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CHAPTER 1. INTRODUCTION

The Mortgage Partnership Finance[®] (MPF[®]) Program seeks to serve the members of the Federal Home Loan Banks (each, an MPF Bank) by providing members access to the secondary mortgage market and helping members offer competitively-priced mortgage products while allowing them to retain valuable customer relationships. The MPF Program requirements for the sale and Servicing of Mortgage Loans secured by 1-4 single-family unit properties are contained in the following (all of which are included in the term the “Guides” as that term is used in the PFI Agreement or Servicing Agreement applicable to each Participating Financial Institution (PFI) or Servicer):

- The MPF Program Guide (Program Guide) contains the requirements for participating in the MPF Program and certain general requirements applicable to all MPF products;
- The MPF Traditional Selling Guide and MPF Traditional Servicing Guide contain the selling and servicing requirements pertaining to MPF Traditional Products, i.e., Conventional Mortgage Loan and Government Mortgage Loan products which are acquired by an MPF Bank as MPF Traditional loans for its own portfolio;
- The selling and servicing requirements for MPF Products other than MPF Traditional can be found in the product specific selling guides, servicing guides, and Servicer specific servicing transfer manuals;
- Forms and Exhibits; and
- Glossary and Acronyms.

1.1 Copyright

The Guides are copyrighted. Limited permission to duplicate the Guides is granted to PFIs and Servicers strictly for their own use in originating, delivering, and servicing Mortgage Loans. No part of the Guides may be reproduced for any other reason (in any form or by any means) without the express written permission of the MPF Provider. The MPF Provider reserves the right to revoke such permission upon sixty (60) days’ notice.

1.2 Legal Effect of the Guides

This section addresses the structure and effective date of the Guides.

1.2.1 Amendment and Effective Date

The Guides are updated and supplemented by communications to PFIs and Servicers participating in the MPF Program that are published as MPF Marketing Bulletins and MPF Announcements. The effective date of a specific section is noted in parentheses next to the title of the section. If no such date is provided, the effective date of a session is deemed to be the date the requirement was added to the Guides prior to January 1, 2024.

Any Guide sections amended after January 1, 2024, will contain a footnote indicating the MPF Announcement that corresponds to the amendment. As deemed appropriate by the MPF Provider, the Guides may be published in various formats, including hard copies or electronically, and distributed or posted on electronic sites, such as AllRegs Online. The Guides as published on AllRegs can be accessed through the [MPF Website](#). In the event of a conflict between various versions of the Guides, the official version of the current Guides published on AllRegs will prevail.

The Guides are considered effective on the date they are published on AllRegs.

1.2.2 Pre-July 29, 2016 Guide References

On July 29, 2016, a new reorganized version of the Guides was published. The reorganization did not change the requirements of the Guides; it consisted instead of consolidating like content, and deleting obsolete, outdated, and duplicative content. The terms of all Applicable Agreements and any other MPF Program related agreement, contract, announcement, or other document or communication that pre-date the reorganized Guide publication of July 29, 2016, that include prior Guide references, remain legally binding and enforceable. It is understood that any reference in any Applicable Agreement to the “Guides”, the “MPF Origination Guide”, or the “MPF Servicing Guide” shall mean and be deemed to refer to the Guides as that term is used in these Guides and defined in the Glossary.

1.2.3 Status as a Contract

The Guides supplement the obligations and requirements for participating in the MPF Program set forth in any Applicable Agreement, and all of their terms are incorporated by reference into, and constitute a part of, each Applicable Agreement.

All Mortgage Loans must be originated and serviced in accordance with the standards set forth in the Guides and Applicable Agreements. All of the PFI’s or Servicer’s obligations to originate and service Mortgage Loans for the MPF Bank shall be considered to constitute, and shall be performed pursuant to, a unitary, indivisible Applicable Agreement, and the obligations assumed pursuant to any Applicable Agreement to originate or service Mortgage Loans for the MPF Bank shall be deemed to be merged into, and shall be performed pursuant to, such Applicable Agreement.

Any failure by a PFI or Servicer to perform pursuant to the requirements provided in the Guides or in accordance with the terms of Applicable Agreements shall be deemed to constitute a breach of the Applicable Agreements and shall entitle the MPF Bank to terminate the Applicable Agreements.

1.2.4 Guide Changes and Waivers

The Guides may not be amended or modified orally; they may only be amended or supplemented in writing by the MPF Provider from time to time, with notice provided pursuant to the applicable notice provisions in the Guides and the Applicable Agreements, including communications published as MPF Marketing Bulletins and MPF Announcements. Amendments apply to any mandatory Delivery Commitment having a date of PFI's offer on or after the effective date of the amendment.

In addition, pursuant to a written request from a PFI, a Servicer or an MPF Bank, the MPF Provider, at its sole discretion, may agree in writing, to waive or amend certain provisions of the Guides.

1.2.5 Reliance

By entering into an Applicable Agreement with the MPF Bank, the PFI or Servicer, as applicable, acknowledges that it is not relying upon the MPF Provider or the MPF Bank or any employee, agent or representative thereof, in making its decision to enter into the agreement, and that it has relied upon the advice and counsel of its own employees, agents and representatives as to the regulatory, business, corporate, tax, accounting and other consequences of entering into and performing its obligations under an Applicable Agreement.

1.2.6 Severability

If any provision of these Guides shall be held invalid, the legality and enforceability of all remaining provisions shall not in any way be affected or impaired thereby, and these Guides shall be interpreted as if such invalid provisions were not contained herein.

1.2.7 Entire Agreement

These Guides together with the Applicable Agreements, including the exhibits attached to the Guides, and all forms incorporated by reference in the Guides, constitute the entire understanding between the MPF Bank and the PFI or Servicer, as applicable, and supersedes all other agreements, covenants, representations, warranties, understandings and communications between the parties, whether oral or written, with respect to the transactions contemplated by the Guides. In the event of any conflict between the Applicable Agreements and the provisions of the Guides, the Guides shall prevail unless the Applicable Agreements expressly provides otherwise.

1.2.8 Governing Law

These Guides shall be construed and enforced in accordance with the statutory and common law of the United States of America. To the extent federal law incorporates or defers to state law, the relevant state law shall be the law of the state of Illinois (without regard to conflicts of law principles) applicable to agreements to be performed in the state of Illinois.

1.2.9 Amendments and Supplements to the Guides

Any and all updates to the Guides will be provided by means of the MPF Provider issuing an MPF Marketing Bulletin or MPF Announcement via AllRegs. The PFI or Servicer should subscribe to AllRegs to receive updates as they are published. The terms of the updates to the Guides and the effective date of each will be set forth in the applicable PFI Notice or PFI Advisory.

1.2.10 Construction of Guides

The Guides shall not be construed against the MPF Provider or the MPF Bank as being the drafter hereof.

1.3 Notices

Except as provided for in any Applicable Agreement or expressly provided for elsewhere in the Guides, all demands, notices and other such communications made pursuant to the Guides must be in writing and must be personally delivered, emailed, faxed, mailed (by registered or certified United States mail, postage prepaid), or express mailed (through an overnight delivery service). Such communications must be sent, in the case of the MPF Bank, MPF Provider, Master Servicer, MPF Program Custodian, or MPF Government MBS Custodian, to the applicable addresses specified in Exhibit T, or such other address as may be furnished in writing by the MPF Provider, or to the address of any successor to the MPF Bank, MPF Provider, Master Servicer, MPF Program Custodian, or MPF Government MBS Custodian. Such communications must be sent, in the case of the PFI or Servicer, to the address specified in the Applicable Agreements, or to such other address as may be hereafter furnished by the PFI or Servicer in writing.

Notices will be deemed effective upon the earlier of: (i) the date of delivery (if delivered personally, emailed, or faxed); (ii) the next Business Day after the date of mailing (if sent by express mail or other overnight delivery service for next day delivery); or (iii) three (3) Business Days after the date of mailing (if sent by registered or certified United States mail).

1.4 Contact Information

The contact information for the MPF Banks, MPF Provider, Master Servicer, MPF Program Custodian, and MPF Government MBS Custodian, can be found in the Directory (Exhibit T).

CHAPTER 2. MPF MORTGAGE PRODUCTS

2.1 Products Overview

This chapter describes the products that are eligible under the MPF Program.

Certain MPF Mortgage Products allocate the risks and rewards associated with originating and holding Mortgage Loans between the MPF Bank and the PFI. Various products, which allocate risks differently, are offered to suit the needs of individual PFIs. Not every MPF Mortgage Product is available from every MPF Bank. For availability of each MPF Mortgage Product, please contact your MPF Bank Representative.

2.2 MPF Original

MPF Original Requirements	
Parameters	Requirements
Transaction Type	The PFI will sell closed Conventional Mortgage Loans to the MPF Bank.
Process	<p>The PFI will obtain a Master Commitment from the MPF Bank, and will submit loan data via Loan Presentment to determine a Credit Enhancement (CE).</p> <ul style="list-style-type: none"> • The CE amount for each Mortgage Loan (“Loan Level Credit Enhancement”) will be accumulated for its Master Commitment. • Additional CE (“Pool Level Credit Enhancement amount”), if applicable, may be added to this total to cover risk concentration.
MPF Bank First Loss Account (FLA)	<p>The rate at which the MPF Bank’s first loss liability accumulates on a monthly basis will be specified in each Master Commitment.</p> <p>The MPF Bank will absorb Realized Losses for Mortgage Loans in the Master Commitment up to the balance of the FLA.</p>
PFI Second Loss Credit Enhancement Obligation	The PFI’s CE obligation is an undertaking under the terms of the PFI Agreement. The PFI CE obligation is equal to the total Credit Enhancement, subject, however, to a minimum PFI CE obligation as stated in the Master Commitment. The maximum CE obligation is also stated in the Master Commitment. The PFI will pay Realized Losses for a Master Commitment in excess of the balance of the FLA, up to the amount of the PFI’s CE obligation.
Losses in Excess of the PFI Credit Enhancement Obligation	The MPF Bank will absorb Realized Losses in excess of the PFI’s CE obligation.

MPF® Program Guide

MPF Original Requirements	
Parameters	Requirements
Credit Enhancement Income	The PFI will be paid a monthly CE Income of an amount mutually agreed upon, as specified in the Master Commitment.
Credit Enhancement Obligation Reset	10 years after a Master Commitment is executed, the CE will be recalculated and, if such recalculated CE would result in a PFI CE obligation lower than the remaining obligation, the PFI's CE obligation will be reset to the new, lower level.
Servicing Features	<p>PFI's who retain Servicing Rights must service the Mortgage Loans in accordance with the requirements of the PFI Agreement and the Guides. PFI's will receive a 25 Basis Point (0.25%) per year Servicing Fee, paid monthly, from the MPF Bank.</p> <p>PFI's who sell or transfer Servicing Rights must do so in accordance with the PFI Agreement and the Guides. PFI's will receive a Servicing Released Premium under the servicing released alternatives in accordance with the Guides.</p>
Capital Treatment	<p>For depository institutions, there is no leverage capital requirement. The risk-based capital that the PFI must hold should be calculated in accordance with the risk-based capital requirements applicable to the PFI. In the case of most banks and savings institutions, the revised capital requirements based on the Basel III accord were effective January 1, 2015.</p> <p><i>The MPF Program is not providing accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities or with respect to the proper reporting by a PFI to its principal regulator of matters relating to MPF Program assets and liabilities, including, as applicable, a PFI's Credit Enhancement obligations or the outstanding balance of the loans it sold. The PFI is expected to consult with its own accountants and attorneys for advice on this matter. This does not take into account any RBC requirements related to holding the servicing rights associated with the loan.</i></p>

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2.3 MPF Plus

MPF Plus Requirements	
Parameters	Requirements
Transaction Type	The PFI will sell closed Conventional Mortgage Loans to the MPF Bank.
Process	<p>The PFI will obtain a Master Commitment from the MPF Bank and will submit loan data via Loan Presentment to determine the Loan Level Credit Enhancement.</p> <p>The PFI will arrange for an approved private mortgage insurance ("MI") company to provide supplemental MI ("SMI") to the MPF Bank and will be responsible for premiums due under such SMI policy.</p>
First Loss Account (FLA)	<p>A FLA will be established in an amount equal to a specific percentage of the scheduled Principal Balance of the Mortgage Loans as of the purchase date.</p> <p>Realized Losses for each Master Commitment up to this amount will be applied to the FLA.</p>
SMI Coverage	SMI Policy shall provide loan level coverage down to a Loan-to-Value Ratio and aggregate coverage level as required by the MPF Program credit enhancement rating system, such coverage requirements to be finally determined at the time the Master Commitment is closed.
PFI Credit Enhancement	<p>The PFI CE will be an amount equal to the total CE for the Master Commitment less the FLA and the coverage provided by the SMI Policy.</p> <p>The PFI will pay Realized Losses for the Master Commitment in excess of the FLA and not covered by the SMI Policy; not to exceed the amount of the PFI's CE obligation.</p> <p>The PFI's CE obligation is an undertaking under the terms of the PFI Agreement.</p> <p>If at the time the Master Commitment is closed, the FLA is less than expected losses as determined under the MPF credit enhancement rating system, then the FLA Performance CE Income and PFI CE obligation may be adjusted so that the PFI's CE obligation, when combined with the FLA and the SMI Policy, will allow the Master Commitment to achieve a rating equivalent under the MPF credit enhancement rating system where the FLA equals or exceeds "expected losses."</p>
Losses in Excess of Credit Enhancements	The MPF Bank will absorb Realized Losses in excess of the PFI's CE obligation and SMI Policy.

MPF® Program Guide

MPF Plus Requirements	
Parameters	Requirements
Credit Enhancement Income	<p>The PFI will be paid a monthly CE Income of an amount mutually agreed upon, as specified in the Master Commitment, split into Fixed and Performance CE Income.</p> <ul style="list-style-type: none"> • The Fixed CE Income will be paid beginning the month after delivery. • The Performance CE Income will accrue for twelve months and be paid to the PFI monthly commencing with the thirteenth (13th) month following each delivery of Mortgage Loans. <ul style="list-style-type: none"> ○ Performance CE Income will be reduced to reflect loan performance by deducting an amount equivalent to Realized Losses from CE Income due, up to the maximum of the FLA. ○ If Realized Losses exceed the Performance CE Income due in any period, such unrecovered excess will be carried forward and applied against future Performance CE Income.
PFI Obligation to Maintain Supplemental MI Coverage	<p>If the MI Company's claims-paying ability rating falls below "AA-", the PFI will have six months to replace the SMI Policy with coverage from another approved MI company, or at its option, accept the obligation as its own undertaking.</p> <p>After such six-month period, no Performance CE Income will be paid until a replacement policy or undertaking is provided.</p>
Credit Enhancement Obligation Reset	<p>Periodically (such time periods to be mutually agreed upon), after a Master Commitment is executed, the total CE will be recalculated and, if such recalculated total CE would result in the PFI's CE obligation being lower than the PFI's remaining obligation, the PFI's CE obligation will be reset to the new, lower level.</p>
Servicing Features	<p>PFI's who retain Servicing Rights must service the Mortgage Loans in accordance with the requirements of the PFI Agreement and the Guides. PFI's will receive a 25 Basis Point (0.25%) per year Servicing Fee, paid monthly, from the MPF Bank.</p> <p>PFI's who sell or transfer Servicing Rights must do so in accordance with the PFI Agreement and the Guides. PFI's will receive a Servicing Released Premium under the servicing released alternatives in accordance with the Guides.</p>

MPF® Program Guide

MPF Plus Requirements	
Parameters	Requirements
Capital Treatment	<p>For depository institutions there is no leverage capital requirement. The risk-based capital that the PFI must hold should be calculated in accordance with the risk-based capital requirements applicable to the PFI. In the case of most banks and savings institutions, the revised capital requirements based on the Basel III accord were effective January 1, 2015.</p> <p><i>The MPF Program is not providing accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities or with respect to the proper reporting by a PFI to its principal regulator of matters relating to MPF Program assets and liabilities, including, as applicable, a PFI's Credit Enhancement obligations or the outstanding balance of the loans it sold. The PFI is expected to consult with its own accountants and attorneys for advice on this matter. This does not take into account any RBC requirements related to holding the servicing rights associated with the loan.</i></p>

2.4 MPF 125

MPF 125	
Parameters	Requirements
Transaction Type	The PFI will sell closed Conventional Mortgage Loans to the MPF Bank.
Process	<p>The PFI will obtain a Master Commitment from the MPF Bank.</p> <ul style="list-style-type: none"> • From data submitted by the PFI for a pool of Mortgage Loans, the CE will be determined by the MPF Program credit enhancement rating system. • From this data, the PFI will select the Mortgage Loans it wishes to sell. • The Loan Level Credit Enhancement amount for the Mortgage Loans will be accumulated for the Master Commitment. • A Pool Level Credit Enhancement amount, if applicable, may be added to this total to cover risk concentration, to determine the total CE for the Master Commitment.

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MPF 125	
Parameters	Requirements
MPF Bank First Loss Account (FLA)	<p>The FLA is 100 Basis Points (1.0%) of the principal amount of the Mortgage Loans funded under a Master Commitment.</p> <p>Realized Losses for the Master Commitment up to this amount will be applied against the MPF Bank's FLA.</p>
PFI Second Loss Credit Enhancement Obligation	<p>The PFI's CE obligation is an undertaking under the terms of the PFI Agreement. The PFI CE obligation is equal to the total Credit Enhancement less the First Loss Account ("FLA"), subject, however, to a minimum PFI CE obligation as stated in the Master Commitment. The maximum CE obligation is also stated in the Master Commitment. The PFI will pay Realized Losses for a Master Commitment in excess of the balance of the FLA, up to the amount of the PFI's CE obligation.</p>
Losses in Excess of the PFI Credit Enhancement Obligation	<p>The MPF Bank will absorb Realized Losses in excess of the PFI's CE obligation.</p>
Credit Enhancement Income	<p>The PFI will be paid a monthly CE Income of an amount mutually agreed upon, as specified in the Master Commitment.</p> <ul style="list-style-type: none"> • CE Income will be reduced to reflect performance by deducting an amount equivalent to Realized Losses from CE Income due, up to the maximum of the FLA. • If Realized Losses exceed the CE Income due in any period, such unrecovered excess will be carried forward to be applied against future CE Income.
Credit Enhancement Obligation Reset	<p>10 years after a Master Commitment is executed the CE will be recalculated, and, if such recalculated CE would result in the PFI's CE obligation being lower than the PFI's remaining obligation, the PFI's CE obligation will be reset to the new, lower level.</p>
Servicing Features	<p>PFI's who retain Servicing Rights must service the Mortgage Loans in accordance with the requirements of the PFI Agreement and the Guides. PFI's will receive a 25 Basis Point (0.25%) per year Servicing Fee, paid monthly, from the MPF Bank.</p> <p>PFI's who sell or transfer Servicing Rights must do so in accordance with the PFI Agreement and the Guides. PFI's will receive a Servicing Released Premium under the servicing released alternatives in accordance with the Guides.</p>

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MPF 125	
Parameters	Requirements
Capital Treatment	<p>For depository institutions, there is no leverage capital requirement. The risk-based capital that the PFI must hold should be calculated in accordance with the risk-based capital requirements applicable to the PFI. In the case of most banks and savings institutions, the revised capital requirements based on the Basel III accord were effective January 1, 2015.</p> <p><i>The MPF Program is not providing accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities or with respect to the proper reporting by a PFI to its principal regulator of matters relating to MPF Program assets and liabilities, including, as applicable, a PFI's Credit Enhancement obligations or the outstanding balance of the loans it sold. The PFI is expected to consult with its own accountants and attorneys for advice on this matter. This does not take into account any RBC requirements related to holding the servicing rights associated with the loan.</i></p>

2.5 MPF 35

MPF 35 Requirements	
Parameters	Requirements
Transaction Type	The PFI will sell closed Conventional Mortgage Loans to the MPF Bank.
Process	The PFI will obtain a Master Commitment from the MPF Bank and will submit loan data via Loan Presentment to determine the Loan Level Credit Enhancement.
MPF Bank First Loss Account (FLA)	<p>The rate in Basis Points of the amount of Mortgage Loans delivered under each Master Commitment will be specified in the Master Commitment.</p> <p>Realized Losses for the Master Commitment up to this amount will be applied against the MPF Bank's FLA.</p>

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MPF 35	
Parameters	Requirements
PFI Second Loss Credit Enhancement Obligation	The PFI's CE obligation is an undertaking under the terms of the PFI Agreement. The PFI CE obligation is equal to the total Credit Enhancement less the First Loss Account ("FLA"), subject, however, to a minimum PFI CE obligation as stated in the Master Commitment. The maximum CE obligation is also stated in the Master Commitment. The PFI will pay Realized Losses for a Master Commitment in excess of the balance of the FLA, up to the amount of the PFI's CE obligation. The PFI may choose to retain this CE obligation or enter into an agreement with a third party, such as a supplemental mortgage insurer to obtain coverage that would reduce their exposure to losses resulting from their CE obligation.
Losses in Excess of Credit Enhancements	The MPF Bank will absorb Realized Losses in excess of the PFI's CE obligation.
Credit Enhancement Income	<p>The PFI will be paid a monthly CE Income of an amount mutually agreed upon, as specified in the Master Commitment, split into Fixed and Performance CE Income.</p> <ul style="list-style-type: none"> • The Fixed CE Income will be paid beginning the month after delivery. • The Performance CE Income will accrue for twelve months and be paid to the PFI monthly commencing with the thirteenth (13th) month following each delivery of Mortgage Loans. <ul style="list-style-type: none"> ○ The Performance CE Income will be reduced to reflect pool performance by deducting an amount equivalent to the Realized Losses on the Mortgage Loans from Performance CE Income due, up to the maximum of the FLA. ○ If Realized Losses exceed the Performance CE Income due in any period, such unrecovered excess will be carried forward and applied to reduce future Performance CE Income.
Credit Enhancement Obligation Reset	<p>5 years after the Master Commitment expires or is filled, whichever comes first and every year thereafter, the CE will be recalculated.</p> <p>If such recalculated CE would result in a PFI CE obligation lower than the remaining obligation, the CE will be reset to the new, lower levels.</p>

MPF® Program Guide

MPF 35	
Parameters	Requirements
Servicing Features	<p>PFI's who retain Servicing Rights must service the Mortgage Loans in accordance with the requirements of the PFI Agreement and the Guides. PFI's will receive a 25 Basis Point (0.25%) per year Servicing Fee, paid monthly, from the MPF Bank.</p> <p>PFI's who sell or transfer Servicing Rights must do so in accordance with the PFI Agreement and the Guides. PFI's will receive a Servicing Released Premium under the servicing released alternatives in accordance with the Guides.</p>
Capital Treatment	<p>For depository institutions there is no leverage capital requirement. The risk-based capital that the PFI must hold should be calculated in accordance with the risk-based capital requirements applicable to the PFI. In the case of most banks and savings institutions, the revised capital requirements based on the Basel III accord were effective January 1, 2015.</p> <p><i>The MPF Program is not providing accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities or with respect to the proper reporting by a PFI to its principal regulator of matters relating to MPF Program assets and liabilities, including, as applicable, a PFI's Credit Enhancement obligations or the outstanding balance of the loans it sold. The PFI is expected to consult with its own accountants and attorneys for advice on this matter. This does not take into account any RBC requirements related to holding the servicing rights associated with the loan.</i></p>

2.6 MPF Traditional Government

MPF Government Requirements	
Parameters	Requirements
Transaction Type	The PFI will sell Government Mortgage Loans to the MPF Bank.
Process	The PFI will obtain a Master Commitment from the MPF Bank for the amount of Government Mortgage Loans the PFI expects to sell, specifying the time period in which it expects to sell such Mortgage Loans to the MPF Bank (separate Master Commitments are required for HUD 184 Loans and for RHS 502 Loans).

