

FHLB101
Making the Most of Your Membership

**Mortgage Partnership Finance[®] (MPF[®])
Program**

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First Vice President

Today's Topic

- About the MPF Program
- Pricing and Income
- Application Process
- Training Resources and Contacts
- Loan Eligibility
- Underwriting Processes
- Servicing Options
- Investor Reporting
- Quality Control
- FHLBank Boston's MPF Program progress

About the MPF[®] Program

- **Mortgage Partnership Finance[®] Program**
 - ◆ Created by FHLBank Chicago in 1997
 - ◆ FHLBank Boston joined in 2000

- **Participating FHLBanks:**

◆ Boston	Chicago
◆ Des Moines	New York
◆ Pittsburgh	Topeka

- **FHLBanks serve as an alternative to secondary market investors**
- **We buy mortgage loans from our members**

About the MPF[®] Program

The Concept

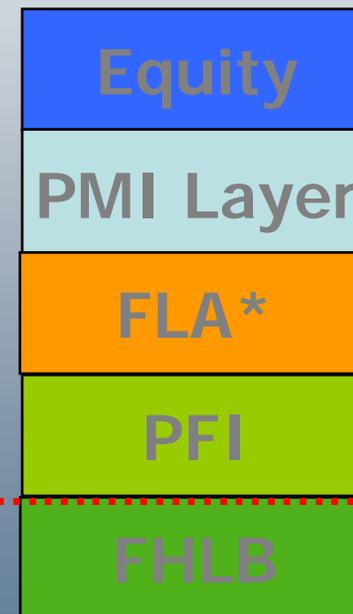
- ***You do what you do best***
 - ◆ **Member originates loan; has primary relationship with the borrower**
 - Sells loan into MPF Program
 - Retains or releases the servicing
- ***We do what we do best***
 - ◆ **FHLBank owns the loan; manages interest rate, liquidity and prepayment risks**
 - Member receives additional income stream
 - All-in execution is made better by the risk/reward structure
- ***Member and FHLBank share the credit risk***

About the MPF[®] Program

Credit Risk Sharing Structure (for conventional loans only)

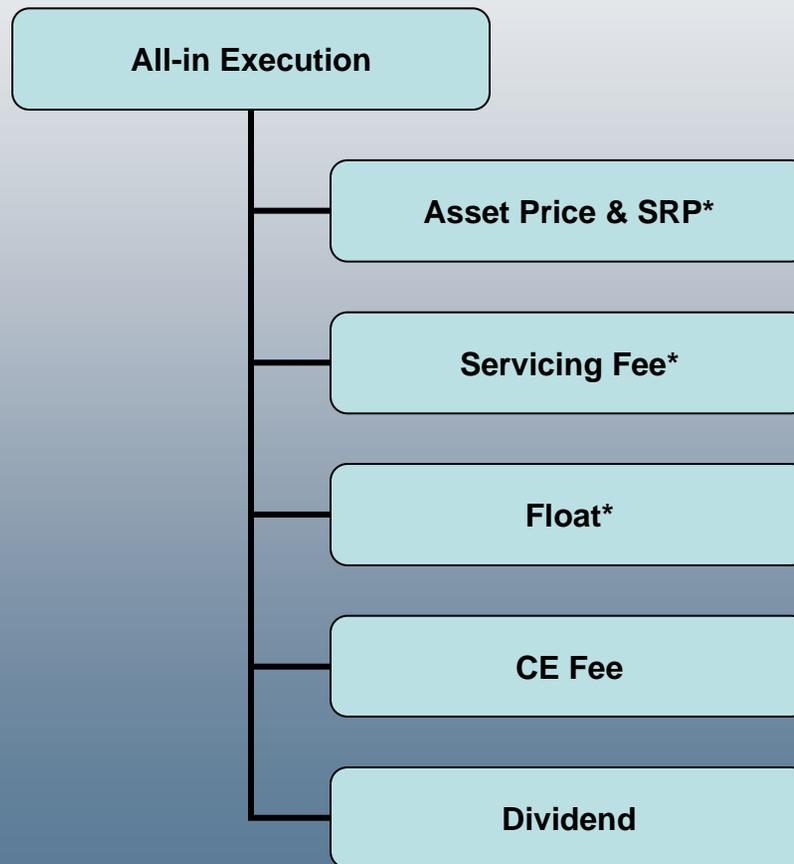
- ◆ Borrower equity
- ◆ Primary Mortgage Insurance (> 80% LTV)
- ◆ First Position Loss Account – FHLBank
- ◆ Credit Enhancement – member
- ◆ FHLBank Boston

AA Loss Coverage.....

