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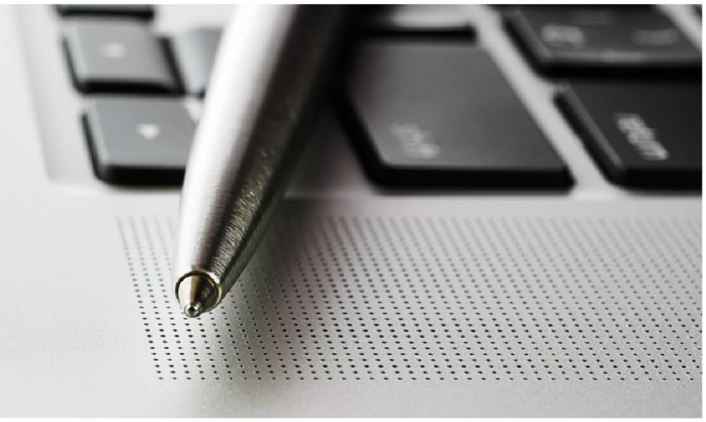

WHITE PAPER FROM THE

SOLUTIONS DESK

Taking Advantage of Key Differences Between MPF® Traditional and MPF Xtra®

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Overview

When looking at Mortgage Partnership Finance® (MPF) Traditional and MPF Xtra guidelines and eligibility, there are certain overlays that can make one product more attractive than the other. This white paper will highlight some of the main differences and give an overview how you can use either product to your benefit.

Product Comparison

Product Comparison		
	MPF Traditional	**MPF Xtra**
Risk Sharing Product	Yes	No
Loan Level Price Adjustments (LLPA)	No	Yes
Allowable Underwriting Method	Desktop Underwriter (DU), Loan Product Advisor (LPA), and Manual	Desktop Underwriter (DU), and Manual
Delivery Commitment Type	Mandatory	Mandatory and Best Efforts
Investment Properties	No	Yes
Max Loan to Value (LTV)	95%	97%*
Cash-out Refinance Max LTV**	90%**	80%
Loan Seasoning	Up to 24 months	Up to 6 months
Note Certification	After Funding	Prior to Funding
Investor Reporting	Monthly Reporting	Daily Reporting
High/Low Loan Balance Pricing	Yes	Yes

*Single-Family Primary Residence and First Time Homebuyer
**Single-Family Primary Residence

How to Exploit Product Differences

- When it comes to pricing, MPF Traditional is *not* subject to any LLPA's. This is because the participating financial institution (PFI) shares some of the credit risk for each loan sold to the product. For sharing the risk, your institution is paid monthly credit enhancement (CE) income. Additionally, MPF Traditional requires capital stock purchase on the unpaid principal balance (UPB) of loans sold and a quarterly dividend is paid on those shares. Therefore, when underwriting your borrower and locking in a rate, you receive the base price plus the added income benefits down the line. This can be beneficial to not only your institution, but for credit-riskier borrowers who may get charged higher LLPA's with other correspondents. Without LLPA's, you can offer your customers a more competitive interest rate.

Pricing Comparison*		
	MPF Traditional	**Correspondent**
Base Price	101.733	101.321
LLPA	-	(1.250)
Net Present Value of CE Income (assumes 10 bps annualized)	0.500	-
Net Present Value of Dividend Benefit**	0.376	-
All-In Price	**102.609**	**100.071**

*For illustration purposes only. CE Income does not assume any losses. Indicative pricing as of July 7, 2023. Estimates based on the following loan attributes: 30-year, 7.375%, conforming, owner-occupied, single-family, 30-day delivery, 720 FICO, 80% LTV purchase loan.

**Reflects B1 activity stock dividend as an enhancement to the MPF Traditional average return, based on a dividend rate of 8% for Q2 2023, the present value of the dividend income over five years discounted by an opportunity cost of buying stock equal to the 5-Year Treasury Yield, and 2.00% capitalization, for illustration purposes only. On July 27, 2023 FHLBank Chicago announced forward guidance in which we expect to maintain an 8% dividend for B1 activity stock for Q3 2023 and Q4 2023. Any future dividend payments remain subject to determination and declaration by our Board of Directors, and may be impacted by changes in financial or economic conditions, regulatory and statutory limitations, and any other relevant factors.

- Although MPF Xtra does have LLPA's that need to be taken into consideration up front when looking at best execution options, the product does not have the risk share features like MPF Traditional. Therefore, when assessing borrowers' credit risk, take into consideration that it may be worth taking the upfront pricing hit in lieu of sharing the risk after delivery.