MPF® Program Guide

MPF Government Requirements	
Parameters	Requirements
Government Loan Types	The MPF Bank will acquire fully amortizing fixed rate one-to-four unit residential Mortgage Loans insured or guaranteed by the applicable Government Agency.
PFI Credit and Servicing Responsibilities	<p>The PFI shall provide and maintain the applicable Government Agency insurance or guaranty for all Government Mortgage Loans.</p> <p>The PFI shall be responsible for:</p> <ul style="list-style-type: none"> • Compliance with all applicable Government Agency requirements; and • Obtaining the benefit of the applicable Government Agency's insurance or guaranty with respect to defaulted Government Mortgage Loans. <p>Also, the Servicer of the Mortgage Loan shall be responsible for Unreimbursed Servicing Expenses (i.e. those amounts not reimbursed by the applicable Government Agency with respect to defaulted Mortgage Loans).</p>
Servicing Features	<p>PFI's who retain Servicing Rights must service the Mortgage Loans in accordance with the requirements of the PFI Agreement, the Guides, and the applicable Government Agency. PFI's will receive a 44 Basis Point (0.44%) per year Servicing Fee, paid monthly, from the MPF Bank.</p> <p>PFI's who sell or transfer Servicing Rights must do so in accordance with the PFI Agreement and the Guides. PFI's will receive a Servicing Released Premium under the servicing released alternatives in accordance with the Guides.</p>
Capital Treatment	<p>For depository institutions, there is no leverage or risk-based capital requirement.</p> <p><i>The MPF Program is not providing accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities or with respect to the proper reporting by a PFI to its principal regulator of matters relating to MPF Program assets and liabilities, including, as applicable, a PFI's Credit Enhancement obligations or the outstanding balance of the loans it sold. The PFI is expected to consult with its own accountants and attorneys for advice on this matter. This does not take into account any RBC requirements related to holding the servicing rights associated with the loan.</i></p>

MPF® Program Guide

2.7 MPF Xtra®

MPF Xtra Requirements	
Parameters	Requirements
Transaction Type	The PFI will sell closed Conventional Mortgage Loans to the MPF Provider, which the MPF Provider will concurrently sell to a third (3rd) party investor.
Process	The PFI will obtain a Master Commitment from the MPF Bank. PFIs will present loans and submit funding requests using the eMPF® website.
Credit Enhancement Features	Unless otherwise provided in a Master Commitment or other agreement between the PFI and the MPF Bank, the credit risk associated with the Mortgage Loans under the MPF Xtra product is transferred to the investor. Thus there is no Credit Enhancement (CE) obligation for the PFI and CE Income is not paid. As noted in the MPF Xtra Guide, depending on loan characteristics, Mortgage Loans delivered under the MPF Xtra Product are subject to Loan Level Price Adjustments (LLPAs).
Servicing Features	<p>PFIs who retain Servicing Rights must service the Mortgage Loans in accordance with the requirements of the PFI Agreement and the MPF Xtra Guide and must use the MPF Program Actual/Actual remittance option under this product. The PFI will receive 25 Basis Point (0.25%) per year Servicing Fee, paid monthly, for servicing the Mortgage Loans.</p> <p>PFIs who sell or transfer Servicing Rights must do so in accordance with the PFI Agreement and the MPF Xtra Guide. PFIs will receive a Servicing Released Premium under the servicing released alternatives in accordance with the MPF Xtra Guide.</p>
Capital Treatment	<p>For depository institutions, there is no leverage or risk based capital requirement.</p> <p><i>The MPF Program is not providing accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities or with respect to the proper reporting by a PFI to its principal regulator of matters relating to MPF Program assets and liabilities, including, as applicable, a PFI's Credit Enhancement obligations or the outstanding balance of the loans it sold. The PFI is expected to consult with its own accountants and attorneys for advice on this matter. This does not take into account any RBC requirements related to holding the servicing rights associated with the loan.</i></p>

MPF® Program Guide

2.8 MPF Government MBS

MPF Government MBS Requirements	
Parameters	Requirements
Transaction Type	The PFI will sell closed Government Mortgage Loans to the MPF Provider, which the MPF Provider will hold for sale for the purpose of pooling into GNMA MBS.
Process	The PFI will obtain a Government MBS Master Commitment from the MPF Bank for the amount of Government Mortgage Loans the PFI expects to deliver to the MPF Bank specifying the time period in which it expects to sell such Government Mortgage Loans to the MPF Bank (separate Master Commitments are required for FHA/VA and for RHS 502 Mortgage Loans).
Government Loan Types	The MPF Provider will acquire fully amortizing fixed rate one-to-four unit residential Mortgage Loans insured or guaranteed by the applicable Government Agency.
PFI Credit and Servicing Responsibilities	<p>The PFI Shall provide and maintain the applicable Government Agency insurance or guaranty for all Government Mortgage Loans.</p> <p>The PFI shall be responsible for:</p> <ul style="list-style-type: none"> • Compliance with all applicable Government Agency requirements; and • Obtaining the benefit of the applicable Government Agency's insurance or guaranty with respect to defaulted Government Mortgage Loans. <p>Unless otherwise provided for in the Guides, the Servicer of the Mortgage Loan shall be responsible for Unreimbursed Servicing Expenses (i.e. those amounts not reimbursed by the applicable Government Agency with respect to defaulted Mortgage Loans), and for any P&I advances, P&I shortfalls, Foreclosure advances or tax and insurance advances made to the MPF Provider.</p>

MPF Government MBS Requirements	
Parameters	Requirements
Servicing Features	<p>PFIs who retain Servicing Rights must service the Mortgage Loans in accordance with the requirements of the PFI Agreement, the Guides, and the applicable Government Agency and must use the MPF Program Scheduled/Scheduled remittance option under this product. PFIs will deduct the Servicing Fee from the monthly interest received from the Borrower and remitted monthly to the MPF Provider. The monthly Servicing Fee will be based on the Note Rate.</p> <p>PFIs who sell or transfer Servicing Rights must do so in accordance with the PFI Agreement and the Guides. PFIs will receive a Servicing Released Premium under the servicing released alternatives in accordance with the Guides.</p>
Capital Treatment	<p>For depository institutions, there is no leverage risk based capital requirement.</p> <p><i>The MPF Program is not providing accounting or legal advice with respect to the accounting treatment of MPF Program assets and liabilities or with respect to the proper reporting by a PFI to its principal regulator of matters relating to MPF Program assets and liabilities, including, as applicable, a PFI's Credit Enhancement obligations or the outstanding balance of the loans it sold. The PFI is expected to consult with its own accountants and attorneys for advice on this matter. This does not take into account any RBC requirements related to holding the servicing rights associated with the loan.</i></p>

2.9 MPF Direct

The MPF Direct product is no longer active. For any questions regarding MPF Direct mortgage loans that were previously delivered, PFIs must refer to the Investor, Redwood Trust.

CHAPTER 3. ELIGIBILITY REQUIREMENTS

3.1 Approval Qualification

This section includes information on the eligibility and application requirements that must be met by a Member seeking approval as a Participating Financial Institution (PFI) or a non-Member seeking approval as a servicer of Mortgage Loans.

3.1.1 Application and Approval

In order to participate in the MPF Program, a Member must apply and be approved as a PFI. Non-Members may apply to the MPF Provider to be approved as a Servicer. The MPF Bank determines an applicant's qualifications by reviewing its financial condition, organization, staffing, servicing experience, and other relevant factors. The MPF Provider will review similar criteria in reviewing the application of a non-Member to be a Servicer.

3.1.2 MPF Program Eligibility

Approval of a Member's application to participate in the MPF Program is at the MPF Bank's sole discretion and is based on the MPF Bank's business judgment with respect to the entirety of the applicant's circumstances. Likewise, approval of a non-Member as a Servicer is at the MPF Provider's sole discretion based on the MPF Provider's business judgment of the applicant's qualifications. At minimum, to be considered for approval as a PFI or a Servicer, an applicant must meet the following requirements:

- Have as its principal business purpose, the origination, purchasing, selling, and/or servicing of residential mortgages of the type the PFI or Servicer intends to sell into and/or service for the MPF Program;
- Have demonstrated the ability to originate, purchase, sell, and/or service the types of mortgages for which approval is being requested;
- Have adequate facilities and staff experienced in originating, selling, and/or servicing the types of mortgages for which approval is being requested;
- Be duly organized, validly existing, in possession of all proper licenses, registrations, permits, approvals, and qualifications, be in good standing, or otherwise be authorized to conduct business in each of the jurisdictions in which it originates, sells, and services residential mortgages;
- Have internal audit and management control systems to evaluate and monitor the overall quality of its loan production and servicing;
- Have written procedures for the approval and management of vendors and other third-party service providers;
- Have a fidelity bond and an errors and omissions policy in effect and agree to modify them as necessary to meet the MPF Program requirements;

- Satisfy any additional eligibility criteria the MPF Bank or MPF Provider requires;
- If a member of an MPF Bank, be a member in good standing of the MPF Bank; and
- Meet the eligibility requirements of the Applicable Agreement and the Guides.

An MPF eligibility requirement will be considered complied with, if an appropriate waiver of such eligibility requirement has been granted in writing by the MPF Bank or MPF Provider, as applicable, and the terms of that waiver are being met by the PFI or Servicer.

3.1.3 Government Agency Eligibility

In order to be eligible to originate and sell Government Loans to, and service them for, the MPF Bank, in addition to the above requirements, the Originator, PFI, or Servicer must also be authorized to originate, sell, or service mortgage loans by the applicable Government Agency. Termination of the PFI or Servicer's approved status by any applicable Government Agency shall be grounds for termination of the related Applicable Agreements.

3.2 Maintaining Eligibility

This section contains the requirements to which a PFI or Servicer must adhere in order to maintain eligibility to participate in the MPF Program. It describes the financial statements, operational reports, and Lender Record information that a PFI or a Servicer must submit to the MPF Bank or MPF Provider, and it addresses the types of organizational changes and events that require notice to the MPF Bank or MPF Provider.

3.2.1 Overview

To maintain eligibility to participate in the MPF Program, entities must be in compliance with the Guides and must continue to be in compliance with the terms of all eligibility requirements set forth in the Guides and its Applicable Agreements unless a written waiver was granted by its MPF Bank. Failure to do so may result in the MPF Bank or MPF Provider taking a range of possible actions up to and including terminating the Applicable Agreement.

3.2.2 Government Loans

To maintain eligibility to sell and/or service Government Loans under the MPF Program, entities must be in compliance with the Guides and all eligibility requirements set forth in their Applicable Agreements, unless a written waiver was granted by the MPF Bank, in addition, to any other requirements established by the applicable Government Agency. Failure to do so may result in the MPF Bank or MPF Provider taking a range of possible actions up to and including terminating the Applicable Agreement.

3.2.3 Annual Eligibility Certification

PFI and Servicer must submit a complete and accurate Annual Eligibility Certification (AEC) certifying and affirming compliance with all of the provisions and requirements of the Applicable Agreements and the Guides as a condition of continuing eligibility.

The AEC consists of the following documentation:

- Annual Eligibility Certification form (Form OG1);
- MPF Fidelity and Errors & Omissions Insurance Worksheet (Form OG2);
- Any supporting documentation required to be submitted with Form OG1 or Form OG2;
- Any action plan required to remediate non-compliance with any MPF Program Requirement; and
- Any other documentation requested by the MPF Bank or MPF Provider.

If a PFI or Servicer does not comply with an MPF Program Requirement at the time of submission of the AEC, it must respond “No” to the certification question on Form OG1 or Form OG2. It must provide a detailed explanation of the non-compliance and clarify the action plan that will be implemented to correct the non-compliance. The action plan must include the timeframe for the completion of the corrective action plan.

A PFI or Servicer will be considered to meet the eligibility requirements and be in compliance with the MPF Program Requirements if an appropriate waiver of any MPF Program Requirements was granted by its MPF Bank or the MPF Provider, and the terms of that waiver are being met by the PFI or Servicer.

3.2.3.1 Submission of the AEC

The AEC must be completed and submitted to the MPF Bank electronically via the eMPF® website by January 31st (or on the preceding Business Day if the thirty-first (31st) is not a Business Day) each year. The AEC must be submitted on behalf of a PFI or Servicer by an individual who is:

- An officer of the PFI or Servicer authorized to execute agreements and amendments under the Resolution for Mortgage Partnership Finance Program Participating Financial Institution Agreement; or
- An employee of the PFI or Servicer who has been delegated such authority as is typically granted to an officer authorized to execute agreements and amendments under the Resolution for Mortgage Partnership Finance Program Participating Financial Institution Agreement, as indicated on the most recent Delegation of Authority on file with the MPF Bank.

3.2.3.2 Failure to Submit AEC

If a PFI or Servicer fails to submit a complete and accurate AEC by the deadline, resulting in an Event of Default, the PFI or Servicer may be disqualified, suspended, and/or subject to compensatory fees.

PFI with open and active Master Commitments (MCs) may have the MCs closed to additional Delivery Commitments (DCs), and not permitted to open new MCs until the PFI is compliant with MPF Program Requirements. In addition, the PFI may be charged a monthly compensatory fee at its MPF Bank's discretion.

If a PFI that services mortgages itself or uses a sub-servicer, or a Servicer, fails to comply with MPF Program Requirements, it may be required to transfer or sell the servicing to an MPF Program approved sub-servicer or Servicer. In addition, the PFI or Servicer may be charged a monthly compensatory fee at its MPF Bank's discretion.

3.3 Non-Member Servicers

In addition to meeting all of the eligibility requirements for Servicers, Non-Member Servicers (NMS) must meet the following additional eligibility requirements in this section.

3.3.1 Approval of NMS

To be a NMS and purchase Servicing Rights, an entity must:

- Be approved as a servicer by at least one of the following agencies: Fannie Mae, Freddie Mac, or Ginnie Mae.
- Meet and maintain the following financial standards:
 - A minimum Lender Adjusted Net Worth/total assets ratio of six percent (6%) or equivalent AND a Lender Adjusted Net Worth of at least two-million five-hundred thousand dollars (\$2,500,000) plus a dollar amount that represents one-quarter of one percent (0.25%) of the outstanding principal balance of its total portfolio of mortgage loans serviced OR as otherwise required by the MPF Provider; and
 - Liquidity equaling a dollar amount that represents three and a half basis points (0.035%) of the outstanding principal balance of its total portfolio of mortgage loans serviced plus an incremental two hundred (200) basis points if the outstanding balance of the non-performing mortgage loans in its total portfolio of serviced mortgage loans is in excess of six percent (6%) of the outstanding principal balance of its total portfolio of mortgage loans serviced OR as otherwise required by the MPF Provider.

A decline in a NMS's Lender Adjusted Net Worth by more than twenty-five percent (25%) over a quarterly reporting period, or by more than forty percent (40%) over two-consecutive quarterly reporting periods, is a material and adverse change in the NMS's financial condition and will constitute a breach of the Servicing Responsibilities, the Applicable Agreements, and the Guides.

If a NMS records four (4) or more consecutive quarterly losses and experiences a decline in Lender Adjusted Net Worth of thirty percent (30%) or more during the same period, it will constitute a material and adverse change in the NMS's financial condition and a breach of the Servicing Responsibilities, the Applicable Agreements, and the Guides.

- Meet or exceed a Nationally Recognized Statistical Rating Organization's (NRSRO) Servicing Proficiency Standards. To the extent required of a NMS by the FHFA, be accepted by an NRSRO as conforming to such NRSRO's requirements for servicing proficiency.

3.3.2 Maintaining Eligibility for NMS

NMS must file Quarterly Eligibility Certifications in lieu of the Annual Eligibility Certification. Commencing with the quarterly reporting period following the execution of the Applicable Agreement, the NMS must submit to the MPF Provider a complete and accurate Non-Member Servicer Quarterly Eligibility Certification, signed by a Principal Officer and certifying the NMS's continuing compliance with all NMS eligibility requirements contained in the Applicable Agreement and the Guides.

Upon written request by the MPF Provider or the Master Servicer, the NMS must provide the MPF Provider or the Master Servicer its financial information in a timely manner, including information verifying its compliance with the NMS eligibility criteria. If the financial information is not public information, the MPF Provider may provide the NMS's financial information to, as applicable, other MPF Banks, Ginnie Mae, investors or the MPF Provider's regulator on a confidential basis.

3.3.3 Annual SOC 1 Type 2 Audit Report

The NMS must submit to the MPF Provider, at its sole cost and expense, an unqualified annual service auditor's report, commonly referred to as the Statement on Standards for Attestation Engagements, SSAE No. 16, Reporting on Controls at a Service Organization Type 2 Report ("SOC 1"), of the NMS, prepared by a certified public accountant, on or prior to December 1 of each year following the commencement of its Servicing activities under the Applicable Agreement. The NMS must reasonably cooperate with the auditors of the MPF Provider when preparing a SOC 1 report for the MPF Provider, including but not limited to, issuing the necessary and appropriate written management assertions. The NMS further agrees that in the event that the NMS delegates or contracts, with the required consents under the Guides and the Applicable Agreement, any of its Servicing Responsibilities which are described in Item 1122 of Regulation AB under the Securities Act of 1933, as amended, which includes without limitation any material Servicing Responsibilities outsourced to third parties ("Delegee") pursuant to such Item 1122(d)(1)(ii) thereof, then upon the MPF Provider's request such Delegee shall be required to provide an annual SOC 1, as provided in this chapter, or shall be required to reasonably cooperate with the auditors of the MPF Provider preparing a SOC 1 for the

MPF Provider, in the same manner required by the NMS. The MPF Provider and each Owner Bank shall have the right to provide copies of each SOC 1 they receive pursuant to this chapter to other MPF Banks or the MPF Provider's regulator and auditors on a confidential basis.

3.4 Notification of Changes in Eligibility Status

The PFI or Servicer must immediately, or as otherwise provided for in the Guides, provide notice to the MPF Bank or MPF Provider, as applicable, regarding any changes relating to information previously relied on in the PFI or Servicer approval process, or submitted on a Form OG1 or Form OG2, which includes material changes that occur in its or its agents' principal purpose, activities, manner of originating or acquiring mortgages, ownership, financial condition, staffing, facilities, fidelity bond or errors and omissions insurance, which changes adversely affect the PFI's ability to perform its obligations under the Applicable Agreement. The notice must detail which information was previously submitted and indicate any subsequent changes. Notice concerning specific changes must be submitted to the MPF Bank or MPF Provider within the time frames provided for below or elsewhere in the Guides. Failure to submit the required notice and any other documentation requested within the required time frame may lead to disqualification of the PFI or Servicer.

3.4.1 Changes in Business Operations, Financial Conditions, Properties or Assets

The PFI or Servicer must immediately provide notice to the MPF Bank or MPF Provider, as applicable, of any change in its business operations, financial condition, properties or assets since the date of the latest submitted financial statements if the change is likely to have a material, adverse effect on the PFI's or Servicer's ability to perform its obligations under the Guides and the Applicable Agreement, or that would cause any information previously submitted to the MPF Bank, the MPF Provider or the Master Servicer to be materially incorrect, untrue or misleading. Material changes that must be reported to the MPF Bank include, but are not limited to:

- Any decreases in capital, adverse change in debt/equity ratios, or changes in management ordered or required by a regulatory authority supervising or licensing the PFI or Servicer, or any other significant adverse change in the PFI's or Servicer's financial position;
- Entry of any court judgment or regulatory order in which the PFI or Servicer is or may be required to pay a claim resulting or likely to result in a material adverse effect on the PFI's or Servicer's financial condition; and
- The PFI or Servicer admits to committing, or is found to have committed, a material violation of any law, regulation, or order.

The MPF Bank shall have the right to determine whether any particular change is material.

3.4.2 Transfer of Assets

A PFI or Servicer must notify the MPF Bank or MPF Provider, as applicable, no less than sixty (60) days before the proposed transfer of the following:

- The majority of its assets; and
- All assets of the PFI or Servicer's origination or servicing operations.

The proposed transferee must be a PFI or Servicer on the effective date of the asset transfer, and must have obtained the MPF Bank's or the MPF Provider's approval, as applicable, for the transfer prior to the effective date of the asset transfer.

3.4.3 Change in Institutional Information

Each PFI or Servicer must notify the MPF Bank or MPF Provider, as applicable, no later than ten (10) Business Days after the occurrence of a change involving:

- Affiliate relationships;
- External Auditors;
- Fiscal year-end; or
- Servicing relationships reported on the Annual Eligibility Certification (Form OG1).

3.4.4 Changes in Organization or Status

A PFI or Servicer is required to notify the MPF Bank or MPF Provider, as applicable, within one (1) Business Day after any of the following occurs:

- Consolidation (when assisted by a regulatory agency);
- Termination by a mortgage insurance company, secondary marketing agency, Fannie Mae, Freddie Mac, Ginnie Mae, Government Agency, other investor or warehouse lender;
- Filing a petition for voluntary bankruptcy under federal or state bankruptcy or insolvency statutes, or responding to an involuntary proceeding admitting to insolvency or inability to pay debts;
- Failing to have vacated or obtain a stay of involuntary proceedings brought for its reorganization, dissolution or liquidation;
- Being adjudicated bankrupt or insolvent;
- Having a trustee, conservator, or receiver appointed;
- Making an assignment for the benefit of creditors;
- Being placed on probation or activities being restricted in any manner by any agency of the federal or state government;

- Becoming subject to any judgment, order or finding of regulatory action that could reasonably be viewed by the MPF Bank or MPF Provider as limiting the PFI's or Servicer's ability to comply with the terms and conditions of the Applicable Agreement; or
- Being in violation of any of the financial covenants of any warehouse lending agreement.

3.4.5 Changes Requiring MPF Approval

A PFI or Servicer is required to obtain the prior written consent of the MPF Bank or MPF Provider, as applicable, for any name change or significant change in ownership or organization, including, but not limited to, the following:

- Merger;
- Consolidation (voluntary);
- Transfer of stock resulting in any individual or entity directly or indirectly owning stock having voting rights in excess of 50% of the total voting rights of all outstanding stock;
- Change in charter, such as from state chartered to federally chartered; and
- Conversion, such as a thrift institution converting to a stock form from a mutual form of organization.

On a case-by-case basis, the MPF Bank or MPF Provider may require the PFI or Servicer to provide additional information regarding such change.

3.5 Purchase or Repurchase Requirements

3.5.1 Required Repurchase

As discussed in detail in various chapters of the Guides, when a PFI or Servicer fails to comply with the requirements of the Applicable Agreements, Guides, Applicable Law or terms of Mortgage Loan documents, the PFI or Servicer may be required to purchase or repurchase Mortgage Loans which are impacted by such failure, in addition to covering any related costs or losses incurred by the MPF Bank as a result of holding the Mortgage Loans. The Mortgage Loans must be purchased or repurchased by the cutoff date of the accounting cycle in which the PFI or Servicer receives the purchase/repurchase notice from the MPF Bank or MPF Provider. The MPF Bank will affect the purchase or repurchase by withdrawing the required funds from the PFI's or Servicer's DDA.

