

# PFI Notice 2004-1

May 26, 2004

## Effective Date

Immediately for all loan deliveries, except as noted.

## Special Attention:

PFI's MPF<sup>®</sup> Program Management, PFI's Origination Management, PFI's Servicing Management, Document Custody Management

## Subject:

Announcing enhancements to the Origination Guide, including the Underwriting Guide:

- Adding new requirements for manufactured housing
- Restating requirement for a construction-permanent loan to be delivered as a purchase transaction
- Updating the New York Consolidation, Extension and Modification Agreements (CEMA) guidelines
- Clarifying how LTVs and TLTVs should be rounded and reported
- Revising our guidelines on the use of the streamlined appraisals in declining markets
- Modifying our requirements on the use of facsimile signatures to endorse Notes

Enhancements will affect the following Guide Chapters:

Origination Guide Chapter 12	<b>Mortgage Insurance, Late Charges and Prepayment Charges</b>
Origination Guide Chapter 24	<b>Documentation Delivery</b>
Underwriting Guide Chapter 2	<b>Mortgage Eligibility</b>
Underwriting Guide Chapter 3	<b>Loan Purpose</b>
Underwriting Guide Chapter 5	<b>Property Valuation and Eligibility</b>

## Description of Change:

The following revisions have been made to the Origination Guide, including the Underwriting Guide.

## **Origination Guide Revisions, including the Underwriting Guide:**

### **Manufactured Housing (UG Chapters 2.2, 2.18, 3.3, 5.1 and 5.2)**

We are updating our guidelines on manufactured homes. Revisions include changes to the requirements for property eligibility, loan eligibility and the appraisal report. We are further clarifying the title and lien requirements and adding loan purpose requirements that are specific to manufactured housing. These new guidelines are *effective for loans delivered as of July 26 2004*.

### **Construction-Permanent Loans (UG Chapter 3.6)**

We are clarifying our guidelines on construction-permanent loans by restating the purchase transaction requirement. In order to use the construction-permanent loan guidelines of Underwriting Guide Chapter 3.6 and 4.8.2, a construction-permanent loan must be originated and delivered as purchase transaction under the MPF Program.

### **N.Y. Consolidation, Extension and Modification Agreements (CEMA) (OG Chapter 24.2.6)**

We are updating our documentation delivery requirements for loans secured by property located in New York State originated using a New York Consolidation, Extension and Modification Agreement (CEMA). We have eliminated the requirement that the Original Old Money Notes, NY CEMAs from prior consolidations and the Original New Money (Gap) Note be delivered to the Custodian.

## **Additional Revisions**

PFI Notice 2004-1 incorporates the following revisions:

- **Underwriting Guide Chapter 2.2 - Determining LTV and TLTV Ratios:** We are clarifying how LTVs and TLTVs should be rounded for underwriting and eligibility purposes and added a reference for LTV/TLTV data delivery requirements.
- **Underwriting Guide Chapter 2.17.1 – Alternative Property Valuation:** We are revising our guidelines on the use of FNMA/FHLMC 2055 and FNMA 2065 streamlined appraisals with exterior only inspections in declining markets. This is in response to the valuation risks associated with exterior only inspections as recently reported by a national rating agency.
- **Origination Guide Chapter 24.4.5 – Facsimile Signatures –** We are revising our guidelines on the use of facsimile signatures to endorse Notes by eliminating the need for an opinion of counsel for each jurisdiction in which facsimile signatures are used.

## **REVISIONS TO THE ORIGINATION & UNDERWRITING GUIDES:**

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

- Origination Guide Chapters 12 and 24
- Underwriting Guide Table of Contents and Chapters 2, 3 and 5

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 Customer Support Desk at 877-INFO-MPF (877-463-6673).**