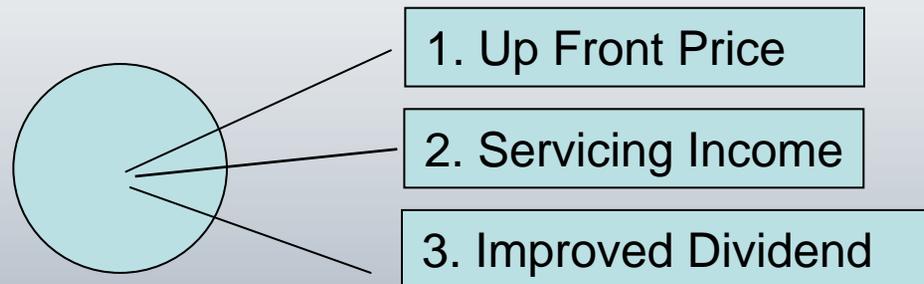


Pricing & Income All-in Execution

- **Asset Price** (plus SRP if sold service-released)
- **Servicing Fee** (if sold service-retained)
- **Float** (if remittance is once per month)
- **Credit Enhancement Fee** (risk/reward annuity; unique to MPF Program)
- **Dividend** – FHLBank stockholder benefit



Pricing & Income



- **MPF requires a stock purchase:**
 - ◆ 4.5% of current outstanding principal balance of mortgage loans

Application Process

Participating Financial Institution (PFI)

- **Two Part Process:**
 - ◆ **Application document (30 to 90 days to process)**
 - General information
 - Mortgage operations information
 - Origination & servicing information
 - Quality Control policy
 - Anti-predatory lending policy and questionnaire
 - ◆ **Agreements (required to transact business)**
 - PFI Agreement & PFI Resolution
 - Delegation of Authority forms
 - Custodial Account information

Training Resources

AllRegs® Support: (651) 883-9705 | thbmpf.com | AllRegs.com

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Bulletins, Notices, and Advisories
Origination Guide
Servicing Guide
Underwriting Guide

Additional Content
Available only in the full version of AllRegs Online.

- Fannie Mae Single Family
- Fannie Mae Multifamily
- Freddie Mac Single Family
- Freddie Mac Multifamily
- Mortgage Insurers
- FHA Single Family
- FHA - Practical Guide
- FHA Multifamily
- VA
- VA - Practical Guide
- Rural Housing Service
- Ginnie Mae
- CalPERS
- Federal Compliance
- State Compliance

Welcome to FHLB's MPF Guides

Want to know right away when the MPF Guides have been updated?
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- guidelines for other agencies
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- an extensive forms library

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MPF Internet Workshops

- Understanding and Reviewing Appraisals, April 7, 2008
- Program Condominium Requirements, April 9, 2008
- MPF Program 101, April 15, 2008
- Risk and Reward, April 17, 2008
- Credit Report Review, April 22, 2008
- Delinquency Management, May 2 and May 16, 2008
- Detecting and Avoiding Fraud, May 5, 2008
- Underwriting Workshop, May 13, 2008
- Investor Reporting, May 29, 2008
- Turnaround Report and Account Reconciliation, June 2, 2008
- Original MPF, June 2, 2008
- Understanding and Reviewing Condominium Appraisals, June 9, 2008
- Government Loans, June 13, 2008
- Construction-to-Perm Mortgages, June 17, 2008
- Underwriting Documents and Disclosures, June 20, 2008

Loan Eligibility

- **1-to-4 family, fixed rate, fully amortizing, primary residence, second homes, conventional, conforming, up to 30 year terms**
- **LTVs up to 95%; higher for government-guaranteed or FHLBank grant program loans**
- **Loans up to 12 P&I payments eligible**
- **No loan minimums**
- **Third party originations**
- **RHS Section 502, HUD Section 184, FHA and VA government guaranteed loans**

Underwriting

- Two options
 - ◆ Manually Underwrite
 - ◆ Automated Underwriting (LP/DU)
 - emagic[®]

- The MPF Origination and Underwriting Guides outline the MPF Program's requirements
 - ◆ www.allregs.com/fhlbmpf

Service Released

- Colonial Savings – Conventional
 - ◆ No servicing overhead
 - ◆ Service-released Premium

Servicing systems compatible with MPF

- ASI
- CSI
- DCI
- FICS
- FIFS
- Fiserv
- FPS- Gold
- GCC
- Harland – Sparak
- INS (ITI)
- Intech – Summit
- ITI
- Jack Henry
- Kirchman
- Liberty FiTech
- LSAMS
- LSSI
- Metavante
- Midwest Software
- Modern Banking Sys.
- MCI
- Mortgage Serv.
- Nicola
- Precision
- Summit

Service Retained

- You service the loan (or outsource)
 - ◆ Submit P&I
 - ◆ Verify T&I
 - ◆ Monitor Escrows
 - Escrows are not required

- You receive the servicing income
 - ◆ 25 bps conventional
 - ◆ 44 bps government

- You maintain the customer relationship

Investor Reporting

- Process of verifying & reporting monthly loan information
 - ◆ Loan balances
 - ◆ P&I paid
 - ◆ New loans booked
 - ◆ Loans paid off
 - ◆ Default loan management
 - ◆ Required of all service-retained institutions

Investor Reporting (continued)