As an alternative, the MPF Bank or MPF Provider may, in its discretion, elect not to require purchase or repurchase but nonetheless to require the PFI or Servicer to execute a specific indemnification agreement covering the impacted Mortgage Loan.

3.5.1.2 Conditions Requiring Mandatory Repurchase (1/31/24)¹

While violation of any MPF Program requirements may result in a demand for purchase or repurchase of the Mortgage Loan, any Mortgage loans that do not meet the following requirements as established and set forth in the MPF Guides will not be subject to resolution and will be subject to a mandatory repurchase:

- Safe Harbor QM requirements
- Applicable law requirements
- Data requirements
- Credit Enhancement (CE) requirements

In addition, any Mortgage Loan found not to be a fully disbursed, whole first mortgage loan on improved residential real property, not more than 90 days delinquent at the time it is sold to the MPF Program will be required to be repurchased.

¹ MPF Announcement 2024-09 (1/31/24)

3.5.2 Voluntary Repurchase

PFI and Servicers do not have a unilateral right to repurchase Mortgage Loans. The various MPF product specific guides may provide for specific instances where a PFI or Servicer may submit a request to voluntarily repurchase an MPF loan. Any other voluntary repurchase by a PFI or Servicer must be pre-approved by the applicable MPF Bank, and no steps to initiate a repurchase should be taken without the prior written approval or consent of the MPF Bank. Requests for repurchase should be made to the MPF Provider or the MPF Bank as provided for in the applicable product specific servicing guide. For MPF Xtra and MPF Government MBS, the MPF Provider will obtain Fannie Mae or Ginnie Mae's approval (as applicable and as required) prior to approving any PFI or Servicer repurchase. The MPF Provider, MPF Banks and Investor reserve the right to refuse voluntary repurchase requests that are not specifically permitted in the Guides.

3.5.3 Repurchase Process

For MPF Traditional loans, the PFI or Servicer will purchase or repurchase the Mortgage Loans for the "Loan Repurchase Amount" determined by the MPF Bank, based on the following:

- At the option of the MPF Bank, either (i) the market value of the Mortgage Loan as determined by the MPF Bank, or (ii) the book value of the Mortgage Loan; plus
- Interest at the "Pass-through Rate" (the Note Rate minus the Servicing Fee percentage) through the "remittance date" (i.e. the date funds are withdrawn from the PFI's or Servicer's DDA).

The PFI or Servicer may be required to make the MPF Bank or MPF Provider whole for any losses or costs incurred during the time the Mortgage Loan was held by the MPF Bank or MPF Provider.

3.5.4 PFI and Servicer Responsibility

Whether a purchase or repurchase is required by the MPF Bank or is an approved voluntary repurchase by the PFI or Servicer, upon the purchase or repurchase being finalized, the PFI or Servicer must:

- Remove the MPF Bank'/Investor's interest from all applicable property insurance
- Notify the mortgage insurer or guarantor of the purchase or repurchase
- If applicable, make appropriate changes in MERS to reflect the purchase or repurchase
- For MPF Traditional loans, report the date and details of the repurchase to the Master Servicer in the next monthly report, using Code 65

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- For MPF Traditional and MPF Xtra, Complete the Request for Release of Documents (Form SG340) and submit it to the MPF Program Custodian within five (5) calendar days of the purchase or repurchase
- For MPF Government MBS, Complete the Request for Release of Documents (Form SG340M) and submit it to the MPF Government MBS Custodian within five (5) calendar days of the purchase or repurchase.

CHAPTER 4. CONTRACTUAL RELATIONSHIP

4.1 Assignment of Security Interest

PFI and Servicers shall not, in whole or in part, assign or transfer or grant a security interest in, any of their obligations, rights or interest under any Applicable Agreement, including any of their rights or obligations under the Guides, without the MPF Bank's or MPF Provider's, as applicable, prior written consent. Any purported or attempted assignment or transfer of, or grant of a security interest in, any such obligations, rights or interest is prohibited and shall be null and void.

The MPF Bank or MPF Provider, as applicable, has the right to sell, assign, convey, pledge or in any way transfer, in whole or in part, its interest under the Applicable Agreements with respect to any Mortgage Loan purchased or serviced thereunder.

4.2 PFI and Servicer Representations and Warranties

This section includes information on the contractual and selling representations and warranties that PFIs and Servicers make by selling or Servicing Mortgage Loans under the MPF Program.

4.2.1 Representations and Warranties

In order to sell or service Mortgage Loans under the MPF Program, the PFI or Servicer makes representations and warranties concerning the origination or the Servicing of those Mortgage Loans, which are incorporated into the Applicable Agreements as well as these Guides.

Representations and warranties are not only limited to matters of which the PFI has knowledge of. Because the warranties are not limited to matters within a PFI's knowledge, the action or inaction (including misrepresentation or fraud) of the Borrower, or a third party, as well as the action or inaction (including misrepresentation or fraud) of the PFI will constitute the PFI's breach of a warranty.

Violation of any representation or warranty is a breach of the Applicable Agreements, which provides the MPF Bank or MPF Provider, as applicable, with certain rights and remedies.

Prior to any mortgage loan being acquired by an MPF Bank, the MPF Bank has the right, at its discretion, to refuse to accept such mortgage loan if:

- The mortgage loan is not of investment quality;
- The PFI has not satisfied or has breached a provision of the Applicable Agreements;
- Any of the warranties or representations of the PFI or Servicer to the MPF Bank or MPF Provider are untrue; or

- The PFI has provided the MPF Bank or MPF Provider with information that is untrue, incomplete, or inaccurate.

4.2.2 Accurate Data Submission

By submitting information to the MPF Bank, the MPF Provider, the Master Servicer, MPF Program Custodian, MPF Government MBS Custodian, Ginnie Mae or Investor during the delivery process or the servicing process, each PFI or Servicer warrants that all such information is true, complete and accurate, including without limitation, information submitted with respect to each Mortgage Loan, whether sent electronically, telephonically, on a Loan Presentment Request (Form OG3), or in any other manner. The PFI or Servicer must complete all MPF Program forms according to the instructions or guidance provided in the Guides, by the MPF Bank or by the MPF Provider. By transmitting data to the MPF Bank or MPF Provider, either by written form or electronically, the PFI or Servicer warrants the following:

- The transmission contains all the required information; and
- The terms, conditions, and requirements stated in the Guides are adhered to and fully satisfied.

The PFI or Servicer acknowledges that the MPF Bank or MPF Provider, as applicable, purchases and retains Mortgage Loans in reliance on the accuracy and truth of the PFI's and Servicer's representations and warranties and on its compliance with the Applicable Agreements. Therefore, the PFI or Servicer must ensure that its staff is conversant with the terms, conditions, and requirements of the Applicable Agreements.

Upon the MPF Bank or MPF Provider's request, the PFI or the Servicer will supply evidence to the MPF Bank's satisfaction that there was compliance with all provisions of the Applicable Agreements.

Prior to the MPF Bank acquiring a mortgage, the PFI must obtain the MPF Bank's and MPF Provider's written approval of any waivers or modifications to the provisions of the Applicable Agreements or Guides. PFI's and Servicers must obtain the MPF Provider's and, if applicable, the MPF Bank's prior written approval for waivers or modifications to any servicing related provisions of the Applicable Agreements, and, unless Guides require Master Servicer approval for a waiver, approvals for waivers or modifications of the Guides.

4.2.3 Other Participating Interest

The PFI warrants to the MPF Bank that as of the MPF Bank's Funding Date, the Mortgage Loan is not subject to any participation interest.

Each PFI and/or Servicer warrants and agrees not to alter, assign, convey, hypothecate, pledge, or in any other way transfer, conditionally or otherwise, its interest in a Mortgage Loan delivered under the MPF Program, except as expressly permitted in the Applicable Agreements.

4.2.4 Business Continuity / Disaster Recovery Program

Each PFI and/or Servicer warrants that it has an effective business continuity and disaster recovery program that will assure continued normal business processing of MPF-related transactions in the event of a disaster or disruption, and that its program includes monitoring and ensuring third-party vendors have adequate business continuity and disaster recovery procedures in place.

4.3 Selling PFI Representations and Warranties

PFI's selling loans under the MPF Program are required to make certain additional representations and warranties as described in this section.

4.3.1 Mortgage Loan Delivery

By selling a Mortgage Loan under the MPF Program the PFI warrants and represents the following for each Mortgage Loan, as of the Funding Date:

- The terms, conditions, and requirements stated in the Applicable Agreements have been fully satisfied;
- The Mortgage Loan meets all MPF Program Requirements in the Guides;
- That the PFI has processes and procedures to ensure that the Mortgage Loan was originated in compliance with all Applicable Laws and the MPF Guides, and that at the time of closing, all information relied on to originate the loan was true, complete and accurate, including information:
 - in the mortgage loan application,
 - relied on for underwriting (i.e., employment status, financial information, etc.),
 - related to the property itself, and
 - about originator licensing and registration (i.e., NMLS numbers).
- The PFI does not have knowledge, of any proceedings pending for condemnation of all or any portion of the Mortgaged Property.
- There are no adverse circumstances involving the Mortgage Loan, the Mortgaged Property or credit worthiness of the Borrower that would reduce the value or marketability of the Mortgage Loan or Mortgaged Property;

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- All warranties and representations of the PFI are true and correct;
- The PFI is in compliance with the Applicable Agreements;
- The PFI has not misstated or omitted any material fact about the Mortgage Loan to the Borrower, the MPF Bank or the MPF Provider;
- All disclosures and notices required under Applicable Law and the terms of the Note and Security Instrument have been presented fully, clearly, and on a timely basis to the Borrower;
- The PFI has filed and will continue to file all information and forms required under the Home Mortgage Disclosure Act and the Internal Revenue Code;
- The PFI's hiring process includes verification that all vendors, contractors, and employees, including managers, who will be involved in the origination of Mortgage Loans (including application through Closing) are not on the HUD Limited Denial of Participation (LDP) List, the U.S. General Services Administration (GSA) Excluded Party List (available through the GSA's System for Award Management website), the FHFA's Suspended Counterparty List (SCP), or any other such lists.
- The PFI does not permit any employee to manage or perform origination functions on Mortgage Loans who are on the HUD Limited Denial of Participation (LDP) List, the U.S. General Services Administration (GSA) Excluded Party List (available through the GSA's System for Award Management website), the FHFA's Suspended Counterparty List (SCP), or any other such lists.
- If the PFI obtains third-party originated loans, or loans originated by an affiliate, that are subsequently delivered under the MPF Program, the PFI verifies that the third-party originator, or the affiliate, has a documented procedure for checking their potential and current employees against the HUD Limited Denial of Participation (LDP) List, the U.S. General Services Administration (GSA) Excluded Party List (available through the GSA's System for Award Management website), the FHFA's Suspended Counterparty List (SCP), or any other such lists.
- All persons executing documents on behalf of the PFI are duly authorized to do so; and
- The PFI and any agent acting on its behalf have complied with all Applicable Laws relating to licensing, qualification to do business or approval to originate mortgages.

4.4 Credit Enhancement

Credit Enhancement (CE) information, both on a loan level basis and on a pool level basis, supplied by the MPF Provider on behalf of the MPF Bank is proprietary information. This information is shared with the PFI for the sole purpose of assisting the PFI to evaluate whether to sell the mortgages to the MPF Bank and for the PFI to determine the appropriate capital treatment for such mortgages, and for no other purpose, including but not limited to valuation for market securitization purposes.

The MPF Bank and MPF Provider, their vendors, licensors, and all Affiliates thereof do not and cannot warrant the accuracy, adequacy or completeness of, or performance or results that may be obtained by using the MPF Provider's system and/or any information or data generated with the use of this system. The information and data generated by the MPF Provider's system are provided "as is" without any express or implied warranties, including but not limited to any implied warranties of merchantability or fitness for any particular purpose or use. The MPF Bank and MPF Provider, their vendors, licensors, and all Affiliates thereof shall not be liable to any PFI or anyone else for any inaccuracy, delay, interruption in service, error or omission, regardless of cause, or for any resulting damages relating to or arising from the MPF Provider's system and/or any information or data generated with the use of this system.

Neither the MPF Bank, MPF Provider, their vendors, licensors, and all Affiliates thereof nor anyone else who has been involved in the creation or production of the MPF Provider's system and/or the delivery of the information and data generated by the system or any component of the forgoing shall be liable for any indirect, incidental, special, punitive, consequential or similar damages, such as but not limited to, loss of anticipated profits or benefits resulting from the use of the information and data generated by the MPF Provider's system, even if any of them has been advised as to the possibility of such damages. This limitation of liability shall apply to any claim or cause whatsoever whether such claim or cause arises in contract, tort or otherwise. In the event that liability is nevertheless imposed, the cumulative liability of the MPF Bank and MPF Provider, their vendors, licensors, and all Affiliates thereof shall not exceed \$20,000 in the aggregate.

The Loan Level Credit Enhancement amount for a Mortgage Loan as determined by the MPF credit enhancement rating system will expire ninety (90) calendar days after the PFI has submitted the Loan Presentment data. However, the Loan Level Credit Enhancement determination is subject to MPF credit enhancement rating system limitations such as upgrades, modifications or enhancements to MPF methodology and changes in data element requirements.

4.5 Examinations, Books, and Records

The PFI or Servicer must allow the MPF Bank or the MPF Provider, or either of their agents and representatives, including, without limitation the Master Servicer, to conduct periodic examinations, reviews, and audits of the PFI or Servicer's books, records and operating procedures on any Business Day during normal business hours. The PFI or Servicer must make a knowledgeable person available during the conduct of any such examination for the purpose of answering questions regarding the financial statements and any developments affecting the financial condition of the PFI or Servicer. The PFI or Servicer agrees that the MPF Bank or the MPF Provider is entitled, at reasonable times and upon reasonable notice to the PFI or Servicer, to audit the PFI or Servicer's origination and servicing procedures and practices, including, without limitation, the escrow funds' records and any and all other relevant documents and materials, whether held by the PFI or Servicer or by another on behalf of the PFI or Servicer, and to examine any other records and policies regarding the Mortgage Loans as may be necessary to satisfy the MPF Bank or the MPF Provider that the PFI or Servicer has the ability to service the Mortgage Loans in compliance with the terms and conditions of this Guide and the Applicable Agreement. The Servicer authorizes the MPF Bank, the MPF Provider and the Master Servicer to cooperate fully with any federal, state or local authority conducting a formal or informal investigation, examination or audit of the PFI or Servicer.

4.6 Audit Reporting Requirements

In the event the PFI or Servicer is audited by any agency such as Fannie Mae, Freddie Mac, HUD, etc., the PFI or Servicer must send a copy of each such audit to the MPF Provider with the Annual Eligibility Certification.

Where a PFI or Servicer is servicing loans in an MPF Security, including but not limited to the MPF Shared Funding® Program Series, the PFI will be required to provide to the Master Servicer a Regulation AB 1122 certification annually, for the prior year, no later than March 15th.

A PFI or Servicer of any Government MBS Mortgage agrees that at any reasonable time, as notified by the MPF Provider, Ginnie Mae or its designated agent may examine and audit the Mortgage Loans serviced by the PFI or Servicer, and all books, records, or information of the PFI or Servicer or relating to any Government MBS Mortgage Loans serviced by the PFI or Servicer or its participation in the Government MBS product, or bearing on the PFI's or Servicer's compliance with the requirements of the MPF Program with respect to the Government MBS product, its management or its financial structure, including but not limited to, all mortgage documents, mortgage servicing records, mortgage records, and banking records for funds directly or indirectly related to the Government MBS Mortgage Loans. Ginnie Mae also shall have the right to perform such audits on any of the PFI's or Servicer's Subservicers, trustees, agents or other

representatives of PFI or Servicer including, but not limited to, an affiliate of a PFI or Servicer that services Government MBS Mortgage Loans.

4.7 MPF Government and MPF Government MBS Reporting Requirements

PFI and Servicers of MPF Government and/or MPF Government MBS Mortgage Loans must notify the MPF Bank within five (5) Business Days of receipt of a notice of administrative action from the applicable Government Agency, including, but not limited to, any letter of reprimand, probation, suspension or withdrawal of Government Agency approval, or the imposition of a fine. If requested by the MPF Bank, the PFI or Servicer must submit a summary of the pending Government Agency action and accompanying documentation.

A PFI or Servicer must submit its most recent Government Agency audit to the MPF Bank within five (5) Business Days of receipt of the audit.

CHAPTER 5. FAILURE TO PERFORM

5.1 Disqualification or Suspension

The MPF Bank or MPF Provider, as applicable, may, at its discretion, disqualify or suspend a PFI or Servicer. During the period of disqualification or suspension, the MPF Bank may, at its discretion, determine whether outstanding Delivery Commitments held by the PFI must be honored or the outstanding balance of the Delivery Commitment fulfilled by using the pair-off procedure. The MPF Bank or MPF Provider, as applicable, will, at its discretion, determine the length of any suspension period and may prescribe the terms and conditions for reinstatement.

5.1.1 Cause for Disqualification or Suspension

The MPF Bank or MPF Provider, as applicable, has the right to disqualify or suspend a PFI or Servicer for any reason it deems necessary in order to protect its interests, including, but not limited to the following:

- Any impending, pending, or adjudicated status of the PFI or Servicer related to or the actual inability to pay debts, insolvency, and/or bankruptcy;
- The failure of the PFI or Servicer, as applicable, to maintain qualified loan origination staff, and/or servicing staff, and/or adequate physical facilities and systems to assure the required quality of the Mortgage Loans originated and/or serviced;
- The change of any organizational, physical, and/or financial condition of the PFI or Servicer which the MPF Bank or MPF Provider construes as adversely affecting its interests;
- The failure of the PFI or Servicer to meet any eligibility requirement as stated in the Applicable Agreements;
- Any probationary action or restriction of the PFI's or Servicer's activities by a federal or state government agency;
- The judgment by the MPF Bank or MPF Provider that the PFI's or Servicer's warranty obligations are disproportionate to its capital and/or assets;
- Any judgment, order, finding or regulatory action to which the PFI or Servicer is subject that would adversely affect its ability to comply with the terms and conditions of the Applicable Agreement;
- Disqualification or suspension of the PFI or Servicer by any Government Agency; and
- Failure of the PFI or Servicer to perform under any agreement with the MPF Bank or MPF Provider, as applicable.

In cases where the PFI is also the Servicer, suspension or disqualification in one capacity will be cause for suspension or disqualification of both financial functions under the Applicable Agreement.

5.1.2 Notice of Intent to Disqualify or Suspend

Neither the MPF Bank nor the MPF Provider will provide the PFI or Servicer with prior notice of intent to disqualify or suspend if it deems that the MPF Bank's or MPF Provider's interests, as applicable, would be at risk by such a notice. In such cases, disqualification or suspension will become effective upon oral notice from the MPF Bank or the MPF Provider, as applicable, followed by a written confirmation of that oral notice.

When prior notice of intent is deemed not to adversely affect the MPF Bank's or MPF Provider's interests, thirty (30) days' prior written notice will be given.

The written notice of intent, both for prior notice and for confirmation of oral notice, shall include a brief statement of the reason for the MPF Bank's or MPF Provider's actions.

5.2 Events of Default under the Applicable Agreement

Each of the following shall constitute an Event of Default on the part of the PFI or Servicer under the Guides and the Applicable Agreement:

1. Any breach by the PFI or Servicer, its officers, directors, employees or agents of any representation, warranty or covenant contained in the Applicable Agreements or the Guides, or any failure to disclose any matter that makes any representation or warranty misleading or inaccurate, or any inaccuracy in material information furnished by the PFI or Servicer, including, without limitation, the PFI's or Servicer's failure to comply fully with the Applicable Standards or the eligibility requirements set forth in the Guides;
2. Any breach by the PFI or Servicer of any representation, warranty or covenant, failure to disclose, or inaccuracy in information furnished by the PFI Servicer regarding itself;
3. The occurrence of an act of insolvency or bankruptcy concerning the Servicer, including, without limitation:
 - A decree or order of a court or agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Servicer;
 - The PFI or Servicer shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings of, or relating to the Servicer of, or relating to all of, or substantially all of its property; or

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- The PFI or Servicer shall admit in writing its inability to pay its debts generally as they become due, or the PFI or Servicer files a petition to take advantage of any applicable insolvency or reorganization statute, makes an assignment for the benefit of creditors, or voluntarily suspends payment of its obligations.
4. The PFI or Servicer fails to meet any capital, leverage or other financial standards imposed by any applicable regulatory authority;
 5. The PFI or Servicer is placed on probation or suspension by a federal or state governmental or quasi-governmental, agency, or by FHLMC, FNMA or GNMA;
 6. The PFI or Servicer assigns or attempts to assign any of its interests, rights, or obligations under the Applicable Agreements without the MPF Bank's or MPF Provider's prior written consent, as applicable;
 7. The PFI or Servicer defaults under the terms of any other agreement to which the PFI or Servicer and the MPF Bank or MPF Provider are parties;
 8. The PFI's or Servicer's failure to comply with any Applicable Laws;
 9. The finding by a court that the PFI or Servicer or any principal officer thereof has committed an act constituting civil fraud, or the conviction of the PFI or Servicer or an officer thereof of any criminal act that relates to lending or mortgage loan servicing activities; or
 10. A change in the PFI's or Servicer's financial or business condition, or in its operations, which in the MPF Bank's or MPF Provider's sole judgment, as applicable, is material and adverse.

5.3 Remedies

Upon the occurrence of an Event of Default, the MPF Bank or MPF Provider, as applicable, has the right to terminate for cause the PFI's or Servicer's Servicing Rights and Servicing Responsibilities with respect to certain Mortgage Loans or all Mortgage Loans serviced under the Applicable Agreement, and to revoke the PFI's or Servicer's status as an approved PFI or Servicer. Without terminating any Credit Enhancement obligation of the PFI or Servicer, upon the occurrence of an Event of Default, the MPF Bank or MPF Provider, as applicable, has the right to terminate for cause the Applicable Agreement and close any open Master Commitments and require the pair off of any open Delivery Commitments. In addition to any other remedies it may have at law or in equity, for any Mortgage Loan which has been delivered under the MPF Program, the MPF Bank may require the PFI or Servicer to comply with the following:

- To indemnify and hold harmless (a) the MPF Bank, (b) MPF Provider (c) the Master Servicer, and (d) the officers, directors, employees, agents and affiliates of the MPF Bank, MPF Provider and Master Servicer from and against any and all claims, losses, damages, judgments, and any other costs, fees and expenses (including

reasonable attorneys' fees and court costs) arising out of, based upon, or relating to an Event of Default.

