

PFI Advisory

April 5, 2010

Special Attention: PFI MPF[®] Program Management and Origination Management

Subject: Flood Insurance Requirements during NFIP Lapse

Note: This PFI Advisory applies to the MPF 100, Original MPF, MPF 125 and the MPF Plus products (not applicable to the MPF Xtra[®] product).

The current authorization for the National Flood Insurance Program (NFIP) to issue new flood insurance policies expired on March 28, 2010. The administrators of the NFIP at the Federal Emergency Management Agency expect a short hiatus in the availability of flood insurance through the NFIP until Congress reauthorizes the NFIP retroactive to that date when it reconvenes in April.

During the NFIP lapse period PFIs may continue to deliver loans in the applicable flood zones without NFIP flood insurance to their MPF Bank subject to the terms of this PFI Advisory. PFIs may still require that the borrower obtain private flood insurance where available.

PFIs must continue to make flood zone determinations, provide the required notices to borrowers, and comply with the flood insurance guidelines provided in Origination Guide Chapters 15.3, 27.8 and 27.9 during the lapse period. For mortgaged properties subject to mandatory flood insurance coverage the PFI must take all necessary steps to obtain flood insurance. The PFI must maintain the required documentation in the mortgage file in order to facilitate the issuance of coverage once the NFIP insurance authority is renewed. PFIs must have a system in place to ensure that NFIP flood insurance policies are obtained and in force as soon as they are available following Congressional reauthorization of the NFIP.

A flood-related loss may occur to a mortgaged property subject to mandatory flood insurance coverage prior to the issuance of a flood insurance policy. In order for the flood-related loss to be deemed a realized loss under the MPF Credit Enhancement structure, the NFIP flood insurance must retroactively cover the mortgages property. If the NFIP flood insurance coverage does not retroactively cover the mortgaged property, the flood-related loss must be borne by the PFI, outside of the MPF Credit Enhancement structure.

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).

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