes no warranties or representations concerning the accuracy of information issued.

**Introduction**

Effective November 1, 2021, Wells Fargo Bank, N.A. (“Wells Fargo”) sold its Corporate Trust Services business and document custodian business to Computershare Trust Company (“Computershare”). In connection with such transaction, Computershare was required to subservice its document custodian activities back to Wells Fargo based on a negotiation and settlement with Ginnie Mae (GNMA). GNMA issuers received a written communication from [GNMA dated November 17, 2021](https://www.aicpa.org/content/dam/aicpa/interestareas/frc/industryinsights/downloadabledocuments/gnma-November-17-2021-communication.pdf) announcing that Wells Fargo/Computershare is not an approved GNMA Document Custodian, therefore in connection with the sale of the Wells Fargo document custodian business to Computershare, the issuer has prescribed deadlines for which to transfer issuer pool files/documentation. The transfer deadlines in the GNMA November 17, 2021 communication were amended in a written communication from [GNMA dated February 9, 2022](https://www.aicpa.org/content/dam/aicpa/interestareas/frc/industryinsights/downloadabledocuments/gnma-February-9-2022-communication.pdf.pdf). This document reflects the amended deadlines.

The GNMA communication describes the responsibilities and options available to the Issuer to ensure its own continued compliance with the Mortgage-Backed Securities (MBS) requirements outlined in Section E in Chapter 11 of the [GNMA MBS Guide](https://www.ginniemae.gov/issuers/program_guidelines/Pages/MBSGuideLib.aspx), and other applicable provisions of the GNMA Guaranty Agreement and the MBS Guide (including the Document Custody Manual, Appendix V-01):

1. Cease delivering to Wells Fargo/Computershare all pool, loan package, loan document and data corresponding to new issuances of GNMA securities for the purpose of initial certification by October 1, 2022.
2. Perform a Transfer of Custodial Responsibility from Wells Fargo/Computershare to a GNMA approved document custodian by April 30, 2023. Such Transfer of Custodial Responsibility must encompass all pools and loan packages held by Wells Fargo/Computershare for which the Issuer is the Issuer of record as of the effective date of the Transfer.

On March 21, 2022, GNMA Issuers received an additional communication from GNMA which has been provided below. As such, on the basis of the GNMA exemptions included in the communication, the Issuers and practitioners (IPAs) do NOT need to assess and test compliance for all other aspects of compliance under the MBS Program and Chapter 6, Section 5, C.2 of the Ginnie Mae Issuers of Mortgage-Backed Securities Audit Guidance, of the [U.S. Housing and Urban Development (HUD) *Consolidated Audit Guide*](https://www.hudoig.gov/reports-publications/audit-guides/consolidated-audit-guides)(*“*HUD Audit Guide”) for the period subsequent to the effective date of the transfer of Wells Fargo’s document custodian business to Computershare (November and December) for the calendar year ended December 31, 2021. GNMA Issuers are required to assess and test compliance for the period from January 1, 2021 to October 31, 2021, the period when Wells Fargo was responsible for the document custodian activities.

**GNMA Communication to Issuers - Email issued March 21, 2022:**

“**Subject:** Issuer 3355 - GNMA Document Custodian - Wells Fargo/Computer Share - 2021 Audits

Ginnie Mae has arrived with its final guidance to the requests by AICPA.

1. Ginnie Mae will be issuing forthcoming guidance which will extend until June 30, 2022 the Alternative Procedures granted in APM 21-08.  APM 21-08 allows for the Extension of Permitting Alternative Procedures for Certain Aspects of the Issuer Annual Audit Report.  Therefore, the use of alternative procedures will remain in effect for all Issuers, Document Custodians and IPAs given continued challenges on document custodian operations caused by the pandemic.

2. In terms of meeting the HUD Audit Guide requirements, Ginnie Mae will accept the 10 months (1/1/2021 – 10/31/2021) that the document custody facility, staff, and technology was owned by Wells Fargo Bank for Issuers using the former Wells Fargo Bank Document Custodians which operated under Ginnie Mae Document Custodian numbers 149, 536, and 622.

3. For Fiscal Year-End 2022 (12/31/2022) audits, Ginnie Mae will exempt those Issuers using Wells Fargo Bank/Computershare as their document custodian from having their respective IPA Auditors from performing any on-site (or remote) document custodian review procedures as described in Chapter 6 of the HUD Audit Guide.  These Issuers will also receive an exemption from performing the annual reconciliation of pools with Computershare.

If you have any questions regarding this announcement, please contact your Account Executive in the Office of Issuer and Portfolio Management directly or at (202) 708-1535.”

The GNMA communications will likely have an impact on both the 2021 and 2022 compliance audits performed under the HUD Audit Guide. The following series of nonauthoritative questions and answers are intended to assist Issuers and practitioners performing compliance audits during a period when Issuers may have changed document custodians at the request of GNMA.

**Frequently Asked Questions**

1. Does the auditor have to report noncompliance for the period subsequent to the transfer of the Wells Fargo document custodian business to Computershare (November and December) related to Wells Fargo/Computershare no longer being an approved document custodian?

