

PFI Notice 2008-6

December 3, 2008

Effective Date

Immediately except as noted

Special Attention:

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

Subject:

Announcing enhancements to the Origination, Underwriting and Servicing Guides:

- 2009 Conventional and High-Balance Mortgage Loan Limits
- High-Balance Mortgage Loan LTV/TLTV Limits
- Custody Document Certification
- Construction-Permanent Loans
- 2009 Investor Reporting Calendar
- Mortgage Loans without Escrow Accounts
- Servicemember Civil Relief Act update in accordance with HERA

Enhancements will affect the following Guide Chapters:

Origination Guide Chapter 23	Mortgage Funding or Purchase
Origination Guide Chapter 24	Documentation Delivery
Origination Guide Forms & Exhibits	High-Cost Area Loan Limits (Exhibit N)
Underwriting Guide Chapter 2	Mortgage Eligibility
Underwriting Guide Chapter 3	Loan Purpose
Servicing Guide Chapter 105	Custodial Accounts, Advances and Loan Accounting
Servicing Guide Chapter 107	Mortgage Loan Delinquency
Servicing Guide Forms & Exhibits	Investor Reporting Calendar (Exhibit A)

Description of Changes:

Origination and Underwriting Guide Revisions

2009 Conventional and High Balance Mortgage Loan Limits (Underwriting Guide Chapter 2.1)

We are retaining the MPF Program 2008 conventional loan limits for 2009. The Federal Housing Finance Agency (FHFA) announced that the conventional loan limits will remain the same for 2009 due to the decline in the current national average price for single-family homes, as reported by the FHFA. The conventional loan limits are based on the change in the average home price in the monthly and quarterly house price index of the FHFA. The FHFA reported a decline in the monthly average purchase only index of 5.9 % over the twelve months ending August 2008.

We are also adding new higher loan limits, defined as a “High-Balance Mortgage Loan,” in accordance with the High-Cost Area Limits provision under the Housing and Economic Recovery Act of 2008 (HERA). High-Cost Areas are calculated yearly by the Federal Housing Administration of the Department of Housing and Urban Development. The geographic areas eligible for a High-Balance Mortgage Loan are listed by county with their respective higher loan limit in a new Origination Guide Exhibit (High-Cost Area Loan Limits, Origination Guide Exhibit N). When delivering a mortgage under the MPF Program, the PFI represents and warrants that the mortgage is within the limits published in Underwriting Guide Chapter 2.1 and Origination Guide Exhibit N, subject to the requirements of Origination Guide Chapter 2.12.

Number of Units	Maximum Original Loan Amount for Conventional Mortgage Loans (Properties in Contiguous States, District of Columbia & Puerto Rico)	Maximum Original Loan Amount for Conventional Mortgage Loans (Properties in Alaska, Guam, Hawaii & Virgin Islands)
1	\$ 417,000	\$625,500
2	\$ 533,850	\$800,775
3	\$ 645,300	\$967,950
4	\$ 801,950	\$1,202,925
To determine the Maximum Original Loan Amount for High-Balance Mortgage Loans, refer to the High-Cost Area Loan Limits exhibit, Origination Guide Exhibit N.		

Note that sometime in 2009, the MPF Program will begin collecting county codes in order to verify compliance with the limits set forth for High-Balance Mortgage Loans.

High-Balance Mortgage Loan LTV/TLTV Limits (Underwriting Guide Chapter 2.2.3 and 2.2.4)

High Balance Mortgage Loans are subject to specified LTV/TLTV limits (the TLTV limit includes loans where secondary financing is a HELOC):

- The maximum LTV/TLTV for one unit primary residence purchase, no cash-out refinance and limited cash out refinance transactions is 90% (Expedited Refinance loans are not eligible);
- The maximum LTV/TLTV for one unit primary residence cash-out refinance transactions is 75% (Cash-out refinance transactions for second homes are not eligible);
- The maximum LTV/TLTV for two unit primary residence purchase, no cash-out refinance, limited cash out refinance and cash out refinance transactions is 75%; and
- AHP Loans are limited to ninety percent (90%).

Custody Document Certification (Origination Guide Chapter 24.2, 24.4.2, 24.4.4 and 24.5.1)

We are adding the following clarifications to the Collateral File document package requirements in order to assist with initial document certification:

- When a Note endorsement is provided on a Note allonge and the allonge is dated, the endorsement date must be the same as or after the Note date;
- For any Note signed by an attorney-in-fact, the power of attorney (POA) document must be dated the same as or before the note date and must be notarized; and
- For Assignments of Mortgages:
 - The date of the assignment must be the same as or after the Note date;
 - The date of the security instrument (mortgage) must be on the final assignment;
 - Either the property address or the legal description for the mortgaged property must be on the assignment;
 - The assignment must not be made “without recourse.”

Construction-Permanent Loans (Underwriting Guide Chapter 3.6)

For the purposes of the MPF Program guidelines, a construction-permanent loan program is a defined program of the PFI where the PFI simultaneously qualifies the Borrower for both the construction and permanent loans under its defined Construction-Permanent program and subsequently delivers the permanent loan in accordance with Underwriting Guide Chapter 3.6.

