

PFI Notice 2001-6

October 19, 2001

Effective Date

Immediately

Special Attention:

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

Subject:

Announcing Enhancements to the Origination and Servicing Guides:

Origination Guide Chapter 7
Origination Guide Chapter 9.10.1
Origination Guide Chapter 11.1.3
Origination Guide Chapter 11.2.1
Origination Guide Chapter 18.8.2
Origination Guide Chapter 20.1
Origination Guide Chapter 24
Origination Guide Chapter 31.6
Origination Guide Forms & Exhibits
Origination Guide – Underwriting Guide

Origination Guide – Custody Manual

MPF Mortgage Products
Preparation of Assignments
Unacceptable Refinance Practices
Eligible Mortgages (Expedited Refinance Mortgages)
PFI Credit Enhancement Obligations
Submission of Credit Enhancement
Document Delivery
Uniform Instruments
Forms & Exhibits
5.02b Rural Properties
5.02e Manufactured Housing
Custody Manual

Servicing Guide Chapter 104.1.1
Servicing Guide Chapter 111

Release of Documents from Collateral File
Directory and Notices

Glossary

New Definitions

Description of Change:

The following revisions have been made to the Origination and Servicing Guides.

Origination Guide Revisions:

Updated Chapter 7 “MPF Products”

The descriptions for the MPF Mortgage Products in Chapter 7 of the Origination Guide have been revised in an effort to provide information on each product in a more concise and consistent format. In addition, we have renamed the MPF 125 Plus product to “MPF Plus” and have updated the product requirements

MPF Program States Policy on Unacceptable Refinance Practices (Chapter 11.1.3)

As Borrowers seek to take advantage of lower Mortgage rates, refinance activity may increase. The MPF Provider has added Chapter 11.1.3 to the Origination Guide to help PFIs understand our position on unacceptable refinance practices. Our policy is intended to prevent Mortgages owned by an MPF Bank from being exclusively targeted for refinance. This policy should not infringe on a Borrower’s ability to refinance an existing Mortgage.

Revision of Chapter 24 “Document Delivery”

A PFI may now select a document Custodian other than the MPF Program Custodian listed in Chapter 24 of the Origination Guide. A Custodian approved by the MPF Provider may now be selected by a PFI to hold certain documents relating to Mortgages delivered under a closed loan product Master Commitment. Please see the appended Custody Manual for the requirements when using an alternative Custodian.

PFI’s that continue to use the MPF Program Custodian are required to submit certain Mortgage documents to the MPF Program Custodian free of document exceptions.

Beginning January 1, 2002, the PFI will be assessed Non-Standard Document Custody Service Fees.

As of **January 1, 2002**, the MPF Provider will begin to assess a fee or service charge on new Mortgages funded or purchased for all non-standard services as defined in Chapter 24.7.1 of the Origination Guide. These charges will be assessed to the Servicer’s Demand Deposit Account (DDA) on the 18th calendar day of each month, or on the preceding Business Day if the 18th is not a Business Day, in an amount representing the

“MPF” and “eMPF” are registered trademarks of the Federal Home Loan Bank of Chicago. The “Mortgage Partnership Finance” logo is a trademark of the Federal Home Loan Bank of Chicago.

monthly fee or service charge amount due to the MPF Bank. The MPF Provider will notify the PFI in advance of the charge.

Transit insurance requirements for Collateral Files in transit have been added to the Origination Guide. The MPF Provider requires either the PFI or the Custodian to protect the Collateral File while in transit to or from the Custodian. Please see Chapter 24.2.10 for the MPF Program requirements.

New Custody Forms & Exhibits Added to the Origination Guide

The following Forms and Exhibits are designed for use by the PFI in working with the MPF Program Custodian to communicate and resolve outstanding custody exceptions. Exhibits K and L establish the minimum standards required for use by all Custodians approved under the MPF Program. Please contact the MPF Service Center – Custody Department with any questions on the use of the Forms and Exhibits.

- **Form OG7:** “Correction of Schedule Exceptions” is the form to use when correcting Schedule Exceptions with the MPF Program Custodian.
- **Exhibit H:** “MPF Program Custodian Document Codes” describes the Document Codes the MPF Program Custodian uses on the MPF Initial Exceptions by PFI Report and the MPF Final Document Custody Aging Report – Exception Items.
- **Exhibit I:** “MPF Program Custodian Exception Codes” describes the Exception Codes the MPF Program Custodian uses on the MPF Initial Exceptions by PFI Report and the MPF Final Document Custody Aging Report – Exception Items.
- **Exhibit J:** “Frequently Asked Questions and Answers of the MPF Program Custodian” explains commonly asked questions on how to work with the MPF Program Custodian.
- **Exhibit K:** “Initial Certification Review Checklist” describes the procedure a Custodian uses to review for Initial Certification on all Conventional and Government Collateral Files delivered under the MPF Program.
- **Exhibit L:** “Government Loan Final Certification Review Checklist” describes the procedure a Custodian uses to review for Final Certification on all Government Collateral Files delivered under the MPF Program.

