

PFI Notice 2001-5

August 24, 2001

Effective Date

October 9, 2001

Special Attention:

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

Subject:

Announcing Enhancements to the Origination Guide:

Origination Guide Chapter 19.2
Origination Guide Chapter 19.4
Origination Guide Chapter 19.5
Origination Guide Chapter 19.6
Origination Guide Chapter 19.7
Origination Guide Chapter 24.2.3

Mandatory Delivery
Filling a Delivery Commitment
Pair-off Fees
Price Adjustment Fees at Delivery Commitment Expiration
Extending a Delivery Commitment
FHA/VA Final Document Package (Effective Immediately)

Glossary

Pair-off Fee
Price Adjustment Fee

Description of Change:

Revisions to Chapter 19

The following revisions have been made to Chapter 19 of the Origination Guide. These revisions **take effect on October 9, 2001** with new Delivery Commitments.

Modification to Delivery Commitment Limits

We have revised our maximum Delivery Commitment limits. The maximum deliverable amount for any Delivery Commitment is now changed to 101% of the original Delivery Commitment amount or \$100,000 plus the original Delivery Commitment amount, whichever is greater.

Revision to Pair-off Fee Policy

A Pair-off Fee is now defined as a fee assessed the Originator when the sum of the principal of the loans funded under a Delivery Commitment falls below the tolerance specified. The new term “Price Adjustment Fee” has been added and is defined as a fee assessed the Originator when the sum of the principal of the loans funded under a Delivery Commitment falls above the tolerance specified.

For Delivery Commitments of \$2 Million or less, Pair-off Fees will be assessed when the amount delivered is less than 95%, and Price Adjustment Fees will be assessed when the amount delivered is greater than 105% of the original Delivery Commitment amount.

For Delivery Commitments of greater than \$2 Million, Pair-off Fees will be assessed when the amount delivered is less than 99%, and Price Adjustment Fees will be assessed when the amount delivered is greater than 101% of the original Delivery Commitment amount. For reductions in Delivery Commitment amounts, Pair-off Fees will be assessed on the entire amount of the reduction with no tolerance applied.

Examples are given in the chart below to provide a clearer understanding of the amount subject to a Pair-off Fee when the Delivery Commitment is reduced prior to expiration of the Delivery Commitment.

Existing DC Amount (\$)	Reduced DC Amount (\$)	DC Reduction Amount (\$) (c) = (a) - (b)	Amount Subject to Pair-off Prior to Expiration (\$)
(a)	(b)		
200,000	150,000	50,000	50,000
2,500,000	2,100,000	400,000	400,000

Extending a Delivery Commitment

PFI may purchase extensions to a Delivery Commitment prior to its expiration for up to twenty (20) Business Days in increments of one day periods through the MPF Provider. The Delivery Commitment must have funding capacity available in order to be extended.

Examples of a Pair-off or Price Adjustment Fee

Examples are given in the chart below to provide a clearer understanding of the amount subject to a Pair-off Fee or Price Adjustment Fee at the expiration of a Delivery Commitment.

Original DC Amount (\$)	Tolerance %	Pair-off/ Price Adjustment Tolerance (\$)	Over Funding Maximum ¹ (\$)	Actual Funded Amount (\$)	“Under” Tolerance Amount at Expiration (\$)	“Over” Tolerance Amount at Expiration (\$)	Amount Subject to Pair-off/ Price Adjustment At Expiration (\$)	Comment
(a)	(b)	(c) = (a) x (b)			(d) = (a) – (c)	(e) = (a) + (c)		
100,000	5%	5,000	100,000	115,000	95,000	105,000	10,000	Over tolerance
200,000	5%	10,000	100,000	205,000	190,000	210,000	0	Within tolerance
1,000,000	5%	50,000	100,000	1,100,000	950,000	1,050,000	50,000	Over tolerance
1,000,000	5%	50,000	100,000	940,000	950,000	1,050,000	10,000	Under tolerance
2,000,000.01	1%	20,000	100,000	2,020,000.01	1,980,000.01	2,020,000.01	0	Within tolerance
2,000,000.01	1%	20,000	100,000	2,100,000.01	1,980,000.01	2,020,000.01	80,000	Over tolerance
2,000,000.01	1%	20,000	100,000	1,975,000.01	1,980,000.01	2,020,000.01	5,000	Under tolerance
10,000,000	1%	100,000	100,000	9,900,000	9,900,000	10,100,000	0	Within tolerance
10,000,000	1%	100,000	100,000	9,800,000	9,900,000	10,100,000	100,000	Under tolerance
11,000,000	1%	110,000	110,000	9,900,000	10,890,000	11,110,000	990,000	Under tolerance
11,000,000	1%	110,000	110,000	11,110,000	10,890,000	11,110,000	0	Within tolerance

¹When filling a Delivery Commitment, the amount a PFI can overfill is based on the original Delivery Commitment amount.

Revision to Chapter 24

You may now take advantage of our reduced final documentation requirements for FHA/VA Loans. This revision to Chapter 24.2.3 of the Origination Guide is **effective immediately**.

New Revision to FHA/VA Final Document Package Submission

We have revised the final document package requirements for FHA and VA loans. The original recorded Mortgage or Deed of Trust, recorded intervening Assignments, and Mortgagee Title Insurance Policy or acceptable evidence of title is no longer required for submission to the Custodian. These documents must now be maintained in the mortgage file. Chapter 24.2.3.2 of the Origination Guide has been revised as follows:

24.2.3.2 Submission

Upon receipt and within 12 months from the date of purchase by the MPF Bank, the PFI must submit the original FHA Mortgage Insurance Certificate (MIC) or original or electronic VA Loan Guaranty Certificate (LGC) to the Custodian.

REVISIONS TO THE ORIGINATION GUIDE:

Replacement pages for Chapter 19 of the Origination Guide are attached. Replacement pages for Chapter 24 and the Glossary will be included in PFI Notice 2001-6.

If you have any questions about these changes, please contact your MPF Bank Representative.