

**Effective with Delivery Commitments dated: November 20, 2000**

**Linking MPF and Affordable Housing Program Set-Aside Funds**

Participating Financial Institutions (PFI) delivering mortgage loans into the MORTGAGE PARTNERSHIP FINANCE® (“MPF®”) Program may now include loans with Affordable Housing Program (AHP) funds that are part of homeownership set-aside programs sponsored by a Federal Home Loan Bank (FHLB), in their delivery commitments.

**Background:** Each year, the twelve Federal Home Loan Banks provide 10% of their annual earnings for housing subsidies to low and moderate income families and individuals through its Affordable Housing Programs. Of that amount, individual FHLBs may set aside up to the greater of \$1.5 million or 15 percent of its annual required AHP contribution to provide funds for homeownership programs. All the programs take the form of grants which help to defray the cost of a mortgage either by covering the cost of certain fees or acting as supplements to necessary mortgage downpayments. In some programs there are matching requirements on the part of the recipient (e.g., \$3 of FHLB homeownership set-aside for every \$1 of recipient contribution). These programs were established in 1995, and through 1999 resulted in 8,907 housing units being purchased by families earning 80 percent or less of area median income. The set-aside dollars involved totaled \$39,696,000.

Participating MPF Banks will begin purchasing loans containing AHP funds provided those monies are allocated within an approved AHP homeownership set-aside program by the sponsoring MPF member bank.

**Features:**

- Available across all MPF Program product lines.
- Maximum LTV of 100% (maximum TLTV of 105%)
- Meet established AHP program limits as established by each participating FHLB.

**Benefits:**

- Assists qualifying borrowers with achieving homeownership.
- Assists members in meeting CRA objectives.
- Members can deliver AHP homeownership set-aside loans into the MPF Program and receive a better execution than current secondary investor alternatives.

**Mortgage Insurance Requirements for FHLB/AHP Loans:**

- 30% coverage is required for LTV ratios of 95.01% to 97%
- 35% coverage is required for LTV ratios of 97.01% to 100%

**Questions and Answers:**

**Who should take advantage of the linking of MPF and AHP monies?**

Any FHLB member institution that has AHP homeownership set-aside programs and is a participating MPF Bank. You should check with your lead FHLB within your district on program availability and requirements.

**What must I do when I deliver my loans utilizing AHP homeownership set-aside monies into the MPF Program?**

When you deliver your AHP homeownership set-aside funds into an MPF delivery commitment just check the box on the new Credit Enhancement Form OG3 (please see PFI Notice 2000-6) marked FHLB AHP. These loans must be delivered manually by faxing in your Credit Enhancement Form OG3 until such time as our web-based delivery system called eMPF™ is modified to accommodate this product enhancement.

**What risks do I as a member take on with the MPF Program when I deliver loans utilizing AHP?**

You the member take on no additional risk than with a non-AHP loan assuming you use sound underwriting judgement and have the proper level of mortgage insurance coverage.

**Who do I call for more information about the information provided in this bulletin?**

For more information about this bulletin please contact an MPF business expert either at your FHL Bank or MPF Bank or call our toll free assistance number at 1-877-463-6673.