

PFI Notice 2010-1

February 4, 2010

Effective Date: Immediately except as noted

Special Attention: PFI MPF[®] Program Management, Origination Management and Servicing Management

Note: The enhancements announced in this PFI Notice apply to all MPF products, except as noted.

Subjects:

Announcing enhancements to the Origination, Underwriting and Servicing Guides:

- Condominium Project Eligibility Determination
- PFI Annual Eligibility Certification Requirements
- Automated Loss Mitigation Systems

Enhancements will affect the following Origination, Underwriting and Servicing Guide Chapters:

Origination Guide Chapter 33	Condominiums and PUDs
Origination Guide Forms & Exhibits	Annual Eligibility Certification (Form OG1) High Level Concern Mortgage Notification (Form OG8)
Underwriting Guide Chapter 2	Mortgage Eligibility
Underwriting Guide Chapter 4	Borrower Eligibility
Servicing Guide Chapter 107	Mortgage Delinquency

Description of Changes:

Origination Guide Revisions:

FHA Condominium Project Approval (Origination Guide Chapter 33.3.2.3)

The MPF Program will continue to accept delivery of **FHA loans** secured by condominiums located in FHA approved projects (Loan Presentment Property Type Code PT19 = FHA approved project).

However, conventional loans secured by condominiums where the only project eligibility determination was an FHA approval will no longer be eligible for delivery under the MPF Program. Effective for deliveries **on or after March 1, 2010**, all conventional loans secured by units in condominium projects must be approved using one of the project eligibility determination methods provided in Origination Guide Chapter 33.3.1, 33.3.2.1, 33.3.2.2 or 33.3.3.

PFI Annual Eligibility Certification Requirements (Origination Guide Form OG1)

We have updated the Annual Eligibility Certification (Form OG1) to include questions related to the MPF Xtra product, compliance with the MPF Bank's Anti-Predatory Lending Policy and to confirm the PFI's customer service phone number. PFIs must begin using the new form for their 2009 calendar year certification.

We have also upgraded the format of the form to make its completion by PFIs more efficient. The form is now in a "writable fields" format that allows PFIs to complete the form on-line. This is accomplished by opening the form in the AllRegs® website, keying in the answers in the applicable fields and then printing the completed form for the PFI's signature.

Servicing Guide Revisions:

Automated Loss Mitigation Systems (Servicing Guide Chapter 107.1.3):

We have removed Risk Profiler® as an eligible automated loss mitigation system since this system has been retired. Servicers may continue to use Early Indicator® provided the Servicer's default management practices meet or exceed the Applicable Standards defined in Servicing Guide 103.1.

Additional Revisions

PFI Notice 2010-1 incorporates the following revisions:

- **Underwriting Guide - FICO Score for High-Balance Mortgage Loans (Underwriting Guide Chapter 2.2.3.1 and 4.5.1):** In Underwriting Guide Chapter 4.5.1 and in a footnote of Underwriting Guide Chapter 2.2.3.1, for High-Balance Mortgage Loans it is specified that each borrower must have a valid FICO score. We are adding additional explanations that alternative sources of credit are not eligible in lieu of established traditional credit sources on a credit report. A FICO score is considered valid if the borrower's credit report indicates the borrower has established traditional credit sources, which meet the minimum required credit references and activity, described in Underwriting Guide Chapter 4.5.3.
- **Underwriting Guide - Contingent Liability (Underwriting Guide Chapter 4.4.2.2):** We have added clarification that a mortgage for a former primary residence may be considered a contingent liability in the same respect as bridge or swing loan financing.
- **Origination Guide - High Level Concern Mortgage Notification (Form OG8):** We have updated the MPF Provider's mailing address on this form.

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 33 - Changed text is highlighted in AllRegs
 - Form OG1
 - Form OG8
- Underwriting Guide
 - Chapter 2 - Changed text is highlighted in AllRegs
 - Chapter 4 - Changed text is highlighted in AllRegs
- Servicing Guide
 - Chapter 107 - 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).