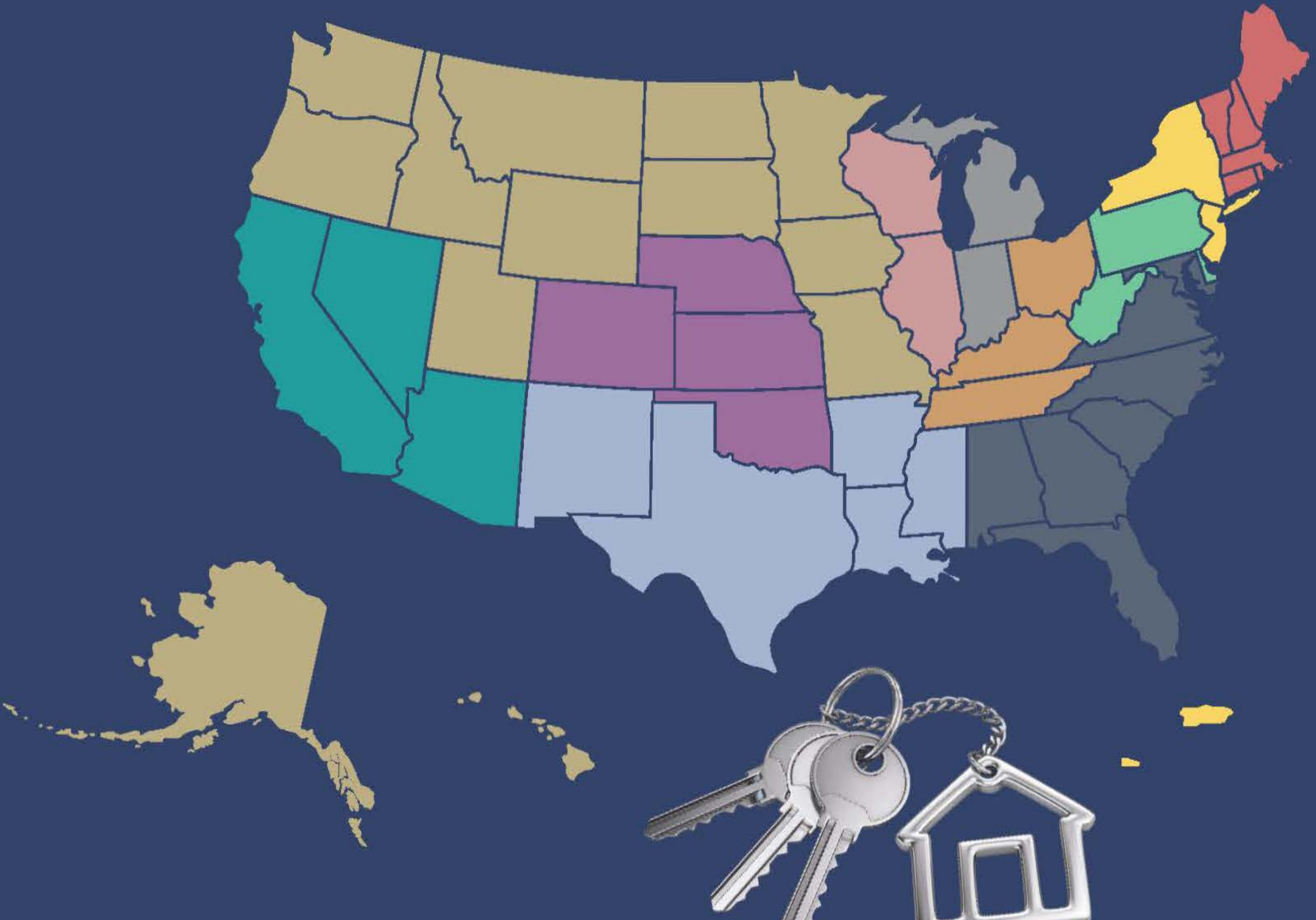
AFFORDABLE MORTGAGE LENDING GUIDE

A Resource for Community Bankers

Part III: Federal Home Loan Banks



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The Federal Deposit Insurance Corporation (FDIC) does not endorse the programs described in this publication or any particular approach to their use. The overviews and program information included in this Guide are designed to illustrate the broad range of options available to financial institutions. Each institution is responsible for assessing whether the resources presented here are appropriate for the bank to pursue given factors such as the institution's existing mortgage, Community Reinvestment Act, or community development strategies, as well as business focus, financial condition, and market.

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Affordable Mortgage Lending Guide, Part III: Federal Home Loan Banks (Washington, DC: Federal Deposit Insurance Corporation, 2017), https://fdic.gov/mortgagelending.

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A Resource for Community Bankers

Part III: Federal Home Loan Banks

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

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ABOUT THIS PUBLICATION

Economic Inclusion and Opportunity

Mortgage lending is an important element of many community banks' business strategies. Community banks offer mortgage products and services designed to meet the particular needs of their communities, including rural areas and low- and moderate-income (LMI) borrowers. Offering affordable mortgage loans to a wide range of customers deepens bank-customer relationships and provides an important pathway for borrowers to own their own homes and build wealth. At the Federal Deposit Insurance Corporation (FDIC), we recognize that mortgage lending is also an important way for insured institutions to promote access and participation in the mainstream banking system. Broad participation in the products and services offered by insured institutions promotes stability and confidence in the financial system, which is the core mission of the FDIC.

Many banks, including community banks, seek opportunities to serve the particular mortgage credit needs of their communities. The *Affordable Mortgage Lending Guide, Part III: Federal Home Loan Banks*[1] (Guide) provides information to help make community bankers aware of a wide range of affordable mortgage products available from the Federal Home Loan Banks (FHLBs).

Outreach and Communication

To determine how the FDIC could contribute to efforts by banks to offer prudently underwritten, affordable, and responsible mortgage credit for LMI households, FDIC met with community banks individually and in small roundtables. Bankers provided valuable insights into the need for affordable mortgage credit in the communities they serve.

Some bankers described how they have harnessed federal programs, sometimes in combination with other financial mechanisms like Federal Home Loan Bank products and State Housing Finance Agency programs, to expand their capabilities and serve a broader customer base. Many bankers had relationships with neighborhood housing counseling organizations, which help provide financial education to potential customers.

At the same time, some bankers noted that very small banks do not have specialized staffing or departments to offer complex mortgage products and feel that the risk and cost of origination is not worth taking without more resources or additional risk mitigation. Some bankers said that while they want to be involved in mortgage lending, it is difficult to find the time to research potential products and programs, and that it is challenging to find and retain trained mortgage staff, especially in rural areas.

While the majority of FDIC-supervised banks are members of an FHLB, some are not members and some that are do not take advantage of the products and services provided by the FHLBs to support affordable mortgage lending.

From these meetings, we concluded that community banks might benefit from a practical reference tool to learn about FHLB products so they can make an informed decision about which products are the right fit for their business plans and strategies to improve lending options for their communities. In addition, the experience of other lenders that have found ways to harness these resources can provide practical

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[1] See *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), https://fdic.gov/mortgagelending for a complete list of loan products. Also see *Affordable Mortgage Lending Guide, Part II: State Housing Finance Agencies* (Washington, DC: Federal Deposit Insurance Corporation, 2016), https://fdic.gov/mortgagelending for a complete list of programs and products.

examples that may be instructive to institutions considering these opportunities.

Scope and Coverage

The Guide describes products from the FHLB System. The Guide focuses on liquidity access products, as well as the affordable housing grant programs provided by the FHLBs, which can facilitate mortgage lending by insured depository institutions. It covers programs that are targeted to a wide variety of communities and individuals including rural, Native American, low- and moderate-income, and veterans.

Suggestions for How to Use This Guide

Community banks can use this Guide to gain an overview of a wide variety of products, compare different products, and to help identify the next steps for participation with the FHLBs. Community banks can use this Guide in conjunction with FDIC's *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* and *Affordable Mortgage Lending Guide, Part II: State Housing Finance Agencies* to identify a set of options that best meet an institution's needs.

Each section provides an overview of the product, its purpose, and identifies potential benefits and challenges for community banks. Information is provided on several products offered by the FHLBs including the variety of Affordable Housing Programs and the Community Investment Program. There is also a discussion about advances, the credit enhanced and non-credit enhanced options provided through the Mortgage Partnership Finance® Program, as well as the Mortgage Purchase Program offered by two of the FHLBs (Indianapolis and Cincinnati). In addition, for each FHLB, we provide a separate summary of the products and services provided at the end of the Guide in "FHLB Summaries" along with contact information and web links.

A quick review of a product's overview will help you identify whether it is suitable for a particular client or population that you are trying to serve, such as low- and moderate-income borrowers or other hard-to-reach populations. The Guide provides the most recent information available. Realizing the need for accurate and timely information, the Guide includes a list of web links where you can find updates on each FHLB in "FHLB Summaries."

TIPS ON USING THE AFFORDABLE MORTGAGE LENDING GUIDE, PART III: FEDERAL HOME LOAN BANKS

- Review the individual FHLB summary for your FHLB at the back of the publication to determine which products are available.
- Review the "Contents" page for a list of FHLB products and programs.
- Review the general information about product options and criteria.
- Review "Resources" to make sure you have the most up-to-date information on product criteria.
- Select a product that best suits your needs and use the FHLB contact information located in the FHLB Summaries section to get started.

Banks discuss working with the FHLBs

This Guide contains discussions by community banks that incorporate FHLB products and programs into their overall mortgage lending strategies. These discussions illustrate how bankers have used these tools to meet their business objectives. FHLBs' Homeownership Set-Aside Programs, Mortgage Partnership Finance® Program, and Mortgage Purchase Programs are discussed.

Supporting strong Community Reinvestment Act (CRA) performance

Affordable mortgage lending, including to low- and moderate-income borrowers; to low- and moderate-income census tracts; and to serve people in underserved rural communities, on tribal lands, and in disaster areas can be responsive ways for financial institutions to meet the credit needs of their communities. The products and programs featured in this Guide, whether they result in Home Mortgage Disclosure Act (HMDA) reportable loans or originations reported by another lender, can help lenders reach their business objectives in their communities, as well as contribute to their CRA performance.

Conclusion

In many parts of the country, community banks play an important role in meeting the demand for mortgage credit. The products and programs outlined in the Guide can provide community bankers with additional pathways to homeownership opportunities for creditworthy borrowers in their communities, particularly those with affordability challenges. These products may also represent business opportunities for community banks looking for prudent, sustainable financial products to incorporate into their mortgage business line.

While homeownership continues to be a goal for most Americans, many people struggle to gain access to affordable homeownership opportunities that will enable them to build a stable future for their families. Community banks can and do play a valuable role in meeting the demand for affordable mortgage credit, and we hope this Guide provides useful information to assist bankers in considering all the options to serve their communities with prudently underwritten and affordable mortgage products.

Visit FDIC's Affordable Mortgage Lending Center at

https://fdic.gov/mortgagelending

Federal Home Loan Bank System

OVERVIEW

Structure and Purpose

The Federal Home Loan Banks (FHLBs) are a system of regional member-owned corporations that provide lending institutions with a liquidity resource to finance housing and economic development activities. Congress established the Federal Home Loan Bank system in 1932 as a government sponsored enterprise to support mortgage lending and related community investment activity in the wake of the Great Depression. The FHLBs' mission is to provide reliable liquidity to its member institutions to support housing finance and community investment. While the FHLBs' mission reflects a public purpose, all FHLBs are privately capitalized and do not receive federal funding.

The Federal Housing Finance Agency (FHFA) regulates the FHLBs. It is responsible for ensuring that the FHLBs operate in a safe and sound manner, are adequately capitalized, are able to raise funds in the capital markets, and are held accountable to the FHLBs' mission. The FHFA also establishes housing goals for the FHLBs that measure the extent that FHLB programs are serving low- and very low-income families and families residing in low-income areas. The FHFA conducts on-site annual examinations and off-site monitoring of the FHLBs and the Office of Finance.

The FHLBs fund themselves primarily by issuing debt securities or consolidated obligations through the "system" of FHLBs in the capital markets through the Office of Finance, which acts as the FHLBs' agent. Although each FHLB is a separate corporate entity with its own management and board of directors, the FHLBs are jointly and severally liable for all consolidated obligation debt. The federal government does not guarantee or insure these consolidated obligations. However, the FHLBs' status as a government-sponsored enterprise enables the FHLBs to raise funds at rates slightly above comparable obligations issued by the U.S. Department of the Treasury.

The FHLBs have thousands of members that include banks, thrifts, credit unions, insurance companies, and community development financial institutions. Of all insured lending institutions in the country, members represent approximately 80 percent of these institutions. To become a member, a financial institution must purchase stock in proportion to its holdings of mortgages and mortgage securities and its assets.[2]

Unlike the other government sponsored enterprises, Fannie Mae and Freddie Mac, FHLBs do not guarantee or insure mortgage loans. Instead, FHLBs act as a "bank to banks" by providing long- and short-term loans known as "advances" to their members, as well as specialized grants and loans aimed at increasing affordable housing and economic development. In some cases, FHLBs also provide secondary market outlets for members interested in selling mortgage loans.

Programs and Coverage

Located in Atlanta, Boston, Chicago, Cincinnati, Dallas, Des Moines,[3] Indianapolis, New York, Pittsburgh, San Francisco, and Topeka, the 11 Federal Home Loan Banks are each separate, government-chartered, member-owned corporations governed by a board of directors ranging from 14 to 29 directors.

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[2] Once an institution becomes a member, its required stock purchases increase with its actual borrowings.

[3] On May 31, 2015, the Federal Home Loan Bank of Seattle merged with the Federal Home Loan Bank of Des Moines. The institution is headquartered in Des Moines and maintains a Western office in Seattle, WA. Covering 13 states and three U.S. Pacific territories, it is the largest FHLB in the system in terms of membership and geography.

This Guide covers the following FHLB products and services:[4]

Affordable Housing Program (competitive): Gap financing for rental or homeownership projects developed in partnership with community sponsors and distributed through a competitive process.

Affordable Housing Program (homeownership set-aside): Non-competitive grants aimed at providing down payment, closing cost, and rehabilitation assistance to increase affordable homeownership opportunities for member customers distributed through a non-competitive allocation or first-come, first-served process.

Community Investment Program: Discounted advance capital for community development lending.

Advances: Short- and long-term credit products ranging from overnight to 30-year funds and including a range of fixed and adjustable or floating rate structures, primarily offered to assist collateralized banks with portfolio mortgage lending.

Mortgage Partnership Finance® Program: Secondary market outlet offered to members of the FHLBs of Atlanta, Boston, Chicago, Dallas, Des Moines, New York, Pittsburgh, San Francisco, and Topeka. The MPF® Program includes conventional product offerings with credit risk-sharing execution, as well as conventional and government products with non-credit risk-sharing execution options.

Mortgage Purchase Program: Secondary market outlet offered to the members of the FHLBs of Cincinnati and Indianapolis. The Mortgage Purchase Program includes conventional and Federal Housing Administration (FHA) product offerings. Members retain credit risk on all loans delivered through the Mortgage Purchase Program.

DOING BUSINESS WITH THE FEDERAL HOME LOAN BANKS

Opportunities and Costs of Membership

FHLBs offer a variety of products and programs to its members to help them meet their affordable mortgage lending goals. These include grants, below market-rate loans, and discounted advances. Community banks also receive liquidity and lower-cost funding options that would not otherwise be available to them.

FHLBs are required to set aside portions of their profits to re-invest in the communities of their members in the form of grants and below market-rate loans through Affordable Housing Programs (AHP). Each FHLB administers its own AHP programs designed to address local housing needs and provide funding for community and economic development. Affordable Housing Program grants are awarded through a competitive application process for members working with community organizations and housing developers to create rental or homeownership opportunities for lower-income households.

The Homeownership Set-Aside program is a non-competitive program that offers grants for eligible member borrowers to fund down payment, closing costs, counseling, or rehabilitation costs assistance in connection with a household's purchase or rehabilitation of an owner-occupied home.

The Community Investment Program (CIP) offers discounted advances priced below standard advance offerings for qualified community development activities. These offerings can help members meet their business development and Community Reinvestment Act (CRA) goals for community-oriented and affordable housing lending.

Through membership in the FHLB system, community banks also gain access to low-cost funding and liquidity options typically unavailable to individual banks. The FHLB system provides its members with a variety of funding options including long- and short-term advances to help members manage their funding needs and provide mortgage-financing options in the communities they serve. FHLB advances are typically priced at a small spread over U.S. Department of Treasury obligations. The FHLBs also provide secondary market mortgage delivery options for members to decrease interest rate, prepayment, and credit risk. They also provide a way for members to mitigate their interest rate risk through customizable advance terms from one day to 30 years.

[4] The FDIC encourages institutions to weigh the costs, benefits, and risks of these products and programs prior to participation.

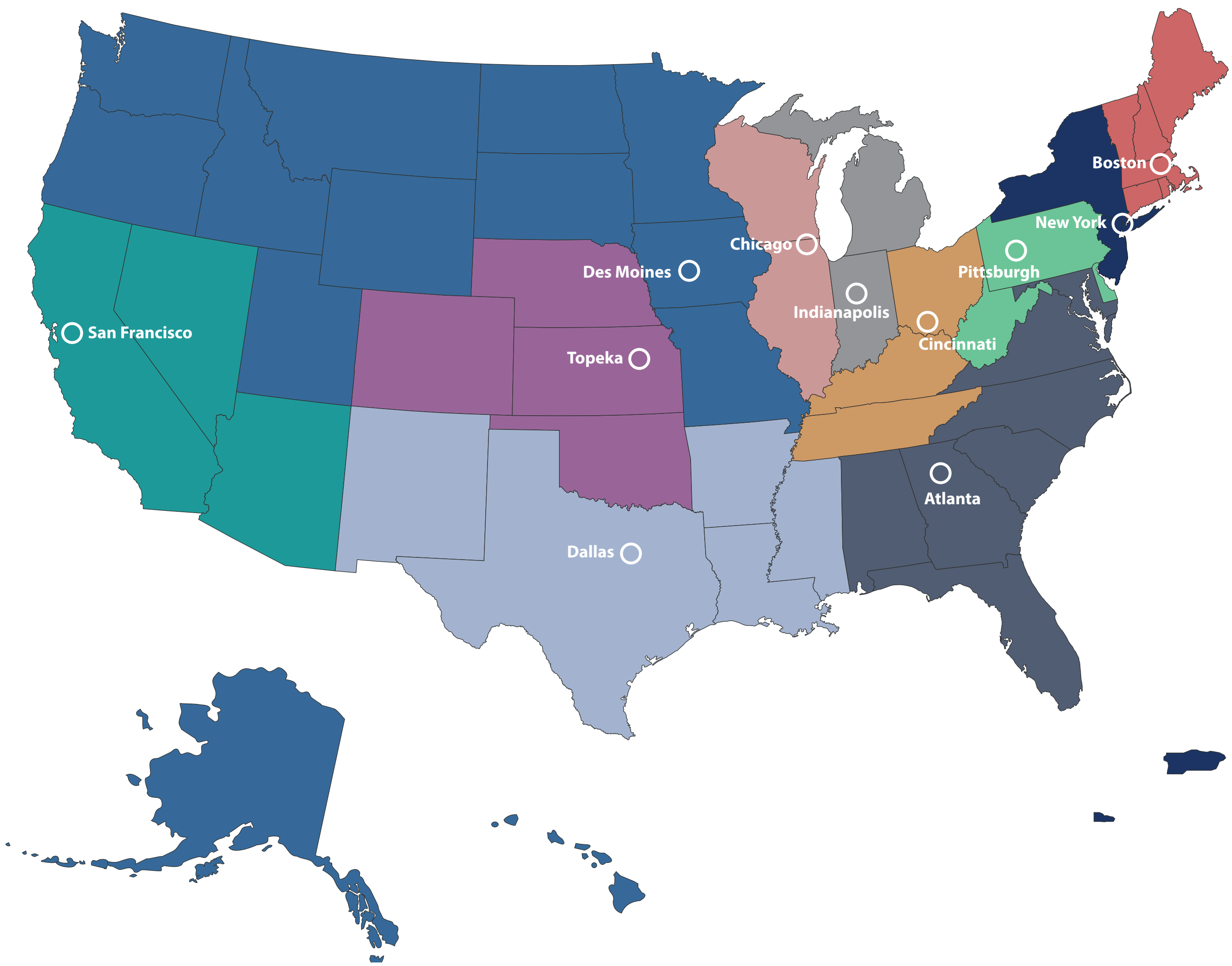
FHLBs do not guarantee or insure mortgages. They simply lend against collateral. Therefore, if a mortgage that collateralizes an FHLB advance defaults, the FHLB will look to the lender to either post additional collateral or reduce the advance outstanding. This means that lenders have to hold some capital buffer to cover this risk.

Each member must purchase a minimum investment of stock in the FHLB in proportion to its borrowings from the Federal Home Loan Bank, its holdings of mortgages and mortgage securities, and its assets. Each FHLB has an established minimum investment per member and the sum of all stock investments by all members must be sufficient to maintain the minimum capital requirements for each individual FHLB. Individual FHLBs may have their own requirements. Some FHLB profits from advances are returned to members in the form of stock dividends or Affordable Housing Program funded business development opportunities.

