



Advantage MPP

GUIDE UPDATE BULLETIN

MPP BULLETIN
08-21

Effective
August 02, 2021

Annual MPP
Guide Update,
Standards for
eNote
Purchases

Please contact our
MPP Department at
1-800-274-4636 with
questions.

FHLBank Indianapolis Releases Updated MPP Guide, Announces Standards for eNote Purchases

The revised *Mortgage Purchase Program Guide (MPP Guide)* is now available on our website. [Click here to view the new MPP Guide](#). The revised MPP Guide is effective for Mandatory Delivery Contracts issued on or after August 02, 2021.

For the first time, *MPP Guide* provisions have added governing requirements for eNote purchases and servicing. We encourage members interested in selling eNotes through Advantage MPP to consult the new *MPP Guide* and to contact our MPP Department. The new *MPP Guide* updates also incorporates all outstanding bulletin updates through *Informational Bulletin XX-21* (which includes 12-20, 13-20, 14-20, 15-20, 16-20, 17-20, 01-21, 02-21, 03-21, 04-21, 05-21 and 06-21), as well as other changes to the *MPP Guide*.

Below is an overview of the substantive *MPP Guide* changes not previously communicated through an *Informational Bulletin*. Changes to the text are indicated in **red**. Please refer to the *MPP Guide* for all applicable requirements.

1.5 GLOSSARY - ADDITION OF eNOTE DEFINITIONS AND OTHER UPDATES

Section 1.5 (Glossary) has been updated with the following:

Authoritative Copy

With respect to an eNote (and any Assignments or Allonges thereto or Guarantees thereof), a single authoritative copy of such document that is unique, identifiable and unalterable, is marked as the original and has no indication that it is a non-authoritative copy.

Controller

The party indicated on the eRegistry as having eRegistry Control of an eNote.

Custody File

A Custody File may include but is not limited to the following: original Note, original assignment of mortgage, copy of mortgage, copy of interim assignments, **copy of title policy** and Power of Attorney (if applicable). The Seller is required to submit a Custody File to the Document Custodian as specified in Appendix A for each mortgage.

Delegate for Transfer

An eRegistry participant which is authorized by the Controller to perform a transfer of eRegistry Control on the eRegistry on the Controller's behalf.

Delivery of Custody Files

With respect to documents held in Physical Form, actual receipt by the Document Custodian at its designated office of that portion of the Custody File held in Physical Form and, with respect to documents held in Electronic Form, actual receipt of that portion of the Custody File held in Electronic Form within the Document Custodian's Electronic Vault partitioned and dedicated to FHLBI and to the extent such documents maintained in Electronic Form are tracked through the eRegistry, the required designations have been properly completed

Document Release Form

The Seller must submit a Document Release Form (Exhibit A of the *Document Custodian Manual*) to obtain the release of documents held in custody by the Document Custodian. With respect to eNotes held in the Document Custodian's Electronic Vault, the Document Release Form shall include (a) direction to transfer eRegistry Control and eRegistry Location to a recipient and (b) the Org ID of such recipient.

eMortgage Closing Guide

A mortgage industry closing reference tool published by MISMO which can currently be located at [MISMO eMortgage Closing Guide](#), or such other industry closing reference tool as may be selected by FHLBI.

eNote

A Note originated and maintained in Electronic Form, including all original riders and audit trail documents sufficient to verify that the eNote has been electronically signed in compliance with all E-Signature Laws.

eSignature Laws

The E-Sign Act, UETA and other applicable electronic signature laws.

Electronic Form

A document delivered and maintained in electronic form.

Electronic Loan Document

Any document required to be included in the Custody File that is maintained in Electronic Form.

Electronic Security Instrument

A Security Instrument maintained in Electronic Form.

Electronic System

The system provided and operated by an Electronic System Provider that enables electronic contracting, the transfer of electronic contracts, the vaulting of electronic contracts and the transfer of documents maintained in Electronic Form into Physical Form.

