

MPF[®]



PFI Notice

Notice 99-9

November 24, 1999

Special Attention:

PFI's MPF Program Management and Origination Management

New Disclosures for MPF 100 Product and Original MPF Bank Funded Loans

We are updating our guidance on RESPA disclosures and recommending a new multi-purpose disclosure form which covers the Agent Fee and the agency and affiliated party relationships between the PFI and its Federal Home Loan Bank (MPF Bank).

New Form Eliminates Modifying Servicing Disclosure

The Agency/Agent Fee and Affiliated Business Arrangement Notice and Disclosure Statement (the "MPF Disclosure") has two versions which are described below. The MPF Disclosure eliminates the need for modifying the Servicing Disclosure Statement as had been previously recommended. Once adopted by a PFI, no changes to the MPF Disclosure are needed (except for inserting the borrower name, property address and date) unless the PFI's stock ownership in the MPF Bank moves above or below one percent.

Disclosure On GFE Generally Not Required

In addition, we no longer suggest disclosing an estimated Agent Fee on the Good Faith Estimate ("GFE") (except in those cases where the PFI actually knows at the time the GFE is given that the loan will be funded under MPF 100 or under Original MPF). However, we advise any PFI that is funding most of its production under the MPF Program to consider disclosing an estimated Agent Fee on every GFE it gives.

New MPF Disclosure Recommendation

We recommend that the MPF Disclosure be given:

1. to every applicant with the initial loan disclosures; or
2. at the time the "referral" is made to the MPF Bank for funding each loan; or
3. if the "referral" is made within three days of closing, the MPF Disclosure can be given only once, at closing. [This is because the borrower is not likely to receive the MPF Disclosure prior to closing and therefore mailing it at the time of referral would be useless and potentially confusing to the borrower.]

The PFI may select option 1, 2 or 3 as it deems appropriate. However, only the PFI can know the point in its process when a loan is “referred” for funding under the MPF Program. To avoid making this determination, the PFI can choose to give the MPF Disclosure to every loan applicant under option 1.

MPF Disclosure At Closing If Agent Fee Is Paid

If an Agent Fee is payable to the PFI for a loan, then the MPF Disclosure (Form OG-5) should be given at closing because the MPF Disclosure is referenced in the HUD-1 (and given even though an MPF Disclosure was given at application or at the time the “referral” to the MPF Bank was made).

Federal Banking Regulators Expectations

In approving “direct credit substitute” risk-based capital treatment for the PFI’s Credit Enhancement obligation under MPF 100, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and Office of Thrift Supervision have stated that they expect the agency relationship between the PFI and the MPF Bank to be clearly disclosed to the borrower. The MPF Disclosure describes this relationship.

Revised HUD-1 Settlement Statement Disclosures

Detailed instructions for completing the HUD-1 with respect to an MPF 100 Loan or an Original MPF Bank Funded Loan are set forth in the attachment listed below.

Attachments

Attached are two forms, OG-[5] which states the loan “will be owned” by the MPF Bank at closing, and OG-[6] which states the loan “may be funded” by the MPF Bank, and a sheet entitled “Instructions For Completing the HUD-1 Settlement Statement.”

Limitation of Recommendations

The MPF Provider (Federal Home Loan Bank of Chicago) has consulted with counsel with respect to the issues addressed in this Bulletin, however this guidance is not to be considered legal advice to PFIs. PFI’s should consult their own counsel for legal advice.

MORTGAGE PARTNERSHIP FINANCE[®] PROGRAM
AGENCY/AGENT FEE AND AFFILIATED BUSINESS ARRANGEMENT
NOTICE AND DISCLOSURE STATEMENT

To: [Name of Borrower]

Property:

From: [PFI Name]

Date:

This is to notify you that your loan will be owned by the Federal Home Loan Bank of [City of Bank] (“FHLB”) at the closing through the participation of [PFI Name] (“Financial Institution”) in the Mortgage Partnership Finance Program (the “MPF Program”).

This is to also notify you that the Financial Institution has a business relationship with the FHLB. To be a member and take advantage of programs that support home lending, the Financial Institution owns [more than/less than] one percent of the stock of the FHLB.

The FHLB will provide funding for your loan through its MPF Program. Funding the loan is considered a “settlement service” for purposes of this Notice, but the FHLB does not charge you a fee for this service. By participating in the MPF Program, the Financial Institution is able to offer you a competitive rate for your loan.

The Federal Home Loan Banks which offer the MPF Program are chartered by the United States Government, and are mandated to provide funds for home lending, which is the purpose of the MPF Program. Under the MPF Program the Financial Institution acts as agent for the FHLB, the party which is funding your loan. The Financial Institution typically receives an Agent Fee from the FHLB for the actions it takes to originate your loan such as underwriting, processing and closing your loan, but this does not result in any additional cost to you. An estimate of the points and fees you are required to pay for your loan, if any, have been disclosed on the Good Faith Estimate you received in connection with your application. Any points and fees paid by you at closing are retained by the Financial Institution and will be disclosed again on the HUD-1 statement you receive at closing.