New Custody Manual for PFIs Using an Alternative Custodian

We have created a new Custody Manual for PFIs using a Custodian other than the MPF Program Custodian. This manual establishes the MPF Program procedures and requirements for a third party Custodian or a PFI acting as its own Custodian. (Note: An alternative Custodian approved under the MPF Program may be used for all MPF Products except MPF 100 – Bank Funded Mortgages.)

A PFI may continue to use the MPF Program Custodian for all of its Mortgages funded or purchased under the MPF Program. For procedures and requirements for using the MPF Program Custodian, see Chapter 24 of the Origination Guide and Chapter 104 of the Servicing Guide.

Additional Revisions to the Origination Guide

PFI Notice 2001-6 incorporates the additional changes to the following Origination Guide Chapters:

- **Chapter 9.10.1– Preparation of Assignments:** Removed the acceptable use of blanket Assignments of Mortgage by deleting this section from the Guide.
- **Chapter 11.2.1 – Eligible Mortgages (Expedited Refinance Mortgages):** Updated the requirement by allowing the Originator to be the current Servicer or the original lender as long as the Originator has a copy of the original underwriting file.
- **Chapter 18.8.2 – PFI Credit Enhancement Obligation:** Changed product name to “MPF Plus”.
- **Chapter 20.1 – Submission of Credit Enhancement:** Differentiated between Loan Level and Pool Level Credit Enhancement.
- **Chapter 31.6 –Uniform Instruments:** Added requirement for Second Home Rider.
- **Form OG1 – Annual Eligibility Certification Report:** Added revised Annual Eligibility Certification Report with revision date of 12/21/00.
- **Underwriting Guide – 5.02b Rural Properties:** Expanded guideline for maximum acreage on rural properties. Generally, a property should not contain excess acreage as compared to like properties within its market.
- **Underwriting Guide – 5.02e Manufactured Housing:** Revised guideline for manufactured housing. Modular, panelized, and prefabricated homes are no longer defined as manufactured housing.

“MPF” and “eMPF” are registered trademarks of the Federal Home Loan Bank of Chicago. The “Mortgage Partnership Finance” logo is a trademark of the Federal Home Loan Bank of Chicago.

Servicing Guide Revisions:

Revisions to Chapter 104.1.1 – “Release of Documents from Collateral File”

The PFI may now request the release of a Collateral File held by a Custodian using an electronic format. This form must contain the same information as required on the Request for Release of Document (Form SG340) and must be approved for use by the Custodian. In addition, the PFI must execute with the Custodian an electronic signature agreement, acceptable to the Custodian, authorizing the release of the Collateral File.

Updated Chapter 111 “Directory”

In order to differentiate between the MPF Program Custodian and all other approved Custodians under the MPF Program, we have revised the informational listing for the MPF Program Custodian in Chapter 111 of the Servicing Guide. In addition, we have revised the address listing for the Federal Home Loan Bank of New York.

Updated Glossary

The Glossary located in both the Origination and Servicing Guides has been revised. In addition, all defined terms previously listed in the Underwriting Guide Glossary have been incorporated into the Origination and Servicing Guide Glossary. All standard industry terms previously defined in the Glossary have now been deleted.

REVISIONS TO THE ORIGINATION & SERVICING GUIDE:

Descriptions of all new or revised Guide chapters are attached. The revisions include:

- Origination Guide Chapters 7, 9, 11, 18, 20, 24, 31, Index, Forms & Exhibits, Glossary, Underwriting Guide, and Custody Manual.
- Servicing Guide Chapters 104, 107, 111, Index, and Glossary.
- Replacement pages from PFI Notice 2001-4: Servicing Guide Chapter 107.4.6.
- Replacement pages from PFI Notice 2001-5: Origination Guide Chapter 24.2.3.

We have highlighted the changes on these replacement pages by double underlining the revised text.

If you have any questions about these changes, please contact your MPF Bank Representative or call the MPF Help Desk at 877-463-6673.