

The Mortgage Purchase Program (MPP) is well into its sixth year of purchasing 5 to 30 year term fixed-rate mortgages from FHLBI's member financial institutions. From the onset, the program was developed with members' needs in mind.

MPP Streamlines Operations & Offers Better Pricing, New Options

MPP has evolved to better meet the needs of our members. Recently, several program enhancements, such as more favorable pricing and improved operations, have been causing many to take a fresh look at MPP. While it is not new, many sellers are also taking another look at MPP's servicing released program, which helps them to be more successful in what has become a very competitive environment.

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BETTER PRICING

Better pricing comes directly from the new pool aggregation enhancement, which was developed in cooperation with FHLBI's supplemental mortgage insurance (SMI) partners, MGIC and Genworth Financial. Essentially, by pooling smaller master commitment contracts (MCCs) together, FHLBI is able to purchase a blanket policy on groups of MCCs. This allows FHLBI to purchase SMI at a discounted rate.

This significant reduction in the credit enhancement cost of the program yields a savings that is passed on to members participating in the program in their upfront price. This cost savings benefits our small- to mid-sized mortgage sellers – those that have MCCs of less than \$100 million.

LENDER RISK ACCOUNT

MPP is set apart from other industry outlets in that it offers the advantage of the unique "Lender Risk Account" (LRA). The LRA allows sellers to receive cash payouts when a pool experiences less than expected losses down the road. With the Pool Aggregation program, sellers receive improved upfront pricing due to lower credit enhancement costs achieved by aggregating loans from various members. The LRA for the Pool Aggregation program differs slightly from the original structure as the LRAs for sellers participating in the Pool Aggregation program are pooled together to cover all loans in the pool in the unlikely event that an individual seller exhausts its own LRA. As always, sellers have no exposure to credit losses beyond the value of their LRA.

In addition to improved pricing, many sellers are taking a fresh look at MPP because of improved operations.

Simplified MPP application – The information obtained for the application to participate in the Mortgage Purchase Program has been streamlined, reducing the information required and eliminating a required sample data file.

Elimination of Final Certifications – As of June 2005, MPP suspended the requirement of final certifications for document custodian files. MPP used to require that documents sent for recording (the original mortgage, interim assignments, etc.) be forwarded to the document custodian upon completion of the recording process and certified within one year by the document custodian. Now, copies of these documents are submitted with the initial certification package and no final certification is needed. This change reduces costs and improves operations for sellers in several ways including reducing the fees paid to document custodians to perform multiple certifications, reducing overnight and postage fees, and reducing time spent tracking items.

Streamlining Quality Assurance Process – As of January 2006, MPP selects random files for Quality Assurance (QA) quarterly instead of monthly. This change streamlines operations and reduces costs for sellers by reducing overnight and postage fees and streamlining the labor involved in pulling files, tracking items, and responding to QA letters. This enhancement was achieved without reducing the effectiveness of an active QA program.

Actual/Actual Servicing – MPP now allows servicers to choose between Scheduled/Scheduled and Actual/Actual servicing, which puts the servicer at an advantage to pick the option that is the right fit. Both remittance types have advantages, but often in the world of servicing it comes down to which type is better based on the ability to integrate it into the servicer's current systems and operations. This option allows a servicer to choose the remittance type that integrates the easiest with existing platforms, staff, and experience levels.

Eliminating Signatures on MDCs – When MPP was first developed, the concept of performing electronic trades was still relatively new. Because of that, MPP used to require sellers to print and sign copies of Mandatory Delivery Contracts (MDCs) and fax these copies to FHLBI to confirm the trade. Now that electronic transactions in banking have become part of how the industry does business, this second step has been eliminated. In June 2005, MPP announced that it no longer requires sellers to sign a copy of an MDC and fax it to FHLBI. This change reduces time, money, and waste, which all help to streamline the operations of the program.

Enhanced Website – MPP has added the MPP Guide, MPP application package, and other MPP forms and materials to FHLBI's main website at

<http://www.fhlbi.com/mpp/progmaterials.asp>

This makes certain that the necessary forms, materials, and tools are available for sellers and prospective sellers at the click of a mouse. You can use the materials online, save them to your hard drive, or print them for easy reference. This added feature is at no cost to sellers, unlike other agencies that require a subscription to a third party service to view their guidelines.

Servicing Released Option – Another way to maximize profit with minimum operational change is to consider selling to MPP via the servicing released option. By utilizing this strategy, sellers receive the same competitive upfront pricing, which can be through pool aggregation or the original structure, plus a competitive servicing released premium that is paid at the time of the sale. This option adds to MPP's flexibility and allows sellers to choose the method of selling to FHLBI that suits their institution's goals and objectives.



For more information on pool aggregation, improved MPP operations, or the servicing released option, please call FHLBI's MPP Department at 800.274.4636 and ask for an acquisitions representative.