

PFI Notice 2006-3

September 27, 2006

Effective Date

Immediately

Special Attention:

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

Subject:

Announcing enhancements to the MPF Guides on the following subject:

- Revision of Hazard and Flood Insurance Deductible Limits

Enhancements will affect the following Guide Chapters:

Origination Guide Chapter 15

Property Insurance

Servicing Guide Chapter 106

Insurance

Description of Changes:

Recent natural disasters in coastal regions have resulted in many hazard insurers increasing premiums to reduce the risk of insuring property. To assist borrowers in this increased premium environment, the MPF Program is bringing its requirements in-line with industry standards by raising the deductible limits for all loans. This will assist your borrowers by making the resulting lower cost hazard and flood insurance coverage available to them. The following revisions have been made to the Origination and Servicing Guides.

Origination and Servicing Guide Revisions

Hazard Insurance Deductibles (Origination Guide Chapter 15 & Servicing Guide Chapter 106)

Effective immediately, the MPF Program will accept, for all property types, hazard insurance deductibles for fire, windstorm and hail, and other hazards covered within the scope of standard extended coverage up to 5% of the face amount of the insurance policy. Whether all perils are covered under a single deductible, or separate deductibles for each peril, each deductible may not exceed 5% of the face amount of the policy.

The PFI must ensure that all perils normally included in the standard extended coverage endorsement are included in each hazard insurance policy. Clarification has been added to

Origination Guide Chapter 15.2 to indicate that if any such peril(s) is limited or excluded, the excluded peril(s) must be covered in a secondary insurance policy.

Flood Insurance Deductibles (Origination Guide Chapter 15.3 & Servicing Guide Chapter 106.5.7)

We have revised the flood insurance deductible limits for all properties. Effective immediately, we will defer to the maximum flood insurance deductible amounts permitted under the National Flood Insurance Program (NFIP) for those properties located in Federal Emergency Management Agency (FEMA) designated Special Flood Hazard Area (SFHA) zones.

Additional Revisions

PFI Notice 2006-3 incorporates the following revisions:

- **Origination Guide Chapter 15 – Property Insurance:** We have revised Standard and Poor’s property insurer rating for nonadmitted insurance companies in Origination Guide Chapter 15.1.3 from ‘A-’ to ‘AA-’ to match current industry standard.
- **Servicing Guide Chapter 106 – Insurance:** We have consolidated the evidence of insurance requirements and mortgage impairment and mortgagee interest information, which was previously located in Origination Guide Chapter 15.7, into Servicing Guide Chapter 106.1.
- **Origination and Servicing Guides - All published chapters:** The chapters of the Guides published with this Notice contain revised terminology that reflects current MPF Program usage. We have also added cross-references to better assist PFIs in finding critical information.
- **Glossary, Origination and Servicing Guides – All published chapters:** We have added a new defined term, “All Risk Coverage”, to the Glossary to better define all of the hazards required to be covered in a standard extended coverage hazard insurance policy.

Origination and Servicing Guide Revisions

The following Origination and Servicing Guide changes can be found on the AllRegs[®] website. A link to this site is available on both fhblmpf.com and fhlb-mpf.com or may be accessed directly at <http://www.allregs.com/fhblmpf/>.

- Origination Guide
 - Chapter 15 – changed text is highlighted in AllRegs
- Servicing Guide
 - Chapter 106 – changed text is highlighted in AllRegs
- Glossary – changed text is highlighted in AllRegs

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).