- Monthly reporting is sent to the Master Servicer (**Wells Fargo**)
- Reporting sent electronically
 - ◆ Wells Fargo Internet site (Service Connect); or
 - ◆ Excel spreadsheet file sent via email
 - Reporting templates can be provided
- For more information on servicing visit the MPF Program servicing guide
 - ◆ www.allregs.com/fhlbmpf/

Quality Control

- Our QC requirements
 - ◆ Sovereign Mortgage Services, Inc.
 - ◆ Verifies MPF eligibility requirements met
 - ◆ First 5 loans reviewed
 - ◆ Subsequent annual review
(10%, 5%, 3% of MPF loan portfolio)
 - ◆ Supplemental QC performed by FHLB Boston

Quality Control (continued)

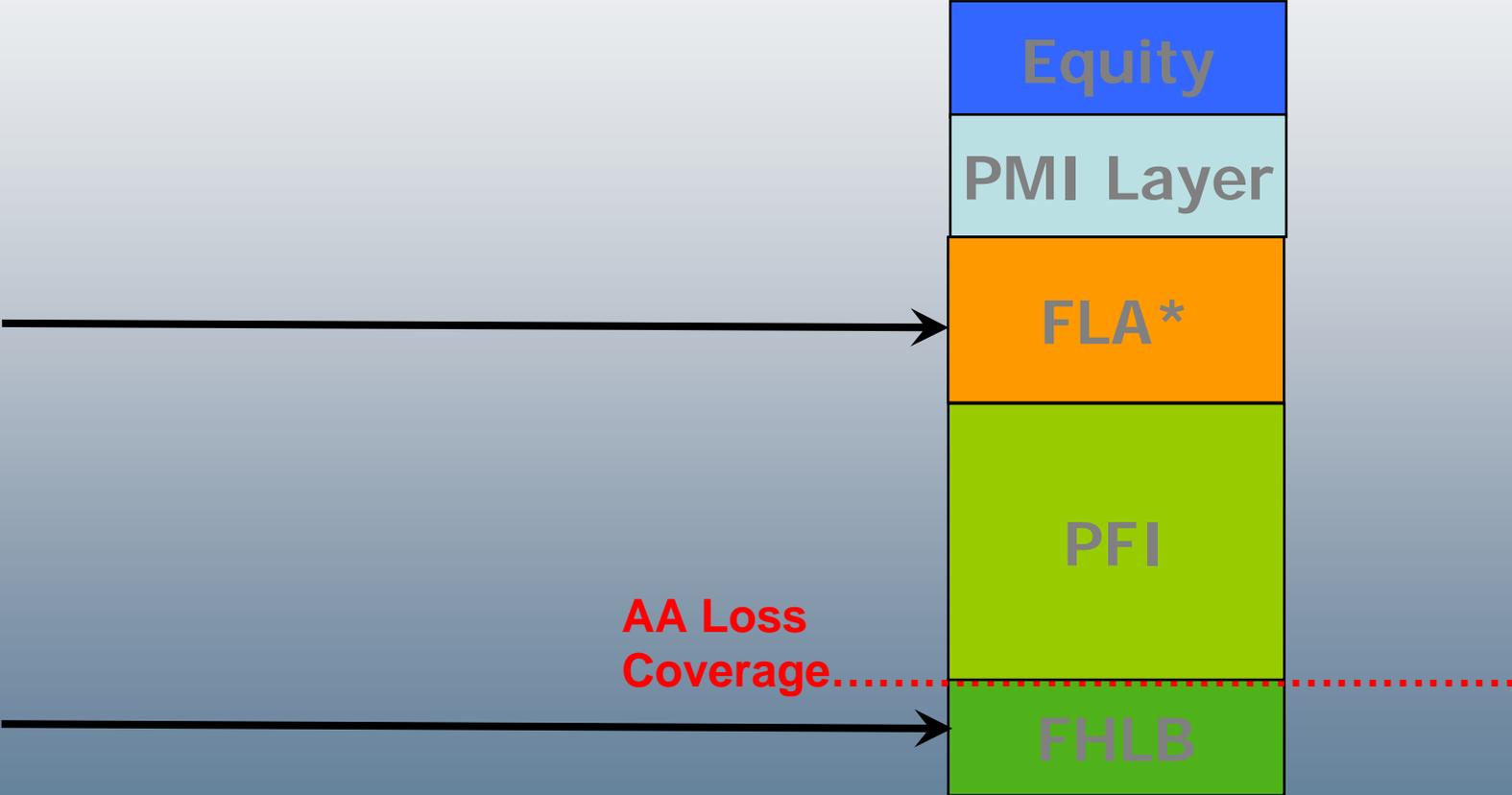
- Your QC requirements
 - ◆ Review loans internally to verify requirements of MPF Program met
 - ◆ Findings reported to senior management
 - ◆ Member can outsource this function



MPF Progress: FHLBank Boston

- 176 approved members in the program
- Original fundings of \$22.2 billion
- Minimal losses

Hierarchy of Loss



Summary