Bank Eligibility and Application Process

All federally insured depository institutions are eligible to apply for membership with their FHLB. Membership applications can be found on each of the individual FHLB websites, along with application requirements. It is common for prospective members to have extensive discussions about their applications with FHLB staff.

Membership is geographically determined. Prospective members may only apply to and become a member of the FHLB region that represents the location of their headquarters or primary place of business, even though some institutions have multiple entities with locations in more than one FHLB region.



In addition to being a legal entity in sound financial standing with a CRA rating of "satisfactory" or better, the prospective member must have the following characteristics:

- **Makes long-term home mortgage loans:** The institution either purchases or originates long-term home mortgage loans. Long-term home mortgage loans are defined as home mortgage loans with a maturity of five years or more. An institution may also qualify through a mortgage banking operation or by purchasing and holding mortgage-backed securities.
- **10-Percent Rule:** The institution has at least 10 percent of its total assets in residential mortgage loans. Community Financial Institutions (defined as FDIC-insured depository institutions with average total assets over the preceding three-year period of less than $1.108 billion, adjusted annually) are exempt from the 10-percent rule.

In addition, the member must purchase a minimum investment of stock in the FHLB in proportion to its borrowings from the Federal Home Loan Bank, its holdings of mortgages and mortgage securities, and its assets. Each FHLB sets its own stock thresholds and structure, and has an established minimum investment per member and the sum of all stock investments by all members must be sufficient to maintain the minimum capital requirements for each individual FHLB. Further, individual FHLBs may have their own requirements. FHLB stock may be held as a bank asset.

System Requirements and Quality Control

System and quality control requirements vary by type of service and by FHLB. For example, the FHLBank of Atlanta uses FHLBAccess®, which is a web-based system that provides members with online support for reports, statements, and other relevant information for monitoring account relationships with the FHLB.

Community banks should check individual FHLB websites for specific requirements (see Resources).

Training

Each FHLB offers training opportunities for members to learn more about FHLB products and business-related opportunities. See individual FHLB summaries for training information offered.

RESOURCES

The Council of Federal Home Loan Banks
http://www.fhlbanks.com

Federal Home Loan Banks Office of Finance
http://www.fhlb-of.com

Supervisory role of FHFA over FHLBs
https://www.fhfa.gov/SupervisionRegulation/FederalHomeLoanBanks/

Federal Home Loan Bank of Atlanta
http://corp.fhlbatl.com/

Federal Home Loan Bank of Boston
http://www.fhlbboston.com/

Federal Home Loan Bank of Chicago
http://www.fhlbc.com

Federal Home Loan Bank of Cincinnati
http://web.fhlbcin.com/Pages/fhlbcin.aspx

Federal Home Loan Bank of Dallas
http://www.fhlb.com/

Federal Home Loan Bank of Des Moines
http://www.fhlbdm.com/

Federal Home Loan Bank of Indianapolis
http://www.fhlbi.com/

Federal Home Loan Bank of New York
http://www.fhlbny.com/

Federal Home Loan Bank of Pittsburgh
http://www.fhlb-pgh.com/

Federal Home Loan Bank of San Francisco
http://www.fhlbsf.com/

Federal Home Loan Bank of Topeka
http://www.fhlbtopeka.com/

Affordable Housing and Community Investment Programs

OVERVIEW

Congress created the AHP grant program in the Financial Institutions Reform, Recovery and Enforcement Act of 1989. Each FHLB administers their own AHP programs, funded with 10 percent of the FHLB's annual net income from the previous year's earnings. Designed to address local housing needs, AHP programs provide funding for community and economic development options in addition to homeownership and rental housing opportunities. Community Investment Programs are discounted advances priced below standard FHLB offerings.

Since this Guide focuses on homeownership, the following programs are discussed:

Affordable Housing Competitive Program: Affordable Housing Program grants are awarded through a competitive application process to members working with housing developers and/or community organizations to create rental or homeownership opportunities for lower-income households.

Homeownership Set-Aside Program: Homeownership Set-Aside grant funds are awarded through a noncompetitive program that allocates grant funds to members to distribute to eligible homebuyers or homeowners to fund down payment, closing costs, counseling, or rehabilitation costs assistance in connection with a household's purchase or rehabilitation of an owner-occupied home on a first-come, first-served or specific member-allotment basis.

Community Investment Program: The Community Investment Program (CIP) offers discounted advances priced below standard advance offerings for qualified community development activities. CIP funds help members make loans to enhance community economic development activities for low- and moderate-income families and neighborhoods.

Potential Benefits

- FHLB affordable housing and community investment programs may help members achieve their CRA goals.
- FHLB affordable housing and community investment programs may help members enhance their community outreach and lending to low- and moderate-income borrowers.
- Some FHLBs offer services designed to complement product offerings such as business development, financial literacy curriculum, and CRA training. Check your FHLB summary to find applicable services offered.

Potential Challenges

- FHLB affordable housing and community investment programs funding may be limited and is often very competitive.

RESOURCES

Atlanta Federal Home Loan Bank Affordable Housing Programs
http://corp.fhlbatl.com/services/affordable-housing-programs/

Boston Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbboston.com/communitydevelopment/ahp/index.jsp

Chicago Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbc.com/ProductsandServices/CommunityInvestmentsandAffordableHousingPrograms/GrantPrograms/Pages/federal-home-loan-bank-chicago-community-investment-downpayment-plus-program-DPP.aspx

Cincinnati Federal Home Loan Bank Affordable Housing Programs
https://www.fhlbcin.com/community-investment/affordable-housing-program/

Dallas Federal Home Loan Bank Affordable Housing Programs
https://www.fhlb.com/community/Pages/Affordable-Housing-Program.aspx

Des Moines Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbdm.com/affordable-housing-products/

Indianapolis Federal Home Loan Bank Affordable Housing Programs
https://www.fhlbi.com/products-services/communities-and-housing

New York Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbny.com/community/housing-programs/ahp/index.aspx

Pittsburgh Federal Home Loan Bank Affordable Housing Programs
http://www.fhlb-pgh.com/housing-and-community/programs/first-front-door.html

San Francisco Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbsf.com/community/grant/ahp.aspx

Topeka Federal Home Loan Bank Affordable Housing Programs
https://www.fhlbtopeka.com/ahp

PROGRAMS IN THIS SECTION:

Affordable Housing Competitive Program: Affordable Housing Program grants are awarded through a competitive application process to members working with housing developers and/or community organizations to create rental or homeownership opportunities for lower-income households.

Homeownership Set-Aside Program: Homeownership Set-Aside grant funds are awarded through a non-competitive program that allocates grant funds to members to distribute to eligible homebuyers or home-owners to fund down payment, closing costs, counseling, or rehabilitation costs assistance in connection with a household's purchase or rehabilitation of an owner-occupied home on a first-come, first-served or specific member-allotment basis.

Community Investment Program: The Community Investment Program (CIP) offers discounted advances priced below standard advance offerings for qualified community development activities. CIP funds help members make loans to enhance community economic development activities for low- and moderate-income families and neighborhoods.

Affordable Housing Competitive Funding Program

The Affordable Housing Competitive Funding Program provides an opportunity for members to compete for funds that helps them partner with local housing providers to develop (purchase, construct, or rehabilitate) affordable owner-occupied or rental housing units in their communities.

BACKGROUND AND PURPOSE

FHLBs award Affordable Housing Competitive Funding Program (AHP Competitive Funding Program) grants through a competitive application process for members working with community organizations and housing developers to create rental or homeownership opportunities for lower-income households. By statute, each FHLB sets aside 10 percent of their annual earnings for distribution as equity-like investments, usually grants, to its member communities for affordable housing purposes.

For homeownership projects under the AHP Competitive Funding Program, funds must support the purchase, construction, or rehabilitation of owner-occupied housing by or for very low-, low-, or moderate-income households. Affordability targets vary by FHLB. Projects applying for AHP funds for homeownership projects need to serve individuals and families below 80 percent of the area median income. Many FHLBs give preference to projects that serve lower-income households, such as those below 50 percent or 60 percent of the area median income.

Eligible uses of AHP grant funds include the acquisition, construction, or rehabilitation of affordable rentals or homeownership units, as well as down payment and closing cost assistance. At least 65 percent of the funds must be allocated to the AHP Competitive Funding Program, in which members partner with project sponsor organizations to compete for rental or homeownership project awards. The remaining up to 35 percent of the funds is allocated on a non-competitive basis to assist low- and moderate-income families who want to purchase a home. A project sponsor cannot apply without the support of an FHLB member.

The maximum amount awarded per project and allocated per unit varies annually and by FHLB. Assistance may be given in the form of below market-rate loans or grants if allowed by the FHLB. Typically, the member that originates the application must pass the full amount of the award on to the project sponsor, and awards are made only in the amount necessary to fill project-financing gaps.

Bank Eligibility and Grant Application Process

Applications are typically accepted for a limited period once a year. Members should form relationships with project sponsors and solicit and evaluate projects well in advance of the application period. Each FHLB publishes an annual Affordable Housing Program Implementation Plan that outlines the program guidelines and application process for the year. Generally, these can be found under the Affordable Housing Program section of the FHLBs' websites (see Resources).

Applications must meet the threshold requirements established by each FHLB. Of the applications meeting all threshold requirements, the highest scoring applications are funded until funds are exhausted. The FHLB performs an underwriting analysis of the project to determine whether the development budget, market analysis, and sponsor's experience make it likely that the project will be completed and occupied. The FHLB may request additional information from applicant members, project owners, and sponsors, as well as other material parties involved with a project in order to determine whether an application has materially complied with the threshold requirements. Changes to the project's location, sponsor, or substantial changes to the budget are generally not allowed once an application is awarded funds.

Award Use

Awards are for the purchase, construction, or rehabilitation of an owner-occupied project by or for very low-, low-, or moderate-income households.[5] A household must have an income meeting the income targeting commitments in the approved AHP application. With the exception of targeting toward special populations described in FHLBs' AHP Implementation Plans, such as first-time homebuyers or veterans, there are no other borrower criteria.

Threshold Requirements

Compliance with Regulations

Members must be compliant with the Community Support Regulations,[6] which is a requirement of membership in the FHLB system. Community support compliance is determined by a combination of CRA rating (for depository institutions), community development financial institution accreditation (as applicable), and a demonstrated track record of lending to, and explicitly marketing to, first-time homebuyers. Projects must also comply with fair housing laws.

Review by senior management

Senior management of the member bank must stipulate that a review and a satisfactory level of underwriting were conducted.

Budget, sources, and uses

The application must include a statement of construction, permanent sources of funding, and a development budget. A percentage of the total development budget must already be conditionally committed by an unrelated third-party funder. The FHLB typically sets limits on common cost drivers in residential construction, such as the builder's overhead and profit, project sponsor fee, and soft costs including architecture and engineering fees, permits, and financing costs. In addition, projects must typically have both hard and soft cost contingency accounts.

Requirements related to project readiness

Satisfactory evidence of site control must be provided if the funds are to be used to fund new construction and to ensure that if funds are provided the project will succeed. Cost specifications for rehabilitation projects are required. A hard cost schedule of values and conceptual plans and elevations for any new construction and/or additions to existing building(s) must be provided. For homeownership projects, a percentage of the home buyers or units must be identified and qualified. Projects are typically expected to be funded within three years of the award of AHP funds, with the first draw occurring within the first 12 months.

POTENTIAL BENEFITS

AHP Competitive grants helps members partner with local developers and community partners to develop or rehabilitate affordable rental and/or owner ship housing.

AHP Competitive grants may help members achieve their Community Reinvestment Act goals.

POTENTIAL CHALLENGES

The application process can require extensive preparation.

Program funding is limited.

The approval process is competi tive so not all members will get funds for which they apply.

[5] Very-low income is no greater than 50 percent of area median income; low-income is no greater than 80 percent of area median income; and moderate-income is income at or below 100 percent of area median income.

[6] http://www.ecfr.gov/cgi-bin/text-idx?SID=a4384a1fd746c400b19fa3a0fde6b123&node=12:10.0.2.5.46&rgn=div5

Sponsor qualifications

The sponsor of an owner-occupied project must be integrally involved in the project in order to ensure that the maximum reasonable amount of funds directly benefits the project's occupants rather than intermediaries. "Integrally involved" generally means that the entity exercises control over planning, project design, development, construction, marketing, sales, or any other major elements of the project. FHLBs may also set their own sponsor qualification requirements.

Scoring

Projects are reviewed and accepted based on a scoring system. A maximum of 100 points is typically possible for each project application. Eligible applications are approved in descending order starting with the highest scoring application until funds are exhausted or until no eligible applications remain. Of those not approved for funding, the FHLB will generally designate four alternates. If previously committed funds become available, alternates may receive funding.

Points are typically allocated based on the following factors:

- donated government-owned or other property;
- nonprofit or government project sponsor;
- affordability targeting;
- connection to services or activities that assist residents in moving toward better economic opportunities;
- targeting for homeless households or other special populations;
- AHP subsidy per unit (less subsidy is preferred);
- community characteristics;
- project readiness;
- other sources of funds leveraged; and
- leveraging financing via the Community Investment Program or Economic Development Program advances, or utilizing a Letter of Credit.

Training

Each FHLB offers training opportunities for members to learn more about FHLB products and business-related opportunities. See the individual FHLB summary for training information offered.

Quality Control and Reporting

Beginning after the FHLB's approval date and continuing until project completion, the sponsor must submit to the member and subsequently the FHLB, a report about whether reasonable progress is being made toward the drawdown of the AHP Competitive subsidy and project completion. The frequency of project reporting is at the discretion of the FHLB. After project completion, the FHLB reviews the completed project to check compliance with program expectations. The FHLB will review:

- whether the subsidy was used for eligible purposes according to the commitments made in the approved AHP Competitive application;
- whether household income complies with the income targeting commitments made in the approved application;
- whether the project's actual costs were reasonable and customary in accordance with the FHLB's project feasibility and cost guidelines, and the subsidies were necessary for the completion of the project as currently structured;
- whether the record retention agreement was fully executed and recorded; and
- whether services and activities promised in the AHP Competitive application have been provided.

In the event an AHP-assisted unit is sold or refinanced in the first five years from the date of closing, a pro-rata share of the subsidy, reduced for every year the seller owned the unit, must be repaid to the FHLB from any net gain on the sale of the unit, unless the unit is resold to a very low-, low-, or moderate-income household. Repayment of subsidy is not necessary in the event of foreclosure. Members must ensure that there is a deed restriction or other legally enforceable retention mechanism to ensure compliance.

Potential Benefits

- AHP Competitive grants helps members partner with local developers and community partners to develop or rehabilitate affordable rental and/or ownership housing.
- AHP Competitive grants may help members achieve their Community Reinvestment Act goals.

Potential Challenges

- The application process can require extensive preparation.
- Program funding is limited.
- The approval process is competitive so not all members will get funds for which they apply.

RESOURCES

FHLB of Atlanta AHP Competitive Funding Program
http://corp.fhlbatl.com/files/documents/AHP-Competitive-Brochure.pdf

FHLB of Boston Affordable Housing Program
http://www.fhlbboston.com/communitydevelopment/ahp/index.jsp

FHLB of Chicago Competitive Affordable Housing Program
http://www.fhlbc.com/ProductsandServices/CommunityInvestmentsandAffordableHousingPrograms/GrantPrograms/Documents/FHL.371_AHP.ProductSheet_FINAL.01.pdf

FHLB of Cincinnati Affordable Housing Program
https://www.fhlbcin.com/community-investment/affordable-housing-program/

FHLB of Dallas Annual Grants for Affordable Housing
https://www.fhlb.com/community/Pages/Affordable-Housing-Program.aspx

FHLB of Des Moines Competitive Affordable Housing Program
http://www.fhlbdm.com/affordable-housing-products/competitive-affordable-housing-program/

FHLB of Indianapolis Competitive Affordable Housing Program Grants
https://www.fhlbi.com/products-services/communities-and-housing/competitive-affordable-housing-program

FHLB of New York Affordable Housing Program
http://www.fhlbny.com/community/housing-programs/ahp/index.aspx

FHLB of Pittsburgh Affordable Housing Program
http://www.fhlb-pgh.com/housing-and-community/programs/affordable-housing-program.html

FHLB of San Francisco Affordable Housing Program
http://www.fhlbsf.com/community/grant/ahp.aspx

FHLB of Topeka Affordable Housing Program
https://www.fhlbtopeka.com/ahp

Homeownership Set-Aside Program

The Homeownership Set-Aside Program uses a portion of an FHLB's Affordable Housing Program funds for down payment and closing costs, and/or rehabilitation cost assistance to low- and moderate-income households purchasing a home.

BACKGROUND AND PURPOSE

Homeownership set-aside grant funds are distributed through a non-competitive process and allocated to members on a first-come, first-served basis. These programs offer grants for the purposes of increasing homeownership opportunities for low- and moderate-income (LMI) households. Members obtain the AHP set-aside funds from the FHLB and then provide these funds as grants to eligible households.

Set-aside funds may be used for down payment or closing cost assistance, housing counseling, or rehabilitation costs in connection with a household's purchase or rehabilitation of an owner-occupied unit. Up to 35 percent of the Federal Home Loan Banks' Affordable Housing Program funding may be set aside for non-competitive awards to support these homeownership activities. Individual FHLBs determine the amounts that go to each fund and distribution priorities.[7]

Funds are available to all current FHLB members in good standing. Members apply on a unit-by-unit, first-come, first-served basis, for borrowers whose loans are in the process of closing or to reimburse funds advanced to borrowers. The entire amount of the subsidy must be passed on to the homebuyer, and some FHLBs require members to offer additional assistance, such as reduced fees or mortgage rates in order to encourage low- and moderate-income homeownership.

The maximum award per homebuyer varies by FHLB from $5,000 to $15,000. FHLBs also generally cap the total amount of funds that each member may reserve each year or at any one time. Total annual maximum allocations per member range from $100,000 to $1,000,000.

Bank Eligibility and Grant Application Process

Participation in the Homeownership Set-Aside Program is designed to be simple for members that are already originating mortgage loans. As for all FHLB programs, the member must be compliant with Community Support Regulations.[8] Each FHLB publishes an annual Affordable Housing Program Implementation Plan that outlines the program guidelines and application process for the year. Generally, these can be found under the Affordable Housing Program section of the FHLBs' websites (see Resources).

There is a one-time setup process where a member employee is designated to manage the program. This program manager executes all required documentation and has the final approval authority for Homeownership Set-Aside Program applications. He or she acts as a liaison to communicate and receive information and data and respond to inquiries from the FHLB. Program managers are encouraged to attend annual training and education sessions regarding the Homeownership Set-Aside Program. However, submission and approval roles must be separated in order to protect the truthfulness and accuracy of all information and documents submitted to the FHLB.

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[7] Some FHLBs choose to distribute their Homeownership Set-Aside Program dollars through specific government and nonprofit community partners rather than distribute the funds directly to members to better leverage their community development impact and encourage regional planning.

[8] http://www.ecfr.gov/cgi-bin/text-idx?SID=a4384a1fd746c400b19fa3a0fde6b123&node=12:10.0.2.5.46&rgn=div5

Under this program, the homebuyer applies for funding through the member. The member submits an application to its FHLB. Upon approval, the FHLB issues a conditional commitment, committing and reserving funds to the transaction, contingent upon the borrower and member meeting all documentation and other procedural program requirements. The period for the transaction to be finalized after approval by the FHLB varies from 30 days to two years depending on the structure of the program. Purchases supported by a matched savings account are given a longer window.

Upon approval of required conditional commitment and pre-funding documents, the FHLB credits funds to the member's account. While funding is generally provided at the time of the mortgage transaction, an FHLB may operate the program with different timing, such as reimbursing a member for down-payment assistance. The member disburses funds to the borrower at the time of closing for a purchase product, or after work is completed for a rehabilitation product.

A typical application might require a member to submit and retain on file a request for a conditional commitment, a request for disbursement, documentation of the household's income, and a HUD-1 form (see Resources) documenting the sales transaction. In addition, each FHLB has a list of documents that the member must retain on file but not submit to the FHLB, such as evidence of housing counseling or matching funds.

Training

Each FHLB offers training opportunities for members to learn more about FHLB products and business-related opportunities. See the individual FHLB summary for training information offered.

Borrower Eligibility

Income Limits: At the time of application, the homeowner's income must be below 80 percent of the area median income.

Owner occupant: The homeowner/buyer must be the owner occupant of the home purchased or rehabilitated with Homeownership Set-Aside Program funds.

Homeownership counseling: Homebuyers must complete the sponsoring FHLB's prescribed homebuyer counseling, debt management planning, and default prevention program.

First-time homebuyer: One-third of total funding is reserved for first-time homebuyers, generally defined as an individual who has not owned a home within the past three years or a single parent or displaced homemaker who has only owned a home with a previous spouse.

POTENTIAL BENEFITS

Set-aside funds can help mem bers reach new customer markets including first-time homebuyers, veterans, elderly, and special needs customers.

Set-aside funds can help members achieve Community Reinvestment Act goals.

There is minimal paperwork required for set-aside programs.

