



PFI Notice 2000-7

November 21, 2000

Effective Date

The following revisions to the MPF[®] Origination and Servicing Guides described in this PFI Notice are effective immediately.

Special Attention:

PFI's MPF Program Management, PFI's Origination Management, PFI's Servicing Management

Subject:

Announcing Revisions to the MPF Program Repurchase Policy:

Origination Guide Chapter 12.6	FHA Insurance and VA Guaranty
Origination Guide Chapter 24.3.2	Loan Not Eligible
Origination Guide Chapter 24.6.3	Purchases or Repurchases
Servicing Guide Chapter 107.4.6	Repurchase of FHA and VA Loans

Description of Change:

The MPF Program has removed the loan substitution option provided for in Chapter 12.6 of the Origination Guide effective immediately. All FHA and VA loans unable to secure FHA insuring or a VA Guaranty will be considered "Not Eligible" and subject to the repurchase calculation described in this PFI Notice below.

In addition, the MPF Program has added language allowing for FHA and VA Loans that have been repurchased and brought current under the FHA loss mitigation requirements to be re-delivered under the MPF Program.

Please see the Guide revisions below:

Chapter 12.6 of the Origination Guide is amended by deleting the following:

For any loan repurchased, the PFI may substitute a current FHA or VA loan of like product type, interest rate and term, and with an outstanding principal balance within plus or minus 5% of the outstanding principal balance of the loan repurchased.

The following language will be added to this Guide section:

The PFI will repurchase the mortgage in accordance with Chapter 24.3.2.

Chapter 24.3.2 of the Origination Guide has been revised to reflect the repurchase calculation for all “Not Eligible” loans.

- The PFI will purchase or repurchase the mortgage based on the scheduled principal balance plus or minus (+/-) the premium or discount according to the following calculation: “premium or discount rate at purchase (Agent Fee) multiplied by the current scheduled principal balance”.

Chapter 24.6.3 of the Origination Guide has been amended as follows:

Funded mortgages for which a mortgage approval as defined in Chapter 24.3.4 (Custodian acceptance of mortgage) has not been received within 30 calendar days of funding or purchase under the MPF Program will be deemed “Not Eligible” and must be purchased or repurchased in accordance with the procedure specified in Chapter 24.3.2.

Chapter 107.4.6 of the Servicing Guide has been revised to allow PFI’s to re-deliver FHA or VA loans that have been modified in accordance with FHA’s loss mitigation program requirements.

Loans repurchased compliant with the policies of this chapter may be modified in accordance with FHA’s loss mitigation requirements and re-delivered to the MPF Bank. Modified loans brought current must meet all the eligibility criteria for single-family mortgages. The modified mortgage terms may not be greater than 360 months from the due date of the first installment payable under the modification agreement. The PFI must insure that the modified mortgage constitutes a first lien, which may require a subordination agreement from any junior lienholder and/or an endorsement to the title policy. The PFI must determine whether the modified mortgage must be recorded in order for the full mortgage amount to be insured or guaranteed. Contact the MPF Service Center for delivery information.

Please contact your MPF Bank representative with any questions.