



Advantage MPP

INFORMATIONAL BULLETIN



MPP BULLETIN 06-18
December 21, 2018

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

FHLBank Indianapolis Updates to MPP Guide

The changes to the MPP Guide described in this bulletin are effective January 1, 2019.

This bulletin includes:

- Continuing Eligibility
- Maximum Original Loan Limits
- Borrower Initiated Escrow Account Cancellation
- PMI Cancellation
- Purchase Money Mortgages
- Condominiums
- Second/Vacation Homes
- Adverse Credit History
- Federal Disaster Area

CONTINUING ELIGIBILITY (SECTION 2.2)

Section 2.2.6 has been added as follows:

If the Seller is required to report HMDA data, the Seller's Legal Entity Identifier (LEI) is required to be reported to FHLBank Indianapolis and the Universal Loan Identifier (ULI) is required at the time of loan delivery. If the Seller is exempt from reporting HMDA information, a duly authorized officer will be required to provide certification of the classification.

MAXIMUM ORIGINAL LOAN AMOUNTS (SECTION 6.3)

Section 6.3 has been updated to read as follows:

FHLBank Indianapolis has updated the maximum loan limits for conventional loans in accordance with recently issued guidance from the Federal Housing Finance Agency (Finance Agency).

The maximum loan amounts eligible for purchase by FHLBank Indianapolis are based on the conforming loan limits listed below, subject to periodic review.

Number of Units	Maximum Original Loan Amount	Properties in Alaska and Hawaii
1	\$484,350	\$726,525
2	\$620,200	\$930,300
3	\$749,650	\$1,124,475
4	\$931,600	\$1,397,400

In addition, FHLBank Indianapolis will allow high balance loans as designated by maximum loan amounts allowed per county. Advantage MPP will comply with the loan amounts established on a county-by-county basis in accordance with the terms of the Housing and Economic Recovery Act of 2008.

ESCROW ACCOUNTS (SECTION 6.3.3)

Section 6.3.3 has been added as follows:

Borrower Initiated Escrow Cancellation (Below 80% LTV)

Servicers may permit escrow cancellation below 80% providing an evaluation has been completed to consider not only the LTV but the borrower(s) financial ability to handle the lump sum payments of escrowed items.

PMI CANCELLATIONS (SECTION 6.3.7.1)

Section 6.3.7.1 has been updated as follows:

When assessing the payment history for a mortgage loan that has been outstanding for fewer than 24 months, the servicer must apply the acceptable payment record criterion to the length of time the mortgage loan has been outstanding.

BORROWER REQUESTED-ORIGINAL PROPERTY VALUE

A borrower may initiate cancellation of PMI coverage by submitting a written request to the Servicer.

The borrower must have an acceptable mortgage payment record which is current when termination is requested, no payment which is 30 or more days past due in the last 12 months, and no payment which is 60 or more days past due in the last 24 months.

The Servicer must take action to cancel PMI when:

1. The principal balance of the loan:
 - a. Is first scheduled to reach 80% of the original value (regardless of the outstanding balance), based on the initial amortization schedule
Reaches 80% of the original value based on actual payments (including principal curtailments).
2. The borrower has good payment history.
3. The borrower satisfies any requirement of the mortgage holder for:
 - a. Determination by the servicer that the value of the property has not declined below the original value

PURCHASE MONEY MORTGAGES (SECTION 6.3.10)

Section 6.3.10.4 has been added as follows:

If the borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the subject transaction, the current PITI and the proposed PITI must be used in qualifying the borrower for the new mortgage loan. However, the current principal residence's PITI will not be required to be used in qualifying the borrower as long as the following documentation is provided:

- The executed sales contract for the current residence
- Confirmation that any financing contingencies have been cleared

CONDOMINIUMS PROJECTS (SECTION 6.5.2)

Section 6.5.2 has removed project review guidelines and updated as follows: Condominium units in completed, established projects will be acceptable collateral for this program. The maximum LTV is 90%. The Seller is responsible for determining that the project is agency (FHA, Fannie Mae, or Freddie Mac) approved. **FHLBank Indianapolis will not purchase Non Warrantable Condominiums.**

(Glossary addition - **Warrantable Condominium** - The project (including all common areas) is fully completed and the common areas are insured, the Homeowners Association has been controlled by unit owners (as opposed to the developer) for some period, most units are owner-occupied, and no one person owns more than 10% of the units.)

CONDOMINIUMS (SECTION 6.5.2.1)

Site Condominiums: Site condominiums are defined as Single-family detached homes with ownership rights as a condominium meeting all of the conditions below: (conditions have not changed)

SECOND/VACATION HOMES (SECTION 6.5.7)

Section 6.5.7 has been updated as follows:

5. Each borrower individually and all borrowers collectively must not be obligated on more than **ten** 1 to 4 unit financed properties, including the subject property.

6. Reserve requirements:

- a. One to Six financed properties
 - i. Two (2) months of the monthly payment amount on each additional second home and/or 1 to 4 unit Investment Property that is financed and on which the Borrower is obligated
- b. Seven to Ten financed properties

- ii. Eight (8) months of the monthly payment amount on each additional second home and/or 1 to 4 unit Investment Property that is financed and on which the Borrower is obligated

MANUAL UNDERWRITING (SECTION 6.8) BORROWER INCOME CALCULATIONS (SECTION 6.8.1.9)

Section 6.8.1.9 has been updated as follows:

Borrowers are required to show proof of income stability for the past two years and that the income is likely to continue for at least three years. The total housing/monthly debt ratios may not exceed 33%/43% and adhere to Appendix Q to Part 1026-Standards for Determining Monthly Debt and Income.

ADVERSE CREDIT HISTORY (SECTION 6.8.1.8)

Section 6.8.1.8 has been updated as follows:

Bankruptcies Must be discharged four years prior to loan application.

ADDITIONAL SFHDF REQUIREMENTS (SECTION 12.2.4.1)

Section 12.2.4.1 has been updated as follows:

8. FEDERAL DISASTER AREA:

- a. An Appraisal Update (1004D) must be completed prior to loan closing with an interior/exterior inspection including photos to verify no existence of damage. This is applicable for all loans with appraisals dated prior to FEMA's Major Disaster event date.
- b. A full appraisal report (1004/1073) must have a comment addressing the post-disaster condition of the property for all appraisals dated on or after FEMA's Major Disaster event date. Any property that is identified as being damaged must be repaired prior to loan closing.
- c. The seller should contact the appropriate regional FEMA offices to determine where properties located in its origination regions are included in the disaster areas.

FHLBank Indianapolis periodically issues Informational Bulletins to provide program updates and information to approved Advantage MPP sellers, 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 04-15" indicates the fourth Informational Bulletin issued in 2015.

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.