

## PFI Notice 2004-5

December 15, 2004

### Effective Date

Immediately, except as noted

### Special Attention:

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

### Subject:

#### Announcing enhancements to the Origination and Servicing Guides:

- Revised loan limits for Conventional Loans
- Adding the definition of sales concessions which includes non-monetary incentives
- Adding new requirements for Manufactured Housing closing documentation
- Revising our policy on the support of the appraised value in appraisals aged greater than 4 months (6 months for new construction)
- Updating the policy on property affected by environmental hazards
- Adding the 2005 Investor Reporting Calendar

#### Enhancements will affect the following Guide Chapters:

Underwriting Guide Chapter 2.1	<b>Maximum Original Loan Amount</b>
Underwriting Guide Chapter 2.21	<b>Seller / Builder Contribution Limits</b>
Underwriting Guide Chapter 3.6	<b>Construction-Permanent Loans</b>
Underwriting Guide Chapter 4.8.2	<b>Maximum Age of Documentation</b>
Underwriting Guide Chapter 5.1.4	<b>URAR Improvements / Comments Section</b>
Underwriting Guide Chapter 5.1.6	<b>URAR Sales Comparison Analysis Section</b>
Underwriting Guide Chapter 5.2.6	<b>Manufactured Housing</b>
Origination Guide Chapter 1.1	<b>Overview</b>
Origination Guide Chapter 5.5.1	<b>Annual Eligibility Certification</b>
Origination Guide	<b>Forms and Exhibits</b>
Servicing Guide	<b>Forms and Exhibits</b>

## Description of Changes:

The following revisions have been made to the Origination Guide

### Origination Guide Revisions:

#### New Conventional Loan Limits for 2005 (Underwriting Guide Chapter 2.1)

We are increasing our maximum mortgage amounts to reflect the increase in the national average price for single-family homes, as reported by the Federal Housing Finance Board. The maximum Conventional Loan amounts have been increased by 7.78%, making low-cost mortgages available to more homebuyers. These new loan amounts become **effective for loans delivered under the MPF Program after January 1, 2005**, which may include Mortgages originated prior to this date.

Number of Units	Maximum Original Loan Amount	Properties in Alaska, Guam, Hawaii or Virgin Islands
1	\$359,650	\$539,475
2	\$460,400	\$690,600
3	\$556,500	\$834,750
4	\$691,600	\$1,037,400

#### Sales Concessions (UG Chapter 2.21)

We are adding the definition for sales concessions which includes non-monetary items such as vacations, furniture and club memberships. Such items are generally offered by property sellers and builders as incentives to purchase a home and therefore must be deducted from the sales price of the home for the calculation of the LTV/TLTV.

#### Manufactured Housing Closing Documentation (UG Chapters 3.6 and 5.2.6)

In order to bring our policy in line with industry standards, we are adding new requirements for the closing documentation used on Mortgages secured by manufactured housing. For manufactured housing mortgages originated under the construction-permanent loans guidelines, the transaction must be done using dual closings with the execution of a new Note and Security Instrument. Additionally for all manufactured housing mortgages, an insured closing protection letter from the closing agent (if applicable) must be obtained for each Mortgage.

#### Support of the Appraised Value in Aged Appraisals (UG Chapter 4.8.2)

We are revising our requirements for the support of a Mortgaged Property's appraised value when the Appraisal will be more than 4 months old (6 months for new construction) on the Note Date. Specifically, we are changing the requirement for the support of the value from "re-certification of value" to an "update" of the Appraisal. This change is in line with the Uniform Standards of Professional Appraisal Practice (USPAP) where appraisers are required to provide "updates", and not "re-certifications of value".

#### Property Affected by Adverse Environmental Hazards (UG Chapter 5.1.4)

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We are updating our policy on property affected by adverse environmental hazards to protect the Borrower, the PFI and the MPF Banks. We have expanded the range of adverse environmental hazards that may affect the Mortgaged Property from only the Mortgaged Property to the neighborhood in which the Mortgaged Property is located. We have added specific steps that the PFI must take in its evaluation of the affect of known or potential environmental hazards on the Mortgaged Property. In addition to requiring that that adverse environmental condition be disclosed to the appraiser for analysis in the Appraisal, we have added the requirement that any adverse environmental conditions be fully disclosed to the Borrower.

### **Additional Revisions**

PFI Notice 2004-5 incorporates the following revisions:

- **Underwriting Guide Chapter 4.5.2.1 – Traditional Credit Reports:** We are expanding the credit report formats that may be used to include the three-repository in-file, merged credit report.
- **Underwriting Guide Chapter 4.5.5 – Adverse Credit Issues and Re-establishing Credit:** To avoid important credit requirements from being overlooked, we are moving the reference to credit restrictions on cash-out refinances from a single location in this chapter to the specific adverse credit events affecting cash-out refinances.
- **Underwriting Guide Chapter 5.1.6 – URAR Sales comparison Analysis Section (Prior Sales Activity):** We are revising the period for which the appraiser must report prior sales activity for the Mortgaged Property and the comparables from only the last 12 months to the last 12 months or the minimum period required by Applicable Law, whichever is greater. This revision is in response to changes in both appraisal industry standards and various state statutes.
- **Origination Guide Chapters 1.1 (Overview) and 5.5.1 (Annual Eligibility Certification):** We have updated these chapters to reflect the link to MPF Guides direct from MPF websites via AllRegs effective January 2, 2005. See the PFI Advisory dated November 2, 2004 for details.
- **Origination Guide Forms and Exhibits** – We have updated Form OG1 (Annual Eligibility Certification). Questions 1b (iii), 2, 5, 9, 12 and 15 have been revised.
- **Servicing Guide Forms and Exhibits** – We are adding our Investor Reporting Calendar to the Servicing Guide as an Exhibit (Exhibit A)

### **Origination and Servicing Guide Revisions:**

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

- Origination Guide – Chapters 1, 5 and Form OG1
- Underwriting Guide – Table of Contents and Chapters 2, 3, 4 & 5
- Servicing Guide – Table of Contents and Exhibit A

**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).**