

## **PFI Notice 2008-3**

June 30, 2008

### **Effective Date**

Immediately except as noted below.

### **Special Attention:**

PFI MPF<sup>®</sup> Program Management, Origination Management and Servicing Management

### **Subject:**

Announcing enhancements to the Origination, Underwriting and Servicing Guide:

- Premium Options for Borrower-Paid Mortgage Insurance
- Clarification regarding Escrow for Completion of Improvements
- MPF Program Approved Mortgage Insurers

Enhancements will affect the following Guide Chapters:

Origination Guide Chapter 12	<b>Conventional Mortgage Insurance</b>
Underwriting Guide Chapter 2	<b>Mortgage Eligibility</b>
Servicing Guide Chapter 102	<b>Servicer Eligibility</b>

### **Description of Changes:**

#### **Origination Guide Revisions**

Mortgage Insurance Ratios and Amounts (Origination Guide Chapter 12.1)

We have listed the three separate acceptable options for borrower-paid mortgage insurance premiums:

- Monthly premium payments - payments are incorporated into the borrower's monthly escrow payments and remitted by the PFI to the mortgage insurer.
- Split Premium payments - a portion of the premium is paid upfront (usually one year's premium) and the balance is paid as monthly premium payments.
- Single Premium payment - entire premium is paid upfront.

Any portion of a borrower-paid mortgage insurance premium that is paid upfront may also be financed in the loan amount. The total loan amount and LTV, including the financed premium, must meet the limits according to Origination Guide Chapter 12.1 and Underwriting Guide Chapter 2.2.3. Additionally, a financed mortgage insurance endorsement is required, indicating that the mortgage insurance will adjust its claim calculation so that the claim amount will include 100 percent of the unamortized portion of the financed mortgage insurance premium.

#### Condition of the Structure/Escrow for Completion (Underwriting Guide Chapter 2.8)

Generally, the MPF Program requires that all improvements on the mortgaged property must be completed prior to delivery. Under certain circumstances in accordance with our Guides, we permit the delivery of a mortgage prior to the completion of the improvements. We are adding the following clarification and changes for postponed improvements:

- Clarifying that postponed improvements/escrow for completion is allowed for new construction properties only.
- The postponed improvements cannot affect the borrower's ability to obtain a certificate of occupancy from the applicable government authority.
- The terms of the postponed improvements must be included as part of the sales contract for the property. Third-party contracts are not acceptable.

#### Additional Revisions

PFI Notice 2008-3 incorporates the following revisions:

- **Origination Guide Chapter 12.1.1 - MPF Approved Mortgage Insurers:** Effective for any loans delivered under the MPF Program with a note date after July 31, 2008, where mortgage insurance (MI) coverage is required, MI coverage must be provided from one of the approved mortgage insurers published effective with this notice.
- **Origination Guide Chapter 15.2.1 - Hazard Insurance Coverage Amount:** We have rewritten the minimum hazard insurance requirements for easier comprehension.
- **Origination Guide Chapter 15.3 - Evidence of Flood Insurance:** We have added a cross reference to Origination Guide Chapter 27.8 regarding flood zone determination documentation.
- **Servicing Guide Chapter 102.2.1 - Audit Reporting Requirements:** For PFIs servicing mortgages in an MPF Program security, including but not limited to the MPF Shared Funding® Program Series, we have reinstated the requirement to provide the Master Servicer a regulation AB 1122 certification, annually for the prior year, no later than March 15th.

### **Origination, Underwriting and Servicing Guide Revisions:**

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

- Origination Guide
  - Chapter 12 - changed text is highlighted in AllRegs
  - Chapter 15 - changed text is highlighted in AllRegs
- Underwriting Guide
  - Chapter 2 - changed text is highlighted in AllRegs
- Servicing Guide
  - Chapter 102 - 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).**