



SETTING YOUR PACE FOR PFI APPROVAL

A Simple Guide to
Becoming a PFI
*for prospective Mortgage Partnership
Finance[®] Program seller/servicers*



A letter to **PROSPECTIVE PFIs**

Thank you for your interest in applying to become a Participating Financial Institution (PFI) under the Mortgage Partnership Finance® (MPF®) Program. The application to become a PFI is comprised of two separate packages or sets. The first set will contain all of the legal documents required to allow you to participate in the MPF Program. The second will provide authorization for your staff to utilize our systems.

The application process should take approximately 60 days to complete. During that time we will dedicate resources especially for you to help guide you through the approval process. Staff will be available to answer questions, and we will provide several training opportunities throughout the 60-day process. Once we have your final approval, you will be ready to start enjoying the benefits of your MPF membership right away!

No need to take a number or wait in line, you will have personalized service from the starting line to the finish line.

Sincerely,



Erin Olson | MPF Trainer

PFI APPROVAL PATH



Process Time: 30-60 days

Meet w/ your MPF Account Manager

- Review the "Path to Approval" toolkit
- QC Plan in place w/ a pre- & post-closing process

Submit by mail

- Provide resumes for staff
- All documents dated after resolution date

Free Webinars from your MPF Trainer

- MPF 101
- Risk Reward
- Specific training for underwriting, servicing & concurrent sale of servicing

Set up internal systems

- Review MPF Origination, Underwriting and Servicing Guides
- Attend the "Getting Started" Webinar to make sure you are MPF ready

Master Commitment issued

- Schedule users' training
- Start selling!

ELIGIBILITY

To be approved to sell and/or service residential first lien mortgage loans to the MPF Program , a seller/servicer must, at a minimum:

- Be an approved member of FHLBank Topeka
- Originate, sell and/or service 1-4 family residential first mortgages
- Have staff experienced in originating, selling and/or servicing first mortgage loans
- Have written In-house Quality Control procedures including pre- and post- closing reviews
- Have fidelity bond and errors and omissions policy in effect with such coverage amounts as required by MPF guidelines, and agree to modify them as necessary to meet requirements.

For complete details on the requirements for becoming an approved PFI, please review the MPF Origination, Underwriting and Servicing guides located at www.fhlbmpf.com. The guides are available to you at no additional charge.

ON-GOING ELIGIBILITY

Each PFI or Servicer must submit a complete and accurate Annual Eligibility Certification and its addenda, certifying and affirming its intent to comply with all of its provisions and requirements and future amendments of the Origination and Servicing Guides, as a condition of continuing eligibility.

If the PFI or Servicer fails to submit a complete and accurate Annual Eligibility Certification and its addenda as required by the MPF Guides and/or the MPF Bank, the PFI or Servicer may be disqualified or suspended in accordance with the provisions of the PFI Agreement and Origination Guide Chapter six.



QUALITY CONTROL REQUIREMENTS

To be eligible to sell mortgages under the MPF Program, every seller/servicer is required to have a quality control program in place and must agree the program will function for as long as the seller/servicer continues to do business with FHLBank Topeka. The program should include both a pre- and post-closing review process as defined in MPF Origination Guide Chapter 28.

PFI Responsibilities:

- Ensure that mortgages conform to
 - MPF Program policies and guidelines
 - Mortgage insurance requirements (if applicable to mortgage)
- Ensure that mortgages comply with all applicable local, state and federal laws in all applicable jurisdictions (Applicable Laws)
- PFI is responsible for knowing these Applicable Laws
- Ensure that deficiencies are reported and remediated at the:
 - Loan level
 - Origination level
 - Underwriting level
- Third-party quality control service providers are allowed.
 - PFI is responsible for developing and maintaining the loan quality standards and developing the quality control plan to achieve those standards
 - PFI's contract for services is not a substitute for the PFI establishing and maintaining its own quality control plan
 - PFI is accountable for its overall quality control program and for ensuring the quality control loan reviews comply with the MPF Program requirements

PRE-CLOSING QUALITY CONTROL PLAN

- PFI's pre-closing procedures must include, at a minimum, the following elements:
 - Timing of the pre-closing QC reviews
 - Loan selection process
 - Verification of data and documents
 - Reporting
- Staff should be independent of origination, underwriting and closing departments, if practical
 - At a minimum, pre-closing quality control must be conducted by individuals who have no involvement in the processing and underwriting decision of the loan being reviewed.
- Sample Selection
 - Should include random and targeted sampling
 - Characteristics of loans that were found to have defects in previous pre-closing and post-closing QC reviews
 - To prevent the repetition of data and documentation errors
 - **Personnel who perform the pre-closing QC review should have the authority to prevent loans from closing until all deficiencies are cured.**
 - Include loans with complex income calculations
 - Loans to be secured by properties located in areas with high delinquency rates or are experience rapid increases or decreases in property values

