

PFI Notice 2008-5

October 1, 2008

Effective Date

Immediately except as noted below.

Special Attention:

PFI MPF[®] Program Management, Origination Management and Servicing Management

Subject:

Announcing enhancements to the Origination and Underwriting Guide:

- Maximum LTV and TLTV for Conventional Loans
- Elimination of Declining Markets Policy
- New MPF Mortgage Product

Enhancements will affect the following Guide Chapters:

Origination Guide Chapter 7	MPF Mortgage Products
Underwriting Guide Chapter 2	Mortgage Eligibility

Description of Changes:

Origination Guide Revisions

Maximum LTV and TLTV Ratios (Underwriting Guide Chapter 2.2.2, 2.2.3 and 2.3)

We have enhanced our maximum LTV and TLTV guidelines in conjunction with the elimination of Underwriting Guide Chapter 2.3 requirement to restrict properties located in markets with declining values from maximum financing. Although we no longer restrict properties located in markets with declining values from obtaining maximum financing under the MPF Program, PFIs are reminded they must continue to represent and warrant that Closed Loans meet the seasoning requirements of the Origination Guide 23.6.2.1 (cannot have had more than twelve (12) Principal and Interest Payments applied to the Mortgage prior to the Funding Date), and that the value of

the Mortgaged Property has not declined from the Note date through the Funding Date. This applies to all Conventional Loan deliveries.

The new LTV and TLTV guidelines are effective for all mortgages delivered under the MPF Program after October 31, 2008 and detailed in the tables below. PFIs may continue using current LTV and TLTV limit guidelines until this date. However, properties located in declining markets delivered using the previous LTV and TLTV limits will continue to be subject to the previous Underwriting Guide Chapter 2.3 guidelines, which does not permit maximum financing during this changeover period. Maximum financing is defined as an amount within five percent (5%) of the maximum LTV allowed for a specific type of mortgage program.

Maximum LTV and TLTV Ratios

The maximum LTV and TLTV for Conventional Loan purchase and refinance Mortgages delivered to the MPF Bank are as follows:

PURCHASE, "NO CASH-OUT" and LIMITED CASH-OUT REFINANCES				
Property Type	Max. LTV without sec. fin.	Max. LTV with sec. fin.	Max. TLTV with sec. fin. *	Max. TLTV where sec. fin. is a HELOC*
1-2 unit Primary Residence	95%	95%	95%	* see footnote on page 3
1 Unit Second Home	90%	90%	90%	* see footnote on page 3
3-4 unit Primary Residence	75%	75%	75%	* see footnote on page 3
Manufactured Housing w/term =<20 years Primary Residence only	95%	Sec. fin. not permitted	Sec. fin. not permitted	Sec. fin. not permitted
Manufactured Housing w/term >20 years Primary Residence only	90%	Sec. fin. not permitted	Sec. fin. not permitted	Sec. fin. not permitted

CASH-OUT REFINANCE MORTGAGES				
Property Type	Max. LTV without sec. fin.	Max. LTV with sec. fin. *	Max. TLTV with sec. fin. *	Max. TLTV where sec. fin. is a HELOC *
1-2 unit Primary Residence	90%	90%	90%	* see footnote below
1 unit Second Home	85%	85%	85%	* see footnote below
3-4 unit Primary Residence	75%	75%	75%	* see footnote below
Manufactured Housing with a term =<20 years Primary Residence	65%	Sec. fin. not permitted	Sec. fin. not permitted	Sec. fin. not permitted

EXPEDITED REFINANCE MORTGAGES				
Property Type	Max. LTV without sec. fin.	Max. LTV with sec. fin. *	Max. TLTV with sec. fin. *	Max. TLTV where sec. fin. is a HELOC *
1-2 unit Primary Residence (excluding Manufactured housing)	95%	95%	95%	* see footnote below
1 unit Second Home (excluding Manufactured housing)	90%	90%	90%	* see footnote below
3-4 unit Primary Residence	75%	75%	75%	* see footnote below

* **For Mortgage underwriting and eligibility purposes, if the secondary financing is a Home Equity Line of Credit (HELOC):**

- Use the first lien plus the disbursed / outstanding balance of the HELOC to determine the TLTV. This calculated amount cannot exceed the TLTV limits for Mortgage Loans with secondary financing listed in the tables above; and
- The total outstanding financing including the HELOC limit may not exceed 95% of the Mortgaged Property value. For data delivery formats and requirements, see the Instructions for Completing the Credit Enhancement Request (Form OG3).

Additional Revisions

PFI Notice 2008-5 incorporates the following revisions:

- **Origination Guide Chapter 7.1 and 7.7 - MPF Xtra™:** We are publishing the description for a new MPF Mortgage Product, the “MPF Xtra” product. The MPF Xtra product is currently available only for PFIs that are members of the FHLB Chicago.
- **Glossary:** We have updated the Glossary to accommodate new terms for the “MPF Xtra” product.

Origination and Underwriting Guide Revisions:

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

- Origination Guide
 - Chapter 7 - changed text is highlighted in AllRegs
- Underwriting Guide
 - Chapter 2 - changed text is highlighted in AllRegs
 - Chapter 5
- 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).