

PFI Notice 2002-3

August 30, 2002

Effective Date

Immediately, except as noted

Special Attention:

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

Subject:

Announcing Enhancements to the Origination and Servicing Guides:

- Removing the geographic concentration factor for a Master Commitment
- Eliminating the NOLA requirement for Bank Funded Mortgages (MPF 100)
- Accepting the Appraisal Form 2055 interior/exterior for manually underwritten loans
- Expanding our hours for credit enhancements via the eMPF[®] website
- Changing the name of the actual/actual remittance option
- Adding a new data element for Credit Enhancements
- Revising the loan delivery requirements for closed loans
- Clarifying the point at which a Delivery Commitment expires
- Changing FHA/VA servicing fee option
- Explaining the factors considered when calculating the Price Adjustment Fee
- Changing the Master Servicer address
- Providing the requirements for a depository institution holding Custodial Accounts
- Clarifying requirements for reamortization and Note modification resulting from a large principal curtailment
- Adding a definition for Non-Permanent Resident Alien
- Adding additional contact information for the MPF Provider and MPF vendors

Enhancements will affect the following Guide Chapters:

Origination Guide Chapter 7
Origination Guide Chapter 9
Origination Guide Chapter 11
Origination Guide Chapter 18
Origination Guide Chapter 19
Origination Guide Chapter 20
Origination Guide Chapter 23
Origination Guide Chapter 27
Origination Guide Forms & Exhibits
Origination Guide Glossary

MPF Mortgage Products
General Mortgage Eligibility
Refinance Mortgages
Master Commitment
Delivery Commitments
Loan Level Credit Enhancement
Mortgage Funding or Purchase
The Mortgage File
Revise Form and remove Exhibits
Revise and remove definitions

Servicing Guide Chapter 101
Servicing Guide Chapter 105
Servicing Guide Chapter 111
Servicing Guide Glossary

Introduction
Custodial Accounts, Advances and Loan Accounting
Directory and Notices
Revise and remove definitions

Description of Change:

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

Origination Guide Revisions:

FHA/VA 25 Basis Points Servicing Fee Option (Chapter 7)

We are eliminating the 25 basis points servicing fee option for Original MPF for FHA and VA loans from our product options. We will continue to offer the 44 basis points annual servicing fee option for Original MPF for FHA and VA mortgages sold under the MPF Program. This change affects Chapter 7 of the Origination Guide.

Change in Credit Enhancement System (Chapters 7 and 18)

We have removed the geographic concentration factor for a Pool Level Credit Enhancement. The geographic concentration of Mortgaged Properties within a Master Commitment will no longer have an impact on the Credit Enhancement. Removal of the geographic concentration factor will only impact Master Commitments with normally scheduled activity, such as new deliveries, new reversals of past deliveries, or post closing processes to that Master Commitment. The removal of this factor will not affect Master Commitments that are closed or expired. Geographic concentration factor information has been removed from Chapters 7.5, 7.6, 18.3, and 18.7 of the Origination Guide.

NOLA Requirement for MPF 100 (Chapters 9, 11, 20, 27, Forms, and Glossary)

We are eliminating the requirement for a Notice of Underwriting Approval (NOLA) on Bank Funded Mortgages (MPF 100). A PFI who sells Bank Funded Mortgages will no longer be required to obtain this underwriting approval prior to delivering loans to the MPF Bank. This change affects Chapters 9, 11, 20, 27, and the Glossary. In addition, Exhibits A and A-1 should be removed from the Origination Guide.

Appraisal Form 2055 for Manually Underwritten Loans (Chapter 9)

Effective immediately, we will accept the Quantitative Analysis Appraisal Report (FNMA/FHLMC Form 2055) with an interior and exterior inspection for mortgages not submitted to an automated underwriting system. This change supplements our policy to accept appraisal Forms 2055 or 2065 when stipulated by an automated underwriting system. This change affects Chapter 9.5.2 of the Origination Guide.

Expanded Hours for Submission of Credit Enhancement Data (Chapter 20)

Submission of credit enhancement data will now be accepted via the eMPF website between the hours of 6:00 A.M. and 8:00 P.M. central time each business day. The expanded hours will allow for the submission of credit enhancement data, validation of data, and pricing for existing Delivery Commitments. During the extended hours, the eMPF website will accept data for both batch and individual loans credit enhancements.

MPF Service Center staff will continue to be available during the hours of 8:30 A.M. and 3:30 P.M. central time for the processing of new Delivery Commitments and other transactions needs.