POST-CLOSING QUALITY CONTROL PLAN

- Must include a random sample chosen by either:
 - Statistical sampling method; or
 - Standard 10% sampling method
- When **10 or more** mortgages closed in a month:
 - The selection of at least 10% of the mortgages closed within that month must be made no later than the last day of the following month
- When **less than 10** mortgages close in a month:
 - The sample selection may be deferred until the month after which a combined 10 or more mortgages have closed since the last sample selection; however, the PFI must select a sample no less than every 90 days
 - If after three (3) consecutive months the combined production is less than 10 mortgages, the PFI must select one mortgage for review
 - The selection must then be made no later than the end of the month following the accumulation of 10 or more closed mortgages or three (3) consecutive months.



SERVICING

You have three options to choose from when servicing loans under the MPF Program.

- 1. Retain Servicing** – PFI will retain the servicing in house and will perform all servicing requirements according to the MPF Servicing Guide. The PFI must have experience servicing loans sold to Investors, have written servicing procedures and a servicing system that can handle amortized interest. PFI will earn 25 basis points for servicing conventional or MPF Xtra Loans, or 44 basis points for servicing government loans.
- 2. Sub-Servicer** – PFI will be considered a servicing retained institution; however, an MPF approved sub-servicer will handle the actual servicing function. There are contracts and agreements required to have this relationship in place. Only one sub-servicer can be used by a PFI.
- 3. Release Servicing** – Utilizing the MPF Program’s approved servicing aggregator, Colonial Savings, F.A. the PFI will concurrently sell the servicing to Colonial Savings when a loan is sold under the traditional MPF Program. The servicing agreements include a ‘non-compete clause,’ meaning they will not solicit borrowers for ancillary products. Prospect Mortgage is the servicing aggregator for the MPF Xtra Product.

First set

APPLICATION & FORMS CHECKLIST

Please complete the agreements described below to apply to become a PFI under the MPF Program. The guides that are referenced throughout the application can be found at <http://www.fhlbmpf.com> and choose “Online Guides.”

- Application
- Resolution for Mortgage Partnership Finance Participating Financial Institution Agreement*
- Participating Financial Institution Agreement*
- Fidelity Bond and Errors and Omissions (E&O) Insurance documents and form*
- Third Party Origination (TPO) form*
- In-House QC Questionnaire*
- Resumes for primary staff that will be directly involved in the MPF Program

Mail completed documents to:
FHLBank Topeka
Attn: Lindsee Myers
One Security Benefit Place, Suite 100
Topeka, KS 66606-2444

** For more information on these items on the checklist, see the next page.*

First set

DEFINITIONS

Resolution for Mortgage Partnership Finance Participating Financial Institution Agreement -

The resolution must be dated on or before the remaining executable documents. A Board Secretary or an Assistant Secretary must certify this Resolution has been duly adopted by your Board of Directors at a regular meeting or a duly called special meeting granting designated officers the authority to execute the PFI Agreement and other agreements, amendments, documents, or instructions as may be required.

Participating Financial Institution Agreement -

This form covers the contractual terms under which the PFI will originate and service loans into the MPF Program. One or more signatures of duly authorized officers of the PFI pursuant to the PFI's resolution are required.

Fidelity Bond and Errors and Omissions (E&O)

Insurance documents and form - Attach E&O and Fidelity Bond declaration pages as evidence of:

- Fidelity Insurance Coverage protection to the PFI for losses due to fraudulent or other dishonest acts committed by its officers, employees or others duly authorized to act on the behalf of the PFI.
- Evidence of Mortgage Holders E&O Insurance Coverage – Protection for losses caused by negligence, errors, or omissions committed by the persons required to be covered by the member's fidelity insurance in the performance of duties related to mortgage origination, selling or servicing.

First set

DEFINITIONS (continued)

Third Party Origination (TPO) form – A TPO relationship exists when a PFI outsources any piece of the mortgage process or purchases loans from a third party. The Federal Housing Finance Agency’s valid business purpose requirement for assets being acquired by approved PFIs and sold under the MPF Program requires documentation be provided to determine the control over the assets being acquired.

