

PFI Notice 2005-1

March 4, 2005

Effective Date

Retroactive to January 1, 2005

Special Attention:

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

Subject:

Rescission of policies and procedures regarding Indiana Home Loans (Indiana High Cost Home Loans Policies remain in place)

This change will affect the following Origination Guide Chapter:

Origination Guide - Forms and Exhibits **Predatory Lending Category (Exhibit A)**

Description of Change:

The following revisions have been made to the Origination Guide

Origination Guide Revisions:

Predatory Lending Category (Exhibit A)

We are rescinding the policies and procedures regarding the delivery of **Indiana Home Loans** announced in PFI Notice 2004-4 issued November 5, 2004 and the PFI Advisory dated December 23, 2004. **There are no changes to the policies and procedures announced in the Notice and the Advisory regarding Indiana High Cost Home Loans.**

PFI Notice 2004-4 stated that effective January 1, 2005 Indiana Home Loans, as defined by the Indiana Home Loan Practices Act (the "Act"), would not be eligible for delivery under the MPF Program until the "Predatory Lending Category" data field was available for use and the PFI was able to provide such data. The PFI Advisory dated December 23, 2004 reminded PFIs of this policy and stated that all Mortgages on properties located in

Indiana would be subject to the post-purchase due-diligence review process detailed in PFI Notice 2004-4 in order to prevent the delivery of Indiana High Cost Home Loans.

Following the passage of an amendment to the Act, Standard & Poor's has concluded that it will not require an additional Credit Enhancement for Indiana Home Loans. **Therefore, the prohibition against the delivery of Indiana Home Loans is rescinded retroactive to January 1, 2005.** Predatory Lending Category (Exhibit A) has been updated to reflect this change in Standard & Poor's policy. Because Standard and Poor's continues to maintain its position that it will not rate transactions that contain Indiana High Cost Home Loans (which continue to remain ineligible for delivery under the MPF Program per Chapter 2.6 of the MPF Origination Guide), the post-purchase due-diligence review of all Mortgages on properties located in Indiana will continue until the MPF Banks determine that a lesser level of diligence is appropriate and prudent.

For additional explanation of the predatory lending topics discussed above, see the following:

- Origination Guide Chapter 2.6
- PFI Notice 2004-2, issued July 9, 2004, (High Cost, Covered and Home Loans and "Predatory Lending Category" data field)
- PFI Notice 2004-4, issued November 5, 2004 (High Cost, Covered and Home Loans in Indiana, Massachusetts and New Jersey)
- PFI Advisory, dated December 23, 2004 (Indiana High Cost and Home Loans)

PFI's are reminded that by delivering a Mortgage under the MPF Program, the PFI represents and warrants that a Mortgage is not a High Cost Loan as defined by the then-current version of Standard & Poor's LEVELS Glossary, Appendix E.

In addition to the post-purchase diligence review of all Indiana, Massachusetts and New Jersey Mortgages described above, PFI's are reminded of the requirement to have internal procedures that are used to screen out ineligible predatory loans (See Origination Guide Chapter 2.6.4). The MPF Bank may be contacting PFI's for their predatory lending screening procedures.

REVISIONS TO THE ORIGINATION GUIDE:

The revised Guide Exhibit listed below can be found on the AllRegs and eMPF[®] websites. Links to these sites are on fhlbmpf.com and fhlb-mpf.com. The revision includes:

- Origination Guide Forms & Exhibits – 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).