POTENTIAL CHALLENGES

Members must pass the entire amount of the subsidy on to their borrowers.

Eligible properties: Owner-occupied, one- to four-unit family properties, townhouses, condominiums, cooperatives, manufactured, and mobile housing are allowed.

Minimum down payment/subsidy match: Varies by FHLB. See your individual FHLB summary for specific programs and requirements.

Loan Criteria and Subsidy Recapture

All loans, interest rates, fees, points, and any other charges for loans made in conjunction or in association with the FHLB's Homeownership Set-Aside Program must comply with all applicable state and federal regulations and may not exceed a reasonable market rate for loans of similar maturity, terms, and risk.

Fixed-rate mortgages are eligible. Adjustable rate mortgages are eligible within certain parameters. The member qualifies customers based on the maximum applicable interest rate (to avoid payment shock if there has been a significant increase in interest rates between origination and rate reset). Loans must be fully amortizing. No negative amortization loans are allowed. No interest only or pay options are allowed. The loan term must not be less than five years, with an amortization of any period equal to or greater than the loan term.

In the event a unit is sold or refinanced in the first five years from the date of closing, a pro-rata share of the subsidy, reduced for every year the seller owned the unit, must be repaid to the FHLB from any net gain on the sale of the unit, unless the unit is resold to a very low-, low-, or moderate-income household. Repayment of subsidy is not necessary in the event of foreclosure. Members must ensure that there is a deed restriction or other legally enforceable retention mechanism to ensure compliance.

RESOURCES

HUD-1 Form
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/forms/hud1

Atlanta Federal Home Loan Bank Affordable Housing Programs
http://corp.fhlbatl.com/services/affordable-housing-programs/

Boston Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbboston.com/communitydevelopment/ahp/index.jsp

Chicago Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbc.com/ProductsandServices/CommunityInvestmentsandAffordableHousingPrograms/GrantPrograms/Pages/federal-home-loan-bank-chicago-community-investment-downpayment-plus-program-DPP.aspx

Cincinnati Federal Home Loan Bank Affordable Housing Programs
https://web.fhlbcin.com/Housing/Programs/AffordableHousingProgram/Pages/AffordableHousingProgram.aspx

Dallas Federal Home Loan Bank Affordable Housing Programs
https://www.fhlb.com/community/Pages/Affordable-Housing-Program.aspx

Des Moines Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbdm.com/affordable-housing-products/

Indianapolis Federal Home Loan Bank Affordable Housing Programs
https://www.fhlbi.com/products-services/communities-and-housing

New York Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbny.com/community/housing-programs/fhc/fhc-information-for-hlb-member-community-lenders.aspx

Pittsburgh Federal Home Loan Bank Affordable Housing Programs
http://www.fhlb-pgh.com/housing-and-community/programs/first-front-door.html

San Francisco Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbsf.com/community/grant/ahp.aspx

Topeka Federal Home Loan Bank Affordable Housing Programs
https://www.fhlbtopeka.com/ahp

Homeownership Set-Aside Specialized Programs

FHLBs can target their Homeownership Set-Aside Program funding toward special populations, such as first-time homebuyers or veterans. FHLBs' describe these specialized programs in their AHP Implementation Plans. Below is a brief description of the programs offered by each FHLB.

FHLB ATLANTA

First-time Homebuyer: This program provides up to $5,000 in matching funds for the down payment and closing costs of first-time homebuyers.

Community Partners: This program provides up to $7,500 in matching funds for down payment and closing-cost funding to current or retired law enforcement officers, educators, health care workers, firefighters, and other first responders.

Community Rebuild and Restore: This product provides up to $10,000 in funding for the rehabilitation of an existing owner-occupied property located in "Major Disaster Declaration" areas as designated by FEMA.

Foreclosure Recovery: This program provides up to $15,000 in matching funds for down payment, closing-cost, and rehabilitation funds towards the purchase and rehabilitation of an existing home from the Real Estate Owned (REO) inventory of an FHLB Atlanta member.

Veterans and Returning Veterans Purchase: This program provides up to $10,000 in funding for a home purchase or purchase/rehabilitation to members of any branch of the U.S. military or their surviving spouses.

Veterans and Returning Veterans Rehabilitation: This product provides up to $15,000 in funding for energy efficient and accessibility improvements to a home owned by a veteran or active duty member of any branch of the U.S. military or surviving spouse.

Structured Partnership Product (SPP): This product provides funds for eligible purchase and/or rehabilitation transactions as defined by the terms and conditions of each of the FHLB of Atlanta's agreements with federal, state, or local governmental, quasi-governmental entities, or other organizations to deliver AHP-compliant products in collaboration with the FHLB of Atlanta.

FHLB BOSTON

Equity Builder Program: This program provides up to $15,000 for down payment and closing cost assistance, homebuyer counseling costs, and/or rehabilitation costs to eligible homebuyers.

FHLB CHICAGO

Downpayment Plus®: This program provides up to $6,000 for down payment and closing cost assistance, homebuyer counseling costs (up to $700), and/or eligible rehabilitation costs.

Downpayment Plus Advantage®: This program is designed for nonprofits participating in homeownership programs. The nonprofit must partner with a member to access the program. The Downpayment Plus Advantage program provides up to $6,000 to eligible households for down payment and closing cost assistance, homebuyer counseling costs (up to $700), and/or rehabilitation costs.

FHLB CINCINNATI

Welcome Home: This program provides up to $5,000 for down payment and closing cost assistance to eligible homebuyers.

FHLB DALLAS

Homebuyer Equity Leverage Partnership Program: This program provides up to $7,000 for down payment and closing costs assistance for first-time homebuyers.

Special Needs Assistance Program: This program provides up to $6,000 to special needs households for the repair and/or rehabilitation of an owner-occupied home for eligible homebuyers.

Housing Assistance for Veterans Program: This program provides up to $7,500 for the necessary modifications to homes of U.S. veterans and active-duty personnel who are disabled by active military service since September 11, 2001.

FHLB DES MOINES

Home$tart: This program provides up to $7,500 for down payment, closing costs, counseling, or rehabilitation assistance to eligible homebuyers.

Home$tart Plus: This program provides up to $15,000 for down payment, closing costs, counseling, or rehabilitation assistance to eligible homebuyers on public assistance.

Native American Homeownership Initiative: This program provides up to $15,000 for down payment, closing costs, counseling, or rehabilitation assistance to eligible Native American, Native Alaskan, or Native Hawaiian households.

FHLB INDIANAPOLIS

Homeownership Opportunities Program: This program provides up to $8,000 for down payment and closing costs assistance for eligible first-time homebuyers.

Accessibility Modifications Program: This program provides up to $15,000 for modifications that assist with aging in place and independent living for eligible senior or disabled homeowners.

Neighborhood Impact Program: This program provides up to $7,500 for eligible repairs and maintenance costs including new windows, furnaces, water heaters, gutters, and insulation for eligible homeowners.

FHLB NEW YORK

First Home Club: This program provides up to $7,500 in matching funds for the down payment and closing costs of first-time homebuyers.

POTENTIAL BENEFITS

Set-aside funds can help mem bers reach new customer markets including first-time homebuyers, veterans, elderly, and special needs customers.

Set-aside funds can help members achieve Community Reinvestment Act goals.

There is minimal paperwork required for set-aside programs.

POTENTIAL CHALLENGES

Members must pass the entire amount of the subsidy on to their borrowers.

FHLB PITTSBURGH

First Front Door: This program provides up to $5,000 in matching funds for the down payment and closing costs of first-time homebuyers.

FHLB SAN FRANCISCO

Individual Development and Empowerment Account (IDEA) Program: This program provides up to $15,000 in matching funds for the down payment and closing costs of eligible first-time homebuyers who have saved under an Individual Development Account (IDA) or are participating in a family self-sufficiency or lease-to-own program leading to homeownership.

Workforce Initiative Subsidy for Homeownership (WISH) Program: This program provides up to $15,000 in matching funds for the down payment and closing costs of eligible first-time homebuyers.

FHLB TOPEKA

Homeownership Set-aside Program: This program provides up to $5,000 for down payment and closing cost assistance, homebuyer counseling costs, and/or rehabilitation costs to eligible first-time homebuyers.

Potential Benefits

- Set-aside funds can help members reach new customer markets including first-time homebuyers, veterans, elderly, and special needs customers.
- Set-aside funds can help members achieve Community Reinvestment Act goals.
- There is minimal paperwork required for set-aside programs.

Potential Challenges

- Members must pass the entire amount of the subsidy on to their borrowers.

RESOURCES

Atlanta Federal Home Loan Bank Affordable Housing Programs
http://corp.fhlbatl.com/services/affordable-housing-programs/

Boston Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbboston.com/communitydevelopment/ahp/index.jsp

Chicago Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbc.com/ProductsandServices/CommunityInvestmentsandAffordableHousingPrograms/GrantPrograms/Pages/federal-home-loan-bank-chicago-community-investment-downpayment-plus-program-DPP.aspx

Cincinnati Federal Home Loan Bank Affordable Housing Programs
https://www.fhlbcin.com/community-investment

Dallas Federal Home Loan Bank Affordable Housing Programs
https://www.fhlb.com/community/Pages/Affordable-Housing-Program.aspx

Des Moines Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbdm.com/affordable-housing-products/

Indianapolis Federal Home Loan Bank Affordable Housing Programs
https://www.fhlbi.com/products-services/communities-and-housing/competitive-affordable-housing-program

New York Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbny.com/community/housing-programs/fhc/fhc-information-for-hlb-member-community-lenders.aspx

Pittsburgh Federal Home Loan Bank Affordable Housing Programs
http://www.fhlb-pgh.com/housing-and-community/programs/first-front-door.html

San Francisco Federal Home Loan Bank Affordable Housing Programs
http://www.fhlbsf.com/community/grant/ahp.aspx

Topeka Federal Home Loan Bank Affordable Housing Programs
https://www.fhlbtopeka.com/Community-Programs-Grants

Using FHLBs' Homeownership Set-Aside Programs

A bank representative from Florida said that his bank looks for ways to provide the optimal amount of mortgage-related assistance for the veterans they serve by taking advantage of the veteran housing loan subsidy programs offered by the FHLB of Atlanta. These FHLB Set-Aside Fund programs offer veterans up to $15,000 toward down payment, closing costs, principal reduction, or rehabilitation assistance for the purchase or purchase/rehabilitation of an existing unit, typically structured as a forgivable five-year second mortgage with no interest or payments. The FHLB veterans' programs can be used with the VA home loan guarantee program or other conventional or portfolio products.

Another bank representative said that her bank has participated in the FHLB of Pittsburgh's First Front Door (FFD) program for several years. This program provides up to $5,000 in matching funds (subsidy match is 3:1) for the down payment and closing costs of first-time homebuyers with an area median income of 80 percent or less. The program requires homeownership counseling. The bank uses FFD in conjunction with its own program designed for low- and moderate-income borrowers. "FFD is valuable to buyers who are strong borrowers but are a little short on funds to close. The FHLB of Pittsburgh has streamlined the registration process, which makes the process from registration to funding easier to submit and track."

One representative said that her bank combines the FHLB of Cincinnati's Welcome Home program with its Federal Housing Administration (FHA) loans through a correspondent. Welcome Home provides up to $5,000 for down payment and closing costs assistance to eligible homebuyers with a minimum subsidy match of $500.

A bank representative from Minnesota discussed the Native American Homeownership Initiative (NAHI) through the Federal Home Loan Bank of Des Moines' Homeownership Set-Aside program. NAHI provides up to $10,000 to offset home purchase costs including down payment, closing costs, homeownership counseling, and home repairs. FHLB members may enroll and then reserve funds — up to $20,000 at a time — on a first-come, first-served basis, subject to availability.

According to the bank representative, getting started with the NAHI program was a "very easy process" that only took between a month and six weeks from start to finish. There were no costs incurred to offer the program other than the loan officer's time, which was minimal. And there was no staff training involved since they kept it simple by just having one loan officer manage the NAHI program delivery including all NAHI applications.

While the bank originates mortgages, they typically do not originate the first mortgages on loans that use NAHI funds. Customers using NAHI funds usually want a 30-year mortgage, which the bank currently does not offer through its portfolio product or a government insured product. "We are a smaller community bank. So if we can get our customers better financing elsewhere, we are absolutely going to do that." The bank works with partner organizations that offer U.S. Department of Housing and Urban Development's (HUD) Section 184 Indian Home Loan Guaranty loans or USDA's Rural Development loans, both natural product matches for the NAHI funds.

Visit FDIC's Affordable Mortgage Lending Center at

https://fdic.gov/mortgagelending

Community Investment Program

The Community Investment Program offers discounted advances to members, which are priced below standard advance offerings for a wide variety of qualified community development activities, including but not limited to those enhancing access to mortgage credit.

BACKGROUND AND PURPOSE

Through the Community Investment Program (CIP), all FHLBs offer discounted advances priced below standard advance offerings for qualified community development activities. CIP funds help members make loans to enhance community economic development activities for families and neighborhoods earning up to 80 percent of area median income, and to increase housing options for families with incomes up to 115 percent of area median income.

Although CIP funding targets vary by FHLB, economic development activities may include funding for infrastructure improvements, assistance for small businesses, and upgrades to community facilities. Housing related activities may include the construction or permanent financing of rental and homeownership activities, as well as special needs projects. In essence, the statutorily required CIP helps lenders make loans that might not be possible without such funds by reducing the cost and the risk associated with making non-conventional loans for community development. Community investment advances are priced at the FHLB's cost of funds for similar maturities plus an administrative fee. Maturities and collateral requirements are consistent with those on all FHLB credit programs. Prepayment fees may also apply.

CIP funds may be used for a variety of purposes related to enhancing access to mortgage credit, including:

- originating mortgage loans;
- financing construction;
- participating in a loan consortium;
- making loans to an entity such as a community development financial institution that makes loans for eligible housing or economic development initiatives;
- purchasing mortgage revenue bonds or mortgage backed securities where all the loans meet CIP requirements; and
- creating a secondary market for loans.

FHLBs offer a variety of credit products known as "advances" to meet the short- and long-term liquidity needs of their members. FHLB advances serve as a funding source for CIP projects and a variety of mortgage products, including those focused on very low-, low-, and moderate-income households. Some FHLB profits from advances are returned to members in the form of stock dividends or Affordable Housing Program funded business development opportunities.

Maturities range from overnight to 30 years and include a variety of fixed and adjustable or floating rate structures. Advances are priced slightly over comparable maturity U.S. Department of the Treasury bonds. Advances are secured by mortgages held in portfolio and other eligible types of collateral that the FHLB holds. More detail is found in the Advances section.

Bank Eligibility and Application Process

The application process is open for members year round. All of the projects' loans must be closed and funds fully disbursed within a period beginning three months prior to the CIP funding date and/or ending six months after the funding date. FHLB staff is available to help qualify projects. A commitment is established when both the Community Investment and Credit Services departments approve the application.

All FHLBs have established minimum recommended advance amounts. In addition, all FHLBs have established a maximum per member and total amount of available CIP advance funds. A single advance application may be used for multiple purposes. Applications are funded on a first come, first served basis. There is no obligation to borrow once a commitment has been made, but commitments do expire if not used. No matching funds are required.

Advance products available mirror classic advance products, but are offered at lower rates (see Advances section). The cost of funds fluctuates with the FHLB's cost to obtain capital.

Training

Each FHLB offers training opportunities for members to learn more about FHLB products and business-related opportunities. See the individual FHLB summary for training information offered.

Borrower Eligibility

Community Investment staff are available to assist in determining CIP eligibility. To qualify for CIP funding, the eventual beneficiaries of the project must meet certain geographic and/or income requirements. These requirements vary by FHLB.

Loan Criteria

The program does not specify the terms of mortgages made to low- and moderate-income homebuyers using CIP advance funds. Unlike the AHP program, members do not have to pass the entire amount of the benefit along to borrowers, and may charge origination fees.

CIP advances can also be used in conjunction with the FHLBs' Affordable Housing Programs, the U.S. Department of Housing and Urban Development programs, including the Federal Housing Administration programs, as well as state and local government and secondary market agency programs. Mortgages secured by properties that received CIP financing can be delivered through any secondary market channel for which they are eligible.

POTENTIAL BENEFITS

The Community Investment Program offers members the lowest cost advances, discounted below standard FHLB rates.

The Community Investment Program may help members achieve their CRA goals.

POTENTIAL CHALLENGES

The FHLB charges an adminis trative fee and prepayment fees may apply.

Applications are funded on a first come, first served basis.

Quality Control and Reporting

A member must provide beneficiary data either with application submission or shortly after each disbursement of funds for homeownership programs where participants may not have been identified in advance. The total amount of loans submitted must be equal to or greater than the amount of CIP funds advanced. Loans may be closed prior to disbursement of the CIP funds to the member.

A single report is required within the commitment period. There is no ongoing follow-up monitoring required. The data to be reported depends on the application type, but loan amount, household income, and number of units is typical. Report data is subject to final approval by the FHLB.

Potential Benefits

- The Community Investment Program offers members the lowest cost advances, discounted below standard FHLB rates.
- The Community Investment Program may help members achieve their CRA goals.

Potential Challenges

- The FHLB charges an administrative fee and prepayment fees may apply.
- Applications are funded on a first come, first served basis.

Visit FDIC's Affordable Mortgage Lending Center at

https://fdic.gov/mortgagelending

Advances

OVERVIEW

The primary purpose of the Federal Home Loan Banks (FHLBs) is to provide members with liquidity. FHLBs offer a variety of credit products known as "advances" to meet the short- and long-term liquidity needs of their members. FHLB advances serve as a funding source for a variety of mortgage products, including those focused on very low- and low- and moderate-income households. Advances help members originate mortgages that they want to hold in portfolio or sell later. Some FHLB profits from advances are returned to members in the form of stock dividends or Affordable Housing Program funded business development opportunities.

Advances are the most popular products for the FHLBs, accounting for approximately 65 percent of their balance sheets. The Federal Home Loan Banks go to the debt markets several times a day to provide their members with funding. The size of the Federal Home Loan Bank System allows for flexible structuring of these advances, enabling each member to find a funding strategy to meet its needs. Maturities range from overnight to 30 years and include a variety of fixed and adjustable or floating rate structures. Advances are priced slightly over comparable maturity U.S. Department of the Treasury bonds. Advances of different terms and different structures are needed for different purposes, and the range of options that the FHLBs provide assists members in finding a funding strategy that is appropriate to their needs.

Advances are secured by mortgages held in portfolio and other eligible types of collateral that the FHLB holds. Collateral arrangements vary with member credit quality, capacity, and collateral availability, as well as the FHLB's overall credit exposure from the member. Each FHLB can require additional or substitute collateral during the life of an advance to protect its security interest. Therefore, if a mortgage that collateralizes an FHLB advance defaults, the FHLB will look to the lender to either post additional collateral or reduce the advance outstanding. This means that lenders have to hold some capital buffer to cover this risk.

The FHLBs cap the amount of advance credit available to each member at between 20 and 60 percent of the member's total assets, with some exceptions available depending on member creditworthiness. The credit limit is typically calculated by dividing the member's total credit obligations to the FHLB by its total assets. Each financial institution should carefully review the impact of the income stream associated with advances as well as the obligations and assess the risks and benefits.

Bank Eligibility and Application Process

The FHLB Act[9] requires that FHLBs obtain and maintain collateral from their members to secure the advances at the time the advances are originated or renewed. Each FHLB sets policies and procedures based on a variety of factors. The following is a general overview of FHLB advances.

In order to apply for advances, each member must pledge high-quality collateral in proportion to its borrowings from the FHLB. The amount of collateral required for an advance incorporates a collateral discount or "haircut," which is incorporated into the member's pledge and determined by the FHLB. The haircut calculation includes an estimate of the cost to sell or liquidate the pledged collateral and the risk of a decline in the asset's value due to market or credit volatility. Because of this haircut, the lending value of the collateral exceeds the amount owed to the FHLB.

To receive an advance, the member must also purchase and maintain additional stock[10] in its FHLB. This minimum stock investment, established by each FHLB,

[9] Federal Home Loan Bank Act, Pub. L. 72–304, 47 Stat. 725.

[10] Each FHLB sets its own stock thresholds and structure.

serves as security above and beyond the member's established credit limit. FHLB stock may be held as a bank asset.

Once the FHLB approves the loan request, the bank advances those funds to the member, which then lends the funds out for housing and economic development activities and projects.

Collateral[11] eligible under statute or regulation to secure new or renewed advances includes, but is not limited to:

- one-to-four family and multifamily mortgage loans (no more than 90 days delinquent) and certain securities backed by these mortgages;
- loans and securities issued, insured, or guaranteed by the U.S. government (for example, loans backed by the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture, and the U.S. Department of Housing and Urban Development) or securities issued or guaranteed by any U.S. government agency or government sponsored enterprise (GSE) (for example, mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae);
- cash or deposits at the FHLB;
- certain other collateral that is real estate related, provided that the collateral has a readily ascertainable value and that the FHLB can hold a security interest in it, such as certain privately issued mortgage-backed securities not otherwise addressed above, second mortgage loans including home equity loans, commercial real estate loans, and mortgage loan participations; and
- loans made by community financial institution (CFI) members or their affiliates, such as small business loans, small farm loans, small agri-business loans, or community development loans, in each case fully secured by collateral other than real estate, or securities representing a whole interest in such secured loans, provided that the collateral has a readily ascertainable value, can be reliably discounted to account for liquidation and other risks, can be liquidated in due course, and the FHLB can hold a security interest in the collateral.

