

PFI Advisory

May 14, 2009

Special Attention:

PFI MPF[®] Program Management and Origination Management

Subject:

Unacceptable Refinance Practices

Recent, unprecedented low interest rates have caused refinance activity to increase considerably. We recognize and support a PFI's need to respond to the refinance requests from its customers. To help PFIs identify which mortgages are eligible for delivery under the MPF Program, we are reminding PFIs of the MPF Program's policy on unacceptable refinance practices.

PFIs and their origination staff should be aware that successively refinanced mortgages (refinancing the same loan within a short time period) will be ineligible for delivery under the MPF Program if they were originated under the unacceptable refinance practices stated in Underwriting Guide Chapter 3.2.4.

Specifically, we consider the delivery of any Mortgage that is in the process of being refinanced as unacceptable (even if no agreement for future refinancing was entered into at the time of origination). Therefore, a PFI must not deliver any mortgage under the MPF Program that the PFI (or the PFI's affiliates) has agreed to refinance or is currently in the process of refinancing.

Additionally, PFIs are reminded they should not intentionally target Mortgages delivered under the MPF Program for refinance. Such Mortgages should not receive differential treatment in terms of refinance advertising, offers or practices from any other Mortgages the PFI holds in its portfolio or sold to other investors.

PFIs must incorporate adequate controls in their origination and refinancing procedures to prevent unacceptable refinance practices by the PFI or any of its mortgage brokers and correspondents. If a PFI has knowledge or reason to believe a mortgage broker, a correspondent or the PFI has received an application to refinance or has agreed to refinance a mortgage (either orally or in writing) that would violate the unacceptable refinance practices policy or Applicable Law, it may not deliver such Mortgage to an MPF Bank under the MPF Program. Any such Mortgages delivered under the MPF Program will be subject to the remedies described in Underwriting Guide Chapter 3.2.4. Please review Underwriting Guide Chapter 3.2.4 for additional information concerning unacceptable refinance practices.

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).