

PFI Marketing Bulletin No. 2001-1

Date 3-5-2001



Effective with Delivery Commitments dated: Immediately.

Special Attention:

Participating Financial Institutions (PFI's) MPF[®] Program Management, PFI's Origination Management

Subject: New Expedited Refinance Guidelines

Participating Financial Institutions (PFI) recently received PFI Notice 2001-2 addressing the combination of the Expedited Refinance mortgage rules (Chapter 11.2) and the MPF Bank Owned mortgage rules (Chapter 11.3) to create new "Expedited Refinance" guidelines. The new guidelines apply to the refinancing of all loans that you currently service, whether in your portfolio or sold into the secondary market, provided the loans were originated to Fannie Mae, Freddie Mac or MPF Program guidelines. The new guidelines are in many ways more flexible than other secondary market investors' guidelines, as they allow you to refinance the loans you currently service with less documentation and much more profitably.

Features:

- No seasoning requirement.
- Eligible properties are Owner Occupied 1-4 unit Primary Residences and 1-unit Second Homes.
- Available across all conventional MPF Program product lines.
- The new loan must be a fully amortizing fixed term of up to 30 years.
- Stated income from the original Form 1003 loan application may be used if income on the new application has not declined.
- Up to 2.5% of the closing costs may be financed provided the existing loan is current with no more than 1 X 30 days delinquent in the previous 12 months and the current LTV does not exceed the original LTV.
- If exceeding the original LTV due to financing of up to 2.5% closing cost, the new loan must have a 12 month pay history with 0 X 30 days delinquent (PFI's may use a 700 FICO score in lieu of previous mortgage history). 1-unit Primary Residence and Second Homes are the only property types eligible for consideration when exceeding the original LTV.
- The new loan must be serviced by the PFI (or its approved designee) and closed in the PFI's name.
- A new FICO score is required.

- P&I increases are set at a maximum of 5% if refinancing an ARM to a Fixed Rate Mortgage and 20% if the original term is being reduced.
- A newly completed loan application 1003 form is required.
- A new appraisal is not required if the PFI warrants there has been no decline in market value.

Benefits

- Members can now originate more loans for delivery into the MPF Program with less documentation.
- Members can retain existing servicing and valuable customer relationships.
- No add-on fees will be charged by the participating MPF Bank.
- Increases your profitability.
- Enhances the member's ability to access the MPF Program.

Questions:

PFI's should refer to PFI Notice 2001-2 for more details or contact their Home Loan Bank's MPF representative or your Marketing representative for more information about this bulletin, or call our toll-free assistance number 1-877-463-6673.