There are three methods of pledging collateral that can be assigned to a member based on its financial condition: blanket lien status, listing status, or delivery status.

Blanket lien status: Blanket lien status is the least restrictive and is generally assigned to lower risk institutions that are pledging loans, not securities, as collateral. Under a blanket lien status, the member retains possession of the collateral and executes a written security agreement under which the member is required to hold the collateral for the benefit of the FHLB. The security agreement covers the majority of the

[11] See 12 CFR §1266.7 for a full list of collateral eligible to be pledged to support FHLB advances.

POTENTIAL BENEFITS

Advances provide members with a secure, low-cost source of funds.

The availability of advances in a number of short- and long-term structures with maturi ties ranging from one day to 30 years may give the bank more flexibility in structuring its mortgage-lending program than it might otherwise have.

Advances help members to manage interest rate and liquidity risk and manage their bal ance sheets.

Advances can help members bring new finan cial products to market.

POTENTIAL CHALLENGES

Members must have sufficient collateral to cover the credit risk on all advances provided by the FHLB.

Members may not exceed maximum credit limits for advances (typically calculated by dividing the member's total credit obligations to the FHLB by its total assets).

member's assets, whether or not they are acceptable as collateral. Members must inform their FHLB of any material changes to the amount of collateral available. The benefit of this method is that advances are tied to the general level of assets, not specific collateral, which reduces reporting requirements, and gives banks flexibility in seeking, using, and repaying advances. This differs from the other methods of pledging, which require members to pledge specific eligible collateral.

Listing status: Under listing status, the member provides listings of loans pledged to its FHLB with detailed loan information, such as the loan amount, payments, maturity date, interest rate, loan-to-value, collateral type, and credit scores. The member retains physical possession of the specific collateral pledged to an FHLB. From a member's perspective, the benefit of listing collateral in lieu of a blanket lien security agreement is that in some cases the discount or haircut applicable to that collateral may be lower than that for blanket lien collateral. From an FHLB's perspective, the benefit of listing collateral is that it provides more detailed loan information to arrive at a more precise valuation of collateral.

Delivery status: Under delivery status, an FHLB requires the member to place physical possession of eligible collateral with the FHLB or a third-party custodian to secure all outstanding obligations associated with advances. Typically, an FHLB would take physical possession or control of the collateral if the financial condition of the member was deteriorating or if the member exceeded certain credit product usage triggers. Delivery of collateral may also be required if regulatory action is taken against the member by its regulator, indicating inadequate controls or other conditions that would be of concern.

Training

Each FHLB offers training opportunities for members to learn more about FHLB products and business-related opportunities. See the individual FHLB summary for training information offered.

Quality Control and Reporting

Each FHLB evaluates members based on financial, regulatory, and other information, including examination and call reports. Members may also be required to provide other financial data regarding the safety and soundness of operations. The FHLBs protect against credit and other risks by collateralizing all advances. Collateral arrangements vary with member credit quality and collateral availability, as well as the FHLB's overall credit exposure to the member. Each FHLB establishes individual member borrowing by determining the amount it will lend against each collateral type.

The amounts used in determining lending values are updated by each FHLB on a periodic basis, with some values updated as frequently as daily (e.g., securities collateral may be re-valued daily). An FHLB may conduct periodic collateral field reviews to establish the amount it will lend against each collateral type for each member, or to make additional adjustments to a member's pledged mortgage collateral. For instance, if it is determined that the pledged collateral on an outstanding advance has dropped in value, the member may be required to pledge additional collateral to bring the advance to a fully collateralized level needed to secure the outstanding pledge. The financial condition of a member will generally have a bearing on the frequency and degree of collateral reviews and the level of collateralization to secure advances. It also affects the level of haircut used in determining the amount of assets that are pledged.

Community Support Requirements

Members must also be compliant with the Federal Housing Finance Agency's Community Support Requirements,[12] which establish standards of community investment that each member must uphold in order to maintain continued access to FHLB long-term advances (those with maturities over one year). Community support compliance is determined by

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[12] http://www.ecfr.gov/cgi-bin/text-idx?SID=a4384a1fd746c400b19fa3a0fde6b123&node=12:10.0.2.5.46&rgn=div5#se12.10.1290_12

[13] CRA requires the federal financial institution supervisory agencies, in connection with their examinations of certain depository institutions, to assess the institutions' CRA performance. Upon completion of a CRA examination, an overall CRA rating is assigned using a four-tiered rating system. These ratings are Outstanding, Satisfactory, Needs to Improve, and Substantial Noncompliance. In the case of an interstate bank, the federal bank supervisory agencies are required by law to evaluate an institution's CRA performance in each state and metropolitan statistical area (MSA) in which it has a branch in addition to providing an overall rating for the bank's performance. See FFIEC at http://www.ffiec.gov/craratings/ratings_faq.htm.

a combination of the Community Reinvestment Act (CRA) rating (for depository institutions),[13] and a track record of lending to, and explicitly marketing to, first-time homebuyers.

Members are required to submit a Community Support Statement every two years indicating their most recent CRA rating and in some cases, documenting their lending activities to first-time homebuyers. A member with a CRA rating of "outstanding" or "satisfactory" is deemed to meet the CRA requirement. Members with CRA ratings of "needs to improve" will be put on probation until the following CRA examination, during which time members will still have access to long-term funding. If the next CRA rating is less than "satisfactory," (needs to improve or substantial noncompliance), access to long-term funding will be restricted. Any member with a CRA rating other than "outstanding" must also provide specific data (as requested in the Community Support Statement) related to its lending activities to first-time homebuyers.

Potential Benefits

- Advances provide members with a secure, low-cost source of funds.
- The availability of advances in a number of short- and long-term structures with maturities ranging from one day to 30 years may give the bank more flexibility in structuring its mortgage-lending program than it might otherwise have.
- Advances help members to manage interest rate and liquidity risk and manage their balance sheets.
- Advances can help members bring new financial products to market.

Potential Challenges

- Members must have sufficient collateral to cover the credit risk on all advances provided by the FHLB.
- Members may not exceed maximum credit limits for advances (typically calculated by dividing the member's total credit obligations to the FHLB by its total assets).

RESOURCES

Federal Home Loan Banks Office of Finance Lending
http://www.fhlb-of.com/ofweb_userWeb/pageBuilder/home

Federal Home Loan Banks Office of Finance Lending and Collateral Q&A
http://www.fhlb-of.com/ofweb_userWeb/resources/lendingqanda.pdf

Federal Home Loan Bank of Atlanta credit products brochure
http://corp.fhlbatl.com/files/documents/credit-products-brochure.pdf

Federal Home Loan Bank of Boston advances
http://www.fhlbboston.com/rates/advances/index.jsp

Federal Home Loan Bank of Chicago advances
http://www.fhlbc.com/ProductsandServices/LiquidityandFunding/Pages/default.aspx

Federal Home Loan Bank of Cincinnati advances
https://www.fhlbcin.com/our-members/credit-services/advance-programs/

Federal Home Loan Bank of Dallas advances
https://www.fhlb.com/products/Pages/Advances.aspx

Federal Home Loan Bank of Des Moines advances
http://members.fhlbdm.com/advance-rates/

Federal Home Loan Bank of Indianapolis advances
https://www.fhlbi.com/products-services/credit-services

Federal Home Loan Bank of New York advances
http://www.fhlbny.com/business-lines/credit-products.aspx

Federal Home Loan Bank of Pittsburgh advances
http://www.fhlb-pgh.com/products-and-services/credit-products.html

Federal Home Loan Bank of San Francisco advances
http://www.fhlbsf.com/member/default.aspx

Federal Home Loan Bank of Topeka advances
https://www.fhlbtopeka.com/betterrates

Mortgage Partnership Finance® Program

OVERVIEW

The Mortgage Partnership Finance® Program (MPF®) provides access to the secondary market for FHLB members that are approved Participating Financial Institutions (PFIs).[14] The Federal Home Loan Bank of Chicago launched the MPF Program in 1997 to provide an outlet (other than Fannie Mae and Freddie Mac) for PFIs to sell fixed-rate mortgage loans. Today, nine of the 11 FHLBs purchase conventional and government loans from their PFIs through the MPF Program. (The FHLB of Cincinnati and the FHLB of Indianapolis purchase loans from their members through the Mortgage Purchase Program). The large majority of financial institutions participating in this Program are small banks or thrifts and credit unions with assets of less than $400 million. The MPF Program provides multiple product offerings and execution options for individual PFIs to meet their secondary market needs.

The MPF umbrella includes a variety of fixed-rate conventional and government secondary market mortgage products. These products are categorized in two groups: MPF credit enhanced products, in which a PFI shares the credit risk with the FHLB, and non-credit enhanced products, in which credit risk is held by or transferred to a third-party entity.

PFIs can choose from a variety of MPF products, each with a unique set of product elements. These elements include:

- product type (conventional, government, or jumbo);
- shared credit risk structure versus no credit risk retention;
- amount of credit risk allocation or amount of credit enhancement fees on loans where some credit risk is retained;
- loan delivery options (loans committed before or after closing); and/or
- servicing options (retained in-house, retained with sub-servicer, or released); and
- servicing remittance type (Actual/Actual, Single Remittance Actual/Actual, Scheduled/Scheduled).

This Guide covers the following MPF secondary market products:

Credit Enhanced Products

MPF Original: Secondary market fixed-rate conventional mortgage product purchased by the FHLB and held on its balance sheet. Credit risk is shared between the FHLB and the PFI. For sharing in the credit risk, PFIs are paid a fixed monthly credit enhancement fee, typically 10 basis points. Credit enhancement fee income is not impacted by loan performance. Servicing released or retained options are available.

MPF 125: Secondary market fixed-rate conventional mortgage product purchased by the FHLB and held on its balance sheet. Credit risk is shared between the FHLB and the PFI. For sharing the risk, PFIs are paid between 6 basis points to 9 basis points credit enhancement fee monthly. Credit enhancement fee income is impacted by loan performance. Servicing released or retained options are available.

MPF 35: Secondary market fixed-rate conventional mortgage product purchased by an FHLB and held on its balance sheet. Credit risk is shared between the FHLB and the PFI. For sharing in the credit risk, PFIs are paid between 9 basis points to 12 basis points credit enhancement fee. Credit enhancement fee income is impacted by loan performance. Servicing released or retained options are available.

[14] The "Acquired Member Assets (AMA) Final Rule For Federal Home Loan Bank Investments" changes the definition of PFI to clarify that the PFI may be approved to sell AMA loans to an FHLB, but also could be approved (either in conjunction with or apart from its role as a seller of loans) to service those loans or provide a credit enhancement for them. https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Acquired-Member-Assets-Final-Rule.aspx

Non-Credit Enhanced Products

MPF Xtra: Secondary market product that lets PFIs originate and sell closed standard Fannie Mae[15] fixed-rate products to the FHLB of Chicago, which pools and delivers them to Fannie Mae.

MPF Direct: Secondary market product that lets PFIs originate and sell jumbo loans with no credit risk retention with the FHLB of Chicago selling the loans to jumbo loan investor, Redwood Trust.

MPF Government: Secondary market product that helps PFIs to sell fixed-rate mortgage loans that are insured or guaranteed by U.S. government agencies to an FHLB of Chicago, which holds them in portfolio.

MPF Government MBS: Secondary market product that helps PFIs sell closed fixed-rate mortgage loans that are insured or guaranteed by U.S. government agencies to the FHLB of Chicago, which issues securities backed by pools of these mortgages that are sold to private investors; payments to investors are guaranteed by Ginnie Mae.

FHLB MPF Product Offerings

Nine out of 11 FHLBs offer MPF Products to their PFIs: Atlanta, Boston, Chicago, Dallas, Des Moines, New York, Pittsburgh, San Francisco, and Topeka. (Indianapolis and Cincinnati are not a part of the MPF Program; they offer the Mortgage Purchase Program). The table on the following page provides information about which products are offered by each FHLB. Product details and availability may change over time. Refer to the MPF Program's website for most up-to-date information (https://www.fhlbmpf.com/Pages/default.aspx).

Bank Eligibility and Application Process

To be eligible to participate in the MPF Program, an FHLB member must be a PFI of an FHLB that offers the MPF Program and have experience in originating and servicing mortgage loans. Applicants must also have the ability to report mortgage loan activity under either an actual/actual (single or multi) or a scheduled/scheduled remittance structure.[16]

For depository institutions, there is no leverage capital requirement (i.e., the banks' debt to asset ratio is not considered in determining eligibility), but the PFI must meet the applicable risk-based capital requirements identified in the Basel III Accord.[17]

CREDIT ENHANCED PRODUCTS:

Secondary market fixed-rate conventional mortgage product purchased by the FHLB and held on its balance sheet. Credit risk is shared between the FHLB and the PFI. Servicing released or retained options are available.

MPF Original: PFIs are paid a fixed monthly credit enhancement fee, typically 10 basis points. Credit enhancement fee income is not impacted by loan performance.

MPF 125: PFIs are paid between 6 basis points to 9 basis points credit enhancement fee monthly. Credit enhancement fee income is impacted by loan performance.

MPF 35: PFIs are paid between 9 basis points to 12 basis points credit enhancement fee. Credit enhancement fee income is impacted by loan performance.

NON-CREDIT ENHANCED PRODUCTS:

Secondary market product.

MPF Xtra: PFIs originate and sell closed standard Fannie Mae fixed-rate products to the FHLB of Chicago, which pools and delivers them to Fannie Mae.

MPF Direct: PFIs originate and sell jumbo loans with no credit risk retention with the FHLB of Chicago selling the loans to Redwood Trust.

MPF Government: PFIs sell fixed-rate mort gage loans that are insured or guaranteed by U.S. government agencies to an FHLB, which holds them in portfolio.

MPF Government MBS: PFIs sell closed fixed-rate mortgage loans that are insured or guaranteed by U.S. government agencies to the FHLB of Chicago, which issues securities backed by pools of these mortgages that are sold to private investors and guaranteed by Ginnie Mae.

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[15] See *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), https://fdic.gov/mortgagelending for a complete list of loan products.

[16] Actual/actual is a remittance type that requires the servicer to remit only the actual amount of principal and interest collected from the borrower. By contrast, scheduled/scheduled remittances require the servicer to remit the scheduled principal and interest due whether or not payments are collected from borrowers.

[17] See http://www.federalreserve.gov/bankinforeg/basel/USImplementation.htm.

REGION	CREDIT ENHANCED			NON-CREDIT ENHANCED			
	MPF Original	MPF 125	MPF 35	MPF Xtra	MPF Direct	MPF Government	MPF Government MBS
Atlanta				●	●		●
Boston	●		●	●	●	●	●
Chicago	●	●	●	●	●	●	●
Dallas	●	●	●	●			
Des Moines	●	●	●	●	●	●	●
New York	●	●					
Pittsburgh	●		●	●	●	●	
San Francisco	●			●	●	●	●
Topeka	●	●		●		●	●

PFIs must contact their FHLB to request an application to participate in the MPF Program. An applicant's latest audited financial statements may be requested as part of the application process.

Loan Delivery

Loans are delivered according to the terms of a "master commitment," which is a contract between the participating FHLB and the PFI that provides the terms under which the PFI will deliver mortgages to the FHLB. Master commitments establish the number and dollar amount of mortgages that the PFI estimates it will deliver to the FHLB over a specified time period, the type of remittance used when servicing the loans, and whether the PFI intends to retain or sell the servicing rights. On credit-enhanced products, the master commitment also defines the credit risk allocation between the FHLB and the PFI.

The eMPF is a secure transactional website that PFIs use to execute delivery commitments, obtain rate and fee information, and deliver loans (see Resources).

Servicing Options

Three servicing options are available under the MPF Program:

Servicing retained in-house: The servicing retained in-house option lets PFIs hold the servicing asset and retain ownership over the servicing rights of their MPF loans. PFIs hold full responsibility for investor and regulatory servicing compliance on the loans. Servicing the loans in-house helps PFIs to retain their customer relationships, as well as the value of the servicing asset and the servicing fee income earned.

Servicing retained sub-servicing: The servicing retained sub-servicing option lets the PFI retain ownership and control of the servicing asset and receive some servicing fee income while contracting with an approved sub-servicer to carry out specific servicing duties. The fees paid to the sub-servicer will vary depending on the level of services agreed to by both parties. Sub-servicing lets PFIs retain the value of the servicing asset, including the net fee income beyond that paid to the sub-servicer. Although the sub-servicer will be responsible for carrying out some or all of the required servicing duties, as the owner of the servicing asset, the PFIs will still hold full responsibility for investor and regulatory servicing compliance on the loans.

Servicing released: The servicing released option lets the PFI sell the servicing rights to the loans originated under the MPF Program concurrent to the sale of the mortgage loan. The servicing released option relieves PFIs from all servicing ownership rights and responsibilities.

Training

MPF University is a free education website dedicated to providing instructions and guidance on all aspects of the MPF Program. In addition, the MPF University offers frequent training webinars on a variety of topics including underwriting, loan delivery, and loan delinquency management. The FHLB of Chicago usually conducts this training (see Resources).

Quality Control and Reporting

In-house quality control program: Each PFI must maintain a quality control program for the mortgages it originates and services under the MPF Program. The PFI's program must ensure that mortgages conform to the MPF Program's policies, are of a quality acceptable to the FHLB and other institutional investors, and comply with insurer and guarantor requirements. The quality control process must be independent of the PFI's mortgage origination, processing, and underwriting processes.

MPF staff quality control file reviews: The FHLB staff will select a sample of delivered loans and perform post-funding quality control reviews to verify that each loan selected meets the definition of investment quality and conforms to the FHLB's guidelines, policies, and PFI representations and warranties[18] as described in the PFI Agreement.

After the quality control review is complete, the PFI is notified in writing of those mortgages found to be deficient. The FHLB, at its sole discretion, may require purchase or repurchase by the PFI of a deficient mortgage in accordance with the MPF Guides (see Resources).

[18] Representations and warranties are claims that the seller makes in a purchase and sales agreement about the nature of the loan and which in turn form the basis for due diligence. If lenders are found to violate representations and warranties, secondary market entities may force the lender to repurchase the loan or may refuse insurance or guarantee claims.

Potential Benefits

- The Mortgage Partnership Finance Program provides PFIs with the ability to sell conventional and/or government mortgage loans and transfer liquidity risk, interest-rate risk, and prepayment risk to the FHLBs.
- The MPF Program helps PFIs to share (credit enhanced products) or transfer the credit risk (non-credit enhanced products) of the loans with/to their FHLB.
- For certain products, the PFI can either retain or sell servicing rights.

Potential Challenges

- On credit-enhanced products, the PFI retains the representations and warranties' risk for origination.

RESOURCES

Product parameters are subject to change. See individual FHLB summaries to contact your Federal Home Loan Bank.

Mortgage Partnership Finance Program
https://www.fhlbmpf.com/Pages/default.aspx

eMPF Website (ID/Password required)
https://www.fhlb-mpf.com/eMPF/Logon.aspx?ReturnUrl=/empf

eMPF PFI User Manual
https://www.fhlbmpf.com/Shared%20Documents/eMPFUserManual.pdf

MPF Program Guides (you will need to provide contact information)
https://www.fhlbmpf.com

MPF Webinar Education Calendar
https://www.fhlbmpf.com/EDUCATION/Pages/MPF-Webinar-Calendar.aspx

MPF University
https://pemadmin.elliemae.cloud/fhlbc/

Credit Enhanced Products

OVERVIEW

Credit enhanced products require PFIs to share in the credit risk of the loans sold under the MPF Program. In return for holding a portion of the credit risk, the PFIs are paid credit enhancement fees, which provide an economic incentive to PFIs to retain credit risk on high quality loans. MPF credit enhanced products vary by the amount of credit enhancement fee income paid to the PFI and whether or not that credit enhancement fee is impacted by loan performance, as well as the amount and structure of the shared credit-risk arrangement between the PFI and the FHLB. Generally, higher levels of credit risk assumed by the PFI equates to higher credit enhancement fees paid to the PFI. Depending on a PFI's risk tolerance and collateral needs, one product may provide greater benefit over another. While the MPF Program offers three distinct credit enhanced products, each financial institution should carefully review the impact of the income stream associated with the product as well as the credit enhancement obligations and assess the risks and benefits.

The risk-sharing structures on all three MPF credit enhanced products are multi-layered. After accounting for any principal the borrower has paid down on the loan, loan losses are paid first from any existing primary mortgage insurance policy on the property. Mortgage insurance is required on all MPF transactions with loan-to-values greater than 80 percent. Any remaining losses are divided between the FHLB and the PFI. The amount of risk assumed by the FHLB and the PFI varies by product. The first layer of losses is absorbed by the FHLBs' "first loss account." The second layer of losses, called the "credit enhancement obligation," is paid by the PFI. Any losses incurred beyond the credit enhancement obligation are absorbed by the FHLB.