- In addition, the PFI or Servicer shall provide legal representation on behalf of the indemnified parties in connection with any legal proceeding involving a Mortgage Loan. Neither an indemnified party nor any investor in a Mortgage Loan shall be liable for any attorneys' fees, court costs or other expenses incurred in connection with such litigation, except to the extent that the attorneys' fees, court costs or other expenses result from the negligence or wrongful misconduct of the party entitled to indemnification. Any judgment against the MPF Bank, MPF Provider or Master Servicer, or their officers, directors, employees, agents and affiliates shall be satisfied by the PFI or Servicer under the Applicable Agreements, except to the extent that the judgment results from the negligence or wrongful misconduct of the party entitled to indemnification.;
- To purchase the Mortgage Loan from the MPF Bank at any time if the Borrower or any other party in the Mortgage Loan transaction made any false representation in conjunction with such transaction, whether or not the PFI or Servicer was a party to or had knowledge of such false representation;
- To purchase the Mortgage Loan from the MPF Bank under any of the circumstances set forth in the Guides describing reasons for PFIs or Servicers to be disqualified or suspended from the MPF Program; and
- To close any open Master Commitments (and pair-off any open Delivery Commitments) and/or terminate the Servicing of Mortgage Loans under the provisions stated in the Guides relating to PFIs or Servicers being disqualified or suspended from the MPF Program.

When the Applicable Agreement is terminated for cause, the PFI or Servicer will not be entitled to any termination fee, nor will it have any further rights in the Servicing of the Mortgage Loans.

5.3.1 Consequences of Servicing Termination (1/31/24)²

If the PFI's or Servicer's Servicing is terminated, the PFI or Servicer shall at the direction of the MPF Bank or MPF Provider, deliver all Mortgage Loan Files, in their entirety, for those Mortgage Loans serviced under the Applicable Agreements, as well as any other documents, reports or any other materials held by the PFI or Servicer concerning such Mortgage Loans, to the transferee designated by the MPF Bank or MPF Provider, which may be the Master Servicer, and the PFI or Servicer will assist in the efficient and timely transfer of the Servicing to such transferee. If such Servicing termination is based on the occurrence of an Event of Default, the Servicer shall not be entitled to compensation for

² MPF Announcement 2024-10 (1/31/24)

Servicing after the termination date. In such case, the Servicer will be responsible for all expenses incurred in connection with transfer of the Servicing and any damages, including, without limitation, consequential damages or losses resulting from such termination. Following the termination, the PFIs and Servicers continue to be obligated to notify the MPF Provider and the MPF Bank, if it concludes there has been unauthorized acquisition of or access to data that may compromise the confidentiality or privacy of Mortgage loan files or MPF Program or MPF loan related information.

5.3.2 Credit Enhancement Obligations Not Terminated

Unless such obligations are earlier modified, waived or released by the MPF Bank in writing, the PFI's CE under the PFI Agreement, including without limitation, the representations and supporting obligations, are not subject to termination and shall survive termination of the PFI Agreement.

5.4 Termination Without Cause

As provided in the Applicable Agreements, the MPF Bank or MPF Provider, as applicable, has the right to terminate Servicing without cause. In the event the PFI's or Servicer's Servicing Rights are terminated without cause, the PFI or Servicer will be paid a termination fee to compensate it for the fair market value of the Servicing Rights. The termination fee shall be equal to the fair market value of such terminated Servicing, which shall be mutually agreed upon by the PFI or Servicer, the MPF Bank or MPF Provider, as applicable, and the designated buyer of the Servicing.

CHAPTER 6. PFI AND SERVICER RESPONSIBILITIES AND OBLIGATIONS

6.1 Confidentiality of Information/Conflict of Interest Parameters

The MPF Bank or MPF Provider may furnish the PFI or Servicer with information and documentation that the MPF Bank or MPF Provider has identified as “confidential information”. Said confidential information may include, but is not limited to, information and documentation regarding the development, negotiation, operation or terms of various products, programs, technology, business terms, trade secrets, certain commercial and financial information, and/or “material inside information” within the meaning of the federal securities laws. Confidential information may include information belonging to third parties.

The PFI and Servicer must treat all confidential information and all information or materials prepared from said information, defined as “derivative information”, as strictly confidential and proprietary. The PFI and Servicer must not release or disclose or permit the release or disclosure of confidential information or the derivative information, or any portion thereof, for any purpose except to the extent allowed by this section, expressly required or consented to by the MPF Bank or MPF Provider, as the case may be, in writing, or, ordered by a court or administrative agency.

In the event the PFI or Servicer anticipates that it may be required, for any reason, to disclose or discovers it has disclosed confidential information or derivative information, the PFI or Servicer shall immediately notify the MPF Bank or MPF Provider to allow the MPF Bank or MPF Provider to take any action it deems necessary to prevent or limit the release or disclosure of the confidential information or derivative information in question.

The PFI or Servicer shall not copy or permit copies to be made of confidential information, the derivative information, or any portion thereof, except to the extent necessary for the Servicing or other obligations to the MPF Bank or MPF Provider or unless prior written consent from the MPF Bank or MPF Provider has been obtained. The PFI shall mark “Confidential” in a prominent location on all confidential information, derivative information, and on all copies.

If necessary for Servicing or other obligations to the MPF Bank or MPF Provider, the PFI or Servicer may provide confidential information, derivative information, and copies thereof, to those officers, directors, principals, partners, employees of the PFI or Servicer, regulators, auditors, counsel, and accountants who are necessary for such performance. The PFI or Servicer must notify any such individuals receiving such confidential information or derivative information that such individual has the same obligations as the PFI or Servicer to keep the confidential information or derivative information confidential.

Confidential information and derivative information do not include any of the following:

- Information that is generally available to the public;
- Information that is provided to the PFI or Servicer by a third party that is not itself under a confidentiality obligation with respect to the information; or
- Information that is independently developed by the PFI or Servicer without use of the confidential information or any portion thereof.

6.1.1 Loss of Confidential Information/Security Incident (1/31/24)³

In the event of any unauthorized possession, actual or suspected loss, theft, knowledge, disclosure, or improper use or access to any confidential information as well as any unauthorized access to any computer network or system containing any MPF Program or MPF loan related personal identifiable information or any information designated as confidential information (collectively “Security Incident”), the PFI or Servicer must report the Security Incident immediately to the MPF Bank and the MPF Provider by sending an email to MPF-Help@fhlbc.com. The PFI or Servicer’s obligation to report such an incident applies whether the PFI or Servicer is the subject of the Security Incident or whether one of their service providers is the subject of the Security Incident. The PFI or Servicer must ensure they and their service providers compliance with all state, federal and other regulatory entities’ requirements of privacy and data laws, including laws regarding notifying affected customers of any such breach, and cooperate with the MPF Bank and MPF Provider in any investigation the MPF Bank or the MPF Provider deems necessary. The PFI/Servicer’s obligation to comply with MPF Guides requirements related to the confidentiality or privacy of Mortgage loan files or MPF Program or MPF loan related information and the requirements of the applicable state privacy and consumer protection laws, shall survive the termination of the PFI’s/Servicer’s right to sell or service Mortgages pursuant to the Guide for the greater of: (i) the life of the subject Mortgage(s) plus 7 years, (ii) the expiration of applicable retention requirements pursuant to Applicable Laws, and (iii) any time at which the PFI/Servicer has successfully transferred all MPF Program or MPF loan related data or information in accordance to the Guides or at the direction of the MPF Bank or MPF Provider.

The PFI or Servicer must also take immediate steps, in consultation with the MPF Bank and the MPF Provider, to mitigate the damages caused by such Security Incident and promptly use all commercially reasonable efforts to prevent further Security Incidents. The PFI or Servicer must allow the MPF Bank an opportunity to first review any notifications to the borrowers in which the MPF Bank is directly or indirectly identified.

³ MPF Announcement 2024-10 (1/31/24)

When a PFI or Servicer determines a Security Incident has occurred they must immediately, and no later than **48 hours** after it is determined that a security incident has occurred, report the information below to the applicable MPF Bank and MPF Provider:

- A detailed description of the scope of the incident, including the number of impacted individuals, and states where they reside.
- A description of the related personally identifiable information (PII).
- An explanation of the root cause (if known).
- Advise how much and what types of losses have been sustained (if known).
- A response plan (including an estimated time to cure the event) A copy of the breach notice that the PFI or Servicer plans to send to the borrower(s) or an explanation as to why it is not sending a breach notice. MPF loan numbers (if not immediately known, as soon as reasonably practicable) for affected loans.
- MPF Program product type (ex: Traditional, Xtra, Gov MBS and Direct) for affected loans.

The PFI or Servicer shall pay to the MPF Bank and the MPF Provider all costs and expenses related to any Security Incidents.

6.2 Trade Names And Trademarks

The Federal Home Loan Bank of Chicago (“FHLBC”) is the registered owner of the entire right, title, and interest in the following marks:

- Mortgage Partnership Finance®
- MPF®
- eMPF®
- MPF Xtra®
- eMAQCS®

The FHLBC is the owner of the right, title and interest in the following trademarks:

- “Mortgage Partnership Finance” logo
- “Mortgage Analytics Quality Control System:

6.2.1 Using Marks

When using any of the FHLBC’s trademarks in marketing materials, one of the following statements (or combination thereof), as applicable, should be included at least once in each marketing piece (or in the wrapping piece if a multiple part marketing package is developed that includes a “wrapper” and enclosures):

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- “Mortgage Partnership Finance” is a registered trademark of the Federal Home Loan Bank of Chicago.
- “MPF” is a registered trademark of the Federal Home Loan Bank of Chicago.
- “eMPF” is a registered trademark of the Federal Home Loan Bank of Chicago.
- “MPF Xtra” is a registered trademark of the Federal Home Loan Bank of Chicago.
- “eMAQCS” is a registered trademark of the Federal Home Loan Bank of Chicago.
- “MPF”, “Mortgage Partnership Finance,” “eMPF,” “eMAQCS” and “MPF Xtra” are registered trademarks of the Federal Home Loan Bank of Chicago.

Limitations on the Use of Marks Under the License

While a PFI or Servicer may describe itself as approved to participate in the MPF Program, the PFI or Servicer may not use the FHLBC’s logo design trademarks, nor may it use any of the FHLBC’s trademarks in a way that implies that the MPF Bank, MPF Provider, or FHLBC has endorsed the PFI or Servicer, or the PFI’s or Servicer’s products or services. For example, a PFI may not state that units in PUD or condominium projects are eligible for permanent financing under the MPF Program or otherwise indicate that the MPF Bank, MPF Provider or FHLBC has “approved” a specific project.

Other restrictions or limitations on using the MPF Bank’s name or specific references to the MPF Program or to MPF Mortgage Products in advertising or promotional materials include the following:

- The registered symbol “®” (the letter ‘R’ in a circle) should be placed as a superscript at the end of either of the registered trademarks every time it is used, however, at a minimum, the registered symbol must follow the registered trademark the first time it is used in the text of any document and every time the registered trademark is used in a header or heading of any document.
- Each trademark should be used as an adjective to identify the program, product or system, and not used as a noun or verb. Thus, “[PFI or Servicer’s name] is an approved participant in the MPF Program” is correct while “[PFI or Servicer’s name] is an approved participant in MPF” is incorrect.

The execution of the Applicable Agreement does not confer upon the PFI or Servicer or any of their designee or Affiliate any right, title, or license to any of these trademarks or any other trademark or service mark belonging to the MPF Bank or the FHLBC. Except to the extent permitted by Applicable Law, the PFI or Servicer and any of their designee or Affiliate will make no use of any of these trademarks without the prior written approval of the FHLBC. Nothing in the Applicable Agreement or in the Guides shall be deemed to authorize the PFI or Servicer, or their designee or Affiliate to refer to the MPF Program or to the MPF Bank without the prior written consent of the MPF Provider or the MPF Bank who shall be responsible for obtaining the FHLBC’s authorization to use its trademarks.

6.3 MPF Program Privacy Practices

In order to assist PFIs and Servicers with their required regulatory compliance, the following guidelines are adopted to address the privacy of confidential information which is received in the MPF Program:

1. No nonpublic personal information of Applicants or Borrowers and no nonpublic confidential information of PFIs or Servicers which is received in connection with the MPF Program is used or disclosed to third parties, other than uses and disclosures which are permitted by law.
2. With respect to Applicant, Borrower, PFI, and Servicer information received in connection to the MPF Program, appropriate administrative, technical, and physical safeguards have been instituted to enforce all the following elements:
 - a. Maintain the security and confidentiality of such information;
 - b. Protect against anticipated threats or hazards to the security or integrity of such information; and
 - c. Protect against unauthorized access to or use of such information.
3. Third parties engaged by the MPF Provider to provide services in connection with the MPF Program who receive nonpublic personal information of Applicants or Borrowers or nonpublic confidential information of PFIs or Servicers are required to adhere to these requirements:
 - a. To comply with all applicable privacy laws;
 - b. To institute administrative, technical, and physical safeguards which are consistent with those outlined in the preceding bullet point;
 - c. To limit their use of nonpublic personal information to the purposes for which it was provided to them; and
 - d. To release nonpublic personal information only as permitted by statutory or regulatory exceptions.

6.4 Fidelity and E&O Requirements

The PFI or Servicer is responsible for obtaining and maintaining, at all times, fidelity insurance and errors and omissions (E&O) insurance in accordance with the requirements of this section. PFIs or Servicers may obtain coverage under a mortgage bankers blanket bond policy, a savings and loan blanket bond policy, or a bankers blanket bond policy.

6.4.1 Insurer Rating

The insurer(s) must be:

- Rated B+ or better by the A. M. Best Company; or
- Affiliated with Lloyd's of London.

6.4.2 Parent Institution Coverage

When the parent company of a PFI or Servicer has insurance that meets the MPF Bank's requirements, the MPF Bank will accept that insurance for the PFI or Servicer if:

- The parent's insurer(s) names the PFI or Servicer as joint insured with the parent;
- The parent's insurer(s) cannot prescribe, proscribe, or defer the PFI's Origination Obligations and Servicer's Servicing Responsibilities; and
- The parent's insurance policy cannot exclude from coverage any of the PFI's Origination Obligations and/or the Servicer's Servicing Responsibilities.

6.4.3 Required Documentation and Provisions

Documentation of fidelity and E&O insurance coverage must be on a customary insurance certificate form. If the PFI or Servicer is supervised by a government regulator, an insurance certificate form acceptable by the government regulator is acceptable. If the PFI or Servicer obtains an endorsement to the bond or policy or obtains additional coverage, it must also maintain a copy of the endorsement or a description of the additional coverage, unless the information can be summarized substantively on the insurance certificate.

The insurance certificate should indicate at a minimum, the following:

- The insurer's name;
- The bond or policy number;
- The named insured;
- The type and amount of coverage (specifying whether the insurer's liability limits are on an aggregate loss or per mortgage basis);
- The effective date of the coverage; and
- The deductible amount.

Each fidelity bond or E&O policy must include the following provisions when they can be obtained:

- List the applicable MPF Bank as an additional insured or loss payee and provide for the applicable MPF Bank to be named as a loss payee on drafts the insurer issues to pay for covered losses incurred by the applicable MPF Bank;
- Provide the applicable MPF Bank with the right to file a claim directly with the insurer if the PFI or Servicer fails to file a claim for a covered loss incurred by the applicable MPF Bank;
- Require the insurer to notify the applicable MPF Bank at least thirty (30) calendar days before the insurer independently cancels, reduces, declines to renew, or imposes a restrictive modification to the PFI's or Servicer fidelity or E&O coverage

for any reason other than a partial or full exhaustion of the insurer's limit of liability under the policy;

- Require the insurer to notify the applicable MPF Bank within ten (10) Business Days after the insurer receives a PFI or Servicer's request to cancel or reduce any coverage; and
- Require the insurer to notify the applicable MPF Bank within ten (10) Business Days after the insurer has paid a claim to the PFI or Servicer that depletes the aggregate limit of insurance by more than 50%.

6.4.4 Record Retention

The PFI or Servicer must have and retain a copy of all fidelity and Mortgagee's E&O insurance policies currently in force as well as those from the previous five (5) years. These policies must be made available to the MPF Bank or MPF Provider upon request. In addition, the PFI or Servicer must give authorization for the MPF Bank or MPF Provider to obtain copies of these policies and all related information directly from the insurer(s).

6.4.5 Obligation to Compensate

The MPF Bank's allowance of deductibles may not be deemed as a waiver of any rights it may possess to full compensation for any loss sustained by the MPF Bank and does not relieve the PFI or Servicer of the duty to reimburse the MPF Bank in full for any loss sustained by the MPF Bank not recovered from the proceeds of claims against the fidelity or E&O insurance.

6.4.6 Reporting Events

PFI or Servicers must notify the MPF Bank and MPF Provider, as applicable, within ten (10) Business Days of the occurrence of a single fidelity bond or E&O policy loss that exceeds \$100,000, even when no claim will be filed or when the MPF Banks' interest will not be affected. PFI or Servicers must promptly notify the MPF Bank and MPF Provider, as applicable, of all claims made against either the fidelity bond policy or E&O policy.

In addition, the PFI or Servicer must notify the MPF Bank and MPF Provider, as applicable, within ten (10) Business Days of the receipt of a notice from the insurer regarding the intended cancellation, reduction, nonrenewal, or restrictive modification of the PFI's or Servicer's fidelity bond or E&O policy, and provide the MPF Bank a copy of the insurer's notice, describe in detail the reason for the insurer's action if it is not stated in the notice, and explain the efforts it has made to obtain replacement coverage or to otherwise satisfy the insurance requirements.

The PFI or Servicer must promptly advise the MPF Bank or MPF Provider, as applicable, of all cases of theft, embezzlement, or fraud in its organization regardless if no loss has been incurred, and no MPF Bank funds were involved. The PFI or Servicer's report should

indicate the total amount of any loss regardless of whether a claim was filed with an insurer.

6.5 Required Coverage

This section addresses the fidelity and E&O coverage that the PFI or Servicer is required to maintain.

6.5.1 Fidelity

PFI and Servicer must have a blanket fidelity bond policy in effect at all times. The fidelity insurance policy must provide adequate protection to the PFI or Servicer from losses caused by fraudulent or any other dishonest acts committed by its officers and employees, as well as persons duly authorized by the PFI to act on its behalf, including, but not limited to, the following:

- Employees of outside firms, while performing legitimate services for the PFI or Servicer, or functioning as data processors of checks or other accounting records of the PFI or Servicer unless the outside firms can provide to the PFI or Servicer adequate proof of fidelity insurance equal to or greater than that required of the PFI by the MPF Bank;
- Employees of an agency or intervening employer which perform the usual duties of the PFI's or Servicer's employees for a temporary period; and
- Individuals employed in the PFI's or Servicer's offices as trainees, temporary contract employees or in a study/internship capacity.

6.5.2 E&O (04/17/24)⁴

PFI and Servicer must have a mortgage related E&O insurance policy in effect at all times. The E&O insurance policy must provide adequate protection to the PFI or Servicer against losses caused by negligence, errors, or omissions committed by the persons required to be covered by the PFI's or Servicer's fidelity insurance, while those persons perform assigned duties related to mortgage loans sold or serviced by the PFI or Servicer. Such duties include, but are not limited to, the following:

- Determining whether the Mortgaged Properties are located in Special Flood Hazard Areas (SFHA) as defined by the Director of the Federal Emergency Management Agency (FEMA);
- Ensuring that the Mortgaged Properties are insured in accordance with the requirements of the Guides;

⁴ MPF Announcement 2024-21 (04/17/24)

- Maintaining, where applicable, private mortgage insurance on the Mortgage Loans serviced by the PFI or Servicer;
- Ensuring the payment of real estate taxes and any other mandatory assessments on the Mortgaged Properties and/or REOs;
- For Government Loans, maintaining the corresponding Government Agency's insurance or guaranty for each Mortgage Loan serviced by the PFI or Servicer; and
- Complying with the reporting requirements of the mortgage insurer or guarantor.

6.5.2.1 Additional Coverage

The PFI or Servicer must obtain additional types of fidelity insurance (if available from the insurer), either under the terms of the bond or by separate riders, which would provide the following coverage:

- Protects the MPF Bank against losses to the MPF Bank resulting from dishonesty or fraud committed by the principal owner, any partner, sole proprietor or major shareholder of the PFI or Servicer; and
- Is not limited solely to dishonesty or fraud committed for improper personal gain.
- A direct surety bond to cover any officers or directors (including its principal owner) if they cannot be covered by the fidelity bond.

The amount of coverage required for a direct surety bond covering officers not included in a PFI's or Servicer's fidelity bond coverage is calculated the same way as fidelity bond coverage, except that the percentages are applied only to the PFI's MPF Program servicing portfolio. The deductible limits for fidelity bonds also apply to direct surety bonds.

6.5.2.2 Acceptable Alternative

Mortgage impairment or mortgage interest insurance is acceptable in lieu of E&O insurance if it provides coverage on substantively the same terms that an E&O policy would provide.

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6.6 Coverage Amounts

This section describes the amount of fidelity and E&O coverage that the PFI or Servicer is required to maintain.

6.6.1 Fidelity

The PFI or Servicer must have in force and maintain fidelity insurance coverage in an amount per loss or occurrence that is at least equal to the MPF Bank's minimum required insurance limit calculated as follows:

Base*	MPF Bank's Minimum Required Insurance Limit
< \$100 million	\$300,000
≤ \$500 million	\$300,000 +0.150% of Base over \$100 million
≤ \$1 billion	\$300,000 +0.150% of \$400 million (i.e. \$600,000) +0.125% of Base over \$500 million
> \$ 1 billion	\$300,000 +0.150% of \$400 million (i.e. \$600,000) +0.125% of \$500 million (i.e. \$625,000) +0.100% of Base over \$1 billion

*The Base is defined as the total portfolio of all first-lien 1-4 single family and multi-family residential mortgage loans (MPF Program loans and non-MPF Program loans) serviced by the PFI for itself and others. This includes mortgage loans serviced on the PFI's behalf by a sub-servicer or designated an affiliate servicer.

Example:

Lender with a Base of \$1.4 billion

Amount of base over \$1B = \$400M

\$300,000
+ \$600,000
+ \$625,000
+ 0.100% of \$400M (i.e. \$400,000)

Total: \$1,925,000

6.6.2 Direct Surety Bond

The amount of coverage required for a direct surety bond covering officers not included in a PFI's fidelity bond coverage is calculated the same way as fidelity bond coverage, except that the percentages are applied only to the PFI's MPF Program servicing portfolio. The deductible limits for fidelity bonds also apply to direct surety bonds.

6.6.3 E&O (04/17/24)⁵

The PFI or Servicer must have in force and maintain Mortgagee's E&O insurance coverage at least equal to the minimum required fidelity insurance coverage. However, the MPF Program does not require E&O coverage in excess of the following:

- \$10 million if the Base* consists of residential 1-4 family properties only, or
- \$30 million if the Base consists of residential 1-4 family properties and multifamily properties

*The Base is defined as the total portfolio of all first-lien 1-4 single family and multi-family residential mortgage loans (MPF Program loans and non-MPF Program loans) serviced by the PFI for itself and others. This includes mortgage loans serviced on the PFI's behalf by a sub-servicer or designated an affiliate servicer.

Policies may provide for either coverage per aggregate loss or coverage per mortgage. If the policy provides coverage per mortgage:

- The insurer's liability must at least equal the amount of the highest unpaid Principal Balance for a residential mortgage loan that the PFI or Servicer has in its portfolio; and
- The PFI or Servicer must review the balances of the mortgage loans it services before each premium renewal date to determine whether this limitation needs to be increased as the result of the origination of higher balance Mortgage Loans during the last coverage period.

The E&O policy may place sublimits on the insurer's liability for the different types of losses, although the policy must provide for full liability on property insurance losses. Sublimits of liability must equal at least fifteen percent (15%) of the liability that applies for property insurance. For example, if the highest unpaid balance in the PFI's or Servicer's portfolio is \$300,000, the property insurance liability would be \$300,000 and the insurer could limit its liability for real estate tax losses to \$45,000 (15% of \$300,000).

