

PFI Notice 2007-5

June 26, 2007

Effective Date: Immediately

Special Attention:

PFI MPF[®] Program Management and Servicing Management

Subject:

Announcing enhancements to the MPF Guides on the following subject:

- Servicer Initiated Transfer of Servicing

Enhancements will affect the following Guide Chapters and Exhibits:

Origination Guide Forms & Exhibits	Delegation of Authority - Supplemental (Exhibit M)
Servicing Guide Chapter 104	Mortgage Loan Files
Servicing Guide Chapter 107	Mortgage Loan Delinquency
Servicing Guide Chapter 108	Servicer Responsibilities
Servicing Guide Chapter 109	Servicer Initiated Transfer of Servicing
Servicing Guide Forms & Exhibits	Servicing Transfer Notice (Form SG360)

Description of Changes:

Servicing Guide Revisions

Servicer Initiated Transfer of Servicing (SG Chapters 108.4.1, 109 & Form SG360)

We are adding guidelines for situations where a PFI (Selling PFI) wishes to sell its servicing rights, subsequent to funding, and transfer the servicing obligations for one or more mortgage(s) to another servicer (Assuming Servicer/PFI).

Prior to selling its servicing rights, a Selling PFI is required to obtain approval for the transfer from the MPF Bank that owns the subject Mortgage(s), known as the Owner Bank, and MPF Provider. The Assuming Servicer must also either be a PFI or complete the approval process to become a PFI.

In situations where the Assuming Servicer is or becomes a PFI with an MPF Bank that is not also the Owner Bank of the mortgage(s) for which the servicing is to be transferred, the Assuming

Servicer will be required to obtain sponsorship from its district MPF Bank, also known as the Assisting Bank. This sponsorship will provide for the necessary remittance accounts the Assuming Servicer will use for remittance to the Owner Bank. An Assisting Bank retains the right to sponsor the Assuming PFI to buy servicing pursuant to a specific transaction, or for mortgages owned by the Assisting Bank (same district) or for mortgages owned by any MPF Bank.

A Selling PFI and Assuming PFI will enter into a sale of servicing contract in order to transfer the servicing. Note that neither the MPF Bank(s) nor MPF Provider are parties to the sale of servicing contract and have no liabilities under the sale of servicing contract. Neither the MPF Bank(s) nor the MPF Provider shall owe any fees, compensation to any PFI or servicer in connection with the transfer of the servicing rights and obligations.

A PFI selling servicing rights must initiate a transfer at least thirty (30) days prior to the planned servicing transfer date by:

- Uploading a “transfer request file” containing a list of the mortgage(s) for which servicing is to be transferred, in the format detailed in the eMPF User Manual.
- Completing and submitting a Servicing Transfer Notice, form SG360, to the MPF Provider with a copy to the Owner Bank and if applicable, the Assisting Bank.

The MPF Service Center will validate the transfer status to complete the approval process upon receipt of the applicable MPF Bank’s consent and after successful review and validation of the transfer request file.

Additional Revisions

PFI Notice 2007-5 incorporates changes to the following Guide Chapters:

- **Servicing Guide Chapter 104.2.5** - We have removed the conditional statement, “unless a shorter period is permitted under applicable state law” from the record retention policy.
- **Servicing Guide Chapter 107.2.2.1** - We are clarifying our Special Forbearance Plan guidelines by reminding servicers that the plan allows for payment reduction, not payment suspension. Also adding a reminder that the servicer must reasonably ascertain, based on the Borrower's specific circumstance and supporting financial documentation, that the granting of a Special Forbearance Plan will likely assist the Borrower to eventually improve their financial situation and bring all the scheduled principal and interest payments current. The Borrower’s reason(s) for inability to make payments must be involuntary.

Origination and Servicing Guide Revisions

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

- Origination Guide
 - Exhibit M

- Servicing Guide
 - Chapter 104
 - Chapter 107 – changed text is highlighted in AllRegs
 - Chapter 108 – changed text is highlighted in AllRegs
 - Chapter 109 – changed text is highlighted in AllRegs
 - Form SG360
- 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).