

PFI Notice 2005-7

December 22, 2005

Effective Date

Immediately, except as noted

Special Attention:

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

Subject:

Announcing enhancements to the Origination, Underwriting and Servicing Guides:

- New Conventional Loan Limits for 2006
- Expanded Desktop Underwriter[®] and Loan Prospector[®] Guidelines
- Updated and new predatory lending form
- Revised private mortgage insurance cancellation guidelines
- 2006 Investor Reporting Calendar

Enhancements will affect the following Guide Chapters:

Underwriting Guide Chapter 2	Mortgage Eligibility
Origination Guide Chapter 12	Conventional Mortgage Insurance, Late Charges and Prepayment Charges
Origination Guide Chapter 18	Master Commitment
Servicing Guide Chapter 106	Insurance
Origination Guide	Forms and Exhibits
Servicing Guide	Forms and Exhibits

Description of Changes:

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

Underwriting Guide Revisions

New Conventional Loan Limits for 2006 (UG 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 15.96%, making low-cost mortgages available to more homebuyers. These new loan amounts become **effective for loans delivered under the MPF Program after January 1, 2006**, which may include Mortgages originated prior to this date. Mortgages can be credit enhanced at these new loan limits prior to January 1, 2006, but cannot be funded prior to this date.

Number of Units	Maximum Original Loan Amount	Properties in Alaska, Guam, Hawaii or Virgin Islands
1	\$417,000	\$625,500
2	\$533,850	\$800,775
3	\$645,300	\$967,950
4	\$801,950	\$1,202,925

Desktop Underwriter and Loan Prospector Guidelines (UG Chapter 2.17 and OG Chapter 12.1)

Based on feedback from our PFIs, we have expanded and clarified our guidelines on the acceptance of mortgages underwritten with the assistance of Desktop Underwriter (DU) and Loan Prospector (LP). For a mortgage that receives an "Accept and Eligible to Purchase" from LP or an "Approve / Eligible" from DU, PFIs can now follow the requirements of the DU or LP certificate to document the borrower's credit history and be in compliance with the MPF Guides.

In addition, we have noted that the following are not eligible under the MPF Program:

- A DU "Expanded Approval" or an LP "A-Minus Offering"; and
- "Custom" and "Lower Cost" mortgage insurance coverages, which are not eligible under the MPF Program.

(Reduced mortgage insurance coverage is eligible under the MPF Program. See Underwriting Guide Chapter 2.17 for more information.)

PFIs are reminded that DU and LP are tools to assist in the underwriting process with the ultimate decision on a loan belonging to the PFI.

Origination Guide Revisions

Predatory Lending Forms (Form OG1C)

The Anti-Predatory Lending Questionnaire addendum (Form OG1C) to the Annual Eligibility Certification (Form OG1) is being published as announced in PFI Notice 2005-6. This addendum asks questions related to PFIs' anti-predatory lending policies and procedures. The addendum is to be completed and attached to the Form OG1 as part of the annual eligibility certification process required in Origination Guide Chapter 5.5.

Servicing Guide Revisions

Private Mortgage Insurance Cancellation Guidelines (SG Chapter 106)

We are updating the guidelines for borrower requested cancellation of mortgage insurance to include requirements for cancellation based on the current value of the property and for two-to-four unit properties. These changes are based upon a review of industry standards and HOPA regulations. Overall, the policy changes reflect mortgage industry best practices.

Additional Revisions

PFI Notice 2005-7 incorporates the following revisions:

- **Servicing Guide Chapter 111 – Directory and Notices:** We are updating the contact information for the Federal Home Loan Banks of Pittsburgh and Des Moines and the MPF Provider.
- **Servicing Guide Forms and Exhibits** – We are updating our 2006 Investor Reporting Calendar to the Servicing Guide (Exhibit A).
- **Origination Guide Chapter 18 – Master Commitment:** We have rewritten Chapter 18.3.1 which covers the establishment of Master Commitments to more accurately reflect the information on the Master Commitment form and to provide you with clearer guidance on the establishment of a Master Commitment. As is our current practice, the remittance type must be determined when a Master Commitment is established. No changes in policy have been made. Modifications to this chapter are only to clarify our existing policy and practice.
- **Origination, Underwriting and Servicing Guides - All published chapters and forms:** The chapters and forms of the Guides published with the Notice contain revised terminology that reflects current MPF Program usage. We are also adding cross-references to better assist PFI's in finding critical information.

Origination, Underwriting and Servicing Guide Revisions

The following Origination, Underwriting and Servicing Guide changes can be found on the AllRegs[®] and eMPF[®] websites. Links to these sites are on fhlbmpf.com and fhlb-mpf.com or may be accessed directly at <http://www.allregs.com/fhlbmpf/>.

- Origination Guide
 - Chapters 12 and 18 – changed text is highlighted in AllRegs
 - Form OG1C

- Underwriting Guide
 - Chapter 2 – changed text is highlighted in AllRegs

- Servicing Guide
 - Chapter 106 – changed text is highlighted in AllRegs
 - Chapter 111 – changed text is highlighted in AllRegs
 - 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).