



MPF® 125

The MPF® Program provides an alternative to holding fixed-rate loans in portfolio or selling them to the secondary market.

Summary of Benefits

Competitive execution

Credit Enhancement Fee income paid monthly

Economic value for quality loans

Same day funding

Closed loan delivery flexibility

Servicing fee income

Servicing released options available

Electronic processing through the eMPF® website

Under MPF 125, the risks associated with home mortgage finance are shared with the Federal Home Loan Bank (FHLB) to maximize comparative advantages. With MPF 125, members can market and service fixed-rate, residential mortgage loans – and instead of getting charged a fee by the secondary market investor, **members receive a fee** for their credit expertise. The FHLB manages the liquidity, interest rate, and prepayment risks of the loans while the member manages the credit risk of the loans.

Who would benefit from MPF 125?

Any member actively engaged in mortgage lending that:

- Values the income derived from originating and servicing loans
- Is currently a member of a participating FHLB

Would you value the economic advantages of selling your mortgage assets while retaining your customer relationships and servicing cash flow streams?

FEATURES OF MPF 125

Term	Up to 30 years fully amortizing
Maximum LTV.....	95%
Loan limits.....	Agency conforming
Occupancy.....	Owner occupied (1-4 units) and second homes
Property type	All types (except co-ops and investment)
Underwriting.....	Follow MPF Origination guidelines (LP/DU decisions considered)
Remittance	Actual/Actual, Actual/Actual Single Remittance, Scheduled/Scheduled
Master Commitment size.....	\$5 million minimum, optional delivery
Delivery Commitment.....	3, 10, 20, 30, and 45 business days, mandatory delivery
Pricing	Premium and discount pricing available
Credit Enhancement Fee	Typically 7-10 bps paid on outstanding Master Commitment balance; adjusted for loan losses

Under MPF 125, the first layer of losses for each Master Commitment (following any primary MI coverage) is paid by the FHLB up to the amount of the First Loss Account (FLA) which is 100 bps of the delivered amount. The member then provides a second loss credit enhancement obligation (CE Obligation) for each Master Commitment. Loan losses beyond the first and second layers are absorbed by the FHLB. The member's minimum CE Obligation is 25 bps based on delivered amount. The member is paid a performance-based Credit Enhancement Fee for providing the CE Obligation.

Depository institution members participating in MPF 125 must hold risk-based capital equal to 100% of their CE Obligation, or 4% of the unpaid principal balance of the loans in their Master Commitment, whichever is lower. There is no leverage capital requirement for loans sold under the MPF 125 product.*

*The FHLB is not providing accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities. The participating member is expected to consult with its own accountants and attorneys for advice on this matter.