6.7 Deductibles

⁵ MPF Announcement 2024-21 (04/17/24)

This section covers the maximum deductibles permitted for fidelity and E&O insurance.

6.7.1 Fidelity

The highest deductible permitted for fidelity insurance is the greater of \$100,000 or five percent (5%) of the actual amount of insurance in force.

6.7.2 E&O

For policies that provide coverage per mortgage loan, the maximum deductible amount for each mortgage loan cannot be more than five percent (5%) of the insurer's liability per mortgage loan.

For policies that provide coverage per aggregate loss, the highest deductible permitted for E&O insurance is the greater of \$100,000 or five percent (5%) of the actual amount of insurance in force.

For example, if a policy provides \$100,000 liability per mortgage loan, the deductible amount for each mortgage loan cannot exceed \$5,000, regardless of the actual Principal Balance of the mortgage loan.

6.7.3 Parent Institution Deductible

If the PFI or Servicer uses its parent's fidelity insurance or E&O insurance policy, the minimum limit of liability coverage must be based on the base amount for the consolidated parent entity and all parent related institutions.

If the PFI or Servicer is covered under its parent's fidelity or E&O insurance, the PFI or Servicer is still subject to the maximum deductible limits permitted under the MPF Program. If the parent's deductible exceeds the maximum allowed, the PFI or Servicer is required to maintain an additional fidelity bond or policy in its own name in an amount at least equal to the parent's deductible, with the maximum deductible permitted in the Guides.

Example:

Assumptions:

1. The PFI or Servicer is required to have a fidelity bond of at least \$6,000,000 with a maximum deductible of \$300,000.
2. The PFI or Servicer is covered under its parent's \$70 million fidelity bond with a \$3.5 million deductible.

Result: The PFI or Servicer must obtain and maintain fidelity insurance in its own name for at least \$3.5 million with a maximum deductible of \$300,000, in addition to the coverage maintained by the parent organization.

6.8 Preventing, Detecting, and Reporting Mortgage Fraud

PFI and Servicers are required to notify the MPF Bank and MPF Provider immediately in writing or to immediately refrain from doing any MPF Program related business with a principal, upon becoming aware of the principal's commission of any act or offense indicating dishonesty or a lack of integrity. Such awareness would include knowledge of a criminal conviction or civil judgment against any principal for perpetration of fraud or a criminal offense related to negotiating, obtaining, attempting to obtain or performing a public or private agreement or transaction, or engaging in embezzlement, theft, forgery, bribery, falsification or destruction of records, perjury, making of false statements, misrepresentation, receiving stolen property, conspiracy, making false claims or obstruction of justice or is added to the HUD Limited Denial of Participation List (LDP List), the U.S. General Services Administration (GSA) Excluded Party List (available through the GSA's System for Award Management website), the FHFA's Suspended Counterparty List (SCP), or any other such lists.

6.9 Third-Party Functions

This section addresses the requirements for using third-party services.

6.9.1 Vendor Management

PFI and Servicers who use vendors or third-parties in connection with the performance of any of their obligations under the Guides or the Applicable Agreements, are responsible for ensuring all Guide requirements as to those relationships are complied with, and for ensuring, wherever provided for in any product specific Guide, that the proper notifications and/or approvals of MPF Provider, MPF Bank or Investor are obtained prior to use of such vendor or third party. PFI and Servicers must have written policies and procedures for the approval and oversight of vendors and must monitor vendors, and third parties such as mortgage brokers, loan correspondents, quality control firms, subservicers, and any other third parties who have been delegated to perform origination and servicing functions.

The PFI or Servicer's policies and procedures must include requirements:

- That the vendor must meet and maintain its compliance with all required licenses, registrations, permits, approvals and qualifications for each jurisdiction where the vendor conducts business;
- That the vendor maintain compliance with applicable MPF Program Requirements and Applicable Law for each activity it performs on behalf of the PFI/Servicer or with regards to MPF Mortgage Loans;
- That the vendor have written policies and procedures for the activities performed;
- That the vendor have adequate business continuity and disaster recovery plans in place; and

- That the PFI conduct audits, quality control reviews and operational assessments that measure vendor performance for the activities performed, including services performed outside the United States, to ensure compliance with MPF Program Requirements and Applicable Law.

Use of a vendor does not absolve PFI or Servicer of any of its obligations under the Guides, Applicable Agreements or Applicable Laws. If the vendor causes a breach or failure of the responsibilities as outlined in the Guides or any Applicable Agreements or to a failure to comply with any Applicable Law, the PFI or Servicer is not relieved of its liability or representations and warranties under the MPF Program. The PFI or Servicer defends, indemnifies and holds harmless the MPF Bank, MPF Provider and their successors and assigns from any resultant claim, loss, damage, judgment, cost, expense, reasonable attorneys' fees and legal or regulatory action.

The MPF Bank or MPF Provider may require the PFI or Servicer to cease using a vendor for Mortgage Loans sold or serviced under the MPF Program and may exercise any remedy under the Applicable Agreement or Guides, including requiring the repurchase of Mortgage Loans affected by the vendor causing the PFI or Servicer to breach or fail to fulfill Origination Obligations, Servicing Responsibilities or to ensure their compliance with any Applicable Laws.

PFI and Servicers must be aware of and comply with all specific requirements for vendors in the Applicable Agreements and the Guides.

6.9.2 Third-Party Origination

While a PFI may deliver Mortgage Loans originated by a third-party originator to the MPF Bank, the PFI must ensure its quality control process includes additional steps to monitor the quality of third-party originations. At a minimum, a PFI must ensure that third-party originations meet the MPF Bank's standards for investment quality through a diligent quality control process.

6.9.3 Document Custodians

PFI and Servicers are required to use the MPF Program Custodian. For MPF Government MBS Mortgage Loans, PFI or Servicers must use the MPF Government MBS Custodian.

6.10 Use of the eMPF® Website

Mortgage Loans are submitted for Loan Presentment, indicative pricing, and delivery using the eMPF website, which can be accessed at <https://fhlbmpf.com/resources/empf-information>.

6.11 Telephonic and Electronic Communications

By communicating with the MPF Bank or MPF Provider via telephone or other electronic means, PFIs and Servicers authorize the MPF Bank and MPF Provider to record such communications.

6.12 Documentation

All documentation related to the origination and servicing of Mortgage Loans must be drafted, delivered, executed, and recorded, as applicable, pursuant to Applicable Standards.

6.12.1 Security Instruments and Notes

Unless otherwise required by an MPF product specific Guide, the most recent version of the applicable Fannie Mae and Freddie Mac Uniform Instruments must be used for all legal documents such as security instruments, notes, riders and addenda in connection with all conventional Mortgage Loans.

For government loans, legal documents that are acceptable to the government agency and are appropriate for the state in which the security property is located must be used. If Uniform Instruments are used, Fannie Mae's legal documents for conventional mortgages, and if those documents must be modified or amended to comply with applicable government agency requirements, the following requirements must be met:

- The documents must be enforceable under their terms.
- The documents must comply with all applicable state and local requirements for a recordable and enforceable document

6.12.1.1 Security Instrument

PFIs must use security instruments for conventional mortgages that are correct for the applicable jurisdiction, mortgage type, lien type, property type, and transaction type. Security instruments for regularly amortizing mortgages include the Fannie Mae/Freddie Mac Uniform Mortgages, Deeds of Trust, and Security Deeds.

The only acceptable changes to the uniform security instrument are changes that are either (1) required by applicable law or (2) required or permitted to be made at PFI's option as set out in the Fannie Mae/Freddie Mac instructions that accompany each document. If a security instrument is modified in any way, it will be considered a nonstandard document.

6.12.1.2 Notes

The Fannie Mae/Freddie Mac multistate note must be used, unless the security property is located in a jurisdiction for which Fannie Mae/Freddie Mac publishes a state-specific mortgage note.

The only acceptable changes to the uniform note are changes that are either (1) required by applicable law or (2) required or permitted to be made at PFI's option as set out in the Fannie Mae/Freddie Mac instructions that accompany each document. If a note is modified in any way, it will be considered a nonstandard document.

6.12.1.3 Nonstandard Documents Warranties

If a legal document such as a security instrument or a note is modified in any way, even if required by law or permitted by applicable Fannie Mae/Freddie Mac instructions, it will be considered a nonstandard document. By delivering a Mortgage Loan closed on a nonstandard document, the PFI warrants the document otherwise complies with the Applicable Agreements and the MPF Guides.

In addition, by delivering a loan closed on a nonstandard document, the PFI represents and warrants as follows:

- No term of the instrument violates applicable laws and regulations, each and every term of the instrument is fully enforceable under applicable laws and regulations, and the mortgage note constitutes a negotiable instrument under the Uniform Commercial Code (UCC) of the applicable jurisdiction(s).
- Any and all changes made to the document are either (1) required by applicable law or (2) required or permitted to be made at PFI's option, called "authorized changes," by Fannie Mae/Freddie Mac instructions for use of the document.
- Any and all changes made, including changes authorized by Fannie Mae/Freddie Mac, comply with all applicable laws.

6.12.2 Use of MERS

MERS is not generally required under the MPF Program, although it may be required under certain servicing options or the PFI or Servicer may choose to use MERS. When using MERS, the PFI or Servicer must comply with the requirements of the MERS Membership Agreement. MERS may only be named as original mortgagee in Security Instruments in jurisdictions where "MERS as Original Mortgagee" changes to Security Instruments are authorized and do not negatively affect the validity of the lien or affect prospective foreclosures or other mortgage – related enforcement actions. PFIs and Servicers registering Mortgage Loans with MERS must ensure that all Security Instruments and Assignments are prepared, executed, and recorded, as necessary, in accordance with Applicable Standards.

6.13 Borrower Inquiries

Each PFI and Servicer is required to expeditiously respond to inquiries from Borrowers' or the Borrowers' successor in interest and provide the Borrowers or their successor in interest with timely and appropriate information regarding the Borrowers' Mortgage Loan. If a rescission notice is received from a Borrower or their successor in interest, immediate notification to the current Servicer of the Mortgage Loan, the MPF Provider, the investor, and the MPF Bank is required.

To avoid delays, the notification to the MPF Provider must include at minimum the following information:

- MPF loan number;
- Borrower name(s);
- Loan product, name of Investor(s) and any applicable Government Agency insuring or guaranteeing the Mortgage Loan;
- Who inquiry was received from and relationship to Borrower (Note that any request received related to inquiry from alleged successors in interests will be assumed to have been confirmed as a Successor in Interest by Servicer pursuant to its policies and procedures);
- Date and method notice of rescission was received;
- Copy of the Notice of Rescission;
- Copy of any other communication received from Borrower or Borrower's representative related to the rescission; and
- Any other relevant loan or borrower information that may be needed to address the rescission demand.

PFI and Servicers must report all escalations of borrower or regulator complaints with regards to fair lending or fair servicing disputes or other such instances of potential fair housing violations or instances of discrimination related to fair housing to the MPF Provider and the MPF Bank, as soon as they are received.

CHAPTER 7. COMPLIANCE WITH LAWS

PFI and Servicers must originate, sell and/or service Mortgage Loans in compliance with Applicable Laws. Therefore, PFI and Servicers must be aware of, and have policies and procedures to ensure compliance with, all Applicable Laws governing any stage of origination and servicing, through pay off or liquidation, including REO and other business practices (including the use of technology) that may have a material effect on the Mortgage Loans' compliance with Applicable Laws. PFI and Servicers have an obligation to ensure all their vendors and service providers are in compliance with all Applicable Laws. In the event of any conflict between the Guides and Applicable Laws, Applicable Laws must be followed; all other provisions of the Guides that can be carried out without the conflicting provision will not be affected.

PFI and Servicers (and any of their service providers, subservicers, and originators) must have effective compliance procedures in place to ensure they comply with all Applicable Laws and are required to monitor federal laws, rules and regulations and the laws, rules and regulations of each state or locality in which they do business and take the necessary steps to comply with any changes in Applicable Laws, including any applicable law that addresses fair housing, fair lending, equal credit opportunity, truth-in-lending, wrongful discrimination, appraisals, real estate settlement procedures, communications with borrowers and third parties (including when borrowers are in bankruptcy or litigation), borrower privacy, data security, escrow administration, MI cancellation, debt collection, credit reporting, electronic signatures or transactions, electronic notarization (including remote notarization), predatory lending, anti-money laundering, terrorist activity, ability to repay, electronic fund transfers, flood insurance protection, foreclosure, IRS reporting requirements, or the enforcement of any terms of the Mortgage Loan, whether specifically identified or not in the MPF Guides, including, without limitation, and as amended, the following laws and their applicable regulation:

- The Truth-in-Lending Act;
- The Real Estate Settlement Procedures Act;
- The U.S. Bankruptcy Code;
- The Fair Debt Collection Practices Act;
- The Fair Credit Reporting Act;
- The Homeowners Protection Act of 1998;
- Home Mortgage Disclosure Act;
- Servicemember Civil Relief Act;
- Laws prohibiting unfair and deceptive practices;
- Gramm-Leach-Bliley Financial Modernization Act;

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- Dodd-Frank Wall Street Reform and Consumer Protection Act;
- CFPB guidance and bulletins; and
- Regulator guidance and bulletins.

The MPF Bank or MPF Provider may request that a PFI or Servicer provide evidence of its procedures and any other documents that demonstrate compliance with any Applicable Law.

PFI and Servicers must report all instances of penalties (civil or criminal), for non-compliance of legal requirements, enforcement actions, or any other instances of non-compliance related to legal requirements to the MPF Provider and the MPF Bank, as soon as permitted to disclose such instances.

The PFIs and Servicers agree to indemnify and hold the MPF Bank and MPF Provider (including their respective successors and assigns and their employees, officers, and directors individually when they are acting in their corporate capacity) harmless from and against all losses, damages, judgments, claims, costs, or expenses, legal actions, and legal fees incurred by the MPF Bank or MPF Provider arising out of the PFI or Servicer's violation of any Applicable Law.

7.1 Fair Lending and Equal Opportunity

PFIs and Servicers must comply with all fair lending and equal opportunity laws, which include, but are not limited to the following:

- Title VI of the Civil Rights Act of 1964;
- Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended by the 1988 Fair Housing Amendments Act;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on November 20, 1962, as amended by subsequent Executive Orders;
- Fair Housing Act; and
- National Housing Act.

PFIs and Servicers must also ensure compliance with any fair lending and fair servicing related guidance issued by state and federal regulators (for example CFPB, HUD, etc.).

7.2 USA PATRIOT Act, Anti-Money Laundering and Bank Secrecy Act

All PFIs and Servicers are required to comply with the USA PATRIOT Act, including, without limitation, the requirement to have a Customer Identification program.

All PFIs and Servicers that are subject to Financial Crimes Enforcement Network (FinCEN) anti-money laundering (AML) and Bank Secrecy Act (BSA) regulations must be in compliance with all applicable provisions of those regulations, and must have internal policies, procedures, and controls in place to identify suspicious activity, and otherwise as required under FinCEN, AML and BSA.

PFIs and Servicers subject to FinCEN AML and BSA regulations must report to the MPF Provider all instances of the following:

- Suspicious activity related to Mortgage Loans; and
- Non-compliance, compliance failures, or sanctions related to applicable AML and BSA regulations.

Servicers not subject to FinCEN AML and BSA regulations must:

- Develop internal policies, procedures, and controls to identify suspicious activity that may involve money laundering, fraud, terrorist financing, or other financial crimes similar to those required by FinCEN AML and BSA regulations; and
- Report to the MPF Provider all instances of suspicious activity related to Mortgages Loans it services.

Suspicious activity must be reported to the MPF Provider by emailing MPFSAR@fhfbc.com

PFIs and Servicers must follow the confidentiality restrictions of FinCEN AML and BSA regulations. The report to the MPF Provider must not include sharing with the MPF Provider any Suspicious Activity Report (SAR) or the existence of a SAR.

7.3 Department of Treasury Office of Foreign Assets Control (OFAC) Regulations

PFIs and Servicers must comply with OFAC regulations as may apply during any stage of origination and servicing, through pay off or liquidation, including REO. PFIs and Servicers must have adequate policies and procedures in place to ensure compliance with OFAC and the USA PATRIOT Act, including without limitation documentation obtained to verify the Borrower's identity as required in the Guides and by law. Loans are ineligible for delivery under the MPF Program if the Borrower, key principal, or principal is a "specifically designated national and blocked person" on OFAC's Specially Designated Nationals (SDN) list. Prior to delivering a loan under the MPF Program, the PFI must verify that the Borrowers, key principal, and principal are not on the current OFAC SDN List. PFIs and Servicers must comply with the foreign assets control regulations, 31 C.F.R.

Chapter V, as amended, and any authorizing legislation or executive order relating thereto, as administered by the Office of Foreign Assets Control (OFAC) within the United States Department of the Treasury (collectively “OFAC Regulations”).

Servicers must periodically check Mortgage Loans against the current OFAC SDN List. A Servicer that identifies a valid Borrower match against the OFAC SDN List must notify the MPF Provider within 24 hours of identifying such match to discuss potential changes to the Servicing of the associated Mortgage, which may include, but are not limited to, the blocking and/or segregation of Mortgage-related funds and ceasing certain Servicing-related activities.

The notice to the MPF Provider must include the following information:

- MPF Loan Number
- Borrower name
- Name, title, e-mail address, and telephone number for the point of contact at the Servicer who will be able to discuss the OFAC SDN List match

PFI and Servicers are expected to cooperate with the MPF Bank or MPF Provider instructions as to any additional potential next steps. Servicers under the Scheduled/Scheduled remittance option are expected to continue to make required P&I advances. The MPF Provider may require the Servicer to provide additional documentation or information regarding the OFAC SDN List match.

Notifying the MPF Provider or MPF Bank of a confirmed match against the OFAC SDN List does not absolve the Servicer from any of its responsibilities under OFAC Regulations.

7.4 Electronic Signatures in Global and National Commerce Act (E-Sign)

All documents used to originate, service or modify a mortgage loan, may be generated, signed, processed, stored or transmitted electronically provided they are capable of reproduction in paper format except:

- the promissory note and any related addenda, such as endorsements, allonges, exhibits*;
- any unrecorded ink-signed originals of documents that modify or supplement the security instrument including ink-signed assignments; and
- assignments for MERS-registered loans when MERS is not named as nominee.

***The MPF Program does not accept eNotes or eMortgages unless the PFI has been approved to deliver eNotes or eMortgages by its MPF Bank. PFIs interested in delivering eNotes/eMortgages should contact their MPF Bank.**

The following MPF Program requirements must be met for electronic signatures:

- Electronic signatures are not permitted for any notice of default, acceleration, repossession, foreclosure, eviction, or the right to cure;
- The MPF product specific investor, guarantor, insurer or Government Agency (as applicable) permit electronic signatures, their requirements for the use of such electronic signatures are met, and the document is permitted to be electronically signed under this section;
- The Originator, PFI and Servicer, and their processes, must be in full compliance with all federal, state and local laws (e.g., statutes, regulations, ordinances, administrative rules, and orders that have the effect of law, and judicial rulings and opinions) that impose any requirements related to the use of electronic signatures, records, disclosures or transactions, in the jurisdiction where the property securing the mortgage loan is located, including the Electronic Signatures in Global and National Commerce Act, as enacted by the United States (“E-Sign”);
- The Uniform Electronic Transactions Act, as enacted by the applicable State (“UETA”) unless superseded by E-Sign;
- The form of electronic signature must be valid under applicable law and must be “attributable” to the signer through any combination of technological methods, business processes, and surrounding circumstances that produces a level of attribution that is appropriate to the document in question, taking into account the nature of the document and the identities of the parties involved;
- The Mortgage Record must contain appropriate evidence of:
 - The signer’s express or implied agreement to the use of the electronic record and/or electronic signature in a way that creates a binding electronic record under ESIGN, UETA, and any other applicable laws;
 - The signer’s execution of a particular electronic signature;
 - Attribution of the electronic signature to the signer;
 - Any required disclosures made before obtaining the borrower’s consent and the borrower’s consent to receiving subsequent disclosures electronically; and
 - The borrower’s ability to receive the electronic disclosures for which consent was provided;
- The Originator, PFI, and Servicer are responsible for ensuring that when a record is electronically-signed, for each electronic signature, the record includes all of the information that would have been required had the record been in paper document form, including evidence of the following:
 - The authenticated identity of the signer and related entity, if applicable, who signed each document in the loan file;
 - The date of the signature;

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- The method (and, if applicable, eSign vendor) by which the document was signed; and
- Any associated information that can be used to verify the electronic signature;
- Electronically-signed mortgage records must contain sufficient evidence and attribution information to permit the MPF Bank or the MPF Provider to conduct a thorough post-purchase QC review of the Mortgage Loan, which, for example, means that the evidence of a borrower's electronic signature for employment verification must permit the MPF Bank and the MPF Provider to reverify information from the employer;
- The Originator, PFI and Servicer must determine the most appropriate procedures and controls to use with regards to electronic signatures and electronic records given the nature of their operations and their business, but at minimum, their processes must ensure the integrity of any electronic record is maintained, must permit reproduction of electronic records in paper or other format if requested and full compliance with E-Sign, UETA and any other applicable e-signature laws, regulations and rules; and
- Borrowers cannot be required to sign documents electronically.

At any time, the MPF Program and/or MPF Bank may require an Originator, PFI, and Servicer to use a specific signature format for a particular electronic record or type of record.

Because the property sale contract in a purchase mortgage transaction is viewed as being signed outside of the loan transaction, the Originator is not required to comply with the provisions of the Guides as they relate to electronic signatures, but is required to retain a copy of the sales contract and take reasonable steps to determine that the sales contract is validly signed by the correct parties in all required places (i.e. the same steps the Originator would follow for a non-electronic sales contract).

By delivering or servicing Mortgage Loans with electronically signed documents, the PFI and Servicer acknowledge and understand that the MPF Banks and the MPF Provider will rely conclusively on the accuracy, authenticity, integrity, and validity of the electronic records (including any delivery instructions) and that the MPF Bank and MPF Provider are under no obligation to verify or authenticate inaccuracies or inconsistencies through any communication, review or authentication method.

Unless otherwise specifically provided for elsewhere in the Guides or by the applicable Investor or Government Agency, all other documents must be ink-signed.

7.4.1 Electronic Records

All electronic records such as a contract or other record that is created, generated, sent, communicated, received, or stored by electronic means, must meet the following requirements:

- Any appropriate electronic format or transmission method for an electronic record other than audio or video recording may be used (except to the extent permitted in connection with electronic notarizations, remote online notarizations, and audio-visual aided remote ink-signed notarizations (RIN)).
- PFIs and Servicers may use any technology other than audio or video recording for storing electronic records, as long as the electronic records are securely stored and remain accessible by all persons entitled to access them for as long as access is required.
- Any mortgage loan file composed of electronic records must be clearly identified by logical association with the MPF Loan Number.
- If a PFI/Servicer chooses to store permitted documents in a format other than paper, when transferring servicing it must provide the assuming Servicer with information about the methods it uses for document and records storage. If the assuming Servicer uses a different storage method, the PFI/Servicer must work with the assuming Servicer to convert the documents and records to a format that is compatible with the assuming Servicer's storage methods.
- All electronic All electronic records and systems used to generate, process, store or transmit electronic records must comply with the federal Electronic Signatures in Global and National Commerce Act (ESIGN); the Uniform Electronic Transactions Act (UETA) adopted by the state in which the subject property is located; if applicable, and all other applicable federal and state laws.
- All electronic records must be valid and enforceable and accurately reflect all information and formatting (where the formatting is prescribed by law or material to interpretation of the record) that was in the record as it was presented to intended beneficiaries and signers.

