

PFI Notice 2006-5

November 22, 2006

Effective Date

Immediately

Special Attention:

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

Subject:

Announcing enhancements to the MPF Guides on the following subjects:

- Loan Presentment
- Predatory Lending
- Minimum Credit Enhancement amount for MPF 100 and MPF 125 Products
- Accounting and Legal Disclaimer regarding Capital Treatment
- Underwriting Transmittal Form (1008)

Enhancements will affect the following Guide Chapters and Exhibits:

Origination Guide Chapter 2	General MPF Policies
Origination Guide Chapter 7	MPF Mortgage Products
Origination Guide Chapter 18	Master Commitment
Origination Guide Chapter 20	Loan Presentment
Origination Guide Chapter 23	Mortgage Funding or Purchase
Origination Guide Chapter 27	The Mortgage File
Origination Guide Chapter 28	PFI's In-House Quality Control Program
Origination Guide Forms and Exhibits	Loan Presentment Request (Form OG3)
	New Delivery Commitment Report (Exhibit C)
	Loan Presentment Report (Exhibit D)
	Transaction Confirmation and Loan Funding Activity Report (Exhibit E)
	Delivery Commitment Extension or Reduction Report (Exhibit G1 and G2)

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Description of Changes:

Origination Guide Revisions

Loan Presentment (OG Chapter 20, Form OG3 and various Origination Guide Chapters and Exhibits)

Previously, we described the process of loan data presentment, data validation and loan risk sharing determination as a ‘credit enhancement’. In an effort to provide clarification between the process of delivering the loan data for validation and the actual output a PFI receives detailing its loan level risk sharing obligation for conventional loans, we have revised our terminology. A new defined term, Loan Presentment, will now represent the portion of the process during which a PFI presents conventional and government loan data for the process of loan level data validation. Credit Enhancement will now exclusively represent the output the PFI receives for conventional loans.

Be aware that the Investor Due Date was previously provided during the loan funding process. This data is now required to be provided during the loan presentment process. Form OG3 and instructions have been updated to reflect this change.

Note that a loan Credit Enhancement result is calculated for conventional loans only, whereas government loans only require a Loan Presentment. Data validation and, if applicable, a Credit Enhancement result is provided via a Loan Presentment Report.

The chapters and forms of the Guides published with this Notice contain revised terminology that reflects new MPF Program usage of Loan Presentment and Credit Enhancement.

Predatory Lending (OG Chapter 2.6.1 and 2.6.4)

We have enhanced our predatory lending guidelines by making the following changes:

- Added a reminder that PFIs should actively monitor and comply with all applicable laws, rules and regulations, in particular anti-predatory lending laws as they apply to a PFI’s origination and servicing practices
- Clarified the MPF Program definition of points and fees based on feedback from PFIs
- Updated the timing for the repurchase of ineligible mortgages to match current MPF Program repurchase practices

MPF Mortgage Products – MPF 100 and MPF 125 (OG Chapter 7)

Current MPF 100 and MPF 125 Master Commitment agreements in use reflect a minimum credit enhancement obligation. We have updated the program description in our guidelines to include the minimum credit enhancement obligation to coincide with these documents.

In addition, PFIs are reminded, for all MPF Products, that the MPF Program does not provide accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities. PFIs are expected to consult with their own accountants and attorneys for advice on these matters.

The Mortgage File (OG Chapter 27.10.8 and OG Chapter 28.8)

Based on feedback from PFIs, we have added a clarification regarding required documentation in the loan file. We encourage PFIs to use an Underwriting Transmittal Summary (Form 1008) for all loan files; however, we will not require the form to be part of the loan file where a valid Automated Underwriting System (AUS) certificate in accordance with MPF Underwriting Guide chapter 2.17 is provided as a substitute to the Form 1008.

Additional Revisions

PFI Notice 2006-5 incorporates the following revisions:

- **Origination Guide Exhibits** – We are updating Origination Guide Exhibit D (Loan Presentment Report) to coincide with revised terminology that reflects new MPF Program usage of Loan Presentment and Credit Enhancement. Additionally, with the upgrade to the system that supports the eMPF website, we are updating Origination Guide Exhibit C (New Delivery Commitment Report) and Exhibit E (Transaction Confirmation and Loan Funding Activity Report) by removing unnecessary text and modifying for conciseness. Previously, Exhibit G (Delivery Commitment Amendment Report) was used for all delivery commitment amendments. This exhibit is now replaced with Exhibit G1 (Delivery Commitment Extension Report) and G2 (Delivery Commitment Extension Report) to concisely describe each transaction.

Origination Guide Revisions

The following Origination 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
 - Chapter 2 - changed text is highlighted in AllRegs
 - Chapter 7 - changed text is highlighted in AllRegs
 - Chapter 18 – changed text is highlighted in AllRegs
 - Chapter 20 - changed text is highlighted in AllRegs
 - Chapter 23 - changed text is highlighted in AllRegs
 - Chapter 27 - changed text is highlighted in AllRegs
 - Chapter 28 - changed text is highlighted in AllRegs
 - Form OG-3
 - Exhibits C, D, E, G1 and G2

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).