The credit enhancement obligation is calculated so that the total credit enhancement amount plus the first loss account is sufficient to bring the total loss reserves for the master commitment to achieve an Acquired Member Assets (AMA) investment grade.[19] Over time, this credit enhancement obligation is recalculated. If the newly calculated credit enhancement obligation is lower than the remaining obligation, the PFI's credit enhancement obligation is reset to the new, lower level.

The credit enhancement fees paid to the PFI vary by loan product and by the total size of the MPF delivery contract.

FHLBs provide three MPF credit-enhanced secondary market products, MPF Original, MPF 125, and MPF 35.

MPF Original: Secondary market fixed-rate conventional mortgage product purchased by the FHLB and held on its balance sheet. Credit risk is shared between the FHLB and the PFI. For sharing the risk, PFIs are usually paid a fixed monthly credit enhancement fee, typically 10 basis points. Credit enhancement fee income is not impacted by loan performance. The first loss account starts at zero and builds at 4 basis points of outstanding balance each year. Servicing released or retained options are available.

[19] The FHFA has issued, "Acquired Member Assets (AMA) Final Rule For Federal Home Loan Bank Investments" that makes certain changes to the AMA programs. To comply with Dodd-Frank Act mandates that generally bar regulatory agencies from incorporating NRSRO credit-rating requirements into regulations, the FHLBs are now required to determine and document that AMA assets are enhanced at least to an "AMA investment grade," which is a determination made by each FHLB based on documented analysis that includes consideration of applicable insurance, credit enhancements, and other sources for repayment on the assets. The FHLB must now determine the total credit enhancement obligation no later than 30 calendar days after the FHLB completes the purchase of an AMA asset. The final rule can be found at Federal Register 81 FR 91674 or https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Acquired-Member-Assets-Final-Rule.aspx

MPF 125: Secondary market fixed-rate conventional mortgage product purchased by an FHLB and held on its balance sheet. Credit risk is shared between the FHLB and the PFI. For sharing the risk, PFIs are paid between 6 basis points to 9 basis points credit enhancement fee monthly. Credit enhancement fee income is impacted by loan performance. The first loss account is set at the time of delivery at 100 basis points of all loans delivered. Servicing released or retained options are available.

MPF 35: Secondary market fixed-rate conventional mortgage product purchased by an FHLB and held on its balance sheet. Credit risk is shared between the FHLB and the PFI. For sharing the risk, PFIs are paid between 9 basis points to 12 basis points credit enhancement fee monthly. Credit enhancement fee income is impacted by loan performance. The first loss account is set at the time of delivery at 35 basis points of all loans delivered. Servicing released or retained options are available.

MPF CREDIT ENHANCED PRODUCT COMPARISON

	Credit Enhancement Fee Amount	Credit Enhancement Fee impacted by loan performance	FHLB First Loss Account	PFI Credit Enhancement Obligation	Servicing Options	Servicing Income
MPF Original	10 basis points	No	Starts at zero, builds at 4 basis points each year calculated on the outstanding principal balance	AMA investment grade	Retained or released	25 basis points, if retained
MPF 125	6-9 basis points	Yes	Fixed at 100 basis points of all loans sold under the master commitment	AMA investment grade less 100 basis points first loss account, minimum 25 basis points	Retained or released	25 basis points, if retained
MPF 35	9-12 basis points	Yes	Fixed at 35 basis points of all loans sold under the master commitment	AMA investment grade less 35 basis points first loss account	Retained or released	25 basis points, if retained

MPF Original

The MPF Original is a secondary market shared credit, fixed-rate conventional mortgage product purchased by the FHLB where the FHLB's share of losses begins at zero and builds to 4 basis points of the outstanding balance each year. A fixed credit enhancement fee of 10 basis points is usually paid monthly to the PFI.

BACKGROUND AND PURPOSE

MPF Original offers PFIs the ability to originate and sell closed, fixed-rate, residential mortgage loans and receive monthly credit enhancement fee income. Participating FHLBs purchase MPF Original loans and hold them on balance sheet. The FHLB manages the liquidity, interest rate, and prepayment risks of the loans while the credit risk is shared between the PFI and the FHLB.

The risk-sharing structure is multi-layered. After accounting for any principal the borrower has paid down on the loan, loan losses are paid first from any existing mortgage insurance policy on the property. Any remaining losses are divided between the FHLB and the PFI. The first layer of losses is absorbed by the FHLBs' "first loss account."

PFIs are paid a fixed monthly credit enhancement fee of 10 basis points. Credit enhancement fee income is fixed and is not impacted by loan losses. Servicing released or retained options are available. The illustration below shows the distribution of income and loss for PFIs on the MPF Original product.

MPF ORIGINAL RISK-SHARING STRUCTURE

INCOME	
PFI credit enhancement income	10 basis points fixed fee on outstanding principal balance
Servicing income	25 basis points servicing fee (if servicing retained)
LOSSES	
	Borrower principal paid
	Private mortgage insurance
First layer paid by FHLB	First loss account starts at zero; builds at 4 basis points each year, which is calculated and accrued monthly on the outstanding principal balance
Second layer paid by PFI	PFI credit enhancement obligation established in the master commitment
Remaining losses paid by FHLB	FHLB (remainder of losses)

Credit risk-sharing structure: Losses over and above those covered by the principal paid by the borrower and any applicable mortgage insurance on loans with an original loan-to-value ratio greater than 80 percent are allocated as follows:

FHLB first loss account: The first loss account is the first layer of loss protection for all MPF Original loans. The first loss account starts at zero and builds over time. It is calculated and accrued monthly at a rate of 4 basis points on the outstanding principal balance of the loans in a master commitment. The FHLB will absorb realized losses on mortgages covered in the master commitment up to the balance of the first loss account.

PFI credit enhancement obligation: The credit enhancement obligation is the second layer of loss protection for all MPF Original loans. Only losses up to the credit enhancement obligation are paid by the PFI to bring the total loss reserves to an Acquired Member Assets (AMA) investment grade level. The credit enhancement obligation is recalculated over time. If the newly calculated credit enhancement obligation is lower than the remaining obligation, the PFI's credit enhancement obligation is reset to the new, lower level.

FHLB: Any losses that exceed the first loss account and the credit enhancement obligation under the MPF Original product are absorbed by the FHLB.

Credit enhancement fees: Fixed 10 basis points paid monthly to the PFI on the outstanding principal balance in the master commitment.

Remittance Options: Actual/actual, actual/actual single remittance, or scheduled/scheduled.

Servicing Options: Servicing retained or servicing released options. (See Servicing Options in Overview for a full description.)

Servicing Fee: Set fee of 25 basis points paid monthly to owner of servicing rights.

RESOURCES

Product parameters are subject to change. See individual FHLB summaries to contact your Federal Home Loan Bank.

MPF Original

https://www.fhlbmpf.com/PRODUCTS/Shared%20Documents/MPFOriginal_082715.pdf

POTENTIAL BENEFITS

MPF Original provides the high est potential income of the three credit-enhanced MPF products.

MPF Original provides PFIs with the ability to sell conventional loans and transfer liquidity, inter est rate, and prepayment risk to the FHLBs.

MPF Original lets PFIs share the credit risk of the loans with their FHLB.

The PFI receives a fixed monthly credit enhancement fee.

The PFI can either retain or sell servicing rights.

POTENTIAL CHALLENGES

The PFI retains the represen tations and warranties' risk for origination.

Early defaults are more likely absorbed by the PFI when compared with other credit enhanced products.

Using the FHLB of Pittsburgh's Mortgage Partnership Finance® Program

The FDIC talked with community bankers about their participation in various Federal Home Loan Bank programs. The following is an excerpt from one of these discussions.

A bank representative said that her bank has used the FHLB of Pittsburgh's Mortgage Partnership Finance Program (MPF) for approximately 14 years. "Because we were already a Freddie Mac seller/servicer[20] we only needed training in the areas of accounting, how to handle delinquencies, and guidelines specific to MPF underwriting. We were up and running with the program in just a couple of months, if that."

The bank uses MPF Original, which is a secondary market fixed-rate conventional mortgage product purchased by the FHLB and held on its balance sheet. The credit risk is shared between the FHLB and the bank. For sharing the risk, the bank is paid a fixed monthly credit enhancement fee of 10 basis points. The bank retains the servicing in-house on these loans and reports its mortgage loan activity under the actual/actual remittance structure.

The bank received one-on-one training from the staff at the FHLB of Pittsburgh for underwriting, servicing, and accounting. When asked about what a bank interested in MPF should know about the program, the representative said that a new user to MPF should have little or no issues if they are familiar with secondary market lending. MPF is much easier and less complex than Fannie Mae or Freddie Mac. However, if a bank has no experience with secondary market lending, it would have to bring staff up to speed on the underwriting guidelines. She said that a loan origination system is a must and the availability of an automated underwriting system is required. "We outsource the post-closing quality control auditing of our MPF loans. There is a pre-closing quality control checklist that is required on 10 percent of our MPF loans that adds an additional step to the process but it is not difficult to do. We have a 'first loss position' with MPF so we retain some of the credit risk on the loans. There is also a stock purchase requirement that could pose an issue for some."[21]

The representative stated that because there are no loan level pricing adjustments, the MPF Program makes it easier to quote pricing and the pricing is competitive. "We are able to contact our local Federal Home Loan Bank for guidance when necessary for underwriting questions." She went on to say that the underwriting is very similar to Freddie Mac's underwriting. The bank submits each loan through Freddie Mac's automated underwriting system, Loan Prospector®, which provides a "feedback message" with specific guidelines. The local FHLB staff provides underwriting support when needed.

Participation requirements may very. See individual FHLB summaries for contact information.

[20] See *Affordable Mortgage Lending Guide: Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), https://fdic.gov/mortgagelending for more information on Freddie Mac and its products and requirements.

[21] Not all FHLBs require an additional stock purchase for participation. See individual FHLB summaries to contact your Federal Home Loan Bank for more information.

Visit FDIC's Affordable Mortgage Lending Center at

https://fdic.gov/mortgagelending

MPF 125

MPF 125 is a secondary market shared credit risk, fixed-rate conventional mortgage product purchased by the FHLB where the FHLB's share of losses is fixed at 100 basis points. Depending on the total dollar volume of the loans covered in the MPF agreement, a credit enhancement fee of 6 basis points to 9 basis points is paid monthly to the PFI.

BACKGROUND AND PURPOSE

MPF 125 offers PFIs the ability to originate and sell closed, fixed-rate, residential mortgage loans and receive monthly credit enhancement fee income. Participating FHLBs purchase MPF 125 loans and hold them on balance sheet. The FHLB manages the liquidity, interest rate, and prepayment risks of the loans while the credit risk is shared between the PFI and the FHLB.

The risk-sharing structure is multi-layered. The number "125" in the product name refers to the combined total amount of basis points set aside for losses by the PFI and the FHLB.

After accounting for any principal the borrower has paid down on the loan, loan losses are paid first from any existing mortgage insurance policy on the property. Any remaining losses are divided between the FHLB and the PFI.

PFIs are paid a credit enhancement fee on the outstanding principal balance of the master commitment. However, when loan losses occur, credit enhancement fees are redirected to the FHLB until the first loss account is brought back to the maximum amount of 100 basis points. Servicing released or retained options are available on the MPF 125. The illustration below shows the distribution of income and loss for PFIs on the MPF 125 product.

MPF 125 RISK-SHARING STRUCTURE

INCOME	
PFI credit enhancement income	6 to 9 basis points fee paid monthly on outstanding principal balance
Servicing income	25 basis points servicing fee (if servicing retained)
LOSSES	
	Borrower principal paid
	Private mortgage insurance
First layer paid by FHLB	First loss account is 100 basis points of all loans sold under the master commitment
Second layer paid by PFI	PFI credit enhancement obligation established in the master commitment, less 25 basis points (including first loss account)
Remaining losses paid by FHLB	FHLB (remainder of losses)

Credit risk-sharing structure: The following allocation of loss applies after any principal the borrower has paid down on the loan and any applicable mortgage insurance on loans with an original loan-to-value ratio greater than 80 percent:

FHLB first loss account: The first loss account is the first layer of loss protection for all MPF 125 loans. The amount of the first loss account is equal to 100 basis points of the funded amount of all the loans in a master commitment. The FHLB will absorb realized losses for mortgages in the master commitment up to the balance of the first loss account.

PFI credit enhancement obligation: The credit enhancement obligation is the second layer of loss protection for all MPF 125 loans. Only losses up to the credit enhancement obligation are paid by the PFI to bring the total loss reserves to an Aquired Member Assets (AMA) investment grade level, minus 100 basis points. The minimum amount of a PFI's credit enhancement obligation is 25 basis points of the funded amount of all the loans in a master commitment.

The credit enhancement obligation is recalculated over time. If the newly calculated credit enhancement obligation is lower than the remaining obligation, the PFI's credit enhancement obligation is reset to the new, lower level.

FHLB: Any losses that exceed the first loss account and the credit enhancement obligation under the MPF 125 product are absorbed by the FHLB.

Credit enhancement fees: 6 basis points (9 basis points for a master commitment over $15 million) are paid monthly on the outstanding principal balance of the master commitment to the PFI. When a loss occurs, credit enhancement fees are recaptured until the first loss account is made whole.

Remittance Options: Actual/actual, actual/actual single remittance, or scheduled/scheduled.

Servicing Options: Servicing retained or servicing released options. (See Servicing Options in Overview for a full description.)

Servicing Fee: 25 basis points paid monthly.

RESOURCES

Product parameters are subject to change. See individual FHLB summaries to contact your Federal Home Loan Bank.

MPF 125

https://www.fhlbmpf.com/Shared%20Documents/MPF125_PROVIDER_6_2015FIN.pdf

POTENTIAL BENEFITS

MPF 125 provides PFIs with the ability to sell conventional loans and transfer liquidity, interest rate, and prepayment risk to the FHLBs.

MPF 125 lets PFIs share the credit risk of the loans with their FHLB.

The PFI receives a monthly credit enhancement fee income.

The PFI can either retain or sell servicing rights.

The FHLB risk obligation is fixed at delivery.

POTENTIAL CHALLENGES

PFI retains the representa tions and warranties' risk for origination.

Credit enhancement fee income is reduced when loan losses occur.

MPF 35

The MPF 35 is a secondary market shared credit risk, fixed-rate conventional mortgage product purchased by the FHLB where the FHLB share of losses is fixed at 35 basis points. Depending upon the size of the loans, a credit enhancement fee of 9 basis points to 12 basis points is paid monthly to the PFI.

BACKGROUND AND PURPOSE

MPF 35 offers PFIs the ability to originate and sell closed, fixed-rate, residential mortgage loans and receive monthly credit enhancement fee income for sharing the credit risk with the FHLB. Participating FHLBs purchase MPF 35 loans and hold them on balance sheet. The FHLB manages the liquidity, interest rate, and prepayment risks of the loans while the credit risk is shared between the PFI and the FHLB.

The risk-sharing structure is multi-layered. The number "35" in the product name refers to the total amount of basis points set aside for losses by the FHLB.

After accounting for any principal the borrower has paid down on the loan, loan losses are paid first from any existing private mortgage insurance policy on the property. Any remaining losses are divided between the FHLB and the PFI.

PFIs are paid a credit enhancement fee on the outstanding principal balance of the master commitment. However, when loan losses occur, credit enhancement fees are redirected to the FHLB until the first loss account is brought back to the maximum amount of 35 basis points. Servicing released or retained options are available on the MPF 35. The illustration below shows the distribution of income and loss for PFIs on the MPF 35 product.

MPF 35 RISK-SHARING STRUCTURE

INCOME	
PFI credit enhancement income	9 to 12 basis points fee paid monthly on outstanding principal balance
Servicing income	25 basis points servicing fee (if servicing retained)
LOSSES	
	Borrower principal paid
	Private mortgage insurance
First layer paid by FHLB	First loss account is 35 basis points of all loans sold under the master commitment
Second layer paid by PFI	PFI credit enhancement obligation established in the master commitment; less 35 basis points (including first loss account)
Remaining losses paid by FHLB	FHLB (remainder of losses)

Credit risk-sharing structure: The following allocation of loss applies after borrower equity and any applicable mortgage insurance on loans with an original loan-to-value ratio greater than 80 percent:

FHLB first loss account: The first loss account is the first layer of loss protection for all MPF 35 loans. The amount of the first loss account is typically equal to 35 basis points of the funded amount of all the loans in a master commitment. The FHLB will absorb realized losses for mortgages in the master commitment up to the balance of the first loss account.

PFI credit enhancement obligation: The credit enhancement obligation is the second layer of loss protection for all MPF 35 loans. Only losses up to the credit enhancement obligation are paid by the PFI until the first loss account is made whole. The credit enhancement obligation is calculated in an amount needed to bring the total loss reserves for that master commitment to an Acquired Member Assets (AMA) investment grade, minus the total first loss account.

Over time, the credit enhancement obligation is recalculated. If the newly calculated credit enhancement obligation is lower than the remaining obligation, the PFI's credit enhancement obligation is reset to the new lower level.

FHLB: Any losses that exceed the first loss account and the credit enhancement obligation under the MPF 35 product are absorbed by the FHLB.

Credit enhancement fees: 9 basis points (12 basis points for a master commitment over $15 million) are paid monthly on the outstanding principal balance of the master commitment. Credit enhancement fees are reduced to reflect performance of the loans by deducting an amount equivalent to the realized losses of the master commitment, up to the maximum of the first loss account.

Remittance Options: Actual/actual (remit only the actual amount of principal and interest collected from borrower), actual/actual single remittance, or scheduled/scheduled (remit the scheduled principal and interest due whether or not payments are collected from borrowers).

Servicing Options: Servicing retained or servicing released options. (See Servicing Options in Overview for a full description.)

Servicing Fee: 25 basis points paid monthly.

RESOURCES

Product parameters are subject to change. See individual FHLB summaries to contact your Federal Home Loan Bank.

MPF 35

https://www.fhlbmpf.com/PRODUCTS/Shared%20Documents/FHLBanks%20National%2035%20Term%20Sheet2016.pdf

POTENTIAL BENEFITS

MPF 35 provides PFIs with the ability to sell conventional loans and transfer liquidity, interest rate, and prepayment risk to the FHLBs.

MPF 35 lets PFIs share the credit risk of the loans with their FHLB.

The PFI receives a monthly credit enhancement fee income.

The PFI can either retain or sell servicing rights.

POTENTIAL CHALLENGES

PFI retains the representa tions and warranties' risk for origination.

Credit enhancement fee income is reduced when loan losses occur.

Non-Credit Enhanced Products

OVERVIEW

Non-credit enhanced Mortgage Partnership Finance Program (MPF) products help PFIs deliver Fannie Mae eligible loans and other government loans[22] — such as loans insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture's Rural Development (RD), the U.S. Department of Housing and Urban Development (HUD) Section 184 program, and HUD jumbo loans — into the secondary market. Unlike credit enhanced products that require PFIs to retain a portion of the credit risk, non-credit enhanced products are more similar in nature to a traditional secondary market sale. They let PFIs sell conventional and government loan products to their FHLB, but standard representations and warranties[23] still apply. This can be an attractive delivery option for those lenders interested in originating Fannie Mae or government loans, but without the internal infrastructure required to deliver the loans directly to those agencies.

Depending upon the specific product, the FHLB either acts as an aggregator or issuer on non-credit enhanced loans and delivers them to Fannie Mae or other third-party investors such as Redwood Trust, or the FHLB holds the loans in its portfolio. Regardless of where the loans are held, the relevant government agency provides the credit insurance on the loans.

There are no monthly credit enhancement fees paid, and servicing options vary by product type on non-credit enhanced products. This Guide covers the following MPF non-credit enhanced products:

MPF Xtra: Secondary market fixed-rate, Fannie Mae mortgage products with no credit retention to PFIs. The FHLB of Chicago purchases Fannie Mae eligible mortgage loans from the PFI and sells the loans to Fannie Mae. The credit risk associated with the loans is assumed by Fannie Mae. MPF Xtra offers PFIs the benefits of a secondary market delivery with no credit risk retained. Servicing retained and servicing released options are available.

MPF Direct: Secondary market jumbo mortgage product with no credit retention to the PFI. The FHLB of Chicago purchases jumbo loans from the PFI and sell the loans to Redwood Trust, a real estate trust and jumbo loan investor. The credit risk associated with the loans under the MPF Direct product is transferred to Redwood Trust. PFIs must be specifically approved to sell MPF Direct loans through their local FHLB by both the FHLB of Chicago and Redwood Trust. Servicing released only.

MPF Government: Secondary market fixed-rate, government-insured mortgage products including FHA, VA, RD Section 502, and HUD 184 loans with no credit risk retention to the PFI. The FHLB purchases MPF Government loans and holds them in portfolio. The credit risk associated with the loans is covered by the government agency that insures or guarantees the loan. Servicing retained and servicing released options are available.

