

FHLBC Solutions



Secondary Market: Using the MPF[®] Program to Your Benefit

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Overview

In a challenging rate environment with contracting net interest margins, non-interest income—of which mortgage banking fees constitute a significant portion—is increasingly important. With more than 68% of our mortgage-originating members selling into the secondary market, providing secondary market solutions to our membership is an important goal of the Federal Home Loan Bank of Chicago (FHLBank Chicago). Through the Mortgage Partnership Finance[®] (MPF[®]) Program, the FHLBank Chicago can help your institution earn additional fee income, attract new customers, and obtain the best execution on selling loans into the secondary market.

The Pricing Advantage

The MPF Traditional products offer attractive pricing for loans of good credit quality that would be penalized by loan-level price adjustments (LLPAs) in other secondary market programs. The MPF Traditional products charge no LLPAs, so you can reduce rates and fees for your borrowers. Additionally, in June 2018 the FHLBank Chicago introduced low loan balance pricing payups for loans at or below \$200,000 that are sold into MPF Traditional products to reward members for superior prepayment performance on low loan balance loans. This option provides your institution with access to increased pricing on low-balance loans, which can help you attract new customers and result in increased profitability.

	MPF Original \$275K	MPF Original \$200K	Correspondent
Base Price	101.387	102.321	101.553
LLPAS	None	None	(0.75)
Credit Enhanced Fee Income	0.145	0.186	None
All-In Price	102.532	103.507	101.803

For illustration purposes only. Credit enhancement fee income estimate assumes expected losses of 4 basis points. Pricing is as of August 27, 2019. Estimate is for a 30-year, 3.5%, conforming, owner-occupied, single-family, 5-day delivery, 720 FICO, 80% LTV purchase loan.

Reduce Income Volatility

The MPF Original, MPF 125, and MPF 35 products allow your institution to share the credit risks associated with your mortgage loans with the FHLBank Chicago. For sharing in this risk, an institution earns credit enhancement (CE) fees of up to 6 to 12 basis points. By paying CE fee income over time, the MPF Program helps your institution smooth earnings volatility during mortgage origination downturns.

To Learn More

Contact your Sales Director at membership@fhlbc.com to find out more about the products, strategies, and tools you can use to develop competitive lending solutions for your community and customers.

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Disclaimer

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