Mortgage Partnership Finance™

MPF® 35

MPF 35 allows you to share the risks associated with home mortgage finance with your Federal Home Loan Bank (FHLBank). MPF 35 offers you, a Participating Financial Institution (PFI) the ability to originate, sell and service fixed-rate, conventional residential mortgage loans and receive a credit enhancement fee for sharing in the credit risk. Your FHLBank manages the liquidity, interest rate, and prepayment risks of the loans while you manage the credit risk of the loans. The credit risk sharing feature of MPF 35 allocates any future loan losses, after equity and private mortgage insurance are depleted, between the FHLBank and its PFI.

Features

- Credit Enhancement Fees: A mutually agreed upon amount ranging from 7 basis points (0.07%) up to 14 basis points (0.14%) annualized on the outstanding Master Commitment balances made up of two components:
  - A fixed rate portion paid monthly beginning the month after delivery; and
  - A performance-based portion paid monthly beginning the 13th month after delivery after deducting any losses (up to the amount of the First Loss Account)
- Remittance Options: Actual/Actual, Actual/Actual Single Remittance, and 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 options available
- No loan-level price adjustments

Credit Risk Sharing - How it works

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 35 credit structure has three additional layers of loss protection:

First Loss Account

The first layer of loss, called the First Loss Account or FLA, is absorbed by the FHLBank. The amount of the FLA is typically equal to 35 basis points (0.35%) 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 the Credit Enhancement obligation, or CE, which is provided by the PFI. This loss protection amount is equal to the total credit enhancement for a Master Commitment minus the FLA. The PFI may choose to enter into an agreement with a third party, such as a supplemental mortgage insurer, to obtain coverage that may reduce their exposure to losses resulting from their CE obligation.

Excess Losses

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

FHLBANK DALLAS

8500 Freeport Pkwy South
Suite 100
Irving, Texas
844.345.2265
fhlb.com

FHLBANKS
A NATION OF LOCAL LENDERS

June 2015