

MPF XTRA[®] CIRCULAR

- 1) MPF XTRA AUTHORIZATION / FANNIE MAE CONTRACT.** The Federal Home Loan Bank of Dallas ("Bank") is authorized to make the MPF Xtra product available to its members through the Mortgage Partnership Finance[®] ("MPF[®]") Program. For MPF Xtra, the Federal Home Loan Bank of Chicago ("MPF Provider") acquires eligible mortgage loans from approved members of various Federal Home Loan Banks ("FHLBs") and concurrently sells the loans to Fannie Mae under a Mortgage Selling and Servicing Contract. The sale of loans to the MPF Provider is pursuant to MPF Xtra master commitments issued by a Federal Home Loan Bank and assigned by the FHLB to the MPF Provider. In connection with each loan sale, the MPF Provider makes warranties to Fannie Mae regarding eligibility of the mortgage loans. If an eligibility requirement or warranty is breached, a repurchase may be required as described in Section 8 below.
- 2) PARTICIPATING FINANCIAL INSTITUTION ("PFI") APPLICATION.** Bank members must be approved by the Bank in order to originate and/or service MPF Xtra loans under the MPF Program. To initiate the Bank's review process, an interested member must submit a completed PFI Application along with all related documents required by the Bank.
- 3) MPF GUIDES.** The MPF Provider has issued the following guides in connection with the MPF Program and the MPF Xtra product: (i) MPF Origination Guide; (ii) MPF Servicing Guide; (iii) MPF Underwriting Guide; and (iv) MPF Xtra Manual (collectively, the "MPF Guides"). In addition, MPF Xtra loans are required to be originated and serviced in accordance with the Fannie Mae Selling and Servicing Guides. Prospective PFIs should familiarize themselves with the MPF Guides and the Fannie Mae Guides prior to submitting a PFI Application, since PFIs are required to comply with the MPF Guides and the Fannie Mae Guides, as amended from time to time.
- 4) PFI AUTHORIZATIONS.** In connection with the PFI Application, a member must provide a corporate resolution authorizing the execution of required MPF agreements and documents, and the completion of related actions. In addition, the member is required to provide delegations of authority authorizing officers and/or employees of the member to take specified actions in connection with the MPF Program. The corporate resolution and delegations related to the MPF Program must be in the form provided by the Bank.
- 5) PFI AGREEMENT AND MPF XTRA ADDENDUM.** If a member is approved as a PFI, the member must sign an MPF Program Participating Financial Institution Agreement ("PFI Agreement") and an MPF Xtra Addendum to the PFI Agreement ("MPF Xtra Addendum") prior to being authorized to originate and sell MPF Xtra loans. The PFI Agreement, MPF Xtra Addendum and MPF Guides impose requirements including but not limited to the PFI's obligation to (i) maintain qualified staff and adequate facilities, (ii) maintain minimum fidelity and errors and omission insurance coverage, (iii) satisfy the Bank's and the MPF Provider's minimum standards, (iv) provide access to records and information related to the MPF Xtra loans, (v) provide required financial information on a timely basis, and (vi) report changes in the member's operations, status or ownership.
- 6) CUSTODIAL ACCOUNTS.** Prior to being authorized to originate and sell MPF Xtra loans, an approved member must establish a principal and interest custodial account ("P&I Custodial Account") and a tax and insurance custodial account ("T&I Custodial Account") using forms of agreement provided by the Bank. The P&I Custodial Account and T&I Custodial Account are maintained by the MPF Provider and will be used by the member in servicing MPF Xtra loans.
- 7) MPF XTRA TRAINING.** All Bank members approved as PFIs must complete new PFI training provided by the MPF Provider and/or the Bank prior to being authorized to originate or sell MPF Xtra loans. After the initial training, a PFI will be required to complete any additional training that may be identified from time to time by the Bank as a requirement for the PFI to continue its participation in the MPF Program.

8) REPURCHASES AND INDEMNIFICATIONS.

- A) Requirements. A PFI's failure to comply with the requirements (including eligibility requirements) of the MPF Guides, the PFI Agreement, the MPF Xtra Addendum, applicable law and the terms of relevant mortgage documents may result in the PFI being required to repurchase the loans impacted by such failure. In addition, if Fannie Mae requires an MPF Xtra loan to be repurchased by the MPF Provider, the relevant PFI will be required to repurchase the loan from the MPF Provider. The PFI is also required to reimburse the Bank and the MPF Provider for any costs or losses incurred (i) in connection with a repurchased loan, and (ii) in connection with any failure by the PFI to comply with applicable requirements of the documents listed above.
- B) Mechanics. PFIs must comply with all repurchase and indemnification requirements contained in the PFI Agreement, the MPF Xtra Addendum and the MPF Guides including requirements concerning the mechanics and timing of repurchases and indemnifications. In general, a PFI is required to fund repurchases by depositing funds into its P&I Custodial Account with the MPF Provider. (See Section 2.12 of the MPF Xtra Origination Guide.) In addition, since the PFI's obligation to repurchase and indemnify under the PFI Agreement constitutes an "indebtedness" under the PFI's Advances and Security Agreement, the Bank is authorized to debit the PFI's DDA with the Bank for all amounts due and payable under the PFI Agreement. (See Advances and Security Agreement Section 1.1(l) and Section 2.2.)

9) CHANGE OF PROCEDURES. The Bank may change this MPF Xtra Circular at any time by posting a revised MPF Xtra Circular on the Bank's website or on the Bank's private internet network made available to PFIs.

10) CHANGE OF PROCEDURES. The Bank may change procedures for MPF Xtra as set forth in this Circular or any other materials provided to PFIs, at any time by providing notice, in writing or by a transmission in electronic or other form, of such change to PFIs. Notice shall be deemed given to PFIs if posted on the Bank's website or on the Bank's private internet network made available to PFIs.

11) CHANGE OF PHONE NUMBERS AND ADDRESSES. PFI notifications of a change of address or phone number may be submitted electronically or by mail to the Bank.

12) FORCE MAJEURE. At any time during or after a hurricane, flood, tornado, act of God, war, explosion or other similar event beyond the Bank's or PFI's control occurs, the Bank may, in its sole discretion and without notice to Customer, waive and or change the procedures for handling all MPF Xtra business requests set forth in this Circular in order to address PFIs' needs in the face of such events.

13) MPF XTRA INSTRUCTIONS. PFIs may issue security settlement instructions using the MPF Provider website, www.empf.com. The Bank will also accept instructions for repurchases delivered by PFIs via fax or email.