Electronic System Provider

A provider of an Electronic System reasonably selected by the Document Custodian in good faith with FHLBI's prior written consent, which consent shall not be unreasonably withheld.

Electronic Vault

An electronic vault created under an agreement with an Electronic System Provider in which original documents in Electronic Form reside.

eRegistry

The electronic registry provided and operated by MERS or such other electronic registry as agreed in writing by FHLBI in its sole and absolute discretion.

eRegistry Control

Control of an eNote as established by reference to the eRegistry.

eRegistry Location

The location of an eNote established by reference to the eRegistry, and means the party designated in the eRegistry that maintains the Authoritative Copy of the eNote.

E-SIGN Act

The Electronic Signatures in Global and National Commerce Act, as such act may be amended or supplemented from time to time.

MISMO

The Mortgage Industry Standards Maintenance Organization.

Note

In connection with a mortgage, the instrument which evidences a borrower's obligation to pay a specified sum of money at a stated interest rate during a specified time. Any reference in this Guide to a "Note" shall include an eNote.

Org ID

A seven-digit number assigned by MERSCORP Holdings that uniquely identifies a member entity on the eRegistry.

Physical Form

A document delivered and maintained in physical paper form, or a document previously maintained in Electronic Form which has been transferred to physical paper form.

Security Instrument

A written document by which the title to property is conveyed or deposited as security for the satisfaction of an obligation or the payment of a debt. The most common Security Instruments are mortgages and deeds of trust. Any reference in this Guide to a "Security Instrument" shall include an Electronic Security Instrument.

UETA

The Uniform Electronic Transactions Act, as may be subsequently amended or modified.

2.1 SELLER ELIGIBILITY REQUIREMENTS

Section 2.1 has been updated to include eligibility requirements for selling eNotes.

11. eNotes

1. To be eligible to sell eNotes to FHLBI under the MPP Program, a Seller must be separately approved in writing by FHLBI, must be eligible and approved to sell eNotes to Fannie Mae and/or Freddie Mac pursuant to their respective GSE Guidelines, and must maintain compliance with those applicable GSE Guidelines at all times.

4.1 GENERAL – eNOTES COMPLIANCE

Section 4.1 has been updated to include guidance on eNotes as it relates to compliance with GSE guidelines.

1. Compliance with Guidelines:
 - a. After executing an MDC, the Seller assembles the mortgages that it has originated or acquired.
 - b. The Seller must ensure that all mortgages are legal, valid, binding, and enforceable obligations of the respective mortgagors; that all mortgages the Seller originated or acquired are in compliance with FHLBI Guidelines, this Guide, the Master Agreement, and the other Program Documents.
 - c. For eNotes, Seller must comply in all respects with the applicable GSE Guidelines for the origination, closing, delivery and servicing of eNotes.

2. Custodians, Escrow Accounts, and Data Transmission

Before mortgages can be sold to FHLBI, the Seller must establish required custodial relationships and provide detailed loan data to FHLBI through LAS.

3. Third-Party Acquisitions

If the Seller sells mortgages to FHLBI which were acquired from third party lenders, the Seller must meet each of the following requirements:

- a. Make all of the representations, warranties, and covenants set forth in this Guide to the same extent as if the Seller were the originator of the mortgages.
- b. Own the third-party originated mortgages as of the date such mortgages are delivered to FHLBI for purchase.
- c. Meet all requirements for third-party originated mortgages.

5.3 eNOTES

Section 5.3 has been added to provide guidance on eNotes.

1. If an eNote has been underwritten in accordance with Fannie Mae underwriting guidelines (see Section 6 of this Guide below), then all aspects of such eNote, including without limitation its origination, disclosures, format, signatures, audit trails, closing, document security and transfer of control and location, must comply in all respects with GSE Guidelines issued by Fannie Mae and in effect at the time of

the sale, including guidelines found in the Guide to Delivering eMortgages to Fannie Mae.

