

PFI Advisory

November 7, 2003

Special Attention:

PFI's MPF[®] Program Management, PFI's Origination Management

Subject:

A Reminder about Predatory Lending and New Jersey Loans

Origination Guide Chapter 2.6 **Predatory Lending**

This is to remind all PFIs of the Predatory Lending requirements of Chapter 2.6 of the Origination Guide. In particular, PFIs are reminded that under Chapter 2.6.8 when a rating agency determines that it cannot rate a structured finance transaction that includes particular mortgages due to potential liability under Applicable Law, then such mortgages are not eligible for funding or purchase by the MPF Banks.

At least one of the rating agencies (Standard & Poor's) has indicated that it will not rate transactions that contain loans secured by property located in **New Jersey** in the following categories:

- Manufactured housing
- Cash-out refinances

Therefore, we are reminding all PFIs that such loans may not be delivered to MPF Banks under the MPF Program after the effective date of the law (anticipated to be November 27, 2003) unless the law is revised or Standard & Poor's decides to rate transactions which include loans in these categories and secured by property located in New Jersey. In addition, please keep in mind that high cost loans from all states – including under the new New Jersey law – remain ineligible for delivery under the MPF Program.

If you have any questions about these changes, please contact your MPF Bank Representative.