- All systems generating or storing electronic records must:
 - generate or maintain them as valid and enforceable records,
 - be sufficiently secure to preserve the integrity and authenticity of the records, and
 - protect against loss of unauthorized access to records.
- The PFI or Servicer may convert a paper document to an electronic record for storage purposes if it is not one of the documents required to be maintained in its original paper form. Once the paper document is converted electronically, the paper document may be destroyed. Similarly, PFI or Servicer may convert an electronic record to a paper document for storage purposes or to provide loan modifications to document Custodians that are not electronically enabled.
 - When documents are converted to an alternative format, the legibility and integrity of the information and formatting, including indications of alterations (such as erasures and white-outs), in the original document must be preserved.
 - If the Servicing of a loan is transferred, the Servicer must securely transfer all relevant electronic records to the new Servicer, along with all information verifying the authenticity, validity and enforceability of the records and any associated signatures.
 - PFIs must retain documentation that explains the process used to convert paper-based records to electronic formats and specify the date of conversion, method of conversion, and disposition of the original paper records.

7.4.2 Notarization Standards

Certain Mortgage Loan documents and instruments may require notarization under applicable laws to allow for either recognition, enforcement, or recordation of the loan document or instrument. Except as otherwise permitted in the Guides, and subject to all applicable legal requirements imposed by the state where the real property is located, all loan documents and instruments must be notarized in accordance with and legally valid under the laws and regulations of the state in which the notarization is performed at the time it was performed in order to be eligible for delivery.

If the law of the state where the real property is located requires notarization, such notarization must:

- comply with such state's laws and regulations, or
- qualify for recognition under such state's laws.

In certain situations, federal laws and regulations permit duly authorized officials of the U.S. Department of State and the U.S. Department of Defense to effect notarial acts in the performance of their duties. Subject to any applicable legal requirements imposed by the state where the real property is located, such notarization by these authorized officials is eligible on the same basis as that performed in accordance with state law.

Subject to any applicable legal requirements imposed by the state where the real property is located, any international notarization not performed by a duly authorized official of the U.S. is eligible provided it:

- is in accordance with and legally valid under the laws and regulations of the foreign jurisdiction in which the notarization is performed at the time it was performed, or
- contains an apostille certification from a competent authority, as recognized by the U.S. Department of State.

If notarization is not explicitly required by applicable law, but is a requirement provided for in the Guides, all loan documents and instruments must have notarization effected by any such notarial method as permitted or recognized as valid by:

- the law of the state where the real property is located, or
- Federal law or the law of the state where the notary is registered and acting under applicable notarial authority and requirements of such jurisdiction.

7.4.2.1 Audio-visual Aided Remote Ink-Signed Notarization

A remote ink-signed notarization (RIN) is an audio-visual ink-signed method of notarization of paper documents, where the Borrower authentication and signature witnessing are accomplished by:

- the notary and principal's use of real-time audio-visual conferencing technology,
- the signatures are ink-signed, and
- the notarial seal is applied manually to the applicable documents.

PFIs may allow for the use of real-time audio-video technology to satisfy the physical presence requirements, or where there are no physical presence requirements, under applicable law for notarial acts. The following requirements apply to remote ink-signed notarization:

- The Borrower or person whose signature is being notarized and the notary are physically located in the state where the notarial act is performed.

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- The laws and regulations of the state in which the Mortgaged Property is located either expressly permit the use of remote notarization or expressly accept remote notarizations performed out-of-state in accordance with the laws of the state in which the notarial act is performed;
- The notarization is performed in accordance with and is legally valid under the laws and regulations of the state in which the notarization is performed, at the time it was performed;
- The Mortgage Loan is not a Texas Section 50(a)(6) loan;
- If the loan document is required to be recorded, then the county recorder in the state and county where the property is located must accept the remotely notarized document for recording;
- The audio-visual method used for the remote online notarization must meet the following minimum standards:
 - at least two-factor identity authentication, including using a combination of the following: government-issued photo ID that has a signature, credential analysis or identity-proofing;
 - tamper-sealed notarized documents and system security sufficient to:
 - prevent interference with the authenticity, integrity, and security of the notarial ceremony or corruption or loss of the recording of the same, and
 - protect the communication technology, electronic record and backup record from unauthorized use;
 - the remote online notary must keep a secure electronic journal of the notarial act including evidence of identity of the principal (a video and audio conference can be the basis for satisfactory evidence of identification) and maintain a backup of the electronic record; and
 - the ability to record the notarial ceremony with storage for the minimum period required by applicable laws or if no period is specified in the applicable law, for ten years.
- PFIs must maintain or cause to be retained, the recording of the notarial ceremony for the greater of 10 years or the minimum period required by applicable law.

The PFI makes all selling representations and warranties per the Guides, including representations and warranties related to:

- clear title and first lien enforceability;
- compliance with laws and responsible lending practices; and
- requirements regarding title insurance.

If the notarized document is a security instrument or an amendment to a security instrument, the remote notarization must comply with the following title requirements and the title insurance company may not take any exception for the remotely notarized loan:

- an affirmative endorsement to the title insurance policy must be obtained regarding Exclusion 3(b) in the standard ALTA terms and conditions; or
- the title insurer has not taken an exception for the remote for the remotely notarized loan:
- an affirmative endorsement to the title insurance policy must be obtained regarding Exclusion 3(b) in the standard ALTA terms and conditions; or
- the title insurer has not taken an exception for the remote notarization in the title insurance policy and all related communications with the title insurer are kept in the mortgage loan file.

PFI may not require a borrower to use remote notarization and must have other notary options for borrowers available.

7.4.2.2 Electronic Notarization (or Remote Notarization)

The MPF Program accepts delivery and servicing of loans with electronic documents, including Security Instruments or mortgage loan modification agreements that have been electronically notarized, either in person or remotely using real-time, two-way audio/video communication. Electronic notarizations (including remote online notarizations) may be used as long as the notarization is:

- performed in accordance with and is legally valid under the laws and regulations of the state in which the notarization is performed, at the time it was performed; and
- in compliance with the Uniform Electronic Transactions Act, as adopted in such state, and the Electronic Signatures in Global and National Commerce Act; and

7.4.2.2.1 Remote Online Notarization

A remote online notarization is an electronic notarization where the person whose signature is being notarized and the notary are in different physical locations and are communicating via two audio-visual conferencing, the signatures are provided electronically, and the notarial seal is applied electronically.

If the electronic notarization is a remote online notarization, in addition to the above requirements the following additional requirements must be met:

- The notary public is licensed and physically located in the state where the notarial act occurred and, where required by law or regulation, is specifically licensed to perform electronic notarizations.
- The laws and regulations of the state in which the Mortgaged Property is located either expressly permit the use of remote notarization or expressly accept remote notarizations performed out-of-state in accordance with the laws of the state in which the notarial act is performed;
- The notarization is performed in accordance with and is legally valid under the laws and regulations of the state in which the notarization is performed, at the time it was performed;
- The Mortgage Loan is not a Texas Section 50(a)(6) loan;
- The mortgage loan must be delivered with Special Feature Code 861 if the remotely notarized document is a security instrument or amendment to the security instrument;
- If the loan document is required to be recorded, then the county recorder in the state and county where the property is located must accept the remotely notarized document for recording;
- The audio-visual method used for the remote online notarization must meet the following minimum standards:
 - at least two-factor identity authentication, including using a combination of the following: government-issued photo ID that has a signature, credential analysis or identity-proofing;
 - tamper-sealed notarized documents and system security sufficient to:
 - prevent interference with the authenticity, integrity, and security of the notarial ceremony or corruption or loss of the recording of the same, and
 - protect the communication technology, electronic record and backup record from unauthorized use;
 - the remote online notary must keep a secure electronic journal of the notarial act including evidence of identity of the principal (a video and audio conference can be the basis for satisfactory evidence of identification) and maintain a backup of the electronic record; and
 - the ability to record the notarial ceremony with storage for the minimum period required by applicable laws or if no period is specified in the applicable law, for ten years.

- PFIs must maintain or cause to be retained, the recording of the notarial ceremony for the greater of 10 years or the minimum period required by applicable law.

The PFI makes all selling representations and warranties per the Guides, including representations and warranties related to:

- clear title and first lien enforceability;
- compliance with laws and responsible lending practices; and
- requirements regarding title insurance.
- If the notarized document is a security instrument or an amendment to a security instrument, the remote notarization must comply with the following title requirements and the title insurance company may not take any exception for the remotely notarized loan:
 - an affirmative endorsement to the title insurance policy must be obtained regarding Exclusion 3(b) in the standard ALTA terms and conditions; or
 - the title insurer has not taken an exception for the remote for the remotely notarized loan:
 - an affirmative endorsement to the title insurance policy must be obtained regarding Exclusion 3(b) in the standard ALTA terms and conditions; or
 - the title insurer has not taken an exception for the remote notarization in the title insurance policy and all related communications with the title insurer are kept in the mortgage loan file.

PFIs may not require a borrower to use remote notarization and must have other notary options for borrowers available.

7.5 Qualified Mortgage (QM) and Non-Qualified Mortgage (Non-QM) Requirements

7.5.1 Ability to Repay

All Mortgage Loans, including Non-Qualified Mortgage (non-QM) loans, must comply with ability to repay (ATR) regulations. Regardless of the underwriting method used, at the time of origination the PFI must determine that Borrowers can afford to make the regular monthly Mortgage Loan payments and have a reasonable ability and likelihood of repaying their mortgage debt in compliance with Applicable Laws.

The MPF Banks' willingness to purchase Mortgage Loans made to Borrowers with higher credit risk is still predicated on the use of the MPF Program underwriting guidelines that require the Borrower have a reasonable ability to make the mortgage payments to successfully maintain homeownership.

7.5.1.1 QM Loans with Safe Harbor

Only Qualified Mortgage (QM) loans, as defined under Applicable Laws that meet all of the QM “safe harbor” requirements, or certain loans secured by investment properties that meet the specific MPF product requirements that are exempt from ATR/QM, are eligible for sale to the MPF Program. The PFI must make a good faith determination that Borrowers have a reasonable ability and likelihood of repaying their Mortgage Loan and that the Mortgage Loan is a “safe harbor” QM loan, as defined by Applicable Law for the type of Mortgage Loan, i.e., Truth in Lending Act and Regulation Z (12 CFR § 1026.43(e)(1)(i)) for Conventional Mortgage Loans and Government Mortgage Loans or HUD regulations (24 CFR § 203.19(b)(3)) for FHA Loans).

To be eligible for delivery to the MPF Program, loans with application dates on or after July 1, 2021 must comply with the QM “safe harbor” requirements of the revised QM rule that became effective March 1, 2021 (Revised QM Rule), including the applicable APR to average prime offer rate (APOR) spread.

In addition:

- any loan subject to the Ability To Repay QM rule, with application dates prior to July 1, 2021 may be purchased after August 31, 2021, provided loans otherwise meet Revised QM Rule and MPF Program revised QM policies;
- loans that meet Fannie Mae or Freddie Mac’s Revised QM requirements, and that meet the requirements for loans originated with DU or LPA in the MPF Guides, are eligible for delivery to the MPF Program;
- loans that meet VA, HUD or USDA QM requirements, and that meet the requirements for Government Loans in the MPF Guides, are eligible for delivery to the MPF Program.

7.5.1.2 QM Loans with Rebuttable Presumption

QM Loans with rebuttable presumption are currently not eligible for the MPF Program.

7.5.1.3 Points and Fees Cure

Mortgage Loans that are consummated after January 10, 2021 and exceed the MPF Program points and fees limit as set forth in the Guides cannot be cured, are non-QM and are not eligible for delivery under the MPF Program.

For QM loans consummated on or before January 10, 2021 the PFI must maintain and follow policies and procedures for post-consummation review of points and fees and for making refund payments to consumers in accordance with Regulation Z 12 CFR § 1026.43(e)(3). If the PFI determines the total points and fees paid by the Borrower in connection with a Mortgage Loan consummated before January 10, 2021 exceeded the MPF Program limit as set forth in the Guides, and makes a refund payment to the Borrower in the amount and by the time required by Applicable Law, including Regulation

Z, 12 CFR § 1026.43(e)(3), the Mortgage Loan will remain eligible under the MPF Program.

The following items must be retained in the Mortgage Loan File and made available to the MPF Bank or MPF Provider upon request:

- A copy of the refund check;
- Confirmation of delivery of the refund check to the Borrower; and
- Confirmation the Mortgage Loan was eligible for the payment of the refund pursuant to Regulation Z, 12 CFR § 1026.43(e)(iii).

If the PFI determines the total points and fees paid by the Borrower exceeded the permitted limits and cannot be cured in accordance with Applicable Law, including the requirements of Regulation Z, 12 CFR § 1026.43(e)(3), the PFI must notify its MPF Bank immediately.

7.5.2 Non-QM Loans

Non-Qualified Mortgage (Non-QM) loans are loans with characteristics that fall outside of applicable rules for Qualified Mortgages. Non-QM loans are not eligible for sale into the MPF Program.

7.6 Predatory Lending

In addition to the representations and warranties provided in the Applicable Agreement and elsewhere in the Guides, PFIs and Servicers must be aware of and be in compliance with anti-predatory lending laws, rules, and regulations as they apply to any origination or servicing practices. Compliance with these anti-predatory lending laws must be accomplished without regard to the application of federal preemption rules, statements or other related announcements issued from time to time by banking regulators or other regulatory authorities.

A PFI which purchases loans to be delivered under the MPF Program is required to take steps to ensure that loans originated by third parties are in compliance with all Applicable Laws, including without limitation, applicable predatory lending laws.

Loans classified as high cost, high rate, 'not ratable', high risk, subject to HOEPA, or loans in similar categories as defined by applicable predatory abusive lending laws are ineligible for delivery under the MPF Program. In addition, any loans listed as ineligible on the Anti-Predatory Lending Category (Exhibit A) may not be delivered under the MPF Program.

7.6.1 Points and Fees

High-cost mortgage loans are not eligible for delivery under the MPF Program, which includes any loan that:

- Is subject to the requirements in the Homeownership and Equity Protection Act of 1994 (“HOEPA”) that apply to high-cost mortgages, as defined in HOEPA;
- Is part of a larger transaction that is structured in a manner intended to circumvent the requirements of HOEPA and Section 32 of Regulation Z.
- Is a High Cost Loan as defined in the current version of S&P Global Rating’s LEVELS Glossary, Appendix E (see the Anti-Predatory Lending Category (Exhibit A) for more information);
- Is subject to the requirements of any federal, state or local laws that apply to loans identified as high cost, high risk, higher-priced, or high rate loans or loans in other similar categories as defined by the applicable predatory or abusive lending law; or
- Is not ratable by a rating agency (see the Anti-Predatory Lending Category (Exhibit A) for more information).

In addition, a mortgage loan secured by a Primary Residence or a second home is not eligible for delivery under the MPF Program if the total points and fees charged to the Borrower exceed the following:

Loan Amount ¹	Percentage of the Total Loan Amount Cap ¹	Dollar Amount Cap
>= \$130,461	3%	N/A
> = \$ \$78,277 and < \$130,461	N/A	\$3,914
> = \$26,092 and < \$78,277	5%	N/A
> = \$26,092 and < \$78,277	N/A	\$1,305
< \$16,308	8%	N/A

Table 7 - 2

Mortgage Loans with a Loan Application Date on or after January 1, 2023 but before January 1, 2024

Loan Amount ¹	Percentage of the Total Loan Amount Cap ¹	Dollar Amount Cap
>= \$124,331	3%	N/A
> = \$74,599 and < \$124,331	N/A	\$3,730
> = \$24,866 and < \$74,599	5%	N/A
> = \$15,541 and < \$24,866	N/A	\$1,243
< \$15,541	8%	N/A

¹ For the loan amount categories with percentage caps, the PFI must apply the applicable percentage cap to the “total loan amount”, which may be less than the “loan amount”. (See Regulation Z, 12 CFR § 1026.43, for the definition of the term “loan amount”, and Regulation Z, 12 CFR § 1026.32, for the definition of the term “total loan amount”.)

7.6.2 Product Steering

The PFI should offer the Borrower the lowest cost mortgage alternative for which the Borrower qualifies.

7.6.3 Credit Life Insurance Policies

The Borrowers may obtain credit life insurance, but are not required to do so. Credit life insurance is acceptable if the payment structure includes:

- Premiums paid by the Borrower on a monthly or annual basis; or
- Prepaid coverage that is of no cost to the Borrower.

Mortgage loans with a single-premium credit life insurance policy obtained at origination are not eligible for delivery under the MPF Program, regardless of whether the premium is paid directly from the borrower’s funds or financed in the loan amount.

7.6.4 Prepayment Penalties

Mortgage loans that include prepayment penalties are not eligible for delivery under the MPF Program.

7.6.5 Mandatory Arbitration

Mortgage loans that include mandatory arbitration clauses are not eligible for delivery under the MPF Program.

7.6.6 Higher-Priced Mortgages

Higher-priced mortgages are not eligible for the MPF Program.

7.6.7 Non-Traditional Mortgage Loans

Non-traditional mortgage loans are not eligible for the MPF Program.

7.6.8 Subprime Mortgage Loans

Subprime mortgages are not eligible for the MPF Program.

A subprime mortgage is a first-lien mortgage loan or a simultaneous second-lien loan secured by an owner-occupied 1-4 family residential property made at the time of origination to a borrower with:

- A representative FICO® score below 620; or
- If a FICO score is not available:
 - A DTI ratio of 43% or greater for a conventional mortgage loan underwritten manually; or
 - Any DTI ratio for a conventional mortgage loan underwritten with Fannie Mae or Freddie Mac's automated underwriting system (AUS) that received a recommendation/decision that the loan is not acceptable and not eligible for sale to the respective agency.

The definition of a subprime mortgage loan does not include loans originated under an affordable housing program or Government Mortgage Loans.

7.6.9 Interest Rate and Late Fees

The interest rate and late fees must be assessed pursuant to the terms provided for in the loan documents.

7.7 Compensation

All consideration given or received by Originators, PFIs, and Servicers must comply with Section 8 of RESPA.

7.8 Other Laws and Regulations

PFIs and Servicers must comply with all Applicable Laws whether or not specifically mentioned in the Applicable Agreements or the Guides.

7.9 Violation of Applicable Laws

A violation of any Applicable Laws by the PFI or Servicer will be considered an Event of Default.

CHAPTER 8. QUALITY CONTROL PROGRAM

8.1 MPF Bank's Quality Control Review

The MPF Bank reserves the right to conduct a quality control (QC) review of any Mortgage Loan delivered under the MPF Program.

The MPF Provider will review each Mortgage Loan selected for post-funding QC review to verify that it meets the definition of investment quality and complies with the Guides and the Applicable Agreements.

The MPF Provider or its designee will send an email request to the PFI to submit specified Mortgage Loan Files to the MPF Provider or its designee. The PFI must comply by providing the requested information according to the instructions provided for in the request. The files must be delivered within fifteen (15) days of the date of the letter.

Failure to promptly comply with a request to provide a file selected for QC review may result in suspension of the PFI's origination or servicing activities under the MPF Program. An offer by the PFI to purchase or repurchase the Mortgage Loan from the MPF Bank will not release the PFI from the requirement to submit the file for the QC review.

After the PFIs submission is reviewed, the PFI will be notified in writing of those Mortgage Loans with defects and a notice will be given relating to nondeficient Mortgage Loans.

Defect exceptions are cited in the following levels of severity:

- **Critical***: An exception that affects the eligibility of the Mortgage Loan per established MPF guidelines, based on the nature of the exception there is no cure. The Mortgage Loan will be submitted to the Investor with a recommendation for repurchase.
- **Serious***: An exception that potentially affects the eligibility of the Mortgage Loan per established MPF guidelines, however, based on the nature of the exception, there may be a possible cure. PFI's will need to provide documentation to sufficiently cure the exception(s).
- **Moderate**: An exception that does not impact Mortgage Loan eligibility but the nature of the exception indicates the PFI does not meet pre-funding or post-funding QC standards as required by MPF guidelines. The PFI must address the reported issue(s) for the specific Mortgage Loan reviewed but is not required to submit evidence of the cure to the MPF Provider. PFIs must document the cure in their Mortgage Loan file and if the evidence of the cure is requested by the MPF Provider or MPF Bank, the PFI must provide it in a timely manner.

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- Informative: An exception with lesser severity that does not impact Mortgage Loan eligibility per established MPF guidelines but the nature of the exception may indicate the PFI needs to make minor modification(s) to its processes. The PFI must address reported issue(s) but evidence of cure is not required to be submitted to the MPF Provider. However, PFIs must ensure to document the cure in the mortgage loan file and ensure their processes are corrected to meet the MPF Program standards.

*Critical and Serious exceptions will be applied when required documents are missing, documents provided are ineligible and/or incorrect, or when inaccurate data is provided.

The MPF Provider monitors and reports on “Critical” and “Serious” defect rates, and, as a result, critical and serious findings may affect the PFIs scorecard measuring loan quality over time.

The PFI must remediate “Serious” exceptions within fifteen (15) days from the date of the notification issued or by the due date provided for within the notification. All supporting documentation must be provided in electronic format through the MPF Program’s QC system, eMAQCS®plus. A PFI who is unable to remediate an exception should notify the MPF Provider within that same time frame.

If the MPF Bank/Investor deems the response provided by the PFI is sufficient and cures the defects, then the review will be closed. If additional details are requested, the PFI must respond to the second request within seven (7) days or by the due date provided for within the request. All supporting documentation must be provided in electronic format through the MPF Program’s QC system, eMAQCSplus. A PFI who is unable to comply with the request should notify the MPF Provider within that same time frame.

Regardless of the results of a QC review, the PFI continues to be responsible for all of the representations and warranties it made as to that Mortgage Loan pursuant to Applicable Agreements or the MPF Guides. The determination that a Mortgage Loan was deemed non-deficient or that all identified defects were resolved, does not relieve the PFI of, any such any representations or warrantied, nor does it waive any of rights and remedies afforded the MPF Bank or MPF Provider, as applicable, for breach of the Applicable Agreements.

Failure of the PFI to take corrective action within the required time may result in suspension of origination and/or Servicing as a PFI. Such suspension shall not limit any rights or remedies the MPF Bank has pursuant to the applicable agreements

In addition to other available remedies, the MPF Bank, at its sole discretion, may require the PFI to repurchase a deficient Mortgage Loan, including when the PFI:

- Does not submit Mortgage Loan documents support within the time provided;
- Has not complied with any requirement, term or condition of the Applicable Agreement;

- Has submitted a Mortgage Loan deemed to be other than of investment quality;
- Has breached warranties or representations contained in the Applicable Agreements;
- Has been unable to furnish satisfactory evidence of compliance with the Applicable Agreements; or
- Has inappropriately underwritten and/or documented a Mortgage Loan at the time of origination.

The PFI may appeal the MPF Bank's repurchase directive if the PFI has additional supporting information and/or documentation that may affect the MPF Bank's decision.

