



MPF[®] 125

Product Description

The MPF Program provides an alternative to holding fixed rate loans in portfolio or selling them into the secondary market. Under MPF 125, the risks associated with home mortgage finance are allocated between the Federal Home Loan Bank (FHLB) and the member in a manner that uses the cooperative structure of the FHLB System to maximize comparative advantages. With MPF 125 members market to borrowers, credit enhance, and service fixed rate residential mortgage loans. Rather than being *charged a fee* by the secondary market securitizer, members *receive a fee* for their credit expertise. The FHLB manages the liquidity, interest rate and prepayment risks of the loans while the member manages the credit risk of the loans.

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

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

Features

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

Benefits

- Superior execution
- Credit Enhancement Fee income paid monthly
- Economic value for quality loans
- Pricing execution is not volume dependent
- Closed loan delivery flexibility
- Servicing fee income
- Electronic access through the eMPF[®] website

Who should take advantage of this product?

An institution that is actively engaged in mortgage lending, values the income derived from originating and servicing loans, is currently a member of a participating FHLB, and is accustomed to delivering closed loans. The member interested in MPF 125 would value the economic advantages of selling the underlying mortgage asset yet retaining the customer relationship and the servicing cash flow streams. The member who should be interested in MPF 125 would value the operational ease of our delivery and servicing systems.

For more information

For general information about the MPF Program or to locate a contact name from your participating Federal Home Loan Bank call our toll free assistance number at **1-877-463-6673 (Info-MPF)** or visit our website at **www.fhlbmpf.com**.