

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>