2. If an eNote has been underwritten in accordance with Freddie Mac underwriting guidelines or has been underwritten manually (see Section 6 of this Guide below), then all aspects of such eNote, including without limitation its origination, disclosures, format, signatures, audit trails, closing, document security and transfer of control and location, must comply in all respects with GSE Guidelines issued by Freddie Mac and in effect at the time of the sale, including guidelines found in the Freddie Mac eMortgage Guide.

6. FHLBI UNDERWRITING GUIDELINES

Section 6 has been updated to include the following addition to the FHLBI Eligibility Matrix.

Income per AUS - Tax transcripts must be provided for all self-employed borrowers

6.2.1.3 LOAN PURPOSE

Section 6.2.1.3 has been updated to follow Fannie Mae and Freddie Mac guidelines for Delayed Financing:

Cash Out Refinances

A Cash Out Refinance is a loan with proceeds that exceed the outstanding principal balance of the existing liens plus reasonable and customary closing costs. Each Cash Out Refinance must be underwritten to meet the following requirements and will be assessed the appropriate fees as outlined in Appendix B, which will be deducted from the purchase price.

Delayed Financing

- Following Fannie Mae or Freddie Mac guidelines
- Second homes are not eligible

~~• If the property has been owned by the borrower for less than six (6) months, the LTV is based on the lesser of the original purchase price plus the documented cost of improvements or the current appraised value.~~

~~1. Properties that have been listed for sale must be taken off the market prior to application of the new mortgage loan.~~

~~2. At least one borrower must have been on the title to the subject property for at least six (6) months prior to the Note Date with the following exceptions:~~

~~a. The seller documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).~~

~~b. All of the delayed financing requirements listed below are met. Borrowers who purchased the subject property within the past six~~

- ~~(6) months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan);~~
- ~~i. The borrower(s) must meet borrower eligibility requirements as defined in Section 6.2.3 of this Guide.~~
 - ~~ii. Must be primary owner occupied. Second homes are not eligible for this exception.~~

6.3.1.1 AUTOMATED UNDERWRITING SYSTEM (AUS)

Section 6.3.1.1 has been updated to include the IRS transcripts requirement.

1. Follow DU/LPA findings
2. DU/Day One Certainty and LPA/AIM are acceptable
 - a. Documentation is accepted
 - b. Exempt from Representation and Warranty relief
 - c. IRS transcripts are required for personal and business returns for all self-employed borrowers

8.4.11 DOCUMENT CUSTODY REQUIREMENTS

Section 8.4.11 has been updated to include additional information about the delivery of eNotes.

Refer to the *Document Custodian Manual* (Appendix A) for recertification requirements.

Recertification procedures are required if the Seller or document custodian responsibilities change for a group of mortgages. Recertification is also required each time one or more mortgages are deregistered from MERS.

The Transferor Document Custodian must cooperate with the Transferee Document Custodian to allow a smooth and orderly transfer. It is the responsibility of the Transferor Document Custodian to work with the Transferor, the Transferee, the Transferee Document Custodian, and FHLBI to cure all document deficiencies prior to recertification of the custodian files.

The Transferor's responsibilities include (but are not limited to) the following:

1. Verify that the Transferee Document Custodian has been selected by the Transferee in accordance with FHLBI's requirements and that a copy of the Transferee's executed Custodial Agreement accompanies the Transferor's request to transfer the custodial files.
2. Cause the Transferor Document Custodian to deliver to the Transferee Document Custodian the Custody Files not later than 30 days after the effective date of transfer. **Delivery of Custody Files hereunder shall be in accordance with the definition of Delivery of Custody Files. With respect to any eNote delivered to the Document Custodian, (i) the Transferor shall designate the Transferee Document Custodian as the eRegistry Location and FHLBI as the Controller with respect to such**

eNote; and (ii) the Transferor shall designate the Document Custodian as the Delegate for Transfer with respect to such eNote. The Document Custodian shall not be identified as the Controller on the eRegistry with respect to any eNote.

3. Ensure that all mortgages registered and assigned to MERS and all mortgages closed as MOM loans are identified as such.
4. Cause the Transferor Document Custodian to remove and destroy the recordable but unrecorded assignment, if prepared, from the Transferor in blank.