**Answer**: No. It would seem reasonable to conclude that GNMA is aware that Issuers that received the letter have used Wells Fargo/Computershare as the document custodian as of November 1, 2021 and for the period of transition. Further, the GNMA communication provides options available to the Issuer to ensure “continued compliance” going forward. However, Issuers may wish to consider communicating to GNMA the receipt of the GNMA letter and acknowledging that the Issuer has not considered the continued use of Wells Fargo/Computershare as its document custodian during the transition period as noncompliance based on the GNMA letter. Such communication may be included by the Issuer in Part 3 of the Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations as this is where the Issuer would list any deficiencies listed in letters or reports issued by HUD management (see Chapter 2, “Reporting Requirements and Sample Reports” of the [HUD Audit Guide](https://www.hudoig.gov/reports-publications/audit-guides/consolidated-audit-guides) for more information on this Schedule). Lastly, although not required, the practitioner could also add an “Other Matter” to the report on compliance or include mention of it in the management letter to clarify why noncompliance is not reported.

1. Does the GNMA communication establish additional compliance requirements for the Issuer related to a change in custodial responsibility?

**Answer**: Yes. The GNMA communication appears to establish additional compliance requirements that need to be met during the transition period by the Issuer. Those additional requirements are outlined in the February 9, 2022 communication from GNMA included in the introduction to this document. Also, see FAQ #4 for further guidance.

2A) Do Issuers and practitioners (IPAs) need to assess and test compliance for all aspects of the specific document custodian compliance requirements under the MBS Program and Chapter 6 of the HUD Audit Guide for the period during 2021 in which Wells Fargo operated as the document custodian (for the period from January 1, 2021 to October 31, 2021)?

**Answer**: Yes. The GNMA Issuer and its IPA need to assess and test compliance for the calendar year ended December 31, 2021 for the period for which Wells Fargo was the document custodian prior to the effective date of the Wells Fargo/Computershare transaction (for the period from January 1, 2021 to October 31, 2021).

This could be accomplished by the use of a report from another practitioner under the single auditor approach or procedures can be performed directly by the practitioner of the Issuer. If the former approach is selected, the Issuer’s practitioner should inquire of Wells Fargo and its auditor to ensure that the pool assets and related documents of the Issuer are part of the compliance audit or agreed upon procedures performed under the single auditor approach. At a minimum, such pool assets and related documents need to have been part of the population subject to testing and could have been selected as part of the sample tested.

1. Do Issuers and practitioners (IPAs) need to assess and test compliance for all other aspects of the specific document custodian compliance requirements under the MBS Program and Chapter 6 of the HUD Audit Guide for the period during 2021 in which Wells Fargo/Computershare operated as the document custodian (for the period from November 1, 2021 to December 31, 2021)?

**Answer**: No. Based on the March 21, 2022 email communication received by the Issuer from GNMA described above, titled “**Subject:** Issuer 3355 - GNMA Document Custodian - Wells Fargo/Computer Share - 2021 Audits” the practitioner is not required to perform procedures related to compliance for the Review of Custodial Documents of Wells Fargo/Computershare for the months of November and December 2021.

3A) Does the auditor have to report noncompliance or a scope limitation in its report related to not assessing and testing compliance for all other aspects of compliance for Wells Fargo/Computershare acting as a document custodian for the months of November and December 2021?

**Answer**: No. Based on the March 21, 2022 email communication received by the Issuer from GNMA described above, titled “**Subject:** Issuer 3355 - GNMA Document Custodian - Wells Fargo/Computer Share - 2021 Audits” the practitioner is not required to perform procedures related to compliance for the Review of Custodial Documents of Wells Fargo/Computershare for the months of November and December 2021. However, the practitioner may wish to consider communicating with GNMA the Issuer’s receipt of the GNMA communication and acknowledging that the practitioner has not considered the exemption from testing the compliance requirements for the months of November and December 2021 while Wells Fargo/Computershare was acting as its document custodian as noncompliance or a scope limitation based on the GNMA communication. Such communication may be included in various ways, including:

1. The practitioner could add an “Other Matter” to the report on compliance as follows:

“…….” Effective November 1, 2021, Wells Fargo Bank, N.A. (“Wells Fargo”) sold its Corporate Trust Services business and document custodian business to Computershare Trust Company (“Computershare”). Subsequent to the sale, Ginnie Mae issuers received a written communication from [Ginnie Mae dated November 17, 2021](https://www.aicpa.org/content/dam/aicpa/interestareas/frc/industryinsights/downloadabledocuments/gnma-November-17-2021-communication.pdf) announcing that Wells Fargo is not an approved Ginnie Mae Document Custodian. On March 21, 2022, Ginnie Mae communicated to [ABC Company] that as it relates to the compliance requirement, Review of Custodial Documents, that Ginnie Mae will accept [ABC Company’s] independent auditors performance of procedures as outlined in the HUD Audit Guide (Chapter 6, Section 5, C.2) over the document custodian activities of Wells Fargo for the ten months January 1, 2021 to October 31, 2021 for compliance audits with a calendar year ended December 31, 2021. Therefore, we have not performed any such procedures for the months of November and December 2021. Further, we have not considered [ABC Company’s] use of Wells Fargo/Computershare as its document custodian for the months of November and December 2021 as noncompliance. However, we have performed procedures relating to [ABC Company’s] actions to cease delivering to Wells Fargo/Computershare all pool, loan package, loan documents and data corresponding to new issuances of Ginnie Mae securities for purpose of initial certification by October 1, 2022, and actions to initiate the transfer the custodial responsibility from Wells Fargo/Computershare to a Ginnie Mae approved document custodian by April 30, 2023.

