



MPF® 125

MPF 125 allows you, a Participating Financial Institution, to share the risks associated with home mortgage finance with your Federal Home Loan Bank. MPF 125 offers you the ability to originate, sell, and service fixed-rate, conventional residential mortgage loans and receive a credit enhancement (CE) fee for sharing the credit risk. Your FHLBank manages the liquidity, interest rate, and prepayment risks while you manage the credit risk of the loans. The credit risk sharing feature of MPF 125 allocates any future loan losses, after equity and private mortgage insurance are depleted, between the FHLBank and you, the PFI.

Features

- **CE Fees:** Up to 10 basis points (0.10%) annualized on the outstanding Master Commitment balances, paid monthly. The CE fee is performance-based, net of any losses.
- **Remittance Options:** Actual/Actual, Actual/Actual Single Remittance, Scheduled/Scheduled.
- **Servicing Fees:** 25 basis points (0.25%) paid monthly.

Benefits

- Competitive execution
- Economic reward for quality loans
- Same-day delivery and funding
- Servicing-released option available
- No loan-level price adjustments

Credit Risk Sharing: How Does It Work?

Borrower equity and, for loans with an original loan-to-value ratio greater than 80%, private mortgage insurance, are the initial layers to absorb losses. The MPF 125 credit structure has three additional layers of loss protection:

■ First Loss Account

The first additional layer of loss is called the First Loss Account or FLA, and is absorbed by your FHLBank. The amount of the FLA is equal to 100 basis points (1.00%) of the funded amount of all the loans in a Master Commitment.

■ Credit Enhancement Obligation

Any losses in excess of the FLA are allocated to the second layer of loss protection, the CE obligation, which is provided by the PFI. The CE obligation amount is equal to the total CE calculation for a Master Commitment minus the FLA. The minimum amount of a PFI's CE obligation is 25 basis points (0.25%) [of the funded amount of all the loans in a Master Commitment].

■ Excess Losses

Any loan losses that exceed the FLA and CE layers are absorbed by your FHLBank.