MPF Government MBS: Secondary market fixed-rate, government-insured mortgage products including FHA, VA, USDA RD, and HUD closed loans with no credit risk retention to the PFI. The FHLB acts as an issuer, pooling these loans, and issuing Ginnie Mae-backed securities that are backed by the pools and sold to private investors. The credit risk associated

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[22] See *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), https://fdic.gov/mortgagelending for a complete list of loan products.

[23] Representations and warranties are claims that the seller makes in a purchase and sales agreement about the nature of the loan and which in turn form the basis for due diligence. If lenders are found to violate representations and warranties, secondary market entities may force the lender to repurchase the loan or may refuse insurance or guarantee claims.

with the loans themselves is covered by the insuring government agency while Ginnie Mae guarantees payments to the investors, thus removing any credit risk to the investors. PFIs must be approved by the applicable government agency to originate and service loans. Servicing retained and servicing released options are available.

NON-CREDIT ENHANCED

	LOAN TYPE	LOAN TERMS	INVESTOR	SERVICING OPTIONS
MPF Xtra	Fixed rate Fannie Mae products	conforming, loan to value up to 97%	Fannie Mae	Retain or release servicing rights
MPF Direct	Jumbo	up to 90% loan to value, up to $2.5 million	Redwood Trust	Servicing released only
MPF Government	FHA, VA, USDA RD 502, HUD 184	determined by government program guidelines	FHLB	Retain or release servicing rights
MPF Government MBS	FHA, VA, USDA RD, HUD	determined by government program guidelines	Ginnie Mae Investors	Retain or release servicing rights

MPF Xtra

The MPF Xtra product lets PFIs originate and sell fixed-rate Fannie Mae mortgage products with no credit retention.

BACKGROUND AND PURPOSE

MPF Xtra offers PFIs the ability to originate and sell closed, fixed-rate, Fannie Mae[24] eligible mortgage loans with no credit risk retention although standard representations and warranties[25] still apply. Under MPF Xtra, the FHLB of Chicago operates as an aggregator for PFIs to sell loans to Fannie Mae. The credit risk associated with the loans under the MPF Xtra product is assumed by Fannie Mae. Through MPF Xtra, PFIs can take advantage of the benefits of secondary market liquidity without becoming a direct Fannie Mae seller/servicer.

Eight of the 11 FHLBs offer the MPF Xtra product to their PFIs, and the Federal Home Loan Bank of Chicago acts as the administrator of the program and as the official Fannie Mae seller/servicer. As the seller/servicer, the FHLB of Chicago assumes the representations and warranties (reps and warrants) to Fannie Mae on loans sold through MPF Xtra. However, PFIs are required to retain the customary reps and warrants to the FHLB for originations sold through MPF Xtra. PFIs are provided access to Fannie Mae's Desktop Underwriter® risk assessment platform and can use either automated or manual underwriting processes.

Loan Types: Most fixed-rate Fannie Mae products including HomeReady® and cash-out refinances of existing Fannie Mae mortgages are eligible. Loan-to-values up to 97 percent are allowed.

Loan Delivery: After obtaining a master commitment from the FHLB, the PFI will contact the MPF Xtra Service Center to obtain indicative pricing,[26] enter into mandatory delivery commitments, and lock in the final price for the loans to be sold under an MPF Xtra master commitment. PFIs will submit loan information and funding requests using the eMPF website. The eMPF website is a secure, transactional resource that PFIs can use to obtain credit enhancement determinations, execute delivery commitments, and deliver loans (see Resources).

There is a "best efforts" option for individual loan delivery with no pair-off fees for non-delivery.[27] Under a best efforts delivery commitment, PFIs can lock in specific pricing for loans they expect to deliver within a specific time frame. PFIs will not be charged for loans that do not close.

Underwriting: Loans can be underwritten manually or though Fannie Mae's Desktop Underwriter®.

Servicing Options: Servicing retained or servicing released options. (See Servicing Options in Overview for a full description.)

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[24] See *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), https://fdic.gov/mortgagelending for a complete list of loan products.

[25] Representations and warranties are claims that the seller makes in a purchase and sales agreement about the nature of the loan and which in turn form the basis for due diligence. If lenders are found to violate representations and warranties, secondary market entities may force the lender to repurchase the loan or may refuse insurance or guarantee claims.

[26] This is the preliminary estimate for the price of loans to be sold under the MPF Xtra master agreement. It is not binding and may be subject to change.

[27] Typically, Fannie Mae pair off fees are paid when a lender is unable to meet the terms of a delivery commitment. In the case of the best efforts option used for the MPF Xtra product, PFIs estimate the loan volume they will deliver under a specified contract but are not charged if they are unable to deliver the full commitment.

Servicing Fee: 25 basis points paid monthly, if servicing is retained.

Credit risk-sharing structure: Not applicable.

Other fees: Loans are subject to Fannie Mae Loan Level Price Adjustments[28] (LLPAs) and Investor Price Adjustments (IPAs). Pricing adjustments are assessed on an individual loan level and based upon loan features such as credit score and loan-to-value ratios.

RESOURCES

Product parameters are subject to change. See individual FHLB summaries to contact your Federal Home Loan Bank.

MPF Xtra
https://www.fhlbmpf.com/Shared%20Documents/MPFXtra_Provider.pdf

eMPF Website (ID/Password required)
https://www.fhlb-mpf.com/eMPF/Logon.aspx?ReturnUrl=/empf

eMPF PFI User Manual
https://www.fhlbmpf.com/Shared%20Documents/eMPFUserManual.pdf

POTENTIAL BENEFITS

MPF Xtra offers PFIs the ability to originate Fannie Mae eligible loans and transfer liquidity, prepayment, interest, and credit risk while avoiding the financial and operational requirements associated with becoming a direct Fannie Mae seller/servicer.

PFIs can obtain access to Desktop Underwriter® and Collateral Underwriter®, Fannie Mae's online credit and appraisal underwriting systems, at no cost.

The PFI can either retain or sell servicing rights.

POTENTIAL CHALLENGES

PFI retains the representa tions and warranties' risk for origination.

The PFIs must become familiar with Fannie Mae product under writing standards.

[28] For more information, see Fannie Mae Loan Level Price Adjustment Matrix at https://www.fanniemae.com/content/pricing/llpa-matrix.pdf

MPF Direct

The MPF Direct product helps PFIs originate and sell jumbo loans with no credit retention.

BACKGROUND AND PURPOSE

MPF Direct offers PFIs the ability to originate and sell jumbo loans up to $2.5 million, with no credit risk retention. Under MPF Direct, the FHLB of Chicago purchases jumbo loans from the PFI and sell the loans to Redwood Trust, a real estate trust and jumbo loan investor. PFIs must be specifically approved to sell MPF Direct loans through their local FHLB. In addition, the PFI must be approved by Redwood Trust for this product. Although the credit risk associated with the loans under MPF Direct is transferred to Redwood Trust, PFIs are required to retain the representations and warranties for origination required by the FHLB on loans sold through MPF Direct. There is no credit enhancement obligation for the PFI and credit enhancement fees are not paid.

Loan Types: Jumbo loans up to $2.5 million. Loan-to-values up to 90 percent.

Loan Delivery: Loans are committed prior to closing. The PFI obtains a master commitment from the FHLB. The PFI submits loan data, locks in the rate, loan documents, and notifies the PFI of all MPF loans in the system pending funding through the eMPF Direct Portal website. Indicative pricing is sent to the PFI daily.

Underwriting: Loans must be manually underwritten.

Servicing Options: Servicing released only.

Servicing Fee: Not applicable.

Credit risk-sharing structure: Not applicable.

Other fees: None.

Potential Benefits

- MPF Direct offers PFIs the ability to originate jumbo loan products and transfer liquidity, prepayment, and credit risk to investors.
- The PFI must sell servicing rights.

Potential Challenges

- PFI retains the representations and warranties' risk for origination required by the FHLB.
- The PFI must be specifically approved to deliver the MPF Direct product.

RESOURCES

Product parameters are subject to change. See individual FHLB summaries to contact your Federal Home Loan Bank.

MPF Contact Information
https://www.fhlbmpf.com/Pages/ContactUs.aspx

MPF Direct
https://www.fhlbmpf.com/Shared%20Documents/FHLBNational%20MPF%20Direct%20Term%20SheetD2%20070915%20FINAL.pdf

eMPF Direct Portal Website (ID/Password required)
https://www.fhlb-mpf.com/eMPF/Logon.aspx?ReturnUrl=/empf

eMPF PFI User Manual
https://www.fhlbmpf.com/Shared%20Documents/eMPFUserManual.pdf

MPF Government

The MPF Government product helps PFIs originate and sell fixed-rate mortgage products insured or guaranteed by the government including the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture's Rural Development (RD) Section 502, and the U.S. Department of Housing and Urban Development (HUD) 184 loans, with no credit retention.

BACKGROUND AND PURPOSE

MPF Government offers PFIs the ability to originate and sell loans insured or guaranteed by the FHA, VA, USDA's RD Section 502, and HUD 184 loans with no credit risk retention.[29] MPF Government loans are originated and committed to an FHLB master commitment prior to closing. The FHLB purchases MPF Government loans and holds them in portfolio. Although the credit risk associated with the loans is covered by the insuring government agency, PFIs are required to retain the customary representations and warranties for origination required by the FHLB on loans sold through MPF Government. PFIs must be approved by the applicable government agency to originate and service loans.

Loan Types: FHA, VA, RD Section 502, and HUD Section 184.

Loan Delivery: The PFI will obtain a master commitment from the FHLB for government loans the PFI expects to sell, specifying the time period in which it expects to sell the mortgages to the FHLB.

Underwriting: The underwriting requirements of the insuring or guaranteeing government agency apply.

Servicing Options: Servicing retained or servicing released options. (See Servicing Options in Overview for a full description.)

Servicing Fee: 44 basis points paid monthly, if servicing is retained.

Credit risk-sharing structure: Not applicable.

Potential Benefits

- The MPF Government offers PFIs the ability to originate and sell government loan products and transfer liquidity, prepayment, and credit risk to the investors.
- The PFI can either retain or sell servicing rights.

Potential Challenges

- The PFI retains the representations and warranties' risk for origination required by the FHLB.
- The applicable government agency must approve the PFI to originate and service loans (if applicable).

[29] See *Affordable Mortgage Lending Guide, Part I: Federal Agencies and Government Sponsored Enterprises* (Washington, DC: Federal Deposit Insurance Corporation, 2016), https://fdic.gov/mortgagelending for a complete list of loan products.

MPF Government MBS

The MPF Government MBS (mortgage-backed securities) product provides PFIs with the opportunity to sell closed loans insured or guaranteed under the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture's Rural Development (RD), and the U.S. Department of Housing and Urban Development (HUD) loan programs with no credit retention. The FHLB acts as an issuer, pooling these loans and using the pools as collateral for Ginnie Mae mortgage-backed securities.

BACKGROUND AND PURPOSE

Under the MPF Government MBS (mortgage-backed securities) product, the FHLB of Chicago purchases closed loans insured or guaranteed by the FHA, VA, USDA's RD, and HUD loans. The FHLB of Chicago acts as an issuer, pooling loans and using them as collateral for Ginnie Mae mortgage-backed securities. Although the credits risk associated with the loans is covered by the insuring government agency, PFIs are required to retain the customary representations and warranties for origination required by the FHLB on loans sold through MPF Government MBS. PFIs must be approved by the applicable government agency to originate and service loans.

Loan Types: FHA, VA, USDA RD, and HUD.

Loan Delivery: Closed loans only. The PFI obtains a Government MBS master commitment from the FHLB for the dollar amount of Government MBS mortgages the PFI expects to sell, specifying the time period in which it expects to sell them to the FHLB.

Underwriting: The underwriting requirements of the insuring or guaranteeing government agency apply.

Servicing Options: Servicing retained or released options. (See Servicing Options in Overview for a full description.)

Servicing Fee: The PFI deducts the servicing fee from the monthly interest received from the mortgagor and remits the remaining amount monthly to the FHLB. The monthly servicing fee is based on the note rate.

Credit risk-sharing structure: Not applicable.

Potential Benefits

- The MPF Government MBS offers PFIs the ability to sell closed government loan products and transfer liquidity and prepayment risks.
- The PFI can either retain or sell servicing rights.

Potential Challenges

- PFIs must be approved by the applicable government agency to originate and service loans.
- The PFI retains the representations and warranties' risk for origination required by the FHLB.

Visit FDIC's Affordable Mortgage Lending Center at

https://fdic.gov/mortgagelending

Mortgage Purchase Program

OVERVIEW

The FHLB of Cincinnati and the FHLB of Indianapolis each offer a Mortgage Purchase Program (MPP). The program provides an alternative to the traditional secondary mortgage market.

By selling mortgage loans to MPP, members can increase their balance sheet liquidity and minimize the risks associated with holding fixed-rate mortgages in portfolio. The FHLB holds the liquidity, interest rate, and prepayment risks of the loans it purchases from a member. All mortgage loans purchased from members through the MPP are maintained on the FHLB's balance sheet.

The FHLB mitigates its program credit risk exposure through underwriting and pool composition requirements and through the establishment of the Lender Risk Account (LRA) credit enhancement, which is a reserve account for potential loan losses. Along with a competitive cash price, the purchase transaction on conventional loans include a set aside of funds into the LRA. LRA funds act as a first loss account against possible loan losses. LRA balances not used to offset losses are returned to the member in accordance with a predetermined schedule. When loans perform as expected, member banks receive additional future cash flow.

A COMMUNITY BANKER CONVERSATION

Using the FHLB of Indianapolis' Mortgage Purchase Program

The FDIC talked with community bankers about their participation in various Federal Home Loan Bank programs. The following is an excerpt from one of these discussions.

A banker from the Midwest discussed participating in the Federal Home Loan Bank of Indianapolis' Mortgage Purchase Program (MPP). According to the bank's representative, the bank's MPP volume began to increase significantly in 2008. As interest rates dropped, the bank, which has seven branches, saw an opportunity with the MPP program to reduce its long-term interest rate risk on some of its portfolio loans and simultaneously help its customers refinance into lower rates. Since that time, the MPP program has helped the bank reach a wider customer base, including more low- and moderate-income borrowers with both purchase and refinance transactions, averaging 150 loans per year.

In addition to reducing the interest rate risk and providing the bank with the ability to sell more loans into the secondary market, the MPP also provides substantial fee income for the bank, including up-front fees of one to two percentage points of the total loan amount delivered, as well as 25 basis points in monthly servicing fees. A portion of the up-front fees is paid into a Lender Risk Account (LRA), which is a reserve account for potential loan losses held by the FHLB of Indianapolis. Over time, if the loans perform as expected, funds from the LRA are distributed back to the bank, thereby rewarding the delivery of high-quality loans with an additional future income stream.

Products

Conventional: Secondary market, fixed-rate, fully amortizing loans of conforming balances.

Servicing Options

Members have the option of retaining the servicing or selling the servicing rights to the MPP approved Servicing Released Servicer.

Remittance Options

When retaining the servicing, members may choose to remit principal and interest payments on an Actual/Actual or Scheduled/Scheduled basis.

Loan Commitments

Members sell loans to the FHLB through Mandatory Delivery Commitments. Pair off fees may apply if commitments cannot be delivered.

FHA: Secondary market, fixed rate, fully amortizing loans of conforming balances that are fully insured by Federal Housing Administration.

MPP Participation Eligibility

Approved members of the FHLB of Cincinnati and the FHLB of Indianapolis are eligible to participate in their FHLB's Mortgage Purchase Program.

Applicants are required to be in a sound financial condition and have the ability to originate and service (if servicing retained) to secondary market standards. Approved members are required to maintain a quality control program that conforms to secondary market standards.

Training

Upon approval of participation into the program, FHLBs provide training for use on the Loan Acquisition System, the MPP intranet-based selling platform. MPP conferences and additional training opportunities are offered.

RESOURCES

FHLB Indianapolis
Website: https://www.fhlbi.com
Email: memberservices@fhlbi.com
Phone: 800-442-2568

FHLB Cincinnati
Website: https://www.fhlbcin.com
Email: info@fhlbcin.com **Phone:**
866-677-3452

POTENTIAL BENEFITS

Participation in the Mortgage Purchase Program provides members with the ability to sell conventional and/or government mortgage loans and transfer liquidity risk, interest-rate risk, and prepayment risk to the FHLBs.

The program allows members to share the credit risk with its Federal Home Loan Bank.

The member can either retain or sell servicing rights.

POTENTIAL CHALLENGES

The member retains the repre sentations and warranties' risk for origination.

Programs beyond the Scope of this Guide

As private entities with a mission of providing liquidity for their members' lending and community development activities, many FHLBs have expanded into products unrelated to residential mortgages. They are described briefly below but are not covered in depth in this Guide.

The FHLBs offer discounted advances for economic development purposes through the Economic Development Program, the Community Investment Cash Advance Program, and the Community Investment Program. The Economic Development Program focuses on small business lending and the Community Investment Cash Advance Program focuses on community development activities such as social services, infrastructure, and public facilities projects. Mixed-use projects with a housing component are an allowed use of this program, but few if any of these projects are likely to be owner occupied and the member's financing role is exclusively at the project financing level.

FHLBs also may choose to offer rehabilitation assistance grants to address physical property and accessibility needs for existing homeowners. In the event of a natural disaster, FHLBs typically offer a time-limited package of discounted advances, rehabilitation assistance, and other tools to ensure that members in the affected areas can serve their customers' needs in a time of crisis.

FHLBs also offer "letters of credit" to their members. A letter of credit is a credit instrument that obligates, in this case, the FHLB to make payment to a third party if the member is unable to fulfill its credit obligation. In other words, FHLB letters of credit provide backing for the member to obtain favorable financing terms outside of the FHLB. Letters of credit can be used to help members obtain financing for a variety of uses including government bonds and other government financing.

Finally, FHLBs offer correspondent services. These are different from correspondent services with respect to Fannie Mae and Freddie Mac, where an entity with direct access to the secondary mortgage market acts as an intermediary for entities without that capacity. The Mortgage Purchase Program and the Mortgage Partnership Finance Program offer an equivalent at the FHLBs. In the FHLB context, correspondent services refers to tools that assist in the maintenance of the relationship between the FHLB and the member, including secure internet banking systems, fund transfers, investment accounts, and settlement services.

For additional information about these products and programs, see the individual FHLB summary for contact information.

Visit FDIC's Affordable Mortgage Lending Center at

https://fdic.gov/mortgagelending

FDIC's Community Affairs Program

The FDIC's Community Affairs Program supports the FDIC's mission to promote stability and public confidence in the nation's financial system by encouraging economic inclusion and community development initiatives that broaden access to safe and affordable credit and deposit services from insured depository institutions, particularly for low- and moderate-income (LMI) consumers and small businesses.

To accomplish this work, the FDIC:

- provides information and technical assistance to banks to assist them in responding to the credit and banking needs of the communities they serve, including low- and moderate-income people;
- convenes banks, state and local governments, and community-based organizations to explore resources and promising practices on a variety of topics;
- develops and disseminates financial education tools for all ages to banks, teachers, parents, emerging small businesses, and nonprofit training organizations; and
- supports pilot programs and alliances to expand financial capability and economic inclusion.

For low- and moderate-income consumers and small business owners, access to the mainstream banking system provides an important pathway to economic opportunity. Over time, the establishment of a successful relationship with a depository institution can help manage day-to-day needs and build wealth to achieve future goals.

Broad participation in the mainstream financial system is an essential element in promoting stability and confidence in that system. Banks build trust and confidence through their ongoing work to serve their communities and by offering fair, safe, and affordable services, including for low- and moderate-income people. The FDIC's Community Affairs staff is available to assist financial institutions in developing strategies that are responsive to the credit, service, and investment needs of their communities.

ECONOMIC INCLUSION

The FDIC Community Affairs Program places a priority on addressing five areas of opportunity for economic inclusion. These are:

1. support quality programs and resources for financial education and capability;
2. promote access to and use of safe, affordable, insured deposit accounts;
3. improve household financial resilience by encouraging safe and affordable savings and credit solutions;
4. encourage insured depository institutions to make available prudently underwritten, affordable, and responsible mortgage credit for LMI households; and
5. encourage insured depository institutions and their partners to prudently serve the financial needs of emerging entrepreneurs and small businesses.