1. The Issuer could add something similar to the “Other Matter” wording above in Part 3 of the Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations as this is where the Issuer would list any deficiencies listed in letters or reports issued by HUD management (see Chapter 2, “Reporting Requirements and Sample Reports” of the [HUD Audit Guide](https://www.hudoig.gov/reports-publications/audit-guides/consolidated-audit-guides) for more information on this Schedule).
2. Does the Issuer need to design procedures to ensure compliance with the additional set of compliance requirements related to the transition of document custody activities from Wells Fargo/Computershare to a new custodian?

**Answer**: Yes. As noted earlier, the GNMA communication introduces an additional set of compliance requirements to address the transition of document custody activities from Wells Fargo/Computershare to a new document custodian. Since the transition dates related to compliance are subsequent to December 31, 2021, such procedures would likely be limited to the Issuer designing a process and controls in place to ensure that such pool loan packages and related documents were delivered to an approved document custodian. In addition, depending on the effective date of the Transfer, there would need to be a process and controls in place to ensure the Transfer of Custodial Responsibility is completed by April 30, 2023.

1. How does the transition of document custody activities from Wells Fargo/Computershare to a new custodian affect the compliance audit?

**Answer**: The practitioner should design appropriate audit procedures to test compliance with the new additional compliance requirements. Further, to the extent the effective date of Transfer is not until after December 31, 2021, the practitioner should still obtain sufficient appropriate audit evidence to test compliance. This may include evidence to support that the Issuer has a plan in place to ensure a timely transfer in 2022/2023, including but not limited to a draft or signed agreement with a new document custodian, a project plan to transfer the underlying pool asset documents from Wells Fargo/Computershare to the new document custodian, and commitment of both parties to adhere to the deadline.

1. Does the Issuer need to assess compliance and the practitioner test compliance related to the new document custodian if the new custodian takes Custodial Responsibility prior to December 31, 2021?

**Answer**: Yes. Similar to the above, since compliance is required for the fiscal year ended December 31, 2021, the Issuer and the practitioner need to perform procedures to assess and test compliance with the relevant compliance requirements.

The practitioner should follow the guidance in Chapter 6 of the HUD Audit Guide to perform such tests of compliance, which include suggested audit procedures involving testing a sample of pools and related pool asset documents. In addition, as per the HUD Audit Guide, the practitioner would need to test the design and implementation and operating effectiveness of internal control over compliance.

This could be accomplished by the use of a report from another practitioner under the single auditor approach or procedures can be performed directly by the practitioner of the Issuer. If the former approach is selected, the Issuer’s practitioner should inquire of the new document custodian and its auditor to ensure that the pool assets and related documents of the Issuer are part of the compliance audit or agreed upon procedures performed under the single auditor approach. At a minimum, such pool assets and related documents need to have been part of the population subject to testing and could have been selected as part of the sample tested. Given the late date of the Transfer of Custodial Responsibility, this may not be the case.

If the Issuer’s practitioner needs to test compliance at the new custodian, the practitioner should at a minimum gain an understanding of the GNMA compliance process at the new custodian and perform an assessment of the design and implementation of internal control over compliance. In addition, based on the assessment of the risk of material noncompliance, the practitioner should perform appropriate tests of compliance, including a sample of pools and related pool asset documents. Such tests would include the test of operating effectiveness of internal control over compliance. Auditor judgment is required related to the nature and extent of such compliance audit procedures given the period of time such pools and related pool asset documentation has been with the new custodian.

1. If the effective date of the Transfer of Custodial Responsibility is in 2022 but prior to the issuance of the report on compliance, does the practitioner have any responsibility to perform tests of compliance related to the pools and related pool asset documents as part of its 2021 compliance audit?

**Answer**: No. It would seem reasonable to conclude that such transfer and the compliance with the MBS Program for the review of custodial documents at the new document custodian would be deemed a 2022 activity and, as such, would be addressed in the 2022 compliance audit. Per the March 21, 2022 email communication received by the Issuer from GNMA described above, titled “**Subject:** Issuer 3355 - GNMA Document Custodian - Wells Fargo/Computer Share - 2021 Audits”:

For Fiscal Year-End 2022 (12/31/2022) audits, Ginnie Mae will exempt those Issuers using Wells Fargo Bank/Computershare as their document custodian from having their respective IPA Auditors from performing any on-site (or remote) document custodian review procedures as described in Chapter 6 of the HUD Audit Guide.  These Issuers will also receive an exemption from performing the annual reconciliation of pools with Computershare.

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