Where a borrower seeks permanent financing for a property to pay off a construction loan and the construction loan was not a part of a PFI’s defined construction-permanent loan program, the permanent loan may be delivered as either a purchase or refinance transaction.

Where the permanent loan is delivered as a refinance transaction, in addition to the refinance guidelines of Underwriting Guide Chapter 3.2, we are adding the following restrictions for site built homes:

- Where the borrower acquired title to the lot within 1 year of the permanent Mortgage Application date, the value used for LTV/TLTV calculation must be determined by using the lower of the total acquisition costs (sum of the documented costs of improvements and sales price of the lot) or appraised value.

- Where the borrower acquired title to the lot 1 year or more prior to the permanent Mortgage Application date or if the borrower acquired the lot through an inheritance or gift, the transaction may be considered a refinance transaction and the value used for LTV calculation must be determined by using the current appraised value.
- The loan is not eligible as either an expedited refinance or limited cash-out refinance transaction.
- The Borrower's own funds invested in the transaction must meet the requirements of Underwriting Guide Chapter 4.7.1, unless the borrower uses, as their minimum funds required, the Mortgaged Property's lot or land that was acquired 1 year or more prior to the Mortgage Application date.

Servicing Guide Revisions

2009 Investor Reporting Calendar (Servicing Guide Exhibit A)

The Servicer must complete and forward to the Master Servicer all forms and reports provided for in Servicing Guide Chapter 105.8.1, and such additional forms or reports reasonably requested by the Master Servicer, no later than the 5th Business Day of each month. To assist PFIs in complying with timely reporting, the MPF Program offers a yearly reporting schedule, the Investor Reporting Calendar, which is published as Servicing Guide Exhibit A. With this Servicing Guide update, we are publishing the 2009 Investor Reporting Calendar.

New for 2009, we have added the reporting due date for PFIs that service mortgages delivered under the MPF Xtra product to the Investor Reporting Calendar. These reports are due on the second Business Day of each month.

Mortgage Loans without Escrow Accounts (Servicing Guide Chapter 105.4.4)

If a Servicer chooses to waive escrows established at the loan closing, it must base its decision on the Borrower's financial ability to handle lump-sum payments of escrow items when due. For example, the Servicer must determine that the Borrower has a demonstrated savings history, credit history and/or income commensurate to meet the obligations of escrow items. Where primary mortgage insurance is applicable, the Servicer may not waive the requirement to maintain an escrow account for the payment of mortgage insurance premiums. Until the primary mortgage insurance is canceled in accordance with Servicing Guide Chapter 106.2, the Servicer must deposit primary mortgage insurance premiums into the Custodial T&I Account in accordance with SG 105.1.

Servicemember's Civil Relief Act (Servicing Guide Chapter 107.1.7)

We are updating our guidelines for the servicing of Mortgages under the Servicemember's Civil Relief Act (SCRA) to accommodate for changes made under HERA. Some of the specific enhancements under SCRA under HERA include:

- An extension of the protection period from foreclosure filing from 90 days to 9 months following active military service;

- The interest rate limitation period is modified to include the period up to one year following military service; and
- The term ‘interest’ is now defined to include service charges, renewal charges, fees, or any other charges (except bona fide insurance) with respect to the mortgage obligation.

Under HERA, some of the SCRA enhancements will expire on December 31, 2010 unless a subsequent amendment is enacted. PFIs are reminded to verify the current SCRA requirements at the time any such provisions of the SCRA are applicable to Mortgages serviced under the MPF Program.

Additional Revisions

PFI Notice 2008-6 incorporates the following revisions:

- **Origination Guide Chapter 23.6.2.1 - Seasoning for Closed Loans:** In addition to the conditions listed in Origination Guide Chapter 23.6.2.1 for Conventional Loans, we have added a reference that the Mortgage must also meet the definition of an “Investment Quality Mortgage” as defined in Underwriting Guide Chapter 1.1. This reference was added to remind PFIs that when they deliver a loan under the Seasoning for Closed Loans guidelines, they are representing and warranting that the loan meets the MPF Program guidelines on the Note Date and on the Funding Date.
- **Origination Guide Chapter 31.3 - Inspection of Records:** We have added a cross reference to Servicing Guide, Examination, Books and Records, Chapter 102.3.
- **Glossary:** We have updated the Glossary to accommodate for the new term, High Balance Mortgage Loan.

Origination, Underwriting and Servicing Guide Revisions:

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

- Origination Guide
 - Chapter 23 - changed text is highlighted in AllRegs
 - Chapter 24 - changed text is highlighted in AllRegs
 - Chapter 31 - changed text is highlighted in AllRegs
 - Exhibit N
- Underwriting Guide
 - Chapter 2 - changed text is highlighted in AllRegs
 - Chapter 3 - changed text is highlighted in AllRegs

- Servicing Guide
 - Chapter 105 - changed text is highlighted in AllRegs
 - Chapter 107 - changed text is highlighted in AllRegs
 - Exhibit A
- 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).