FDIC REGIONAL AND AREA OFFICES

Atlanta Regional Office
10 Tenth Street, N.W. Suite 800
Atlanta, GA 30309-3906
Phone: (678)916-2200 (main switchboard)
Phone: (800) 765-3342 (toll-free)
Email: ATLCommunityAffairs@fdic.gov
States Served: Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia

Chicago Regional Office
300 South Riverside Plaza, Suite 1700
Chicago, IL 60606-3447
Phone: (312) 382-6000 (main switchboard)
Phone: (800) 944-5343 (toll-free)
Email: CHICommunityAffairs@fdic.gov
States Served: Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin

Dallas Regional Office
1601 Bryan Street, 35th Floor
Dallas, TX 75201-4586
Phone: (214) 754-0098 (main switchboard)
Phone: (800) 568-9161 (toll-free)
Email: DALCommunityAffairs@fdic.gov
States Served: Colorado, New Mexico, Oklahoma, Texas, Arkansas, Louisiana, Mississippi, Tennessee

Dallas Region – Memphis Area Office
6060 Primacy Parkway, Suite 300
Memphis, TN 38119-5770
Phone: (214) 754-0098 (main switchboard)
Phone: (800) 210-6354 (toll-free)
Email: MEMCommunityAffairs@fdic.gov
States Served: Arkansas, Louisiana, Mississippi, Tennessee

Kansas City Regional Office
1100 Walnut St, Suite 2100
Kansas City, MO 64106
Phone: (816) 234-8000 (main switchboard)
Phone: (800) 209-7459 (toll-free)
Email: KSCommunityAffairs@fdic.gov
States Served: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

New York Regional Office
350 Fifth Avenue, Suite 1200
New York, NY 10118-0110
Phone: (917) 320-2500 (main switchboard)
Phone: (800) 334-9593 (toll-free)
Email: NYCommunityAffairs@fdic.gov
States and Territories Served: Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, Virgin Islands, Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

New York Region – Boston Area Office
15 Braintree Hill Office Park
Braintree, MA 02184-8701
Phone: (781) 794-5500 (main switchboard)
Phone: (866) 728-9953 (toll-free)
Email: BOSCommunityAffairs@fdic.gov
States Served: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

San Francisco Regional Office
25 Jessie Street at Ecker Square, Suite 1800
San Francisco, CA 94105-2780
Phone: (415) 546-0160 (main switchboard)
Phone: (800) 756-3558 (toll-free)
Email: SFCommunityAffairs@fdic.gov
States and Territories Served: Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming

Glossary & Terms

ACRONYMS

AHP: Affordable Housing Program

AMA: Acquired Member Asset (FHLBs)

AMI: Area median income

ARM: Adjustable-rate mortgage

CIP: Community Investment Program

CRA: Community Reinvestment Act

DTI: Debt-to-income ratio

DU: Desktop Underwriter® (Fannie Mae)

FDIC: Federal Deposit Insurance Corporation

FHA: Federal Housing Administration

FHFA: Federal Housing Finance Agency

FHLBs: Federal Home Loan Banks

GSEs: Government-sponsored enterprises (refers to Fannie Mae and Freddie Mac)

HUD: U.S. Department of Housing and Urban Development

IDA: Individual development account

LMI: Low- and moderate-income

LLPA: Loan-level price adjustment

LTV: Loan to value

MBS: Mortgage-backed security

MPF: Mortgage Partnership Finance® Program

MPP: Mortgage Purchase Program

PFIs: Participating Financial Institutions (FHLBs)

PMI: Private mortgage insurance

USDA: U.S. Department of Agriculture

VA: U.S. Department of Veterans Affairs

TERMS

Adjustable-rate mortgage (ARM): A mortgage loan with an interest rate on the note that is periodically adjusted based on an index that reflects the cost to the lender of borrowing on the credit markets. Most ARMs allowed in programs covered in this Guide are hybrid ARMs that have an initial fixed-rate period. ARMs may have restrictions, or cap rates, on the amount of the first, periodic, and lifetime total changes in the interest rate.

Aggregator: An entity that purchases mortgages from financial institutions and typically securitizes them into mortgage-backed securities that are then sold to the secondary mortgage market.

AMA investment grade: This is a determination by the FHLB with respect to an asset or pool, based on documented analysis, including consideration of applicable insurance, credit enhancements, and other sources for repayment on the asset or pool, that the FHLB has a high degree of confidence that it will be paid principal and interest in all material respects, even under reasonable likely adverse changes to expected economic conditions.

AMA program: An FHLB-established program to buy mortgage loans, which may comprise multiple AMA products.

Approved lender: Lenders that apply for and meet requirements established by the entity (i.e., the Federal Housing Administration, U.S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture, and the government-sponsored enterprises) are granted permission to participate in the entity's programs. Approved activities may include origination, underwriting, purchasing, holding, servicing, or selling mortgages. Common eligibility requirements include a net worth threshold, a checklist of financial statements, and a quality control program.

Approved seller/servicer: An institution approved to sell mortgages to, and to service mortgages purchased by the entity (i.e., Fannie Mae or Freddie Mac). Common eligibility requirements include a net worth threshold, a checklist of financial statements, and a quality control program.

Area loan limits: Entities establish the maximum loan that can be insured, purchased, or guaranteed by the entity or program. Limits are based on median home values at the county level and entities typically update limits annually. For example, the Federal Housing Finance Agency (FHFA) sets "conforming loan limits" for the government-sponsored enterprises, the Federal Housing Administration sets "statutory loan limits" for approved lenders, the U.S. Department of Agriculture has "area loan limits," and the U.S. Department of Veterans Affairs follows FHFA guidelines.

Basis points: A basis point is one hundredth of 1 percent. That is, one basis point equals 0.01 percent or there are 100 basis points in 1 percent. It is a common unit of measure for interest rates.

Closing costs: Fees incurred by the borrower and/ or seller for costs associated with the closing transaction. Common fees include appraisal fees, tax service provider fees, title insurance, government taxes, and prepaid expenses such as property taxes and homeowner's insurance. Fees are generally paid up front at closing or the lender may roll them into the mortgage, resulting in higher monthly payments.

Conventional loan: A mortgage that is not insured or guaranteed by a Federal government agency, i.e., the Federal Housing Administration, U.S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture, and the Bureau of Indian Affairs. Conventional loans include both loans that conform to government-sponsored enterprise (GSE) guidelines and those that do not conform. Conventional mortgages delivered to the GSEs are also known as conforming mortgages.

Correspondent lender: A lending institution that originates and funds loans in its own name and then sells them to another lender or investor. The underwriting function in a correspondence relationship can be carried out by the correspondent or the investor. As a correspondent lender, the originating lender is acting as an extension of the investor. For example, correspondent lenders work with approved seller/servicers to originate government-sponsored enterprise loan products.

Credit enhancement obligation: Mortgage Partnership Finance® Program credit-enhanced products divide mortgage losses on a given master contract between the FHLB and the member. The credit enhancement obligation defines the amount of risk assumed by the member for the realized losses of a specific master commitment. Member credit enhancement obligation funds are applied to losses only after the FHLBs' first loss account has been depleted.

Down payment: A payment made in cash at the onset of the purchase of an expensive asset. Homebuyers typically pay down payments that equal 5-25 percent of the total value of a home although some federal and GSE programs allow lower down payments.

FICO score: A type of credit score that lenders use to assess a borrower's credit risk. FICO stands for Fair Isaac Corporation, the company that created the FICO score. Scores are calculated using borrower credit reports and range from 300 to 850. A lower score indicates the borrower has poorer credit, and a higher score indicates the borrower has stronger credit.

First loss account: Mortgage Partnership Finance Program credit-enhanced products divide losses between the FHLB and the member. The first loss account is the amount of risk absorbed by the FHLB from the realized losses of a specific master commitment. FHLB first loss account losses are taken prior to any credit enhancement obligation due from the member.

First mortgage: A mortgage in the first-lien position that has priority over all other liens or claims in the event of default.

Fixed-rate mortgage: The interest rate is defined when the borrower takes out the mortgage and does not change over the loan term.

Ginnie Mae: Short for the Government National Mortgage Association. Ginnie Mae guarantees timely payments on mortgage-backed securities (MBS) backed by federally-insured loans including those insured by the U.S. Department of Veterans Affairs, Federal Housing Administration, U.S. Department of Agriculture Rural Development, and the U.S. Department of Housing and Urban Development Office of Public and Indian Housing. Ginnie Mae securities are the only MBS guaranteed by the Federal government.

Haircut: The percentage by which the market value of an asset(s) is reduced for the purpose of calculating collateral requirements.

Loan limit: The maximum allowable mortgage amount under a particular program established by the federal agency or government-sponsored enterprise (GSE), generally according to statutory parameters. For example, the Federal Housing Finance Agency (FHFA) sets "conforming loan limits" for the GSEs, the Federal Housing Administration sets "statutory loan limits" for approved lenders, the U.S. Department of Agriculture has "area loan limits," and the U.S. Department of Veterans Affairs (VA) follows FHFA guidelines.

Loan-to-value (LTV) ratio: A ratio that compares the amount of the first mortgage with the appraised value of the property. It is calculated by dividing the loan amount by the value of the property. The higher the down payment, the lower the LTV.

Low- and moderate-income (LMI) communities: Low-income geographies have a median family income less than 50 percent of the area median income. Moderate-income geographies are those whose median family income is at least 50 percent but less than 80 percent of the area median income. Banks regulated under the Community Reinvestment Act are evaluated on how well they meet the credit needs of low- and moderate-income communities.

Master Commitment: A contractual agreement between the purchaser and seller of mortgages that provides the terms of the sale, including mortgage eligibility requirements and the time period for which the agreement holds.

Mortgage insurance: An insurance policy paid for by the borrower with the lender as beneficiary, in which a third party—the insurer—takes some of the loan-default risk. In the event of foreclosure, the insurer pays a set amount to the lender to cover some or all of the outstanding loan balance. Mortgage insurance should be distinguished from hazard insurance, which a homeowner purchases to cover losses from, for example, fire or theft.

Participating financial institution (PFI): A member or housing associate of an FHLB that is authorized to sell, credit enhance, or service mortgage loans to or for its own FHLB through an AMA program, or a member or housing associate of another FHLB that has been authorized to sell, credit enhance, or service mortgage loans to or for another FHLB pursuant to an agreement between the FHLB acquiring the AMA product and the FHLB of which the selling institution is a member or housing associate.

Pool: Defined by the FHLBs as a group of loans acquired under one or more loan funding commitments, contractual agreements, or similar arrangements.

Private mortgage insurance (PMI): An insurance policy that protects lenders against loss if a borrower defaults on a conventional loan. PMI is required for government-sponsored enterprise loans with loan-to-value ratios over 80 percent. Purchasing PMI allows the borrower to make a smaller down payment.

Representations and warranties : Assertions that the seller makes in a purchase and sales agreement about the nature of the loan and which in turn form the basis for due diligence. If lenders are found to violate representations and warranties, secondary market entities may force the lender to repurchase the loan or may refuse insurance or guarantee claims. This is a tool for ensuring loan originators comply with the credit terms required by the secondary market entities.

Secondary mortgage market: Market in which previously issued mortgages and mortgage-backed securities are traded among lenders and investors.

Underserved areas: Federal agencies designate defined geographic regions (often specific census tracts) as "underserved" based on median income and minority population levels for purposes of directing federal funds to improve the community or for other purposes, including the assessment of how well Community Reinvestment Act (CRA) regulated lenders are meeting their CRA obligations.

Appendix A: FHLB Summaries

FHLB of Atlanta Overview

http://www.fhlbatl.com

States Served:	Alabama, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and the District of Columbia
Contact Information:	http://corp.fhlbatl.com/get-in-touch
Training Events and Webinars:	http://corp.fhlbatl.com/who-we-are/events/ http://corp.fhlbatl.com/who-we-are/webinars/

Affordable Lending Services

- Business Development Services (facilitate member meetings with realtors, builders, etc.)
- Financial Literacy Services
- CRA Business Development Forums
- CRA Consultations
- Member Webinars and Training
- Marketing Materials
- Programmatic Technical Assistance
- Collaborative Events with FDIC, OCC, and Federal Reserve Banks
- Structured Partnerships

Affordable Lending Products

- Community Investment Advances
- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Partnership Finance® Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2016	$16.4 million	2,377	$22 million	55
2015	$17.6 million	2,484	$19.7 million	53
2014	$18.2 million	2,384	$24.5 million	60
2013	$17.8 million	2,152	$21.1 million	52
2012	$22 million	3,041	$13.6 million	43
2011	$14.3 million	1,982	$37.5 million	56

FHLB OF ATLANTA MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original	MPF 125	MPF 35	MPF Xtra ✓	MPF Direct ✓	MPF Government	MPF Government MBS ✓

FHLB OF ATLANTA HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

FHLB of Atlanta's affordable housing products are available across the U.S. and its territories except the Community Rebuild and Restore and Structured Partnership Products, which are only available in the FHLB of Atlanta's district or designated areas of its district. *Note that for all programs the retention period is five years.*

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Automated

Time from application to funding: Purchase; seven business days. Rehabilitation; three business days for application review, up to 60 days for rehabilitation work completion

Security documents needed: Recorded lien

Fund distribution: First come, first served

First-time Homebuyer

This product provides up to $5,000 in matching funds for the down payment and closing costs of first-time homebuyers, expanded to include recovering victims of catastrophic loss or natural disasters.

Target populations	First-time homebuyers
Per-member limit	$1 million
Maximum award per unit	$5,000
Maximum % AMI	80%
Funding Period	Until December 15 or until funds are depleted
Time frame, purchase	45 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	100%
Homeownership Counseling Required	Yes
Subsidy match	$4 in subsidy for every $1 from homeowner, minimum $1,000

Community Partners

This product provides up to $7,500 in matching funds for down payment and closing costs for current or retired law enforcement officers, educators, health care workers, firefighters, and other first responders.

Target populations	Law enforcement, educators, health care workers, firefighters, and other first responders
Per-member limit	$1 million
Maximum award per unit	$7,500
Maximum % AMI	80%
Funding Period	Until December 15 or until funds are depleted
Time frame, purchase	45 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	Yes
Subsidy match	$4 in subsidy for every $1 from homeowner, minimum $1,000

Foreclosure Recovery

This product provides up to $15,000 in matching funds for the down payment, closing costs, and rehabilitation costs for the purchase and rehabilitation of an existing home from the Real Estate Owned (REO) inventory of an FHLB of Atlanta member.

Target populations	Purchase or rehabilitation of an FHLB of Atlanta member's REO portfolio
Per-member limit	$1 million
Maximum award per unit	$15,000
Maximum % AMI	80%
Funding Period	Until December 15 or until funds are depleted
Time frame, purchase	45 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	Yes
Subsidy match	$4 in subsidy for every $1 from homeowner, minimum $1,000

Veterans and Returning Veterans Purchase

This product provides up to $10,000 in funding for a home purchase or purchase/rehabilitation to members of any branch of the U.S. military, their spouses, or their surviving spouses.

Target populations	Veterans or active duty military, and spouses
Per-member limit	$1 million
Maximum award per unit	$10,000
Maximum % AMI	80%
Funding Period	Until December 15 or until funds are depleted
Time frame, purchase	45 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	Yes
Subsidy match	None

Veterans and Returning Veterans Rehabilitation

This product provides up to $15,000 in funding for energy efficient and accessibility improvements to a home owned by veterans or active duty members of any branch of the U.S. military, their spouses, or their surviving spouses.

Target populations	Veterans or active duty military, and spouses
Per-member limit	$1 million
Maximum award per unit	$15,000
Maximum % AMI	80%
Funding Period	Until December 15 or until funds are depleted
Time frame, purchase	N/A
Time frame, rehabilitation	60 days
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	Yes
Subsidy match	None

Community Rebuild and Restore

This product provides up to $10,000 in funding for the rehabilitation of an existing owner-occupied property located in "Major Disaster Declaration" areas within the FHLB of Atlanta's district as designated by FEMA.

Target populations	Homeowner(s) located in "Major Disaster Declaration" areas as designated by FEMA
Per-member limit	$1 million
Maximum award per unit	$10,000
Maximum % AMI	80%
Funding Period	Until December 15 or until funds are depleted
Time frame, purchase	N/A
Time frame, rehabilitation	90 days
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	Yes
Subsidy match	None

Structured Partnership Product (SPP)

This product provides funds for eligible purchase and/or rehabilitation transactions as defined by the terms and conditions of each of the FHLB of Atlanta's agreements with state or local government, quasi-governmental entities, or other organizations to deliver AHP-compliant products in collaboration with the FHLB of Atlanta. The specific terms of any SPP offered by the FHLB of Atlanta are available at
http://corp.fhlbatl.com/resources/structured-partnership-product/

HELPFUL WEB LINKS

FHLB of Atlanta Webinars
http://corp.fhlbatl.com/who-we-are/webinars/

Frequently asked questions about FHLB Atlanta
http://corp.fhlbatl.com/faqs/

Product Brochures
http://corp.fhlbatl.com/resources/product-brochures/

AHP Income Calculator
http://corp.fhlbatl.com/services/affordable-housing-programs/ahp-income-calculator

FHLB of Boston Overview

http://www.fhlbboston.com

States Served:	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
Contact Information:	http://www.fhlbboston.com/aboutus/contactus/index.jsp
Training Events and Webinars:	http://fhlbboston.com/events/

Affordable Lending Services

- Community Development Consultations that facilitate business development and CRA opportunities for members
- Outreach and convenings on affordable housing and community economic development issues
- Member Webinars and Training
- Marketing Materials
- Programmatic Technical Assistance on Housing and Community Investment Programs

Affordable Lending Products

- Community Investment Advances
- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Partnership Finance® Program
- Jobs for New England
- Helping to House New England

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2015	$2.8 million	262	$15.2 million	51
2014	$3.4 million	254	$9.9 million	49
2013	$3.5 million	274	$8.7 million	41
2012	$2.1 million	219	$4.8 million	28
2011	$1.5 million	161	$5.7 million	23

FHLB OF BOSTON MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original ✓	MPF 125	MPF 35 ✓	MPF Xtra ✓	MPF Direct ✓	MPF Government ✓	MPF Government MBS ✓

FHLB OF BOSTON HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Automated

Time from application to funding: Enrollments expire after 90 days; for disbursement requests, allow 15 business days to review/approve.

Security documents needed: Recorded lien

Fund distribution: First come, first served

Equity Builder Program

This program provides up to $15,000 for down payment and closing cost assistance, homebuyer counseling costs, and/or rehabilitation costs to eligible homebuyers.

Target populations	None
Per-member limit	$110,000
Maximum award per unit	$11,000
Maximum % AMI	80%
Funding Period	Two funding rounds
Time frame, purchase	90 days
Time frame, rehabilitation	90 days
Time frame, Individual Development Account (IDA)	Determined by IDA
% for first-time homebuyers	First 33%
Homeownership Counseling Required	Yes
Subsidy match	None required

HELPFUL WEB LINKS

FHLB of Boston Member Center
http://www.fhlbboston.com/members/index.jsp

FHLB of Boston credit products overview
http://www.fhlbboston.com/productsandservices/creditproducts/index.jsp

FHLB of Boston Community Development Advances Overview
http://www.fhlbboston.com/communitydevelopment/cda/index.jsp

FHLB of Boston Affordable Housing Program Implementation Plan
http://www.fhlbboston.com/communitydevelopment/ahp/03_01_06_implementation.jsp

FHLB of Boston Mortgage Partnership Finance® Overview
http://www.fhlbboston.com/productsandservices/mortgagepartnershipfinance/index.jsp

FHLB of Chicago Overview

https://www.fhlbc.com

States Served:	Illinois and Wisconsin
Contact Information:	http://www.fhlbc.com/OurCompany/Pages/federal-home-loan-bank-Chicago-contacts.aspx
Training Events and Webinars:	https://www.fhlbc.com/Events/Pages/default.aspx

Affordable Lending Services

- Business Development Services (facilitate member meetings with realtors, builders, etc.)
- Webinars and Training
- Programmatic Technical Assistance that includes how members can employ Community Investment programs to achieve CRA and community investment goals
- Marketing Materials

Affordable Lending Products

- Community Investment Advances
- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Partnership Finance® Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2015	$16.3 million	2,728	$35.6 million	74
2014	$18.2 million	2,339	$21.9 million	43
2013	$12.1 million	1,822	$29.6 million	104
2012	$14.8 million	1,827	$20.6 million	62
2011	$10.2 million	1,315	$24.2 million	79

FHLB OF CHICAGO MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original ✓	MPF 125 ✓	MPF 35 ✓	MPF Xtra ✓	MPF Direct ✓	MPF Government ✓	MPF Government MBS ✓

FHLB OF CHICAGO HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Automated

Time from application to funding: Members reserve funds during the program year. Disbursement occurs after the member has closed the transactions. Turnaround times on reservations and disbursements depend on the volume of activity.

Security documents needed: Deed restriction; members are required to execute and record a retention vehicle that enumerates the requirements of the AHP regulations.

Fund distribution: First come, first served

Downpayment Plus®

FHLB Chicago members enrolled in the Downpayment Plus Program (DPP®) may access subsidies of up to $6,000 per household on behalf of eligible homebuyers to whom they are funding or originating first mortgages. The subsidy may be used for down payment and closing cost assistance, homebuyer counseling costs (up to $700), and/or eligible rehabilitation costs associated with the purchase of a home. Household income and other restrictions apply.

Target populations	None
Per-member limit	$420,000
Maximum award per unit	Lesser of $6,000 or three times the homebuyer's net contribution
Maximum % AMI	80%
Funding Period	N/A
Time frame, purchase	90 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	33%
Homeownership Counseling Required	Yes
Subsidy match	Minimum borrower contribution $1,000

Downpayment Plus Advantage®

This program is designed for households participating in homeownership programs offered by nonprofit organizations that provide mortgage financing directly to the homebuyer. The nonprofits must work with an FHLB member, to access the program. This program provides up to $6,000 for down payment and closing cost assistance, homebuyer counseling costs (up to $700), and/or rehabilitation costs to eligible homebuyers.