The Transferee Document Custodian's responsibilities include (but are not limited to) the following:

1. Establish a custodial arrangement in accordance with this Guide.
2. Perform the recertification as required in the *Document Custodian Manual* (Appendix A).
3. Responsible for all representations and warranties with respect to the validity and enforceability of the mortgage documents.

10.1 LIMITATIONS AND RESTRICTIONS

Section 10.1 has been updated to include guidance on eNotes.

1. In addition to the Servicing Guidelines provided in this section ([Section 10](#)), the following limitations and restrictions are highlighted:
 - The Servicer may transfer custodial accounts, Document Custodian responsibilities, and subcontract servicing responsibilities only with prior FHLBI approval.
 - The cost of property inspections is not reimbursable by FHLBI.
2. eNotes. To be eligible to service eNotes for FHLBI under the MPP Program, a Servicer must be separately approved in writing by FHLBI, and must either (a) be approved to service eNotes for Fannie Mae and/or Freddie Mac pursuant to their respective GSE Guidelines, in which case the Servicer must maintain compliance with those applicable GSE Guidelines governing servicing of eNotes at all times; or (b) if a Servicer is not approved to service eNotes for either Fannie Mae or Freddie Mac, the Servicer must maintain compliance with the Freddie Mac Guidelines governing servicing of eNotes at all times.

16.2 SERVICER RESPONSIBILITIES

Section 16.2 has been updated to include Servicer Responsibilities regarding eNotes.

1. The Servicer must service delinquent and defaulted mortgages in accordance with GSE guidelines. Wherever this Guide and GSE guidelines may be in conflict, this *MPP Guide* shall supersede the GSE guidelines.

2. The Servicer must employ staff that is experienced and skilled in financial counseling and mortgage collection techniques. The Servicer's staff must assist a mortgagor in bringing a mortgage current, while protecting the mortgagor's equity and credit rating and protecting FHLBI's interests.
3. Servicer's failure to service a delinquent loan timely may result in curtailments upon claim settlement. Severe failures to prudently service a delinquent loan as well as other servicing practices that are not compliant with FHLBI servicing guidelines may result in repurchase of the loan.
4. Servicers should follow GSE guidelines for applicable attorney fee schedules when processing defaulted loans.
5. The following provisions relate to loans evidenced by eNotes or secured by eMortgages:
 - a. In cases of pursuing a foreclosure, filing a proof of claim or other filing or action in a borrower's bankruptcy proceeding, or initiating other litigation ("Legal Action"), where it is necessary to have the eRegistry adjusted to reflect the Servicer as the Controller and Location of the eNote, the change of control request should be sent to the Document Custodian. The Document Release form may be referenced in Appendix A of this Guide and is available on the FHLBI public website at www.fhlbi.com.
 - b. Upon the conclusion of any Legal Action involving an eNote, the Servicer shall promptly offer a "Change of Control" of the eNote back to FHLBank Indianapolis by causing the eRegistry to reflect:
 - Delegatee for Transfers = US Bank, NA
 - Location = US Bank, NA
 - Controller = Federal Home Loan Bank of Indianapolis
 - c. The Servicer may not convert an eNote into a paper record outside of the eRegistry without the prior written consent of FHLBI. Contact defaultreporting@fhlbi.com to coordinate Servicer actions in such matters.

APPENDIX A: DOCUMENT CUSTODIAN MANUAL

The Appendix has been updated to include eNote provisions throughout the document – see attached.

FHLBank Indianapolis periodically issues Informational Bulletins to provide program updates and information to approved Mortgage Purchase Program (MPP) sellers, including: MPP Guide revisions and changes; operational guidance or clarifications; and notices/reminders of industry issues that may affect sellers and servicers.

The Informational Bulletins are coded so that users can easily identify the issue and year of bulletin publication. For example, "Bulletin 04-20" indicates the fourth Informational Bulletin issued in 2020.

Please retain these bulletins with your MPP Guide for easy reference. Bulletins can also be found posted on the MPP Materials page online.