In-House QC Questionnaire –The purpose of completing this questionnaire is two-fold: 1) it provides a current status of the In-House QC program, and 2) it should help identify any updates needed to comply with the MPF Program’s In-House QC requirements.



TRAINING

During the PFI approval process we will provide many training opportunities. Each training is designed to provide information specific to MPF to help increase your comfort level with using the MPF Program.

We start with MPF 101 and Risk Reward. MPF 101 is a high level overview of the program, just to give you an idea of what to expect once you begin selling loans under the MPF Program. Risk Reward will provide a more in-depth look at the major pieces of the MPF process including the credit enhancement obligation (risk) and the credit enhancement fee (reward).

Custom Fit training will be tailored specifically for your institution and will go over many things you will need to know as you progress through the approval process. We will go over each of the documents in the second package one by one to make sure you know exactly what is needed. Our goal will be to complete the entire second set of documents during this training. All that will be left after the Custom Fit training is to collect signatures and drop the original documents in the mail.

Second set

AGREEMENTS CHECKLIST

Please complete the agreements described below to apply to become a PFI under the MPF Program. The guides that are referenced throughout the application can be found at <http://www.fhlbmpf.com> and choose “Online Guides.”

- | | |
|--|---|
| <input type="checkbox"/> Anti-Predatory Lending Questionnaire | SERVICING RETAINED |
| <input type="checkbox"/> Delegation of Authority | <input type="checkbox"/> Servicer Information Form (Servicing Retained Only) |
| <input type="checkbox"/> Delegation of Authority – Requests for Files from Custodian | SERVICING RELEASED |
| <input type="checkbox"/> Collateral Release Information Form | <input type="checkbox"/> Servicing Sale Agreement & Addendum (Servicing Released Only)
<i>Need three original signed copies of each.</i> |
| <input type="checkbox"/> Post Closing (Shipping) Information Form | <input type="checkbox"/> Selling PFI Information (Servicing Released Only) |

For more information on these items on the checklist, see the next page.

Second set

DEFINITIONS

Anti-Predatory Lending Questionnaire -
Please note: If APL procedures are not submitted for review or an anti-predatory lending system not utilized, the PFI will be prohibited from selling loans secured by properties in restricted loan jurisdictions under the MPF Program.

Delegation of Authority - This form defines and delegates the scope of authority to designated persons for conducting transactions with the FHLBank Topeka. See instruction sheet for Delegation of Authority. One or more signatures of duly authorized officers of the PFI pursuant to the PFI's resolution are required.

Delegation of Authority – This form delegates authority to designated persons for the

purpose of requesting the release of the PFI's custody files and/or copies of any documents contained in such files held by the Master Custodian. One or more signatures of duly authorized officers of the PFI pursuant to the PFI's resolution are required.

Collateral Release Information Form - This form provides the PFI contact information on personnel who are permitted to request files from the custodian. Be sure to indicate a courier account number for shipment charges.

Post Closing (Shipping) Information Form - Provides PFI contact information to the MPF Master Custodian regarding the applicant's post closing operations.

Second set

DEFINITIONS (continued)

SERVICING RETAINED

Servicer Information Form (Servicing Retained Only) - Provides PFI contact information to the Master Servicer regarding the applicant's servicing staff.

SERVICING RELEASED

Servicing Sale Agreement & Addendum (Servicing Released Only) - The agreement between the PFI and the Servicing Aggregator requires one or more signatures of duly authorized officers of the PFI pursuant to the PFI's resolution.

Selling PFI Information (Servicing Released Only) - Provides PFI contact information and wire instructions to Servicing Aggregator.



ADDITIONAL TRAINING

Now that both sets of the application have been completed, we have additional training to prepare you for selling loans under the MPF Program. While you are attending training, we will be reviewing the documents you have provided and processing your application. We will finalize your PFI approval and issue your PFI number. Two webinars have been designed to walk you through the final phase and answer any remaining questions.

The “Getting Started” webinar includes information on underwriting and answers to frequently asked questions. Staff that should attend includes underwriters and those that handle document preparations. MPF Users training will go over the process from start to finish from locking a delivery commitment to funding a loan to sending your documents to the Master Servicer. Staff responsible for locking, funding and completing the loan presentment should plan to attend.

The final step is to sign a master commitment and start selling. At this point, you will be fully delegated to sell under the MPF Program, utilizing the MPF underwriting and origination guides to assist you with compliance. We will still be available to answer questions and help you as you learn this new process.