

PFI Notice 2007-7

September 20, 2007

Effective Date

Immediately

Special Attention:

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

Subject:

Enhancements to the MPF Guides on the following subject:

- Revised Disclosures for MPF 100 Product

Enhancements will affect the following Guide Chapters and Exhibits:

Origination Guide Chapter 31

General Warranties and Responsibilities

Origination Guide Forms and Exhibits

**Agency/Agent Fee and Affiliated Business Arrangement
Notice and Disclosure Statement (OG5-1 and OG6)**

**Instructions for Completing the HUD-1 Settlement Statement
(OG5-2)**

Description of Changes:

Origination and Underwriting Guide Revisions

Revised Disclosures for MPF 100 Product (OG Chapter 31.7, Form OG5-1, OG5-2 and OG6)

We are updating our guidance on RESPA disclosures and recommending a revised multi-purpose disclosure form, which covers the Agent Fee and the agency and affiliated party relationships between the PFI and its Federal Home Loan Bank (MPF Bank). This PFI Notice supersedes PFI Notice 99-9.

The Agency/Agent Fee and Affiliated Business Arrangement Notice and Disclosure Statement (the “**MPF Disclosure**”) has two versions (OG5-1 and OG6) which are described below. No revisions to the MPF Disclosure are needed (except for completing the form by inserting the

borrower name, property address and date) unless the PFI's stock ownership in the MPF Bank moves above or below one percent.

MPF Initial Disclosure

We suggest that an estimated Agent Fee be disclosed on the Good Faith Estimate ("GFE") only in those cases where the PFI actually knows at the time the GFE is given that the loan will be funded under the MPF 100 Product. However, we advise any PFI that is funding most of its production under the MPF 100 Product to consider disclosing an estimated Agent Fee on every GFE it gives (if the Agent Fee would be positive, rather than zero or negative for the proposed loan).

For the purpose of this PFI Notice, a "referral" is the PFI's decision to fund a loan via the MPF 100 Product. A typical scenario when a loan may be considered to be "referred" includes submission of a Loan Presentment or the establishment of a Delivery Commitment. We recommend that the MPF Disclosure be given:

Option A:

To every applicant with the initial loan disclosures (Form OG6); or

Option B:

At the time the referral is made to the MPF Bank for funding each loan, the MPF Disclosure (Form OG6), except that if the referral is made within three days of closing, then only MPF Disclosure (Form OG5-1) need be given at closing. This is because the borrower is not likely to receive the MPF Disclosure (Form OG6) prior to closing and therefore mailing it at the time of referral would be useless and potentially confusing to the borrower.

The PFI may select option A or B, as the PFI deems appropriate. However, only the PFI can know the point in its process when a loan is referred for funding under the MPF Program. To avoid making this determination, the PFI may choose to give the MPF Disclosure to every loan applicant under option A (in addition to the providing an OG5-1 at closing).

MPF Disclosure at Closing:

The MPF Disclosure, Form OG5-1 (which states the loan "will be owned" by the MPF Bank at closing) should always be given at closing of a Bank Funded Loan (MPF 100 Product) because the MPF Disclosure is referenced in the HUD-1 (and should be given again even if an MPF Disclosure Form OG6, which states the loan "may be funded" by the MPF Bank, was given at application or at the time the referral to the MPF Bank was made).

Detailed instructions for completing the HUD-1 Settlement Statement with respect to an MPF 100 Bank Funded Loan are set forth in Form OG5-2.

Federal Banking Regulators Expectations:

In approving “direct credit substitute” risk-based capital treatment for the PFI’s Credit Enhancement obligation under the MPF 100 Product, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and Office of Thrift Supervision have stated that they expect the agency relationship between the PFI and the MPF Bank to be clearly disclosed to the borrower. The MPF Disclosure describes this relationship.

Limitation of Recommendations:

The MPF Provider has consulted with counsel with respect to the issues addressed in this Notice, however this guidance is not to be considered legal advice to PFIs. PFIs should consult their own counsel for legal advice.

Origination and Underwriting Guide Revisions

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

- Origination Guide
 - Chapter 31 – changed text is highlighted in AllRegs
 - Form OG5-1
 - Form OG5-2
 - Form OG6

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).