This revision affects Chapter 20.1 of the Origination Guide.

New Name for Actual/Actual Remittance Option (Chapters 23 and 105)

In order to more clearly describe our remittance options, we will now refer to the “actual/actual” remittance type as “actual/actual single remittance”. Chapter 23 of the Origination Guide and Chapter 105 of the Servicing Guide reflect this change. *Revised Servicing Guide forms (SG300A – SG321A) will be provided in a future PFI Notice.*

Addition of TPO Data Element for Credit Enhancements (Chapter 23 and Form OG3)

As part of the required fields for a Credit Enhancement, we will be adding a Third Party Origination (TPO) field effective November 25, 2002. The PFI must indicate if the loan was originated by an entity other than the PFI. This field will require a ‘Yes’ or ‘No’ answer in the field. The TPO field has been added to the list of data elements in Chapter 23.2.1 and to Form OG3 in the Origination Guide).

New Loan Delivery Requirement for Closed Loans (Chapter 23 and Form OG3)

Effective November 25, 2002, closed loan products with the actual/actual single remittance type must be paid current through the 15th calendar day of the month delivered. Therefore, the outstanding loan balance for an actual/actual single remittance type closed loan must be paid current for that month if delivered after the 15th of the month. We have made this change to bring our requirements in line with industry standards. This revision affects Chapter 23.3.2 and Form OG3 in the Origination Guide.

Additional Revisions to the Origination Guide

PFI Notice 2002-3 incorporates changes to the following Origination Guide Chapters:

- **Chapter 19 – Delivery Commitments**: Clarifies the point at which a Delivery Commitment expires (Chapters 19.3.3 and 19.4).
- **Chapter 19.6.1 – Fee Calculation**: Adds language stating which factors are considered in calculating the Price Adjustment Fee. These are the same factors considered in calculating Pair-off Fees.

Servicing Guide Revisions:

Change of Address for the Master Servicer (Chapters 101 and 111)

The MPF Program Master Servicer, Wells Fargo Bank, has moved. The new address is:

Mortgage Partnership Finance Program
c/o Wells Fargo Bank, N.A.
9062 Old Annapolis Road
Columbia, Maryland 21045

Revised Servicing Guide forms with the new Master Servicer address will be provided in a future PFI Notice.

Eligible Depositories for Custodial Accounts (Chapter 105)

Not all PFIs are depository institutions. Therefore, to ensure the safety of funds held on behalf of the MPF Bank, we are adding the requirement that Custodial Accounts and any clearing accounts must be held by an eligible depository, which includes:

- A Federal Home Loan Bank
- A Federal Reserve Bank
- An FDIC-Insured Depository; or
- An NCUA-Insured Depository

This change affects Chapter 105.1 of the Servicing Guide.

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Reamortization and Note Modification Resulting from a Large Curtailment (Chapter 105)

When a large principal curtailment is applied to an MPF mortgage, we allow for reamortization and note modification under certain requirements of Chapter 105.7.5.3. We are clarifying our requirements for this guideline to specify that the interest rate on the note may not be modified. We are also clarifying that the PFI must ensure that any allowable reamortization and note modification resulting from a curtailment must comply with the requirements of the FHA, VA, and applicable mortgage insurance company (including the primary mortgage insurer and/or the supplemental mortgage insurer). Refer to Chapter 105.7.5.3 for the complete requirements of reamortization and note modification due to a curtailment.

Additional Contact Information for MPF Provider and MPF Vendors (Chapter 111)

We have added additional contact information (telephone, fax, and/or E-mail information) for the MPF Provider, Master Servicer, and MPF Program Custodian. See Chapter 111.2 for more details.

Additional Revisions to the Servicing Guide

PFI Notice 2002-3 incorporates changes to the following Servicing Guide Chapters:

- **Chapter 105 – Custodial Accounts, Advances and Loan Accounting:** New name for actual/actual remittance option (see Origination Guide changes).
- **Glossary:** Adding a definition of Non-Permanent Resident Alien, and removing definition of NOLA.

REVISIONS TO THE ORIGINATION & SERVICING GUIDES:

Replacement pages for the revised Guide Chapters are attached. The revision includes:

- Origination Guide Chapters 7, 9, 11, 18, 19, 20, 23, 27, Table of Contents, Forms & Exhibits, and Glossary.
- Servicing Guide Chapter 101, 105, 111, Table of Contents, and Glossary.

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