

PFI Advisory

June 30, 2009

Special Attention:

PFI MPF[®] Program Management and Origination Management

Subject:

Update to MPF Program Credit Enhancement Rating System

An updated version of the system used by the MPF Provider to determine the credit enhancement amount for conventional loans will be installed the evening of June 30, 2009. Beginning **July 1, 2009** the credit enhancement amount for any loan submitted or resubmitted for loan presentment, with or without data changes, will be determined by this updated version of the system.

The CE rating system has been updated to reflect changes in the mortgage market and loss probabilities impacted by various loan criteria. The update includes, but is not limited to the following revision:

- Revised Loan Level Credit Enhancement amounts due to the use of the verbal verification of employment (VVOE) Documentation Type (Documentation Type Code "3"), which may only be allowed by an approved Automated Underwriting System (AUS).

To mitigate the effect on the Credit Enhancement amount due to the use of only a VVOE to document the borrower's employment, the PFI may also wish to verify the Borrower's income and report the appropriate Documentation Type code described in the Instructions for Completing the Loan Presentment Request Form (Form OG3). The acceptable income verification documentation is found in Underwriting Guide Chapter 4.6. The Documentation Type code used by the PFI should reflect the actual level of income and employment documentation obtained for any borrower, even if the level of documentation indicated by the AUS certificate allows for less documentation.

Example One

If the borrower's income and employment is required to be documented per the AUS certificate with a VVOE, a paystub and 2 years' W-2, the Documentation Type would be "8" - 24 months or more income/employment verification. This is because 24 months of income was verified by the use of the W-2s covering two full years of income.

Example Two

If the borrower's income and employment is required to be documented per the AUS certificate with a VVOE and a paystub, but the PFI also chooses to additionally document the income with one year's W-2, the Documentation Type would be "6" - 12 to 23 months income/employment verification. This is because 12 months of income was verified by the use of the W-2 covering one full year of income.

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).