

PFI Advisory

August 1, 2008

Special Attention:

PFI MPF[®] Program Management and Origination Management

Subject:

Update to MPF Program Credit Enhancement Rating System

An updated version of the MPF Program credit enhancement rating system (the “CE rating system”) will be installed this weekend and become effective for conventional loans submitted for Loan Presentment on and after August 4, 2008. The updated CE rating system will also be effective for any Loan Presentment data changes submitted for conventional loans on and after August 4, 2008. The CE rating system has been updated to reflect changes in the mortgage market and loss probabilities impacted by various loan criteria. The updates include, but are not limited to:

- Revised impacts to Loan Level Credit Enhancement amounts due to loan-to-value and combined loan-to-value ratios reflecting updated market value decline assumptions;
- Adjustments for property market value based on the Office of Federal Housing Enterprise Oversight (OFHEO) data and other valuation assumptions in the CE rating system; and,
- Adjustments for primary mortgage insurance.

We appreciate the opportunity to be of service and look forward to continuing to serve your mortgage loan funding needs.

If you have any questions, please contact your MPF Bank Representative or call the MPF Customer Support Desk at 877-INFO-MPF (877-463-6673).