

PFI Marketing Bulletin No. 2003-1

Date 2-4-2003



Effective Date: Immediately

Subject: Actual/Actual (A/A) - A New Remittance Option

Effective immediately Participating Financial Institutions (PFIs) will be able to sell loans utilizing the new Actual/Actual (A/A) remittance option offered by the MPF[®] Program. Participating Federal Home Loan Banks (MPF Banks) have the option of offering the A/A remittance option to their PFIs.

The A/A remittance option is structured so that PFIs transfer funds daily to their MPF Bank non-interest bearing custodial deposit account whenever the collected principal and interest (P&I), net of servicing fees, exceeds \$2,500. A/A features an investor reporting and a transfer process that are very easy for your back-office operations to execute.

The A/A remittance option was pilot tested during 2002, and over \$750 million of A/A DCs have been issued to multiple pilot participants.

Features:

- Competitive up-front pricing
- A/A price schedules available via the eMPF[®] website
- Remittance frequency - transfer of funds on any day P&I collections are greater than \$2,500, net of servicing fees, or at least once monthly
- Simple investor reporting and accounting cycle - same as Actual/Actual Single Remittance
- PFIs may employ A/A simultaneously with other MPF remittance options

Benefits:

- Enhanced secondary market execution
- Back-office operational ease
- No corporate advances for delinquent P&I
- No corporate curtailment interest
- Supported by many investor reporting software applications

PFIs will find the A/A remittance option extremely attractive if they value the up-front price benefit and are knowledgeable in actual/actual investor reporting.

For More Information:

PFIs who are interested in discussing how they may employ the A/A remittance option should call their MPF Bank Marketing Representative or Relationship Manager. PFI pilot participants are also willing to discuss A/A with interested parties. For PFI pilot contact information or general information about A/A, please call our toll-free assistance number at **877-463-6673 (Info-MPF)**.