- Did you know MPF Traditional users can utilize either DU or LPA as their automated underwriting system (AUS)? If you prefer using LPA, the MPF Traditional product allows the use of this AUS with an "accept" recommendation. On the other hand, the MPF Xtra product no longer allows the use of LPA. In addition to MPF Traditional accepting this AUS, there is also the ability to deliver loans without appraisals that have an eligible ACE appraisal waiver recommendation. As long as the AUS recommends the appraisal waiver, there is no further action required as all master commitments are now set up to accept appraisal waivers.

- In addition to mandatory delivery commitments, the MPF Xtra product offers a best efforts option. Given current market conditions, more loans may be falling out of pipelines for reasons out of your institution's control. Although mandatory delivery commitments aren't as intimidating as they seem, the best efforts option removes the risk of a pair-off fee if a loan falls out.

- Does your institution have borrowers looking to purchase an investment property? Those loans can be sold into the MPF Xtra program if they are underwritten to Fannie Mae's guidelines. The MPF Traditional product does not accept investment properties at this time. If you are interested in opening a MPF Xtra master commitment, contact your Sales Director.

- If you are originating a loan for a first-time homebuyer and they are looking to put as little as 3% in a down payment, the MPF Xtra product allows up to 97% max LTV whereas MPF Traditional only allows up to 95%. Therefore, you can use MPF Xtra as an outlet for first-time homebuyers up to 97% LTV. It is also worth noting that both products allow up to 105% TLTV if utilizing a community second grant. Our Down Payment Plus Program® (DPP®) provides our members with down payment and closing cost assistance to help income eligible borrowers achieve homeownership.

Purchase LTV/TLTV				
Property Type	**MPF Traditional Max LTV/TLTV**		**MPF Xtra Max LTV/TLTV**	
1 Unit Primary Residence	95%	105%*	97%	105%*

*Community second grant

- A cash-out refinance with a LTV up to 90% can be eligible for delivery to the MPF Traditional product, while MPF Xtra only allows up to 80% LTV. There are a couple different underwriting options to consider:
  - First, the loan can be manually underwritten to the MPF Traditional guidelines as a max LTV of 90% on a 1 unit primary residence.
  - Second, the loan can be underwritten with either desktop underwriter (DU) or LPA and receive an "ineligible" recommendation as long as the high LTV is the ***only*** reason for the ineligible recommendation. This second option will require FHLBank Chicago approval prior to delivery – all this requires is an email to mpfsales@fhlbc.com with DU/LPA findings attached.

MPF Traditional Cash Out Refinances	
Property Type	**Max LTV/TLTV**
1 Unit Primary Residence	90% (DU and LPA only allow up to 80%)
1 Unit Second Home	85% (DU and LPA only allow up to 75%)

- MPF Traditional accepts loans with up to 24 months seasoning without any exceptions needed to be granted. However, MPF Xtra has a restriction on any loans with greater than six month seasoning. Seasoned loans sold to MPF Traditional must be underwritten according to all MPF Traditional guidelines. Additionally, there are instances where FHLBank Chicago will accept loans with greater than 24 months seasoning as long as additional guidelines are met.

- The custody process for the MPF Traditional product allows seven calendar days to obtain initial certification for each loan **after** funding. This can be beneficial because when locking-in a delivery commitment, you do not have to take into consideration the time to certify the loan since as it takes place after funding. When it comes to MPF Xtra, the initial certification is now required to be completed **prior** to funding. This could potentially require longer delivery commitment periods to ensure certification is completed on time and no extension is needed. When locking in a rate for MPF Xtra on our eMPF® website, the timeline dates are now built in to ensure you have adequate time to complete the additional steps prior to funding.

Commitment Term	10 Days	15 Days	30 Days	45 Days	60 Days	Max
Last Date To Request Funding	07/11/2023	07/14/2023	07/31/2023	08/15/2023	08/29/2023	09/27/2023
Last Date To Obtain Certification	07/17/2023	07/20/2023	08/04/2023	08/21/2023	09/05/2023	10/03/2023

Commitment Expiration Date	07/20/2023	07/25/2023	08/09/2023	08/24/2023	09/08/2023	10/06/2023

- MPF Xtra only has one remittance option, which is actual/actual. This can be beneficial as this remittance type typically offers the best up front price on delivery commitments. In addition to the remittance type, MPF Xtra is set up on a daily investor reporting schedule. Therefore, once payments from borrowers are received, they are to be reported. If the borrower is late or misses a payment, you do not have to front the money for them like you would on a scheduled/scheduled remittance type. On the flip side, MPF Traditional has three different remittance types: actual/actual, scheduled/scheduled, and actual/actual single remittance and offers monthly investor reporting on all.

To Learn More

Contact your Sales Director to learn more about the benefits of the different MPF products. To review guidelines and eligibility, contact the MPF Service Center.

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Disclaimer

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