8.2 Overview of PFI's or Servicer's Quality Control Program

PFI's must maintain a QC program for Mortgage Loans originated and serviced under the MPF Program. Each QC program must be designed to fit the specific needs of the individual organization's operating environment.

The QC program must ensure that Mortgage Loans delivered to the MPF Program:

- Conform to the MPF Program Requirements;
- Are of a quality acceptable to the MPF Bank and other institutional investors; and
- Comply with the insurer and/or guarantor requirements.

The PFI's QC program must comply with the following requirements:

- Be documented in writing;
- Provide standard QC procedures for all personnel involved with or impacted by the QC process;
- Include the performance of pre-Closing and post-Closing QC reviews;
- Provide for the independence of the post-Closing QC process from the mortgage origination, processing and underwriting departments;
- Include a process for identifying a representative sample of loans for QC review using both random and targeted selection processes that include loans from the following:
 - Originated through each applicable production channel (retail, correspondent, and/or third party originations);
 - Originated under all product lines; and
 - Originated using all underwriting methods (manual and AUS).

- Have the capacity to monitor and evaluate the overall quality of mortgage production on a regular and timely basis including the reverification of Appraisals and appraiser review procedures or of the property value used to obtain an Appraisal Waiver offer;
- Include procedures for the review of Early Payment Default (EPD) loans;
- Comply with the specific requirements relating to sample size and selection, reverification, file review, Appraisal and appraiser review, and reporting;
- Outline requirements for validating that Mortgage Loans are originated in accordance with established policies and procedures;
- Include a process for reviewing QC work performed by vendors;
- Include a process for maintaining records for three (3) years of QC findings and reports, loan files reviewed, and all related documentation. The location of the records must be documented;
- Include an audit process to ensure the QC processes and procedures are followed by QC staff and that its assessments and conclusions are recorded and consistently applied;
- Ensure the Mortgage Loans comply with the Guides, which includes compliance with Applicable Laws and Applicable Agreements, and are in all respects eligible for delivery under the MPF Program; and
- Guard against fraud, negligence, errors, and omissions by officers, employees, contractors (whether or not involved in the origination of the Mortgage Loans) brokers, Borrowers, marketing partners, and others involved in the mortgage process; and
- Have written procedures for reporting the results of the QC reviews that include the following:
 - Method of monthly reporting of review findings;
 - Identification of critical components to be included in the reports;
 - Distribution of loan-level findings to senior management;
 - Distribution of loan-level findings to the business unit(s), specifically to parties responsible for resolution;
 - Requirement for a timely response to and resolution of (or a plan for resolution of) findings identified in the QC review process; and
 - Maintenance of accurate and detailed records of the results of the QC reviews.

The structure of the QC program should take into account:

- The size and structure of the organization;
- The qualifications of the staff;
- The geographic areas of operations;
- The branch structure;
- The volume and types of mortgages originated;
- The origination sources used; and
- Any significant changes in the product lines, origination sources or production processes.

8.2.1 Quality Standards and Measures

The PFI is responsible for developing and maintaining standards of mortgage quality and for establishing and designing a process to achieve those standards. The PFI's QC Plan must include a general overview of their QC philosophy, plan objectives, and identification of the specific risks the PFI intends to measure, monitor, and manage. The QC Plan must establish a methodology for identifying, categorizing, and measuring defects and trends against an established target defect rate.

At a minimum, the PFI must identify any Mortgage Loans with a defect (defined as a Mortgage Loan not in compliance with the Guides, Applicable Agreements, or Applicable Standards) and establish a methodology by which all Mortgage Loans with identified defects can be categorized based on the severity of the defect. The QC reports must define the severity levels that are appropriate for the organization and reporting needs. However, the highest level of severity must be assigned to those Mortgage Loans with defects resulting in the Mortgage Loan not being eligible as delivered under the MPF Program.

The QC Plan must also establish a post-Closing target defect rate for its organization, reflecting its quality standards and goals. The establishment of a target defect rate is based on the post-Closing random QC sample. Different target defect rates may be established for different severity levels. However, at a minimum, a target defect rate must be established for the highest level of severity. Target defect rates are not required, although recommended, to be set for lower severity level post-Closing QC reviews, pre-Closing QC reviews, or targeted QC reviews.

A target defect rate must be established that is as reasonably low as possible. Once the targets are set, performance against the targets must be measured at least quarterly and reported to management. The target defect rate(s) must be evaluated and, if necessary, reset at least annually. The PFI must document the rationale for establishing the target rate(s). The MPF Bank or the MPF Provider may assess how the chosen target defect rate affects risk and may provide input on a more appropriate target.

8.2.2 Quality Control Staffing

All post-Closing QC employees (including those related to establishing, monitoring, and enforcing procedures) must be independent of the production, underwriting, and closing departments, except in situations when the size of the organization is insufficient to support adequate resources to allow for separation of these functions. In these cases, the QC plan must include the rationale for the lack of separation as well as the controls that have been established to mitigate the potential risks associated with the lack of separation of these functions.

The QC Plan must include minimum skill set and expertise requirements for the staff performing the pre-Closing and post-Closing QC reviews and document these minimum job qualifications in its QC plan. PFIs are responsible for ensuring that all individuals conducting QC reviews are adequately trained and have sufficient experience relative to the reviews being conducted. This training and experience should cover manually underwritten Mortgage Loans and those underwritten with the assistance of DU or Loan Product Advisor. Reviewers conducting more complex or specialized reviews (for example, Appraisal reviews and self-employed Borrower reviews) must have the proper knowledge and experience to do so.

Detailed policies and procedures for the QC review process must be provided to all employees who will be involved with the QC reviews.

8.2.3 Quality Control Outsourcing

Third-Party QC service providers are permitted for all or a portion of the QC process. When using such vendors, the PFI is responsible for developing and maintaining loan quality standards and developing a QC plan to achieve those standards. The PFI is accountable for its overall QC program and for ensuring the QC reviews comply with the MPF Program requirements, regardless of whether the work is performed by the PFI itself or by an outsourced QC service vendor. Use of QC vendor is not a substitute for the PFI establishing and maintaining its own QC plan.

The PFI must ensure that the QC vendor conducts its reviews in accordance with the PFI's QC plan. The QC vendor must have written policies and procedures detailing its review methodologies, including selections and identification of defects and trends, as well as the required reporting of any results. The vendor's review staff must possess the qualifications and experience required to provide quality reviews and meaningful analysis, and that the vendor's policies and procedures align with the PFI's policies and procedures and meet the MPF Program's guidelines.

The PFI must fully incorporate the results of the vendor's reviews into its QC reporting and remediation processes. The PFI must have procedures to associate the appropriate severity level to the identified defects, and to implement corrective actions within the PFI's organization, the same as it would for defects identified by the PFI's staff.

8.2.4 Pre-Closing Quality Control Plan Requirements

The PFI must maintain and implement a written pre-Closing QC plan that outlines requirements for reviewing a sample of its loans prior to Closing, or in the case of mortgages acquired from a third party, prior to acquisition. The PFI must have documented procedures that include, at a minimum, the following elements:

- Timing of the pre-Closing QC reviews;
- Loan selection process;
- Verification of data and documents; and
- Reporting.

The PFI's pre-Closing QC process should operate independently of the PFI's loan production department, if practical. At a minimum, pre-Closing QC reviews must be conducted by individuals who have no involvement in the processing and underwriting decision of the loan being reviewed.

The PFI's pre-Closing QC plan must contain requirements for full reviews of loan files and analysis of data and documents prior to Closing. As a supplement to the required full file reviews, the lender may choose to make targeted loan selections designed to focus solely on a specific element of the loan or underwriting component (for example, income and employment, assets, credit, or property). These targeted reviews may be completed without performing a full file QC review.

The PFI's pre-Closing targeted review selection methodologies must be regularly re-evaluated to ensure effectiveness. PFIs must have the ability to change the selection methodology if needed to accommodate results from prior reviews or changes such as new product offerings, staffing changes, sources of business, or other risk factors.

8.3 QC for Transferred Servicing

When Servicing is transferred, the originating PFI must complete the QC reviews, except for reviews of Early Payment Default (EPD) loans, which the Servicer must complete. To comply with this requirement, the originating PFI must either:

- Retain copies of the file documents; or
- Arrange with the new Servicer to assist in the QC reviews.

The originating PFI must furnish records of completed QC reviews to the new Servicer.

An Assuming Servicer that acquires Servicing must include provisions in its QC program that address transfers of servicing.

8.4 Early Payment Default (EPD) Mortgages

The QC review of each Conventional Mortgage Loan that reaches EPD status is required, even if the Mortgage Loan has subsequently been brought current. The QC review must be initiated by the PFI or Servicer within sixty (60) calendar days after the date the Mortgage Loan reaches EPD status.

The scope of all EPD QC reviews must include reverification of income and employment, sources of funds and credit reports. A review Appraisal, in the form of a new Appraisal or field inspection, or a review of the property value used to obtain an Appraisal Waiver offer if an Appraisal Waiver was used, must also be conducted in accordance with the Guides.

8.5 Sample Selection

This section addresses guidelines for the sample selection process.

8.5.1 General Sample Selection Requirements

A PFI's sample selection process must target areas that the PFI identifies as having a higher potential for errors, misrepresentation, or fraud. This selection must include a sampling of loans with the characteristics of loans that were found to have defects in previous pre-Closing and post-Closing QC reviews in order to prevent the repetition of data and documentation errors. A PFI must regularly review its loan sampling methodology to ensure its effectiveness.

For each twelve (12) month period, the pre-Closing and post-Closing samples selected must be representative of the full scope of the PFI's production and products. The "full scope" of a PFI's product line and origination process includes home mortgages sampled from:

- All product lines;
- All states of operations;
- Each branch office;

- Each third-party involved in the origination process; and
- Mortgage Loans with high-risk attributes. For example, high Loan-To-Value (LTV) ratios, lower credit scores, Manufactured Homes, cash-out refinance mortgages and Early Payment Defaults (EPD).

Any loan that would be excluded from the PFI's quality control sample population is not eligible for delivery under the MPF Program.

8.5.2 Pre-Closing Sample Selection

The pre-Closing sampling process must be documented and must take into account the PFI's assessment of the risks inherent in its origination processes, business sources, volume and product mix, and must be reviewed regularly to ensure that the sample selected, including the sample size, is appropriate.

A PFI must time its pre-Closing sample selection:

- So that every Mortgage Loan within the selected population has a chance of being selected for review; and
- To allow adequate time for the completion of the pre-Closing reviews in order to properly inform origination personnel so that data and documentation corrections and revisions can be made prior to Closing.

It is recommended that the personnel who perform the pre-Closing QC review of Mortgage Loans have the authority to prevent Mortgage Loans from closing until all defects are cured.

The sample selection process should include both random sampling and the targeted sampling of Mortgage Loans with the characteristics of Mortgage Loans that were found to have defects in previous pre-Closing and post-Closing QC reviews in order to prevent the repetition of data and documentation errors.

A pre-Closing QC sampling methodology should include:

- Loans with multiple layers of credit risk such as, but not limited to:
 - LTV ratios >90%;
 - A primary credit score less than 660;
 - Self-employed Borrowers;
 - Cash-out refinances; and
 - High debt-to-income ratios.
- Loans originated by brokers and correspondents;
- Loans to be secured by all property types including 3-4 units, condominiums, and manufactured housing;

- Loans originated or processed by newly hired loan officers, processors, appraisers, other personnel or third parties involved in the loan origination process;
- Loans underwritten by all underwriters;
- Loans with complex income calculations (e.g., rental income, self-employed income, and a short history of receipt of any income type);
- Loans to be secured by properties located in areas with high delinquency rates or areas experiencing rapid increases or decreases in property values; and
- Loans requiring the use of non-standard processing or underwriting guidelines (e.g., delayed financing, multiple financed properties, assets used as income or manual reserve calculations).

8.5.3 Post-Closing Sample Selection

Post-Closing QC review samples must include a random sample chosen by either statistical sampling or a percentage of loans closed sampling methodology and a targeted sample.

Random Sampling

A PFI may utilize a statistical sampling method to determine its random sample size. This method must be designed to achieve a ninety-five percent (95%) level of confidence. If the PFI uses a statistical sampling method for its selection process in lieu of the standard 10% random selection process, it must document the methodology and provide to its MPF Bank upon request a detailed written justification of the methodology which must including the following:

- Method for making a statistical selection;
- Variables used in the selection model and how they are defined;
- The results of periodic evaluations of the process and variables; and
- Establishment of time periods for the evaluations.

The MPF Bank or the MPF Provider may require adjustments to the statistical sampling methodology based upon a review of the statistical sampling methodology.

A PFI that does not use a statistical sampling method must use the following post-Closing random sample selection procedures:

- Select for review at least ten percent (10%) of one of the following origination populations:
 - Total annual home mortgage production;
 - Total annual secondary market home mortgage production; or
 - Total annual MPF Program originations.

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- The selection of the post-Closing QC Sample from within the chosen population must be made throughout the year based on the following schedule:

Production	Sample Selection Timing
<p>10 or more Mortgage Loans closed in a month</p>	<p>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.</p> <p>The PFI must notify the MPF Bank if their sampling cycle is in, or will be in, significant arrears.</p>
<p>Example: In December, the PFI closes 12 loans; the sample must be selected by January 31.</p>	
<p>Less than 10 Mortgage Loans closed in a month</p>	<p>The PFI may defer the sample selection until the month after which a combined 10 or more mortgages have closed since the last sample was selected. However, the PFI must select a sample no less than every 90 days.</p> <p>If after three consecutive months the combined production is <10 mortgages, the PFI must select one Mortgage for QC review.</p> <p>The selection must then be made no later than the end of the month following the accumulation of 10 or more closed mortgage or three consecutive months.</p>
<p>Example 1: In December, the PFI closes 3 mortgages; a sample selection is not required in January.</p> <p>In January, the PFI closes 8 loans; a sample selection is required by February 28 as the combined December and January production is ≥10 mortgages.</p> <p>Example 2: In December, the PFI closes 3 mortgages; a sample selection is not required in January.</p> <p>In January, the PFI closes 4 mortgages; a sample selection is not required in February as the combined December and January production is < 10 mortgages.</p> <p>Regardless of the number of loans the PFI closes in February, a sample selection is required by March 31 of the greater of 1 mortgage or 10% of the combined number of mortgage closed in December, January and February because a sample selection is required no less than every 90 days.</p>	

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If a PFI's sampling is being done over the extended 90-day period, it must notify its MPF Bank if the QC sampling cycle will be in arrears for any reason.

When Mortgage Loans are originated by a third party, the PFI's QC process must include additional steps to monitor the quality of third-party originations. At a minimum, the PFI's QC selection process must include a representative sample of the Mortgage Loans received from the third-party originator to ensure that those originations meet the PFI's standards for loan quality, and that originations to be sold under the MPF Program meet MPF Program Requirements. The review cycles must be structured to ensure that transactions originated by each third-party originator are reviewed at least once annually, and in a timely manner.

Post-Closing QC samples must not exclude loans that underwent a pre-Closing QC review. If a loan chosen for a post-Closing QC review underwent a pre-Closing QC review, the PFI must:

- Examine the pre-Closing QC review report and verify that all deficiencies from that review were cured prior to Closing; and
- Reverify only the items required to be reverified that were not satisfactorily validated, verified or cured as a result of the pre-Closing QC review.

Targeted Sampling

The PFI must establish a process for selecting loans for its targeted post-Closing QC sample. The process must take into account the PFI's assessment of the risks inherent in its origination processes, business sources, volume, and product mix, and must be reviewed regularly and when necessary, adjusted to ensure that the sample selected, including sample size, is appropriate.

Loans selected for post-Closing targeted QC reviews must target areas that the lender identifies as having a higher potential for errors, misrepresentation, or fraud. Targeted areas may include the following:

- Loans with characteristics related to errors or defects identified in prior pre-funding and post-Closing review results;
- Loans with complex income calculations (for example, rental income, self-employed income or a short history of receipt of any income type);
- Loans requiring the use of non-standard processing or underwriting guidelines (for example, delayed financing, multiple financed properties, assets used as income, or manual reserve calculations);
- Loans secured by properties located in areas with high delinquency rates or areas experiencing rapid increases or decreases in property values;

- Loans with multiple layers of credit risk, such as high LTV ratios, low credit scores, or high Debt to Income ratios;
- Loans originated or processed through various business sources, a particular branch office, staff person, contractor, third-party originator, or appraiser;
- Loans originated or processed by newly hired loan officers, processors, appraisers, or other personnel or third parties involved in the loan origination process; and
- Loans that may be subject to concerns about delinquency rates or patterns identified in other reviews.

8.6 Verification of Data and Documents

This section address the requirements for verifying the data and documents relied upon in the underwriting decision are complete and accurate.

8.6.1 Pre-Closing Verification

It is recommended that pre-Closing QC reviews be conducted after the final loan approval. However, they must be done when there is sufficient documentation in the file to perform the required review of data and documents.

In addition to any pre-Closing reverifications that the PFI may have determined were necessary, the pre-Closing QC process must include a review of the following data and documents to ensure the documents are present and complete, and that the data relied upon in making the underwriting decision is accurate:

- Data entered into Desktop Underwriter® (DU®) or Loan Product Advisor®;
- All documentation required by the loan's DU or Loan Product Advisor feedback certificate;
- Borrower Identity;
- Borrower Social Security number(s) or Individual Taxpayer Identification Number (ITIN);
- Employment Documentation;
- Calculation of income used to qualify the Borrower(s);
- Calculation of sufficient assets needed to close or meet reserve requirements;
- Appraisal or other property valuation data;
- The conditions of Closing established by the PFI's underwriter are or will be able to be satisfied;
- Documentation of adequate mortgage insurance coverage by an eligible mortgage insurer; and

- Condominium project documentation. PFIs must also ensure that they have a method for retaining in the Mortgage File the condominium project documentation needed to support their warranty that the project meets the MPF Program's eligibility criteria. In addition, for units in condominium projects that were approved through Fannie Mae's Condo Project Manager (CPM), PFI's should validate that the Mortgage Loan File has been documented with the CPM decision and verify that the loan has been identified with the correct project review type code in the ULDD file.

If a Borrower's employment has not yet been verbally verified as required and the verbal verification would be completed within the required timeline, the PFI may complete the verbal verification of employment during the pre-Closing QC review.

Data verification may be obtained either directly from the information source, for example, the Social Security Administration, IRS, employer, financial institution, or reliable third parties. The responsibility for the review should be delegated to personnel other than those with a vested interest in the Closing and must be independent of the PFI's loan production staff. At a minimum, pre-Closing QC reviews must be conducted by individuals who have no involvement in the processing and underwriting decision of the loan being reviewed.

8.6.2 Post-Closing Verification

PFIs must review the final terms of the Mortgage Loan to ensure they align with the data on which the underwriting decision was based. When a PFI's QC review identifies discrepancies between the data that was used in the underwriting decision and the data verified through the QC process, the underwriting decision must be reassessed based on the newly verified information to determine whether the Mortgage Loan remains eligible as delivered.

For Mortgage Loans processed through DU or Loan Product Advisor, the PFI must ensure that all data submitted to the AUS is true, correct, and complete. The PFI must verify that the Mortgage Loan File contains documentation that supports all data submitted to the AUS. In addition, the PFI must ensure that all of the Borrower's liabilities were included in the analysis by the AUS.

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When there are inconsistencies between the data used for manual underwriting or the information submitted to the AUS and the verification or post-Closing QC reverification documents, the PFI must do the following:

Step	Description
1	Determine whether the discrepancies are within the tolerances allowed for the AUS as permitted by the MPF Guide.
2	<p>For loans underwritten through an AUS, if discrepancies are outside the allowed tolerances, the Mortgage Loan must be resubmitted to the AUS using the correct data. If the PFI is unable to resubmit the Mortgage Loan, the PFI must manually perform a risk assessment using the documentation required by the AUS to determine if the Mortgage Loan meets the requirements of the Guides for manually underwritten Mortgages Loans. In these cases, the AUS limited waiver of representations and warranties is invalidated when Mortgage Loans that exceed AUS tolerances are not resubmitted to the AUS.</p> <p>For manually underwritten Mortgage Loans, if discrepancies cause the total debt ratio to increase by 3% or more, the PFI must manually underwrite the Mortgage Loan to determine if it meets the MPF Guide requirements.</p> <p>Under the MPF Xtra product, certain loan characteristics (such as manufactured homes) require the loan to be underwritten with DU and receive an Approve/Eligible recommendation. Mortgage Loans with these characteristics may not be manually underwritten during the post-Closing QC process. The loan is considered ineligible if it is resubmitted to DU during the post-Closing QC review but DU does not return an Approve/Eligible recommendation.</p>
3	Make a determination as to whether or not the Mortgage Loan, with the correct data taken into consideration, remains eligible as delivered either through the receipt of a DU recommendation of Approve/Eligible, a Loan Product Advisor recommendation of Accept and Eligible to Purchase, or through manually underwriting it, if appropriate.
4	If the PFI determines that the Mortgage Loan is eligible as delivered, the PFI must document the underwriting file to reflect its decision.
5	If the PFI determines that the Mortgage was not eligible as delivered, the PFI must advise its MPF Provider of these findings.

8.7 Reverifications

If a PFI had determined during a pre-Closing QC review that certain red flags found in the origination and underwriting information or documentation warranted a reverification of that information or documentation, the reverification standards set forth in this section must be followed. In addition, when information obtained through the reverification process differs from the information utilized in the underwriting of the loan, the PFI must re-underwrite the loan to determine that the loan remains eligible as delivered under the MPF Program.

For targeted samples, the only reverifications that need to be completed are those that apply to the reason the loans were selected under the targeted sample's criteria. When conducting the required targeted post-Closing QC reviews, the PFI must consider the purpose of the targeted selection when determining whether certain reverifications are needed. For example, if the purpose of the targeted selection is to focus on income calculations, the reverification of assets and credit or a review of the Appraisal or of the property value used to obtain an Appraisal Waiver offer may not be within the scope of that review and would not be required to be completed; however, reverifications of income and employment are required in that type of sample.

8.7.1 Reverifications Made by Vendor

When the reverifications are performed by a vendor, it is acceptable for the reverification documentation to be maintained with the vendor rather than in the Mortgage Loan File or QC file. In such cases, the vendor must provide the PFI with the results of the reverification findings, which must be accessible along with the reverification documentation for at least three (3) years from the date of the review and must be provided to the MPF Bank or the MPF Provider upon request.

8.7.2 Employment and Income

Original documentation verifying employment and income may include the following:

- Verification of employment and income forms;
- Paystubs;
- Salary vouchers;
- W-2 forms;
- Tax returns;
- Financial statements;
- Compensation award letters; and
- Other documents supporting income.

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Verbal verification of employment is required to be obtained prior to Closing and must be documented in every Mortgage Loan File. The completion of the pre-Closing verbal verification of employment in compliance with the requirements of the Selling Guide must be verified during the post-Closing QC.

The PFI must re-verify all documentation of income used in the original underwriting process. Confirmations must be obtained as to the validity of the documents by sending the issuers copies of the original documentation with a request for validation.

If tax transcripts were not obtained prior to Closing, the PFI is required to obtain the tax transcripts from the IRS (or designee) using the Form 4506-C signed at Closing for all Mortgage Loans it selects for a post-Closing QC review (including targeted reviews as applicable), regardless of the type of income documentation provided in the Mortgage Loan File. If tax returns were used in the underwriting of the loan, the PFI must obtain transcripts for the same tax years as documented by the Borrower's tax returns.

