



Advantage MPP

INFORMATIONAL BULLETIN



MPP BULLETIN 04-19

September 30, 2019

Discontinuation of eligibility for Third-Party Origination and High-Balance Loans

Please contact Advantage MPP at 1-800-274-4636 with questions concerning MPP Guide changes.

Third-Party Origination and High Balance Loans

The following Guide changes eliminate the eligibility of Third-Party Originated (TPO) and High-Balance loans for sale to the Advantage Mortgage Purchase Program.

These changes to the MPP Guide are effective for all new Master Commitment Contracts (MCCs) entered on or after October 1, 2019.

6.5.1 High-Balance Mortgage Loan Eligibility

The high-balance loan requirements apply to mortgage loans with original loan amounts meeting the high-cost area loan limits established by the Federal Housing Finance Agency.

Lenders are responsible for ensuring that the original principal balance of each mortgage loan does not exceed the applicable maximum loan limit for the specific area in which the property is located.

The following guidelines apply to all high-balance mortgage loans:

- Loans must be conventional first-lien mortgages only
- Loans must meet the LTV/CLTV/HCLTV ratios as outlined in the Eligibility Matrix
- All borrowers must have a minimum credit score of 680
- All loans must have AUS approve/eligible findings
- Manual Underwriting or ineligible AUS findings are not accepted

6.8 Third-Party Origination (TPO)

Sellers that acquire loans from unaffiliated TPOs for sale to FHLBI must have prior approval and meet the following requirements:

1. Seller must have established policies and procedures regarding the seller's due diligence evaluation of the TPO that includes:
 - a. Most recent financial statements
 - b. Current licenses
 - c. Resumes of principal officers and underwriting personnel
 - d. TPO's Quality Control procedures which allow Seller to determine if the party and its originations comply with the Seller's standards for quality.
 - e. Results of background checks for principal officers and the TPO's hiring procedure for checking all employees, including management, involved in the origination of mortgage loans against the following:
 - i. U.S. General Services Administration (GSA) Excluded Parties List
 - ii. HUD Limited Denial of Participation List (LDP List)

iii. Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List

2. Seller must perform oversight and monitoring of TPO loans for verification that the TPO loans meet the Seller's and MPP's underwriting standards and compliance with applicable laws and regulations.
3. Seller must specify the loan is originated by a TPO in LAS when delivered to FHLBI.
4. Borrower(s) income must be verified and validated 24 months or more (MCC specific). If tax returns were required in the underwriting of the loan; the seller must obtain IRS transcripts for the same tax years as documented by the borrower's tax returns in the origination file. IRS transcripts may be used to document 24 months income as long as it contains all of the information that would be included in the federal individual income tax returns. IRS transcripts are not required for loans underwritten without tax returns as long as tax returns were not required to support the income. (Please refer to Section 7 of this Guide for seller QA plan requirements).
5. All TPO loans with LTVs/CLTVs/HCLTVs greater than 80%, a minimum of 5% of the funds invested in the transaction must be from the borrower's own funds.

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

The Informational Bulletins are coded so that users can easily identify the issue and year of bulletin publication. For example, "Bulletin 04-19" indicates the fourth Informational Bulletin issued in 2019.

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