Your loan will be serviced as provided in the separate servicing disclosure. All payments, correspondence and other inquiries regarding your loan should be directed to the servicer of your loan.

Because of the relationship between the Financial Institution and the FHLB, the Financial Institution’s decision to fund the loan through the MPF Program will result in the Financial Institution receiving the financial or other benefit described above.

OG-5

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Set forth below is the estimate charge or range of charges for the settlement service provided by the FHLB. You are NOT required to fund your loan under the MPF Program. THERE ARE FREQUENTLY OTHER SETTLEMENT SERVICE PROVIDERS AVAILABLE WITH SIMILAR SERVICES. YOU ARE FREE TO SHOP AROUND TO DETERMINE THAT YOU ARE RECEIVING THE BEST SERVICES AND THE BEST RATE FOR THESE SERVICES.

Provider and Settlement Service	Charge or Range of Charges
Federal Home Loan Bank of [City of Bank]; Funding	No charges are payable by the Borrower.

If you have any questions about the Financial Institution's participation in the MPF Program, please call [PFI name - contact] [Name], [Title] at [telephone].

ACKNOWLEDGMENT

I/we have read this notice and disclosure form and understand that my Financial Institution is referring my loan to the FHLB for funding and that my Financial Institution may receive a financial or other benefit as the result of this referral.

Signature

Signature

Mortgage Partnership Finance® is a registered trademark of the Federal Home Loan Bank of Chicago.

MORTGAGE PARTNERSHIP FINANCE[®] PROGRAM
AGENCY/AGENT FEE AND AFFILIATED BUSINESS ARRANGEMENT
NOTICE AND DISCLOSURE STATEMENT

To: [Name of Borrower]

Property:

From: [PFI Name]

Date:

This is to notify you that your loan may be owned by the Federal Home Loan Bank of [City of Bank] (“FHLB”) when it is closed because of the participation of [PFI Name] (“Financial Institution”) in the Mortgage Partnership Finance Program (the “MPF Program”).

This is to also notify you that the Financial Institution has a business relationship with the FHLB. To be a member and take advantage of programs that support home lending, the Financial Institution owns [more than/less than] one percent of the stock of the FHLB.

The FHLB may provide funding for your loan through its MPF Program. Funding the loan is considered a “settlement service” for purposes of this Notice, but the FHLB does not charge you a fee for this service. By participating in the MPF Program, the Financial Institution is able to offer you a competitive rate for your loan. The Federal Home Loan Banks which fund loans under the MPF Program, are chartered by the United States Government and mandated to provide funds for home lending, which is the purpose of the MPF Program.

Under the MPF Program the Financial Institution acts as agent for the FHLB, the party which may fund your loan. The Financial Institution typically receives an Agent Fee from the FHLB for the actions it takes to originate your loan such as underwriting, processing and closing your loan, but this would not result in any additional cost to you. An estimate of the points and fees you are required to pay for your loan, if any, will be disclosed on the Good Faith Estimate you receive in connection with your application. Any points and fees paid by you at closing are retained by the Financial Institution and will be disclosed again on the HUD-1 statement you receive at closing.

Because of the relationship between the Financial Institution and the FHLB, if the Financial Institution decides to fund the loan through the MPF Program, the Financial Institution will receive the financial or other benefit described above.

Set forth below is the estimate charge or range of charges for the settlement service provided by the FHLB. You are NOT required to fund your loan through the MPF Program. THERE ARE FREQUENTLY OTHER SETTLEMENT SERVICE PROVIDERS AVAILABLE WITH SIMILAR SERVICES. YOU ARE FREE TO SHOP AROUND TO DETERMINE THAT YOU ARE RECEIVING THE BEST SERVICES AND THE BEST RATE FOR THESE SERVICES.

Provider and Settlement Service	Charge or Range of Charges
Federal Home Loan Bank of [City of Bank]; Funding	No charges are payable by the Borrower.

If you have any questions about the Financial Institution’s participation in the MPF Program, please call [PFI name - contact] [Name], [Title] at [telephone].

ACKNOWLEDGMENT

I/we have read this notice and disclosure form and understand that my Financial Institution may refer my loan to the FHLB for funding and that my Financial Institution may receive a financial or other benefit as the result of this referral.

Signature

Signature

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MORTGAGE PARTNERSHIP FINANCE[®] PROGRAM
INSTRUCTIONS FOR COMPLETING THE HUD – 1 SETTLEMENT STATEMENT

(1) In the field for “LENDER” the following should be used:

[PFI name]
[PFI address]

(2) On any available line in the 800 Section of the Form HUD-1 or HUD-1A, the Agent Fee payable by the Federal Home Loan Bank to the PFI should be disclosed as follows:

Line 808 (e.g.)	Agent Fee from Federal Home Loan Bank of [City of Bank] (“FHLB”) to [PFI Name] (P.O.C.)*	\$ _____ [amount] _____
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(The following footnote is added at the bottom of the page:)

* Agent Fee paid outside of closing to [PFI Name] by the FHLB as described in the attached Agency/Agent Fee and Affiliated Business Arrangement Notice and Disclosure Statement.

(3) All points and fees charged to the Borrower should be shown as payable to the PFI.