Target populations	Borrowers receiving first-mortgage financing from a nonprofit organization
Per-member limit	$420,000
Maximum award per unit	$6,000
Maximum % AMI	80%
Funding Period	N/A
Time frame, purchase	90 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	33%
Homeownership Counseling Required	Yes
Subsidy match	Minimum borrower contribution $1,000

HELPFUL WEB LINKS

FHLB of Chicago Advances Overview
https://www.fhlbc.com/ProductsandServices/LiquidityandFunding/Pages/default.aspx

FHLB of Chicago Community Investment and Affordable Housing Programs Overview
https://www.fhlbc.com/ProductsandServices/CommunityInvestmentsandAffordableHousingPrograms/Pages/default.aspx

FHLB of Chicago MPF Program
https://www.fhlbc.com/ProductsandServices/MPFProgram/Pages/default.aspx

FHLB of Cincinnati Overview

https://www.fhlbcin.com

States Served:	Kentucky, Ohio, Tennessee
Contact Information:	https://www.fhlbcin.com/contact-us
Training Events and Webinars:	https://www.fhlbcin.com/community-investment/webinars-and-presentations/

Affordable Lending Services

- Business Development Services
- CRA Training Services
- Member Webinars and Training

FHLB of Cincinnati Mortgage Purchase Products

- MPP Advantage

Affordable Lending Products

- Community Investment Advances
- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Purchase Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2015	$9.1 million	1,869	$27.0 million	70
2014	$10.4 million	2,122	$28.0 million	78
2013	$8.6 million	1,751	$24.7 million	67
2012	$5.2 million	1,112	$19.4 million	69
2011	$6.4 million	1,399	$21.8 million	54

FHLB OF CINCINNATI HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Automated

Time from application to funding: 4-5 weeks

Security documents needed: Deed restriction

Fund distribution: First come, first served

Welcome Home

This program provides up to $5,000 for down payment and closing costs assistance to eligible homebuyers.

Target populations	None
Per-member limit	$200,000
Maximum award per unit	$5,000
Maximum % AMI	80%
Funding Period	March 2 – December 1
Time frame, purchase	60 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	33%
Homeownership Counseling Required	Yes
Subsidy match	Minimum $500

HELPFUL WEB LINKS

FHLB of Cincinnati Credit Services
https://www.fhlbcin.com/our-members/credit-services/

FHLB of Cincinnati Mortgage Purchase Program
https://www.fhlbcin.com/our-members/mortgage-purchase-program/

FHLB of Cincinnati Community Investment and Affordable Housing Programs
https://www.fhlbcin.com/our-members/community-investment/

FHLB of Dallas Overview

https://www.fhlb.com

States Served:	Arkansas, Louisiana, Mississippi, New Mexico, and Texas
Contact Information:	https://www.fhlb.com/Pages/Contact-Us.aspx
Training Events and Webinars:	https://www.fhlb.com/News/Pages/Upcoming-Events.aspx

Affordable Lending Services

- CRA Training Services

Affordable Lending Products

- Community Investment Advances
- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Partnership Finance® Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2016	$2.0 million	407	$7.8 million	27
2015	$2.5 million	518	$8.1 million	34
2014	$2.8 million	596	$9.8 million	33
2013	$2.0 million	434	$11.3 million	36
2012	$2.3 million	492	$8.3 million	31
2011	$3.8 million	698	$11.0 million	53

FHLB OF DALLAS MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original ✓	MPF 125 ✓	MPF 35 ✓	MPF Xtra ✓	MPF Direct	MPF Government	MPF Government MBS

FHLB OF DALLAS HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Manual

Time from application to funding: 5-7 business days

Security documents needed: Deed restriction

Fund distribution: First come, first served

Homebuyer Equity Leverage Partnership Program

This program provides up to $7,000 for down payment and closing costs assistance for first-time homebuyers.

Target populations	First-time homebuyers
Per-member limit	$50,000 for every $1 million available
Maximum award per unit	$7,000
Maximum % AMI	80%
Funding Period	All year, or until funds are committed
Time frame, purchase	30 days from application
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	100%
Homeownership Counseling Required	Yes
Subsidy match	Minimum contribution $500

Special Needs Assistance Program

This program provides up to $6,000 to special needs households for the repair and/or rehabilitation of an owner-occupied home for eligible homebuyers.

Target populations	Special needs rehabilitation
Per-member limit	$50,000 for every $1 million available
Maximum award per unit	$6,000
Maximum % AMI	80%
Funding Period	All year, or until funds are committed
Time frame, purchase	N/A
Time frame, rehabilitation	60 days
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	No
Subsidy match	None

Housing Assistance for Veterans Program

This program, which is voluntarily funded by the FHLB of Dallas, provides up to $7,500 for the necessary modifications to homes of U.S. veterans and active-duty personnel, disabled by active military service since September 11, 2001 (no retention period for this program).

Target populations	Veterans and active-duty personnel disabled by active military since September 11, 2001
Per-member limit	$75,000
Maximum award per unit	$7,500
Maximum % AMI	120%
Funding Period	All year, or until funds are committed
Time frame, purchase	N/A
Time frame, rehabilitation	60 days
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	No
Subsidy match	None

HELPFUL WEB LINKS

FHLB of Dallas Advances
https://www.fhlb.com/products/Pages/Advances.aspx

FHLB of Dallas Affordable Housing and Community Investment Programs
https://www.fhlb.com/community/Pages/Community-Investment.aspx

FHLB of Dallas Mortgage Partnership Finance®
https://www.fhlb.com/products/Pages/Mortgage-Partnership-Finance.aspx

FHLB of Des Moines Overview

http://www.fhlbdm.com

States Served:	Alaska, Hawaii, Idaho, Iowa, Minnesota, Missouri, Montana, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming
Contact Information:	http://www.fhlbdm.com/contact-us/
Training Events and Webinars:	http://members.fhlbdm.com/educational-member-resources/

Affordable Lending Products

- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Partnership Finance® Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2016	$5.5 million	1,343	$14.9 million	154
2015	$3.5 million	998	$16.1 million	172
2014	$3.8 million	1,017	$11.7 million	175
2013	$3.2 million	815	$13.8 million	166
2012	$2.7 million	723	$15.1 million	155
2011	$2.0 million	605	$14.4 million	142

FHLB OF DES MOINES MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original	MPF 125	MPF 35	MPF Xtra	MPF Direct	MPF Government	MPF Government MBS

FHLB OF DES MOINES HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Automated

Time from application to funding: 20 business days

Security documents needed: Deed restriction

Fund distribution: First come, first served

Home$tart

This program provides up to $7,500 for down payment, closing costs, counseling, or rehabilitation assistance to eligible homebuyers.

Target populations	None
Per-member limit	$250,000
Maximum award per unit	$7,500
Maximum % AMI	80%
Funding Period	Continuous
Time frame, purchase	120 days
Time frame, rehabilitation	One year
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	33%
Homeownership Counseling Required	Yes, for first-time homebuyers
Subsidy match	None

Home$tart Plus

This program provides up to $15,000 for down payment, closing costs, counseling, or rehabilitation assistance to eligible homebuyers on public assistance.

Target populations	Recipient of public housing assistance
Per-member limit	$100,000
Maximum award per unit	$15,000
Maximum % AMI	80%
Funding Period	Continuous
Time frame, purchase	120 days
Time frame, rehabilitation	One year
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	33%
Homeownership Counseling Required	Yes, for first-time homebuyers
Subsidy match	None

Native American Homeownership Initiative

This program provides up to $15,000 for down payment, closing costs, counseling, or rehabilitation assistance to eligible Native American, Native Alaskan, or Native Hawaiian households.

Target populations	Native American households
Per-member limit	$100,000
Maximum award per unit	$15,000
Maximum % AMI	80%
Funding Period	Continuous
Time frame, purchase	120 days
Time frame, rehabilitation	One year
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	Yes, for first-time homebuyers
Subsidy match	None

HELPFUL WEB LINKS

FHLB Des Moines Advances
http://members.fhlbdm.com/advance-rates/

FHLB Des Moines Mortgage Partnership Finance®
http://members.fhlbdm.com/mortgage-partnership-finance-mpf/

FHLB Des Moines Affordable Housing Products
http://www.fhlbdm.com/affordable-housing-products/

FHLB Des Moines Educational Resources
http://members.fhlbdm.com/educational-member-resources/

FHLB of Indianapolis Overview

https://www.fhlbi.com

States Served:	Indiana and Michigan
Contact Information:	https://www.fhlbi.com/contact-us
Training Events and Webinars:	https://www.fhlbi.com/events

Affordable Lending Services

- Business Development Services

Affordable Lending Products

- Community Investment Advances
- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Purchase Program

FHLB of Indianapolis Mortgage Purchase Program Products

- Mortgage Purchase Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2016	$5 million	595	$9.5 million	24
2015	$5.1 million	631	$10.9 million	24
2014	$7.6 million	987	$17.6 million	43
2013	$6.6 million	741	$12.7 million	33
2012	$5.3 million	743	$10.5 million	27
2011	$5.3 million	754	$13.3 million	24

FHLB OF INDIANAPOLIS HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Manual

Time from application to funding: 10 business days

Security documents needed: Deed restriction

Fund distribution: First come, first served

Homeownership Opportunities Program

This program provides up to $8,000 for down payment and closing costs assistance for eligible first-time homebuyers.

Target populations	First-time homebuyers
Per-member limit	$500,000
Maximum award per unit	up to $8,000
Maximum % AMI	80%
Funding Period	Spring release
Time frame, purchase	30 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	100%
Homeownership Counseling Required	Yes
Subsidy match	3:1 match required if non-member first mortgage.[31] Minimum $1,000

Accessibility Modifications Program

This program provides up to $15,000 for modifications that assist with aging in place and independent living for eligible senior or disabled homeowners.

Target populations	Seniors, households with disabled persons
Per-member limit	$300,000
Maximum award per unit	$15,000
Maximum % AMI	80%
Funding Period	Spring release
Time frame, purchase	N/A
Time frame, rehabilitation	180 days
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	Encouraged but not required
Subsidy match	None

[31] Non-member first mortgages are those that are originated by banks that are not FHLB members.

Neighborhood Impact Program

This program provides up to $7,500 for eligible repairs and maintenance costs including new windows, furnaces, water heaters, gutters, and insulation for eligible homeowners.

Target populations	None
Per-member limit	$300,000
Maximum award per unit	$7,500
Maximum % AMI	80%
Funding Period	Spring release
Time frame, purchase	30 days
Time frame, rehabilitation	180 days
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	N/A
Homeownership Counseling Required	No
Subsidy match	None

HELPFUL WEB LINKS

FHLB Indianapolis Credit Services
https://www.fhlbi.com/products-services/credit-services

FHLB Indianapolis Affordable Housing Programs
https://www.fhlbi.com/products-services/communities-and-housing/affordable-housing-program

FHLB Indianapolis Community Investment Program
https://www.fhlbi.com/products-services/communities-and-housing/community-investment-program

FHLB Indianapolis Mortgage Purchase Program
https://www.fhlbi.com/products-services/mortgage-purchase-program

FHLB Indianapolis Training Events
https://www.fhlbi.com/events

FHLB of New York Overview

http://www.fhlbny.com

States Served:	New Jersey, New York, Puerto Rico, and the U.S. Virgin Islands
Contact Information:	http://www.fhlbny.com/about-us/bank-contacts.aspx
Training Events and Webinars:	http://www.fhlbny.com/news-events/events.aspx

Affordable Lending Products

- Community Lending Program Advances
- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Partnership Finance® Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2016	$13.5 million	1,693	$34.4 million	130
2015	$14.8 million	1,857	$32.3 million	73
2014	$12.0 million	1,519	$32.7 million	98
2013	$10.7 million	1,357	$35.2 million	112
2012	$6.7 million	852	$26.3 million	96
2011	$5.8 million	753	$32.7 million	154

FHLB OF NEW YORK MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original ✓	MPF 125 ✓	MPF 35	MPF Xtra	MPF Direct	MPF Government	MPF Government MBS

FHLB OF NEW YORK HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Manual

Time from application to funding: 60-90 days

Security documents needed: Declaration of Restrictive Covenant for FHA financing only. For all other financing a recorded subordinate mortgage is used.

Fund distribution: Allocated

First Home Club

This program provides up to $7,500 in matching funds for the down payment and closing costs of first-time homebuyers with an additional $500 available to nonprofit counseling agencies for cost defrayment. Total grant opportunity of $8,000.

Target populations	First-time homebuyers
Per-member limit	Based on member enrollment
Maximum award per unit	$7,500 (plus up to $500 for counseling)
Maximum % AMI	80%
Funding Period	Monthly funding
Time frame, purchase	2 years
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	Minimum 10 months
% for first-time homebuyers	100%
Homeownership Counseling Required	Yes
Subsidy match	4:1 match based on household savings to maximum grant amount of $7,500

HELPFUL WEB LINKS

FHLB New York Credit Services
http://www.fhlbny.com/business-lines/credit-products.aspx

FHLB New York Mortgage Partnership Finance®
http://www.fhlbny.com/business-lines/mpf-program/index.aspx

FHLB New York Affordable Housing Programs
http://www.fhlbny.com/community/housing-programs/index.aspx

FHLB New York Community Investment Programs
http://www.fhlbny.com/community/community-lending-programs/index.aspx

FHLB New York Training Events
http://www.fhlbny.com/news-events/events.aspx

FHLB of Pittsburgh Overview

http://www.fhlb-pgh.com

States Served:	Delaware, Pennsylvania, and West Virginia
Contact Information:	https://www.fhlb-pgh.com/contact
Community Products:	https://www.fhlb-pgh.com/community-products

Affordable Lending Products

- Competitive Grant Product: Affordable Housing Program
- Advance Product: Community Lending Program
- Recoverable Assistance Product: Banking On Business
- Homeownership Set-Aside Grant Program: First Front Door
- Mortgage Partnership Finance® Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2016	$6.5 million	1,372	$23.1 million	50
2015	$2.9 million	613	$24.6 million	65
2014	$4.0 million	834	$15.0 million	38
2013	$1.0 million	215	$13.6 million	42
2012			$4.9 million	23
2011			$3.0 million	14

FHLB OF PITTSBURGH MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original ✓	MPF 125	MPF 35 ✓	MPF Xtra ✓	MPF Direct ✓	MPF Government ✓	MPF Government MBS

FHLB OF PITTSBURGH HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Automated system, First Front Door Online

Time from application to reservation: 10 business days; first come, first served

Security documents needed: Deed restriction; recorded lien

Fund distribution: Homebuyers have six months to use reservation

First Front Door

This program provides up to $5,000 in matching funds for the down payment and closing costs of first-time homebuyers.

Target populations	First-time homebuyers
Per-member limit	N/A
Maximum award per unit	$5,000
Maximum % AMI	80%
Funding Period	Annual allocation
Time frame, purchase	180 days
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	100%
Homeownership Counseling Required	Yes
Subsidy match	3:1 match

HELPFUL WEB LINKS

FHLB of Pittsburgh Credit Products
https://www.fhlb-pgh.com/advances

FHLB Pittsburgh Affordable Housing and Community Investment Programs
https://www.fhlb-pgh.com/community-products

FHLB Pittsburgh Mortgage Partnership Finance®
https://www.fhlb-pgh.com/mpf

FHLB of San Francisco Overview

http://www.fhlbsf.com

States Served:	Arizona, California, and Nevada
Contact Information:	http://www.fhlbsf.com/contact.aspx
Training Events and Webinars:	http://www.fhlbsf.com/events/default.aspx

Affordable Lending Services

- Business Development Services
- Financial Literacy Services (funding through AHEAD Program grants and certain costs for home purchase counseling supported in connection with Set-Aside Programs)
- CRA training opportunities in partnership with the Federal Reserve Bank of San Francisco, and regional offices of the FDIC, OCC, and other regulatory agencies
- Outreach, training, and technical assistance for Community Investment programs and products
- *Community Works* on-line newsletter, highlighting FHLB San Francisco affordable lending activities

Affordable Lending Products

- Community Investment Advances and Letters of Credit
- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Partnership Finance® Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2016	$7.1 million	511	$51 million	77
2015	$6.7 million	476	$48.8 million	74
2014	$8.4 million	602	$35.4 million	69
2013	$6.2 million	448	$40.1 million	80
2012	$10.2 million	788	$58.8 million	115
2011	$8.9 million	679	$44.9 million	109

FHLB OF SAN FRANCISCO MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original ✓	MPF 125	MPF 35	MPF Xtra ✓	MPF Direct ✓	MPF Government ✓	MPF Government MBS ✓

FHLB OF SAN FRANCISCO HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Manual: members submit completed application forms via a web-based secure portal.

Time from application to funding: Members reserve set-aside funds once a year. The Bank disburses funds as needed by members throughout the year.

Security documents needed: Recorded lien

Fund distribution: Allocated

Individual Development and Empowerment Account (IDEA) Program

This program provides up to $15,000 in matching funds for the down payment and closing costs of eligible first-time homebuyers who have saved through an Individual Development Account (IDA) or are participating in a family self-sufficiency or lease-to-own program leading to homeownership.

Target populations	First-time homebuyers
Per-member limit	Combined $4,000,000 of IDEA and WISH funds
Maximum award per unit	Lesser of $15,000 or three times the homebuyer's contribution
Maximum % AMI	80%
Funding Period	Reimbursement basis during reservation year
Time frame, purchase	Within 5 years of program enrollment
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	Determined by IDA
% for first-time homebuyers	100%
Homeownership Counseling Required	Yes
Subsidy match	3:1 match

Workforce Initiative Subsidy for Homeownership (WISH) Program

This program provides up to $15,000 in matching funds for the down payment and closing costs of eligible first-time homebuyers.

Target populations	First-time homebuyers
Per-member limit	Combined $4,000,000 of IDEA and WISH funds
Maximum award per unit	Lesser of $15,000 or three times the homebuyer's contribution
Maximum % AMI	80%
Funding Period	Reimbursement basis during reservation year
Time frame, purchase	Within 1 year of program enrollment
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	100%
Homeownership Counseling Required	Yes
Subsidy match	3:1 match

HELPFUL WEB LINKS

FHLB San Francisco Member Services (including list of credit products)
http://www.fhlbsf.com/member/default.aspx

FHLB San Francisco Affordable Housing and Community Investment Programs
http://www.fhlbsf.com/community/default.aspx

FHLB San Francisco Training Events
http://www.fhlbsf.com/events/default.aspx

FHLB of Topeka Overview

http://www.fhlbtopeka.com

States Served:	Colorado, Kansas, Nebraska, and Oklahoma
Contact Information:	https://www.fhlbtopeka.com/about-us-contact-us
Training Events and Webinars:	https://www.fhlbtopeka.com/events

Affordable Lending Services

- Business Development Services
- Financial Literacy Services

Affordable Lending Products

- Competitive Affordable Housing Program
- Homeownership Set-Aside Specialized Programs
- Mortgage Partnership Finance® Program

HISTORICAL VOLUME

Year	Total Homeownership Set-Aside Volume Distributed	Number of Homeownership Set-Aside Transactions	Total AHP Competitive Program Volume Distributed	Total AHP Competitive Program Transactions
2016	$4.2 million	848	$7 million	21
2015	$4.0 million	547	$10.5 million	22
2014	$8.3 million	1,122	$11.6 million	25
2013	$3.8 million	697	$10.7 million	37
2012	$1.8 million	459	$8.8 million	29
2011	$1.6 million	394	$7.1 million	30

FHLB OF TOPEKA MPF PROGRAM PRODUCTS

Credit Enhanced			Non-credit Enhanced			
MPF Original ✓	MPF 125 ✓	MPF 35	MPF Xtra ✓	MPF Direct	MPF Government ✓	MPF Government MBS ✓

FHLB OF TOPEKA HOMEOWNERSHIP SET-ASIDE SPECIALIZED PROGRAMS

Note that for all programs the retention period is five years.

Homeownership Set-Aside Program Operations

Process for reserving and applying for funding: Manual

Time from application to funding: The reservation is followed by disbursement after the member has closed the transaction. Total turn-around time for both processes is approximately 30 days.

Security documents needed: Retention agreement

Fund distribution: First come, first served

Homeownership Set-aside Program

This program provides up to $5,000 for down payment and closing cost assistance, homebuyer counseling costs, and/or rehabilitation costs to eligible homebuyers.

Target populations	First-time homebuyers
Per-member limit	$25,000 per member, per month
Maximum award per unit	$5,000
Maximum % AMI	80%
Funding Period	Continuous
Time frame, purchase	Not indicated
Time frame, rehabilitation	N/A
Time frame, Individual Development Account (IDA)	N/A
% for first-time homebuyers	100%
Homeownership Counseling Required	Yes
Subsidy match	Minimum $500

HELPFUL WEB LINKS

FHLB Topeka Advances
https://www.fhlbtopeka.com/advances

FHLB Topeka Affordable Housing Programs
https://www.fhlbtopeka.com/community-programs-grants

FHLB Topeka Community Development Program
(Community Advances)
https://www.fhlbtopeka.com/community-programs-advances

FHLB Topeka Mortgage Partnership Finance®
https://www.fhlbtopeka.com/mpf

FHLB Topeka Training Events
https://www.fhlbtopeka.com/events

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