



PFI Notice 2001-1

January 31, 2001

Effective Date

Immediately

Special Attention:

PFI's MPF[®] Program Management, PFI's Origination Management, PFI's Servicing Management

Subject:

Announcing Clarification to the VA guaranty requirement, Enhancements to the Maximum LTV and TLTV Ratios, and Additional Approved NOLA Service Providers to the MPF Origination Guide:

Origination Guide Chapter 9.2	FHA and VA Mortgage Eligibility And Underwriting Requirements
Origination Guide Chapter 10.4	Maximum LTV and TLTV Ratios
Origination Guide Exhibit A-1	NOLA Approved Underwriting Service Providers

Description of Change:

Clarifying the VA guaranty requirement

We have clarified our position regarding the VA guaranty requirement. The amount of the available VA guaranty plus the cash downpayment or equity in the property must equal at least 25 percent of the property value.

Chapter 9.2 of the Origination Guide has been revised as follows:

FHA and VA Mortgage Eligibility and Underwriting Requirements

For FHA insured and VA guaranteed loans, mortgage eligibility and underwriting requirements are those defined by HUD, the FHA and the VA.

The MPF Bank will purchase all one to four family fully amortizing fixed rate loan types that are insurable by the FHA or are eligible for a VA guaranty.

The PFI must provide FHA insurance or a minimum of 25 percent VA guaranty plus cash/equity for all such loans, and maintain such FHA insurance or VA guaranty in force at all times. For VA guaranteed loans, the amount of cash down payment/equity plus the amount of the available VA guaranty must equal at least 25 percent of value (Value as defined in Chapter 10.1).

Enhanced Maximum LTV and TLTV Ratios

We have enhanced our Maximum LTV and TLTV Ratios in an effort to strengthen the origination capabilities of our PFI's. The introduction of these enhanced criteria will enable certain creditworthy borrowers to obtain higher Loan-To-Value Ratios and combined Loan-To-Value Ratios than previously available under the MPF Program.

In the Origination Guide Chapter 10.4, we have made enhancements to most of the Maximum LTV and TLTV Ratios under all loan purpose types and have included the category of Second/Vacation Home Properties (1-unit only) for all Mortgages to U.S. Citizens, Lawful Permanent Resident Aliens, or Nonpermanent Resident Aliens who are coborrowing with a U.S. Citizen or Lawful Permanent Resident Alien.

Chapter 10.4.1 of the Origination Guide has been revised as follows:

For Mortgages to U.S. Citizens, Lawful Permanent Resident Aliens, or Nonpermanent Resident Aliens Who Are Coborrowing With a U.S. Citizen or Lawful Permanent Resident Alien

PURCHASE TRANSACTIONS

Property	1 lien	<u>Maximum LTV with</u>	
		Secondary Financing*	TLTV*
Primary Residence Fixed-Rate			
1- Unit Property	95%	<u>90%</u>	<u>95%</u>
2- Unit Property	<u>95%</u>	<u>90%</u>	<u>95%</u>
3-4 Unit Property	80%	75%	80%
Second/Vacation Home Fixed-Rate			
1- Unit Property (only)	<u>95%</u>	<u>90%</u>	<u>95%</u>

REFINANCE TRANSACTIONS

Transaction and Property	1 lien	<u>Maximum LTV with</u>	
		Secondary Financing*	TLTV*
“No cash-out” transaction			
Primary Residence Fixed Rate			
1-2 Unit Property [**]	<u>95%</u>	<u>90%</u>	<u>95%</u>
3-4 Unit Property	80%	75%	80%
Second/Vacation Home Fixed-Rate			
1- Unit Property (only)	<u>95%</u>	<u>90%</u>	<u>95%</u>
“Cash-out” transaction			
Primary Residence Fixed Rate			
Transaction and Property	1 lien	Secondary Financing*	TLTV*
1-2 Unit Property	<u>90%</u>	<u>85%</u>	<u>90%</u>
3-4 Unit Property	75%	75%	75%
Second/Vacation Home Fixed-Rate			
1- Unit Property (only)	<u>90%</u>	<u>85%</u>	<u>90%</u>

For any mortgage with secondary financing (for HELOC's use total credit line), the maximum TLTV Ratio shown above and the maximum LTV Ratio shown under "Secondary Financing" may not be exceeded.

Additional NOLA Approved Underwriting Service Providers

The following additional Underwriting Service Providers have been approved to provide a "Notice of Underwriting Approval" (NOLA) for conventional loans funded under the MPF Program. Chapter 9.5.2 of the Origination Guide requires an Originator to obtain an independent underwriting approval (NOLA) for all conventional Bank Funded Loans that do not meet the delegated underwriting criteria as outlined in this Chapter.

The approved list of Underwriting Service Providers located in the Origination Guide, Exhibit A-1 now include:

Underwriting Service Provider	Approved Form
<u>GE Capital Contract Services, Inc.</u>	<u>"Contract Underwriting Review Sheet"</u>
<u>PMI Mortgage Insurance Co.</u>	<u>"Approval Notice"</u>
MGIC	"Notice of Underwriting Approval (NOLA)"
<u>Radian Services, Inc.</u>	<u>"CUS Decision Document"</u>
<u>United Guaranty Services, Inc.</u>	<u>"Underwriting Analysis & Underwriting Worksheet"</u>

REVISIONS TO THE ORIGINATION GUIDE

Replacement pages for all new or revised Guide chapters are attached. The revisions include:

Chapter 9

Chapter 10

Exhibit A-1 (Origination Guide)

***The revised section has been double underlined for easier reference.**

Please contact your MPF Bank Representative with any questions.