

# PFI Notice 2006-6

December 15, 2006

## Effective Date

Immediately, except as noted

## Special Attention:

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

## Subject:

### Announcing enhancements to the Origination Guide:

- Updating requirements for High Cost, Covered and Home Loans (including Rhode Island High Cost Home Loans)
- Updating Origination Guide Anti-Predatory Lending Category (Exhibit A)

### Enhancements will affect the following Guide Chapters:

Origination Guide Chapter 2.6	Predatory Lending
Origination Guide Forms and Exhibits	Anti-Predatory Lending Category (Exhibit A)

## Description of Change:

The following revisions have been made to the Origination Guide

### Origination Guide Revisions:

#### Predatory Lending (Origination Guide Chapter 2.6 and Exhibit A)

We are updating the Anti-Predatory Lending Category (Exhibit A) due to Standard & Poor's recent update of LEVELS Glossary, Appendix E, including changes related to Rhode Island High Cost Home Loans. We have also added a cross-reference to the Exhibit A in Origination Guide Chapter 2.6.4 for clarity. All PFIs are required to review their retail, broker and correspondent loan origination processes and make any necessary changes to ensure that ineligible mortgages are not delivered under the MPF Program. PFIs 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, which is published in the MPF Origination Guide as Exhibit A.

**Effective for Mortgages with Note Dates on or after December 31, 2006**, mortgage loans that meet the definition of ‘high-cost home loans’ according to the Rhode Island Home Loan Protection Act (R.I. Gen. Laws Sections 34-25.2-1 through 34-25.2-15) have been excluded from Standard & Poor’s structured finance transactions in accordance with LEVELS Glossary, Appendix E. These mortgages are not eligible for delivery under the MPF Program. See Origination Guide Chapter 2.6.1.1 for more information on the ineligibility of unratable loans and refer to PFI Notice 2004-2 for a full explanation of the purpose and use of Exhibit A.

In order to provide reasonable assurance that Rhode Island High Cost Home Loans are not delivered under the MPF Program, a post-purchase due-diligence review of mortgages on properties located in this state will be conducted on a periodic basis. A “Notice of Request for Review Letter” identifying the loans to be reviewed will be sent to the PFI.

If a mortgage is found to be an ineligible loan under Origination Guide Chapter 2.6, the PFI must repurchase the Mortgage upon notification by the MPF Bank or MPF Provider (See Origination Guide Chapters 2.6.4 and 2.12).

In addition to the review of Rhode Island mortgages after the effective date noted above, PFIs are reminded that they are required to have internal procedures that are used to screen out mortgages which are ineligible for delivery (See Origination Guide Chapter 2.6.4). The MPF Bank may be contacting PFIs for their predatory lending screening procedures if they wish to deliver Rhode Island mortgages and their screening procedures for Rhode Island have not been reviewed.

The procedures contained in this PFI Notice 2006-6 may be further revised to reflect changes in the existing laws and interpretation of such laws by both Standard and Poor's and the MPF Banks' regulator, the Federal Housing Finance Board.

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

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

- Origination Guide
  - Chapter 2.6 – Changed text will be highlighted in AllRegs
  - Exhibit A – Changed text will be 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).**