The PFI must reconcile the transcript information received from the IRS with the income documents in the loan file. The PFI is required to maintain the IRS tax transcripts in the Mortgage Loan File and to obtain and maintain express consent from the taxpayers, as required by applicable law including the Taxpayer First Act, to share tax transcripts with applicable MPF Program participants and their service providers

The IRS will not process requests for transcripts received beyond one hundred-twenty (120) days from the date the Borrower signed the IRS Form 4506-C. Therefore, if the Form 4506-C signed at Closing cannot be sent to the IRS within 120 days from the Closing date for Mortgage Loans selected for a QC review, it is highly recommended that the PFI obtain the tax transcripts before the Closing for all Mortgage Loans.

The reverification of employment and income should be in writing. A verbal reverification may be accepted provided it is documented in writing. The written documentation must state the following information:

- The name of the PFI's employee making the contact;
- The name of the Borrower's employer;
- The name and title of the person contacted at the employer;
- The date of the conversation; and
- Whether or not the information in the original verification was accurate and, if not, disclose the nature of the inaccuracy.

If the employer does not provide reverification of a Borrower's income, the Mortgage Loan File must be documented with a copy of the reverification request and a notation that states the date the information was requested, and that it was not returned by the employer. Reverification procedures may be supplemented with alternative information sources available on the internet, maintained by state or local licensing authorities, and other third parties that may be used if the employer does not provide the requested reverification. This documentation is required to be retained in the Mortgage Loan File or in the QC records.

If bank statements showing the deposit of Social Security income into the Borrower's account were obtained and used to verify Borrower's receipt of Social Security income prior to Closing, then reverification of the income with the Social Security Administration is not required. However, if a copy of the Social Security Administration award letter was used to verify the Borrower's receipt of income prior to Closing, then the PFI must contact the Social Security Administration to reverify the income.

8.7.3 Sources of Funds

Original documentation verifying the sources of funds used for the down payment, closing costs, reserves and prepaid items may include:

- Verification of deposit forms;
- Depository account statements;
- Stock or security account statements;
- Gift fund letters or equivalent; and
- A signed settlement statement or other evidence of conveyance and transfer of funds if a sale of assets was involved.

The PFI is required to reverify all verifications of sources of funds used in the original underwriting process. Confirmations should be obtained as to the validity of the documents, by sending the issuers copies of the original verification documentation with a request for validation.

The reverification of the source of funds should be in writing. A verbal reverification may be accepted provided it is documented in writing. The written documentation must:

- State the name of the PFI's employee making the contact;
- State the name of the institution;
- State the name and title of the person contacted at the institution;
- State the date of the conversation; and
- State whether or not the information in the original verification was accurate, and if not, disclose the nature of the inaccuracy.

In the rare instance where the reverification of asset information cannot be obtained from the financial institution, the PFI must document its attempt in its QC records with a copy of the reverification request and a notation that states the date the information was requested, and that it was not returned by the financial institution.

This documentation is required to be retained in the Mortgage Loan File or in the PFI's QC records. If necessary, the PFI must pay any fee that the financial institution may charge to provide the reverification. The necessity of paying a fee is not considered a reason to not obtain the required reverification.

8.7.4 Credit Report

The Borrower's credit history must be re-verified for all loans chosen via the random selection process (and targeted as applicable). For these loans, a new tri-merged credit report is required to be secured.

If the Borrower's credit history was evaluated by using nontraditional credit or a nontraditional mortgage credit report, the PFI must reverify each of the credit references on that report. If the PFI obtained written references from creditors, the PFI's QC review process must include reverification of each of these written credit references.

The new and original reports must be compared for discrepancies or the existence of any debt that may not have been taken into account when the loan was underwritten. The PFI must also review any "potential red flag" messages appearing on the report from the AUS if the loan was underwritten with DU or Loan Product Advisor®, or any other alerts created by sources other than the AUS associated with the credit report to ensure all messages have been addressed and documented, and that the loan is eligible for delivery under the MPF Program. The documentation must be retained in the Mortgage Loan File or in the PFI's QC records.

8.7.5 Owner Occupancy

The post-Closing QC review must include a verification of owner-occupancy for all Mortgage Loans secured by a Primary Residence. The PFI must review the property insurance policy and any other documentation in the file that is necessary to confirm there are no indicators that the property is not the Borrower's Primary Residence. Documentation could include such items as the Appraisal, income tax returns, or tax transcripts. In addition, the changing of the mailing address by the Borrower to an address other than that of the Mortgaged Property's shortly after Closing may be an indication that the Mortgaged Property is not the Borrower's primary residence.

8.8 Mortgage Loan File Reviews

QC review procedures must involve the following:

- A review of the completeness and accuracy of the information obtained in the Mortgage Loan origination process;
- A review of the Closing documents to ensure that the Mortgage Loan File information is complete, accurate and internally consistent;
- Verification of the existence and accuracy of documentation required by Applicable Laws and/or the MPF Program;
- A review of the documentation that was used to verify the Borrower's identity, Social Security or Individual Taxpayer Identification Number.

The PFI is required to review the Mortgage Loan File documents, including any reverifications, to ascertain that the Mortgage Loan was underwritten properly, based upon prudent underwriting practices and sound underwriting judgment. When the QC review identifies discrepancies between the data that was used in the underwriting decision and the data verified through the QC process, the PFI must reassess the underwriting decision based on the newly verified information to determine whether the Mortgage Loan remains eligible as delivered under the MPF Program. The post-Closing Mortgage Loan File review process must also include a review of the Mortgage Loan to assess the accuracy and integrity of the information used to support the credit decision and the documentation of any defects identified through the review.

8.8.1 Borrower Identity

Each Borrower's identity must be confirmed and documented in accordance with the Selling Guide and to assure compliance with OFAC rules. Original documentation verifying the Borrower's identity may include:

- State-issued identification, such as a driver's license or state ID with photo; or
- Federally-issued identification, such as a passport (may be a foreign passport for legal resident aliens).

Any other documents deemed necessary to comply with federal obligations (birth certificate, social security card, military ID, US alien registration card, etc.) must be verified.

Some states or jurisdictions may prohibit retaining a copy of government issued identification (ID) in the Mortgage Loan File. Under these circumstances, in lieu of copying the ID, follow the steps below to document verification of the Borrower's identity:

- Verify the accuracy of the data contained on the ID against the information provided by the Borrower;

- Record the following information on a document to be retained in the Mortgage Loan File:
 - The type of ID provided (State issued ID, passport, etc.);
 - The expiration date of the ID document provided by the Borrower;
 - Any unique number assigned to the ID by the issuer (driver's license number, passport number, etc.);
 - Personal data listed on the identification that specifically identifies the Borrower (photograph, home address, Social Security number, birth date, etc.); and
 - Any additional information regarding other steps or procedures performed in order to validate the Borrower's identity.
- The document should be certified and dated, including the printed name, signature, and title of the individual authorized.

It may be necessary to validate the ID with the issuing government agency in some instances.

8.8.2 Borrower's Social Security Number (SSN)

The Borrower's name and Social Security number (SSN) listed in all other documents provided in the Mortgage Loan File must be consistent. Minor name discrepancies, such as a Borrower who uses a shortened or abbreviated name are acceptable provided the Mortgage Loan File contains documentation that the Borrower is the same person as the name variations. The Mortgage Loan File must also contain documentation that resolved any inconsistencies or multiple SSNs for an individual that were revealed during the loan processing and underwriting. In any instance of a discrepancy where the PFI was unable to independently verify that the SSN belongs to the Borrower, the Mortgage Loan File must contain either:

- Verification of the Borrower's SSN by the Social Security Administration (SSA), through the submission of Form SSA-89 or any other acceptable form or method by the SSA; or
- Verification of the Borrower's SSN by a vendor that validates directly with the SSA.

If the PFI's QC review indicates that the Mortgage Loan File does not satisfactorily address any SSN discrepancy or the SSN was not subsequently determined to be valid (by the SSA), the PFI must notify the MPF Bank or the MPF Provider immediately.

8.8.3 Borrower's Individual Taxpayer Identification Number (ITIN)

Where a Borrower is either a permanent or non-permanent resident alien and is not required to have an SSN, he must have an Individual Taxpayer Identification Number (ITIN) (in addition to meeting existing legal residency and documentation requirements) for the Mortgage Loan to be eligible under the MPF Program. If any Borrower does not have either a valid ITIN or SSN, or if the Mortgage Loan File contains any inconsistency in any ITIN, the PFI must notify the MPF Bank or MPF Provider immediately of the ITIN discrepancy.

8.8.4 Origination Documents to Review

At a minimum, the PFI is required to review the following origination documents for completeness, accuracy, and compliance with all underwriting and eligibility requirements of the Guides and compare them to the reverifications received during its post-Closing QC review:

- Uniform Residential Loan Application (FNMA Form 1003 / FHLMC Form 65);
- Credit documentation;
- Employment and income documentation;
- Sources of funds documentation;
- Appraisal documentation, if an Appraisal is obtained;
- Sales contract;
- For manually underwritten Mortgages, the Uniform Underwriting and Transmittal Summary (FNMA Form 1008 / FHLMC Form 1077); and
- For Mortgage Loans underwritten with the assistance of either DU or Loan Product Advisor, the output certificate must be reviewed, and the PFI must ensure that all conditions from the respective automated underwriting system have been met. Adequate documentation must be in the Mortgage Loan File for each condition listed on the final approval certificate.

In addition, PFIs must review the mortgage loan file to ensure that a Supplement Consumer Information Form (SCIF) (Fannie Mae/Freddie Mac Form 1103) is retained and upon request, PFIs must be able to provide the form and any data elements collected to the MPF Bank or MPF Provider. PFIs must ensure they comply with any applicable MPF product specific Guide requirements and any additional applicable Government Agency and/or Investor requirements.

8.8.5 Closing Documents to Review

During the post-Closing QC review, a review of the Closing documents is required to ensure the information therein is accurate, complete, internally consistent, and is in compliance with all regulatory requirements and the underwriting and eligibility requirements of the Guides. Otherwise, the Closing documents and delivery data must be corrected, as applicable.

The Mortgage Loan File must be examined to verify that the closing conditions established by the underwriter were satisfied and that the information on the Settlement Statement complied with the Closing instructions.

A PFI is required to include examination of the following Closing documents in its QC review. This list is not meant to be exhaustive and PFIs should use judgment when determining other documents that may need to be reviewed in addition to the ones listed below:

- Notes and riders;
- Security Instruments, riders and Assignments;
- Final Truth-In-Lending/Closing disclosure;
- FHA Mortgage Insurance Certificate (MIC), VA Loan Guaranty Certificate (LGC) or RHS Loan Note Guarantee;
- Modification or Assumption agreement;
- Title binder or final title insurance policy (both, if available) or other evidence of title;
- Plat or survey;
- Settlement statements (HUD-1, Closing Disclosure, or equivalent);
- Leasehold estate documents;
- Other documents required by Applicable Laws;
- Hazard insurance policy or certificate;
- Flood insurance policy or certificate;
- Mortgage insurance certificate;
- Underwriter's approval and any conditions of closing;
- Closing instructions;
- Property eligibility documentation, as applicable (manufactured homes, property is residential for highest and best use, not commercial or agricultural, etc.); and
- Condominium project documentation.

PFI's must also ensure that they have a method for retaining in the Mortgage Loan File the condominium project documentation needed to support that the project meets the MPF Program's eligibility criteria. In addition, for units in condominium projects that are approved through Fannie Mae's Condo Project Manager (CPM), the PFI should validate that the Mortgage Loan File has been documented with the CPM decision and verify that the loan has been identified with the correct project review type code in the ULDD file.

If recorded documents are not available when the post-Closing QC review is performed due to timing requirements of the reviews and the length of time the applicable jurisdiction needs for recording, the PFI must review a copy of the document sent for recordation. The PFI must also have a process to review the recorded documents when they are received to ensure accuracy and remediate any errors.

If errors are found in the post-Closing review process, PFI's must adhere to the following requirements:

- Determine the significance of the errors;
- Promptly correct the documents or obtain corrected documents from the vendor; and
- Provide corrected documents to the document custodian, if applicable.

8.9 Review of Appraisals

As part of the post-Closing QC process, the PFI must continually evaluate the quality of its Appraisals through the normal underwriting review of all Appraisal reports, and by utilizing desk reviews. The PFI should also utilize third-party tools and information when appropriate (such as analytical tools, public record databases, and automated valuation models) to help identify areas of inaccuracy and/or inconsistencies that may be indicators of appraisal deficiencies.

The PFI must determine if the desk review identified any defects in the original Appraisal. If the PFI determines that the Mortgage Loan was not eligible as delivered, the PFI must notify the MPF Bank or MPF Provider immediately of its findings.

8.9.1 Appraiser Oversight

The purpose of the review of Appraisals by the PFI during its post-Closing QC process is to determine the quality of the Appraisal itself as well as the quality of the work of the appraiser. Therefore, the QC plan must include requirements for the monitoring and assessment of the quality of work performed by appraisers used for Mortgage Loans sold under the MPF Program.

A PFI must also develop and maintain a documented process to monitor the appraisers it uses. The process, at a minimum, must include an annual review of an appraiser's state licensing or certification status and a procedure for suspending or terminating business with individual appraisers. Additionally, the PFI must have a procedure for referring appraisers to the applicable state licensing and regulatory board if necessary.

The MPF Bank may refuse to accept an Appraisal prepared by a specific appraiser or may notify a PFI that it will no longer accept Appraisals prepared by a given appraiser based on its QC reviews.

PFI's are accountable for the quality of the QC Appraisal reviews regardless of whether the work is performed by the PFI itself or by an outsourced QC service provider or vendor.

8.9.2 Verification of Origination Appraisal

The PFI must complete a collateral risk assessment for all mortgage loans with an appraisal as a part of its random QC sample. The collateral risk assessment may be completed by an individual who is not a licensed or certified appraiser, as long as the individual is competent in appraisal theory and able to specifically:

- determine that a property meets eligibility requirements including the LTV, CLTV, and HCLTV ratios;
- assess appropriateness of comparable sales;
- assess appropriateness of the data presented in the appraisal report;
- conclude that the rationale for the reconciliation of value is supported;
- prescribe corrective actions for defects identified in the appraisal process; and
- reconcile red flags and messages identified by any tool used, including Collateral Underwriter (CU) and/or Loan Collateral Advisor.

If the PFI is unable to complete the above assessment or appropriately determine the quality of the origination appraisal, it may order either a desk review or field review from a licensed appraiser. The desk review or field review must account for all of the points in the above requirements.

8.9.3 Audit Review

The PFI must have an audit process in place to ensure that its QC processes and procedures are followed by the QC staff, and that assessments and conclusions are recorded and consistently applied. The findings must be accurately recorded and consistent with the defects noted in the PFI's system of record.

Results of the audit of QC processes and procedures must be distributed to senior management. Senior management must then distribute the results to the appropriate areas within the organization and an action plan must be put in place for remediation or changes to any policies or processes, if necessary. The PFI must provide a copy of the audits of the QC processes and procedures to the MPF Provider or its MPF Bank upon request.

8.10 Reporting Requirements

This section describes the processes PFIs must have in place to report defects identified during pre-Closing and post-Closing QC reviews.

8.10.1 PFI's Internal Pre-Closing Reporting

PFIs must establish and implement a process to report defects identified in the pre-Closing reviews, which must include:

- Monthly reporting to senior management;
- Communicating to the parties responsible for resolving the defects; and
- Documenting the resolution of the defects.

At a minimum, the reports must include:

- Descriptions of the sample selection;
- Defect trending information; and
- A summary of the results into one report of all pre-Closing quality control findings.

8.10.2 PFI's Internal Post-Closing Reporting

The entire post-Closing QC process must be completed within one hundred and twenty (120) days from the first day of the month of sampled loans' Closing. PFIs should allow sixty (60) days from the end of the sampling month to complete the QC review and rebuttal phase. An additional thirty (30) days should be included for the reporting phase of the QC process.

For example:

- Month of Closings: March
- Sample Selection month: By April 30
- Review and rebuttal phase: May and June
- Reports due to management: By July 30

The outcomes of the post-Closing QC reviews must be reported in writing directly to the PFI's senior management within thirty (30) days after the month in which the QC review was completed. When trends are identified through the review process, the PFI must establish a plan for specific corrective action to be taken, including the expected resolution and time frames for implementation.

A specific report format is not mandated for reporting purposes. However, it is vital that the reports sent to senior management are useful for evaluating and monitoring the quality of the PFI's Mortgage Loan production. Management reports must cover QC results at a high level and focus on defects and trends that are encountered during the review process. The reports must also identify any Mortgage Loans or specific items that need corrective action.

Reporting needs may be tailored to each PFI. However, at a minimum, post-Closing QC reports must be produced monthly and include the following:

- The final defect rate for the results of the current review period;
- Trending information (issues and top defects);
- Distinction between defects related to compliance with federal, state, or local laws and regulations and defects related to underwriting and eligibility;
- A report on each type of review (random and targeted) that provides results using consistent methodology and terminology across review types;
- Intended corrective action; and
- A summary of the results of each individual review type into a comprehensive, summary report of all QC findings.

8.10.3 Reporting to the MPF Provider

A PFI is required to inform the MPF Provider in writing within thirty (30) days of the PFI's determination that a post-Closing QC finding adversely affects the investment quality or eligibility of a Mortgage Loan. Any incident of suspected fraud or false representation must be reported to the MPF Provider immediately.

Prior to notifying the MPF Provider of such items, the PFI should conduct the appropriate due diligence to determine whether a reasonable basis exists to conclude that false representation or suspected fraud may have occurred. The MPF Bank or MPF Provider may demand purchase, repurchase and/or reimbursement by the PFI when the Borrowers or any other party to the Mortgage Loan transaction has been found to have made false representations relating to such transaction, whether or not the PFI was a party to or had knowledge of such fraud or false representations. The MPF Provider reserves the right to increase the sampling size or to impose other QC review requirements on a case-by-case basis.

In addition, PFIs and Servicers must report to the MPF Provider all instances of suspicious activity, as defined under the Financial Crimes Enforcement Network (FinCEN) anti-money laundering and Bank Secrecy Act (BSA) regulations, related to Mortgage Loans sold and serviced under the MPF Program.

8.11 Quality Control Record Retention

A PFI must maintain complete records for each Mortgage Loan File selected for QC review. All records of the PFI's pre-Closing and post-Closing QC findings, together with substantiation of any remedial action taken, must be retained for a minimum of three (3) years from the date of the completion of the QC review.

These records must include:

- A listing, by year, of all Mortgages Loans:
 - Sampled for pre-Closing and post-Closing QC review; and
 - Reviewed as an Early Payment Default (EPD) Mortgage Loan.
- The following documentation for each Mortgage Loan for which a QC review was completed:
 - An explanation and documentation of any disparities or inconsistencies found in the Mortgage Loan File that impact the investment quality or eligibility of the Mortgage Loan under the PFI's, the mortgage insurer's, or the MPF Program's requirements;
 - All explanations and documentation obtained to remediate any disparities or inconsistencies found in the Mortgage Loan File that impacted the investment quality or eligibility of the Mortgage Loan under the PFI's, a mortgage insurer's, or the MPF Program's Requirements;
 - All reverification documentation obtained and used for the QC review; and
 - All of the PFI's internal loan-level QC documents used in its review process such as, but not limited to, checklists, forms and reports.

These records shall be made available to the MPF Bank or MPF Provider upon request.

CHAPTER 9. MPF PROGRAM MAJOR DISASTER RELATED POLICY

9.1 Major Disaster Related Policy

In the event of a Major Disaster, PFIs and Servicers are expected to assist applicants and Borrowers who are impacted because a Major Disaster adversely affects either the value or habitability of the Mortgage Property or the Borrower's ability to make payments on their Mortgage Loan. PFIs and Servicers are required to ensure that all Major Disaster product specific requirements are followed, including guidance and requirements from the MPF Provider, their MPF Bank, the Master Servicer, applicable investors, Ginnie Mae, applicable Government Agencies, applicable MI companies and applicable regulators.

Although the definition of a Major Disaster as used in this Guide only includes counties, municipalities or parishes identified as a Declared Disaster area by the Federal Emergency Management Agency (FEMA) (see www.fema.gov), and does not include state or local declared disasters, PFIs and Servicers should use their knowledge of particular geographic areas to determine when to submit a request to their MPF Bank and the Master Servicer to apply the requirements of this Guide to those situations. PFIs and Servicer should reach out to their MPF Bank and/or the Master Servicer (as applicable) when they encounter a particular situation they wish to address that does not meet the MPF Program disaster related requirements.

For Mortgage Loans affected by a Major Disaster but not yet sold into the MPF Program or delivered after a Major Disaster occurs, PFIs are responsible for ensuring that they are able to represent and warrant that, on the date the Mortgage Loan is delivered into the MPF Program, it meets all the MPF Program requirements, and that the Mortgaged Property and Borrowers meet all MPF Program eligibility requirements. The PFIs must also ensure they are able to make all other delivery related representations and warranties.

Policies specifically related to delivery of Mortgage Loans affected by Major Disasters are included in the product specific MPF Selling Guides, including:

- MPF Traditional Selling Guide:
 - 2.6.2.2.1 Limited Cash-Out Refinance for Disaster Impacted Properties
 - 7.15. Properties Located in Major Declared Disaster Areas
- MPF Xtra Selling Guide:
 - 2.3.2 Eligible Transaction Types
 - 6 Property Requirements
- MPF Government MBS Selling Guide:
 - 2.1.4 Properties Impacted by a Major Disaster

MPF® Program Guide

For Mortgage Loans being serviced when a Major Disaster occurs, Servicers are required to meet all product specific requirements. Servicers under the Scheduled/Scheduled remittance option are expected to continue to make required P&I advances.

Policies specifically related to Servicing of Mortgage Loans affected by disasters are included in the product specific MPF Selling Guides including:

- MPF Traditional Servicing Guide:
 - 4.6.7 Major Disasters
 - 4.6.8 Uninsured Disaster or Vandalism Losses
 - 8.2 Delinquent Government Loans
 - 8.7 Major Disaster Assistance
 - 8.7.1 Statement of Policy
 - 8.7.2 Offering Assistance to the Borrower
 - 8.7.3.1 Government Loans
 - 8.7.4 Foreclosure Action
 - 8.7.5 Insurance Proceeds
- MPF Xtra Servicing Guide:
 - 8.5 Natural Disasters
- MPF Government MBS Servicing Guide:
 - 4.6.7 Major Disasters
 - 4.6.8 Uninsured Disaster or Vandalism Losses
 - 8.7 Major Disaster Assistance
 - 8.7.1 Statement of Policy
 - 8.7.2 Offering Assistance to the Borrower
 - 8.7.4 Foreclosure Assistance

PFIs delivering, and Servicers servicing, MPF Government loans and MPF Government MBS loans must follow the disaster relief policies issued by the applicable Government Agencies.

PFIs delivering, and Servicers servicing, MPF Xtra loans must follow the disaster relief policies issued by Fannie Mae.

In addition, when a Major Disaster occurs, updates to MPF Program disaster related requirements, policies or procedures may be communicated in MPF Announcements, Government Agency announcements, Ginnie Mae announcements, investor announcements or other communications.

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